International Civil Aviation Organization

WORKING PAPER

ASSEMBLY - 37TH SESSION

ADMINISTRATIVE COMMISSION

Agenda Item   72:   Review of expenditures, approval of accounts and examination of Audit
Reports for the financial years 2007, 2008 and 2009

FINANCIAL STATEMENTS AND REPORTS OF THE EXTERNAL
AUDITOR FOR THE FINANCIAL YEAR 2007

(Presented by the Council of ICAO)

EXECUTIVE SUMMARY
This paper contains the Financial Statements of the Organization for the financial year 2007, the Auditor's Report, which contains the audit opinion on the financial statements and the Report of the External Auditor to the Assembly, which contains a long-form audit report on the audit of the financial statements of the Organization, as well as the Secretary General's Response to the Report of the External Auditor, as contained in Document 9909.
The status of implementation of recommendations issued by the External Auditor in her report on the 2006 accounts and reports of prior years' accounts is included in Appendix A.
Draft Resolutions for the consideration of the Assembly are in Appendix B.
Action: The Council recommends that the Assembly: a) note the Auditor's Report and the Report of the External Auditor to the Assembly relating to the 2007 accounts and the Response of the Secretary General to the Report of the External Auditor contained in Document 9909, and the report on the status of implementation of the External Auditor's prior years' recommendations (Appendix A); b) approve the audited accounts of the Organization for the financial year 2007 contained in Document 9909 including the accounts with respect to the UNDP activities (Schedule C.1 in the Financial Statements) executed by the Organization; and c) adopt the Draft Resolutions presented in Appendix B.

Strategic Objectives:	This working paper relates to Supporting Implementation Strategy 1 and does not relate to any Strategic Objective.
Financial implications:	Not applicable.
References:	Chapter VIII, Article 49(f) of the Convention Doc 9902, *Assembly Resolutions in Force* (as of 28 September 2007) Doc 7515/13, *The ICAO Financial Regulations*

A37-WP/53
AD/10

1.   **INTRODUCTION**

1.1   This working paper presents the financial reports on the year 2007. The audited financial statements of the Organization, two audit reports as explained below, and the Secretary General's response to the Report of the External Auditor in Document 9909.

1.2   The format and presentation of the financial statements for the year ended 31 December 2007 have not been significantly changed compared to 2006. However, further changes are anticipated in the forthcoming years as the Organization moves to simplify the reporting and to keep pace with the transition to the International Public Sector Accounting Standards (IPSAS) adopted by the United Nations.

1.3   The status of implementation of recommendations issued by the External Auditor in her long-form report on the 2006 accounts and reports of prior years' accounts, has been presented and considered by the Council during its 184th Session, in accordance with C-DEC 174/11 and is presented to the Assembly in Appendix A.

2.   **REPORTS OF THE EXTERNAL AUDITOR**

2.1   The External Auditor has provided two audit reports. The Auditor's Report contains an audit opinion on the financial statements of the Organization, without reservation, that the financial statements of the Organization for 2007 presented fairly, in all material respects, the financial position of the Organization as at 31 December 2007 and the results of its operations, and that the transactions of the Organization that came to her notice during her audit of the financial statements had, in all significant respects, been in accordance with the Organization's Financial Regulations and legislative authority. As required by the Financial Regulations, the External Auditor reported that, in her opinion, the accounting principles have been applied on a basis consistent with that of the preceding year.

2.2   The External Auditor has also reported in the Report of the External Auditor to the Assembly the results of the examination of selected activities of the Organization and made recommendations for the consideration of the Organization; and the Secretary General's Response to the Report of the External Auditor and the proposed action on the recommendations are presented in Document 9909.

3.   **REVIEW BY THE COUNCIL**

3.1   On 2 July 2008, the Council reviewed the Financial Statements of the Organization for the financial year 2007, the audit reports thereon and the Secretary General's Response to the Report of the External Auditor (Document 9909). The Council also reviewed and considered the report of the Secretary General on the status of the prior years' recommendations of the External Auditor (Appendix A). After careful consideration of the Financial Statements and the Auditor's Report, the Report of the External Auditor to the Assembly and the Secretary General's Response to the Report of the External Auditor, the Council agreed to transmit the document and to recommend action to the Assembly as reflected in the Draft Resolutions in Appendix B.

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APPENDIX A

STATUS REPORT OF THE EXTERNAL AUDITOR'S
RECOMMENDATIONS ON THE 2006 AND PRIOR FINANCIAL YEARS

1.   INTRODUCTION

The Council, at the 11th meeting of its 174th Session, *inter alia*:

a) agreed to examine annually, each May/June Session, the status and schedule of implementation of recommendations by the External Auditor in previous reports. This examination would be a separate exercise from the customary presentation of and reaction to the External Auditor's report concerning the year just ended; and

b) established a general rule that the External Auditor's recommendations, where accepted, be implemented within a year of the publication of the report, unless the Secretary General makes a proposal for an extension that is agreed by the Council.

2.   STATUS OF RECOMMENDATIONS

2.1   This status report provides a listing of the recommendations made by the External Auditor in 2006 and prior years as of 31 March 2008. For each outstanding audit recommendation, the information presented includes the year of the audit report in which the recommendation was made, the paragraph number of that report, a description of the recommendation made by the External Auditor, an unaudited commentary on progress made in implementing the recommendation, its current status and its expected completion date.

1.	**RECOMMENDATIONS OF THE EXTERNAL AUDITOR REPORTED IN 1998**

1.1	**Cash Management**

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date
1.1.1	<u>1998 - Paragraph 89</u> The accounting system be modernized in order to facilitate timely action, including payment on due dates.	Action to modernize the accounting system is underway. The full payment process will be better controlled in the new system. In the meantime, all invoices payable are carefully monitored to ensure timely payment.	**Partially implemented**	**April 2008**

2.	**RECOMMENDATIONS OF THE EXTERNAL AUDITOR REPORTED IN 2000**

2.1	**Human Resource Management**

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date
2.1.1	<u>2000 - Paragraph 64</u> Ensure that adequate funding is provided to improve management and recruitment practices.	Funding was increased in the budget, however an austerity budget plan has resulted in reducing the funding available to improve recruitment and management practices. The newly established Human Resources Committee is reviewing recruitment and general human resources policies.	**Partially implemented**	**June 2009 (mid-term review)**

2.2   Information Technology

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date
2.2.1	2000 - Paragraph 81 ICAO has attempted to renew its financial system but has made little progress, despite the acknowledged urgency of the need. The Organization will need funding, project leadership, and competencies in implementing modern information systems.	A new project team was formed in February 2006 with the mandate to review the work previously carried out in this area and to prepare a Business Case for the Integrated Resources Information System - IRIS. The Business Case was presented in May 2006 recommending, inter alia: • ICAO to proceed with the implementation of a new system in two phases to minimize risks; • The revision and optimization of ICAO's business processes with the view to streamlining these processes by applying best practices; • The revision of ICAO's requirements with the view to preparing a new tender for selection and implementation of the system based on the revised requirements. A tender was held in late 2006 in which Agresso Business World, a tier 2 solution, was reviewed and selected as the best fit for ICAO's requirements by an evaluation team led by the IRIS Project Team and comprised of staff member experts in the various business areas involved with the new system, for a total of approximately 35 staff members. A contract with Agresso North America for the purchase and implementation of the new system was signed in January 2007 and work on the implementation of Phase I started subsequently, with completion date estimated for December 2007 and start of live operations in January 2008. In July 2007 the project team was instructed by the Secretary General and the Sponsors' Group to adapt the project's work plan to accommodate the adoption of two base budget and accounting	**Partially implemented**	**April 2009**

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date
		currencies: the Canadian dollar for proprietary funds and the United States dollar for non-proprietary funds. As a consequence, the design and implementation work carried out until then had to be revised for the new scope and the work plan for the remaining activities had to be modified to accommodate the new implementation while the original deadline of January 2008 for the start of live operations had to maintained. To accomplish this, the project team divided the delivery of Phase I functionalities into two: critical functionalities deemed essential for live operations; and functionalities deemed non-essential for live operations. Delivery of the former was kept for January 2008 while delivery of the latter was rescheduled to be completed by the end of 1st quarter 2008. On 8 January 2008 live operations began on the new system with transactions in the 5 areas of Phase I (general ledger, accounts payable, accounts receivable, procurement and management of projects). Planning and introductory activities of Phase II of the project, which will comprise human resources/payroll, budget planner, sales of publications, fixed assets and travel, started in March 2008 with estimated completion scheduled for April 2009.		
2.2.2	2000 - Paragraph 82 A change management strategy is necessary to mobilize and sustain the efforts to change to a new, modern system.	The project team, with help from external consultancy, prepared and is implementing the findings and recommendations from the following change management actions: • Readiness Assessment for Roll-out • Change and Communication Management Work Plan • Role Impact Analysis • Communications Plan	**Partially implemented**	**April 2009**

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date
		The work relating to change management activities will continue until completion of Phase II.		

3.   **RECOMMENDATIONS OF THE EXTERNAL AUDITOR REPORTED IN 2002**

3.1   **Regional Offices with Special Reference to the Asia and Pacific Office (Bangkok) and the European and North Atlantic Office (Paris)**

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected completion Date
3.1.1	2002 - Paragraph 114 The Secretary General should institute a formal annual review of plans with each Regional Office. This review should involve representatives from each Headquarters bureau and should focus on planned results and the expected costs required to achieve them. This will enable realistic priorities to be identified and agreed upon.	The operational plans of the regional offices were embedded into Air Navigation Integrated Programme (ANIP) to enhance the functional integration between Headquarters and Regional Offices. However, as this software system was a proprietary item, difficulties were experienced in its implementation. Consequently, ICAO Knowledge based Shared Network (IKSN), an online planning system for the Business Plan, has been designed and developed and in April 2008 a skeleton application has already been deployed. This will provide a unified approach to managing all the regional projects and will focus on monitoring planned results within the cost allocation. Priorities will be established as appropriate. This will be accomplished by September 2008.	**Partially implemented**	**September 2008**

4. **RECOMMENDATIONS OF THE EXTERNAL AUDITOR REPORTED IN 2003**

4.1 **Regional Offices with Special Reference to the Western and Central African Office (Dakar)**

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected completion Date
4.1.1	2003 - Paragraph 133 Results should be reported in the Regional Office monthly reports and in the Annual Report to the Assembly.	As part of the Business Plan, it is intended to monitor performance of Regional Offices through IKSN, the online planning system for the Business Plan. This new system has been designed and developed and subsequently a skeleton application has already been deployed in April 2008. The major activities specific to the region have been reflected in the Annual Report of the Council for 2007.	**Partially implemented**	**September 2008**

4.2 **Follow-up on External Auditor 2000 Report: Human Resource Management**

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date
4.2.1	2003 - Paragraph 82 ICAO should develop a shared understanding of staff competencies at the senior management level to assess whether ICAO has the right knowledge and skills needed to achieve its objectives, and if not, to develop programmes that address knowledge and skill gaps.	The competency framework for senior managers, developed by the United Nations systems, is to be used as the basis to assess managerial competency requirements. As such, specific managerial competencies are to be evaluated through the PACE system. With respect to the PACE system, Senior Managers are currently working on establishing shared high level objectives in order to support their achievement of joint organizational goals.	**Partially implemented**	**December 2008**
4.2.2	2003 - Paragraph 82 ICAO should devote the necessary funding to address the technical training programmes identified in a recent survey of training needs to help ensure that ICAO has the skills and competencies needed to achieve its current and future objectives.	A comprehensive training programme covering managerial, technical, administrative and ICT training has been prepared for the 2008-2010 triennium. Due to financial constraints, however, the training budget has been curtailed, therefore the implementation of the plan is being reviewed. In 2007 ICAO officials did attend symposia,	**Partially implemented**	**September 2008**

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date
		conferences and technical meetings dealing with their respective Bureaux.		
4.2.3	2003 - Paragraph 82 ICAO should reassess the representation of women in the aviation field and the targets established for ICAO. From this assessment, formulate a revised plan of action to improve the representation of women in professional and higher categories, and devote the senior management attention and dedicated resources (financial and human) required to implement the plan.	During 2007, three women Directors were appointed.	**Implemented**	

5. RECOMMENDATIONS OF THE EXTERNAL AUDITOR REPORTED IN 2004

5.1 Attest Audit Results

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date
5.1.1	2004 – Paragraph 10 c) Value of non-expendable items still not disclosed in 2004 financial statements.	The value of non-expendable items was disclosed in the 2006 audited financial statements.	**Implemented**	
5.1.2	2004 – Paragraph 10 d) Income recognition for sales of publications does not comply with United Nations System Accounting Standards (UNSAS).	In order to fully comply with UNSAS for sales of publications on an accrual basis, a recognition of the inventory of publications held for sale as an asset on the balance sheet would also need to be recognized. The cost of producing publications is currently recorded as expenditure in the Regular Programme and recognizing the publications inventory as an asset on the balance sheet will be implemented as part of the adoption of International Public Sector Accounting Standards (IPSAS) in 2008.	**Partially implemented**	**2008**

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date
5.1.3	2004 – Paragraphs 13 and 14 Controls for inventory of expendable and non-expendable items should be improved. Conference and Office Services Section (COS) should not further delay the approval and distribution of the new procedure for managing non-expendable items. Further efforts are required to produce an accurate inventory of non-expendable items to improve its management and to comply with UNSAS.	The Non Expendable Property Manual for the management of non-expendable property providing guidelines on the procedures for managing non-expendable items has been approved by the Secretary General and distributed to all bureaux and sections for implementation. Also, as mentioned above the value of NEP was disclosed in the Notes to Financial Statements for the year ended 31 December 2006.	**Implemented**	

5.2   **Follow-up on External Auditor 2002 Report on Management of Technical Co-operation (TC) Projects**

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date
5.2.1	2004 – Paragraph 26 Although there have been several changes in the technical co-operation programme, there seems to be no consolidated TC Policy available.	A consolidated and updated technical cooperation policy was developed by TCB and submitted for Council's consideration in 2007. As a result, a Consolidated Statement of ICAO Policies on Technical Co-operation was approved by the 36th Session of the Assembly (Resolution A36-17), superseding all resolutions previously in force.	**Implemented**	

6.   **RECOMMENDATIONS OF THE EXTERNAL AUDITOR REPORTED IN 2005:**

6.1   **Follow-up on External Auditor 2000 Report: Modernization of Financial Information Systems**

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date
6.1.1	2005 – Paragraph 23 ICAO should adapt its ICT operations to a changing environment by applying industry best practices. a. As a starting point, ICT stakeholders should obtain Council's firm commitment to renew the ICT operations and view them as an essential element of the entire organization, not just a section or bureau issue.	a. Although fully supported, during the preparation of the 2008-10 triennium budget, IT was not considered as an essential element of the Organization and this resulted in significant reduction of the allotment.	**Partially implemented**	**2010**
	b. ICAO should refer to the Joint Inspection Unit's report, Management information in the United Nations System Organizations: Management information systems, to help it implement appropriate information technology governance. The report explains the basis of good IT governance.	b. Supported. ICT to include several recommendations in this direction in the next ICT Master Plan.	**Partially implemented**	**December 2008**
	c. Furthermore, ICAO should make a better use of its ICT committee to establish a common understanding of what standards the Organization should be applying and how to comply with them. The ICT committee should discuss and approve all practices ICAO decides to apply in the near future. The changes should also go to the Secretary General for final approval. This would establish an accountability structure and reinforce the Organization's governance structure.	c. ICAO elevated the membership of the ICT Management Committee to the Directors level. Regular meetings will resume at the end of April on a bi-monthly basis. A new ICT Master Plan will be developed for the 2008-2010 triennium.	**Partially implemented**	**December 2008**
	d. Finally, ICAO would profit from reviewing various UN Secretariat publications on the use of information technology. Over the years, the UN Secretariat has published good practice guidelines and administrative instructions that ICAO should apply.	d. IT policies based on UN documents are under review for adoption.	**Partially implemented**	**December 2008**

6.2   **Follow-up on External Auditor 2005 Report: Human Resource Management - Performance Appraisal Report Process**

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date
6.2.1	<u>2005 – Paragraph 87</u> Focus on probationary and term renewals. It is critical that this period be managed well. If performance is not acceptable the employee must be informed and given a chance to improve, but if little or no improvement is shown, the employee's contract should be terminated.	This is being strictly implemented for all successful completion of probationary periods, as well as renewal of contracts for all staff members.	**Implemented**	
	Continue to work on developing competency profiles to support both sound human resources planning and behaviour-based assessment of competencies in the performance appraisal process.	Work in this area continues to be developed as the PACE Report is implemented.	**Partially implemented**	**December 2008**

7.   **RECOMMENDATIONS OF THE EXTERNAL AUDITOR REPORTED IN 2006:**

7.1   **Follow-up on the Human Resources Management – Performance Appraisal System**

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date
7.1.1	<u>2006 – Paragraph 60</u> Senior managers and principal officers should ensure that the new PACE system is used by all levels of the Organization and as a management tool to achieve the results expected in the Business Plan.	PACE reports completed for the year 2007 are being examined and evaluated with regard to the conclusion of the first and second level supervisors to check consistency of these conclusions and reconciling any differences through meetings.	**Implemented**	
7.1.2	A small committee with members from those working on the business planning process and members of the Performance Management Committee should review a sample of Part A of the PACE reports to ensure that there is a	Some members of the Performance Management Committee are also actively involved in the Business Planning process and through them PACE reports are reviewed for linkage between performance of staff and performance	**Partially implemented**	**December 2008**

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date
	clear linkage within bureaus of key tasks to achieve stated business objectives. In the first years of implementation, it should also identify good statements of key tasks (using active verbs and specific, identifiable, and measurable outcomes) to be used as examples in training information.	measurement indicators of the Business Plan.		
7.1.3	Managers and the Human Resources Branch should ensure that a PACE report is established for all probationary employees on their hiring. In addition, managers should complete the PACE assessments for probationary employees at the end of the probationary period, even if it is not on the normal annual cycle.	Any employee whether on a probationary basis or not, is subject to the PACE process with the exception of those who are either on SSAs or on an employment contract for less than one year. In fact, the PACE report is a particularly effective tool in indicating the performance of a staff member on probation and also provides possibilities of enhancing his or her competence.	**Implemented**	
7.1.4	ICAO should review its training budget to ensure that it can provide adequate training to meet its current and future needs.	A comprehensive training plan for 2008-2010 triennium has been prepared. However, due to financial constraints the budget has been reduced considerably and its implementation is being reviewed.	**Implemented**	
7.1.5	The Performance Management Committee should establish clear definition and standards for performance ratings where a rating of "meets expectations" will be the norm. Ratings of "does not meet expectations" or "exceeds expectations" should be explained and supported by examples.	In the training provided to staff members this aspect has already been emphasized and implemented. Definitions have been provided to the ratings.	**Implemented**	
7.1.6	The Performance Management Committee should complete its work to define levels of competencies. As the same core competencies apply to almost all staff, expected performance should be commensurate with each level of staff.	Guidelines have to be prepared which will be done during the year 2008.	**Partially implemented**	**September 2008**
7.1.7	Bureau directors should ensure consistency of ratings among sections. The HRB should review a sample of completed PACE reports	Guidelines and training have been provided to staff members and sampling will be done towards the middle of 2008 to see consistency in ratings. Based	**Partially implemented**	**September 2008**

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date
	for consistency of ratings and provide additional feedback and guidance to managers and supervisors.	on this sampling further suggestions for improvements will be done.		
7.1.8	The Secretariat should establish a consistent approach to operational planning with a defined format. Further, an explicit link should be made in the PACE report to relate key tasks to strategic objectives or supporting implementation strategy to help employees understand how their work would contribute toward organizational goals.	Performance Management Committee has discussed this matter and in the guidelines provided, the supervisor has to ensure that the tasks related to a staff member's PACE is linked to the operational plan of that Unit and hence the Strategic Objectives of the Organization.	**Implemented**	

7.2   **Follow-up on the Information and Communication Technology Systems**

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date
7.2.1	2006 – Paragraph 77 ICAO should finalize the organization structure for consolidating its ICT operations and take steps to implement it.	ICT submitted a consolidation plan in 2006. With the compressions in the 2008-10 triennium budget, several IT positions were abolished both in ICT and outside of ICT. Most remaining IT positions are consolidated under ICT with some exceptions in LPB and RGA. The allotment for outsourcing activities was increased in an effort to compensate for the abolition of posts, ICT is the designated allotment holder and is coordinating all outsourcing activities. Most IT activities are being conducted in cooperation between ICT and the end user sections with exceptions in SSA and ANB. IT acquisition are still distributed with the allotment holders for the triennium 2008-10, this should be changed to a consolidated budget to allow for coordinated IT initiatives. Efforts still need to be done to consolidate the IT activities still not consolidated under ICT. Staffing and outsourcing will be ICT biggest challenge in 2008-10.	**Partially implemented**	**End 2008**
7.2.2	ICAO should complete the service level agreements between ICT Section and the bureaus and other sections. Senior management should monitor how the implementation of these service level agreements affects the Organization and assess how it may affect the consolidating of ICT operations.	A sample Service Level Agreement document and the associated procedures for its maintenance was developed with the assistance of an external partner. An SLA was submitted and signed by all functional areas of the Organization.	**Implemented**	

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date
7.2.3	ICAO should develop a work plan to address the concerns raised in our previous report regarding risks related to security and to establish a proper security framework and a proper recovery plan for ICT operations. This plan should include a timetable for addressing our concerns expeditiously	In 2007, ICT completed the recruitment of an IT Security Officer. An IT security strategy in line with ISO 27001/27002 was developed and approved. An Information Security Policy was drafted in 2007 using the UN policy as a base. This Policy was approved by the SG. An "IT Risk Methodology Standard" was developed. A vulnerability management solution to monitor ICAO's public and internal IT assets was implemented. ICT is currently working on policies such as a "Digital Identity Protection Policy", an "IT Use Policy" and the "Data Information Classification and Handling Standard". The IT Security Training and Awareness Program is under development and will be introduced to Staff in summer 2008. IT disaster recovery planning is ongoing but requires non-standard approaches because of the lack of an overall and business driven Business Continuity framework. The IT security framework is documented on http://secretariat.icao.lan/ICT/Security.	**Partially implemented**	**Phase II: December 2008** **Phase III: December 2009**

7.3   **Update on the Modernization of the Financial Information Systems**

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date
7.3.1	2006 – Paragraph 97 The Sponsors' Group should frequently review the progress made on the modernization project and ensure that corrective action be taken as required to keep the project on schedule and within budget. The Group should also ensure that contingency measures be	The project's Sponsors' Group, comprised of Directors, Deputy Directors and Chiefs of business areas affected by the implementation, meets on a bi-weekly basis to review progress with the Project Team. Issues and dependencies, when escalated from team leads, are discussed in the Sponsors' Group meeting with the Business Owners (Chiefs of the Sections affected by the issue in question)	**Partially implemented**	**April 2009**

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date
	considered and developed.	and decisions and recommendations made and given to the Project Team. The Project Team also continues to make regular reports to the Finance Committee.		
7.3.2	The IRIS project team should ensure that security and financial controls are appropriately configured in Agresso.	Roles and user design discussions were held during each of the detailed design sessions of the individual modules of Agresso in which security and financial controls where determined for each role implemented in the system and which users were to acquire each role. The results of these discussions were included in a Roles and Users Design Document which was used as guide for implementing and testing the system.	**Implemented**	
7.3.3	The IRIS project team should ensure that powerful access rights are restricted to a few users and that a process is put in place to ensure that user access rights are revalidated regularly.	The Agresso system has a built-in, fully configurable access and data security module that has been tailored to meet ICAO's requirements as identified in the roles and user design sessions. Access to the Agresso security system has been restricted to the super-user in charge of administering the Agresso system and his/her back-ups. Roles and access rights are monitored by the module super-users and the system administrator.	**Implemented**	

8.   **SUMMARY**

Summary of Recommendations from External Auditor
for the period 1998 to 2006
Status as of 31 March 2008

Subject	Ref.	Total	Number Completed by March 2008	% Completed by March 2008	% Completed by March 2007
1998					
Cash Management	1.1	10	9		
Total		10	9	90%	90%
2000					
Human Resource Management	2.1	4	3		
Information Technology	2.2	6	4		
Total		10	7	70%	70%
2002					
Regional Offices with Special Reference to Bangkok and Paris	3.1	5	4		
Total		5	4	80%	80%
2003					
Regional Offices with Special Reference to Dakar	4.1	5	4		
Follow-up on 2000 Report: Human Resource Management	4.2	6	4		
Total		11	8	73%	64%
2004					
Attest Audit Results	5.1	4	3		
Follow-up on 2002 Report on Management of TC Projects	5.2	6	6		
Total		10	9	90%	70%
2005					
Follow-up on 2000 Report: Modernization of Financial Information Systems	6.1	4	3		
Follow-up on 2005 Report: Performance Appraisal Report Process	6.2	4	3		
Total		8	6	75%	50%
2006					
Follow-up on the Human Resources Management - Performance Appraisal System	7.1	8	5		
Follow-up on the Information and Communication Technology System	7.2	3	1		
Update on the Modernization of the Financial Information System	7.3	3	2		
Total		14	8	57%	n/a

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APPENDIX B

**DRAFT RESOLUTIONS FOR ADOPTION BY THE
37TH SESSION OF THE ASSEMBLY**

Resolution 72/1: Approval of the accounts of the Organization for the financial year 2007 and examination of the Audit Reports thereon

Whereas the accounts of the Organization for the financial year 2007, the Auditor's Report and the Report of the External Auditor to the Assembly thereon, submitted by the Auditor General of Canada - a member of the Panel of External Auditors of the United Nations and Specialized Agencies - as the External Auditor of ICAO, have been submitted to the Assembly after being circulated to Contracting States;

Whereas the Council has examined the audit reports and submitted them to the Assembly for its review; and

Whereas in accordance with Chapter VIII, Article 49 (f) of the Convention, expenditures have been reviewed;

The Assembly:

1. *Notes* the Auditor's Report and the Report of the External Auditor on the financial statements for the year 2007 with related Response of the Secretary General to the Report of the External Auditor, and the report on the status of the implementation of the External Auditor's recommendations for prior years;

2. *Urges* the Secretary General to take the necessary action, as deemed appropriate, on the recommendations made by the External Auditor and report these actions to the Council on a regular basis; and

3. *Approves* the audited accounts for the financial year 2007.

Resolution 72/2: Approval of those accounts with respect to the United Nations Development Programme activities administered by ICAO as Executing Agency for the financial year 2007 and examination of the Audit Reports on the financial statements of the Organization which also cover the United Nations Development Programme accounts.

Whereas those accounts showing the status of funds allocated to ICAO by the Administrator of the United Nations Development Programme and administered by ICAO as Executing Agency for the financial year 2007 as well as the Audit Reports on the financial statements of the Organization, which also cover the United Nations Development Programme accounts submitted by the Auditor General of Canada, a member of the Panel of External Auditors of the United Nations and Specialized Agencies, as the External Auditor of ICAO, have been submitted to the Assembly after being circulated to Contracting States;

Whereas the Council has examined the Audit Reports and submitted them to the Assembly for its review and for submission to the Administrator of the United Nations Development Programme; and

Whereas the Financial Regulations and Rules of the United Nations Development Programme provide that Organizations of the United Nations system entrusted with the execution or implementation of UNDP Programme activities shall transmit, to the Administrator for submission to the Executive Board, accounts showing the status of funds allocated to them by the Administrator and that such accounts shall bear audit certificates from the External Auditors of the Organizations and shall be accompanied by their reports.

The Assembly:

1. *Notes* the Auditor's Report and the Report of the External Auditor on the financial statements of the Organization, which also cover those accounts relating to the United Nations Development Programme administered by ICAO as Executing Agency, for the financial year 2007;

2. *Approves* those accounts with respect to the United Nations Development Programme administered by ICAO as Executing Agency for the financial year 2007; and

3. *Directs* that the financial statements of the Organization, which also include accounts of the United Nations Development Programme administered by ICAO, and the Audit Reports be transmitted to the Administrator of the United Nations Development Programme for submission to the Executive Board.

— END —