



**WORKING PAPER**

**ASSEMBLY - 36TH SESSION**

**ADMINISTRATIVE COMMISSION**

**Agenda Item 57: Review of expenditures, approval of accounts and examination of Audit Reports for the financial years 2004, 2005 and 2006**

**FINANCIAL STATEMENTS AND REPORTS OF THE EXTERNAL AUDITOR FOR THE FINANCIAL YEAR 2006**

(Presented by the Council of ICAO)

**EXECUTIVE SUMMARY**

This paper presents the Financial Statements of the Organization for the financial year 2006, 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 Organization, as well as the Secretary General's Response to the Report of the External Auditor, as contained in Document 9890.

The status of implementation of recommendations issued by the External Auditor in her report on the 2005 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 2006 accounts and the Response of the Secretary General to the Report of the External Auditor contained in Document 9890, 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 2006 contained in Document 9890 including the accounts with respect to the UNDP activities (Schedule C.1 in the Financial Statements) executed by the Organization.

<i>Strategic Objectives:</i>	This working paper relates to Supporting Implementation Strategy 1 and does not relate to any Strategic Objective.
<i>Financial implications:</i>	Not applicable.
<i>References:</i>	Chapter VIII, Article 49(f) of the Convention Doc 9848, <i>Assembly Resolutions in Force</i> (as of 8 October 2004) Doc 7515/12, <i>The ICAO Financial Regulations</i>

## 1. INTRODUCTION

1.1 This working paper presents the financial reports on the year 2006. The audited financial statements of the Organization, two audit reports, the Auditor's Report, which contains the audit opinion on the financial statements, the Report of the External Auditor to the Assembly, which contains the long-form audit report, and the Secretary General's response to the Report of the External Auditor in Document 9890.

1.2 The format and presentation of the financial statements for the year ended 31 December 2006 have not been significantly changed compared to 2005. However, further changes are anticipated in the forthcoming years as the Organization moves to simplify the reporting and to keep pace with the implementation of the International Public Sector Accounting Standards 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 2005 accounts and reports of prior years' accounts, has been presented and considered by the Council during its 181st 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 2006 presented fairly, in all material respects, the financial position of the Organization as at 31 December 2006 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 9890.

## 3. REVIEW BY THE COUNCIL

3.1 On 15 June 2007, the Council reviewed the Financial Statements of the Organization for the financial year 2006, the audit reports thereon and the Secretary General's Response to the Report of the External Auditor (Document 9890). 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 2005 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 2005 and prior years as of 31 March 2007. 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.

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2. **RECOMMENDATIONS OF THE EXTERNAL AUDITOR REPORTED IN 1998**2.1 **Cash Management**

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date
2.1.1	<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. Payments will be better controlled in a new system. In the meantime, all invoices payable are carefully monitored to ensure timely payments.	<b>In progress</b>	<b>2007</b>

3. **RECOMMENDATIONS OF THE EXTERNAL AUDITOR REPORTED IN 1999**3.1 **Universal Safety Oversight Audit Programme (USOAP)**

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected completion Date
3.1.1	<u>1999 - Paragraph 47</u> Resource issues at Headquarters and Regional Offices should be resolved in order to meet the necessary commitment of resources in safety oversight audit activities.	Resource requirements for the Universal Safety Oversight Audit Programme (USOAP) are being addressed through the long-term secondment of officials from States. All long term seconded officers have now joined the SOA section. This matter is now closed.	<b>Implemented</b>	

#### 4. RECOMMENDATIONS OF THE EXTERNAL AUDITOR REPORTED IN 2000

##### 4.1 Human Resource Management

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date
4.1.1	<u>2000 - Paragraph 64</u> Ensure that adequate funding is provided to improve management and recruitment practices.	On the issue of management training and recruitment practices see replies to paras. 7.3.3, 7.3.4 and 7.3.5 below. Management competencies have been identified and part of training funds may be allocated to improve management and recruitment practices. In addition, the Secretary General had appointed a Performance Management Committee with the aim of developing a new Performance and Competency Enhancement (PACE) System which has been introduced for the calendar year 2007 and is now online.	<b>Executive training activities are continuing.</b>	<b>December 2007</b>

##### 4.2 Information Technology

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date
4.2.1	<u>2000 - Paragraph 81</u> 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.	The project team has been formed, super users and subject matter experts and business owners have been designated. Participation agreements have been drafted to ensure that adequate resources are available for the project and will be revised as necessary during the course of the project. Agresso Business World, a tier 2 solution, was purchased in order to limit the costs and implementation complexity for ICAO.	<b>In progress</b>	<b>During the 2005–2007 triennium</b>
4.2.2	<u>2000 - Paragraph 82</u> A change management strategy is necessary to mobilize and sustain the efforts to change to a new, modern system.	This recommendation will be implemented as the system is acquired, developed and installed.	<b>In progress</b>	<b>During the 2005–2007 triennium</b>

5. **RECOMMENDATIONS OF THE EXTERNAL AUDITOR REPORTED IN 2001**5.1 **Regional Offices with Special Reference to the South American Office (Lima)**

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected completion Date
5.1.1	2001 - Paragraph 72 Regional offices should report the results, the resource costs, and the variances from plans for all major activities such as air navigation planning and implementation, air transport planning, and management improvement initiatives. This would apply both to internal reporting to Headquarters throughout the year and in the Annual Report to the Assembly.	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 has been implemented as part of the Performance Management section of the Business Plan. The results of this work have been applied subsequently to the Regional Offices. High level indicators and KPIs have been formulated, by which the performance of the Organization can be assessed against its Strategic Objectives. It is scheduled to present the progress achieved in the implementation of current Business Plan for 2005-2006-2007 using the key performance indicators to the Council during its 182nd session to be held in November /December 2007. Furthermore, the operational plans of the Regional Offices for the next triennium 2008-2009-2010 will have its own lower level performance indicators, which will allow to assess the results, the resource costs, and the variances from plans for all major activities such as air navigation planning and implementation, air transport planning, and management improvement initiatives.	<b>Implemented</b>	

## 5.2

**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
5.2.1	<u>2002 - Paragraph 114</u> 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 are being embedded into Air Navigation Integrated Programme (ANIP) to enhance the functional integration between Headquarters and Regional Offices. 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 1 January 2008.	<b>Partially implemented</b>	<b>January 2008</b>
5.2.2	<u>2002 - Paragraph 114</u> Regional Offices should report the results, the resource costs, and the variances from plans for all major activities such as air navigation planning and implementation, air transport planning, and management improvement initiatives. This would apply to both internal reporting to Headquarters throughout the year, and in the Annual Report to the Assembly.	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 has been implemented as part of the Performance Management section of the Business Plan. The results of this work have been applied subsequently to the Regional Offices.	<b>Implemented</b>	
5.2.3	<u>2002 - Paragraph 114</u> Regional Offices should report potential benefits in their budgetary plans, and actual benefits from their work in their monthly reports to Headquarters. Accomplishments could also be published in the Council's Annual Report, along with any appropriate caveats about attribution.	Several press releases have been issued describing the accomplishments of the Regional Programmes. Benefits of the implementation efforts are represented as well. Accomplishments have been published in the Council's Annual Report. The operational plans of the Regional offices for the next triennium 2008-2009-2010 will have its own lower level performance indicators, which will allow to assess potential benefits in their budgetary plans, and actual benefits from their work.	<b>Implemented</b>	

## 6. RECOMMENDATIONS OF THE EXTERNAL AUDITOR REPORTED IN 2003

## 6.1 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
6.1.1	<u>2003 - Paragraph 126</u> ICAO Headquarters should provide guidance before each regional planning group meeting about how to deal with the implications of incompatible systems and standards between States and groups of States, and should organize meetings with all regions from time to time to address global problems.	The coordination with Air Navigation Bureau (ANB) sections is an integral part of preparation for the Planning and Implementation Regional Group (PIRG). The ANB has identified officers at both Headquarters and Regional Offices to lead the various air navigation-related critical tasks under Objectives A and D.	<b>Implemented</b>	
6.1.2	<u>2003 - Paragraph 133</u> ICAO should develop a chain of planned outputs and results linked to its objectives to provide a better base for accountability.	The introduction of the Business Plan and Performance Management reporting has improved the effectiveness of ICAO's work. The Business plans for the next triennium 2008-2009-2010 has been formulated on the basis of Results and linked to the programmes in the operational plans of ANB and Regional offices. The draft Business Plan for 2008-2009-2010 is available on ICAONET.	<b>Implemented</b>	
6.1.3	<u>2003 - Paragraph 133</u> ICAO should collect statistics and carry out evaluations to identify the actual results of its work.	The External Auditor's recommendations had been introduced through the Business Plan in June 2005. It is scheduled to present the progress achieved in the implementation of current Business Plan for 2005-2006-2007 using the key performance indicators to the Council during its 182nd session to be held in November /December 2007.	<b>Implemented</b>	
6.1.4	<u>2003 - Paragraph 133</u> 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 ANIP, which is under development for the next triennium 2008-2009-2010. The major activities specific to the region are reflected in the Annual Report of the Council to the Assembly.	<b>Partially Implemented</b>	<b>December 2008</b>



7. **Office for Programmes Evaluation, Audit, and Management Review (EAO)**

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date
7.1	<u>2003 - Paragraph 175</u> EAO should update its risk assessment study on an on-going basis and seek senior management involvement in its assessment of risks.	Risk assessment is considered annually during the preparation of EAO's work programme.	<b>Implemented</b>	

7.2 **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
7.2.1	<u>2003 - Paragraph 82</u> 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.	To further assist the managers in assessing the competency requirements of their respective Bureaux/Offices, an inventory of in-house skills profiles for level of education, languages and experience has been compiled. As a result of a workshop conducted in February 2007 to establish common understanding of the technical competencies requirements for the next decade, the decision was made to anchor a prospective analysis of the competency requirements important for HR planning purposes into existing systems, namely, a job description format and the operational plan as well as a budget plan. The competency framework for senior managers developed by the United Nations systems is being used as the basis to assess managerial competency requirements of jobs. Specific managerial competencies were added to the new Performance and Competency Enhancement system..	<b>Partially implemented</b>	<b>December 2007</b>
7.2.2	<u>2003 - Paragraph 82</u> 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.	In previous years, as the training budget was insufficient, technical training could not be conducted. In 2006 a survey of training requirements was conducted in ICAO, which included technical training and a detailed report has been prepared on the subject. This report was discussed with the Directors and a comprehensive technical training programme has been established for 2007. In addition, staff members have also indicated the type of training which they require to improve their productivity and efficiency on the new PACE form.	<b>Partially implemented</b>	<b>December 2007</b>

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date
7.2.3	<u>2003 - Paragraph 82</u> ICAO should implement more stringent measures to address delays in producing an initial short-list of candidates and in appointed candidates reporting to work.	In 2006, a six-month recruitment timeline has been established for the filling of Professional posts. The deadlines for each step of the recruitment process are systematically monitored and timely follow-ups are made with each Bureau/Office in order to further accelerate the process. An in-depth review of reasons for occasional delays within the recruiting offices is being conducted to obtain further improvements.	<b>Implemented</b>	
7.2.4	<u>2003 - Paragraph 82</u> ICAO should analyze, monitor, and report on the lead times to recruit at all stages of the recruitment process in order to identify and address problem areas.	Tracking systems were designed and applied to monitor activities and timeline. (See 7.2.3 above)	<b>Implemented</b>	
7.2.5	<u>2003 - Paragraph 82</u> 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.	An Advisory Body on gender was established to advise the SG and it presented a series of recommendations and an action plan to the SG. Efforts to further improve the status and representation of women in the Secretariat are continuing. Representation at the most senior levels has been greatly improved with the appointment of three women Directors out of five and one Regional Director. A report on the recruitment and status of women is presented to the Council each year.	<b>Partially implemented</b>	<b>December 2007</b>

### 7.3 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
7.3.1	<u>2003 - Paragraph 96</u> As the search for a new financial system continues, the Organization should carefully consider all those factors likely to affect the long-term success of the financial system renewal project and thoroughly evaluate the impacts and risks associated with each factor at the time when a decision on system	A Business Case was developed containing further justifications, risks, cost-benefit analysis, recommendation on the scope of the project, and the timeline for the implementation of the new system, with a preliminary risk assessment. A more detailed risk assessment was subsequently completed in June 2006.	<b>Implemented</b>	

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date
	acquisition is made.			
7.3.2	<u>2003 - Paragraph 82</u> In the absence of a commitment to long-term, sustainable funding, ICAO should give greater weight to those system solutions that best meet the immediate needs of key stakeholders and minimize known post-implementation related costs.	Agresso Business World, a tier 2 solution, was purchased in order to limit the costs and implementation complexity for ICAO.	<b>Implemented</b>	
7.3.3	<u>2003 - Paragraph 82</u> ICAO should seek to ensure that the necessary skills and human resources will exist within the Organization to support the new system prior to implementation.	The project team has been formed, super users and subject matter experts and business owners have been designated. Participation agreements have been drafted to ensure that adequate resources are available for the project and will be revised as necessary during the course of the project.	<b>Implemented</b>	

## 8. RECOMMENDATIONS OF THE EXTERNAL AUDITOR REPORTED IN 2004

### 8.1 Attest Audit Results

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date
8.1.1	<u>2004 – Paragraph 10 c)</u> Value of non-expendable items still not disclosed in 2004 financial statements.	We had taken note of the External Auditors comments in 8.1.1. Action has already been taken and the procedures are in place to ensure accuracy of the database and it is hoped that the NEP values will be included in the notes to the financial statements which will be audited by the External Auditors for the year ended 31 December 2006.	<b>See 8.1.4</b>	
8.1.2	<u>2004 – Paragraph 10 d)</u> 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.	<b>Partially implemented</b>	<b>2008</b>
8.1.3	<u>2004 – Paragraphs 11 and 12</u>	The 2005 financial statements were simplified and the notes were	<b>Implemented</b>	

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date
	The financial statements need to be simplified and they should contain one set of accounting policies. The Secretariat should establish an action plan to undertake a review of its financial statements, notes and accounting principles.	consolidated. The format of the 2006 financial statements will follow the same format as 2005. Under IPSAS, the financial statements will conform to the format currently being discussed by the UN Working Group dealing with IPSAS.		
8.1.4	<p><u>2004 – Paragraphs 13 and 14</u> 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.</p> <p>Further efforts are required to produce an accurate inventory of non-expendable items to improve its management and to comply with UNSAS.</p>	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 and is being implemented. A report on the value of NEP and any acquisition or disposals has been submitted to the External Auditors for the year ended 31 December 2006 for examination. The objective of this report is to disclose in the Notes to Financial Statements the value of NEP for the year ended 31 December 2006. Future NEP accounting policies will be based on the IPSAS requirements that will be implemented in 2008.	<b>Partially implemented</b>	<b>2007</b>

## 8.2 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
8.2.1	<p><u>2004 – Paragraph 26</u> Although there have been several changes in the technical co-operation programme, there seems to be no consolidated TC Policy available.</p>	As part of TCB's exercise to update all TCB's Manuals, a consolidated technical cooperation policy is being prepared by TCB on the basis of Assembly Resolutions and Decisions in force as well as applicable decisions by the ICAO Council. The consolidated policy will also take into account the proposed draft Assembly Resolution under consideration by the Council for presentation to the 36th Session of the Assembly, as approved by the Assembly, as well as other decisions taken by the Assembly. The TCB Administrative Manual, currently being updated, traditionally contained a dedicated chapter on ICAO policies governing technical cooperation. This Chapter will be updated accordingly.	<b>Partially implemented</b>	<b>December 2007</b>

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected completion Date
8.2.2	<p><u>2004 – Paragraphs 39-41</u> Project assessment done prior to approval needs to be improved. Our review showed that no checklist was used to track the review of agreements.</p>	<p>A checklist was developed by TCB to track the review of project documents and agreements, and circulated to all areas for immediate application. The objective is to ensure that all phases in the development of a project document, from project assessment and planning to its approval and signature, are properly reviewed, in coordination with the appropriate areas of the Organization, including the Legal Bureau and the Finance Branch, and adequately documented.</p>	<b>Implemented</b>	

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

9.1 **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
9.1.1	<p>2005 – Paragraph 23</p> <p>ICAO should adapt its ICT operations to a changing environment by applying industry best practices.</p> <p>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.</p> <p>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.</p>	<p>In response to the 2005 audit observations ICT management, governance, and support should function as one unit in the ICAO, work to achieve consolidation of ICT has already commenced.</p> <p>The consolidation of IT operations was scheduled to be completed in two phases, per the approved IT Action Plan. The first phase, was scheduled to be completed in 2006, involved:</p> <ol style="list-style-type: none"> <li>1. Management Strategy <ol style="list-style-type: none"> <li>a. Reorganize/recast human resources structure.</li> </ol> </li> </ol> <p>In January 2007, the ICT Section prepared a revised organization chart and post descriptions for a consolidated ICT Section under a Chief Information Technology Officer. HRB is reviewing IT structure document.</p> <ol style="list-style-type: none"> <li>b. Establishing an Inventory of IT Business Applications within ICAO,</li> <li>c. Preparing a risk assessment to address and overcome any vulnerabilities within IT operations.</li> </ol> <p>ICT completed the inventory and IT Risk Assessment.</p> <ol style="list-style-type: none"> <li>2. Policy Formulation <ol style="list-style-type: none"> <li>a. Developing service level agreements between the ICT Section and the Bureaus with the goal of improving IT services in the ICAO.</li> </ol> </li> </ol>	<b>Partially implemented</b>	<b>30 Sept 2007</b>

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected completion Date
		<p>ICT developed a draft service level agreement for the Finance Branch. ICT delivered completed SLAs for every Bureau. The Office of the SG and President and C/ICT have already signed the SLA.</p> <p>The second phase, was scheduled to be completed in 2006, involved:</p> <ol style="list-style-type: none"> <li>1. Security and safety of data By year end, the recruitment process for this position was complete, and a security officer was hired in January. The new Information Security Officer started his duties with ICAO at the beginning of April 2007.</li> </ol> <p>The Security Officer will develop a plan and timetable for addressing the concerns raised in our 2005 report.</p>		
	<p>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.</p>	<p>Any new IT development will be processed as follows:</p> <ol style="list-style-type: none"> <li>a. A business case will be prepared by the Bureau in coordination with ICT.</li> <li>b. The business case will be submitted to the ICT/MC</li> </ol> <p>A new procedure is being worked on, including user guidelines.</p>		
	<p>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.</p>	<p>ICT reviews and recommends adoption of UN Secretariat and industry best practices on a regular basis.</p>		
9.1.2	<p><u>2005-Paragraph 18</u> We recommend that the Secretariat submit a study report to the Finance Committee on the human resources factors (for example, new</p>	<p>In 2006 and 2007, reports on the modernization of the financial system have been presented to the Council and the Finance Committee. These reports provide information on progress, the project team, project scope cost and funding. Details of implementation plan, major risks and</p>	<b>Implemented</b>	

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected completion Date
	competencies required, training needs, expected workload, and employees' buy-in). The Organization should also consult the people involved and establish a detailed action plan that identifies the major risks related to the implementation of these changes and the steps that will address the risks. Furthermore, ICAO should allocate appropriate resources to ensure that the new accounting standards and the financial system are implemented as seamlessly as possible.	resource requirements are also provided.		
9.1.3	<p><u>2005-Paragraph 96</u></p> <p>The Secretariat should ensure that the business case it is building includes a detailed description of the project phases and costs, including the following:</p> <p>a The choice of the appropriate information system development framework and standards that are to be used throughout the project.</p> <p>b. The accountability and reporting structure for the project.</p> <p>c. The decision-making process and key milestones for each project phase.</p> <p>d. Criteria for evaluating potential candidates for outsourcing, if that is still an option, and the structure proposed for managing and controlling the selected candidate's activities.</p>	<p>a) A Business Case for the integrated resources information system was completed in May 2006. The consultancy firm that helped to develop the business case supplied the methodology. The AIM methodology, supplied by Agresso, is being used for the implementation of the Agresso Business World solution.</p> <p>b) The reporting and accountability structure for the project was completed in the Pre-Planning phase and approved by the sponsors group on 28 June 2006. The list of individuals assigned as super user, subject matter expert and business owners was completed in February 2007, prior to commencement of implementation of IRIS.</p> <p>c) The decision making process was developed during the Pre-Planning phase. A project plan with key milestones was prepared before contract signature and revised after the high-level business analysis in March 2007.</p> <p>d) There is no plan to outsource support for the ERP as it is not technically complex.</p>	<b>Implemented</b>	

9.2 Follow-up on External Auditor 2005 Report: Human Resource Management

9.2.1 Performance Appraisal Report Process

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected completion Date
9.2.2	<p><u>2005 – Paragraph 87</u></p> <p>1. Shift the culture so performance management is seen as a way to motivate staff, by recognizing good performance and by dealing with areas that need improvement. Make the manager/supervisor responsible for performance management. Seek employees' input in their appraisal but make it management's responsibility to ensure that is completed.</p> <p>a. Make performance reviews mandatory for all employees, including senior managers—also recommended by the Performance Management Committee. This will require a change to the ICAO Service Code and the approval of the ICAO Council.</p> <p>b. Provide present employees with training on both the Business Plan and the new performance management system, and develop guidance for new employees and supervisors.</p> <p>c. Provide an appropriate budget to develop competencies and training if they are to receive increased focus.</p> <p>d. Provide regular reports to Bureau Directors on PAR completion rates and overall ratings so they can manage the process. Provide regular reports to senior management on overall performance.</p> <p>e. Require that Bureau Directors ensure</p>	<p>A Performance Management Committee was formed by the Secretary General in 2006 and a new Performance Competency and Enhancement (PACE) System has been established. The main purpose of the PACE Report is to recognize the contribution of the staff in meeting the Strategic Objectives of the Organization and to provide a managerial tool which will assist in identifying the level of performance and in enhancing individual performance and competencies of the staff member.</p> <p>Since June 2006, it has become mandatory for all Directors and POs to submit their performance evaluation reports. Necessary change to the ICAO Service Code has been made.</p> <p>In the year 2006 workshops were conducted for staff members at Headquarters and in the Regional Offices (through WEBEX), providing specific details of the Business Plan, ICAO's Strategic Objectives and its link with the PACE. In 2007 hands-on training workshops were conducted at Headquarters and Regional Offices (two conducted on site and the remaining through WEBEX), providing training and guidance on the completion of Part A of the PACE (Performance Planning).</p> <p>The new PACE system allows staff and managers to indicate the learning and development needs which would enhance the performance and competencies of staff. In the 2008-2010 budget an enhanced training budget has been requested in order to meet specific learning and development needs identified through the PACE and through more comprehensive learning and training needs assessments.</p> <p>The new online system ensures that HRB and Directors of all Bureaux can monitor the progress of the filling of PACE Reports and whatever reminders that may be necessary for the staff members and supervisors, if any delay is noticed in the filling up of these reports.</p> <p>Guidelines have also been provided to managers regarding performance and competency ratings in order to ensure consistency of ratings within Bureaux/Offices.</p>	Implemented	



No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected completion Date
	consistency in methods of performance appraisals within their bureaus.			
	<p>2. Revise the performance appraisal report form.</p> <p>a. Require specific details on employees' contributions, linked with the Business Plan and ICAO's Strategic Objectives.</p> <p>b. Redesign and redefine the rating scale. Require a clear explanation for performance ratings above or below the norm.</p> <p>c. Refine definitions of core competencies to specify the level of behaviour expected for each level in the organization, and identify behaviours that "meet" and that "exceed" expectations.</p> <p>d. Change the performance appraisal cycle from the employee's anniversary date to one date for all, coinciding with the fiscal year when the Business Plan is updated and reviewed. This was a main feature of the proposed Performance and Competence Enhancement (PACE) Report drafted by the Performance Management Committee.</p>	<p>The old PAR system has now been replaced by the online system Performance and Competency Enhancement (PACE) Report.</p> <p>The PACE Report comprises four phases: Performance Planning, Performance Measurement, Competency Measurement and Overall Performance and Competency Measurement and has three ratings system: EE=Exceeded Expectations, ME=Met Expectations, NE= Did not meet Expectations.</p> <p>At the beginning of the year, the immediate supervisor will invite the staff member to discuss and establish jointly the key tasks, expected output and results, which the performance of the staff member is to be measured at the end of the year. Therefore the cycle has been changed from anniversary to a fiscal year.</p> <p>In February 2007, nine training sessions on completing the Part A (Performing Planning) of the PACE were conducted to all staff members including the Regional Offices.</p> <p>At this moment, we have 76% of the total staff members that has completed the PACE Report, which is a good response to the new challenges that the Organization is facing.</p>	<b>Implemented</b>	

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected completion Date
	3. 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.	Successful completion of probationary period as well of renewal of contracts is based upon the supervisor's written recommendations to this effect.	<b>Ongoing</b>	
	4. 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.	<b>Ongoing</b>	

## 10. SUMMARY

**Summary of Recommendations from External Auditor  
for the period 1998 to 2005  
Status as of 31 March 2007**

Subject	Ref.	Recommendations		
		Total	Number Completed	Number in Progress
<b>1998</b>				
Cash Management	2.1	10	9	1
Total		10	9 (90%)*	1
<b>1999</b>				
Universal Safety Oversight Audit Programme (completed 2005)	3.1	8	8	-
Total		8	8 (100%)*	-
<b>2000</b>				
Human Resource Management	4.1	4	3	1
Information Technology	4.2	6	4	2
Total		10	7 (70%)*	3
<b>2001</b>				
Regional Offices with Special Reference to Lima (completed 2005)	5.1	2	2	-
Total		2	2 (100%)*	-
<b>2002</b>				
Regional Offices with Special Reference to Bangkok and Paris	5.2	5	4	1
Total		5	4 (80%)*	1
<b>2003</b>				
Regional Offices with Special Reference to Dakar	6.1	5	4	1
Office for Programmes Evaluation, Audit, and Management Review	7.1	10	10	-
Follow-up on 2000 Report: Human Resource Management	7.2	6	3	3
Follow-up on 2000 Report: Modernization of Financial Information Systems	7.3	3	3	-
Total		24	20 (83%)*	4
<b>2004</b>				
Attest Audit Results	8.1	4	2	2
Follow-up on 2002 Report on Management of TC Projects	8.2	6	5	1
Total		10	8 (80%)*	2
<b>2005</b>				
Follow-up on 2000 Report: Modernization of Financial Information Systems	9.1	4	2	2
Follow-up on 2005 Report: Performance Appraisal Report Process	9.2	4	2	2
Total		8	4 (50%)*	4

\*Represents percentage completed of total recommendations

## **APPENDIX B**

### **DRAFT RESOLUTIONS**

#### **Resolution 57/1**

##### **Approval of the accounts of the Organization for the financial year 2006 and examination of the Audit Reports thereon**

*Whereas* the accounts of the Organization for the financial year 2006, 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 audited accounts for the financial year 2006 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 2006.

#### **Resolution 57/2**

##### **Approval of those accounts with respect to the United Nations Development Programme activities administered by ICAO as Executing Agency for the financial year 2006 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 2006 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 2006;
2. *Approves* those accounts with respect to the United Nations Development Programme administered by ICAO as Executing Agency for the financial year 2006; 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 —