



INTERNATIONAL CIVIL AVIATION ORGANIZATION

ASSEMBLY - 35TH SESSION

ADMINISTRATIVE COMMISSION

Agenda Item 42: Review of expenditures, approval of accounts and examination of Audit Reports for the financial years 2001, 2002 and 2003

FINANCIAL YEAR 2002

SUMMARY

This paper presents the Financial Statements of the Organization for the financial year 2002 and the Report of the External Auditor thereon, as contained in Document 9833. Draft Resolutions for the consideration of the Assembly are in Appendix F.

Action by the Assembly is in paragraph 6.

1. REGULAR PROGRAMME ACTIVITIES OF ICAO

1.1 Appropriations

1.1.1 The 33rd Session of the Assembly approved a Total Authorized Appropriation of \$ 56 743 000 for Regular Programme activities during the financial year 2002 (Resolution A33-23), including \$ 763 000 for Remainder of Continuation of Universal Safety Oversight Audit Programme funded from cash surplus.

1.1.2 Pursuant to Financial Regulation 5.6, the Council approved the carry-over of unobligated appropriations amounting to \$ 280 000 from financial year 2001 to financial year 2002 (C-DEC 165/4).

1.1.3 During the year, the Council approved appropriations totalling \$1 215 000 from excess of miscellaneous income (i.e. excess of actual income over budgeted income approved by the Assembly) pursuant to Financial Regulation 5.2 c) to meet expenditures related to the source of such additional miscellaneous income and on projects related to aviation safety, and/or to the enhancement of the efficient delivery of ICAO programmes. Details of this appropriation are shown in Appendix B to this paper (C-DEC 166/2 and C-DEC 167/7).

1.1.4 During the year, pursuant to Financial Regulation 5.10, the Secretary General approved the transfer of appropriations totalling \$ 327 000 between Major Programmes.

1.1.5 Pursuant to Financial Regulation 5.6, the Council also approved the carry over of unobligated appropriations totalling \$ 3 355 466 from financial year 2002 to financial year 2003 (C-DEC 167/9).

1.1.6 As a result of the increases and transfers outlined above, the final approved appropriation for the year amounted to \$ 54 882 534. Details of these changes are shown in Appendix A of this paper.

1.2 Actual Expenditure compared to Budget

1.2.1 Actual expenditure for the year against the final approved budget amounted to \$ 54 859 008. Comparisons of actual expenditure against the final approved budget under each Major Programme are reflected in Appendix A. For the purposes of this paper, expenditures incurred in Canadian dollars are stated at the budget rate of CAD\$ 1.54 to US\$ 1.00. It should be noted that the expenditure reported in the Financial Statements amounts to \$ 54 817 941. The difference arises because in the Financial Statements expenditures in Canadian dollars are stated at the forward rate of exchange, mentioned in paragraph 1.4 below, in accordance with the accounting policies.

1.3 Expenditure on Meetings

1.3.1 The approved budget for meetings in 2002 amounted to \$ 1 664 000. This amount included a provision of \$ 965 000 for meeting expenditures with respect to the provision of language services for all meetings to be held in 2002, 2003 and 2004. The actual expenditure incurred on meetings in 2002, as shown in Appendix C, amounted to \$ 503 774. Unobligated balances in respect of meetings, including provisions for language services, amounting to \$ 991 000 were carried over for use in 2003, as part of the carry-over mentioned in paragraph 1.1.5 above.

1.4 Forward purchase of currency

1.4.1 ICAO's budget appropriations and the assessed contributions of Contracting States to finance the appropriations are approved in United States dollars, but a large proportion of expenditures are either incurred in, or impacted by, Canadian dollars. The budget and the assessed contributions for the 2002 to 2004 triennium was established at a rate of CAD\$ 1.54 to US\$ 1.00. In order to minimize risks and insulate the budget against the consequence of potential exchange rate fluctuations, Canadian dollars were forward purchased with the approval of the Council.

1.4.2 ICAO entered into forward purchase contracts for the purchase of CAD\$ 151 212 000 during the 2002 to 2004 triennium at an average exchange rate of CAD\$ 1.556 to US\$ 1.00. In 2002, CAD\$ 50 221 000 were received at an actual cost of US\$ 32 276 632. The objective of stabilizing Canadian dollar-related expenditures to a level within the budget was achieved.

1.5 Miscellaneous income

1.5.1 Total Miscellaneous Income realized in 2002 amounted to \$ 5 017 763 or \$ 473 763 in excess of the amount of \$ 4 544 000 estimated in the budget. This increase resulted primarily from higher sales of publications.

2. ADMINISTRATIVE AND OPERATIONAL SERVICES COSTS OF THE TECHNICAL CO-OPERATION PROGRAMME

2.1 The Assembly approved the Indicative Budget Estimates (expenditure) of the Administrative and Operational Services Costs of the Technical Co-operation Programme (AOSC) amounting to \$ 4 399 000 for the financial year 2002. The estimated AOSC income for the year was \$ 4 463 000. During the year, pursuant to Financial Regulation 9.5, the Council revised the Budget Estimates for 2002 to \$ 5 534 000 (C-DEC 164/3) and the estimated income was revised to \$ 5 909 000.

2.2 The actual expenditure and income of the AOSC for 2002 amounted to \$ 4 961 235 (excluding expenditure funded from surplus resources) and \$ 4 327 891 respectively. The shortfall of \$ 633 344 arising from the current year's operations was met from the surplus of previous years. Details of the AOSC Indicative Budget Estimates compared with the actuals are shown in Appendix D.

3. UNITED NATIONS DEVELOPMENT PROGRAMME ACTIVITIES OF ICAO

3.1 For the year ended 31 December 2002, total expenditures incurred in respect of United Nations Development Programme (UNDP) projects executed by ICAO amounted to \$ 19 590 255. Of this amount, \$ 19 065 554 was financed by beneficiary Governments under cost sharing arrangements and the remainder of \$ 524 701 was financed from UNDP funds.

3.2 The Financial Regulations and Rules of the United Nations Development Programme (UNDP) provide that executing agencies, which are organizations of the United Nations system, transmit to the UNDP Administrator the accounts of funds allocated to them by the UNDP Administrator and the Report of the External Auditor thereon for submission to the UNDP Executive Board.

3.3 The accounts for 2002 in respect of the UNDP projects executed by ICAO are included in Schedule F of the Financial Statements of the Organization and the Report of the External Auditor accordingly encompasses the UNDP project accounts. These accounts are submitted for approval by the Assembly and subsequent submission to the Administrator of the UNDP.

4. REPORT OF THE EXTERNAL AUDITOR

4.1 The External Auditor has provided an opinion without reservations that the Financial Statements of the Organization for 2002 presented fairly, in all material respects, the financial position of the Organization as at 31 December 2002 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.

4.2 The External Auditor has also reported the results of the examination of selected activities of the Organization and made recommendations for the consideration of the Organization. The comments of the Secretary General on the External Auditor's Report and the proposed action on the recommendations are in Appendix E.

5. REVIEW BY THE COUNCIL

5.1 On 11 June 2003, in accordance with Financial Regulation 13.3, the Council reviewed the Financial Statements of the Organization for the financial year 2002 and the Report of the External Auditor thereon (Document 9833). The Council also considered the Secretary General's comments on the External Auditor's Report (Appendix E). After careful consideration of the Financial Statements and the External Auditor's Report, the Council agreed to transmit the document and to recommend action as indicated below.

6. ACTION BY THE ASSEMBLY

6.1 The Financial Statements for the financial year 2002 and the Report of the External Auditor thereon contained in Document 9833 and the comments of the Secretary General on the External Auditor's Report (Appendix E) are submitted to the Assembly in accordance with Financial Regulation 13.3.

6.2 The Council recommends that the Assembly:

- a) note the Report of the External Auditor relating to the 2002 accounts contained in Document 9833 and the comments by the Secretary General on the Audit Report of the External Auditor (Appendix E to this paper refers);
- b) approve the audited accounts of the Organization contained in Document 9833; and
- c) approve the accounts with respect to the UNDP projects (Schedule F in the Financial Statements) executed by the Organization.

6.3 Two Draft Resolutions in Appendix F with respect to the above recommendations are submitted for the consideration of the Assembly.

APPENDIX A

APPENDIX A
STATEMENT OF APPROPRIATION AND EXPENDITURE
BY MAJOR PROGRAMME - 2002
(in United States dollars)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Major Programmes	Approved Appropriations (Res. A33-23) (C 165/4)	Carried-over from prior year (C 165/4)	Increase in Appropriations (C166/2, C167/7)	Transfers among Major Programmes (Fin. Reg. 5.10) (C 167/9)	Transfer to 2003	Total Adjusted Appropriations (1)+(2)+(3)+(4)+(5)	Expenditure at Budget Rate	Unobligated Balance at 31 December 2002
								(6)-(7)
I. General Policy and Direction	1 838 000		110 000	73 000	(991 513)	1 029 487	1 029 487	
II. Air Navigation	8 236 000		514 000		(811 800)	7 938 200	7 938 200	
III. Air Transport	4 491 000		30 000		(73 532)	4 447 468	4 444 727	2 741
IV. Legal	786 000		72 000		(29 713)	828 287	828 287	
V. Regional and Other Programmes	14 761 000	280 000	63 000	254 000	(274 859)	14 803 141	14 802 851	290
VI. Administrative Support	21 528 000		426 000	(77 000)	(367 552)	21 509 448	21 509 448	
VII. Finance, External Relations/Public Information and Programmes Evaluation, Audit and Management Review	3 372 000			(216 000)	(245 684)	2 910 316	2 910 316	
VIII. Universal Safety Oversight Audit Programme	968 000	280 000		(34 000)	(153 174)	1 060 826	1 040 331	20 495
	55 980 000	280 000	1 215 000		(2 947 827)	54 527 173	54 503 647	23 526
VIII. Universal Safety Oversight (remainder of Continuation) Audit Programme to be Funded by Cash Surplus	763 000				(407 639)	355 361	355 361	
	56 743 000	280 000	1 215 000		(3 355 466)	54 882 534	54 859 008	23 526
	Approved Estimate						Actual Receipts	
	4 544 000						5 017 763	

NOTE:
In accordance with Assembly Resolution A33-23, the positive difference between the budget rate of CAN \$1.54 to US \$1.00 and the forward rate of CAN \$1.556 to US \$1.00 amounting to \$ 255 000 has been transferred to the AVSEC Enhanced Mechanism. This amount is not reflected in the above statement which is prepared at the budget rate; the positive difference is, however, shown in the audited financial statement of the Organization.
Expenditure in Canadian dollars is reflected at the budget rate of CAN \$ 1.54 to US \$ 1.00.

APPENDIX B

Increases in the 2002 appropriation pursuant to Financial Regulation 5.2 c)

Council Decision	Major Programme	Increase (US\$)	Description
C 166/2	General Policy and Direction	110 000	Work Process Improvement Project - Phases III and IV
	Air Navigation	315 000	Preparation for ITU WRC 2003/2006; development of quality assurance manual for AIS/MAP; enhancement of ADREP; software for frequency assignment planning; development and implementation of a dangerous goods documentation database
	Air Transport	30 000	Panel-committee web information system
	Legal	72 000	Assistance in the field of aviation war risk insurance; scanning of aeronautical agreements
	Regional and Other Programmes	63 000	COM tables publishing (Lima); ESAF safety oversight seminar/workshop programme
	Administrative Support	266 000	Strengthening Chinese language at ICAO; REGIS; marketing of ICAO publications and electronic media; interoffice connection between HQ and ROs; strengthening of electronic documentation production in LPB
C 167/7	Air Navigation	199 000	Preparation for ITU WRC 2003/2006; development of harmonized safety related guidance material and supporting information database; education and awareness campaign for runway incursions
	Administrative Support	160 000	Implement EDEN; full-text search capabilities for ICAO-NET
Total		1 215 000	

APPENDIX C
MEETINGS 2002
STATEMENT OF EXPENDITURES (*)
(IN UNITED STATES DOLLARS)

	(1)	(2)	(3)
	Site	Budget (**)	Total Expenditures
MAJOR PROGRAMME I - GENERAL POLICY AND DIRECTION		970 000	81 761
MAJOR PROGRAMME II - AIR NAVIGATION			
Panel Meetings:			
- ATMCP/1	Montreal		5 598
- VAP/14	Montreal		4 112
- OCP/13	Montreal	99 000	5 267
MET DIV	Montreal		50 669
SADISOPSG/7	Cairo		5 611
MAJOR PROGRAMME III - AIR TRANSPORT			
AVSEConf	Montreal		23 143
Panel Meetings:			
- FALP/4	Montreal		973
- ATRP/10	Montreal		5 153
- AEP/4	Montreal		369
AVSEC Panel	Montreal		1 917
- AVSECP/13	Montreal		5 559
- AVSECP/14	Montreal		12 203
AVSEC FAL Seminar	Asia and Pacific Region/9		4 540
AVSEC FAL Seminar	Middle East Region/4		4 865
Workshops/Seminars			
- WARFM	Montreal		13 770
- WARFM	Nairobi		6 177
- STAW/43	Bangkok		4 764
- Prep. Seminar - Worldwide AT Conf.	Santo Domingo	154 000	8 840
- Reg. Prep. Seminar - ATConf/5	Tbilisi		14 776
- AT Lib/Conf	Dubai		6 657
- FEPW	Guatemala		8 891
- AFCAC/ICAO Seminar Prep. ATConf/5	Arusha		5 921
MER TFG	Cairo		3 787
REG TFG	Lima		7 790
- CAR/SAM/TFG	Bangkok		393
- APA TFG	Montreal		6 523
TAG/MRTD/13	Montreal		3 619
AH-DE/13	Montreal		
IETC/3	Montreal		
MAJOR PROGRAMME IV - LEGAL			
SGWI/2	Montreal	45 000	4 833
MAJOR PROGRAMME V - REGIONAL AND OTHER PROGRAMMES			
Planning Groups:			
- MET/SG/6	Nairobi		6 842
- COM SG/6	Nairobi		7 610
- NAT SPG/38	Paris		2 329
- EANPG/44	Paris		11 242
- APASM TF/2	Bangkok		119
- APASM TF/3	Bangkok		71
- AAIS/AATF/9	Beijing		1 508
- ATS/AIS/SAR/SG/12	Bangkok		423
- CNS/ATM/IC/SG/9	Bangkok		332
- ATTF/4	Mumbai		103
- CNS/MET/SG/6	Bangkok		437
- APASM/TF/WG	Bangkok		69
- APANPIRG/13	Bangkok		6 897
- APASM TF/4	Bangkok		-
- MIDANPIRG/7	Cairo		6 193

(*) Expenditures in Canadian dollars are reflected at the budget rate of Can. \$1.54 to U.S. \$1.00

(**) Provision for language services for Meetings for 2002-2003-2004 has been included under Major Programme - General Policy and Direction in 2002.

	(1)	(2)	(3)
	Site	Budget (**)	Total Expenditures
Planning Groups (cont'd):	- MIDANPIRG AFS/ATN TF/8		317
	- AOP SG/3		255
	- MIDANPIRG CNS/MET SG/5		1 114
	- GREPECAS AGA/AOP/SG/2		5 556
	- GREPECAS ATM/CNS/SG/2		22 669
	- AMCP WG-F		846
	- ATS/AIS/SAR/SG/7		12 559
Implementation Meetings:	- ATN/TF/1		227
	- Second Meeting of the Monitoring Body of the Yamoussoukro Decision		118
	- ASM/TF/2		98
	- RVSM/RNAV/TF/1		107
	- Informal Coordination Meeting ASECNA/IATA/IFALPA and Haj 2003		32
	- Informal Coordination Meeting 10 min. longitudinal Western and Central African FIRs		1 357
	- NAT IMG/20		311
	- NAT IMG/21		2 033
	- FLOE/28		8 682
	- TARTAR/13		60
	- RVSM TF/13		1 498
	- Special ATS Coordination Meeting		13
	- SEACG/10		4 492
	- CMRI/3		-
	- EMARSSH TF/6		151
	- RVSM TF/14		94
	- SCS/TF/7		189
	- RVSM TF/15		214
	- EMARSSH TF/8		295
	- RVSM TF/16		-
	- RVSM/SCM		1 477
	- Special Coordination Meeting/AFG		73
	- SCS/TF/8		-
	- GNSS TF/3		331
	- RNP/RNAV Task Force		462
	- Special Coordination Meeting/Bangkok		1 188
	- Joint Coordination Meeting RVSM		1 050
	- GREPECAS ACG/2		6 481
	- C/CAR WG/2		4 276
	- E/CAR IWG/26		4 027
	- First CAR/DCA Meeting		8 550
	- GREPECAS/11		30 534
- Reg. Prep. Meeting for ITU WRC-2003		-	
- SAM CAA Meeting/7		7 161	
- Reg. Prep. Grp Meeting for ITU WRC-2003		2 632	
Seminars and Workshops:	- Seminar/Workshop on Certification (AOC)		242
	- Reg. Seminar/Workshop on Airworthiness		1 300
	- ALAR Tool Kit Workshop		76
	- Certification of Aerodromes		100
	- RVSM Seminar/Task Force		3 223
	- CAR/SAM ATN/GNSS Seminar		3 849
	- CAR ATS Quality Assurance Workshop		1 119
	- Quality Assurance Workshop		-
	- Airport Pavement Maintenance Seminar		2 840
	- CAR/SAM ATS Quality Assurance Workshop		4 260
	- Training Programme for WGS 84		2 579
		396 000	
		<u>1 664 000</u>	<u>503 774</u>

(*) Expenditures in Canadian dollars are reflected at the budget rate of Can. \$1.54 to U.S. \$1.00

(**) Provision for language services for Meetings for 2002-2003-2004 has been included under Major Programme - General Policy and Direction in 2002.

APPENDIX D

**TECHNICAL CO-OPERATION ADMINISTRATIVE AND
OPERATIONAL SERVICES COST STATEMENT OF APPROVED
BUDGET, EXPENDITURE AND UNENCUMBERED BALANCE OF
APPROVED BUDGET (2002)**
(in United States dollars)

	Approved by the Assembly	Revised Budget 2002 ¹	Expenditure/ Income 2002	Unencumbered Balance of Approved Budget
Appropriation/Expenditure				
Major Programme XI	4 399 000	5 534 000	4 961 235	572 765
Income	4 463 000	5 909 000	4 327 891	
Excess/(Deficit) of Income over Expenditure	64 000	375 000	(633 344)	

¹ Approved by Council at its 164th Session (C-DEC 164/3).

APPENDIX E

COMMENTS BY THE SECRETARY GENERAL ON THE REPORT OF THE EXTERNAL AUDITOR

1. At the 28th Session of the Assembly it was agreed that in future the Council should include in its report, the action that the Secretary General intends to take in response to substantive recommendations in the Report of the External Auditor. This appendix presents the comments and the action contemplated by the Secretary General in response to the External Auditor's report for 2002 contained in Addendum No. 1.

2. The following comments are presented in the same order as that of the External Auditor's report.

3. FINANCIAL STATEMENTS AND AUDIT OPINION (paragraphs 8 to 17)

3.1 In paragraph 10 of the Report, the External Auditor recommends that ICAO reconsider its accounting policy to include a provision for long-outstanding delays for collection of assessed contributions. The introduction of a provision for doubtful collection is not considered appropriate as assessments are binding obligations on Contracting States once approved by the Assembly. Whilst the collection of contributions in arrears lags, the improvements in the collection of current year assessments achieved in the last four years continued to be maintained in 2002 as noted in paragraph 5.1 of my Foreword to the financial statements, with receipts as a percentage of contributions exceeding 93 per cent in all four years. Also, there has been considerable overall improvement in the collection of contributions since the introduction of incentive schemes and the suspension of voting power for States that fail to discharge their financial obligations to the Organization. ICAO is confident that these measures will allow for eventual collection of all arrears.

3.2 Paragraph 11 notes that \$ 736 000 was received from the group of Contracting States that had agreements with the Council, yet 30 out of 35 of these Contracting States had not met their obligations during the year 2002. It should be noted that all but 10 Contracting States with agreements paid the instalments and assessments on their agreements in order to reinstate their voting rights prior to the 34th (Extraordinary) Session of the Assembly. Collection efforts continue, however, it is noted that receipts during the first four months of 2003 are considerably lower than those of the prior year.

3.3 Paragraph 12 makes reference to the inventory control system installed during 2000 and a verification exercise that was carried out in 2002 by the Office for Programmes Evaluation, Audit and Management Review (EAO). The recommendations made by EAO concerning controls and other procedures are in the process of being addressed. ICAO has set up a team to put in place improved internal controls and to validate and update the Property Record System, with the intention to disclose the value of the non-expendable items in the 2003 financial statements.

3.4 As indicated in Paragraph 13, the disclosure of liabilities for after-service medical benefits has been provided by an actuarial calculation. The Organization will consider segregating the estimated cost of Regular Programme and AOSC funded staff in the next actuarial valuation.

3.5 Paragraph 14 refers to a case of non-compliance with ICAO's Procurement Code and where ICAO's financial procedures were not applied. Future actions which do not comply with the approved financial procedures will be brought to the attention of the Secretary General.

3.6 Paragraph 16 refers to a situation where the Finance Branch received a large batch of financial transactions from the UNDP Colombia office in the last week of the closure of the accounts process for 2002. Upon review of the transactions, ICAO noted that there were numerous and significant duplicate transactions and apparent errors in the batch. TCB and Finance have been in almost daily communication with the UNDP Colombia office in attempts to resolve the errors and obtain confirmation as to the accuracy of the transactions in the batch. UNDP Colombia did advise ICAO of a number of significant corrections, but was unable to fully review and correct all the transactions before the completion of ICAO's External Audit. However, the representative did inform us that further corrections would be forthcoming during the course of 2003 when the review by UNDP has been completed. In view of these facts, ICAO management is confident that the transactions amounting to US\$1.3 million, which were included in the batch and which have not been recorded in the accounts, are very likely to be invalid. In the unlikely event that UNDP Colombia advises that the charges are valid, they will be recorded in the 2003 financial statements. If ICAO had recorded the transactions in the accounts, the expenditure of the UNDP Fund would have been \$1.3 million higher and the amount of interoffice vouchers on hand would also have been \$1.3 million higher. There would have been no change to the balance of the Fund and no change to support costs.

4. TECHNICAL COOPERATION PROJECTS (paragraphs 18 to 78)

4.1 Paragraphs 27 to 36 Planning - Roles and Responsibilities. The observation is made that in some instances there is limited information in project documents concerning common obstacles faced by Contracting States. It is acknowledged that this information would assist in better understanding what the project intends to achieve. Accordingly, this matter will be taken into consideration for future action.

4.2 Paragraphs 37 to 41 Planning - Overhead Rates. We agree that it would be desirable to have a system in place to allow the Technical Co-operation Bureau (TCB) to assess the actual cost of managing and reporting on individual technical cooperation projects. To enable us to do this, ICAO would need to have a cost accounting system that identifies support costs specifically related to a project, and such a system is beyond the scope of the new basic financial system. However, during the implementation of the new accounting system, the recommendation to improve the method for determining the overhead support of individual projects will be taken into consideration and improvements made to the extent possible. In addition, the basis for the determination of overhead charges will be documented so as to assure equitable treatment among all States and to ensure that costs are fully recovered.

In the interim, the Organization is charging overhead costs to projects based on the complexity of the project and type of deliveries envisaged. Overhead rates for Management Service Agreement projects are negotiated on an individual cost-recovery basis. The TCB is of the view that the amounts actually received cover the costs incurred. In this regard, a review of the results of operations of the AOSC budget for the last several years shows that the overall income, derived mainly from the execution of projects, exceeds expenditures.

4.3 Paragraphs 46 to 52 - Assessment and Management of Risks. Paragraph 46 recommends improvements in project risk assessment. We agree that more in-depth analysis in the area of risk assessment at the outset and during various stages of project implementation is necessary. Consistent and detailed assessment of all projects is a goal of the TCB.

4.4 Paragraphs 65 to 75 - Monitoring and Reporting. Paragraphs 68 and 69 indicate that, from interviews with Field Operations Sections staff and the review of files, the External Auditor was generally satisfied with the monitoring action taken. However, even though informal monitoring was carried out for many projects, this does not provide complete assurance that all terms and conditions of agreements were met. The observation was also made in paragraph 70 that there is no formal structure to gather information on project activities and that there are no integrated systems that would allow management to analyze and summarize the achievements of each project. It was reported in paragraph 73 that the information on file was not clear as to how projects achieved their objectives.

The TCB will endeavor to address the shortcomings noted by the External Auditor.

5. REGIONAL OFFICES (paragraphs 79 to 114)

5.1 The Secretary General welcomes the External Auditor's report on the Regional Offices, Bangkok and Paris and agrees with all of the recommendations. More specifically referring to the recommendation calling for formal annual review of plans with each regional office, the current regional office planning mechanism will be further enhanced and will also be linked to the formulation of the programme budget.

5.2 With regard to the recommendation on the roles and responsibilities of regional offices, they are being revisited and will be clarified in the revised version of the Regional Office Manual, which is scheduled to be released by the third quarter of this year.

5.3 In relation to reporting of the results, the resource costs and the variance from plans for all the major activities of the regions, this recommendation will be considered in conjunction with the regional planning mechanism. The present method of submitting monthly progress reports by the regional offices will be enhanced as part of an ongoing exercise to improve the efficiency of regional offices.

5.4 The current budgetary exercise for the next triennium is expected to address, in addition to long-term challenges and issues, the potential benefits of various projects of the regional programme. In response to the External Auditor's recommendation for publishing regional accomplishments, the Secretary General has already initiated this action, and consequently, the success of recently completed regional projects, such as the Europe, Middle East Asia Route Structure South of Himalayas (EMARSSH), have been given wide coverage. Such accomplishments would also be covered in the Annual Report to the Council.

APPENDIX F

DRAFT RESOLUTIONS

Resolution 42/...

Approval of the accounts of the Organization for the financial year 2002 and examination of the Audit Report thereon

Whereas the accounts of the Organization for the financial year 2002 and the Audit Report 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 Report and submitted it 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 notes the Report of the External Auditor on the audited accounts for the financial year 2002 and the comments by the Secretary General in response to the recommendations in the Audit Report.

The Assembly approves the audited accounts for the financial year 2002.

Resolution 42/...

Approval of those accounts with respect to the United Nations Development Programme activities administered by ICAO as Executing Agency for the financial year 2002 and examination of the Audit Report on the financial statements of the Organization which also covers 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 2002 as well as the Audit Report on the financial statements of the Organization which also covers 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 Report and submitted it 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 Report of the External Auditor on the financial statements of the Organization which also covers those accounts relating to the United Nations Development Programme administered by ICAO as Executing Agency for the financial year 2002 and the comments by the Secretary General in response to the recommendations in the Audit Report;

2. *Approves* those accounts with respect to the United Nations Development Programme administered by ICAO as Executing Agency for the financial year 2002; 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 Report be transmitted to the Administrator of the United Nations Development Programme for submission to the Executive Board.

— END —