International Civil Aviation Organization

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 REPORT OF THE EXTERNAL AUDITOR FOR THE FINANCIAL YEAR 2004

(Presented by the Council of ICAO)

EXECUTIVE SUMMARY

This paper presents the Financial Statements of the Organization for the financial year 2004 and the Report of the External Auditor thereon, as contained in Document 9858. Draft resolutions for the consideration of the Assembly are in Appendix F.

Action: The Council recommends that the Assembly:
a) note the Report of the External Auditor relating to the 2004 accounts contained in Document 9858, the comments by the Secretary General on the Audit Report of the External Auditor (Appendix D to this paper refers) and the report on the status of implementation of the External Auditor's prior years' recommendations (Appendix E);
b) approve the audited accounts of the Organization contained in Document 9858;
c) approve the accounts with respect to the UNDP projects executed by the Organization (Schedule F of the Financial Statements Document 9858); and
d) consider the two draft resolutions submitted in Appendix F to this paper.

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 9848, *Assembly Resolutions in Force* (as of 8 October 2004) Doc 7515/12, *The ICAO Financial Regulations*

1.   **REGULAR PROGRAMME ACTIVITIES OF ICAO**

1.1   **Appropriations**

1.1.1   The 33rd Session of the Assembly approved a Total Authorized Appropriation of $ 60 456 000 for Regular Programme activities during the financial year 2004 (Resolution A33-23), including $ 2 062 000 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 $ 2 524 077 from financial year 2003 to financial year 2004 (C-DEC 170/11 and C-DEC 172/18).

1.1.3   During the year, pursuant to Financial Regulation 5.10, the Secretary General approved the transfer of appropriations totalling $ 1 266 000 from Major Programmes: General Policy and Direction, Air Navigation, Air Transport and Finance, External Relations/Public Information and Programmes Evaluation, Audit and Management Review to the following Major Programmes: Legal - $ 82 000, Regional and Other Programmes - $ 1 133 000 and Administrative Support - $ 51 000. The significant supplement to the Major Programme: Regional and Other Programmes was necessitated by the adverse exchange rate fluctuations of the U.S. dollar against currencies used as well as increases in certain staff costs, particularly affecting four Regional Offices.

1.1.4   Pursuant to Financial Regulation 5.11, the Council also approved a transfer of the appropriation totalling $ 1 978 299 from 2004 to 2005 with regards to deferred programme elements/activities (C-DEC 173/9). A major part of this transfer - $ 1 677 299 - is for the Major Programme: Universal Safety Oversight Audit. Due to the transition to a comprehensive systems approach for the conduct of safety oversight audits, certain activities originally planned for the current triennium (2002-2003-2004) have been deferred to the next triennium.

1.1.5   As a result of the increases and transfers outlined above, the final approved appropriation for the year amounted to $ 61 001 778. Details of these changes are shown in Appendix A (column 5) of this paper.

1.2   **Actual Expenditure compared to Budget**

1.2.1   As shown in Appendix A, the actual expenditure for the year against the final approved budget amounted to $ 60 424 305. Expenditures incurred in Canadian dollars are reported at the budget rate of CAD$ 1.54 to US$ 1.00. Expenditures incurred in currencies other than Canadian dollars are reported at the United Nations operational rate of exchange. In comparison, the expenditure reported in the Financial Statements amounts to $ 60 443 892. The difference arises because the Canadian dollars expenditure reported in the Financial Statements are stated at the forward rate of exchange, mentioned in paragraph 1.4 below, and in accordance with the accounting policy of the Organization. Comparisons of actual expenditure at the budget rate against the final approved appropriation by Major Programme are reflected in Appendix A.

1.3   **Expenditure on Meetings**

1.3.1   The approved budget for meetings in 2004 amounted to $ 1 121 000. In addition, an unused provision for meetings from 2003, mainly for language services, of $ 407 163 was carried forward to 2004. The actual expenditure on meetings in 2004, as shown in Appendix B, amounted to $ 993 585.

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 expenditure is either incurred in, or impacted by, Canadian dollars. The budget and the assessed contributions for the 2002 to 2004 triennium were 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 2004, CAD$ 50 710 000 were received at an actual cost of US$ 32 596 041. The objective of stabilizing Canadian dollar-related expenditures to a level within the budget was achieved. As per Assembly Resolution 33-23, the surplus arising from the difference between the budget rate and the forward currency purchase contracts for the triennium amounting to $ 770 000, including $ 260 000 for 2004, was transferred to the AVSEC Enhanced Mechanism Fund.

1.4.3   In August 2004, a total of Euro $ 1 150 369 was purchased for delivery during the last quarter of 2004 at a total cost of $ 1 400 000. This purchase was made to protect the budget of two Regional Offices which were being adversely affected by the continuous depreciation of the U.S. dollar. The objective of the purchase was achieved.

1.5   **Miscellaneous income**

1.5.1   Total Miscellaneous Income realized in 2004 amounted to $ 5 787 016 or $ 1 460 016 in excess of the amount of $ 4 327 000 estimated in the budget. As in 2003, the increase resulted primarily from higher receipts from sales of publications than estimated.

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 $ 4 521 000 for the financial year 2004. The estimated AOSC income for the year was $ 3 778 000. During the year, pursuant to Financial Regulation 9.5, the Council revised the Budget Estimates for 2004 to $6 375 000 (C-DEC 173/4) and the estimated income was revised to $ 6 607 000.

2.2   The actual expenditure and income of the AOSC for 2004 amounted to $ 5 754 343 (excluding expenditure for improving the efficiency and effectiveness of the Technical Cooperation Bureau) and $ 6 310 666 respectively. Details of the AOSC Indicative Budget Estimates compared with the actual figures are shown in Appendix C.

3.   **UNITED NATIONS DEVELOPMENT PROGRAMME ACTIVITIES OF ICAO**

3.1   For the year ended 31 December 2004, total expenditures incurred in respect of United Nations Development Programme (UNDP) projects executed by ICAO amounted to $ 9 739 106. Of this amount, $ 9 581 291 was financed by beneficiary Governments under cost sharing arrangements and the remainder of $ 157 815 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 2004 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 2004 presented fairly, in all material respects, the financial position of the Organization as at 31 December 2004 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 D.

5.   REVIEW BY THE COUNCIL

5.1   On 13 June 2005, in accordance with Financial Regulation 13.3, the Council reviewed the Financial Statements of the Organization for the financial year 2004 and the Report of the External Auditor thereon (Document 9858). The Council also considered the Secretary General's comments on the External Auditor's Report (Appendix D) as well as the report of the Secretary General on the status of the prior years' recommendations of the External Auditor (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 to the Assembly as reflected in the Draft Resolution in Appendix F.

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**STATEMENT OF APPROPRIATION AND EXPENDITURE
BY MAJOR PROGRAMME - 2004
(in United States dollars)**

	(1) Approved Appropriations (Res. A33-23)	(2) Carried-over from prior year (C 170/11, C172/18)	(3) Transfers among Major Programmes (Fin. Reg. 5.10)	(4) Defer to 2005 (Fin. Reg. 5.11) (C 173/9)	(5) Total Adjusted Appropriations	(6) Expenditure at Budget Rate	(7) Unobligated Balance at 31 December 2004
Major Programmes					(1)+(2)+(3)+(4)		(5) - (6)
I. General Policy and Direction	1 437 000	494 192	(193 000)	(50 000)	1 688 192	1 552 285	135 907
II. Air Navigation	8 765 000	730 493	(401 000)	(53 000)	9 041 493	9 035 984	5 509
III. Air Transport	4 750 000	251 570	(306 000)	(46 000)	4 649 570	4 648 904	666
IV. Legal	810 000	7 660	82 000		899 660	899 430	230
V. Regional and Other Programmes	15 411 000	84 867	1 133 000	(12 000)	16 616 867	16 591 683	25 184
VI. Administrative Support	22 726 000	179 995	51 000		22 956 995	22 897 164	59 831
VII. Finance, External Relations/Public Information and Programmes Evaluation, Audit and Management Review	3 479 000	179 211	(366 000)	(140 000)	3 152 211	2 908 142	244 069
VIII. Universal Safety Oversight Audit Programme	1 016 000	3 594		(717)	1 018 877	1 018 877	
	58 394 000	1 931 582		(301 717)	60 023 865	59 552 468	471 397
VIII. Universal Safety Oversight (remainder of Continuation) Audit Programme to be Funded by Cash Surplus	2 062 000	592 495	(1 676 582)		977 913	871 837	106 076
	60 456 000	2 524 077	(1 978 299)		61 001 778	60 424 305	577 473

	Approved Estimate					Actual Receipts	
Miscellaneous Income	4 327 000					5 787 016	

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 average forward rate of CAN $1.556 to US $1.00 amounting to $ 260 000 has been transferred to the AVSEC Enhanced Mechanism.

Expenditure in Canadian dollars is reflected at the budget rate of CAN$ 1.54 to US$ 1.00.

APPENDIX B

MEETINGS 2004
STATEMENT OF EXPENDITURES (*)
(IN UNITED STATES DOLLARS)

		(1)	(2)	(3)
		Site	Budget	Total Expenditures
MAJOR PROGRAMME I - GENERAL POLICY AND DIRECTION			526 000	
Language Provision (LC/32; FAL/12; GREPECAS)				173 807
35th Session of the Assembly				463 261
MAJOR PROGRAMME II - AIR NAVIGATION			57 000	
Panel Meetings:	- CAEP/6	Montreal		18 835
	- SCRSP/1	Montreal		4 956
SADISOPSG/9		Dakar		6 309
MAJOR PROGRAMME III - AIR TRANSPORT			165 000	
Panel Meetings:	- ANSEP/5	Montreal		3 871
AVSEC Panel	- AVSECP/16	Montreal		3 594
Workshops/Seminars	- Regulatory Policy Seminar	Port of Spain		9 252
	- FEPW	Nairobi		13 484
	- FEPW	Bangkok		6 113
	- ICAO/IKSANO	Kyiv		5 524
REG TFG	- APA TFG	Bangkok		7 668
	- MER TFG	Cairo		525
TAG/MRTD/15		Montreal		585
AH-DE/15		Montreal		1 794
IETC/5		Montreal		1 717
FAL/12		Cairo		73 318
MAJOR PROGRAMME IV - LEGAL			25 000	
LC/32		Montreal		9 550
MAJOR PROGRAMME V - REGIONAL AND OTHER PROGRAMMES			348 000	
Planning Groups:	- EANPG/46	Paris		5 271
	- NAT SPG/40	Paris		750
	- APANPIRG/15	Bangkok		7 396
	- RASMAG/1	Bangkok		112
	- ADS-BTF/2	Bangkok		54
	- ATNTTF/6	Bali		-
	- FDTF/1	Bangkok		79
	- CNS/MET SG/8	Bangkok		163
	- ATM/AIS/SAR/SG/14	Bangkok		124
	- ARNR/TF/1	Bangkok		39
	- RASMAG/2	Bangkok		-
	- ATNTTF-WG/11	Bangkok		-
	- MIDANPIRG CNS/MET SG/6	Cairo		1 759
	- AOP SG/4	Cairo		238
	- ATM/SAR/AIS SG/7	Cairo		196
	- ATM/CNS/SG/3	Rio de Janeiro		11 637
	- NAT EFG/8	Washington		1 898
	- ICOM	Moscow		5 490
	- ATMGE/1	Paris		72
	- RDGE/1	Paris		136
	- RDGE/2	Paris		-
	- NAT SARSIG/2	Ottawa		1 851
	- NAT EFG/9	Copenhagen		1 002

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

		(1) Site	(2) Budget	(3) Total Expenditures
Planning Groups (cont'd):	- RPM VSAT Networks Integration	Johannesburg		2 195
	- AFI VSAT Networks Integration	Dakar		81
	- IAVWOPSG/1	Bangkok		13 148
	- Coordination meeting	Amman		1704
	- TFSG/1	Cairo		203
	- CNS/ATM HR Planning & Training TF/1	Cairo		50
	- ACP WG/F	Nairobi		1 978
Implementation Meetings:	- NAT IMG/24	Prestwick		1 682
	- NAT ATMG/24	Gander		2 811
	- OLIMP/6	Paris		218
	- OLIMP/7	Athens		2 731
	- NAT FIG/11	Ottawa		1 677
	- NAT IMG/25	Reykjavic		2 760
	- RVSM/TF/21	Bangkok		72
	- EMARSSH-OYR	Bangkok		-
	- SEACG/11&FIT-SEA/1	Bangkok		128
	- DRTF/2	Bangkok		-
	- BBACG/15 & FIN-BOB/4	Bangkok		44
	- RVSM/TF/22	Bangkok		39
	- SCM RVSM Japan/Republic of Korea	Bangkok		39
	- RVSM TF/11	Cairo		115
	- RNP/RNAV TF/7	Cairo		139
	- GNSS TF/4	Cairo		139
	- E/CAR/IWG/28	Montserrat		4 938
	- C/CAR/WG/4	Dominican Republic		5 092
	- C/CAR/DCA/7	Puerto Rico		6 101
	- E/CAR/DCA/19	Bridgetown		4 375
	- ACG/4	Mexico		5 684
	- AVSEC/COMM/3	Santiago		1 702
	- GREPECAS/12	Havana		31 167
	- RVSM TF/3	Nairobi		399
	- WGS-84	Dakar		2 681
	- SAT/11TF/TWG/RRSG	Rio de Janeiro		3 790
	- DGCA/2	Cotonou		6 764
	- SAT/11TF 1	Rio de Janeiro		1 821
	- SAM 93/03 ATM Multilateral	Lima		-
	- EAST CAR NE	Lima		-
	- SAR/2	Lima		4 836
	- CAP/DGA/91	Panama		3 153
	- AIS/MAP TF/2	Cairo		151
	- ATS Incident Analysis TF	Cairo		25
	- ANS WG/1	Cairo		-
	- CORVSM	Paris		223
	- AFI ATN Routing Directory	Nairobi		545
	- AFI/ATS Providers/2	Johannesburg		-
	- AFI/MID/RVSM Interface	Gigiri		1 155
	- RVSM TF/5 & Stakeholders	Dakar		6 292
	- RVSM TF/5	Dakar		-
Seminars and Workshops:	- Seminar on Amendment 73 to Annex 3	Niamey		1 266
	- AFI RVSM TF/3 & AFI RVSM Seminar	Nairobi		3 476
	- MID Regional Workshop on Training of Aerodrome Inspectors	Cairo		1 622
	- Workshop on Development of Business Case for CNS/ATM Implementation in the MID Region	Cairo		176
	- MID AIS/MAP Seminar/2	Cairo		1 893
	- Aerodrome Inspector Seminar	Buenos Aires		2 112
	- Workshop of Internal Audits for ATS in SAM Region	Lima		1 673
	- CAR/SAM Seminar on RWY incursions and ATS Safety Management	Santiago		4 050
	- Business Planning Workshop	Mexico		1 509
	- WAFS Seminar	Lima		3 627
	- Aeronautical Frequency Management Seminar	Nairobi		989
	- RVSM Seminar	Nairobi		2 613
	- ICAO AFI Runway Safety & ATS Safety Safety Management Seminar	Nairobi		3 299
			1 121 000	993 585

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

APPENDIX C

**TECHNICAL CO-OPERATION ADMINISTRATIVE AND
OPERATIONAL SERVICES COST STATEMENT OF APPROVED
BUDGET, EXPENDITURE AND UNENCUMBERED BALANCE OF
APPROVED BUDGET (2004)**

(in United States dollars)

	Approved by the Assembly	Revised Budget 2004[1]	Expenditure/ Income 2004	Unencumbered Balance of Approved Budget
Appropriation/Expenditure				
Major Programme XI	4 521 000	6 375 000	5 754 343	620 657
Income	3 778 000	6 607 000	6 310 666	
Excess/(Deficit) of Income over Expenditure	(743 000)	232 000	556 323	

[1]   Noted by Council at its 173rd Session (C-DEC 173/4).

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APPENDIX D

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

1. In accordance with the decision taken at the 28th Session of the Assembly, the Council has included, 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 2004 contained in Addendum No. 1.

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

3. **ATTEST AUDIT RESULTS (paragraphs 9 to 18)**

3.1 Paragraph 10 b) - the External Auditor, in her 2002 Report, had recommended that ICAO reconsider its accounting policy to include a provision for long-outstanding delays for collection of assessed contributions. Assessments, once approved by the Assembly, are binding obligations on Contracting States. The Council discussed the subject in its 12th meeting of the 169th Session and noted the observation made by the Finance Committee that the provision recommended by the External Auditor may not significantly affect the usefulness of the financial statements, since information to interested parties was fully disclosed in the financial statements. The same recommendation was made in the External Auditor's 2003 Report, emphasizing that the absence of such a provision results in the Organization reporting a misleading financial position and that making a provision would have no effect on the legal status of the debtor accounts. The Council discussed the subject again at its 18th meeting of the 172nd Session and did not decide to change the accounting policy.

3.2 Paragraph 10 c) – Please see paragraph 3.5 below.

3.3 Paragraph 10 d) – The External Auditor's recommendation has been noted. Income from publication sales will be reported on an accrual basis starting in the 2005 accounts. The implications of establishing provisions for doubtful accounts will also be reviewed in the context of the review of the financial statement presentation mentioned in paragraph 3.4 below.

3.4 Paragraphs 11 and 12 – As mentioned by the External Auditor, the accounting policies and the format and presentation of the financial statements have evolved over time to meet the specific purposes, needs and the unique nature of the various funds that were being established. Given the proliferation of new funds, and in the interest of improving efficiency, the Secretariat is conscious of the need to standardize and apply uniform accounting principles across all funds and to improve the format and presentation of the financial statements. In fact, it was the intention of the Secretary General to present proposals on this subject to the Council during the 174th Session. However, the action was deferred for various reasons. Firstly, the United Nations is currently reviewing the accounting policy with respect to the accounting rules for recognizing expenditure. Expenditure recognition is the area where there is the most divergence in the accounting policies, and therefore, it would be useful to await the

outcome of the study before considering any changes. Secondly, in adopting a new financial system, it would be more efficient to apply uniform accounting policies, to the extent possible, for the different groups of funds. In the event that ICAO adopts the solution developed by another UN organization, there will be significant benefits to complying with the accounting rules that have been built into that particular system. It was therefore considered prudent to wait until the system has been selected before determining the revisions that should and could be made to the accounting policies. Lastly, the limited existing resources in the Accounting Services Section, already strained by the introduction of new funds, the increasing size of the Technical Co-operation Programme and the work on the new financial system, limits the ability to undertake time-consuming new tasks. Nevertheless, the Secretariat, working together with the External Auditor, will plan and implement the changes as necessary.

3.5   Paragraphs 10 c), 13 and 14 – The Secretariat agrees with the observations and recommendations made by the External Auditor. Action has already been initiated to address the weaknesses identified by the External Auditor as well as the lessons learnt from the last physical count. Although initially, the physical count was planned to only encompass assets that are defined as non-expendable property (NEP) – i.e. items exceeding $ 1 500 in value or considered as a special item, subsequently it was decided to extend the exercise to all assets including those not classified as non-expendable items – i.e. items below the value of $ 1 500. There are presently approximately 17 700 items on the database of which only about 2 900 are classified as non-expendable. The physical count was mainly prolonged by relocation or reassignment of a substantial number of items that had not been properly recorded in the past. The computer system used to manage the inventory was developed in-house with limited in-built controls, particularly for data input control and verification. Although EAO had recommended that the system be replaced with a more robust commercially available solution, decision on this has been deferred pending the acquisition of an integrated financial system that may include an inventory module. In the meantime, in order to ensure full compliance with the requirements of United Nations System Accounting Standards (UNSAS) by the end of 2005, measures have already been taken to: (i) issue the manual for the management of non-expendable property by June 2005; (ii) redistribute and prioritize work assignments so that one full-time, trained staff member is dedicated to manage the inventory until the UNSAS requirements are met; (iii) identify and reconcile all items that have been relocated and reassigned; (iv) streamline procedures for prompt recording of all new acquisitions and property movements; (v) independently verify all data entry to ensure accuracy of the database; and (vi) periodic as well as year-end physical verification of all assets.

4.   **OBSERVATIONS ARISING FROM THE 2004 PERFORMANCE AUDIT**

4.1   **Follow-up of 2002 Report on Management of Technical Co-operation Projects (paragraphs 19 to 48)**

4.1.1   Paragraph 19 – The External Auditor indicates in her report that during the 2004 audit, a review was made of 10 projects that started in 2003 and 2004. In paragraph 27, it is noted that in 2004, TCB was involved in more than 200 projects in about 100 countries. We are pleased to note that the External Auditor on the overall, is satisfied "that the Technical Co-operation projects reviewed, during this follow-up, are managed according to ICAO's rules and procedures."

4.1.2   Paragraph 26 – The External Auditor notes that although there have been several changes approved in the Technical Co-operation Programme, there is no consolidated TC policy available. In addition, some manuals (including the Procurement Code) need to be updated. Action, in collaboration

with other involved parties in the Organization, will be taken in this regard, and special efforts will be made to finalize the updated version of the Procurement Code by the end of 2005.

4.1.3   Paragraphs 29 to 31 – It is indicated that there is a lack of information on project justification on the files reviewed. It is to be noted that Governments and other donors will only approve funds for the execution of a project if the agreed to solution addresses the weaknesses identified. Therefore, project justification is always carefully considered and clearly defined by all parties concerned, although this could perhaps have been reflected better in some project documents. This situation will be remedied as TCB is preparing procedures to further address and document information on project justification.

4.1.4   Paragraphs 32 to 34 – As indicated in the External Auditor's report, project risk assessment is continuously considered at tripartite meetings and during frequent on-site visits. However, we have noted the External Auditor's observations on this matter and accordingly, the chapter on risk assessment contained in the project documents, which explains the risks and difficulties that might be faced during the implementation of the project, will be strengthened.

4.1.5   Paragraphs 35 to 38 – Work has progressed in completing the identification of elements of support costs and the preparation of guidelines to determine and document support cost charges. The guidelines are currently being reviewed by TCB management. However, it is to be noted that the establishment of more precise support cost rates will only be possible with the implementation of a new financial system in ICAO.

4.1.6   In the interim, the Organization has been charging support costs to projects based on the complexity of the project and type of deliveries envisaged, and taking into consideration the income and expenditure of the previous year. TCB is of the view that the support costs charged to projects cover costs incurred. This is borne out by the annual financial results of operations.

4.1.7   Paragraphs 39 to 41 – In respect of the External Auditor's observations regarding the review of Agreements, it is to be noted that all legal and financial terms and conditions related to a technical cooperation project are contained in the Agreement, and that the Project Document comprises of technical and administrative issues plus the project budget. Furthermore, a Project Document may be modified several times during the life of a project, while the corresponding Agreements are fixed for the duration of the project. In addition, new Project Documents for new requirements are usually annexed to the Agreement after it is signed. As such, during the past 54 years since the inception of the ICAO Technical Co-operation Programme and for thousands of projects implemented, it has never been deemed necessary to request the Legal Bureau to review Project Documents, which are approved in principle by the President of the Council and signed by the Secretary General. Nevertheless, discussions will be held with the Director of the Legal Bureau in respect of the observations of the External Auditor regarding documentation to be provided.

4.1.8   Paragraphs 42 to 45 – With respect to the recommendations on monitoring and reporting issues, it is to be noted that mission schedules are submitted by all TCB officers for approval on a quarterly basis, and that mission reports by all officers are kept in a separate file entitled "Missions from Headquarters – Correspondence and Authorization Reports." The official reports submitted relate to all missions undertaken by TCB officers or Regional Officers, many of which deal with project monitoring. All reports are standard and contain detailed information on the mission's objectives, background information, summary of activities, delays in implementation, if any, and conclusions, as well as itinerary and officials met.

4.1.9   In view of the External Auditor's comments, action is being taken to ensure that copies of all mission reports are from now on included in the respective project files. Furthermore, instructions are being given to all TCB officers undertaking a mission to a country where a project is being implemented to assign one day for purposes of follow-up and project monitoring. For these purposes, the officers are briefed prior to departure on issues related to the project(s) concerned.

4.2.   **Follow-up of Report on the Modernization of Financial Information Systems (paragraphs 49 to 58)**

4.2.1   Paragraphs 49 to 58 – The Secretary General concurs with observations made by the External Auditor.

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APPENDIX E

**STATUS OF THE PRIOR YEARS' RECOMMENDATIONS OF THE
EXTERNAL AUDITOR**

1.   **INTRODUCTION**

1.1   This status report provides an unaudited listing of the recommendations made by the External Auditor in prior years and that had not been actioned as of 31 December 2003. 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, the full description of recommendation made by the External Auditor, commentary on progress made in implementing the recommendation, its current status and its expected completion date. Once a recommendation has been reported to the Council as implemented, it will not appear in the subsequent detailed presentation. The status will however, be reflected in the statistics of the "Summary of Recommendations from External Auditor".

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

2.1   **Air Transport Bureau – The Statistics Programme**

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date
2.1.2	<u>1998 - Paragraph 63:</u> ATB to conduct systematic programme monitoring and evaluation of the Programme and seek wider user feedback to ensure the Statistics Programme maintains its relevance to needs of States and other users.	In September 1997, the Ninth Session of the Statistics Division reviewed the whole Statistics Programme and made a significant number of changes. Since the External Auditor's Report, the Secretariat has taken the following action: a) in addition to the regular publications on statistics, the Statistics Section (STA) has been selling ad-hoc statistical reports in electronic form since 1998 thus providing feedback to ICAO on the relevance and demand of the programmes; b) in October 2002, the new Integrated Statistical Database (ISDB) became operational. Since the beginning of 2004, most of the data series of the ICAO Statistics Programme have been available on-line via the Internet. As of April 2005, some 430 users are registered for this service; c) in February 2004, ICAO circulated a questionnaire on the usefulness of the ICAO Statistics Programme to all Contracting States on the Council. The results of the survey showed that the majority of States found the current statistics programme relevant to their needs; and d) in September 2004, ICAO, together with Air Transport Intelligence (ATI), launched a website available to all other users subject to an annual subscription. This continues to provide evidence for the usefulness of the ICAO statistics database and the willingness of these parties to pay for such data. On the basis of the most recent actions, ICAO considers that the recommendation by the External Auditors has been completed. Nevertheless, ICAO continues to monitor the content and value of this programme on an on-going basis.	**Implemented**	

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date
2.1.3	1998 - Paragraph 63: ATB to link existing performance-related data to its activities in order to determine whether any progress has been made as a result of actions taken or whether alternative actions should be considered.	A core feature of the new statistics database application is the tracking system which allows the monitoring of the submission of data by States. The system also allows the monitoring of the use of staff resources. Placing the data on-line adds to the importance of processing the data submitted on a timely basis, and the monitoring features included in the system allow management to better predict peaks in staffing requirements.	**Implemented**	

2.2   Environmental Protection (EMS)

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date
2.2.1	1998 - Paragraph 72: An Environmental Management System (EMS) refers to the policies and procedures by which an organization is kept aware of the interaction of its products and activities with the environment and achieves a desired level of environmental performance. Some efforts have been undertaken at Headquarters to identify further economies in management practices and to address environmental concerns, for example, ICAO's Internet site is an important vehicle for dissemination of public information and efforts are directed at the use of recycled paper as well as paper is being recycled. Although the Secretariat has some components of an EMS in place, they are not complete	EMS for ICAO can be divided into two parts; the responsibility of the owner of the building and Public Works and Government Services Canada (PWGSC), and the responsibility of the tenant (ICAO). The ICAO building and all of its environmental aspects are controlled by PWGSC. ICAO is a tenant and any activities that ICAO is involved in within the building that have an environmental aspect are under the control of PWGSC and the building owner for management of environmental concerns. ICAO, on its own initiative, has instituted a paper recycling programme in both the office tower and the print shop. Action has been taken to ensure that all water used in the print shop is filtered through a special system prior to being ejected into the main city sewage system. Water analyses have been carried out in the premises to ensure all water used in the premises conforms with the Kyoto Protocol. The regular building operation and maintenance activities are monitored by PWGSC in conformity with the standards of the Kyoto Protocol which includes maintenance practices, use of different material in the	**Implemented**	

and there is no systematic documentation of existing practices. We have recommended to the Secretary General notably to consider the implementation of an Environmental Management System in the Secretariat.

workplace, dangerous products, air quality, disposing of garbage and sewage, and air and gas measurements in the building atmosphere.

ICAO as a tenant contributes directly to its share of environmental management by way of conduct of its paper recycling programme, decrease use of energy in the building during quiet hours and minimal use of energy in areas not being used (such as conference rooms) on certain days.

2.3   **Cash Management**

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date
2.3.5	1998 - Paragraph 89 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.	**In progress**	**2006**
2.3.10	1998 - Paragraph 89 ICAO consider establishing performance indicators for its cash management.	All cash balances in Headquarters are retained in accounts that yield competitive rates of interest. The market is regularly surveyed and surplus cash is placed in longer term deposits which provide higher interest yield. The present cash management policies and practices are designed to maximize income while at the same time minimizing the risk of loss. Under the circumstances, the comparison of the average returns on cash with known market indicators is not expected to result in an objective measurement or to be of practical value. Indicators for other cash-related activities have already been established. The procedures currently in place are considered adequate.	**No further action planned**	

3.   **RECOMMENDATIONS OF THE EXTERNAL AUDITOR REPORTED IN 199**9

3.1   **Universal Safety Oversight Audit Programme**

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 are being addressed through the long-term secondment of officials from States.	**In progress**	**During 2005– 2007 triennium**
3.1.2	<u>1999 - Paragraph 47</u> In preparation for expansion of the Universal Safety Oversight Audit Programme, long-term financing of the Programme should be secured as soon as possible.	The programme is now fully provided for under the Regular Programme Budget. Implemented on 1 January 2005**.**	**Implemented**	
3.1.7	<u>1999 - Paragraph 47</u> The Safety Oversight Audit Unit should implement a time-recording system. This basic tool would provide management with detailed information on the use of resources and comparative data for future audit cycle planning and decision making.	A formal time reporting system was not instituted during the initial audits, although some individual auditors kept track of their time. Initial feedback in this regard led to changing the mission plan from three to two States per mission, and to the addition of one or two working days to each State to allow for adequate time for the completion of the audits. Team Leaders are empowered to assess the time required to complete an audit follow-up prior to establishing the schedule, and missions are set up accordingly. An assessment of time usage is made at the end of the mission as part of the Team Leader's Mission Report. A requirement for Team Leaders to implement this action will be enforced as part of the new comprehensive systems approach.	**In progress**	**During 2005– 2007 triennium**

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

4.1 **The 2002-2004 Draft Programme Budget Planning Process**

Paragraph 40 of the year 2000 Report of the External Auditor recommended: to develop a Programme Budget that can take into account the global needs and strategic priorities of ICAO, the Secretariat should consider doing the following:

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date
4.1.2	2000 - Paragraph 40 Implement a formal means such as a strategic planning function or a challenge review process at the senior levels to assist in establishing strategic objectives in their order of importance at the outset of the programme budget planning process.	Current processes require the SAP and the Programme Budget to be reviewed by the Senior Management Group before being submitted to the Council. For the 2005-2007 triennium, the Senior Management Group has been involved in reviewing all budget proposals. The Strategic Objectives 2005-2010 have been established by the Council.	**In progress**	**End 2005**
4.1.4	2000 - Paragraph 40 Propose to the Council that overall performance information on programmes and key activities be developed and provided to the Council on a regular basis.	Council is regularly informed on the results of activities under specific and selected programmes. The Annual Report is part of that process. Procedures are being established to report to Council specifically on the overall performance against the Programme Budget. A performance matrix is being developed as part of the business planning process.	**In progress**	**End 2005**

4.2   **Human Resource Management**

In paragraph 64 of the year 2000 Report, the External Auditor recommended: to ensure that ICAO has a competent and sustainable work force, capable of achieving its strategic goal, the Secretariat needs to do the following:

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date
4.2.4	2000 - Paragraph 64 Ensure that adequate funding is provided to improve management and recruitment practices.	During 2004, the Council approved U.S. $50,000 for Performance Reporting Management and U.S. $50,000 for Executive Management Training. This is in addition to the U.S. $45,000 for Language Training. Further to the above, a workshop on Performance Reporting was offered to staff at the executive level and a limited number of managers followed a workshop on Project Management at McGill University. Lastly, a workshop was offered to Executive Management. As a result of the feedback received, it was concluded that similar workshops will be offered to more staff at managerial and executive levels in 2005.	**Partially implemented - in progress**	**December 2005**

4.3   **Information Technology**

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date
4.3.1	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 full-time project manager has been assigned to lead the development of a new system. The funds for the core financial system were approved in the 33rd Session of the Assembly and supplemented by the 35th Session by approval of A35-32. (Refer to 4.3.2 below for details.) Measures have been taken to prepare for experts in the functional areas to be available to work on the new system development and implementation. A Steering Group, comprising senior officers, has been established to monitor the project and advise the Secretary General on issues and alternatives.	**Partially implemented**	**During the 2005–2007 triennium**

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date
4.3.2	2000 - Paragraph 82 ICAO should reconsider the priority it has given to replacing the existing financial systems. The following key conditions are necessary for success: Funding for the renewal initiative such as software, training, future upgrades and maintenance.	In Resolution A35-32, the Assembly resolved to authorize the transfer of an amount of $2 million from the accumulated funds of the Administrative and Operations Services Cost (AOSC) Fund of the Technical Cooperation Programme to the ICT Fund to fund part of the cost of modernizing the financial and related systems. This transfer will be used to finance the full cost of the core financial system, estimated at $4 million. The Assembly has also resolved to authorize the Council to transfer from the Incentive for Settlement of Long-Outstanding Arrears Account to the ICT Fund such amounts as are available and are deemed appropriate to fund the modernization of the financial and other related systems, after carefully examining its estimated costs and taking into account the needs of the Organization. The resources required and the final estimated cost of the project will be known when the final evaluation of the tenders submitted by suppliers is completed and when other alternatives, including cooperation with other organizations, have been fully considered.	**Partially Implemented**	**2006**
4.3.3	2000 - Paragraph 82 Strong senior management leadership, strong support from Contracting States and user buy-in.	The recommendation refers to an ongoing process. In implementing the new systems, all the necessary development standards will be observed. The Chief, Finance Branch has the overall responsibility for the project. The Secretary General, the Senior Management Group and key users of the systems participate in all critical stages of the acquisition, development and implementation of the system. In addition, the Secretary General established in July 2004 a Steering Group, composed of Directors and Chiefs, to oversee the continued planning, development and implementation of the project. Progress being made on the project is being regularly reported to the Council.	**Implemented**	
4.3.5	2000 - Paragraph 82 A change management strategy that will 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.	**In progress**	**During the 2005–2007 triennium**

5. RECOMMENDATIONS OF THE EXTERNAL AUDITOR REPORTED IN 2001

5.1 Management Services Agreement Projects

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date
5.1.1	<u>2001 - Paragraph 38</u> ICAO should specify in Management Services Agreements the rules and procedures that should be followed for compensation of project personnel.	A document entitled "National Personnel Project Manual", establishing personnel policies, staff rules and service code for application by Mission Offices, was developed and published by TCB. The manual provides specific rules regarding the compensation of project personnel, including salaries, allowances and benefits.	**Implemented**	

5.2 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
5.2.1	<u>2001 - Paragraph 72</u> The Secretary General should institute a formal annual review of plans with each regional office. This review should involve representatives of each Headquarters bureau and focus on planned results and the expected resource costs to achieve them, in order to identify and agree on realistic priority activities.	The Secretary General shares the concern and supports the recommendation of the External Auditor for establishing a formal annual review process of the Regional Office plan for each of the seven Regional Offices. All Regional Offices are to be an integral part of the Business Plan. The plan will provide priorities, expected results and resource utilization. The Business Plan of the entire ICAO Organization, including the Regional Offices, is scheduled to be presented to Council in June 2005. The framework for establishing Performance Management is in progress and will be completed by August 2005. The results of this work will be applied subsequently to the Regional Offices.	**In progress**	**December 2005**

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date
5.2.2	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 will be completed as part of the Performance Management section of the Regional Office Business Plan. The framework for establishing Performance Management is in progress and will be completed by August 2005. The results of this work will be applied subsequently to the Regional Offices.	**In progress**	**December 2005**

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

6.1   **Technical Cooperation Projects**

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date
6.1.3	2002 - Paragraph 78 Sufficient information and documentation should be provided on the overhead rate to be charged at the planning phase of the project, tracked over the duration and reported on a timely basis.	In order to monitor the actual cost of support of technical cooperation projects, ICAO regularly undertakes an analysis of the income derived from all projects implemented in a given year in comparison with the related expenses incurred by the AOSC Fund by type of project. The information documented provides the basis for the readjustment (increase or decrease, as necessary) of the overhead levels in relation to Trust Fund, Civil Aviation Purchasing Service (CAPS) and Management Services Agreement (MSA) projects. Pending the establishment of a new financial system, TCB has completed work in identifying elements of support costs and proposed guidelines to determine overhead charges, which are currently being reviewed by TCB management. The establishment of a more precise overhead rate, however, requires the tracking of administrative costs, and that will only	**In progress**	**2005**

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date
		be possible with the implementation of an adequate financial system in ICAO.		
6.1.4	2002 - Paragraph 78 Project risk assessment should be improved by: – Completing a profile of potential risks to be considered at various phases of a project; – Assessing formally the potential risks for projects involved in assisting human resources development of a national civil aviation department; and – Re-assessing periodically its analysis of risks in the case of multi year projects.	All UNDP project documents encompass a specific chapter on project risk assessment, where potential risks to be considered at the outset and during various stages of project implementation are analysed. Multi-year projects, including MSAs and Trust Fund agreements, are periodically subject to tripartite reviews carried out by the government, ICAO and the counterparts once a year, or whenever necessary, upon request of any of the parties. The subject of risks, if merited, is included in the agenda of the meeting and relevant discussions and specific recommendations are documented in the subsequent Tripartite Review Report. In addition, as per the request of the Legal Bureau, all framework agreements for technical cooperation and procurement contracts mandatorily include an indemnity clause whereby the contractor, at its own expense, shall indemnify and hold harmless ICAO, including its employees, from and against all suits, claims and liabilities arising out of the acts and omissions of ICAO or its employees on behalf of the government in the performance of the agreement/contract.	**Implemented**	
6.1.5	2002 - Paragraph 78 A formal approach should be used to obtain feedback on the quality of its procurement services to Contracting States.	The Field Procurement Section (FPRO) has been instructed to issue a formal request to Contracting States enquiring about their satisfaction with the procurement services provided by ICAO with regard to all non-off-the-shelf purchases over U.S. $500,000 as of January 2005.	**Implemented**	

6.2 **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
6.2.1	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.	Work has started on the issue of performance management and reporting at the level of the SMG and development of the methodology. The formal annual review of plans will be a part of the Performance Management section of the Business Plan. The framework for establishing Performance Management is in progress and will be completed by August 2005. The results of this work will be applied subsequently to the Regional Offices.	**In progress**	**December 2005**
6.2.2	2002 - Paragraph 114 The roles and responsibilities of Regional Offices should be clarified and the Regional Office Manual should be revised accordingly and made available in electronic format	The Regional Office Study has been completed. The fourth edition (provisional) of the Regional Office Manual is available. The manual is to be finalized and made available electronically by the end of 2005.	**In progress**	**December 2005**
6.2.3	2002 - Paragraph 114 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.	Monthly reporting of the Regional Offices has improved. Reports from the Regional Offices arrive more regularly and contain more information. The framework for establishing Performance Management is in progress and will be completed by August 2005. The results of this work will be applied subsequently to the Regional Offices.	**In progress**	**December 2005**

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date
6.2.4	2002 - Paragraph 114 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. This task will be taken into account in the formulation of the Business Plan and Performance Management for the Regional Offices.	**In progress**	**December 2005**

7.   RECOMMENDATIONS OF THE EXTERNAL AUDITOR REPORTED IN 2003

7.1   **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
7.1.1	2003 - Paragraph 126 ICAO Headquarters and Regional Offices should work together to set priorities that define in more detail the role of its Regional Offices in promoting and/or assisting particular projects that are part of regional air navigation plans, and that provide a basis for accountability.	The introduction of a Business Plan for Major Programme V will further improve the existing management processes. The Business Plan will assist in prioritizing and promoting the implementation of requirements contained in the global and regional air navigation plans, as well as further improve the plans themselves.	**In progress**	**June 2005**
7.1.2	2003 - Paragraph 126 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.	RAO agrees with this recommendation. It is expected that the introduction of the Business Plan will further improve the existing management process. The coordination with ANB sections is an integral part of preparation for the planning and implementation regional group (PIRG).	**In progress**	**June 2005**

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date
7.1.3	2003 - Paragraph 133 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 will further improve the effectiveness of ICAO's work. The Business Plan of the entire ICAO Organization, including the Regional Offices, is scheduled to be presented to Council in June 2005. The framework for establishing Performance Management is in progress and will be completed by August 2005.	**In progress**	**December 2005**
7.1.4	2003 - Paragraph 133 ICAO should collect statistics and carry out evaluations to identify the actual results of its work.	External Auditor's recommendations are applicable to all Regional Offices and will be implemented as such. It is anticipated that the External Auditor's recommendations will be gradually introduced through the Business Plan by June 2005. Actual results of the Regional Offices will be monitored through the Performance Management system.	**In progress**	**December 2005**
7.1.5	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 enhance the reporting format of the Regional Offices' monthly reports to ensure that the major activities specific to the region are included and later reflected in the Annual Report of the Council and Assembly. This information may also be used by the Regional Offices during the budget planning process to demonstrate their need for resources. Actual results of the Regional Offices will be monitored through the Performance Management system.	**In progress**	**December 2005**

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

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date
7.2.1	2003 - Paragraph 175 ICAO should establish an internal oversight committee to strengthen the EAO function and provide advice as required.	The work of an oversight committee has been included in the tasks of the Senior Management Group, thus guidance can be provided without unduly increasing the administrative burden on EAO.	**Implemented**	
7.2.2	2003 - Paragraph 175 EAO should update its risk assessment study on an on-going basis and seek senior management involvement in its assessment of risks.	In response to the External Auditor, EAO has included the risk assessment study as part of its work programme for 2005.	**In progress**	**2005**
7.2.3	2003 - Paragraph 175 EAO should explore how it can use the Annual Report to inform Member States on the results achieved against goals or objectives explicitly stated in the Programme Budget, report on key indicators of its performance, note any progress, and outline future actions.	EAO will explore how to gradually improve the content of the Annual Report. The developments under the Business Plan and performance reporting should facilitate communicating how results are achieved against goals or objectives, however, the item is not in the 2005 work programme for EAO.	**In progress**	**2007**
7.2.4	2003 - Paragraph 175 EAO should begin all project work with clear objectives and those objectives should determine the type of work to be conducted and the standards to be followed.	All project work uses standardized terms of reference which provides for clear and precise objectives.	**Implemented**	

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date
7.2.5	2003 - Paragraph 175 EAO should continue its efforts to build its evaluation capacity, and to develop appropriate standards and guidelines. Plans should be realistic given the current and planned resource levels.	EAO will continue with its effort to build its evaluation capacity within the current and planned resource levels.	**In progress**	**2007**
7.2.6	2003 - Paragraph 176 EAO should recapitulate the work planned for the year, the work done and the work carried forward.	This EAO report format has been simplified and has become more consistent than in the past. The report now recapitulates the work planned for the year, the work done and the work carried forward as well as planned and actual resources.	**Implemented**	
7.2.7	2003 - Paragraph 176 EAO should identify, for each product or project the objectives, key issues and recommendations, indicating the number of recommendations made and management's comments, where relevant.	EAO has gradually improved its report presentation. The report format has been simplified and has become more consistent; this effort will continue.	**In progress**	**2005**
7.2.8	2003 - Paragraph 176 EAO should indicate, in the narrative section on follow-up of previous EAO reports, the actual number of reports followed up and the number of outstanding recommendations.	Tabular information has been provided on the number and percentage of recommendations which have been implemented. This information shows progress which has been made.	**Implemented**	
7.2.9	2003 - Paragraph 176 EAO should express an opinion on the situation and indicate whether follow-up is being done by managers and whether progress is being achieved.	As noted in the Auditor's report, some information has already been included in EAO's report and improvements will continue in this regard. The very limited resources of EAO make complete coverage in this area impossible.	**No further action planned**	

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date
7.2.10	2003 - Paragraph 176 EAO should report formally on other EAO activities, such as assisting in opening of sealed bids and providing timely advice to managers.	This information has been be included in the 2004 report.	**Implemented**	

7.3   **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
7.3.1	2003 - Paragraph 82 ICAO should conduct an organization-wide programme and activity-based review focussed on the strategic priorities of the Organization.	At its 173rd Session of the Council, a working group prepared and presented C-WP/12383 on the updating of the Organization's Action Plan whereby ICAO's strategic objectives were emphasized. Human Resources Management strategies for the current and forthcoming triennia will be reflected/prepared according to ICAO's strategic objectives.	**In progress**	**March to June 2006**
7.3.2	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.	Personnel has circulated a request to Directors of Bureaux to provide their Human Resources needs for this triennium. Similar requests will be made during February of this year for Directors of Bureaux/Offices to submit a list of competencies that they would require for the forthcoming next two triennia, i.e. until 2013. These requirements will be translated into strategic HR planning underlining the competencies required for the next two triennia.	**In progress**	**March to June 2006**
7.3.3	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	Refer to comments provided in point 4.2.4. Technical training falls under the responsibility of each Bureau. As such, no funding has been provided for technical training of staff. However, this topic has been raised recently at the meeting of the Senior Management Group and solutions to bring it about	**In progress**	**March 2006**

No.	Audit Report Year, Paragraph Number and Recommendation	Implementation Progress/Comments	Status	Expected Completion Date
	has the skills and competencies needed to achieve its current and future objectives.	are being explored. C/SER will prepare a proposal on the matter. A more centralized approach on technical training of staff is being considered.		
7.3.4	2003 - Paragraph 82
ICAO should implement more stringent measures to address delays in producing an initial short-list of candidates and in appointed candidates reporting to work.	Except for some isolated areas in the Organization, an overall improvement has been noticed in producing the initial short-list. Systematic follow-ups with the Bureaux have been established and direct dialogue with the Directors/Chiefs of Bureaux/Offices has been established in order to further accelerate the process. Candidates appointed are urged to report to duty within a three-month time frame. A full assessment of the timeline for recruitment will be prepared during 2005 and, if necessary, more measures would be implemented to further shorten the recruitment process.	In progress	December 2005
7.3.5	2003 - Paragraph 82
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.		In progress	December 2005
7.3.6	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.	Efforts have continued to further improve the representation of women at all levels of the Professional and higher categories. In 2004, a woman was appointed at the PO level. In addition, several actions have been taken to promote the candidacies of women for Professional positions within the Secretariat, such as attendance at UN inter-agency meetings on the gender issues, linking ICAO to the WomenWatch website, contacting female delegates attending ICAO meetings, sending out letters to Council Representatives in order to establish links with the national authorities in charge of promoting the status of women, speaking engagements and participation in conferences attended by women in the aviation field, improving recruitment procedures to allow greater emphasis on women candidates, etc. Moreover, several actions are also planned for the forthcoming years alongside the affirmative action programme initiated by the United Nations to promote and improve employment of women in the Professional categories (e.g. sending out State Letters to all Contracting States and Council Members to request their involvement in the promotion of qualified women from their respective civil aviation organizations, etc.). Pursuant to the	In progress	June 2006 (review of progress made)

| | | decision taken by the 35th Session of the Assembly, a working paper encompassing an amendment to Staff Regulation 4.1 of the ICAO Service Code on the affirmative action programme for the recruitment and status of women as well as the implementation of a family-friendly policy is being submitted to the 175th Session of the Council for review. | | |

7.4   **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
7.4.1	2003 - Paragraph 96 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 acquisition is made.	The External Auditor has correctly assessed the complexity of defining the scope of the project. A request for sealed tenders to potential suppliers of integrated financial information systems was issued in March 2004, and suppliers were asked to submit detailed cost estimates. Tender proposals were received from suppliers in May 2004 and a preliminary evaluation was completed in December 2004. Alternative solutions are also being considered. ICAO is working with other UN bodies to see whether ICAO can learn and adopt from them or partner with them to reduce costs. Assistance from the host government has also been asked. When a final solution is selected, and subject to availability of funds, the Organization will properly scope and schedule the implementation of the project. The need to consider the total cost of ownership of the new financial system is fully recognized. The request for sealed tenders asks suppliers to provide estimates for the initial software and licensing fees, hardware acquisition and maintenance, infrastructure, business processes redesign, user training, system maintenance and internal resources required from ICAO for the implementation. Ongoing support costs and internal costs will also be factored into the estimate and considered when selecting a solution. The feasibility and total costs of alternative solutions will also be considered and the	**In progress**	**2006**

		elements of costs will be assessed and compared with proposals obtained.		
7.4.2	<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.	It should be noted that the Organization will need to determine the final scope of the project on the basis of priorities and resources available. In the absence of long-term and sustainable sources of funding for the modernization of its financial system, severe limitations to the scope of the project will have to be imposed, more particularly if less costly alternative solutions are not found. It is true that, in the future, the Organization will have difficulties to keep the financial systems up to date with current technology without sustainable sources of funds.	**In progress**	**2006**
7.4.3	<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 Organization cannot acquire the necessary skills to support a new financial system before the selection of a specific solution, as different solutions would require different skills. Therefore, the necessary resources required to support the new system will be determined in due course on the basis of the solution that will be selected and the resources available.	**In progress**	**Mid-2005**

8. **SUMMARY**

Summary of Recommendations from External Auditor
Period 1998 to 2003
Status as of 31 December 2004

Subject	Reference	Total	Recommendations	
			Number Completed	Number In Progress
1998				
Air Transport Bureau - The Statistics Programme	2.1	3	3	-
Environmental Protection	2.2	1	1	-
Cash Management	2.3	10	9*	1
Total		14	13 (93%)**	1
1999				
Universal Safety Oversight Audit Programme	3.1	8	6	2
Total		8	6 (75%)**	2
2000				
The 2002-2004 Draft Programme Budget Planning Process	4.1	4	2	2
Human Resource Management	4.2	4	3	1
Information Technology	4.3	6	3	3
Total		14	8 (57%)**	6
2001				
Management Services Agreement Projects	5.1	4	4	-
Regional Offices with Special Reference to Lima	5.2	2	-	2
Total		6	4 (67%)**	2
2002				
Technical Cooperation Projects	6.1	8	7	1
Regional Offices with Special Reference to Bangkok and Paris	6.2	5	1	4
Total		13	8 (62%)**	5
2003				
Regional Offices with Special Reference to Dakar	7.1	5	-	5
Office for Programmes Evaluation, Audit, and Management Review (EAO)	7.2	10	6*	4
Follow-up on External Auditor 2000 Report: Human Resource Management	7.3	6	-	6
Follow-up on External Auditor 2000 Report: Modernization of Financial Information Systems	7.4	3	-	3
Total		24	6 (25%)**	18

* Includes recommendation with no further action planned.
** Represents percentage completed of total recommendations.

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APPENDIX F

DRAFT RESOLUTIONS

Resolution 57/3

Approval of the accounts of the Organization for the financial year 2004 and examination of the Audit Report thereon

　　Whereas the accounts of the Organization for the financial year 2004 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:

1.　*Notes* the Report of the External Auditor on the audited accounts for the financial year 2004 with related comments by the Secretary General in response to the recommendations in the Audit Report, 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

3.　*Approves* the audited accounts for the financial year 2004.

Resolution 57/4

Approval of those accounts with respect to the United Nations Development Programme activities administered by ICAO as Executing Agency for the financial year 2004 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 2004 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 2004 and the comments by the Secretary General in response to the recommendations in the Audit Report;

2. *Urges* the Secretary General to take the necessary action, as deemed appropriate, to the recommendations made by the External Auditor;

3. *Approves* those accounts with respect to the United Nations Development Programme administered by ICAO as Executing Agency for the financial year 2004; and

4. *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.

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