

# FINANCIAL STATEMENTS

AND

# REPORTS OF THE EXTERNAL AUDITOR

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013



DOCUMENTATION  
for the 39th Session of the Assembly in 2016



# FINANCIAL STATEMENTS

AND

# REPORTS OF THE EXTERNAL AUDITOR

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013



DOCUMENTATION  
for the 39th Session of the Assembly in 2016

Published in separate English, Arabic, Chinese, French, Russian and Spanish editions by the  
INTERNATIONAL CIVIL AVIATION ORGANIZATION  
999 University Street, Montréal, Quebec, Canada H3C 5H7

For ordering information and for a complete listing of sales agents  
and booksellers, please go to the ICAO website at [www.icao.int](http://www.icao.int).

**Doc 10035, *Financial Statements and Reports of the External Auditor  
for the financial year ended 31 December 2013***

Order Number: 10035

NOT FOR SALE

© ICAO 2014

All rights reserved. No part of this publication may be reproduced, stored in a  
retrieval system or transmitted in any form or by any means, without prior  
permission in writing from the International Civil Aviation Organization.

**FINANCIAL STATEMENTS AND  
REPORTS OF THE EXTERNAL AUDITOR  
FOR THE YEAR ENDED 31 DECEMBER 2013**



**INTERNATIONAL CIVIL AVIATION ORGANIZATION**  
**FINANCIAL STATEMENTS AND REPORTS OF THE EXTERNAL AUDITOR**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

**TABLE OF CONTENTS**

		PAGE
<b>PART I</b>	<b>REPORTS BY THE SECRETARY GENERAL</b>	
	Presentation	I - 1
	Statement of Internal Control	I - 15
<b>PART II</b>	<b>OPINION OF THE EXTERNAL AUDITOR</b>	II - 1
<b>PART III</b>	<b>FINANCIAL STATEMENTS</b>	
Statement I	Statement of Financial Position	III - 1
Statement II	Statement of Financial Performance	III - 2
Statement III	Statement of Changes in Net Assets	III - 3
Statement IV	Statement of Cash Flow	III - 4
Statement V	Statement of Comparison of Budget and Actual Amounts	III - 5
	Notes to the Financial Statements	III - 6
<b>PART IV</b>	<b>TABLES</b>	
Table A	Regular Activities by Fund	IV - 1
Table B	Aviation Security Trust Funds	IV - 3
Table C	Regular Programme – Assessments Receivable from Member States	IV - 4
Table D	Technical Co-operation Project Activities by Group of Funds	IV - 7
Table E	Technical Co-operation Project Activities by Trust Funds and Management Service Agreements	IV - 8
Table F	Technical Co-operation Project Activities - Civil Aviation Purchasing Service Funds	IV - 10
<b>PART V</b>	<b>REPORT OF THE EXTERNAL AUDITOR TO THE ASSEMBLY ON THE AUDIT OF THE FINANCIAL STATEMENTS OF THE INTERNATIONAL CIVIL AVIATION ORGANIZATION FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2013 AND THE SECRETARY GENERAL'S COMMENTS IN RESPONSE TO THE REPORT OF THE EXTERNAL AUDITOR</b>	





**PART I: REPORTS BY THE SECRETARY GENERAL**



**INTERNATIONAL CIVIL AVIATION ORGANIZATION**

**PART I: REPORTS BY THE SECRETARY GENERAL**

**PRESENTATION**

**1. INTRODUCTION**

1.1 The International Civil Aviation Organization (ICAO) is a specialized agency of the United Nations and was created with the signing in Chicago, on 7 December 1944, of the *Convention on International Civil Aviation*. ICAO is the permanent body charged with the administration of the principles laid out in the Convention. It sets the standards for aviation safety, security, efficiency and regularity, as well as for aviation environmental protection, and encourages their implementation.

1.2 ICAO's membership comprises 191 Member States. Its headquarters are in Montreal and it has regional offices in Bangkok, Cairo, Dakar, Lima, Mexico City, Nairobi and Paris as well as a regional sub-office in Beijing.

1.3 ICAO has a sovereign body, the Assembly, and a governing body, the Council. The Assembly, composed of representatives from all Member States, meets every three years, reviews in detail the complete work of the Organization, sets policy for the coming years and approves financial statements issued since the last Assembly. It also decides on the triennial budget. The Assembly last met in October 2013.

1.4 The Council, composed of representatives from 36 States, is elected by the Assembly for a three-year term and provides continuing direction to the work of ICAO. The Council is assisted by the Air Navigation Commission, the Air Transport Committee, the Finance Committee, the Committee on Unlawful Interference, Human Resources Committee, the Committee on Joint Support of Air Navigation Services and the Technical Co-operation Committee.

1.5 The Secretariat has five main divisions: the Air Navigation Bureau, the Air Transport Bureau, the Technical Co-operation Bureau, the Legal Affairs and External Relations Bureau, and the Bureau of Administration and Services. The Finance Branch and Evaluation and Internal Audit Office are also part of the Secretariat and report to the Secretary General. The regional offices, working under the Secretary General's direction of Headquarters, are primarily responsible for maintaining liaison with States to which they are accredited and with other appropriate organizations, regional civil aviation bodies and the United Nations Regional Economic Commissions. The regional offices promote implementation of ICAO policies, decisions, Standards and Recommended Practices (SARPs) and regional air navigation plans and provide technical assistance when requested.

1.6 In accordance with Article 12.4 of the Financial Regulations, I have the honour to submit to the Council for consideration and recommendation to the Assembly the financial statements of ICAO for the year ended 31 December 2013. As required by Article XIII to the Financial Regulations, the External Auditor's opinion and his report on the 2013 financial statements are also submitted to the Council and Assembly as well as my comments (reflected in the Secretary General's Comments) thereon.

1.7 Unless otherwise indicated, the financial statements and the accompanying note disclosures, which form an integral part of these financial statements, and this report, are presented in thousands of Canadian Dollars (CAD).

## 2. FINANCIAL REPORTING AND BUDGET PERFORMANCE HIGHLIGHTS

### Adoption of International Public Sector Accounting Standards (IPSAS)

2.1 As reported in Note 1 to the financial statements, ICAO has continued to fully apply IPSAS in 2013. These standards have been adopted by the United Nations organizations to replace the United Nations System Accounting Standards (UNSAS). IPSAS are a set of independently developed accounting standards, which require adoption of accounting on a “full accrual” basis. Full accrual is considered best accounting practice by international organizations for the public as well as for the private sector. IPSAS include detailed requirements and guidance, which provide support for financial statements’ consistency and comparability.

### Financial Statements

2.2 The following financial statements have been prepared in accordance with IPSAS:

- Statement I: Financial Position;
- Statement II: Financial Performance;
- Statement III: Changes in Net Assets;
- Statement IV: Cash Flow; and
- Statement V: Comparison of Budget and Actual Amounts.

2.3 Also in accordance with IPSAS, the financial statements include Notes that provide narrative descriptions and disaggregation of items disclosed in the financial statements and information about items that do not qualify for recognition in the statements. The Notes also include the presentation of major activities of ICAO by segment as required by IPSAS. Two segments are included in the audited financial statements. The first segment covers on-going regular activities of the Organization, such as the Regular Programme, the revenue generating activities and the administration and support of the technical co-operation programme. The second segment covers the activities of all technical co-operation projects, generally conducted by ICAO at the request of individual States.

2.4 Tables are not part of the audited financial statements. However, since these tables offer more detailed information and support the combined figures to the audited financial statements, they are included in Part IV of this document.

2.5 The following paragraphs summarize the key information on the financial situation and performance of the Organization for 2013.

2.6 **Statement I** presents the financial position of the Organization. Assets totalling CAD 305.9 million at 31 December 2013 are mainly composed of cash and cash equivalents amounting to CAD 265.9 million and of assessments and other amounts receivable totalling CAD 32.1 million. Total liabilities amounts to CAD 364.6 million, of which an amount of CAD 229.1 million represents advance receipts mostly for technical co-operation projects, and a long-term liability of CAD 103.0 million for employee benefits recognized on this statement since 2010 with the application of IPSAS.

2.7 This statement also shows an accumulated deficit of CAD 58.7 million, caused by the need to record the employee benefit liabilities under IPSAS. Nonetheless, since current assets exceed current liabilities by an amount of CAD 36.5 million, it is not foreseen that additional funding will be necessary on a short term basis to cover the accumulated deficit.

2.8 **Statement II** presents the financial performance for the year 2013. There were significant changes made to this statement since 2010 to comply with IPSAS. Revenue from project agreement previously recorded on a cash basis is now recognized on the basis of services rendered and goods delivered to Technical Co-operation Projects (TCP). Sales of publications are also recorded on the accrual basis of accounting, when publications are delivered. There is also a temporary adjustment made to assessed contributions revenue for an amount of CAD 4.3 million during 2013 to take into account the impact of the recognition of long-term receivables at fair value as required by IPSAS. Total 2013 deficit amounts to CAD 2.8 million. Table A shows the deficit by Fund or Group of Funds for regular activities. Expenses include an amount of CAD 5.8 million recorded in the Revolving Fund to recognize employee benefits expense (ASHI, annual leave and repatriation benefits) on an accrual basis. Before the adoption of IPSAS in 2010, most of these benefits were recorded on a cash basis. In 2013, CAD 4.2 million was paid for those benefits and this amount is presented in the Revolving Fund as a funding source from other Funds. The difference of CAD 1.6 million between benefits accrued and benefits paid is included in the deficit for the year for that Fund. Explanations on the financial results and deficit of the General Fund of the Regular Programme (CAD 2.5 million) and surplus of the AOSC Fund (CAD 1.0 million) are provided in the following paragraphs.

2.9 With regard to the net surplus of other Funds (CAD 0.3 million), it is explained by deficits of 0.6 million in Capital Fund and 0.7 million in Incentive Fund; and surpluses of 0.4 million in Safe Fund, 0.3 million in AVSEC and 0.9 million in all other Funds.

2.10 With regard to the Technical Co-operation Projects segment, there is no annual surplus or deficit for the year 2013 because revenue is recognized based on the stage of completion of projects, which is generally determined based on the costs incurred in each project. The cost of administration, operation and support to these projects is recognized in each project and the recovery of these administrative fees is recognized as revenue in the AOSC Fund.

2.11 **Statement III** provides changes in net assets during the year. The balance of Net Assets including reserves at the beginning of the year amounted to a net accumulated deficit of CAD 44.8 million. The balance of the net accumulated deficit at the end of 2013 was CAD 58.7 million. The increase to the accumulated deficit for 2013 is mainly caused by the deficit for the year (CAD 2.8 million) and the actuarial loss on After-Service Health Insurance (ASHI) (CAD 11.0 million).

2.12 **Statement IV** gives the breakdown of the variation of cash flow from CAD 246.4 million at 31 December 2012 to CAD 266.0 million at 31 December 2013. As permitted by IPSAS, the indirect method is used which is also the method adopted by ICAO in previous years.

2.13 **Statement V** shows a comparison between the budget (Regular Programme) and actual amounts. This statement is required under IPSAS because the approved budget and the financial statements are not prepared on the same basis as explained in Note 4 to the financial statements. This Statement also reflects the status of appropriations required by Financial Regulation 12.1.

### 3. BUDGET PERFORMANCE AND FINANCIAL HIGHLIGHTS

#### Appropriations for Regular Programme

3.1 The 37<sup>th</sup> Session of the Assembly in 2010, under Clause C of Resolution A37-26, voted appropriations in the amount of CAD 98 069 thousand for the year 2013. Details of appropriations, transfers, actual expenditure and unobligated balances of appropriations by Strategic Objective and Supporting Implementation Strategies are given in Statement V.

3.2 The budgetary result for 2013, in thousands of Canadian dollars, is summarized as follows:

Original Appropriations	98 069
2012 Outstanding Commitments	5 212
Carry-over from 2012	3 307
Decrease in Appropriations	<u>(639)</u>
Approved Revised Appropriations	105 949
2013 Outstanding Commitments	(7 170)
Carry-over Surrendered	(209)
Carry-over to following year	<u>(4 119)</u>
<b>Revised 2013 Appropriations</b>	<b><u>94 452</u></b>

3.3 **2012 Outstanding Commitments.** In accordance with Financial Regulation 5.7, an amount of CAD 5 212 thousand was approved by the Secretary General to supplement the 2013 appropriations, primarily for payment of outstanding commitments for the year ending as of 31 December 2012.

3.4 **Carry-over from 2012.** In accordance with the Financial Regulation 5.6, an amount of CAD 3 307 thousand was approved by the Secretary General to supplement the 2013 appropriations, financed by savings from 2012, for mandatory and other mission-critical activities that were not budgeted for in 2013.

3.5 **Decrease in Appropriations.** The amount of CAD 639 thousand was decreased because this amount was not reimbursed to the Regular Programme by the AOSC Fund, as approved by Council. This is the difference between the amount approved by the Council in C-DEC 197/2 (CAD 1 202 thousand) for the cost recovery in 2013 and the amount approved by the Assembly (Annex 4 of Doc 9955).

3.6 **2013 Outstanding Commitments.** The value of obligations entered into in 2013, but delivery against which is only expected in 2014, is CAD 5 867 thousand. Employee entitlements in an amount of CAD 1 303 thousand consisting primarily of accrued leave and repatriation grants are foreseen to be paid to staff separating from ICAO in 2014. Therefore, an amount of CAD 7 170 thousand (also see Figure 1, column (e)), has been reserved and carried forward to 2014, pursuant to Financial Regulation 5.7 to clear legal obligations incurred during 2013.

3.7 **Carry-over Surrendered.** The amount of CAD 209 thousand was not spent due to staff turnovers, and this is the portion funded out of the Incentive Scheme for Long Outstanding Arrears Account. The amount approved in Annex 4 of Doc 9955 was under spent and the resulting saving has been returned to the Incentive Fund.

3.8 **Transfers.** In compliance with Financial Regulation 5.9, the Secretary General authorized transfer of the appropriations between one Strategic Object (SO) or Supporting Implementation Strategy (SIS) to another up to 10 per cent of the annual appropriation for each of the SO or SIS to which the transfer is made.

3.9 **Carry-over to following year.** Under Financial Regulation 5.6, the Secretary General authorized to carry over unspent appropriations, not exceeding 10 per cent per appropriation for each SO or SIS. The amount of CAD 4 119 thousand is within this limit. The amount being carried over will be used to fund primarily those activities that eventually did not get funded by the 2014-2015-2016 budget. Programme activities being funded by the 2013 unspent appropriations include Special Implementation Projects in the regional offices, safety audit of Egypt, and meetings (AVSEC Panel working group and FAL seminar) which have been deferred to 2014. In addition, a portion of the savings from 2013 will finance UNDSS security requirements for the residences of staff members in Dakar and Nairobi. Management and Administration activities being funded by the unspent appropriations include the funding of the new electronic recruitment system, maintenance contracts for Agresso, CATS (Computer-Assisted Translation Tools) and EDEN (Electronic Documents and Enquiry Network), and additional resources for EAO and the Ethics Officer.

3.10 As a result of the increases and transfers outlined in the preceding paragraphs, the final approved appropriation for the year amounted to CAD 94 452 thousand.

3.11 Figure 1 provides a comparison between Budget and Actual amounts for the Revenue and Expenses of the Regular Programme:

**FIGURE 1**

	2013		Exchange Differences	Actual at Budget Rate <sup>3</sup>	2013		Total	Difference
	Budget <sup>1</sup>	Actual <sup>2</sup>			Outstanding Commitments	Carryover Surrendered		
	(a)	(b)	(c)	(d) = (b)+(c)	(e)	(f)	(g) = (d)+(e)+(f)	(h) = (g) - (a)
<b>REVENUE</b>								\$
Assessed Contributions	88 727	83 120	1 337	84 457			84 457	(4 270)
Other Revenue								
ARGF	5 082	5 082		5 082			5 082	-
Miscellaneous	1 455	449		449			449	(1 006)
Reimbursement from AOSC	1 841	1 202		1 202			1 202	(640)
Transfer from Incentive Scheme Account	964	755		755			755	(210)
Currency exchange difference		1 828		1 828			1 828	1 828
	<b>98 069</b>	<b>92 436</b>	<b>1 337</b>	<b>93 773</b>	<b>-</b>	<b>-</b>	<b>93 773</b>	<b>(4 296)</b>
<b>EXPENSES</b>								
Staff salaries and employment benefits	81 990	76 833	(416)	76 417	3 863	209	80 489	(1 500)
Supplies, consumables and others	721	383	(4)	379	106		485	(235)
General operating expenses	16 322	11 917	(44)	11 873	3 192		15 065	(1 256)
Travel	4 137	3 417	(14)	3 403			3 403	(734)
Meetings	2 316	2 112	(9)	2 103	8		2 111	(205)
Other expenses	464	281	(5)	276			277	(187)
	<b>105 949</b>	<b>94 943</b>	<b>(491)</b>	<b>94 452</b>	<b>7 170</b>	<b>209</b>	<b>101 830</b>	<b>(4 119)</b>

<sup>1</sup> 2013 Budget-Expenses include carry over (and commitments) from prior year of CAD 8 519 thousand and decrease of CAD 639 thousand in reimbursement to Regular Programme (C-DEC 197/2).

<sup>2</sup> From Table A, Financial Statements

<sup>3</sup> Includes (1) budget exchange loss of CAD 1 337 thousand due to impact of US dollar transactions budgeted at USD1.00=CAD1.038, and (2) currency exchange gain of CAD 1 828 thousand such as revaluation of balance sheet items.

3.12 **Explanation of Differences – Revenues.** The overall budget of CAD 98 069 thousand (Figure 1, column (a)) refers to the five main funding sources of the Regular Programme Budget for 2013: Assessed Contributions, ARGF Surplus, Miscellaneous Income, Reimbursement from AOSC Fund and Transfer from Incentive Scheme for Long-Outstanding Arrears account. For the *Assessed Contributions*, the difference of CAD 4.3 million pertains to the discounted amount of the long-term contributions receivable. For *Miscellaneous Revenue*, the lower receipt of CAD 1.0 million than expected was mainly due to continuing low interest rates which resulted to a much lower interest income earned.

3.13 **Explanation of Differences – Expenses.** The overall budget of CAD 105 949 thousand (Figure 1, column (a)) includes the 2013 original appropriations of CAD 98 069 thousand, the carry-over from 2012 along with 2012 Outstanding Commitments of CAD 8 519 thousand and the decrease of CAD 639 thousand in reimbursement to Regular Programme. Savings (unutilized appropriations) from 2013 of CAD 4 119 thousand will be carried over to 2014.

3.14 **Exchange Differences.** The exchange differences (Figure 1, column (c)) is composed of the following:

- a) Budget exchange loss of CAD 1 337 thousand. Since 2010, Member States are being invoiced partly in USD and partly in CAD. The USD/CAD exchange rate on 1 January 2013 (the date when invoices were raised in USD) was lower than the rate used in developing the 2013 budget causing reduction to total assessed contributions of CAD 1 337 thousand;
- b) The net currency exchange gain of CAD 1 828 thousand such as the revaluation of balance sheet items.

The net exchange difference (gain of CAD 491 thousand) has been allocated to actual expenditure in order to restate it to the budget exchange rate. The total expenditure restated at the budget rate is shown in Figure 1, column (d)). In this manner, the budgetary savings i.e. difference between budget and actual expenses, have been appropriately adjusted, as shown in Figure 1, column (h)).

### **Assessment and Reporting Currencies**

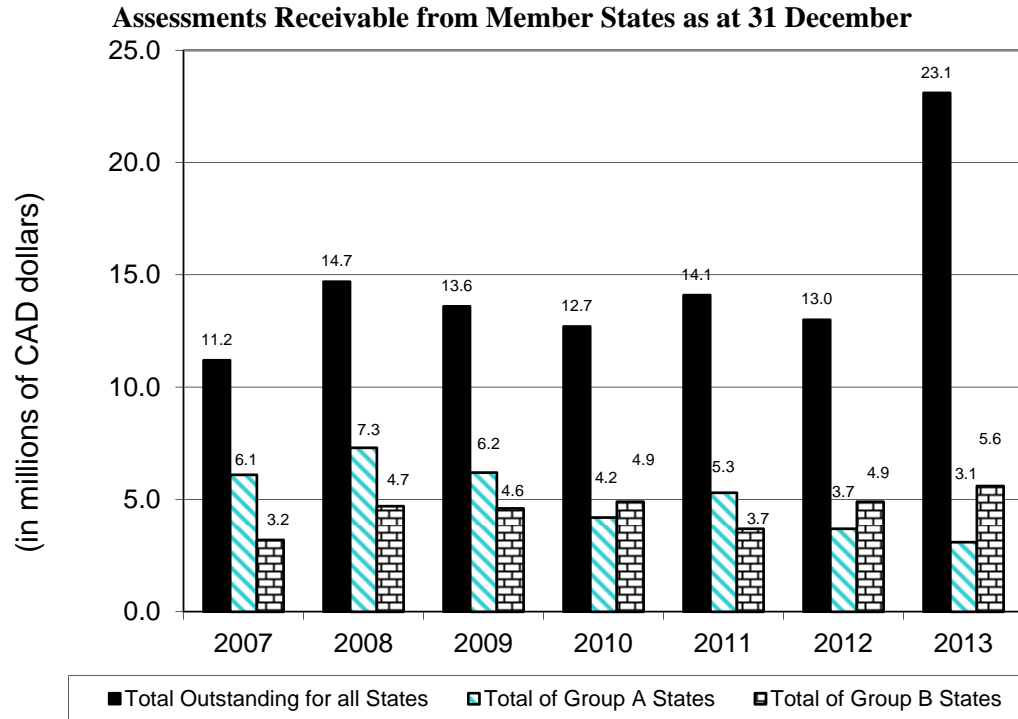
3.15 Assessments on Member States and other estimated sources of revenue were established in Canadian dollars for 2008 and for 2009. In 2010 a split assessment was introduced with about three quarters payable in Canadian dollars and one quarter payable in U.S. dollars. To ensure consistency and comparability between the approved budgets and the Accounts and Funds of the Organization, transactions are reflected in Canadian dollars and the financial statements are presented in Canadian dollars from 2008 onwards. This change is applicable to most of the Funds of the Organization for regular activities presented in Segment 1, while Funds presented in Segment 2 related to Technical Co-operation Projects are recorded in U.S. dollars, but presented in Canadian dollars in the financial statements. During 2013 the fluctuation of the Canadian dollar against the U.S. dollar was CAD 0.993 at the beginning of the year and CAD 1.067 at the end of the year.

### **Assessments and Other Voluntary Contributions**

3.16 During the year 2013 assessments totalling CAD 73 778 thousand were received and a balance of CAD 13 664 thousand remained outstanding at the year-end against the current year's assessments. At the beginning of the year, CAD 13 001 thousand was receivable from States in respect to 2012 and prior years; payment of CAD 4 321 thousand was received, leaving a balance outstanding of CAD 8 680 thousand. The assessments receivable for all years totalled CAD 22 345 thousand as at 31 December 2013 (including the Working Capital Fund). CAD 22 345 thousand includes a



USD assessment component converted at CAD 1.067 yielding a re-valued assessment receivable balance of CAD 23 138 thousand. Details are provided in Table C of Part III to this document. The percentage of receipts of contributions for the last four years in relation to the amount assessed averaged 92.35 per cent. Figure 2 shows the status of the assessed contributions receivable at the end of each year since 2007.

**FIGURE 2**

3.17 Of the total outstanding contributions of CAD 23 138 thousand at 31 December 2013, CAD 11 300 thousand pertained to States represented on the Council. The following figure provides detail of the assessments receivable in thousands of CAD, by group of States.

**FIGURE 3**

	<u>Number</u> <u>of States</u> <u>2013</u>	<u>Amount</u> <u>outstanding as</u> <u>at 31 December</u> <u>2013</u>	<u>Number</u> <u>of States</u> <u>2012</u>	<u>Amount</u> <u>outstanding as</u> <u>at 31 December</u> <u>2012</u>
<b>Group A:</b> States that have concluded agreements with the Council to liquidate their arrears over a period of years	12	3 150	14	3 644
<b>Group B:</b> States with contributions in arrears of three full years or more that have not concluded agreements with the Council to liquidate their arrears	15	5 623	14	4 890
<b>Group C:</b> States with contributions in arrears for less than three full years	11	1 909	28	3 341
<b>Group D:</b> States with contributions outstanding only for the current year	20	11 911	20	625
Sub-total	58	22 593	76	12 500
The Former Socialist Federal Republic of Yugoslavia	-	545	-	501
<b>Total Outstanding Contributions</b>	<b>58</b>	<b>23 138</b>	<b>76</b>	<b>13 001</b>

3.18 As at 31 December 2013, 12 States had concluded agreements to liquidate their arrears over a period of years. The agreements provide for these States to effect payment of the current year's contribution as well as an annual instalment payment towards the prior year's arrears. The note on Table C of Part IV to this document, indicates the States that had not complied with the terms of their agreements at 31 December 2013.

3.19 Major contributions (\*) received for the Regular Programme and other Funds in Segment 1 for 2013 are summarized in thousands of CAD below.

**FIGURE 4**

<b>Member State</b>	<b><u>Assessment Received</u></b>	<b><u>Contributions In-Kind (Premises)</u></b>	<b><u>Contributions in Cash and In Kind AVSEC</u></b>	<b><u>Total</u></b>
Canada	2 228	22 804	50	25 082
United States	10 924	-	1 639	12 563
Japan	7 935	-	3	7 938
Germany	5 733	-	3	5 736
United Kingdom	4 964	-	228	5 192
France	4 300	550	204	5 054
China	3 548	-	-	3 548
Italy	3 076	-	6	3 082
Spain	2 159	-	8	2 167
Republic of Korea	2 106	-	-	2 106
Thailand	437	1 299	-	1 736
Netherlands	1 617	-	4	1 621
<b>Total</b>	<b><u>49 027</u></b>	<b><u>24 653</u></b>	<b><u>2 145</u></b>	<b><u>75 825</u></b>

(\*) Twelve highest contributions

3.20 Total expenses in 2013, including those for seconded staff and premises provided without charge, by Strategic Objective and Strategic Implementation Strategy (SIS) and for other activities are shown in thousands of CAD below:

**FIGURE 5**

	<u>Safety</u>	<u>Security</u>	<u>Environment</u>	<u>SIS</u>	<u>Other</u>	<u>Total</u>
Regular Budget	25 878	11 174	11 952	45 939	-	94 943
Voluntary Funds and Other						
Regular Activity Funds	1 613	4 098	146	17 682	3 924	27 463
Premises	-	-	-	25 385	-	25 385
<b>Seconded Staff (in-kind) (1)</b>						
Canada	-	50	-	-	-	50
China	338	113	-	442	-	893
France	794	204	-	277	-	1 275
Italy	-	6	-	162	-	168
Korea	-	-	-	92	-	92
Malaysia	198	-	-	92	-	290
Saudi Arabia	-	18	-	-	-	18
Singapore	397	-	-	356	-	753
Turkey	97	44	-	-	-	141
United States	-	16	-	-	-	16
Others	335	727	211	216	-	1 489
<b>Sub-total Seconded Staff</b>	<b>2 159</b>	<b>1 178</b>	<b>211</b>	<b>1 637</b>	<b>-</b>	<b>5 185</b>
<b>Total Expenses</b>	<b>29 650</b>	<b>16 450</b>	<b>12 309</b>	<b>90 643</b>	<b>3 924</b>	<b>152 976</b>

(1): 10 highest contributions by alphabetical order

**Cash Surplus**

3.21 The cumulative surplus excluding reserves in Net Assets for the Regular Programme Budget at 31 December 2013 reflected in Table A of Part IV to this document amounted to CAD 5.2 million. Cumulative surplus less the Working Capital Fund balance of CAD 6.4 million and assessments receivable from Member States of CAD 23.1 million resulted in a cash deficit of CAD 24.3 million at 31 December 2013, noting that an amount of CAD 11.3 million is recorded as a reserved surplus to finance 2013 outstanding commitments and appropriations carried over to 2014.

**Ancillary Revenue Generation Fund (ARGF)**

3.22 In 2013, ARGF achieved an operating surplus of CAD 5 983 thousand. After payment of the required contribution of CAD 5 082 thousand to the Regular Programme and payment of CAD 714 thousand made from the cumulative surplus, net surplus is CAD 187 thousand.

3.23 A summary of the ARGF revenue and expenses by business activities including the Commissariat fund in thousands of CAD is as follows:

**FIGURE 6**

	<u>Revenue</u>	<u>Expense</u>	<u>Surplus</u>
Publications, Distribution & Printing (excluding Dangerous Goods Licensing)	8 420	3 828	4 592
Delegation & Conference Services & Rental	2 927	2 632	295
Licensing Agreements & Partnerships in Statistics (including Dangerous Goods Licensing)	1 437	446	991
Events & Symposia	1 432	627	805
Training	1 151	1 142	9
Periodicals	944	619	325
Commissariat	621	491	130
Websites	421	45	376
ARGF Governance	207	1 666	(1 459)
New Product Areas	88	169	(81)
Sub-total	<u>17 648</u>	<u>11 665</u>	<u>5 983</u>
ARGF Inter-billing Elimination	(286)	(286)	-
Total	<u>17 362</u>	<u>11 379</u>	<u>5 983</u>
Amount Transferred to Regular Programme	-	5 082	(5 082)
Payments made from cumulative surplus	-	714	(714)
<b>Net</b>	<b><u>17 362</u></b>	<b><u>17 175</u></b>	<b><u>187</u></b>

3.24 A budgetary comparison before contribution to the Regular Programme and payments made from the cumulative surplus is presented in the figure below in thousands of CAD.

**FIGURE 7**

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenue	17 362	18 576	(1 214)
Expense	11 379	12 576	1 197
<b>Surplus</b>	<b><u>5 983</u></b>	<b><u>6 000</u></b>	<b><u>(17)</u></b>

3.25 While revenue and expenses were different from the budget within each business activity, the overall actual operating surplus of CAD 5 983 thousand was very close to the budgeted figure of CAD 6 000 thousand. ARGF achieved 93.5 per cent of its budgeted revenue and 99.7 per cent of its budgeted surplus.

#### **Administrative and Operational Services Cost Fund (AOSC)**

3.26 The AOSC Fund is established to meet the cost of administration and operation of the Technical Co-operation Programme (TCP), and is primarily financed from support costs charged to UNDP, CAPS, Trust Fund and MSA projects. The financial results for the AOSC Fund are reported in Table A of Part IV to this document. A budgetary comparison is presented in the following figure in thousands of CAD.

I-11  
**FIGURE 8**

**AOSC Fund Budget and Expenditures for 2013<sup>1</sup>**

	Submitted to the Assembly <sup>2</sup>	Revised Budget 2013 <sup>3</sup>	Actual Expenditure/ Income 2013	Balance of Revised Budget
Appropriation/Expenditure Major Programme	11 625	8 315	8 340	(25)
Income		8 691	9 479	
<b>Excess/(Deficit) of Income over Expenditure</b>		<b>376</b>	<b>1 139</b>	

<sup>1</sup> Excludes TCB Efficiency and Effectiveness Fund.

<sup>2</sup> Approved by the Assembly in 2010 (A37).

<sup>3</sup> Noted by the Council at its 200th Session (C-WP/14061).

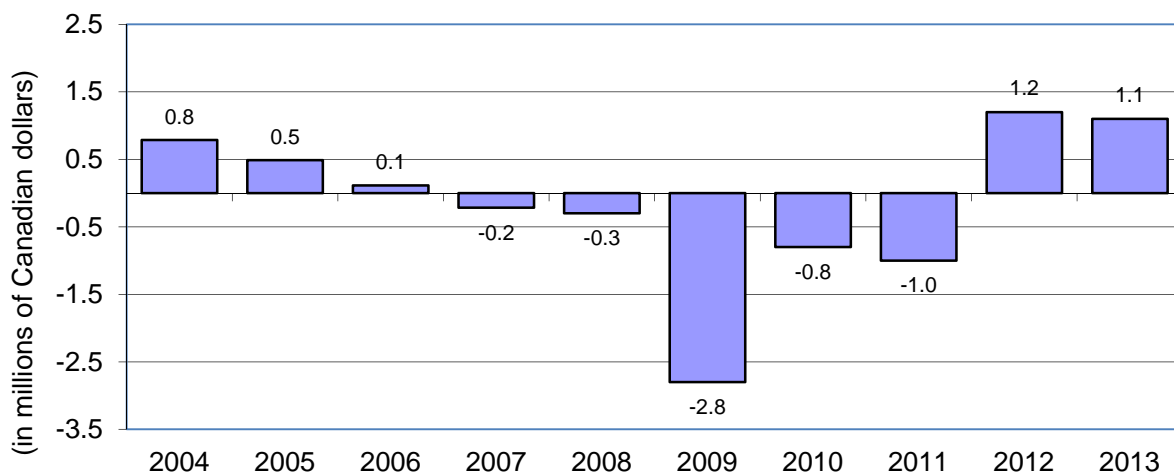
3.27 As indicated above, the Assembly approved the Indicative Budget Estimates (expenditure) of the AOSC Fund amounting to CAD 11 625 thousand for the financial year 2013. During the year, pursuant to Financial Regulation 9.5, the Secretary General submitted to the Council an update of the 2013 Budget Estimates (expenditure) in C-WP/14061. The revised estimated expenditures for 2013 amounted to CAD 8 315 thousand and the estimated income to CAD 8 691 thousand.

3.28 There is an excess of CAD 788 thousand in AOSC income versus budget mainly because of the slight increase in the average support cost rate applied on implementation of USD 137.2 million in TC projects in 2013. On the expenditure side, staff costs exceeded the budgeted amount by CAD 25 thousand resulting in a total positive variance of CAD 763 thousand in income and expenditures.

3.29 The following figure reports on the trend in the annual excess (shortfall) over the last ten years in millions of CAD.

**FIGURE 9**

**AOSC Fund Surplus and Shortfall as at 31 December**



3.30 During the 37th Session of the Assembly, the Administrative Commission recommended that the question of sharing costs between the Regular Programme and the Technical Co-operation (TC) Programme be reported to the Council for review. The Council has considered this issue and based on a time survey, approved the amount of CAD 1 202 117 to be recovered annually by the Regular Programme from the AOSC Fund for Regular Programme Support directly related to projects for the remainder of the 2011-2013 triennium (i.e. 2012 and 2013).

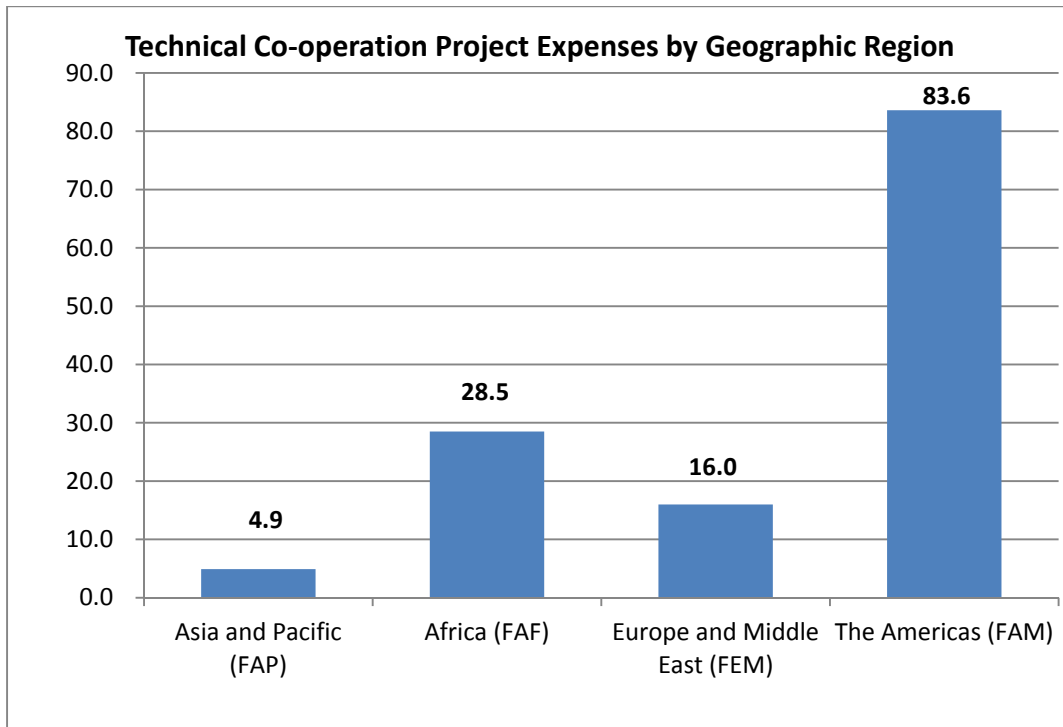
3.31 **Technical Co-operation Programme.** The Technical Co-operation Bureau (TCB) manages the Technical Co-operation Programme, a permanent priority activity of ICAO which complements the role of the Regular Programme by supporting Member States in their implementation of ICAO regulations, policies and procedures as stated in Assembly Resolution A36-17. Through this Programme, ICAO provides a broad spectrum of services, including assistance to States in the review of the structure and organization of national civil aviation institutions, updating the infrastructure and services of airports, facilitating technology transfer and capacity building, promoting ICAO Standards and Recommended Practices (SARPs), Air Navigation Plans (ANPs) and supporting remedial action resulting from the Universal Safety Oversight Audit Programme (USOAP) and the Universal Security Audit Programme (USAP) audits.

3.32 ICAO took steps aimed at increasing TCB's efficiency and quality of services, operational and financial controls and to improve the Bureau's working methodologies aligned with ICAO's Strategic Objectives. Commencing in 2011, TCB implemented a Quality Management System based on ISO 9001:2008 in its Procurement Section with its Field Operations Section and Business Support Unit being certified in 2013. The improved processes have contributed to the considerable progress in the TC Programme performance and the AOSC fund's results in 2013. The whole bureau is expected to be fully certified by the year 2014.

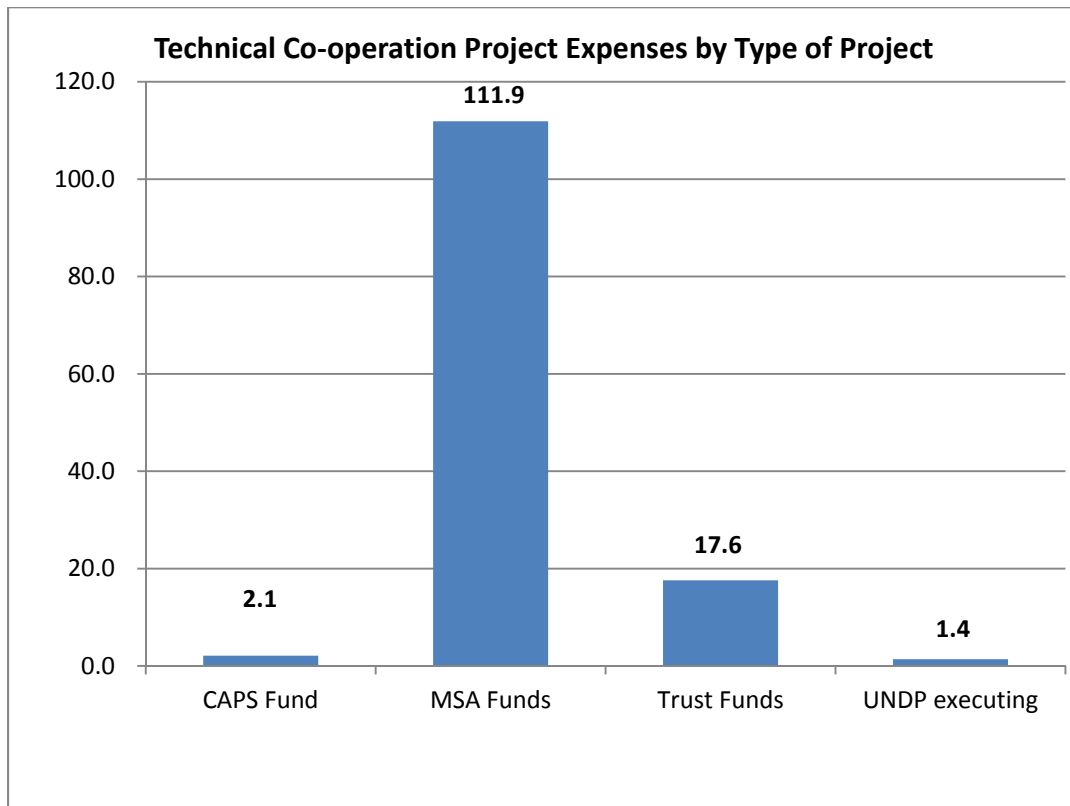
3.33 A Management Plan for TCB has been prepared in close co-ordination with the Technical Co-operation Committee, for the years 2013 to 2015, setting the goals and strategies to be followed during this period with the aim at improving the governance, efficiency and quality of ICAO Technical Co-operation Programme activities. Consequently, continued efforts are being undertaken to ensure the sustained improvement of the AOSC financial situation through a review of the TCB organizational structure, staffing levels, cost savings and efficiency measures.

3.34 Technical co-operation projects represent one of the main activities of the Organization. Projects are financed by governments and other donors and the inflows and outflows of financial resources totalled CAD 132.9 million in 2013. Tables D to F in Part IV of this document provide more detail on these projects, summarized by the following figures in millions of CAD.

**FIGURE 10**



**FIGURE 11**



#### 4. RESPONSIBILITY OF MANAGEMENT

The Secretary General is required by the Financial Regulations to maintain such accounting records as are necessary and to submit annual financial statements in accordance with the accounting standards adopted by the United Nations organizations. These financial statements are: Statement I – Statement of Financial Position, Statement II – Statement of Financial Performance, Statement III – Statement of Changes in Net Assets, Statement IV – Statement of Cash Flow and Statement V – Statement of Comparison of Budget and Actual Amounts. The status of appropriations (Regular Programme General Fund) and credits not budgeted for by the Assembly are reflected in this document.

Management is responsible for the preparation and integrity of the Financial Statements. These statements have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS), and necessarily include certain amounts that are based on management's best estimate and judgement. Financial information contained throughout this document is consistent with that in the audited financial statements. Management considers that the financial statements present fairly the financial position of the Organization, its financial performance and its cash flows and the information disclosed in this document is presented in accordance with the provisions of the ICAO Financial Regulations.

To fulfil its responsibility, the Organization maintains systems of internal controls, policies and procedures to ensure the reliability of financial information and the safeguarding of assets. The internal control systems are subject to both internal and external audit. The External Auditor has audited the Financial Statements, including Notes, and his accompanying report indicates the scope of his audit and his opinion on the Financial Statements.

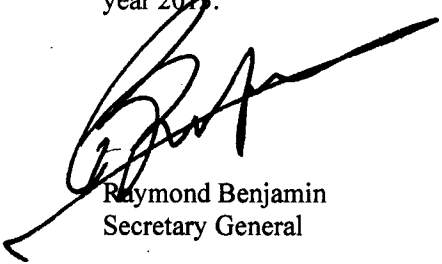
The Council has the responsibility to consider and to recommend the Financial Statements to the Assembly for approval and has the power to request amendments to these statements after issuance by the Secretary General.

As Chief, Finance Branch of the International Civil Aviation Organization, I hereby certify the Financial Statements included in this document.



Rahul Bhalla  
Chief, Finance Branch

As the Secretary General of the International Civil Aviation Organization, I hereby approve and submit this financial report of ICAO, accompanied by the Financial Statements and Tables for the year 2013.



Raymond Benjamin  
Secretary General

Montreal, Canada  
31 March 2014



## **Statement of Internal Control 2013**

### **Scope of responsibility**

As Secretary General of the International Civil Aviation Organization (ICAO), in accordance with the responsibility assigned to me and, in particular, Article XI of the Financial Regulations, I am accountable for maintaining a sound system of internal control.

### **Purpose of the system of internal control**

Internal control is designed to reduce and manage rather than eliminate the risk of failure to achieve the Organization's aims, objectives and related policies. Therefore, it can provide reasonable and not absolute assurance of effectiveness. It is based on an ongoing process designed to identify the principal risks, evaluate the nature and extent of those risks and manage them efficiently and effectively.

Internal control is a process affected by Governing Bodies, the Secretary General, senior management and other personnel, and designed to provide reasonable assurance on the achievement of the following general internal control objectives:

- effectiveness and efficiency of operations;
- safeguarding of assets;
- reliability of financial reporting; and
- compliance with applicable regulations and rules.

Thus, on an operational level, ICAO's internal control system is not solely a policy or procedure that is performed at certain points in time but, rather, operated continually at all levels within the Organization through internal control processes to ensure the above objectives.

### **Capacity to handle risk**

ICAO initiated in 2012, the deployment of a conceptual framework of internal control that includes a risk management system. ICAO's approach to risk management is an integral and systematic process that is identifying, mitigating, monitoring and communicating top risk events to the Organization.

As the Secretary General of the Organization, I chair a senior management group that has the overall responsibility for identifying and assessing risks associated with the implementation of programmes and projects and the overall operations of the Organization, which are closely monitored by a permanent governing body, the ICAO's Council. The Group is responsible for establishing the control environment and providing the discipline and structure for the achievement of the primary objectives of the system of internal control.

## **Risk and internal control framework**

The Organization's risk and internal control framework includes:

- the identification of risks classified according to areas of activities, relevance, impact and probability of occurrence; and
- the establishment of a risk management review composed of my senior managers whose mandate is to implement mitigation actions to address major risks, build up an integrated risk-management framework, strengthen a risk management culture, and regularly re-evaluate risks and the Organization's tolerance levels in light of the evolving environment. The documentation of risks and mitigation actions taken and to be undertaken are summarized in risk registers.

A comprehensive "Internal Control System Framework" has been designed to ensure that the Organization's objectives are achieved efficiently through the establishment of criteria based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO), which represents best practice adopted by several United Nations Organizations. The framework is supported by a range of assertions confirmed by senior managers and a range of policies, procedures and processes underpinned by appropriate ethical values.

Furthermore, my senior managers and I are committed to a continuous improvement programme to strengthen the system of internal control across the Organization.

## **Review of effectiveness**

My review of the effectiveness of the system of internal controls is mainly informed by:

- my senior managers, in particular Directors of Bureaus and Chiefs of Offices who play important roles and are accountable for expected results, performance, controlling their Bureaus/Office activities and the resources entrusted to them. The information channels rely mainly on periodic meetings held by the Senior Management Group (SMG) and the full SMG of the Secretariat. For the year ended 31 December 2013, control issues, together with remedial actions, have been identified through a self-assessment process and also the application of best practices, as confirmed by my senior managers' personal written attestation;
- the Evaluation and Internal Audit Office (EAO) of whose reports on internal audits, evaluations and advisory services I rely upon are also provided to me. These include independent and objective information on the adequacy and effectiveness of the Organization's system of internal controls and programme effectiveness, together with recommendations for improvement;
- the Evaluation and Audit Advisory Committee (EAAC), whose purpose is to advise me and the Council on risk management, financial and internal controls and the related functions of oversight;
- the Ethics Advisor, who provides confidential advice and counsel to the Organization and its staff on ethics and standards of conduct, and promotes ethical awareness and responsible behavior in handling referrals concerning allegations of unethical behavior, including conflict of interest;
- the reports of the Joint Inspection Unit of the United Nations system on matters applicable to ICAO; and
- Council's observations and decisions.

**Significant control issues**

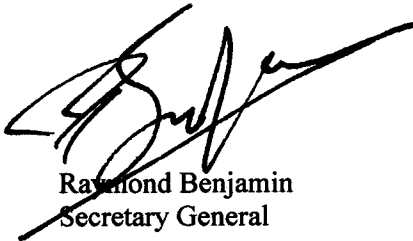
Following my review of the Internal Control Framework, there are no significant internal control issues to be reported for 2013. Nonetheless, there are improvements planned for 2014 for some sections which involve further documenting of procedures and systems and which address training deficiencies identified during 2013.

The Internal Control Framework is supported by a living document to be updated and subject to be improved over time. My senior managers and I are committed to addressing any weaknesses in internal controls identified and to a continuous improvement programme to strengthen the system of internal control across the Organization.

**Statement**

As already noted above, effective internal control, no matter how well designed, has inherent limitations including the possibility of circumvention and, therefore, can provide only reasonable assurance. Furthermore, because of changes in conditions, the effectiveness of internal control may vary over time.

Based on the above, I conclude to the best of my knowledge and information, that ICAO operated satisfactory systems of internal control for the year ended 31 December 2013 and up to the date of approval of the financial statements.



Raymond Benjamin  
Secretary General

Montreal, Canada  
31 March 2014



**PART II: OPINION OF THE EXTERNAL AUDITOR**



**The First President**

Paris, 31 MARS 2014

**To the Assembly of  
the International Civil Aviation Organization****AUDIT OPINION**

We have audited the financial statements of the International Civil Aviation Organisation (ICAO), for the 12 month period ended 31 December 2013. These financial statements include a statement of financial position at 31 December 2013, a statement of financial performance, a statement of changes in net assets, a statement of cash flow, a statement of comparison of budget and actual amounts for the period ended 31 December 2013 and notes including a summary of the accounting principles and other information. The table disclosed after the notes, including those presenting a financial position and a statement of performance by funds are not parts of the financial statements and are not audited.

Within the general framework of Article 61 of the Chicago Convention and by virtue of Article XII of the ICAO Financial Regulations, the Secretary General of the ICAO is responsible for preparing and presenting the financial statements. These statements are in conformity with the International Public Sector Accounting Standards (IPSAS). This responsibility includes the design, implementation and monitoring of internal control procedures to ensure the preparation and the fair presentation of financial statements, free of significant misstatements, resulting either from frauds or errors. This responsibility also includes the determination of fair accounting estimates adapted to the circumstances.

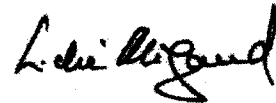
Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with the International Standards on Auditing (ISA). These Standards require us to comply with the ethical rules and to plan and perform our audit in order to obtain a reasonable assurance that the financial statements are free from material misstatements.

An audit consists in implementing audit procedures in order to collect audit evidence regarding the amounts and the information presented in the financial statements. The design of the audit procedures is based on the external auditor's professional judgment, as well as the risk evaluation that the financial statements include significant misstatements, resulting either from frauds or errors. In the context of this risk evaluation, the auditor considers the internal control in place for the preparation and presentation of the financial statements, in order to design appropriate audit procedures and not in order to express any opinion on the internal control. An audit also consists in evaluating that the accounting method applied and the presentation of the financial statements are appropriate and that the significant accounting estimates are reasonable.

.../

We believe that the audit evidence collected is sufficient and appropriate to constitute a reasonable basis for our opinion.

Based on our audit, the financial statements give a fair view of the financial position of the ICAO at 31 December 2013, as well as the financial performance, the cash flow and the comparison of budget and actual amounts for the 12 month period ended 31 December 2013 in conformity with the IPSAS.



Didier MIGAUD



**PART III: FINANCIAL STATEMENTS**



## INTERNATIONAL CIVIL AVIATION ORGANIZATION

## STATEMENT I

## STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2013

(in thousands of Canadian dollars)

	Notes	2013	2012
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	2.1	265 972	246 379
Assessed contributions receivable from Member States	2.2	13 597	4 725
Receivables and advances	2.3	15 012	13 408
Inventories	2.4	1 070	1 121
Others	2.3	2 374	2 065
		<b>298 025</b>	<b>267 698</b>
<b>NON-CURRENT ASSETS</b>			
Assessed contributions receivable from Member States	2.2	3 058	6 116
Receivables and advances	2.3	442	464
Property, plant and equipment	2.5	3 300	3 726
Intangible assets	2.6	1 050	1 193
		<b>7 850</b>	<b>11 499</b>
<b>TOTAL ASSETS</b>		<b>305 875</b>	<b>279 197</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Advanced receipts	2.8	229 075	208 828
Accounts payable and accrued liabilities	2.9	26 298	18 720
Employee benefits	2.10	4 700	4 669
Credits to contracting/servicing governments	2.11	1 443	1 608
		<b>261 516</b>	<b>233 825</b>
<b>NON-CURRENT LIABILITIES</b>			
Employee benefits	2.10	103 045	90 217
		<b>103 045</b>	<b>90 217</b>
<b>TOTAL LIABILITIES</b>		<b>364 561</b>	<b>324 042</b>
<b>NET ASSETS</b>			
Accumulated deficit	2.12	(53 073 )	(48 487 )
Reserves	2.12	(5 613 )	3 642
<b>NET ASSETS (ACCUMULATED DEFICIT)</b>		<b>(58 686 )</b>	<b>(44 845 )</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<b>305 875</b>	<b>279 197</b>

The accompanying notes are an integral part of the financial statements.

## INTERNATIONAL CIVIL AVIATION ORGANIZATION

**STATEMENT II**  
 STATEMENT OF FINANCIAL PERFORMANCE  
 FOR THE YEAR ENDED 31 DECEMBER 2013  
 (in thousands of Canadian dollars)

	Notes	2013	2012
<b>REVENUE</b>			
Contributions for project agreements	3.2	132 667	105 132
Assessed contributions	3.2	83 120	84 205
Other revenue producing activities	3.2	14 949	13 133
Other voluntary contributions		8 215	6 755
Administrative fee revenue		182	211
Other revenue	3.2	5 008	2 014
<b>TOTAL REVENUE</b>		<b>244 141</b>	<b>211 450</b>
<b>EXPENSES</b>			
Staff salaries and employee benefits	3.3	140 539	133 575
Supplies, consumables and others	3.3	74 150	53 579
General operating expenses	3.3	16 734	17 189
Travel	3.3	8 626	8 657
Meetings		2 273	1 162
Training		2 083	2 553
Other expenses	3.3	2 516	2 241
<b>TOTAL EXPENSES</b>		<b>246 921</b>	<b>218 956</b>
<b>DEFICIT FOR THE YEAR</b>		<b>(2 780)</b>	<b>(7 506)</b>

*The accompanying notes are an integral part of the financial statements.*

## INTERNATIONAL CIVIL AVIATION ORGANIZATION

## STATEMENT III

STATEMENT OF CHANGES IN NET ASSETS  
 FOR THE YEAR ENDED 31 DECEMBER 2013  
 (in thousands of Canadian dollars)

	Notes	Accumulated Deficit	Reserves	Net Assets (Net Accumulated Deficit)
<b>Balance at 31 December 2012</b>		<b>(48 487)</b>	<b>3 642</b>	<b>(44 845)</b>
<b>Movements in fund balances and reserves in 2013</b>				
Variation to carry forward balance	2.12	(2 770)	2 770	
Variation of actuarial gain/(loss)	2.10		(10 997)	(10 997)
Other reclassifications and transfers	2.12	964	( 964)	
Variation of translation adjustment	2.12		( 64)	( 64)
Deficit of the year		(2 780)		(2 780)
<b>Total movements during the year</b>		<b>(4 586)</b>	<b>(9 255)</b>	<b>(13 841)</b>
<b>Balance at 31 December 2013</b>		<b>(53 073)</b>	<b>(5 613)</b>	<b>(58 686)</b>

*The accompanying notes are an integral part of the financial statements.*

## INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT IV  
STATEMENT OF CASH FLOW  
FOR THE YEAR ENDED 31 DECEMBER 2013

(in thousands of Canadian dollars)

	Notes	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Deficit for the year		( 2 780)	( 7 506)
(Increase) decrease in contributions receivable	2.2	( 8 872)	1 036
(Increase) decrease in receivables and advances	2.3	( 3 347)	( 2 355)
(Increase) decrease in inventories	2.4	51	( 169)
(Increase) decrease in other assets	2.3	( 309)	( 130)
(Increase) decrease in non-current contributions receivable (net of discount)	2.2	3 058	( 535)
(Increase) decrease in non-current receivables and advances	2.3	22	32
Increase (decrease) in advanced receipts	2.8	20 246	59 270
Increase (decrease) in accounts payable and accrued liabilities	2.9	9 320	( 634)
Increase (decrease) in short-term employee benefits	2.10	30	609
Increase (decrease) in credits to contracting/servicing governments	2.11	( 165)	211
Increase (decrease) in long-term employee benefits	2.10	12 828	11 400
Actuarial gain (loss) reflected in reserves	2.10	( 10 997)	( 7 337)
Interest income		( 797)	( 741)
Depreciation and amortization		1 300	1 006
Foreign currency translation adjustment		( 64)	56
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>19 527</b>	<b>54 213</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Acquisition of property, plant and equipment and Intangibles	2.5 & 2.6	( 731)	( 1 921)
Interest income		797	741
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>66</b>	<b>( 1 180)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Transfers from net assets to liabilities and other transfers			( 47)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>			<b>( 47)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>19 593</b>	<b>52 986</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		<b>246 379</b>	<b>193 393</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		<b>265 972</b>	<b>246 379</b>

*The accompanying notes are an integral part of the financial statements.*

**III-5**  
**INTERNATIONAL CIVIL AVIATION ORGANIZATION**  
**STATEMENT V**  
REGULAR PROGRAMME GENERAL FUND  
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2013

(in thousands of Canadian Dollars)

Strategic Objective / Supporting Implementation Strategy	Appropriations										Expenditures <sup>1</sup>			Balance
	Original A37-26	2012 Outstanding Commitments <sup>a</sup>	Carry-over from Prior Year <sup>b</sup>	Decrease in Appropriations <sup>c</sup>	2013 Appropriations Before Transfers	2013 Outstanding Commitments <sup>a</sup>	Carry-over Surrendered <sup>d</sup>	Transfers among SO/SIS <sup>e</sup>	Carried over to following year <sup>b</sup>	2013 Appropriations Revised	Total	Exchange Differences <sup>2</sup>	At budget rate of exchange	
<b>Safety</b>	25 801	1 444	251	(9)	<b>27 487</b>	(1 129)	(105)	40	(623)	<b>25 671</b>	25 878	(207)	<b>25 671</b>	0
<b>Security</b>	13 942	271	54	(5)	<b>14 262</b>	(448)	(63)	(2 331)	(361)	<b>11 059</b>	11 174	(114)	<b>11 059</b>	0
<b>Environmental Protection and Sustainable Development of Air Transport</b>	12 362	640	456	(4)	<b>13 454</b>	(527)	(42)	(789)	(229)	<b>11 867</b>	11 952	(85)	<b>11 867</b>	0
<b>Sub-Total</b>	<b>52 105</b>	<b>2 355</b>	<b>761</b>	<b>(18)</b>	<b>55 203</b>	<b>(2 104)</b>	<b>(209)</b>	<b>(3 080)</b>	<b>(1 213)</b>	<b>48 598</b>	<b>49 004</b>	<b>(406)</b>	<b>48 598</b>	<b>0</b>
<b>Programme Support</b>	22 568	1 397	834	(147)	<b>24 652</b>	(2 342)		2 105	(2 136)	<b>22 279</b>	22 311	(32)	<b>22 279</b>	0
<b>Management &amp; Administration</b>	15 429	1 098	1 471	(468)	<b>17 530</b>	(2 182)		1 369	(571)	<b>16 145</b>	16 186	(41)	<b>16 145</b>	0
<b>Management &amp; Administration - Governing Bodies</b>	7 967	362	241	(6)	<b>8 564</b>	(541)		(394)	(199)	<b>7 430</b>	7 442	(12)	<b>7 430</b>	0
<b>Sub-Total</b>	<b>45 964</b>	<b>2 857</b>	<b>2 546</b>	<b>(621)</b>	<b>50 746</b>	<b>(5 065)</b>	<b>0</b>	<b>3 080</b>	<b>(2 906)</b>	<b>45 854</b>	<b>45 939</b>	<b>(85)</b>	<b>45 854</b>	<b>0</b>
<b>Total</b>	<b>98 069</b>	<b>5 212</b>	<b>3 307</b>	<b>(639)</b>	<b>105 949</b>	<b>(7 170)</b>	<b>(209)</b>	<b>0</b>	<b>(4 119)</b>	<b>94 452</b>	<b>94 943</b>	<b>(491)</b>	<b>94 452</b>	<b>0</b>

<sup>a</sup> Approved by the Secretary General. Financial Regulations 5.7.

<sup>b</sup> Approved by the Secretary General. Financial Regulations 5.6.

<sup>c</sup> Approved by Council to reimburse Regular Programme \$1.2 million instead of \$1.8 million (C-DEC197/2).

<sup>d</sup> \$0.2 million unspent transferred back to Incentive Scheme for Long-Outstanding Arrears

<sup>e</sup> Approved by the Secretary General, Fin. Regulation 5.9

<sup>1</sup> Expenditures other than Canadian dollars are reflected at the UN rate of Exchange

<sup>2</sup> Exchange differences: (1) \$1.337 million budget exchange loss due to impact of US dollar transactions budgeted at USD1.00 = CAD 1.038; and (2) \$1.828 million net currency exchange gain, such as the revaluation of balance sheet items.

The accompanying notes are an integral part of the financial statements.

**INTERNATIONAL CIVIL AVIATION ORGANIZATION**  
**Notes to the Financial Statements**  
**31 December 2013**

**NOTE 1: ACCOUNTING POLICIES****Basis of Preparation**

1. The financial statements of the International Civil Aviation Organization (ICAO) have been prepared on the accrual basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS). These standards have been applied since 1 January 2010.
2. As permitted on the initial adoption of IPSAS, transitional provisions have been used for the initial recognition of property, plant and equipment (PP&E) (IPSAS 17) including those under finance leases acquired before 1 January 2010. These assets are not reflected on the face of the financial statements, but in the Notes to the Financial Statements for information purposes.
3. Except as otherwise stated in these statements, the measurement basis used in preparing the financial statements is the amortized cost.
4. The Cash Flow Statement (Statement IV) is prepared using the indirect method.
5. The reporting currency of ICAO is the Canadian dollar (CAD). The functional currency of ICAO regular activities is the CAD. The functional currency of the Technical Cooperation Projects (TCP) is the United States dollar (USD) because these activities are generally carried out in USD. Transactions in currencies other than CAD, and other than the USD for TCP, are translated at the prevailing United Nations Operational Rates of Exchange (UNORE) at the time of transaction. Monetary assets and liabilities in currencies other than CAD, and other than USD for the TCP, are translated at the prevailing UNORE at year-end closing rate, which reasonably approximates the spot rate. Resulting gains or losses are accounted for in the Statement of Financial Performance except for differences arising from the translation of TCP activities into CAD for financial statement presentation purposes which are reflected in Reserves in the Statement of Financial Position.

**Cash and Cash Equivalents**

6. Cash and cash equivalents comprise cash on hand, cash at banks and short-term deposits.
7. Interest revenue is recognized as it accrues, taking into account the effective yield.

**Financial Instruments**

8. Financial instruments are recognized when ICAO becomes a party to the contractual provisions of the instrument until such time as when the rights (or the obligation) to receive (to pay) cash flows from those assets (liabilities) have expired or have been transferred (settled).
9. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets. Receivables include contributions receivable in cash and other receivables. Long term receivables, including assessments receivable, are stated at amortized cost using the effective interest method.
10. Except for assessed contributions received in advance, all liabilities are derived from exchange transactions. All non-derivative financial liabilities are recognized initially at fair value and, when applicable, subsequently measured at amortized cost using the effective interest method.



## Inventories

11. Publications and Commissariat items on hand at the end of the financial period are recorded as inventories. Publications are valued at the lower of cost and current replacement cost and commissariat inventory is valued at the lower of cost and net realizable value.
12. The cost of publications includes purchase cost and all other costs incurred in bringing the publications to a saleable or distributable state. The cost of Commissariat items represents the purchase price. Cost is determined on the weighted average basis.
13. Publications and other documents for internal use are expensed when produced.

## Receivables and Revenue

14. Assessed contributions represent a legal obligation of Member States. These contributions are revenue from non-exchange transactions recognized at the beginning of the year for which the assessments are levied. Contributions for TCP activities are revenue from exchange transactions recognized on the basis of signed agreements between ICAO and contributors and are determined by the stage of completion based on the delivery of goods or rendering of services, which ICAO may in some instances consider best estimated by the phased schedule of payments related to applicable contracts for the projects. Other voluntary contributions are generally non-exchange transactions recognized as revenue when confirmed in writing by donors, or otherwise when received.
15. Administrative fees recovered on Technical Co-operation projects are presented as revenue in the Administrative and Operational Services Cost (AOSC) Fund and as expenses in the respective projects. In accordance with IPSAS, revenue from administrative fees generated by TC projects is recognized based on the stage of completion. The stage of completion is estimated as follows:
  - Ninety per cent of the fee is progressively recognized until and when a purchase order for equipment is issued and the remaining 10 per cent is recognized upon delivery; and
  - For services, the administrative fee is recognized on the basis of cost incurred.
16. A new arrangement for sharing of interest income was introduced in 2011 under which ICAO retains fifty per cent of interest earned from deposit of project funds with an average monthly weighted balance in excess of USD 100 thousand.
17. Other revenues are exchange transactions and balances receivable are presented in receivables and advances.
18. Contributions receivable are shown net of allowances related to reductions in contribution revenue, doubtful accounts and amortization (discount):
  - allowance for reductions in voluntary contribution revenue are reductions of contributions receivable and revenue when the funding is no longer needed by the project to which the contributions was directed or is otherwise unavailable;
  - allowance for doubtful accounts on assessed contributions is based on historical experience and on events that would indicate that a Member State is not capable of discharging its obligation; and

- discounted long-term contributions receivable represent the outstanding balance of assessed contributions for which States have concluded agreements to liquidate their arrears over a period of years. Discounting is also applied to a number of other long outstanding contributions considering the probability that such agreements will be concluded to liquidate arrears. These receivables are stated at amortized (discounted) cost using the effective interest method and are therefore presented net of the cumulative discount.
19. In-kind contributions are presented at fair value. Donated goods that directly support approved operations and activities and can be reliably measured are recognized in the accounts. Services provided without charges are not recognized in the accounts, but are presented in the Notes to the Financial Statements for information purposes. These contributions include use of premises, transport and personnel.

### **Property, Plant and Equipment**

20. PP&E are stated at historical cost less accumulated depreciation and any impairment losses. Depreciation is provided for PP&E over their estimated useful life using the straight line method, except for land which is not subject to depreciation. The estimated useful life for PP&E classes is as follows:

<u>Classes</u>	<u>Estimated Useful Life (Years)</u>
Buildings	5-50
Information Technology (IT)	3-5
Furniture, Fixtures and Fittings	5-12
Machinery and Office Equipment	3-7
Motor Vehicles	3-10

21. Property, plant and equipment are capitalized if their cost is greater or equal to the threshold limit set at CAD 3 thousand and CAD 25 thousand in the case of leasehold improvements. The threshold level is reviewed periodically. Leasehold improvements are valued at cost and depreciated over the lesser of the remaining useful life of the improvements or the lease term.
22. Impairment reviews are undertaken for all PP&E at least annually and any impairment losses are recognized in the Statement of Financial Performance. Impairment indicators include the obsolescence and deterioration of PP&E as well as the cash flow generated by PP&E utilized to generate revenue from a commercial activity.

### **Intangible Assets**

23. Intangible assets are stated at historical cost less accumulated amortization and any impairment losses. Intangible asset recognition requires meeting strict criteria with respect to being identifiable, being under ICAO's control and contributing future economic benefits or service potential which can be reliably measured. Remaining useful life is also a consideration. Specific criteria were also developed to exclude items acquired below a cost of CAD 5 thousand, and CAD 25 thousand for internally developed assets due to the difficulty to measure with precision internal operational and research costs to be expensed and development costs to be capitalized. As permitted under IPSAS 31, this standard has been applied prospectively effective 1 January 2010.
24. Amortization is provided over the estimated useful life using the straight line method. The estimated useful life for intangible asset classes is as follows:

<u>Class</u>	<u>Estimated Useful Life (Years)</u>
Software Acquired Externally	3-6
Software Internally Developed	3-6
Licenses and Rights and Other Intangibles	2-6
Copyrights	3-10

25. Licenses, rights and copyrights are amortized over the licenses, rights and copyrights periods.
26. Impairment indicators include the obsolescence and the deterioration of intangibles as well as the cash flow generated by intangibles when utilized to generate revenue from a commercial activity.

#### **Advanced Receipts**

27. Voluntary contributions received before the implementation of technical co-operation projects are recorded as advanced receipts. Revenue is recognized when contributors' requirements are fulfilled, generally when services are rendered by ICAO or when goods are delivered to the project in accordance with the terms of the agreement between contributors and the Organization.
28. Balances of unutilized contributions to be remitted to contributors and funds received before services are rendered or goods delivered by ICAO to third parties are included in advanced receipts.
29. Assessments received from Member States before the year to which they relate are presented under advanced receipts.

#### **Employee Benefits**

30. ICAO recognizes the following categories of employee benefits:
  - short-term employee benefits due to be settled within twelve months after the end of the accounting period in which employees render the related service;
  - post-employment benefits, such as after-service health insurance benefits;
  - other long-term employee benefits; and
  - termination benefits.
31. ICAO is a member organization participating in the United Nations Joint Staff Pension Fund (UNJSPF), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined benefit plan. As specified by Article 3(b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.
32. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual organizations participating in the plan. ICAO and the UNJSPF, in line with the other participating organizations in the Fund, are not in a position to identify ICAO's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence ICAO has treated this plan as if it

were a defined contribution plan in line with the requirements of IPSAS 25. ICAO's contributions to the plan during the financial period are recognized as expenses in the statement of financial performance.

33. ICAO recognizes actuarial gains and losses related to after-service health insurance benefits (ASHI) in a reserve account. Under IPSAS 25, actuarial gains or losses for post-employment benefits may be recognized over time using the reserve approach. Under the reserve approach, actuarial gains/losses are presented under Net Assets and not recognized as revenue or expense so as to consider the reasonable possibility that gains/losses will be revised over time. For other separation-related benefits, such as annual leave and repatriation benefits, actuarial gains and losses are recognized immediately and reflected in the Statement of Financial Performance.

### **Provisions and Contingent Liabilities**

34. Provisions are made for future liabilities and charges where ICAO has a present legal or constructive obligation as a result of past events, when it is probable that ICAO will be required to settle the obligation and when the amount can be reliably estimated.
35. Other commitments, which do not meet the recognition criteria for liabilities, are disclosed in the notes to the financial statements as contingent liabilities when their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of ICAO.

### **Segment Reporting and Fund Accounting**

36. A segment is a distinguishable group of activities for which financial information is reported separately in order to evaluate an entity's past performance in achieving its objectives and for making decisions about the future allocation of resources. ICAO classifies all projects, operations and fund activities into two segments: i) Regular activities and ii) Technical Cooperation Project activities. ICAO reports on the transactions of each segment during the financial period, and the balances held at the end of the period. Inter-segment charges are based on project agreements.
37. A fund is a self-balancing accounting entity established to account for the transactions relating to a specified purpose or objective. Funds are segregated for the purpose of conducting specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The financial statements are prepared on a fund accounting basis, showing at the end of the year the consolidated position of all ICAO's funds. Fund balances represent the accumulated residual of revenue and expenditures.
38. The Regular Activities segment includes the General Fund and the Working Capital Fund of the Regular Programme, special accounts and funds administered for aviation safety, security, environmental and other supporting activities of the Organization. Unutilized appropriations voted for the Regular Programme Budget of the General Fund may be brought forward to the following financial year under certain conditions. Specific funds and special accounts are established by the Assembly or Council under Financial Regulation 7.1 mainly for special contributions or monies earmarked for specific activities, the balances of which may be brought forward to the succeeding financial period. The main funding sources of this segment are assessed contributions, revenue producing activities, other voluntary contributions and administrative fees.
39. The Regular Activities segment includes the following Funds or groups of Funds:
  - **The Regular Budget Fund comprises the General Fund** financed by assessed contributions from Member States according to the scale of assessments determined by the Assembly, by miscellaneous income, by the Ancillary Revenue Generation Fund (ARGF)

surplus, and by any advances made from the **Working Capital Fund**, established by the Assembly for the purpose of making (repayable) advances as necessary to the General Fund to finance budgetary appropriations pending receipt of contributions from Member States and to other Funds in specific cases.

- **Capital Fund** established for the purpose of recording the acquisitions and the depreciation and amortization of property, plant and equipment and intangible assets for the regular activities.
- **Revolving Fund** established for the purpose of recording the transactions relating to After-Service Health Insurance (ASHI) including unfunded liabilities and other specific liabilities in order to present these transactions separately within the Regular Activities segment.
- **Ancillary Revenue Generation Fund (ARGF)** established to hold revenue generating and cost recovery activities in one Fund. Special Accounts and Funds within the ARGF are established by the Secretary General under Financial Regulation 7.2 to record all revenues and expenditures relating to self-financing activities. Any surplus not projected to be committed or expensed may be transferred to the General Fund and the balances may be brought forward to the succeeding financial period. The main funding sources of this segment are the sales of publications, data and services.
- **Administrative and Operational Services Cost (AOSC) Fund** established under Financial Regulation 9.4. The AOSC Fund recovers the costs of administration, operation and support of TC projects. In the event that the AOSC operation in any given year ends in a financial deficit, such deficit is first to be met from the accumulated surplus of the AOSC Fund and, as a last resort, from the Regular Programme Budget. The AOSC Fund is primarily financed from administrative overhead charges to Technical Co-operation projects including UNDP projects.
- **Aviation Security (AVSEC) Plan of Action (ASPA)** which includes earmarked funds as well as Special Accounts/Funds established to reflect Council approval of the Aviation Security Plan of Action (ASPA), comprising projects to be financed from funds within the Aviation Security Trust Funds. Activities relating to the ASPA projects are funded from general and earmarked contributions and by services in kind as indicated in Note 3.1.
- **The Comprehensive Regional Implementation Plan for Aviation Safety in Africa (AFI Plan)** established to increase ICAO leadership and accountability in programme coordination and management across the AFI Region and to ensure effective implementation to rectify safety and infrastructure deficiencies.
- **The Joint Finance Funds comprise Danish and Icelandic Joint Financing Agreements**, which reflect the transactions of the Funds established to report on ICAO supervision of the operation of air navigation services provided by the Government of Iceland, and in Greenland by the Government of Denmark, the costs of which are recovered by the service providers through user charges and assessments on Contracting governments. User charges are collected by the United Kingdom and are due and directly remitted to the Governments of Iceland and Denmark. Assessments are levied and collected by ICAO for remittance to the servicing governments. Therefore, these transactions are reflected in the accounts as assets and liabilities in the Statement of Financial Position. Also included is the **North Atlantic Height Monitoring System Fund (HMU)** to account for the financial transactions made under the provisions of the Arrangement on the Joint Financing of a North Atlantic Height Monitoring System. The operation and maintenance costs are recovered by the service providers through user charges on civil aircraft making crossings over the North Atlantic. User charges collected by ICAO are directly payable to service providers and are therefore reflected as assets and liabilities in the accounts.
- **Incentive for the Settlement of Long-outstanding Arrears Account** established to present in a separate account a portion of a payment of certain assessments in arrears from

Contracting States to finance particular activities of the Organization.

- **Information and Communication Technology (ICT) Fund** established to finance improvements to information and communication systems of the Organization.
  - **Public Key Directory Fund (PKD)**, a cost-recovery fund, established by the Council to report on the activities of a project to support interoperability of electronic-enhanced machine readable passports. The operations are financed by voluntary contributions and, in accordance with the agreement, the balance of the Fund is recorded as an amount due to the participating States.
  - **Safety Fund (SAFE)**, established by the Council with the objective of improving the safety of civil aviation through the use of a performance-based approach which will limit administrative costs and will not impose any costs on the Regular Programme Budget of the Organization, while ensuring that voluntary contributions to the fund are used in a responsible, useful and timely manner.
  - **Temporary Staff Salaries Fund (TSSF)** set up to finance incremental language services not provided for under the regular budget.
  - **Other Funds.** The Administrative Fee for Joint Financing, the Universal Safety Oversight Audit Programme Fund, the Environmental Fund, the International Registry Fund and France Co-operation Fund and other Funds or special accounts are included in other Funds.
  - Under an agreement with the **European Civil Aviation Conference (ECAC)**, composed of a number of ICAO's Members States, ICAO provides certain secretariat services. Disbursements are financed initially from ECAC's revenue collected by ICAO and, when necessary from the General Fund of the Regular Programme funds, which are reimbursed to ICAO. The net amount receivable or payable for all transactions effected on ECAC's behalf is included in the amount due from or payable to regional bodies.
  - **Special Reserve Fund (SRF)** established pursuant to Financial Regulation 7.1 to provide a mechanism to compensate for a potential shortfall caused by a decrease in the AOSC Fund income in any given year. Under a mechanism approved by the Council, to take effect from 2014, the indirect cost to be recovered from AOSC will be first calculated per a formula, but the reimbursement to the Regular Budget will be capped at CAD 1 200 000 per year. The SRF shall be financed from the amount in excess of the approved annual transfer of CAD 1 200 000 up to the amount calculated per the formula. If, in any year, there is a shortfall in the AOSC Fund reimbursement determined on the basis of the formula mentioned above, the SRF shall be used to complement the approved annual AOSC Fund transfer of CAD 1 200 000 to the Regular Budget.
  - **Regional Sub-Office (RSO)** with the objective of strengthening the ICAO presence in the Asia and Pacific (APAC) Region, a sub-regional office in the APAC region has been created, whose purpose is to improve airspace organization and management to maximize air traffic management (ATM) performance across that region. The Asia and Pacific Regional Sub-Office has been established in Beijing, People's Republic of China. Under an Agreement between ICAO and the Civil Aviation Authority of China (CAAC), the CAAC is responsible for all operating expenses of the RSO.
40. The Technical Co-operation Project Activities segment comprises Technical Co-operation (TC) project funds established by the Secretary General under Financial Regulation 9.1 to administer programmes of technical co-operation. The main funding sources of this segment are voluntary contributions for project agreements.
41. The TC projects include UNDP arrangements and projects managed under Trust Funds agreements, Management Service Agreements (MSA) and Civil Aviation Purchasing Services Agreements (CAPS). The financial transactions relating to the UNDP arrangements comply

with both ICAO and UNDP directives. Trust Funds and MSAs are designed to cover a broad range of technical co-operation services and the CAPS agreements are designed to provide procurement services. ICAO also enters into Technical Co-operation agreements referred to as Lump Sum Contracts with Member States. These contracts differ from MSA and Trust Fund agreements in that they are for a short duration and for a fixed contract amount. Under or over recovery of actual expenditure is reflected in the AOSC Fund.

## NOTE 2: ASSETS AND LIABILITIES

### Note 2.1: Cash and Cash Equivalents

42. Funds are deposited in banks on a pooled investment basis and funds not needed for immediate requirements are invested in term deposits. Balances at 31 December are composed of:

	<b>2013</b>	<b>2012</b>
	<i>In thousands of CAD</i>	
Cash in banks	39 997	61 052
Term deposits	225 975	185 327
<b>Total Cash and Cash Equivalents</b>	<b>265 972</b>	<b>246 379</b>

43. As at 31 December 2013, the term deposits had an average interest rate of 0.29 per cent (0.25 per cent on 31 December 2012) and an average term maturity of 150 days (82.5 days in 2012). Cash includes USD 204 million held in investment savings accounts (USD 175 million on 31 December 2012) with an average interest rate of 0.45 per cent. Cash in banks at year end includes an amount of CAD 4 350 thousand held on behalf of ECAC.

### Note 2.2: Assessed Contributions Receivable From Member States

44. The net assessed contributions receivable balances as at 31 December are composed of:

	<b>2013</b>	<b>2012</b>
	<i>In thousands of CAD</i>	
Current	13 597	4 725
Discounted non-current	3 058	6 116
<b>Total Net Contributions Receivable</b>	<b>16 655</b>	<b>10 841</b>

45. Current contributions receivable are for contributions that are due within twelve months while non-current contributions receivable are those that are due or foreseen to be settled after 12 months from the date of the financial statements as described in the accounting policies for Receivables and Revenue. The gross and net amounts of contributions receivable are as follows:

	<b>2013</b>	<b>2012</b>
	<i>In thousands of CAD</i>	
Assessed contributions – Regular Programme	23 138	13 001
Less:		
Allowance for doubtful accounts	(501)	(501)
Cumulative discount on long-term receivables	(5 982)	(1 659)
<b>Total Net Contributions Receivable</b>	<b>16 655</b>	<b>10 841</b>

46. The following table illustrates the composition of assessed contributions receivable for the Regular Programme.

Year of Assessment	2013		2012	
	<i>In thousands of CAD</i>	%	<i>In thousands of CAD</i>	%
2013	14 005	60.5	-	-
2012	1 577	6.8	3 721	28.6
2011	1 016	4.4	2 015	15.5
2010	706	3.1	943	7.3
2009 and earlier	5 834	25.2	6 322	48.6
<b>Total</b>	<b>23 138</b>	<b>100.0</b>	<b>13 001</b>	<b>100.0</b>

47. There were no movements of the allowance for doubtful accounts during 2013.

	2012	Utilization	Increase/ (Decrease)	2013
	<i>In thousands of CAD</i>			
Total allowance for doubtful accounts	501	-	-	501

The amount of CAD 501 thousand represents the full amount owing to ICAO by the former Socialist Federal Republic of Yugoslavia, the resolution of which remains under active discussion at the United Nations General Assembly where there is an expectation that successor States will cover the debt.

48. There were no write-offs of contributions receivable during 2013. An increase or decrease in the allowance for doubtful accounts represents an expense for the period and is reported in the Statement of Financial Performance.
49. There was no balance in the allowance for reductions in contribution revenue during 2013.
50. The movements of the discounted long-term contributions receivables during 2013 are as follows:

	2012	Utilization	Increase/ (Decrease)	2013
	<i>In thousands of CAD</i>			
Discounted long-term contributions receivable	6 116	814	(3 872)	3 058

51. The discount on long-term contributions receivable represents the amount which is required to adjust the receivable balance to fair value upon initial recognition. Since the non-current portions are not due to be collected for more than one year, they are discounted at an interest rate. This amount is reflected as a reduction of the long-term receivable balance. This difference is then gradually recognized as revenue over the life of the receivable. The discount is computed by applying the rates of 2.5 to 4.3 per cent to the scheduled future installment payments.
52. The discounted long-term contributions relate to assessments receivable from States in Group A that have concluded agreements with the Council to liquidate their arrears over a period not exceeding twenty years, without interest and States in Group B without agreements with outstanding assessments exceeding three years. Utilization of CAD 814 thousand includes the



reclassification of amounts in arrears as long-term less payments received during the course of the year from States which concluded agreements with ICAO. The decrease of CAD 3 872 thousand in the discounted long-term accounts receivable balance is the result of a decrease in discounted receivables of CAD 4 322 thousand offset by an exchange gain of CAD 450 thousand in long term receivable. The CAD 450 thousand exchange gain is recorded in miscellaneous revenue. Following the ICAO Assembly in October 2013, the fair market value of assessments receivable balance was reassessed. It was estimated that although all those receivables remained valid and properly recognized as such in the accounts, the fair market value of the receivable balance of those States which have lost their voting rights over two consecutive Assembly sessions needed to be further reduced. Consequently, such receivables were discounted by an additional amount of CAD 3.8 million in 2013. Since it is impossible to predict which /State if any will lose its voting right at the next assemblies, it is impracticable to estimate the financial effect on the discounted receivables in future periods.

**Note 2.3: Receivables, Advances and Other Assets**

53. Receivables and advances:

	<b>2013</b>	<b>2012</b>
	<i>In thousands of CAD</i>	
Advances to employees	925	953
Receivables from United Nations Agencies	2 167	3 567
Others	11 920	8 888
<b>Total:</b>	<b>15 012</b>	<b>13 408</b>

54. Advances to employees are for education grants, rental subsidies, travel and other staff entitlements.

55. Receivables from UN Agencies are related to other international organizations, mainly United Nations organizations.

56. Other receivables include amounts due from revenue generation activities such as the sales of publications, rental of conference rooms and space to delegations.

57. The non-current portion of Receivables is composed of an amount due from the African Civil Aviation Commission (AFCAC), a regional body. This amount results from negotiations and discussions between ICAO and AFCAC for the settlement of amounts owed by AFCAC to the Organization. Effective 1 January 2007, AFCAC assumed full responsibility for financial transactions and operations previously performed by ICAO on its behalf. The undiscounted receivable amounts to CAD 576 thousand at 31 December 2013. The discounted amount due from AFCAC reflected in the accounts totals CAD 442 thousand, which represents the non-current portion of the receivable (CAD 464 thousand as at 31 December 2012).

58. **Other Current Assets are comprised of:**

	<b>2013</b>	<b>2012</b>
	<i>In thousands of CAD</i>	
Recoverable provincial sales tax	467	401
Recoverable federal sales tax	266	228
Prepaid expenses	551	512
Recoverable United States income tax	1 027	860
Recoverable France sales tax	63	64
<b>Total</b>	<b>2 374</b>	<b>2 065</b>

**Note 2.4: Inventories**

59. ICAO inventories include the stock of published documents which are printed in house for sale to the worldwide civil aviation community and the stock of duty free items held by the Commissariat store for sale to individuals having diplomatic status.

60. The table below shows the total value of inventories as at 31 December.

	<b>2013</b>	<b>2012</b>
	<i>In thousands of CAD</i>	
Publications on hand–finished goods	652	834
Raw material and work in process	117	116
<b>Total Publications</b>	<b>769</b>	<b>950</b>
<b>Total Commissariat Items</b>	<b>301</b>	<b>171</b>
<b>Total Inventories</b>	<b>1 070</b>	<b>1 121</b>

61. Further detail is shown below on the reconciliation of publication and commissariat inventories to reflect the opening balance and the additions during the period reduced by the value of inventories sold and impairment allowance made during the year.

	<b>2013</b>	<b>2012</b>
	<i>In thousands of CAD</i>	
<b>Publications Reconciliation:</b>		
<b>Opening Balance</b>	950	823
Direct material	614	499
Direct labour	1 276	1 376
Indirect costs	262	239
Total inventory purchased and produced	3 102	2 937
Less: cost of publications sold	(2 248)	(1 843)
Less: impairments	(85)	(144)
<b>Closing Balance</b>	<b>769</b>	<b>950</b>

	<b>2013</b>	<b>2012</b>
	<i>In thousands of CAD</i>	
<b>Commissariat Items Reconciliation:</b>		
<b>Opening Balance</b>	171	129
Inventory purchased	551	467
Total inventory purchased	722	596
Less: cost of items sold	(421)	(425)
<b>Closing Balance</b>	<b>301</b>	<b>171</b>

62. Publications and commissariat items and quantities derived from ICAO's inventory tracking systems are validated by physical stock count.
63. Inventories are valued net of any identified impairments. During 2013, impaired publication inventory valued at CAD 85 thousand was identified and removed from the inventory records. This write-off represents an expense for the period and is included in the "supplies, consumables and others" line in the Statement of Financial Performance.

#### **Note 2.5: Property Plant & Equipment**

64. The cost of PP&E includes items held at ICAO Headquarters (HQ) in Montreal as well as those held at the seven Regional Offices. These items provide benefits or service potential to the Organization which exercises full control over their acquisition, physical location, use and disposal.
65. As noted in Note 1 and as permitted on the initial adoption of IPSAS, transitional provisions have been applied to the initial recognition of PP&E. Therefore, the following table presents PP&E acquired since 1 January 2010 and capitalized in the accounts in accordance with IPSAS.

	<b>Opening Balance Cost 1 Jan. 2013<sup>1</sup></b>	<b>Acquisitions during the Year</b>	<b>Accumulated Depreciation</b>	<b>Closing Balance 31 December 2013</b>
	<b>In thousands of CAD</b>			
Furniture & fixtures	60	19	13	66
IT equipment	1 654	241	535	1 360
Office equipment	531	121	99	553
Motor vehicles	195	66	51	210
Leasehold improvements	890	407	348	948
Machinery	111	-	20	91
Leasehold Improvements (WIP)	285	(213)	-	72
<b>Total</b>	<b>3 726</b>	<b>640</b>	<b>1 066</b>	<b>3 300</b>

<sup>1</sup>Before accumulated depreciation.

66. No impairment of PP&E was identified in 2013.
67. Prior to 1 January 2010, the cost of non-expendable property, which comprises furniture, vehicles, computers and other office equipment, was charged to expenditure in the year the items were ordered, in conformity with paragraph 43 of UNSAS. These assets as well as other PP&E under finance leases, acquired before 1 January 2010 have not been capitalized and will be presented in the Statement of Financial Position before the transitional period ending in 2015, as permitted under IPSAS 17. Commitments related to leases are presented in Note 6.
68. The HQ property – Maison de l'OACI was constructed in 1995 and is owned by a private sector organization. This property is leased by the Government of Canada for a duration of 20 years,

until 2016. Under the current Supplementary Agreement between the Government of Canada and ICAO that shall remain in force until 2016, the property is occupied in its entirety by ICAO. Rental and operating costs of the building are shared 75:25 between Government of Canada and ICAO. The Government of Canada assumes 100 per cent of the property taxes and has the option to purchase the building at the end of the lease term for CAD 23.5 million. In 2013, a new Supplementary Agreement was signed between the Government of Canada and ICAO, agreeing that the Government of Canada will exercise the option to purchase the building on 30 November 2016. Under the new Supplementary Agreement, the Government of Canada will act as the sole owner of the building and ICAO as the occupant of the entire property. The Government of Canada will put the building at the disposal of ICAO rent-free for an additional period of 20 years commencing on 1 December 2016 until 30 November 2036. Additionally, the share paid by ICAO for Operation and Maintenance (O&M) costs, will be reduced from 25 per cent to 20 per cent. The Government of Canada will thus assume 80 per cent of the O&M costs and, per current practice, 100 per cent of the property taxes.

69. ICAO also owns 46 per cent of the property of the EURNAT Regional Office in Paris at an original cost of CAD 1 145 thousand and the remaining 54 per cent of the property is under a nominal finance lease, which represents contributions for services in kind as shown in Note 3.1. As noted in paragraph 68, assets acquired before 1 January 2010 will be capitalized during the transitional period (2014-15). Other buildings occupied by ICAO are under operating leases or nominal leases.
70. The non-capitalized PP&E are presented at cost less the accumulated depreciation as if they were depreciated since their acquisition date. The following table presents PP&E including finance leases acquired prior to 1 January 2010, which are not capitalized in the accounts, as ICAO applies the IPSAS transitional provisions as mentioned above and in Note 1.

	<b>Opening Balance 1 January 2013</b>	<b>Write-Off during the years</b>	<b>Depreciation during the Year</b>	<b>Closing Balance 31 December 2013</b>
<i>In thousands of CAD</i>				
Furniture and fixtures	26	-	8	18
IT & office equipment	31	-	16	15
Motor vehicles	50	(10)	20	20
Equipment under finance leases	137	-	104	33
<b>Total</b>	<b>244</b>	<b>(10)</b>	<b>148</b>	<b>86</b>

71. The minimum future annual payments from 2014 under finance lease obligations for equipment amount to CAD 33 thousand, less interest of CAD 0.4 thousand for a capital lease obligation of CAD 33 thousand. The obligations under ICAO Headquarters lease is presented in Note 6.

#### **Note 2.6: Intangible Assets**

72. The following table presents intangible assets recognized in the accounts since 1 January 2010.

	<b>Opening Balance 1 January 2013<sup>1</sup></b>	<b>Acquisition During the Year</b>	<b>Accumulated Amortization</b>	<b>Closing Balance 31 December 2013</b>
<i>In thousands of CAD</i>				
Software acquired	782	-	180	602
Software under Development (WIP)	154	36	-	190
Other intangible Assets (Website)	257	-	47	210
Intangible Assets – Licenses and Rights	-	54	6	48
<b>Total</b>	<b>1 193</b>	<b>90</b>	<b>233</b>	<b>1 050</b>

<sup>1</sup>Before accumulated amortization.

73. Following the review of intangibles to identify any impairment in their value, it was determined that no intangibles were impaired during the year.

## **Note 2.7: Financial Instruments**

### **2.7.1 Financial Assets and Liabilities**

74. Accounting policies on financial instruments are set out in Note 1. Financial assets of ICAO are categorized as loans and receivables (no derivative investments and saleable financial assets) and the balances as at 31 December are composed of:

	<b>2013</b>	<b>2012</b>
<i>In thousands of CAD</i>		
Assessed contributions receivable (current)	13 597	4 725
Assessed contributions receivable (non-current)	3 058	6 116
Receivables and advances (current)	15 012	13 409
Receivables and advances (non-current)	442	464
Other assets	1 823	1 553
<b>Total Financial Assets</b>	<b>33 932</b>	<b>26 267</b>

All material financial liabilities are financial instruments stated at amortized cost.

75. ICAO is exposed to financial risks summarized in the following paragraphs.

### **2.7.2 Credit Risk**

76. ICAO's credit risk is spread widely and ICAO's risk management policies limit the amount of credit exposure to any one counter party and include minimum credit quality guidelines.
77. Credit risk and liquidity risk associated with cash and cash equivalents is minimized substantially by ensuring that these financial assets are placed in highly liquid and diversified money market funds with major financial institutions that have been accorded strong investment grade ratings by a primary rating agency and/or with other credit worthy counterparties.

78. Contributions receivable comprise primarily amounts due from sovereign nations. Details of contributions receivable are provided in Note 2.2. As noted in Note 1 and 2.2, long term contributions are stated at amortized (discounted) cost using the effective interest method. Since these receivables do not bear interest, the interest rate used to calculate the discounted cost is the rate applicable for long-term Canadian government bonds.

### 2.7.3 Interest Rate Risk

79. ICAO is exposed to interest rate risk through term-deposits. In 2013, the average interest rate and term maturity are provided in Note 2.1. Due to the current low interest rate level risk is minimal.

### 2.7.4 Foreign Currency Risk

80. At 31 December 2013, cash, cash equivalent and investments are denominated in CAD (6 per cent) and in USD (87 per cent) which are the base currencies used by the Organization (7 per cent in the CAD and 88 per cent in USD base currencies at 31 December 2012). Non-CAD or USD holdings have the primary objective of supporting operating activities in other currencies than CAD. In addition, 52 per cent of contributions receivable are denominated in CAD and 48 per cent in USD base currencies (43 per cent in CAD and 57 per cent in USD base currencies at 31 December 2012).
81. Starting in 2010, in order to minimize the exposure of the USD fluctuation, the Organization moved to a split assessment system under which Member States are assessed partly in USD and partly in CAD based on foreseen needs of both currencies. With the adoption of the split assessment system, management believes that there is no need to enter into forward exchange contracts for the purchase of USD.
82. Purchase Orders pertaining to Technical Co-operation projects are sometimes denominated in currencies other than the CAD or USD. In order to limit exposure to currency fluctuations, a policy on hedging has been adopted, whereby funds are purchased in the currency of the commitment at the time the Purchase Order is issued, in cases where currency fluctuation could have a material impact on the financial position of the project. An exchange gain or loss is recognized equivalent to the difference between the UNORE and the spot rate in effect on the date that the funds are purchased.

### 2.7.5: Liquidity Risk

83. A Working Capital Fund in the amount of USD 6.0 million is established by the Assembly for the purpose of making advances as necessary to the General Fund to finance budgetary appropriations pending receipt of contributions from Member States and other Funds in specific cases. Also, funds are deposited in banks on a pooled investment basis and funds not needed for immediate requirements are invested in term deposits.

### Note 2.8: Advance Receipts

84. Advance receipts comprise:

	<b>2013</b>	<b>2012</b>
	<i>In thousands of CAD</i>	
Voluntary contributions for TC Projects	222 372	201 023
Assessed contributions received in advance	2 160	2 976
Other advances	4 543	4 829
<b>Total</b>	<b>229 075</b>	<b>208 828</b>

85. Other advances include an advance payment of CAD 922 thousand from a Member State (France), CAD 965 thousand from publication sales, CAD 643 from a private sector company, CAD 875 from Member States for PKD activities, deferred revenue and other advances.

**Note 2.9: Accounts Payables and Accrued Liabilities**

86. Accounts payable and accrued liabilities are composed of the following:

	<b>2013</b>	<b>2012</b>
	<i>In thousands of CAD</i>	
Accrued Liabilities	5 827	4 257
Employee Payable	988	1 230
Trade Payable	13 599	10 741
ECAC	4 350	2 421
Others	1 534	71
<b>Total</b>	<b>26 298</b>	<b>18 720</b>

87. Accounts payable to suppliers relate to amounts due for goods and services for which invoices have been received. Accruals are liabilities for goods and services that have been received or provided to ICAO during the period and which have not been invoiced.
88. Under certain conditions, the Organization reimburses a portion of education costs paid by internationally recruited professional employees. Accruals and Other Payables include an amount of CAD 215 thousand representing the estimated education costs payable to employees but not yet claimed at year end.

**Note 2.10: Employee Benefits**

89. Employee benefits liabilities comprise ASHI benefits, end of service benefits for annual leave, repatriation benefits payable and other short term amounts.

	<b>2013</b>	<b>2012</b>
	<i>In thousands of CAD</i>	
<b>Composition:</b>		
Current	4 700	4 669
Non-current	103 045	90 217
<b>Total</b>	<b>107 745</b>	<b>94 886</b>

**2.10.1 Valuation of Employee Benefit Liabilities**

90. Liabilities arising from end of service benefits, annual leave and repatriation benefits, and ASHI benefits are determined by independent consulting actuaries. These employee benefits are established for staff members in Headquarters and Regional Offices who are covered by ICAO Staff Rules.
91. Other employee benefits are calculated by ICAO based on personal data and past experience. These benefits comprise estimated repatriations benefits and annual leave due to Technical Co-operation project staff on separation. Such project staff benefits are not covered by the UN Staff Regulations and Rules, but by specific conditions under technical co-operation projects.
92. The movement of employee benefits liabilities during 2013 is as follows:

	<b>Opening Balance 1 January 2013</b>	<b>Utilization</b>	<b>Increase/ (Decrease)</b>	<b>Actuarial Loss/(Gain)</b>	<b>Ending Balance 31 December 2013</b>
	<i>In thousands of CAD</i>				
Post-retirement plan (ASHI)	73 361	(1 697)	4 995	10 997	87 656
End of service - Annual leave	8 422	(960)	743	(541)	7 664
End of service - Repatriation benefits	11 686	(1 539)	902	(297)	10 752
Other employee Benefits for international experts	1 417	(492)	748	-	1 673
<b>Total Employee Benefits Liabilities</b>	<b>94 886</b>	<b>(4 688)</b>	<b>7 388</b>	<b>10 159</b>	<b>107 745</b>

93. The utilization column represents payments made during the year. The increase (decrease) for ASHI, annual leave, and repatriation benefits and other employee benefits for international experts are comprised as follows:

	<b>Current Service Costs</b>	<b>Interest Cost</b>	<b>2013</b>	<b>2012</b>
	<i>In thousands of CAD</i>			
Post-retirement plan (ASHI)	3 178	1 817	4 995	4 472
End of service - annual leave	539	204	743	976
End of service - Repatriation benefits	625	277	902	1 155
Other employee benefits Liabilities	748	-	748	452
<b>Total Employee Benefits Liabilities:</b>	<b>5 090</b>	<b>2 298</b>	<b>7 388</b>	<b>7 055</b>

For comparison purposes, actuarial losses (and gains) were as follows:

	<b>2013</b>	<b>2012</b>
	<i>In thousands of CAD</i>	
Post-retirement plan (ASHI)	10 997	7 337
End of service - annual leave	(541)	174
End of service - repatriation benefits	(297)	509
<b>Total Employee Benefits Liabilities</b>	<b>10 159</b>	<b>8 020</b>

94. Actuarial gains for Annual Leave and Repatriation Benefits plus Current Service Costs and Interest cost including those for ASHI total CAD 5 802 in 2013 (CAD 7 286 in 2012) and are included in the expense of the Revolving Fund.

### 2.10.2 Effect of Increase (Decrease) of One Point in Trend Assumption

95. IPSAS require that the impact of one point in trend assumption be disclosed in the financial statements for post-retirement benefits:



<b>Current Service Cost</b>	Minus one percentage point: decrease of CAD 1 032 thousand Plus one percentage point: increase of CAD 1 368 thousand
<b>Accrued Benefit Obligation</b>	Minus one percentage point: decrease of CAD 13 974 thousand Plus one percentage point: increase of CAD 17 709 thousand

### 2.10.3 Actuarial Assumptions and Methods

96. Each year, ICAO reviews and selects assumptions and methods that will be used by the actuaries in the year-end valuation to determine the expense and contribution requirements for ICAO's after-service benefit plans (post-employment benefits and other separation-related benefits). Actuarial assumptions are required to be disclosed in the financial statements in accordance with IPSAS 25. In addition, each actuarial assumption is required to be disclosed in absolute terms. The following key assumptions and methods have been used to determine the value of post-employment and other separation-related employee liabilities for ICAO as at 31 December 2013.
97. ICAO is using the Canadian government bonds rate to discount the liability related to staff benefits. In some jurisdictions, there is no deep market for government bonds or government bonds are more risky than high quality corporate bonds. In such cases the use of the corporate bond rate would be more appropriate, being closer to a risk free rate. This matter was considered by ICAO's actuaries and it was determined that in the case of ICAO the use of the Canadian bond rate is more appropriate than the corporate bond rate for the reasons provided under paragraph 94 of IPSAS 25 and because of the existence of a deep market for government bonds in Canada. Therefore ICAO has continued to use the government bond rate to discount the liability.

**Assumptions Used for ASHI Plan:**

<b>Actuarial Method</b>	ASHI: The projected unit credit cost method, prorated on years of service, up to the age the employee is fully eligible for retirements benefits.
<b>Discount Rate</b>	3.30 per cent for accounting and funding (2.40 per cent in 31 December 20112 valuation).
<b>Medical and Dental Trend Rates</b>	Drugs and other health care from 10 per cent to 4 per cent over a period of 20 years, dental 4 per cent for 20 years.
<b>Expected Return on Assets</b>	Not applicable as plans are treated as unfunded.
<b>Exchange Rate Used</b>	USD 1.00 for CAD 1.067 (CAD 0.093 in prior valuation).
<b>Medical and Dental Claims Cost</b>	Average annual costs per person at age 60 are CAD 2.1 thousand for drug costs, from CAD 0.3 thousand to CAD 0.7 thousand for dental costs and CAD 0.3 thousand for other health care costs.
<b>Age Variation of Medical and Dental Costs</b>	For drugs in Canada from 5.8 per cent at age 40 to 0 per cent at age 85 and up. For health care in Canada, from 2.0 per cent up to age 59 to 0.75 per cent at age 85 and up. Health care outside Canada from 2.7 per cent at age 40 to 0 per cent at age 90 and up. Dental care minus 0.5 per cent per year. Reduction of drug cost at age 65 for those covered by a public drug plan in Canada, 78 per cent in Quebec (78 per cent in 2012) and 78 per cent (78 per cent in 2011) in other provinces.
<b>Annual Administrative Costs</b>	Included in annual costs per person.
<b>Mortality Table</b>	CPM RPP 2014 with dynamic mortality improvements using scale A2D with base year 2014 in 31 December 2013 valuation. Up to 94 generational in 31 December 2012 valuation.
<b>Withdrawal Rates</b>	From age 20 to 55 and up: 15 per cent to 0 per cent.
<b>Retirement Age</b>	Employee hired prior to 1 January 1990: age 59, on or after this date at age 62.
<b>Coverage of Dependents at Retirement</b>	60 per cent (60 per cent in 2012). Wives are assumed to be five years younger than their male spouses. No children per family at retirement age.

**Assumptions Used for Annual Leave and Repatriation Benefits:**

<b>Actuarial Method</b>	Annual leave and repatriation grant: actuarial present value of future benefits with salary projections.
<b>Discount Rate</b>	3.30 per cent per year (2.40 per cent in prior valuation).
<b>Salary Increase</b>	2.40 per cent per year from 2014 to 2016. 3.25 per cent thereafter.
<b>Net Accrual in Annual Leave Balance</b>	From 8 days during the first year to none for 35 years of service and more, up to a maximum of 90 days.
<b>Withdrawals Due to Voluntary Leave</b>	10 per cent.
<b>Removal of Effects on Repatriation</b>	CAD 16.5 thousand per employee with annual increase of 3.25 per cent per year.
<b>Travel Costs</b>	CAD 7.2 thousand per employee with annual increase at 3.25 per cent per year.

#### 2.10.4 United Nations Joint Staff Pension Fund

98. The Pension Fund's Regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the Open Group Aggregate Method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.
99. ICAO financial obligation to the UNJSPF consists of its mandated contribution, at the rate established by the United Nations General Assembly (currently at 7.9 per cent for participants and 15.8 per cent for member organizations) together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.
100. The actuarial valuation performed as of 31 December 2011 revealed an actuarial deficit of 1.87 per cent (0.38 per cent in the 2009 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as of 31 December 2011 was 25.57 per cent of pensionable remuneration, compared to the actual contribution rate of 23.7 per cent. The actuarial deficit was primarily attributable to the lower than expected investment experience in recent years. The next actuarial valuation as of 31 December 2013 will be conducted in 2014.
101. At 31 December 2011, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 130 per cent (140 per cent in the 2009 valuation). The funded ratio was 86 per cent (91 per cent in the 2009 valuation) when the current system of pension adjustments was taken into account.
102. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2011, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26.
103. In July 2012, the Pension Board noted in its Report of the fifty-ninth session to the General Assembly that an increase in the normal age of retirement for new participants of the Fund to 65 is expected to significantly reduce the deficit and would potentially cover half of the current deficit of 1.87 per cent. In December 2012 and April 2013, the General Assembly authorized an increase to age 65 in the normal retirement age and in the mandatory age of separation respectively for new participants of the Fund, with effect not later than from 1 January 2014. The related change to the Pension Fund's Regulations was approved by the General Assembly in December 2013. The increase in the normal retirement age will be reflected in the actuarial valuation of the Fund as of 31 December 2013.
104. During 2013, contributions paid to UNJSPF by ICAO as a member organization and its employees amounted to USD 19.0 million equivalent to CAD 19.6 million (USD 18.5 million equivalent to CAD 18.6 million in 2012). Contributions due in 2014 are expected to be at the same level.
105. The United Nations Board of Auditors carries out an annual audit of the UNJSPF and reports to the UNJSPF Pension Board on the audit every year. The UNJSPF publishes quarterly reports on its investments and these can be viewed by visiting the UNJSPF at [www.unjspf.org](http://www.unjspf.org)

### 2.10.5 Social Security Arrangements for Employees Under Service Contracts

106. ICAO employees under service contracts are usually entitled to social security based on local conditions and norms. ICAO however, has not undertaken any global arrangement for social security under service contracts. Social security arrangements can either be obtained from national social security system, private local schemes or as cash compensation for own scheme. The provision of proper social security in line with local labour legislation and practice is a key requirement of the service contract. Service contract holders are not ICAO staff members and are not entitled to the normal staff member benefits.

#### Note 2.11: Credits to Contracting/Service Governments

107. The credits comprise amounts assessed from contracting governments and collected by ICAO on behalf of servicing governments under the Danish and Icelandic Joint Financing Agreements, which are to be remitted to contracting/servicing governments. Also included in the liability, are user charges collected by ICAO on behalf of service governments under the Joint Financing of a North Atlantic Height Monitoring System.

#### Note 2.12: Net Assets (Net Accumulated Deficit)

108. Net assets comprise the accumulated deficit and reserves of the Organization at year-end. Closing balances are ICAO's residual interest in the assets after deducting all its liabilities. Since liabilities exceed assets, it is anticipated that future funding will cover the accumulated deficit. Variations to the accumulated deficit and reserves are presented in Statement III.

109. Reserves are composed of:

	<b>2013</b>	<b>2012</b>
	<i>In thousands of CAD</i>	
Regular activities		
Carry Forward of Appropriations (Statement V)	11 288	8 519
Accumulated actuarial gain/(loss) on ASHI (Note 2.10.2)	(17 124)	(6 127)
Amounts set aside in the Incentive Fund	237	1 201
	(5 599)	3 593
Technical Co-operation Project Activities	(14)	49
<b>Total</b>	<b>(5 613)</b>	<b>3 642</b>

110. No amount was set aside in the Incentive Fund for 2013 as additional funding because of the ICAO cash deficit position (Assembly Resolution A38-25).

111. Included in the Technical Co-operation Project Activities Reserves is the translation adjustment from USD to CAD to reflect the Technical Co-operation Project Activities in the reporting currency (CAD).

### NOTE 3: REVENUES AND EXPENSES

#### Note: 3.1 Contributions – Services in Kind

112. Under separate agreements between the Governments of Canada, Egypt, France, Peru, Senegal, Thailand and Mexico and the Organization, these Governments undertake to bear all or part of the costs of the rental of the premises located in their respective countries. The Government of Canada bears the major part of the operational and maintenance costs of the Headquarters premises. Contributions in kind are not recorded in the accounts, but presented for information purposes in notes below.

113. The estimated fair value of the contributions in kind provided to regular activities based on the lease contracts or on the estimated market value when there is no lease is as follows:

	<b>2013</b>	<b>2012</b>
	<i>In thousands of CAD</i>	
Canada	22 804	21 528
Egypt	141	154
France	550	664
Peru	459	427
Senegal	132	118
Thailand	1 299	1 307
<b>Total</b>	<b>25 385</b>	<b>24 198</b>

114. Included in the above contribution in kind from Canada, is an amount equivalent to CAD 1 694 thousand (CAD 1 683 thousand in 2012) from the Government of Quebec towards the provision of premises in the Bell Tower office in Montreal provided for the Technical Co-operation Bureau.
115. Staff services and travel are also provided free of charge by States for regular activities. These contributions are valued based on the cost to the donating State for each of the following activities:

	<b>2013</b>	<b>2012</b>
	<i>In thousands of CAD</i>	
Aviation Security	1 178	1 497
Aviation Safety	2 159	2 496

116. Also, the Government of Mexico provides a contribution in cash towards the rental of the Regional Office in Mexico City. The contribution in 2013 amounted to CAD 140 thousand (CAD 146 thousand in 2012) and is included in revenue.

**Note: 3.2 Revenue**

117. The main source of revenue recognized during the year comprises contributions for technical co-operation projects that were implemented during the year and assessed contributions. Assessed contributions are levied partially in Canadian dollars and in United States dollars to finance a major part of appropriations. Revenue recognized during the year is comprised as follows:

	<b>2013</b>	<b>2012</b>
	<i>In thousands of CAD</i>	
Assessments on States as resolved by the Assembly	88 727	84 256
Assessment on a new State	52	50
Exchange Differences	(1 337)	(399)
Decrease (increase) on cumulative discount on long-term receivables	(4 322)	298
<b>Total</b>	<b>83 120</b>	<b>84 205</b>

118. The following are the details for Other Revenue Producing Activities:

	<b>2013</b>	<b>2012</b>
	<i>In thousands of CAD</i>	
Publication sales and printing services	4 866	4 143
Delegation services	2 293	2 132
Events and symposia	1 509	1 436
Publication royalties	940	773
Dangerous goods licensing fee	993	1 024
Periodicals	944	655
Commissariat sales	620	603
Websites	490	368
Licensing agreements & partnership in statistics	375	413
Training/assessments, courses & membership fees	1 285	944
Others	634	642
<b>Total</b>	<b>14 949</b>	<b>13 133</b>

119. Other Revenue comprises the following:

	<b>2013</b>	<b>2012</b>
	<i>In thousands of CAD</i>	
Service fee	520	655
Professional liability insurance fee	400	167
Travel agent fee	97	157
Interest Income	266	273
Exchange Gain	3 081	24
Others	690	738
<b>Total</b>	<b>5 008</b>	<b>2 014</b>

120. Other revenue includes exchange gain attributable to Fund other than the Regular Budget Fund for an amount of CAD 1 244 thousand (CAD 1 154 exchange loss was recorded in other expenses in 2012).

121. Exchange gain of CAD 1 828 attributable to Regular Budget Fund is presented as Other Income. In 2012, exchange loss of CAD 900 was allocated to expenses categories within the Statement of Financial Performance.

**Note: 3.3 Expenses****3.3.1 Staff Salaries and Employee Benefits**

122. Salaries include remuneration earned by employees of the Organization during the year, international field experts and experts under Operational Assistance Agreement (OPAS) for TC projects as well as employee benefits such as health insurance, annual leave, repatriation, education, assignment and relocation grants, termination indemnities and ICAO's contribution to the UNJSPF.

**3.3.2 Supplies, Consumables and Others**

123. These expenses comprise the procurement of goods and services for Trust Funds, Management Service Agreements, Civil Aviation Purchasing Services and UNDP projects under the Technical Co-operation Project activities.

**3.3.3 General Operating Expenses**

124. **General Operating Expenses** mainly comprise rental, maintenance and operation of premises, information technology and printing expenses, stationery and office supplies, postage, courier and other operating expenses. Also included is depreciation on PP & E amounting to CAD 1 066 thousand, and to CAD 233 thousand for the amortization of intangible assets (CAD 809 thousand and CAD 197 thousand respectively for 2012).

**3.3.4 Travel**

125. Travel expense is composed of mission travel, which includes airfares, daily subsistence allowances and terminal allowances.

**NOTE 4: STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

126. ICAO's financial statements and the approved Regular Programme budget are not presented on the same basis. In the Statement of Financial Performance, expenses cover all Funds of the Organization and are classified based on their nature. Expenses in the Statement of Comparison of Budget and Actual Amounts are classified by Strategic Objective and Supporting Implementation Strategy for the Regular Programme General Fund Budget. The other approved publicly available budget relates to the AOSC Fund of the Technical Cooperation Programme.
127. The Assembly authorizes, separately for each year of a triennium, the expenditure in Canadian dollars for the Regular Programme and approves the total indicative budget estimates of the AOSC fund. Budgets may be subsequently amended by the Council or through the exercise of delegated authority.
128. As required by IPSAS, a reconciliation between the actual amounts on a comparable basis in the Statement of Comparison of Budget and Actual Amounts (Statement V) and the actual amounts in the Statement of Cash Flow (Statement IV) for the period year ended 31 December 2013 is presented below.

	Operating	Investing	Financing	Total
	<i>In thousands of CAD</i>			
Actual Amount on Comparable Basis (Statement V)	(94 452)	-	-	(94 452)
Basis differences – exchange rate	1 337	-	-	1 337
Presentation differences	87 849	134	-	87 983
Entity differences	24 793	(68)	-	24 725
<b>Actual Amounts in the Statement of Cash Flow (Statement IV)</b>	<b>19 527</b>	<b>66</b>	<b>-</b>	<b>19 593</b>

129. Basis differences occur when an approved budget is prepared on a basis other than the accounting basis used to prepare the financial statements. For ICAO, a notable difference occurs when the rate of exchange used to prepare the Canadian dollar budget differs from the monthly UN rates of exchange. The Status of Appropriation, as presented in the Statement of Comparison of Budget and Actual Amounts (Statement V) provides reconciliation between approved appropriations of the Regular Programme Budget and the corresponding expenses incurred by the General Fund of the Regular Programme at the UNORE and at the budget rate of exchange.
130. Timing differences occur when the budget period differs from the reporting period reflected in the financial statements. For the purposes of comparison of budget and actual amounts, there are no timing differences for ICAO.
131. Presentation differences are due to differences in the format and classification schemes adopted for presentation of Statement of Cash Flows and Statement of Comparison of Budget and Actual Amounts. The Statement of Cash Flows reflects the net impact of receipts and disbursements and the Statement of Comparison of Budget and Actual Amounts present actual expenditures authorized through appropriations.
132. Entity differences occur when the budget omits programmes or entities that are part of the entity for which the financial statements are prepared. Entity differences represent cash flows of those Funds that are reported in the financial statements, form part of ICAO activities, are funded by extra-budgetary resources, but are excluded from the Regular Programme budgetary process. These relate to other regular activities and technical co-operation project activities.
133. With regard to the AOSC Fund, budgeted figures represent indicative budget estimates only. Total revised budget estimates for the AOSC Fund is compared to actual amount in the Presentation of the Secretary General on the financial statements. Also, included in the Presentation are explanations of material differences between the original and final budgets, and the actual amounts.

## **NOTE 5: SEGMENT REPORTING**

### **Note 5.1: Statement of Financial Position and Financial Performance by Segment**

134. Segment reporting is required under IPSAS and is described in Note 1. Financial Position by segment is shown in the next table followed by the Statement of Financial Performance by Segment. Some activities between the two segments lead to accounting transactions that create inter-segment revenue and expense balances in the financial statements. Inter-segment transactions are reflected in the above tables to accurately present these accounting transactions and then eliminated to reconcile with Statement I and II.



135. The Regular Activities segment includes administrative fee revenue of CAD 8.4 million (CAD 7.9 million in 2012) charged by the AOSC Fund to Technical Co-operation projects. An equivalent amount is included as administrative overhead charges in the Technical Co-operation projects segment. The amount due to Technical Co-operation projects by the Regular Activities segment at 31 December 2013 amounted to CAD 1 029 thousand (CAD 1 077 thousand at 31 December 2012). These amounts are eliminated for presentation purposes.

## INTERNATIONAL CIVIL AVIATION ORGANIZATION

NOTE 5.2

FINANCIAL POSITION BY SEGMENT  
 AT 31 DECEMBER 2013  
 (in thousands of Canadian dollars)

	Notes	Regular Activities		Technical Co-operation Project Activities		Elimination		Total	
		2013	2012	2013	2012	2013	2012	2013	2012
<b>ASSETS</b>									
<b>CURRENT ASSETS</b>									
Cash and cash equivalents	2.1	39 102	43 721	226 870	202 658			265 972	246 379
Assessed contributions receivable from Member States	2.2	13 597	4 725					13 597	4 725
Inter-segment balances		364	765	665	312	(1 029 )	(1 077 )		
Receivables and advances	2.3	6 693	4 411	8 319	8 997			15 012	13 408
Inventories	2.4	1 070	1 121					1 070	1 121
Others	2.3	2 014	1 721	360	344			2 374	2 065
		62 840	56 464	236 214	212 311	(1 029 )	(1 077 )	298 025	267 698
<b>NON-CURRENT ASSETS</b>									
Assessed contributions receivable from Member States	2.2	3 058	6 116					3 058	6 116
Receivables and advances	2.3	442	464					442	464
Property, plant and equipment	2.5	3 300	3 726					3 300	3 726
Intangible assets	2.6	1 050	1 193					1 050	1 193
		7 850	11 499					7 850	11 499
<b>TOTAL ASSETS</b>		70 690	67 963	236 214	212 311	(1 029 )	(1 077 )	305 875	279 197
<b>LIABILITIES</b>									
<b>CURRENT LIABILITIES</b>									
Advanced receipts	2.8	6 703	7 805	222 372	201 023			229 075	208 828
Accounts payable and accrued liabilities	2.9	14 114	8 866	12 184	9 854			26 298	18 720
Employee benefits	2.10	3 028	3 284	1 672	1 385			4 700	4 669
Inter-segment balances		1 029	1 077			(1 029 )	(1 077 )		
Credits to contracting/servicing governments	2.11	1 443	1 608					1 443	1 608
		26 317	22 640	236 228	212 262	(1 029 )	(1 077 )	261 516	233 825
<b>NON-CURRENT LIABILITIES</b>									
Employee benefits	2.10	103 045	90 217					103 045	90 217
		103 045	90 217					103 045	90 217
<b>TOTAL LIABILITIES</b>		129 362	112 857	236 228	212 262	(1 029 )	(1 077 )	364 561	324 042
<b>NET ASSETS</b>									
Accumulated deficit	2.12	(53 073 )	(48 487 )					(53 073 )	(48 487 )
Reserves	2.12	(5 599 )	3 593	( 14 )	49			(5 613 )	3 642
<b>NET ASSETS (ACCUMULATED DEFICIT)</b>		(58 672 )	(44 894 )	( 14 )	49			(58 686 )	(44 845 )
<b>TOTAL LIABILITIES AND NET ASSETS</b>		70 690	67 963	236 214	212 311	(1 029 )	(1 077 )	305 875	279 197

Details may not add to the totals due to rounding

## INTERNATIONAL CIVIL AVIATION ORGANIZATION

NOTE 5.3

FINANCIAL PERFORMANCE BY SEGMENT  
FOR THE YEAR ENDED 31 DECEMBER 2013  
(in thousands of Canadian dollars)

	Notes	Regular Activities		Technical Co-operation Project Activities		Elimination		Total	
		2013	2012	2013	2012	2013	2012	2013	2012
		<b>REVENUE</b>							
Contributions for project agreements	3.2		5	132 667	105 127			132 667	105 132
Assessed contributions	3.2	83 120	84 205					83 120	84 205
Other revenue producing activities	3.2	14 949	13 133					14 949	13 133
Other voluntary contributions		8 215	6 755					8 215	6 755
Administrative fee revenue		8 596	8 118			(8 414)	(7 907)	182	211
Other revenue	3.2	4 746	1 763	262	251			5 008	2 014
		119 626	113 979	132 929	105 378	(8 414)	(7 907)	244 141	211 450
<b>EXPENSES</b>									
Staff salaries and employee benefits	3.3	98 420	96 561	42 119	37 014			140 539	133 575
Supplies, consumables and others	3.3	651	611	73 499	52 968			74 150	53 579
General operating expenses	3.3	15 216	15 586	1 518	1 603			16 734	17 189
Travel	3.3	5 138	5 836	3 488	2 821			8 626	8 657
Meetings		2 273	1 162					2 273	1 162
Training				2 083	2 553			2 083	2 553
Administrative overhead charges				8 218	7 779	(8 218)	(7 779)		
Other expenses	3.3	708	1 729	2 004	640	( 196)	( 128)	2 516	2 241
		122 406	121 485	132 929	105 378	(8 414)	(7 907)	246 921	218 956
<b>DEFICIT FOR THE YEAR</b>		<b>(2 780)</b>	<b>(7 506)</b>					<b>(2 780)</b>	<b>(7 506)</b>

Details may not add to the totals due to rounding

**NOTE 6: COMMITMENTS AND CONTINGENCIES****Note 6.1: Commitments**

136. Lease commitments mainly pertain to ICAO Headquarters (HQ) premises and office equipment.

	<b>2013</b>	<b>2012</b>
	<i>In thousands of CAD</i>	
Minimum obligations for property leases:		
1 – 5 years	8 037	10 948
Beyond 5 years	-	-
<b>Total Property Leases Obligations</b>	<b>8 037</b>	<b>10 948</b>

137. The lease at HQ expires on 30 November 2016 and includes a purchase option at that date. Building lease costs are reimbursed by the host governments at the rate of 75 per cent for the HQ building and 100 per cent for the Bell Tower which is also part of HQ. Lease commitments therefore apply to the 25 per cent portion of the lease payable by ICAO to the host government. There is no financial commitment included in the Table above for the Paris office, since as noted in Note 2.5 a portion of the Paris office is owned by ICAO and the remaining portion is owned by France and leased to ICAO at nominal value.

138. Future year obligations related to non-property leases (including finance leases) amounted to CAD 33 thousand (CAD 137 thousand at 31 December 2012). The non-property leases mainly represent the rental of photocopiers and printing equipment, as reported in Note 2.5.

139. The future minimum lease revenues under non-cancellable operating leases total CAD 1.8 million for 2014 (CAD 1.7 million in 2013). These lease revenues comprise rental of premises to Delegations.

**Note 6.2: Legal or Contingent Liabilities and Contingent Assets**

140. There are no material contingent liabilities arising from legal actions and claims that are likely to result in a significant liability to ICAO.

141. A number of legal actions and claims have been brought against the Organization in relation to Technical Co-operation Projects in South America. These are mainly claims by individuals demanding additional payments under local labour laws beyond what was provided for under their contract of employment. The total of such claims is USD 2.1 million (USD 2.3 million at 31 December 2012). It has been assessed as unlikely that ICAO would incur financial liabilities given that the Governments concerned have committed in the underlying project agreements to absorb any financial liabilities which may arise from such claims.

**NOTE 7: RELATED PARTY AND SENIOR MANAGEMENT DISCLOSURE****Note 7.1: Key Management Personnel**

	Number of Individuals (Person/Year)	Compensation and Post Adjustment	Entitlements	Pension and Health Plans	Total Remuneration	Outstanding Advances Against Entitlements	Out- standing Loans
<i>(In thousands of CAD)</i>							
Key Management Personnel	11	2 082	124	528	2 734	24	-

142. Key management personnel includes members of the Senior Management Group (SMG) of the Secretariat, which comprises the Secretary General, Directors at HQ, Chief of Finance and Chief, Evaluation and External Audit. Senior managers have the authority and responsibility for planning, directing and controlling the activities of ICAO and for the establishment of policies. Key management personnel also include the President of Council and other key officers who can influence decisions made by senior management. The Council consists of 36 Member States without personal appointment.
143. The aggregate remuneration paid to key management personnel includes: net salaries, post adjustment, entitlements such as representation allowance, repatriation and education grants, rental subsidy, and also employer pension and current health insurance contributions. Entitlements and total remuneration include outstanding advances against entitlements, which are composed of education grant advances.
144. Key management personnel also qualify for post-employment benefits (Note 2.10) at the same level as other employees. These benefits cannot be quantified with precision on an individual basis, thus are not included in the above table.
145. Key management personnel are ordinary members of UNJSPF with the exception of most D-2 level personnel and above who do not participate in the UNJSPF. Amounts paid by ICAO in lieu of contributions to the plan, which represents 15.8 per cent of the pensionable remuneration, are included in total remuneration.
146. Total remuneration also includes an amount of CAD 71 thousand paid during the year to the spouse of key management personnel. The spouse is a consultant working in another Bureau and not in a direct hierarchical relationship to the key management personnel.

**Note 7.2: Related Party Transactions**

Except as otherwise noted in these statements for revenue from non-exchange transactions including contributions in kind, all transactions made with third parties, including United Nations organizations occur at fair value within a normal relationship of supplier or client and at arm's-length terms and conditions.

**NOTE 8: EVENTS AFTER THE REPORTING DATE**

147. ICAO's reporting date is 31 December 2013. On the date of signing of these financial statements by the Secretary General, no material events, favourable or unfavourable, occurred between the balance sheet date and the date when the financial statements have been authorized for issue that would have impacted these statements.



**PART IV: TABLES  
(UNAUDITED)**





## INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR ACTIVITIES BY FUND  
 ASSETS, LIABILITIES, NET ASSETS AT 31 DECEMBER 2013 AND  
 REVENUE, EXPENSES AND SURPLUS (DEFICIT) FOR 2013  
 (in thousands of Canadian dollars)

	Regular Budget	Capital Fund	Revolving Fund	Ancillary Revenue Generation Fund	Administrative/ Operational Services Cost Fund	AVSEC Activities	AFI Plan Fund	France Fund	Joint Finance Funds	Incentive for Settlement of Arrears Account
<b>ASSETS</b>										
<b>CURRENT ASSETS</b>										
Cash and cash equivalents	10 669		1 400	3 429	3 439	7 124	566	992	1 789	1 011
Assessed contributions receivable from Member States	13 597									
Inter-fund balances				351	13					
Receivables and advances	1 699			3 237	1 283	102			169	
Inventories				1 070						
Others	1 996			7	4	7				
	<u>27 960</u>		<u>1 400</u>	<u>8 095</u>	<u>4 739</u>	<u>7 233</u>	<u>566</u>	<u>992</u>	<u>1 958</u>	<u>1 011</u>
<b>NON-CURRENT ASSETS</b>										
Assessed contributions receivable from Member States	3 058									
Receivables and advances	442									
Property, plant and equipment		3 300								
Intangible assets		1 050								
	<u>3 500</u>	<u>4 350</u>								
<b>TOTAL ASSETS</b>	<b><u>31 460</u></b>	<b><u>4 350</u></b>	<b><u>1 400</u></b>	<b><u>8 095</u></b>	<b><u>4 739</u></b>	<b><u>7 233</u></b>	<b><u>566</u></b>	<b><u>992</u></b>	<b><u>1 958</u></b>	<b><u>1 011</u></b>
<b>LIABILITIES</b>										
<b>CURRENT LIABILITIES</b>										
Advanced receipts	2 195			1 435	1 151			992	19	
Accounts payable and accrued liabilities	11 779			872	451	5	6		495	5
Employee benefits			3 027							
Inter-fund balances	1 029									
Credits to contracting/service governments									1 443	
	<u>15 003</u>		<u>3 027</u>	<u>2 306</u>	<u>1 602</u>	<u>5</u>	<u>6</u>	<u>992</u>	<u>1 958</u>	<u>5</u>
<b>NON-CURRENT LIABILITIES</b>										
Employee benefits			103 045							
			103 045							
<b>TOTAL LIABILITIES</b>	<b><u>15 003</u></b>		<b><u>106 072</u></b>	<b><u>2 306</u></b>	<b><u>1 602</u></b>	<b><u>5</u></b>	<b><u>6</u></b>	<b><u>992</u></b>	<b><u>1 958</u></b>	<b><u>5</u></b>
<b>NET ASSETS</b>										
Accumulated surplus/(deficit)	5 168	4 350	(87 548)	5 788	3 138	7 229	560			769
Reserves	11 289		(17 124)							237
<b>NET ASSETS (ACCUMULATED DEFICIT)</b>	<b><u>16 457</u></b>	<b><u>4 350</u></b>	<b><u>(104 672)</u></b>	<b><u>5 788</u></b>	<b><u>3 138</u></b>	<b><u>7 229</u></b>	<b><u>560</u></b>			<b><u>1 006</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>31 460</u></b>	<b><u>4 350</u></b>	<b><u>1 400</u></b>	<b><u>8 095</u></b>	<b><u>4 739</u></b>	<b><u>7 233</u></b>	<b><u>566</u></b>	<b><u>992</u></b>	<b><u>1 958</u></b>	<b><u>1 011</u></b>
<b>REVENUE</b>										
Contributions for project agreements										
Assessed contributions	83 120									
Other revenue producing activities				17 148						
Other voluntary contributions						2 109	57			
Administrative fee revenue					8 613					
Other revenue	9 316	731	4 196	214	897	546	35			100
<b>TOTAL REVENUE</b>	<b><u>92 436</u></b>	<b><u>731</u></b>	<b><u>4 196</u></b>	<b><u>17 362</u></b>	<b><u>9 510</u></b>	<b><u>2 655</u></b>	<b><u>92</u></b>			<b><u>100</u></b>
<b>EXPENSES</b>										
Staff salaries and employee benefits	76 833		5 802	6 313	8 104	1 389	8		3	
Supplies, consumables and others	383			262						
General operating expenses	11 917	1 300		9 826	228	25	18			755
Travel	3 417			437	134	731				
Meetings	2 112			14		10	14			
Administrative overhead charges						109	4			
Other expenses	281			323	1	98			2	
<b>TOTAL EXPENSES</b>	<b><u>94 943</u></b>	<b><u>1 300</u></b>	<b><u>5 802</u></b>	<b><u>17 175</u></b>	<b><u>8 467</u></b>	<b><u>2 362</u></b>	<b><u>43</u></b>		<b><u>5</u></b>	<b><u>755</u></b>
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b><u>(2 507)</u></b>	<b><u>(569)</u></b>	<b><u>(1 606)</u></b>	<b><u>187</u></b>	<b><u>1 042</u></b>	<b><u>294</u></b>	<b><u>49</u></b>		<b><u>(5)</u></b>	<b><u>(654)</u></b>

\* Refer to Table B

Details may not add to totals due to rounding

## INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR ACTIVITIES BY FUND  
 ASSETS, LIABILITIES, NET ASSETS AT 31 DECEMBER 2013 AND  
 REVENUE, EXPENSES AND SURPLUS (DEFICIT) FOR 2013  
 (in thousands of Canadian dollars)

Table A  
 (continued)

	Information and Communication Technology (ICT) Fund	Public Key Directory	Regional Sub-Office	Safe	TSSF	Other Funds	Total	Elimination	2013	2012
<b>ASSETS</b>										
<b>CURRENT ASSETS</b>										
Cash and cash equivalents	701	958	512	2 643	347	3 521	39 102		39 102	43 721
Assessed contributions receivable from Member States							13 597		13 597	4 725
Inter-fund balances							364		364	765
Receivables and advances		12		28		164	6 693		6 693	4 411
Inventories							1 070		1 070	1 121
Others							2 014		2 014	1 721
	<u>701</u>	<u>970</u>	<u>512</u>	<u>2 671</u>	<u>347</u>	<u>3 685</u>	<u>62 840</u>		<u>62 840</u>	<u>56 464</u>
<b>NON-CURRENT ASSETS</b>										
Assessed contributions receivable from Member States							3 058		3 058	6 116
Receivables and advances							442		442	464
Property, plant and equipment							3 300		3 300	3 726
Intangible assets							1 050		1 050	1 193
							<u>7 850</u>		<u>7 850</u>	<u>11 499</u>
<b>TOTAL ASSETS</b>	<u><b>701</b></u>	<u><b>970</b></u>	<u><b>512</b></u>	<u><b>2 671</b></u>	<u><b>347</b></u>	<u><b>3 685</b></u>	<u><b>70 690</b></u>		<u><b>70 690</b></u>	<u><b>67 963</b></u>
<b>LIABILITIES</b>										
<b>CURRENT LIABILITIES</b>										
Advanced receipts		875				37	6 703		6 703	7 805
Accounts payable and accrued liabilities	16	96	118	15		258	14 114		14 114	8 866
Employee benefits							3 028		3 028	3 284
Inter-fund balances							1 029		1 029	1 077
Credits to contracting/service governments							1 443		1 443	1 608
	<u>16</u>	<u>970</u>	<u>118</u>	<u>15</u>		<u>294</u>	<u>26 317</u>		<u>26 317</u>	<u>22 640</u>
<b>NON-CURRENT LIABILITIES</b>										
Employee benefits							103 045		103 045	90 217
							<u>103 045</u>		<u>103 045</u>	<u>90 217</u>
<b>TOTAL LIABILITIES</b>	<u>16</u>	<u>970</u>	<u>118</u>	<u>15</u>		<u>294</u>	<u>129 362</u>		<u>129 362</u>	<u>112 857</u>
<b>NET ASSETS</b>										
Accumulated surplus/(deficit)	685		395	2 656	347	3 391	(53 073)		(53 073)	(48 487)
Reserves							(5 599)		(5 599)	3 593
<b>NET ASSETS (ACCUMULATED DEFICIT)</b>	<u>685</u>		<u>395</u>	<u>2 656</u>	<u>347</u>	<u>3 391</u>	<u>(58 672)</u>		<u>(58 672)</u>	<u>(44 894)</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>701</b></u>	<u><b>970</b></u>	<u><b>512</b></u>	<u><b>2 671</b></u>	<u><b>347</b></u>	<u><b>3 685</b></u>	<u><b>70 690</b></u>		<u><b>70 690</b></u>	<u><b>67 963</b></u>
<b>REVENUE</b>										
Contributions for project agreements										5
Assessed contributions							83 120		83 120	84 205
Other revenue producing activities						134	17 282	(2 333)	14 949	13 133
Other voluntary contributions		1 820	652	913		2 665	8 215		8 215	6 755
Administrative fee revenue							8 613	( 17)	8 596	8 118
Other revenue	67	56	1	228	18	1 448	17 854	(13 108)	4 746	1 763
<b>TOTAL REVENUE</b>	<u>67</u>	<u>1 876</u>	<u>653</u>	<u>1 141</u>	<u>18</u>	<u>4 247</u>	<u>135 084</u>	<u>(15 458)</u>	<u>119 626</u>	<u>113 979</u>
<b>EXPENSES</b>										
Staff salaries and employee benefits	410	1 802	125	588	93	2 398	103 867	(5 447)	98 420	96 561
Supplies, consumables and others						6	651		651	611
General operating expenses	26	28	86	65		475	24 747	(9 531)	15 216	15 586
Travel		11	17	48		344	5 138		5 138	5 836
Meetings			19			104	2 273		2 273	1 162
Administrative overhead charges		35	10	32		291	480	( 480)		
Other expenses			1			1	708		708	1 729
<b>TOTAL EXPENSES</b>	<u>435</u>	<u>1 876</u>	<u>258</u>	<u>733</u>	<u>93</u>	<u>3 618</u>	<u>137 864</u>	<u>(15 458)</u>	<u>122 406</u>	<u>121 485</u>
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<u><b>( 368)</b></u>		<u><b>395</b></u>	<u><b>407</b></u>	<u><b>( 75)</b></u>	<u><b>630</b></u>	<u><b>(2 780)</b></u>		<u><b>(2 780)</b></u>	<u><b>(7 506)</b></u>

Details may not add to totals due to rounding

**INTERNATIONAL CIVIL AVIATION ORGANIZATION**  
REGULAR ACTIVITIES  
AVIATION SECURITY TRUST FUNDS  
ASSETS, LIABILITIES, NET ASSETS AT 31 DECEMBER 2013 AND  
REVENUE, EXPENSES AND SURPLUS (DEFICIT) FOR 2013  
(in thousands of Canadian dollars)

Table B

	<b>Earmarked Training Programme</b>	<b>Enhanced Mechanism</b>	<b>United Kingdom</b>	<b>United States</b>	<b>Awareness Training Programme</b>	<b>National Projects</b>	<b>Standardized Training Programme</b>	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>									
<b>CURRENT ASSETS</b>									
Cash and cash equivalents	1 182	4 684	16	58	599	251	334	7 124	6 845
Receivables and advances		2		100				102	101
Others		7						7	
	<u>1 182</u>	<u>4 694</u>	<u>16</u>	<u>158</u>	<u>599</u>	<u>251</u>	<u>334</u>	<u>7 233</u>	<u>6 946</u>
<b>TOTAL ASSETS</b>	<u>1 182</u>	<u>4 694</u>	<u>16</u>	<u>158</u>	<u>599</u>	<u>251</u>	<u>334</u>	<u>7 233</u>	<u>6 946</u>
<b>LIABILITIES</b>									
<b>CURRENT LIABILITIES</b>									
Accounts payable and accrued liabilities		3			2			5	11
		<u>3</u>			<u>2</u>			<u>5</u>	<u>11</u>
<b>TOTAL LIABILITIES</b>		<u>3</u>			<u>2</u>			<u>5</u>	<u>11</u>
<b>NET ASSETS</b>									
Accumulated surplus/(deficit)	1 182	4 691	16	158	597	251	334	7 229	6 935
<b>NET ASSETS (ACCUMULATED DEFICIT)</b>	<u>1 182</u>	<u>4 691</u>	<u>16</u>	<u>158</u>	<u>597</u>	<u>251</u>	<u>334</u>	<u>7 229</u>	<u>6 935</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>1 182</u>	<u>4 694</u>	<u>16</u>	<u>158</u>	<u>599</u>	<u>251</u>	<u>334</u>	<u>7 233</u>	<u>6 946</u>
<b>REVENUE</b>									
Other voluntary contributions	130	1 521		365	94			2 109	2 186
Other revenue	63	422		18	3	18	22	546	155
<b>TOTAL REVENUE</b>	<u>192</u>	<u>1 942</u>		<u>383</u>	<u>98</u>	<u>18</u>	<u>22</u>	<u>2 655</u>	<u>2 341</u>
<b>EXPENSES</b>									
Staff salaries and employee benefits		1 023		366				1 389	1 457
General operating expenses		25						25	26
Travel		427			273		31	731	560
Meetings		10						10	
Administrative overhead charges	9	100						109	121
Other expenses		98						98	455
<b>TOTAL EXPENSES</b>	<u>9</u>	<u>1 683</u>		<u>366</u>	<u>273</u>		<u>31</u>	<u>2 362</u>	<u>2 620</u>
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<u>183</u>	<u>260</u>		<u>17</u>	<u>(176)</u>	<u>18</u>	<u>(8)</u>	<u>294</u>	<u>(279)</u>

*Details may not add to totals due to rounding*

**INTERNATIONAL CIVIL AVIATION ORGANIZATION**  
**REGULAR PROGRAMME**  
**ASSESSMENTS RECEIVABLE FROM CONTRACTING STATES**  
**AND CONTRIBUTIONS RECEIVED IN ADVANCE**  
**AS AT 31 DECEMBER 2013**

(in thousands of Canadian dollars)

General Fund										
Contracting States Assembly Resolutions A37-26 and A37-27	Scales 2013	Assessments 2013	Contributions Received for 2013	Balance of Assessments Receivable for 2013	Balance of Prior Years' Assessments Receivable	Total Balances Receivable	exchange	Total Adjusted Balances Receivable	Contributions Received in Advance	
Afghanistan	0.06	52	6		47	47	1	48		
Albania	0.06	52	52							
Algeria	0.11	96	96							
Andorra	0.06	52	52							
Angola	0.06	52	52							66
Antigua and Barbuda ***	0.06	52		52	771	823	49	873		
Argentina	0.25	218	218							
Armenia	0.06	52	52							
Australia	1.72	1 503	1 503							
Austria	0.65	568	568							
Azerbaijan	0.06	52	52							
Bahamas	0.06	52	18	35		35		35		
Bahrain	0.13	114		114	102	215	4	219		
Bangladesh	0.06	52	52							
Barbados	0.06	52		52	4	57	1	58		
Belarus	0.06	52	52							
Belgium	0.82	717	717							
Belize	0.06	52	52							
Benin	0.06	52	52							
Bhutan	0.06	52	51	1		1		1		
Bolivia (Plurinational State of)	0.06	52	52							
Bosnia and Herzegovina	0.06	52		52	89	142	3	144		
Botswana	0.06	52	52							
Brazil	1.33	1 162	1 162							
Brunei Darussalam	0.06	52	52							
Bulgaria	0.06	52	52							
Burkina Faso	0.06	52	52							
Burundi	0.06	52		52	47	100	2	102		
Cabo Verde	0.06	52	52							
Cambodia	0.06	52	52		107	107	9	116		
Cameroon	0.06	52	52							
Canada	2.55	2 228	2 228							
Central African Republic	0.06	52	52							
Chad	0.06	52	52							9
Chile	0.28	245	245							
China	4.06	3 548	3 548							
Colombia	0.22	192	192							
Comoros	0.06	52	52							
Congo	0.06	52	52							
Cook Islands	0.06	52	52		45	45	4	49		
Costa Rica	0.06	52	52							
Côte d'Ivoire	0.06	52	52							
Croatia	0.07	61	61							
Cuba	0.07	61	61							
Cyprus	0.06	52	52							
Czech Republic	0.27	236	236							
Democratic People's Republic of Korea	0.06	52	52							
Democratic Republic of the Congo	0.06	52		52		52	1	54		
Denmark	0.56	489	489							1
Djibouti	0.06	52		52	786	838	52	890		
Dominican Republic	0.06	52	52							
Ecuador	0.06	52	52							
Egypt	0.17	149	149							
El Salvador	0.06	52	52							2
Equatorial Guinea	0.06	52	52							
Eritrea	0.06	52		52	65	118	2	120		
Estonia	0.06	52	52							
Ethiopia	0.08	70		70	62	132	3	134		
Fiji	0.06	52	52							
Finland	0.50	437	437							434
France	4.92	4 300	4 300							
Gabon	0.06	52	52							
Gambia (*)	0.06	52	10	43	102	145	10	155		
Georgia	0.06	52	52		209	209	18	227		
Germany	6.56	5 733	5 733							

## IV-5

TABLE - C  
(continued)

## INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME  
ASSESSMENTS RECEIVABLE FROM CONTRACTING STATES  
AND CONTRIBUTIONS RECEIVED IN ADVANCE  
AS AT 31 DECEMBER 2013

(in thousands of Canadian dollars)

General Fund									
Contracting States Assembly Resolutions A37-26 and A37-27	Scales 2013	Assessments 2013	Contributions Received for 2013	Balance of Assessments Receivable for 2013	Balance of Prior Years' Assessments Receivable	Total Balances Receivable	exchange	Total Adjusted Balances Receivable	Contributions Received in Advance
Ghana	0.06	52	52						
Greece	0.50	437	437						
Grenada (*)	0.06	52		52	426	478	20	498	
Guatemala	0.06	52	52						
Guinea	0.06	52	52		119	119	10	129	
Guinea-Bissau	0.06	52	52						
Guyana	0.06	52	52						
Haiti	0.06	52	52						
Honduras	0.06	52	52						1
Hungary	0.22	192	192						
Iceland	0.06	52	52						
India	0.73	638	617	21		21		21	
Indonesia	0.26	227	227						
Iran (Islamic Republic of)	0.20	175		175	280	455	11	465	
Iraq	0.06	52	52		637	637	50	687	
Ireland	0.65	568	568						
Israel	0.39	341	341						360
Italy	3.52	3 076	3 076						
Jamaica	0.06	52	52						
Japan	9.08	7 935	7 935						
Jordan	0.06	52	52						
Kazakhstan	0.06	52	52						
Kenya	0.06	52	52						
Kiribati	0.06	52		52	136	188	3	192	
Kuwait	0.23	201		201	174	375	8	383	
Kyrgyzstan (*)	0.06	52		52	46	99	5	104	
Lao People's Democratic Republic	0.06	52		52	16	68	1	69	
Latvia	0.06	52	52						
Lebanon	0.06	52	52						
Lesotho	0.06	52	39	13		13		13	
Liberia	0.06	52	52		163	163	14	177	
Libya	0.09	79		79		79	2	81	
Lithuania	0.06	52	52						
Luxembourg	0.31	271	271						
Madagascar	0.06	52	52						
Malawi	0.06	52		52	470	522	24	546	
Malaysia	0.47	411	411						
Maldives	0.06	52	52						4
Mali	0.06	52	52						
Malta	0.06	52	52						
Marshall Islands	0.06	52		52	306	358	10	368	
Mauritania	0.06	52	52						
Mauritius	0.06	52	52						
Mexico	1.72	1 503	1 503						
Micronesia (Federated States of)	0.06	52		52	145	197	4	201	
Monaco	0.06	52	52						
Mongolia	0.06	52	52						
Montenegro	0.06	52	52						
Morocco	0.10	87		87		87	2	90	
Mozambique	0.06	52	52						
Myanmar	0.06	52	52	1		1		1	
Namibia	0.06	52	52						53
Nauru	0.06	52		52	628	681	38	719	
Nepal	0.06	52	6	46		46	1	48	
Netherlands	1.85	1 617	1 617						
New Zealand	0.30	262	262						271
Nicaragua	0.06	52	52						
Niger	0.06	52	52						
Nigeria	0.06	52	52						
Norway	0.61	533	533						
Oman	0.07	61	61						
Pakistan	0.15	131		131	19	150	3	153	
Palau	0.06	52		52	365	417	15	432	
Panama	0.06	52	52						2
Papua New Guinea	0.06	52	52						

TABLE - C  
(continued)

IV-6

INTERNATIONAL CIVIL AVIATION ORGANIZATION  
REGULAR PROGRAMME  
ASSESSMENTS RECEIVABLE FROM CONTRACTING STATES  
AND CONTRIBUTIONS RECEIVED IN ADVANCE  
AS AT 31 DECEMBER 2013  
(in thousands of Canadian dollars)

General Fund									
Contracting States Assembly Resolutions A37-26 and A37-27	Scales 2013	Assessments 2013	Contributions Received for 2013	Balance of Assessments Receivable for 2013	Balance of Prior Years' Assessments Receivable	Total Balances Receivable	exchange	Total Adjusted Balances Receivable	Contributions Received in Advance
Paraguay	0.06	52	52						
Peru	0.10	87	87						1
Philippines	0.16	140	140						
Poland	0.59	516	516						
Portugal	0.48	419	419						
Qatar	0.41	358	358						
Republic of Korea	2.41	2 106	2 106						
Republic of Moldova	0.06	52	52						
Romania	0.15	131	130	1		1		1	
Russian Federation	1.46	1 276	1 276						
Rwanda	0.06	52		52	145	198	4	201	
Saint Kitts and Nevis	0.06	52	52						
Saint Lucia	0.06	52	52						
Saint Vincent and the Grenadines	0.06	52		52	132	185	3	188	
Samoa	0.06	52	52						
San Marino	0.06	52	52						
Sao Tome and Principe (*)	0.06	52		52	618	671	37	708	
Saudi Arabia	0.77	673	673						
Senegal	0.06	52	52						23
Serbia	0.06	52	52						
Seychelles	0.06	52	52						
Sierra Leone	0.06	52	52		178	178	16	194	
Singapore	1.07	935	935						929
Slovakia	0.11	96	96						
Slovenia	0.07	61	61						
Solomon Islands (*)	0.06	52		52	47	100	5	105	
Somalia	0.06	52	52						
South Africa	0.42	367	367						
South Sudan (**)	0.06	52	12	40		40		40	
Spain	2.47	2 159	2 159						
Sri Lanka	0.07	61	61						
Sudan	0.06	52	42	11		11		11	
Suriname	0.06	52		52	145	198	4	201	
Swaziland	0.06	52	52						
Sweden	0.74	647	647						
Switzerland	0.95	830	830						
Syrian Arab Republic	0.06	52		52	194	246	4	250	
Tajikistan	0.06	52	1	51		51	1	53	
Thailand	0.50	437	437						
the former Socialist Federal Republic of Yugoslavia (1)					501	501	44	545	
The former Yugoslav Republic of Macedonia	0.06	52	52						
Timor-Leste	0.06	52		52	168	220	4	224	
Togo	0.06	52	52						
Tonga	0.06	52	52						
Trinidad and Tobago	0.06	52		52		52	1	54	
Tunisia	0.06	52		52	7	60	1	61	
Turkey	0.63	551	551						
Turkmenistan	0.06	52		52	111	163	4	167	
Uganda	0.06	52	52						3
Ukraine	0.10	87	87						
United Arab Emirates	1.07	935	935						
United Kingdom	5.68	4 964	4 964						
United Republic of Tanzania	0.06	52	52						
United States	25.00	21 848	10 924	10 924		10 924	275	11 199	
Uruguay	0.06	52		52		52	1	54	
Uzbekistan	0.06	52	51	2		2		2	
Vanuatu	0.06	52	52						
Venezuela (Bolivarian Republic of)	0.22	192	192						1
Viet Nam	0.10	87	87						
Yemen	0.06	52		52		52	1	54	
Zambia	0.06	52		52		52	1	54	
Zimbabwe	0.06	52		52	117	170	3	173	
TOTAL (***)	100.06	87 442	73 778	13 664	8 680	22 345	793	23 138	2 160

Note 1 : The devolution of the amount owing by the former Socialist Federal Republic of Yugoslavia is to be ascertained.

\* States which had not met their obligations according to the terms of their agreements as at 31 December 2013.

\*\* The Republic of South Sudan became a Member State on 10 November 2011

\*\*\* Prior Years USD include Working Capital Fund

\*\*\*\* Details may not add to totals due to rounding.

## INTERNATIONAL CIVIL AVIATION ORGANIZATION

Table D

TECHNICAL CO-OPERATION PROJECT ACTIVITIES BY GROUP OF FUNDS  
 ASSETS, LIABILITIES, NET ASSETS AT 31 DECEMBER 2013 AND  
 REVENUE, EXPENSES AND SURPLUS (DEFICIT) FOR 2013  
 (in thousands of Canadian dollars)

	United Nations Development Programme	Trust Funds and Management Service Agreements	Civil Aviation Purchasing Services Funds	Total 2013	Total 2012
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents		209 081	17 789	226 870	202 658
Inter-fund balances	665			665	312
Receivables and advances	783	4 509	3 027	8 319	8 997
Others	15	345		360	344
<b>TOTAL ASSETS</b>	<b>1 463</b>	<b>213 935</b>	<b>20 816</b>	<b>236 214</b>	<b>212 311</b>
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Advanced receipts	61	201 829	20 482	222 372	201 023
Accounts payable and accrued liabilities	1 393	10 457	334	12 184	9 854
Employee benefits	23	1 649		1 672	1 385
<b>TOTAL LIABILITIES</b>	<b>1 477</b>	<b>213 935</b>	<b>20 816</b>	<b>236 228</b>	<b>212 262</b>
<b>NET ASSETS</b>					
Reserves	(14)			(14)	49
<b>NET ASSETS (ACCUMULATED DEFICIT)</b>	<b>(14)</b>			<b>(14)</b>	<b>49</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>1 463</b>	<b>213 935</b>	<b>20 816</b>	<b>236 214</b>	<b>212 311</b>
<b>REVENUE</b>					
Contributions for project agreements	1 407	129 191	2 069	132 667	105 127
Other revenue		262		262	251
<b>TOTAL REVENUE</b>	<b>1 407</b>	<b>129 453</b>	<b>2 069</b>	<b>132 929</b>	<b>105 378</b>
<b>EXPENSES</b>					
Staff salaries and employee benefits	879	41 187	53	42 119	37 014
Supplies, consumables and others	223	71 731	1 545	73 499	52 968
General operating expenses	33	1 419	66	1 518	1 603
Travel	112	3 367	9	3 488	2 821
Training	62	2 021		2 083	2 553
Administrative overhead charges	96	7 738	384	8 218	7 779
Other expenses	2	1 990	12	2 004	640
<b>TOTAL EXPENDITURE</b>	<b>1 407</b>	<b>129 453</b>	<b>2 069</b>	<b>132 929</b>	<b>105 378</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>					

Details may not add to totals due to rounding

## INTERNATIONAL CIVIL AVIATION ORGANIZATION

Table E

TECHNICAL CO-OPERATION PROJECT ACTIVITIES  
 TRUST FUNDS AND MANAGEMENT SERVICE AGREEMENTS  
 RECEIPTS, EXPENSES AND BALANCE OF ADVANCE RECEIPTS  
 FOR THE YEAR ENDED 31 DECEMBER 2013  
 (in thousands of United States dollars)

Fund	Type of Fund	Balance as at 01-Jan-2013	Receipts		Expenses		Transfer from or to Other Funds	Refund of Contributions	Unrealized Exchange Gain or Loss	Balance as at 31-Dec-2013
			Contributions <sup>(1)</sup>	Interest and Other Income	Project Costs	Administrative Overhead				
Afghanistan	MSA	1 484		2	154	3				1 329
Angola	MSA	67			4					62
Argentina	MSA	24 821	40 019	113	24 110	2 342	10	( 30)	( 526)	37 954
Bahamas	MSA	6			( 4)					10
Barbados	TF	46								46
Bolivia	MSA	765	4 591		3 644	313	( 105)	( 10)		1 284
Bolivia	TF	12								12
Botswana	TF	68								68
Brazil	MSA	2 680	1	210	( 7)				( 370)	2 528
Cabo Verde	MSA	204	567							772
Cambodia	MSA	1								1
Cameroon	MSA	156	96		182	18		( 28)		23
Chad	MSA	44	298		86	9	( 11)			237
China	TF	37								37
Colombia	MSA	6	131	2	95	5			( 8)	32
Comoros	MSA	9								9
Costa Rica	MSA	46 046	14 737	64	11 409	612		( 2 503)		46 323
Costa Rica	TF	4						( 4)		
Czech Republic	MSA	35								35
Côte d'Ivoire	MSA	( 7)					7			
Democratic Republic of the Congo	MSA	3			14	1	4			( 9)
Denmark	MSA	36	31		53	5				10
Djibouti	MSA	291								291
Dominican Republic	MSA	181		1	56	6		( 118)	1	3
Ecuador	MSA	6 727	4 480	10	7 451	354				3 413
Egypt	MSA	101								101
El Salvador	MSA		302		91	9				202
Equatorial Guinea	MSA	( 7)	896		458	46				386
Ethiopia	MSA	222			151	15				56
Fiji	MSA	26					( 2)	( 12)		13
Gabon	MSA	( 12)							( 4)	( 17)
Greece	MSA	27	256	( 1)	253	28	4			6
Guatemala	MSA	553		1	155	9	( 25)			364
Guyana	TF	7								7
Haiti	MSA	( 1)					1			
Haiti	TF	55								55
Inter-Regional	TF	123			10	1				111
Iceland	MSA	2								2
India	MSA	1 532		3	12	1		( 384)		1 137
Indonesia	MSA	2 969	977	8	1 684	183			( 2)	2 085
Iraq	MSA	43								43
Iraq	TF	38								38
Italy	MSA	17								17
Jamaica	TF	6								6
Jordan	MSA	33			10	1				22
Kazakhstan	MSA	1 491	762		1 417	147				689
Kuwait	MSA		1 192							1 192
Lao People's Democratic Republic	MSA	( 2)					2			
Latvia	TF	8								8
Lebanon	MSA	962		1	78	8				878
Lesotho	TF	130								130
Liberia	MSA	15		1						16
Libyan Arab Jamahiriya	MSA	9								9
Macao Special Administrative Region of China	MSA	7								7
Malaysia	MSA		1				( 1)			
Mauritius	MSA	6								6
Mexico	MSA	109	365	1	178	16				281
Mexico	TF	334	2 090	2	855	75				1 497
Morocco	TF	70								70
Mozambique	MSA	413	1 843	( 1)	807	81				1 368
Namibia	MSA	1 656	3 000	( 23)	1 612	162			( 57)	2 803



## INTERNATIONAL CIVIL AVIATION ORGANIZATION

Table E  
(Continued)

TECHNICAL CO-OPERATION PROJECT ACTIVITIES  
TRUST FUNDS AND MANAGEMENT SERVICE AGREEMENTS  
RECEIPTS, EXPENSES AND BALANCE OF ADVANCE RECEIPTS  
FOR THE YEAR ENDED 31 DECEMBER 2013  
(in thousands of United States dollars)

Fund	Type of Fund	Balance as at 01-Jan-2013	Receipts		Expenses		Transfer from or to Other Funds	Refund of Contributions	Unrealized Exchange Gain or Loss	Balance as at 31 December 2013
			Contributions <sup>(1)</sup>	Interest and Other Income	Project Costs	Administrative Overhead				
Nauru	TF	( 3)					3			
Nepal	MSA	12								12
Nicaragua	MSA	20							( 1)	19
Nigeria	MSA	433		1			( 98)			336
Nigeria	TF	9					( 9)			
Oman	MSA	15								15
Oman	TF	230			46	4				180
Pakistan	MSA	31								31
Panama	MSA	1 312	1 358	2	1 505	108	( 4)			1 055
Panama	TF	10 044	9 400	21	8 212	393	( 50)			10 811
Papua New Guinea	MSA		50		39	4				8
Paraguay	MSA	( 1)	32		26	1				4
Peru	MSA	5 084	11 981	4	7 254	772	( 67)	( 65)	( 678)	8 232
Philippines	MSA	38			6	1				31
Philippines	TF	2 236		3	44	5				2 190
Portugal	TF	( 1)					1			
Qatar	MSA	35								35
Regional for Africa	MSA	38 280	2 191	35	18 832	231	( 684)		( 15)	20 743
Regional for Asia	MSA	313	173	1	134	15		20		358
Regional for Asia	TF	1 331	2 051	2	1 308	169		50	( 35)	1 922
Regional for Europe	MSA	35					1			36
Regional for Europe	TF	29	100		74	7				48
Regional for Europe and Middle East	MSA	1 220	596	( 1)	577	59		( 6)		1 174
Regional for Europe and Middle East	TF		349		10	1				338
Regional for Latin America	MSA	240	492	1	382	17		7		339
Regional for Latin America	TF	5 080	4 008	12	1 899	238	166		( 1)	7 129
Republic of Korea	MSA	46	37			37	1			47
Republic of the Congo	MSA		798		75	7				716
Romania	MSA	3								3
Russian Federation	MSA	( 1)					1			
Rwanda	MSA	( 7)			11	1				( 20)
Saudi Arabia	MSA	1 332	11 840	256	10 801	479			( 2)	2 145
Seychelles	MSA	56								56
Singapore	MSA	66	202		83	31		( 66)		89
Singapore	TF	123	125		108	11				129
Somalia	TF	11 635	8 068	20	2 556	215	( 51)	( 1 311)	1	15 590
South Africa	MSA	205								205
Spain	MSA	7	42		44					6
Sri Lanka	MSA	198	203				( 20)			381
Sri Lanka	TF	8							( 1)	7
Sudan	MSA	979	135	2	465	46	( 84)			521
Swaziland	MSA	600	357	2	272	27				660
Syrian Arab Republic	MSA	154								154
Thailand	MSA	231						( 177)		55
Thailand	TF	94		1	21	3				71
Trinidad and Tobago	TF	8								8
UN Department of Peacekeeping Operations	MSA	( 17)			99	10	84			( 41)
Uganda	MSA	109	251		139	4				217
United Republic of Tanzania	MSA	( 5)								( 5)
Uruguay	MSA	8 173	1 724	5	5 849	115	( 50)			3 888
Venezuela (Bolivarian Republic of)	MSA	( 12)	84		1					71
Viet Nam	TF	14								14
Yemen	MSA	8			3					5
	LS	492	444	3	737	56	935			1 081
<b>Total</b>		<b>185 181</b>	<b>133 728</b>	<b>769</b>	<b>116 628</b>	<b>7 519</b>	<b>35</b>	<b>( 4 715)</b>	<b>( 1 695)</b>	<b>189 156</b>
<b>Equivalent Canadian Dollars</b>		<b>192 829</b>	<b>142 676</b>	<b>810</b>	<b>120 010</b>	<b>7 737</b>	<b>38</b>	<b>( 5 030)</b>	<b>( 1 744)</b>	<b>201 829</b>

(1): On a cash basis

Details may not add to totals due to rounding

## INTERNATIONAL CIVIL AVIATION ORGANIZATION

Table F

TECHNICAL CO-OPERATION PROJECT ACTIVITIES  
 CIVIL AVIATION PURCHASING SERVICE FUNDS  
 RECEIPTS, EXPENSES AND BALANCE OF ADVANCE RECEIPTS  
 FOR THE YEAR ENDED 31 DECEMBER 2013

(in thousands of United States dollars)

Fund	Balance as at 01-Jan-2013	Receipts		Expenses		Transfer from or to Other Funds	Refund of Contributions	Unrealized Exchange Gain or Loss	Balance as at 31-Dec-2013
		Contributions <sup>(1)</sup>	Interest and Other Income	Project Costs	Administrative Overhead				
Afghanistan	388		5	357	28			( 5)	4
Angola	( 16)								( 16)
Bahamas	7 987	3 942	25	103	286				11 564
Bangladesh	205								205
Bolivia	4								4
Cabo Verde	31								31
Canada	38								38
Costa Rica	2 105		3	8	13				2 087
Cuba	17	9							25
Egypt	( 2)					2			
Ethiopia	204			1					203
Fiji	1					2			3
Guinea	43								43
India	17						( 17)		
Lebanon	2 824		4	213	7				2 608
Lesotho	40								40
Libyan Arab Jamahiriya	61								61
Lithuania	( 4)					4			
Macao Special Administrative Region of China	( 12)	25		10	1				2
Mozambique	6								6
Myanmar	522		1			( 50)			472
Nigeria	74					( 15)			60
Oman	165			146	4				15
Pakistan	( 56)								( 56)
Philippines	732	62	1	786	11	2			
Russian Federation	53								53
Seychelles	( 69)								( 69)
Sudan	98								98
Suriname	6								6
Syrian Arab Republic	728		1					( 4)	725
Trinidad and Tobago	168							( 7)	161
Uruguay	830		1	1	23				807
Yemen	17								17
<b>Total</b>	<b>17 202</b>	<b>4 037</b>	<b>43</b>	<b>1 626</b>	<b>373</b>	<b>( 54)</b>	<b>( 17)</b>	<b>( 16)</b>	<b>19 195</b>
<b>Equivalent Canadian Dollars</b>	<b>18 278</b>	<b>4 308</b>	<b>45</b>	<b>1 673</b>	<b>384</b>	<b>( 57)</b>	<b>( 18)</b>	<b>( 16)</b>	<b>20 482</b>

(1): On a cash basis

Details may not add to totals due to rounding

-----

**INTERNATIONAL CIVIL AVIATION ORGANIZATION**

**PART V: REPORT OF THE EXTERNAL AUDITOR TO THE ASSEMBLY ON THE AUDIT OF THE FINANCIAL STATEMENTS OF THE INTERNATIONAL CIVIL AVIATION ORGANIZATION FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2013 AND THE SECRETARY GENERAL'S COMMENTS IN RESPONSE TO THE REPORT OF THE EXTERNAL AUDITOR**





**EXTERNAL AUDITOR OF THE  
INTERNATIONAL CIVIL AVIATION  
ORGANIZATION**



**ANNUAL REPORT OF THE EXTERNAL AUDITOR  
FINANCIAL PERIOD 2013  
*(Courtesy translation)***

## TABLE OF CONTENTS

<b>1. Introduction</b> .....	<b>4</b>
1.1. Audits carried out by the External Auditor.....	4
1.2. Summary of the main observations.....	4
<b>2. Certification of the accounts – ICAO’s budgetary and financial position</b> .....	<b>6</b>
2.1. External Auditor’s opinion on the financial statements for 2013.....	6
2.2. ICAO negative net asset increased by MCAD 29 during the triennium, mainly due to a MCAD 26 increase of long term Employee benefits liability.....	7
2.3. ICAO experienced in 2013 a MCAD 2.8 loss including a MCAD 3.8 discount loss recorded on arrears of member states assessed contributions receivable.....	9
<b>3. Human resources</b> .....	<b>10</b>
3.1. ICAO posts as at 31 December 2013.....	10
3.2. ICAO staff as at 31 December 2013.....	10
3.3. Consultants to the ICAO.....	12
3.4. Human resources dashboard.....	13
3.5. Changes in the wage bill.....	14
3.6. National professionals recruited on technical cooperation projects.....	16
<b>4. Information and communication technology</b> .....	<b>21</b>
4.1. The IT budget.....	21
4.1.1. Approved budget and actual budget.....	22
4.1.2. Distribution of IT budgetary allocations.....	23
4.1.3. Assessment of total cost of IT expenses financed out of the regular budget.....	24
4.2. IT personnel.....	24
<b>5. FIN BRANCH Audit</b> .....	<b>27</b>
5.1. Introduction.....	27
5.1.1. The missions.....	27
5.1.2. Available resources.....	28
5.2. Work organisation.....	30
5.2.1. Organisational structure chart.....	30
5.2.2. The information system.....	31
5.3. Results by principals.....	31
5.3.1. Expected results.....	31
5.3.2. Principals' expectations.....	32

5.4.	Budgetary control .....	33
5.4.1.	Budget implementation monitoring .....	33
5.4.2.	The relevance of revenue forecasts .....	34
5.5.	Budget implementation follow-up .....	35
5.5.1.	Reports for monitoring budget implementation .....	35
5.5.2.	The use of a standard charge for personnel expenses .....	36
5.6.	Risk prevention and strategic management .....	39
5.6.1.	Risk prevention and standards compliance .....	39
5.6.2.	Strategic analysis and Performance Management .....	40
<b>6.</b>	<b>Dakar Regional Office .....</b>	<b>41</b>
6.1.	Operations of the Regional Office .....	41
6.1.1.	Regional consulting bodies coordinated by ICAO .....	41
6.1.2.	WACAF Office regional partner bodies .....	42
6.1.3.	ICAO internal regional bodies .....	46
6.1.4.	The WACAF Office technical officers .....	47
6.1.5.	Future prospects for RSOOs in the WACAF Region .....	47
6.2.	New premises of the Regional Office .....	50
6.3.	Protection of international officials at the WACAF Office .....	53
<b>7.</b>	<b>Technical Cooperation projects for the procurement of radar and telecommunications equipment.....</b>	<b>56</b>
7.1.	Purpose and methodology of the audit.....	56
7.2.	Results of the Audit .....	57
<b>8.</b>	<b>Follow-up of previous recommendations of the external auditor .....</b>	<b>58</b>
<b>9.</b>	<b>Acknowledgement .....</b>	<b>59</b>
	<b>Annex I – External Auditor’s opinion (original).....</b>	<b>60</b>
	<b>Annex II – Follow up of recommendations .....</b>	<b>62</b>

1. This annual report gives an account of the various audits carried out by the External Auditor on the activity, accounts and management of International Civil Aviation Organization (ICAO) during the financial period 2013.

## 1. INTRODUCTION

### 1.1. Audits carried out by the External Auditor

2. Since his last annual report covering 2013, the External Auditor has performed eight on-site audits, as a result three management letters have been sent to the Secretary-General, and this annual report has been written for the Council.
3. The present report gives account to the Council of these eight last audits. The table below shows the chronology of these audits and mentions, when needed, management letters sent to the Secretary General:

**Table 1: Work done by the External Auditor on the financial period 2013**

Theme	Dates of audits	Management letters to SecGen	
		draft	final
WACAF Regional Office	13-24/05/13	2/8/13	11/12/13
FIN branch	17-28/06/13	22/10/13	16/04/14
Technical cooperation: purchase of radar and telecom equipment for third parties	15-25-10-13	15/11/13	23/04/14
Audit on 2013 financial statements	15-25/10/13 & 17-28/3/14	No management letters	
Budget implementation in 2013	17-28/3/14		
Human Resources management in 2013			
Information Technology management in 2013			
Follow up of previous recommendations			

Source : External auditor

### 1.2. Summary of the main observations

4. The present report contains 17 observations, of which 6 rank 1, 7 rank 2 and 4 rank 3. The external auditor classifies each recommendation, according to a scale ranking (urgent and/or high risk), 2 (medium) and 3 (not urgent and/or moderate risk).
5. The six most important observations deal with:
  - insufficient follow up and analysis of ICAO wage bill evolution (observation no. 4);
  - the practice, inconsistent with the general rules drafted by TCB on agreements, of recruiting national personnel under MSAs<sup>1</sup> paid for by the ICAO to provide national administration for civil aviation and air control for cooperation projects (observation no. 5);

<sup>1</sup> Management Service Agreements



- the insufficient coverage of the costs of services provided by FIN for technical co-operation activities by AOSC<sup>2</sup> contribution to the Regular Budget (observation no. 7);
- the lack of reliability of the budgeted revenue from the ARGF<sup>3</sup> (observation no. 9);
- the lack of detailed analytical information on staff costs evolution (observation no. 10);
- the dispersion of efforts and resources in the regulation and oversight of aviation safety in the WACAF region (observation no. 13).

---

<sup>2</sup> Administration and Operational Service Costs Fund

<sup>3</sup> Ancillary Revenue Generation Fund

## **2. CERTIFICATION OF THE ACCOUNTS – ICAO’S BUDGETARY AND FINANCIAL POSITION**

### **2.1. External Auditor’s opinion on the financial statements for 2013**

#### **AUDIT OPINION<sup>4</sup>**

We have audited the financial statements of the International Civil Aviation Organisation (ICAO), for the 12 month period ended 31 December 2013. These financial statements include a statement of financial position at 31 December 2013, a statement of financial performance, a statement of changes in net assets, a statement of cash flow, a statement of comparison of budget and actual amounts for the period ended 31 December 2013 and notes including a summary of the accounting principles and other information. The table disclosed after the notes, including those presenting a financial position and a statement of performance by funds are not parts of the financial statements and are not audited.

Within the general framework of Article 61 of the Chicago Convention and by virtue of Article XII of the ICAO Financial Regulations, the Secretary General of the ICAO is responsible for preparing and presenting the financial statements. These statements are in conformity with the International Public Sector Accounting Standards (IPSAS). This responsibility includes the design, implementation and monitoring of internal control procedures to ensure the preparation and the fair presentation of financial statements, free of significant misstatements, resulting either from frauds or errors. This responsibility also includes the determination of fair accounting estimates adapted to the circumstances.

Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with the International Standards on Auditing (ISA). These Standards require us to comply with the ethical rules and to plan and perform our audit in order to obtain a reasonable assurance that the financial statements are free from material misstatements.

An audit consists in implementing audit procedures in order to collect audit evidence regarding the amounts and the information presented in the financial statements. The design of the audit procedures is based on the external auditor’s professional judgment, as well as the risk evaluation that the financial statements include significant misstatements, resulting either from frauds or errors. In the context of this risk evaluation, the auditor considers the internal control in place for the preparation and presentation of the financial statements, in order to design appropriate audit procedures and not in order to express any opinion on the internal control. An audit also consists in evaluating that the accounting method applied and the presentation of the financial statements are appropriate and that the significant accounting estimates are reasonable.

We believe that the audit evidence collected is sufficient and appropriate to constitute a reasonable basis for our opinion.

Based on our audit, the financial statements give a fair view of the financial position of the ICAO at 31 December 2013, as well as the financial performance, the cash flow and the comparison of budget and actual amounts for the 12 month period ended 31 December 2013 in conformity with the IPSAS.

(Signed)  
Didier MIGAUD

---

<sup>4</sup> Cf. Annex 1: Original signed by the external auditor

**2.2. ICAO negative net asset increased by MCAD 29 during the triennium, mainly due to a MCAD 26 increase of long term Employee benefits liability**

6. ICAO net assets amount to a negative MCAD<sup>5</sup> (58.7) as at December 31, 2013 (versus MCAD (44.90) as at December 31, 2012, MCAD (30.0) as at December 31, 2011 and MCAD (29.7) as at December 31, 2010). It means that ICAO negative net asset increased by MCAD 29 during the triennium (from MCAD (29.7) to MCAD (58.7)).
7. The main reason for this evolution is the significant increase of the long term employee benefit liability (After Service Health Insurance, Repatriation Grant and Annual Leave) that amounts to MCAD 103.04 as at December 31, 2013 (versus MCAD 90.22 as at December 31, 2012, MCAD 78.82 as at December 31, 2011 and MCAD 76.90 as at December 31, 2010). Employee benefit liabilities increased by MCAD 26.1 during the triennium, including a MCAD 12.8 increase between December, 31, 2012 and December 31, 2013.
8. The MCAD 12.8 increase in Employee benefit between December 31, 2012 and December, 31, 2013 is explained as follows:

	In MCAD
Increase of the liability in 2013	7.5
Actuarial loss on the update in employee data	1.0
Actuarial loss on the update in mortality assumptions	12.0
Actuarial on loss medical and dental costs	15.3
Actuarial gain discount rate	-18.1
<b>Subtotal</b>	<b>17.7</b>
Utilization in 2013 financed by Regular	-4.9
Budget on a pay-as-you-go basis	
Increase in Employee benefit liability	12.8

9. As the employee defined benefit obligation (DBO) of the ICAO towards its staff is calculated following an actuarial method, the liability amount may change significantly from one year to another due to changes in actuarial assumptions and these changes may result in an increase or decrease of ICAO net assets. However the evolution of mortality rates, of the average age of ICAO agents and of drugs' prices all lead to increase of the liability.

<sup>5</sup> Canadian Dollars

10. In 2013, a favourable rate increase in the Canadian government bonds result in an increase of the discount rate and in an actuarial gain amounting MCAD 18.1 that partially mitigate the impact of the increase of dental and medical costs resulting in an actuarial loss amounting MCAD 15.3 and the impact of the update in mortality assumptions resulting in an actuarial loss amounting MCAD 12.0. Without this favourable increase of the discount rate, the increase of the Employee benefit liability would have been significantly higher.

11. A MCAD 12.1 increase in Employee benefit liability was already experienced between December 31,2011 and December 31, 2012 as detailed below:

	In MCAD
Increase of the liability in 2012	7.1
Actuarial loss currency exchange rate	2.5
Actuarial loss medical and dental cost	4.0
Actuarial loss discount rate	1.6
<hr/>	
Subtotal	15.2
Utilization in 2012 financed by Regular	-3.1
Budget on a pay-as-you-go basis	
<hr/>	
Increase in Employee benefit liability	12.1

12. Based on evolution interested during the triennium experience, there is a trend towards growing medical and dental cost that resulted in a significant increase of the Employee benefit liability. Among the MCAD 29 increase in the employee benefit liability during the triennium, a MCAD 21.3 increase is due to the medical and dental costs trend. There is no reason to assess that this trend will not continue during the following years resulting in a new increase in the Employee benefit liability.

13. As the employee benefit liability is a long term liability, ICAO has managed until now to meet its obligation on a pay as you go basis. Nevertheless, the financing of this obligation could become a matter of concern in the future. It would therefore be useful to think about the opportunity to have a specific dedicated vehicle (that may be outsourced or managed within the United Nation organization) to finance this obligation in the future.

**Finding no. 1 :** ICAO will have to face significant disbursements in the future to meet its obligation towards former employees and these disbursements, currently financed on a pay-as-you-go basis, are about to increase due to trend in medical and dental costs and due to the average age of ICAO employees. This employee benefit liability increased by MCAD 26 during the triennium explaining a large part of the MCAD 29 increase in ICAO net negative assets.

**Recommendation no. 1:** In such a context, it would make sense to anticipate the financing of future payments by creating a specific funding vehicle (that may be outsourced or managed within the United Nation organization) whose financial proceeds would enable the ICAO to optimize the financing of this obligation, this funding itself ensured in last resort by the contributions of the Member States.

Secretary General's draft action plan accepts this recommendation. Ways and means to finance part of the liability and to invest funds are under consideration at the UN level and ICAO will consider any proposed global UN approach with interest. The Council will be informed of the *significant increase in Employee benefit liabilities*.

**Priority 2**

### **2.3. ICAO experienced in 2013 a MCAD 2.8 loss including a MCAD 3.8 discount loss recorded on arrears of member states assessed contributions receivable**

14. ICAO faces difficulties to collect contributions from some member states that have significant arrears. As at December 31, 2013, MCAD 5.8 unpaid contributions related to periods prior to 2009.
15. In 2013, ICAO changes its accounting estimation regarding the discounting of arrears and decided to record a MCAD 3.8 discount of the arrears relating to member states that lost their voting rights, to have a 0 net value on these assessed contribution receivable in the balance sheet.
16. This change of estimation is appropriate from an accounting point of view. Nevertheless, it does not exempt ICAO from pursuing its efforts to collect this receivable and to talk member states into signing agreements to liquidate their arrears.

**Finding no. 2:** ICAO faces difficulties collecting contributions from some member states. Arrears dating back from before 2009 amount to MCAD 5.8 as at December 31, 2013. ICAO decided to change its accounting estimation and to record a MCAD 3.8 discount on the arrears relating to member states that lost their voting rights over two consecutive Assembly sessions in order to present a 0 net value for the corresponding receivable in the balance sheet.

**Recommendation no. 2:** ICAO shall pursue its efforts to collect the arrears in member states assessed contributions and encourage Member States into signing agreements to liquidate their arrears.

Secretary General accepts this recommendation: ICAO will pursue its efforts in collecting the outstanding assessed contributions from prior years, and to encourage Members States to sign agreements to liquidate those arrears.

**Priority 2**

### 3. HUMAN RESOURCES

17. The review of HR management in 2013 was the object of an audit in Montreal between 17 and 28 March 2014.

#### 3.1. ICAO posts as at 31 December 2013

18. A headcount freeze was observed for the triennium 2011-2013 that capped the number of "established" 6 posts financed out of the regular budget each year: 549 posts in 2011, 555 posts in 2012, and 552 posts in 2013 (over the period as a whole, 50% of the cost of two posts was financed out of the regular budget).

19. Another type of "established" post exists as part of the AOSC fund (49 posts each year over the period as a whole): in this case, the term "established" merely means that the post has been authorised by the Secretary-General, but the headcount freeze determined as part of the regular budget does not apply.

20. Finally, the ICAO uses supernumerary<sup>7</sup> staff who do not hold "established" posts: these posts are merely temporary, although they can be occupied by ICAO staff (personnel OACI). As at 31/12/13 there were 170 supernumerary posts, compared with 154 the year before and 186 in 2011, of whom only some were financed out of the regular budget.

21. In total, the ICAO had 771 ICAO staff at the end of 2013, compared with 758 the year before and 784 in 2011.

#### 3.2. ICAO staff as at 31 December 2013

22. In practice, "established" posts are never fully occupied; the number of vacancies can vary. In 2013, 59 "established" posts were vacant on the regular budget, while nine were vacant on the AOSC fund.

23. Out of 170 supernumerary posts, 28 were vacant. Appointments to supernumerary posts vary greatly from one year to the next, depending on stated requirements and resources available. In 2011, 153 out of 186 posts were filled, compared with 145 out of 154 in 2012. At 31/12/2013, 142 out of 170 posts were filled. Posts in this category include JPOs (junior professional officers and associate experts), who are provided to the ICAO by Member States whose salaries are paid for by these States.

24. Overall, the total number of ICAO staff (personnel OACI) in "established" and supernumerary posts as at 31 December 2013 was 675 (there were 771 such posts, of which 96 were vacant).

25. There are two other categories of ICAO staff:

---

<sup>6</sup> An "established" post is a post with a specific set of duties.

<sup>7</sup> Supernumerary posts are posts not budgeted for in the approved Regular Programme budget.

- Personnel provided by States or other organisations, gratis;
- Consultants (SSA: Special Service Agreement)

26. The table below indicates the total number of personnel across all categories at ICAO as at 31 December 2013:

**Table 2: Personnel as at 31 December 2013 (all funds)**

Type of staff	31/12/2011	31/12/2012	31/12/2013
ICAO staff	700	698	675
Gratis	28	28	25
Consultants (SSA)	120	105	107
Total	848	831	807

Source: ICAO

27. The distribution of ICAO staff alone between the different services as at 31 December 2013 was as follows:

**Table 3: Distribution of ICAO staff in the ICAO organizational structure (acronyms represent different services<sup>8</sup>)**

	President	OSG	ADB	ANB	ATB	RO	LEB	FIN	TCB	Total
2011	2	14	213	108	74	166*	18	43	62	700
2012	2	16	207	117	79	167*	15	38	57	698
2013	2	16	195	114	76	160*	15	37	60	675

\*This number includes ECAC personnel employed by ICAO and ACIP personnel (Source: ICAO)

28. In December 2013 ICAO had 675 staff (personnel OACI) (excluding technical cooperation field staff and contractors), 25 staff provided at no cost by States (excluding JPOs), and 107 consultants, adding to a total of 807 staff.

29. The above numbers do not include contractors paid on a daily basis (in particular interpreters): 55 such contractors were employed for an average of 22.5 days each in 2011, while in 2012 66 were employed for an average of 21.5 days each. In 2013, there was a sharp rise in the use of these contractors, with 85 interpreters hired for an average of 37 days each. This increase can be explained by the holding of the General Meeting in the autumn of 2013.

30. Overall, the number of ICAO staff (personnel OACI) fell steadily over the course of 2011-2013. This fall accelerated in 2013, with the decision of the Secretary-General to allow permanent personnel to retire with a severance package (in accordance with articles 9.12 and 9.13 of the ICAO Service Code). In total, 17 staff paid for out of the regular budget took up this offer.

<sup>8</sup> OSG: Office of the Secretary General; ADB: Bureau of Administration and Services; ANB: Bureau of the Air Navigation; ATB: Bureau of the Air Transport; RO: Regional Office; LEB: Legal Affairs and External Relations Bureau; FIN: Finance branch; TCB: Technical Cooperation Bureau.

31. Consequently, the number of vacancies was at an all-time high on 31 December 2013 (96, compared with 60 in 2012 and 84 in 2011).

### **3.3. Consultants to the ICAO**

32. In 2011, the regime applicable to consultants employed under special service agreements (SSA) and paid for out of the regular budget and other proprietary funds was amended with effect from 1 November:

- standardised rules in line with practices at bodies of the United Nations were put in place. Henceforth, SSAs would be of no more than eleven months' duration, could only be renewed twice (or, in exceptional circumstances and with the consent of the Secretary General, three times), and contain a gap of at least one month between successive agreements. The aim of this final provision is to draw a clear distinction between the employment agreements of employees (such as those for ICAO staff, personnel OACI) and those of consultants, who do not receive the benefits and guarantees received by employees (pension, after-service medical cover, etc.);
- the human resources section set the framework that defines recruitment criteria (knowledge, skills, and costs) and wage conditions; as a rule, several candidates are preselected. The recommendation of the Secretary General is required when the candidate chosen is retired from ICAO, or when their salary expectations exceed the limit set in paragraph 5.3 of the "Policy on contracts of individual consultants/contractors", i.e. CAD 450-630 per day, depending on their level of qualifications (pay band D);
- recruitment of consultants is no longer the responsibility of human resources, but of offices that employ consultants.

33. The external auditor had recommended that the EAO<sup>9</sup> conduct an audit in 2013. This was conducted and the report was submitted in August 2013. The report underlines the unsuitability of using consultants to perform ongoing tasks that involve supervision and representation responsibilities (which is not allowed in accordance with paragraph 1.2 b of the Administrative Instructions on Contracts of Individual Consultants/Contractors). The auditor concluded that some SSAs had been renewed without observing the requirement of a gap between two agreements (3 cases), and that amounts paid under SSAs had increased from one to another when their purpose had remained the same. In general, EAO criticises an excessive and uncontrolled use of these agreements that is detrimental to the coherence and transparency of functions and organisational structures. Finally, EAO highlights the risk of the requalification of SSA posts for certain posts within the ICAO in the event of the successive renewal of SSAs, even when the latter are extended under exceptional circumstances to three or four years.

34. In terms of management, EAO recommends increasing the role of the human resources section to better follow and monitor the activities of offices in this area (type of employment, renewal, level of compensation).

35. The table below shows the change in the number and cost (compensation) of SSAs. There was a sharp rise in SSAs between 2011 and 2012, with the number stabilising between 2012 and 2013. In its 2012 report, the external auditor had informed the

---

<sup>9</sup> Evaluation and Internal Audit Office



Council of the risks associated with making excessive use of consultants in crucial posts, even if it is less expensive to use consultants in these posts than to hire ICAO staff.

**Table 4: Changes in SSAs**

Type of staff	2011	2012	2013
Number of agreements	254	314	329
Number of consultants	161	202	200
Number of man months	1,064	1,423	1,414
Costs (all funds included) (CAD)	3,246,536	8,255,325	7,423,502

Source: ICAO

36. Consultants are distributed as follows (in terms of TCB, only consultants paid for out of the AOSC fund are listed; a very large number of SSAs are financed by technical cooperation projects, and are the object of a separate observation):

**Table 5: Distribution of consultants (in numbers)**

	OSG	ADB	ANB	ATB	RO	LEB	FIN	TCB	Total
2011	0	63	49	25	16	1	13	4	161
2012	0,5	88	63	29	16	0,5	4	1	202
2013	0,5	87	57.5	25	21	4	5	0	200

Source: ICAO

37. However, the slowdown has affected Headquarters but not Regional Offices, which in proportional terms have significantly increased their use of SSAs: 16 consultants in 2012, compared with 21 consultants in 2013.

38. Within the regular budget alone, the fall between 2012 and 2013 was even more pronounced (from CAD 5,113,557 to CAD 3,808,803).

39. The external auditor notes that ICAO was, to an extent, able to slow the increase in the use of consultants. However, consideration should be given to the faults and threats in terms of management in particular revealed by EAO, but without calling into question the decision to decentralize this responsibility to offices. The external auditor notes that the human resources section will monitor the change in SSAs from 2014.

### **3.4. Human resources dashboard**

40. The external auditor has sought to ensure that information on human resources sent to the Council was exhaustive and explicit. A questionnaire was sent to HR to summarise all documents sent to the Council in 2013 (Sessions 198, 199, 200) which provided information on the management of personnel. In its response, the HR section indicated that in 2013, information was provided to the Council on the following seven areas that have a direct relationship with HR<sup>10</sup> management:

<sup>10</sup> Several items were not taken into account due to the fact that they did not relate strictly to issues of HR management: the report by the Ethics Officer, the interpreting section.

- Legal presentation on changes to the retirement age under UN regulation;
- Review of the Service Code (two presentations);
- Presentation of information concerning the employment of workforce (effectifs);
- Administrative instructions on the use of consultants (two presentations);
- Review on recruitment;
- Review on the policy on staff made available by Member States (two presentations);
- Review on the possibility for staff to pursue a career in several organisations of the UN.

41. In practice, the external auditor is of the view that it would be positive to broaden the presentation of information on workforce employment to the Council, providing further explanation on the administrative instructions in place and, in particular, increasing the number of statistics and improving their quality by accompanying them with explanatory comments. It is not up to the external auditor to prepare an exhaustive list of data that should be included in this presentation<sup>11</sup>. However, the criterion vis-à-vis the Council should be to provide all information that will enable the Council to have an in-depth analysis of the elements that contribute to the increase in wage costs, the single largest component of the ICAO budget (staff account for more than 80% of the regular budget).

**Finding no. 3:** a summary document exists and was presented to the Council at the 198th Session held in May 2013. This document presents statistical data that reflect human resources status and observations. However, these data are not accompanied by analyses that provide a complete insight into the scope of this document.

**Recommendation no. 3:** The external auditor recommends improvements to the presentation of this document, with more data and analyses that each year provide the Council with a summary that allows it to monitor changes in the largest single item in the budget of the Organisation, the wage bill (it accounts for more than 80 % of the regular budget).

Secretary General accepts this recommendation: the current workforce paper contains a comprehensive narrative on the development of a variety of HR parameters in accordance with UN practice. Observations and analysis were already added that go beyond the information provided by other UN agencies. The working paper will be further improved and additional information will be inserted.

**Priority 3**

### 3.5. Changes in the wage bill

42. Earlier reports by the external auditor noted that in the previous triennium (2008 - 2010), there was a decline in the relative importance of the wage bill as a proportion of expenditure of the ICAO. However, despite a small drop in the number of staff, the

<sup>11</sup> By way of example, the appendices could contain data on the distribution of personnel, the number and source of staff made available by Member States, data on health (absences and cost of covering these absences) and the training of personnel, etc. and information of a more financial nature on the structure of remunerations, promotions, changes to posts, and bonuses paid.

trend was clearly reversed in the triennium 2011-2013, when the wage bill rose both in absolute and relative terms, as shown in the table below:

**Table 6: Wage costs in income and expenditure of the regular budget  
(in thousands of Canadian dollars)**

<b>Regular program Accounting data</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Revenues recorded	87,029	91,601	92,436
Total expenditure of the regular program	89,416	93,773	94,943
Wage bill paid from out of the regular program (1)	68,608	73,682	76,833
Wage bill as a % of total expenditure	76.73%	78.57%	80.92%

(1) The wage bill includes the compensation of IP and GS personnel and consultants, as well as various related costs (training, social projects, discretionary costs, etc.)

Source: ICAO

43. Having risen by KCAD 5,074, or 7.4%, in 2012, the wage bill continued to rise in 2013, climbing KCAD 3,151 KCAD, or +4.27%, on a year earlier. Of course, the wage bill as a percentage of total expenditure has continued to rise, from 78% in 2011 to 79% in 2012 and 81% in 2013.
44. In 2012, the FIN branch attributed this growth to:
- the increase in costs associated with consultants: this explanation was no longer valid in 2013 (the observation below shows that costs associated with consultants fell);
  - the appointment of ICAO staff that were financed in full or in part out of other funds, in particular the AOSC fund and ACIP in 2011. In 2013, as compared to 2012, these charges were no longer new;
  - the switch from category GS staff to category P staff. This phenomenon was replicated only partly in 2013<sup>12</sup>;
  - the 3.17% increase in the index point (from 1 April 2012). Increases were also recorded in 2013: +1.22% for GS and +1.93% for charges relating to retirement pensions for professionals.
45. In its recommendations for 2012, the external auditor had recommended that a report be presented to the Council that sets out in detail, based on auditable information, the main changes in the wage bill on the year before, the change in the difference between standard costs used to prepare the three-year budget and observed costs, as well as the main changes in pay. Although it was accepted, this recommendation, as at the time of publication of this audit (March 2014), had not resulted in complete finalisation. Moreover, it was expected that this report would be presented only to the Secretary General, not to the Council.
46. The FIN Branch has shared with the external auditor an a draft analysis that relates strictly to the compensation paid to category P and GS staff. It identifies several factors that contribute to the increase in the wage bill between 2012 and 2013. In particular:

<sup>12</sup> In the last two three-year budgets, the Council sought to increase professional staff ("P") as a share of the total number of staff. A category P staff member costs more than double a category GS staff member: therefore, it is logical that the request from the Council should result in an increase in the wage bill (assuming the number of staff remains unchanged). This change was recorded in 2011 and 2012. Moreover, in 2013 there was a total reduction of 23 in the number of personnel (8 category P staff and 15 category G staff), contributing to an increase in the P/G ratio.

- the headcount was not included as one of the elements in the analysis: the average cost per staff increased between the two years and if one takes this increase and applies it against the actual (decreased) headcounts between 2012 and 2013 for both P and G staff, FIN considers the result is not material;
- repatriation grant explains half of the CAD1.2M, - of which there were 10 more staff who received repatriation grants in 2013 and amount paid per staff was higher in 2013;
- although there were less staff who got paid with accrued leave in 2013 as compared to 2012, the cost of each staff was higher in 2013 than 2012;
- consultants being funded by vacancies increased in 2013 as compared to 2012.

**Finding no. 4:** The wage bill continues to grow, both in absolute terms and as a percentage of expenditure from the regular budget. Some explanations provided in 2012 are no longer valid; meanwhile, there is still not enough auditable evidence for those put forward by the FIN branch for 2013 (however, information provided to the external auditor in March 2014 remains provisional).

**Recommendation no. 4:** The external auditor reiterates the recommendation, already accepted but not implemented in full, that an annual management report on human resources be published. This report will provide a clear, detailed explanation, based on auditable information, of the main causes of changes in the wage bill compared with the previous year paid from out of the fund of the programme of the regular budget and the other main funds linked to the regular budget (AOSC, ARGF, etc.), and the change in the difference between the standard costs used to prepare the three-year budget and observed costs.

Given that it relates to a major budgetary issue, this report should not have been presented to the Secretary-General alone, but also to the Council.

The external auditor completes its recommendation by emphasising the fact that the human resources section should have played a part in the preparation of the report to complement the explanations provided by the FIN branch.

Secretary General accepts this recommendation: a similar recommendation was already accepted in March 2013 during the 2012 audit – but as a report presented to the Secretary General. This recommendation has been completed on 31 March 2014 when the Secretary General has been provided by FIN with a concise but comprehensive variance analysis of the 2013 Regular Budget expenditures, which included both price (cost) and headcount variances. High level variance analysis for the financial year ending 2013 currently presented to the Secretary General will be posted on the Council website.

**Priority 1**

### 3.6. National professionals recruited on technical cooperation projects

47. With regards to staff recruited by Technical Cooperation Bureau (TCB) in various technical cooperation projects (excluding head office staff), the most general standards and principles governing agreements for consultants is Policy on Contracts Individual Consultants, a document published in 2011 and revised in 2012 that sums up the rules and procedures for the use of consultants. There is also the more general framework for FSSR (field service staff rules), which was published in 1992 and has been in the process of being updated since 2011. Finally, the “National Personnel Project Manual”, published in 2005, contains only compensated national staff on technical cooperation projects entered into with States.

These standards and principles are complemented by a Field Operations Manual, which is updated at regular intervals.

48. There are two types of staff recruited by TCB on projects: international experts and national staff. Among the latter, a distinction can be drawn between administrative staff who provide project support and “national professionals”, whose availability for the host country administration constitutes the very objective of the project and who have SSAs. It is this category of staff that is the focus of this audit. The purpose of the cooperation projects referred to in this audit is to put in place a local civil aviation administration. For example, for various countries in South America and, more rarely, in Africa, the aim of projects, which take the form of Management Service Agreements (MSA), is to remunerate all or some local staff part of a national civil aviation or air control body or service. Staff responsible for this administration are therefore remunerated out of funds for the project. The amount of remuneration paid accounting for most of the budget of the project.
49. Agreements awarded by TCB serve a dual purpose:
  - for the country concerned, the primary aim is to build capacity in the area of civil aviation. It is also important to reinforce its attractiveness and to retain local talent by providing fair remuneration, something that is facilitated by the intermediation of the ICAO;
  - for ICAO, this objective of developing skills is the natural extension of its general mission under the Chicago Convention. For the organisation, these projects also produce revenue that help balance the AOSC.
50. The figures below are extracted from the Agresso database. The staff summarised below are those recorded in December 2013, while the amounts recorded in the last column are for all remuneration paid by the ICAO in 2013. The ICAO has added a margin of 8.5% to this amount as payment for its services.
51. The table below shows the size of this type of project in terms of staff remunerated by the ICAO. At the end of 2013, close to 800 local professionals had SSAs and were remunerated by the ICAO, close to twice the number of personnel paid for out of the regular budget:

**Table 7: Personnel and amounts per project in 2013 (in United States dollars)**

Project	Funds	Personnel	Amount
ARG07803	5,318	410	7,253,101
ARG10801	5,517	49	1,499,499
ARG12801	5,569	8	27,054
BOL09801	5,442	N/A	1,533
BOL13801 <sup>13</sup>	5,581	3	2,289,923
COS06801	5,113	N/A	7,000
COS11801	5,521	1	36,000
COS11804	5,524	N/A	6,300
ECU11802	5,527	1	46,453
GRE00801	5,132	N/A	251,615
GUA05801	5,137	N/A	22,596
INS07802	5,389	3	109,000
LEB02801	5,154	2	29,603
PAN03902	5,275	2	110,853
PAN12801	5,575	38	979,677
PER08802	5,373	1	35,426
PER12801	5,535	146	5,992,880
RAF01809	5,177	1	3,129
RER01901	5,245	1	66,696
RLA06801	5,192	1	129,618
RLA99901	5,246	2	147,085
SOM03016	5,016	N/A	350,166
SOM95901	5,298	94	851,972
URU08801	5,433	11	262,778
<b>TOTAL</b>		<b>774</b>	<b>20,509,957</b>

Source: AGRASSO

52. Compensations are paid locally and recorded as a whole, per project, and per month in Agresso.
53. While TCB uses the common expression “SSA” to refer to the agreements held by this type of staff. No doubt, it would be preferable in this case to use a term such as national professional special contracts, for example, to avoid confusion with consultants.
54. For the most part recruitment methods are left to national coordinators, with the central administration (TCB) confirming the formal existence of documents (terms of reference, CVs of candidates, medical records).
55. However, the SSAs of consultants and those of national professionals share a number of characteristics, something which no doubt explains the use of the term “SSA” to refer to both: they are valid for a maximum period of 11 months and 25 days, with a gap of 5 days

<sup>13</sup> 220 staff are paid from this project, but there is no contractual link between these staff and the ICAO.

between agreements in the event of renewal; on the other hand, these agreements can be renewed an unlimited number of times. In practice, they can often be used to hire a local professional for periods of up to six years, or more.

56. The control and service provided by TCB are first and foremost financial: the signatory state must first put in place a provision to cover agreements, with all payments conditional on the existence of sufficient funds. Monthly payments are the subject of a global purchase order for each project; Agresso holds information in relation to the beneficiaries.

57. National professionals are in a potentially ambiguous legal position. On the one hand, they work within a national administration, of which they form all or part of the workforce. At the same time, however, the general rules of TCB governing the status of consultants and contractors sometimes point in a different direction:

- in particular, art. 1.1 of the rules of the FSSR and art 1.1 of the ICAO National Personnel Project Manual contains a provision stipulating strict obedience to the ICAO, worded as follows:

- *“The staff members of the International Civil Aviation Organization are international civil servants and their responsibilities are exclusively international. By accepting appointment they become bound to discharge their functions and to regulate their conduct with the service of the Organization and the fulfilment of their mission only in view. In the performance of their duties they may neither seek nor receive instructions from any authority external to the Organization. This obligation in no way precludes close collaboration between staff members and Governments which they are assisting, according to terms agreed between these Governments and the Organization;*

- the ban on requesting or receiving instructions from any authority outside the ICAO clearly cannot be enforced against an employee of the civil aviation department or national air control. This contradiction has also been pointed out by Legal Affairs and External Relations Bureau (LEB) in the examination of particular cases. The fact that this obligation does not include “close collaboration” on the part of said employees with their actual employer (i.e. the national ministries to which they report) only adds to the confusion: it is clear that an employee of a local civil aviation administration does not “collaborate” with the ministry to which it reports, but obeys it;

- symmetrically, the “Policy on Contracts” document quoted above explicitly states that persons with an agreement would not be able to “accept instructions in relation to services to be provided by the ICAO from any government or authority outside the Organisation”. This rule is also inadequate, in that it relates to purely domestic functions undertaken by the staff concerned (including staff responsible for the national coordination of the project in contact with the ICAO, who merely implement orders from their national ministry with regards to the recruitment of local professionals);

- similarly, article 15 of the standard agreement for national staff, which describes “standards of conduct”, contains obligations of conduct in relation to the UN and the ICAO which, although they set out obvious ethical rules on the requirement to observe secrecy, could give rise to feelings of subordination among national staff towards the ICAO, even while working in the administration of their own country with the clauses of their agreements aiming to show that they do not relate to staff of the ICAO, other than for the purposes of the payment of their remuneration.

58. Finally, the description of the procedure for the recruitment of local staff on SSAs is drawn from texts that could also give rise to ambiguities: according to the ICAO National Personnel Manual, recruitment is based on a list presented by the national coordinator for each project,

“subject to approval from the Director [of TCB]”. Such a presentation would seem to imply that the final decision rests with the director of TCB, when in fact that is not true: TCB’s sole responsibility consists of conducting an administrative verification of documents supplied in support of the proposed list (CV, terms of reference, medical certificates) – at best, TCB confirms that the files are complete and that CVs are consistent with the terms of reference. However, this administrative control is clearly not accompanied by any substantial verification of the veracity of these documents, and would therefore not be able to attribute to the ICAO any responsibility for the professional quality of staff recruited.

59. Despite the various inconsistencies and contradictions between the general texts and specific provisions, however, the legal risk seems limited:
  - TCB has additional internal rules (“Guidelines and Internal Procedures for the Recruitment and Administration of National Personnel”) that describe the various stages to follow in order to ensure that appointments meet with the main practical requirements and clearly demonstrate that when it comes to national professionals, the responsibilities of the ICAO as regards recruited staff are very limited;
  - on the other hand, MSAs that set out the content and modes of cooperation between the ICAO and a Member State in each project, contain specific clauses that state that responsibility for recruitment and the administrative processing of SSAs of personnel lies explicitly and wholly with the national administration, not with the ICAO.
60. Since these issues relate to close to half of personnel under contract with the ICAO (currently around 800 out of some 1,600 people paid directly out of all funds of the ICAO), it would be desirable for general provisions relating to these personnel to be brought into line with specific provisions as a whole.
61. Where appropriate, among national professionals recruited under this type of SSA, specific provisions could be reserved for a number of local agents who, for each project, are responsible for ensuring the connection with the ICAO (national coordinator, administrative assistant, pay manager, etc., i.e. 1 to 3 or 4 SSAs per project), whereas for all other national professionals, it would be useful to establish, both in general texts and in provisions specific to each MSA and to each agreement, that the payment of their salaries by the ICAO is not accompanied by any obligation to the ICAO and does not confer any rights to this organisation; the only rights and obligations applicable are those agreed with their national administration, under whose exclusive responsibility they perform their duties.



**Finding no. 5:** The practice of recruiting national personnel under MSAs paid for by the ICAO to provide national administration for civil aviation and air control for some twenty MSA-type cooperation projects is inconsistent with the general standards drafted by TCB on agreements for, and the recruitment of, local staff. This situation affects close to 1,000 staff paid for by the ICAO.

**Recommendation no. 5:** Since this practice has not been contested by the Council in principle, the ICAO should set out appropriate general standards whose main objective would be to determine that they do not result in any obligation or right on the part of the staff concerned vis-à-vis de the ICAO. With this aim in mind, reference texts (FSSR and the National Personnel Project Manual), as well as certain clauses in standard agreements must be made consistent with actual practice and objectives (the non-subordination of contract personnel within national administrations to the ICAO, the absence of any responsibility other than for an administrative control of recruitment files by the director of TCB, etc.). All in all, the aim would be to define an ad hoc status that is unrelated to other types of appointments undertaken by the ICAO under its own responsibility.

Secretary General accepts this recommendation: by December 2014, TCB will review the FSSR and the National Personnel Project Manual to analyze the possibility of including more specific clauses to cover for these types of contracts.

**Priority 1**

#### **4. INFORMATION AND COMMUNICATION TECHNOLOGY**

62. Between 17 and 28 March 2014, the external auditor conducted a financial review of the IT function at the ICAO. The aim of this review was to confirm the accuracy of information provided in this area to the Council using the three-year budget and various associated documents, and to determine the extent to which this function, which is still relatively dispersed across the organisation, met the needs of the organisation in an economic and effective manner, so as to formulate recommendations if necessary.

##### **4.1. The IT budget**

63. The information and communication technologies (ICT) budget is part of expenditure on management and administration support. For the triennium 2008-2010, the ICT budget was 16.8 MCAD<sup>14</sup> (of which 2.9 MCAD was not spent during the period). Current forecast expenditure on ICT for the triennium 2011-2013 stands at 18 MCAD (of which 2.9 MCAD has been financed from funds from the previous triennium; the initial voted budget was 14.2 MCAD), an increase of 7%. This amount was spent as follows between 2008 and 2013.

---

<sup>14</sup> The amount indicated in the 2010 report (18.6 MCAD) did not take into account the neutralisation of amounts carried forward from n-1 in the triennium.

**Table 8: IT Budget (in thousands of Canadian dollars)**

Year	Initial assignment	Assignment amount	Assignment Relat. Transfers	Year 1 report	Total	Salary costs	Total
(ex personne costs)							
2008	1,546,382	359,585	510,86		2,416,827	2,035,647	4,452,474
2009	1,878,757	836,05	109,375	1,232,354	4,056,536	2,134,183	6,190,719
2010	1,851,967	898,015	2,614,972	782,118	6,147,072	2,077,652	8,224,724
2011	2,803,930		1,004,984	2,940,624	6,749,538	1,880,575	8,630,113
2012	2,705,519	287,526	-104,536	1,717,836	4,606,345	2,038,805	6,645,150
2013	523,223	278,660	1,652,747	858,697	3,313,327	1,984,721	5,298,048

Source : Agresso

#### 4.1.1. Approved budget and actual budget

64. The difference of 3.8 MCAD between the approved budget and the current provisional budget for 2011-2013 was due to the following factors:

- the aforementioned carry-over costing 2.9 MCAD from the previous triennium, concerning funds budgeted, but not spent, in 2010;
- additional allocations of 788.6 KCAD made over the course of 2011, as well as transfers totalling 216.3 KCAD;
- a decrease of 304 KCAD in the initial budget for 2012, excluding carry-overs, which was offset in part during and at the end of the year by additional balancing of 414 KCAD, transfers to EDRMS (the Electronic Document and Record Management System project) totalling 35.7 KCAD, and additional resources of 103 KCAD from the AOSC fund;
- a reduction of 2,262 KCAD in the provisional budget for 2013, excluding carry-overs, which was offset in part during and at the end of the year by additional contributions of 1,931 KCAD, as well as transfers to the ICT section totalling 18.5 KCAD.

65. Excluding the carry-over from the previous triennium, the provisional budget for triennium 2011-2013 thus stands 15.1 MCAD (initial budget of 14.2 MCAD plus 3.3 MCAD in transfers and additional grants and 0.1 MCAD in from the AOSC fund, minus a budget decrease of 2.6 MCAD in the budget).

66. The overall increase of 7% displayed in the table above in the IT budget over the two triennia, as shown in the table above, was due to a number of factors:

- the report from the previous triennium (2.9 MCAD), given that just 15 MCAD in new initial resources (excluding sums carried forward) were allocated for the triennium 2011-2013, a fall of 10% on the previous triennium;
- the change in the scope of the IT budget (which in 2008-2010 encompassed the whole IT department but only the ICT section in 2011-2013). Therefore, the amount allocated to IT in other sections should be added to this budget;
- a reduction in the budget in 2012 and, in particular, 2013.

67. For the triennium 2011-2013, the budget of the ICT section alone accounts for 5.53% of the regular ICAO budget and 12.05% of all funds for management and

administration (which themselves cover a scope that is radically different from that for the previous triennium).

#### 4.1.2. Distribution of IT budgetary allocations

68. Since 2011, funds for IT have been distributed between three large categories of support functions: programme support (PS), which accounts for 60% of IT funds; management and administration (MAA), which accounts for 35%; and management and administration of governing bodies (MAA GB), which accounts for 5%.

69. As a result of the above, budgets cannot be directly compared with those for the previous triennium, since the method used to allocate general organisation costs between support functions and programmes have been amended, as emphasised in the presentation document for the 2011-2013 budget<sup>15</sup>.

70. Moreover, for the triennium 2008-2010, this budget contained a number of expenses associated with IT (including personnel costs), whether or not incurred by the ICT section, whereas since 2011 the budget has reflected the expenditure of the ICT section alone.

71. As previously, the perimeter of IT expenses of the organisation and that of expenditure undertaken directly by the ICT section could not be reconciled in 2013, with other management services possibly carrying out expenditure on behalf of the IT section.

72. Expenditure identified as having been incurred by the ICT section stood at 4.8 MCAD in 2013, of which 4.4 MCAD came from the regular budget.

**Table 9: Expenditure devoted to the regular IT budget and ICT funds  
(in thousands of Canadian dollars)**

	2011	2012	2013
Regular budget	7,604	5,799	4,410
ICT funds	238	396	417
<b>Total</b>	<b>7,842</b>	<b>6,195</b>	<b>4,827</b>

Source : Agresso

73. As a reminder, accounting expenditure allocated to IT in the last triennium financed from the regular budget that is recorded in the previous annual report of the external auditor was as follows:

**Table 10: Total IT expenditure recorded in the financial statements  
(in thousands of Canadian dollars)**

	2008	2009	2010
Total IT expenditure recorded in the financial statements	3,905	6,113	5,518
Of which ICT	2,888	5,151	4,379

Source : Agresso

<sup>15</sup> Working Paper A37-WP/43 Paragraph 28: structural costs are now recorded in resources derived from support implementation strategies.

74. The different presentation of the budget does not allow a comparison of expenditure between the triennium 2008-2010 and triennium 2011-2013. The former budget format sought to highlight all provisional IT expenditure carried out on the regular budget (irrespective of the decision-making authority responsible), with the exception of any expenditure not recorded as IT expenditure in the financial statements. The new format only highlights the provisional budget of the ICT section.

#### **4.1.3. Assessment of total cost of IT expenses financed out of the regular budget**

75. Since 2011, the plan has been to group IT expenditure into a supporting implementation strategy, managed by the ICT section. As a result, before being undertaken, this expenditure must be subject to prior budgetary authorisation from the head of the section. This new approach is accompanied by the allocation of IT expenditure to a single cost centre, which should make it easier to trace IT operations in the budget and focus responsibility for the distribution of funds allocated to IT.

76. Although it was not possible to completely verify that this rule is being strictly adhered to, the use of this single cost centre by department has improved compared with the previous year.

77. In order to arrive at a global vision of IT costs financed out of the regular budget, the following elements should be taken into account:

- the salaries of IT staff at regional offices (currently 8 personnel), an amount of approximately 570 KCAD;
- the salaries of IT staff of technical departments at the head office, but who are not made available to the ICT section. At the end of 2013, the external auditor listed four such IT specialists, three staff, and one consultant at ANB (this list is not exhaustive), with ATB not having answered the questionnaire – representing expenditure of around 530 KCAD (of which 147 KCAD was financed out of the regular budget). The personnel in question have IT and business skills;
- IT expenditure that is allocated to dedicated lines in the budget for department programmes, for the implementation of specific IT applications, or the outsourcing of certain IT services. As in 2012, the single cost centre had been correctly implemented and no significant item of expenditure was recorded outside this cost centre.

#### **4.2. IT personnel**

78. As at 31 December 2013, as was the case as at 31 December 2012, the ICT section consisted of 20 ICAO staff (personnel OACI), or 3% of personnel of the organisation, with a wage bill of 2.04 MCAD per annum.

79. Excluding these ICAO staff, personnel under the control of the ICT section also include:

- staff responsible for IT paid for out of the budget of each regional office, i.e. 9 people reporting to ICT;
- finally, 23 consultants (including seven placed under the control of ICT but paid for, in full or in part, out of the funds of other offices or sections), who as at

31 December 2013 worked for the ICT section. Given the multiple agreements signed, some of which were not managed by ICT, and rules of the renewal of agreements, it is difficult to determine the number of consultants present at the start of the year. In total, 37 different consultants worked for ICT in 2013 (some of whom were paid for by ATB or ADB-EDRMS), or 18% of consultants of the organisation. The number of consultants employed in 2013 was slightly down on the number for 2012.

80. In absolute terms, the budget allocated to the outsourcing of IT services (including consultants) rose by 71% between the triennium 2008-2010 and the triennium 2011-2013. Expenditure on this item, meanwhile, rose 114% over the same period, accounting for an ever-increasing share of IT expenditure of the ICAO, as shown in the table below:

**Table 11: Provisional budget and expenditure associated with outsourcing in the ICT section (in CAD)**

Year	Allocated budget	Expenses recorded	% of expenditure
2008	888,950	244,710	8.4%
2009	1,419,808	1,138,549	22%
2010	1,722,591	745,093	17%
2011	2,646,081	1,424,153	18.2%
2012	2,145,909	1,635,936	26%
2013	2,113,621	1,509,664	31%

\*Data as at 13 March 2014, provisional statements.  
(Source : OACI)

**Finding no. 6:** The full cost of IT services to the ICAO is difficult to determine, due to the dispersal of the function across the various structures of the ICAO. Expenditure placed under the section responsible for IT (“the ICT section”) accounted for 4.8 MCAD per annum, down 1.4 MCAD on the previous year.

With the new budget format, it is not possible to easily reconstruct the overall cost of the IT function for the ICAO, including external expenses and staff costs (especially IT posts in the Regional Offices and in the bureaux). However, with the increasing use of the ICT cost centre it is possible to arrive at an approximation of this overall cost, much more so than it was in 2011. Apart from personnel, the auditor did not find any significant items of expenditure that had not been allocated to the ICT section. On the other hand, IT personnel not attached to the ICT section account for a wage bill very approximately estimated at around 1.1 MCAD.

After doubling between 2010 and 2011, the cost of outsourcing IT functions stabilised over the triennium 2011-2013 to an average of 1.5 MCAD per year, or 4.6 MCAD in total, more than double the amount spent on the outsourcing of IT functions the previous triennium. The majority of the staff under the control of the ICT section are now consultants (53% of the section as at 31 December 2013), although in late 2013 four consultants’ positions were turned into staff positions on the recommendation made by the external auditor the previous year, to perform ongoing functions essential to the ICAO.

**Recommendation no. 6:** Given the relative importance of IT in the ICAO budget (it accounts for nearly 12.05% of the management and administration credit of the organisation, to be compared to 12.37% in 2012), the external auditor recommends that at the end of each year, the organisation disclose the amount spent on information and communication technologies and how this expenditure is distributed (type, substance, and destination).

Secretary General accepts this recommendation, and considers it is already implemented: the ERP system (Agresso) captures IT data by nature of expenditure (hardware/software) and by cost center. This financial information on IT-related expenses can be shared with the Council if the Council so desires.

***Priority 2***

## **5. FIN BRANCH AUDIT**

81. The audit of the Finance Branch (FIN) of the International Civil Aviation Organization (ICAO) was carried out between June 17th and 28th, 2013.
82. This audit, organisational rather than financial, focused mainly on the organisation, the working methods and the performance of the Branch. The performance evaluation caused the External Auditor to study the relationship of FIN with the Headquarters bureaus, as users of the budgetary and financial datas provided by the Branch.
83. The current audit did not address the internal checks and balances as these are handled by the annual review when auditing the accounts. However, in order to identify what levers could be used for improving the efficiency and effectiveness of the Branch, the External Auditor used the process reviews prior to certification of the account previously performed.
84. The audit was carried out in compliance with the auditing standards of the International Organization of Supreme Audit Institutions (ISSAI) and the Financial Regulations of the Organization.

### **5.1. Introduction**

#### **5.1.1. The missions**

85. The missions of the Finance Branch concern three main areas:
  - the preparation of financial statements and the recording of all financial transactions;
  - the establishment of the Organization's budget and the oversight of its implementation;
  - strategic analysis, risk prevention and help in project management.
86. In finance and accounting matters, FIN is responsible for producing financial statements and for recording all the Organization's financial transactions, both for proprietary and non-proprietary funds. In this capacity, it handles the collection of receivables, accounts payable, the cash book and treasury accounts, as well as settling travel and expense claims and handling payroll.
87. The scope of FIN's activity in budgetary matters is more limited. It manages only the Regular Budget items and other directly owned funds, excluding technical co-operation, which includes AOSC (Administrative and Operational Services Cost) funds (No. 2201) handled by the Planification and Budget Unit<sup>16</sup>.

---

<sup>16</sup> The AOSC funds include the overhead charges concerning the TCB as compensation for services provided which are funded out of the Regular Budget.

88. Procurement is not part of FIN's purview. This is handled either by the Procurement Section of the Technical Co-operation Bureau (TCB), or by the allotment holders, depending on the value of the purchase.

### 5.1.2. Available resources

89. To carry out its missions, the Finance Branch has 36 established posts to which a further 5 funded by the Ancillary Revenue Generation Fund (ARGF) should be added.

**Table 12: FIN posts**

	2011	2012	2013
Established posts financed by the Regular Budget	36.5	36.0	36.0
Extra-budgetary posts financed by the ARGF	5.0	5.0	5.0
<b>Total FIN posts</b>	<b>41.5</b>	<b>41.0</b>	<b>41.0</b>

Source: FIN, AOSC

90. Savings achieved as a result of vacant posts, of which there were four as at 16th May 2013, are used to fund the hiring of three consultants, most often on a part-time basis. In addition, FIN has one 'supernumerary' post, i.e. a position not forming part of the established posts.

**Table 13: Vacant posts**

	31 <sup>st</sup> Dec 2011	31 <sup>st</sup> Dec 2012	16 <sup>th</sup> May 2013
Vacant posts	2.0	4.0	4.0
Other posts occupied			
Consultants*	2.0	3.0	3.0
Supernumerary	2.5	1.0	1.0

\* Posts (including part-time) financed from savings made from vacant posts

Source: FIN, AOSC

91. The majority of these posts (29)<sup>17</sup> are devoted to accounting operations recording in the widest sense of the term. Four handle the general ledger and financial statements, five deal with the Treasury and Cash Book, six run the payroll operations, six cover expense reimbursement, and four handle receivables while another four handle non-financial liabilities. Managing the budget requires five people. Five further posts are given over to strategic analysis, project management and monitoring of risks and standards compliance. The balance is management, including the secretarial function.

<sup>17</sup> FIN has a different headcount, with only 21 posts dedicated to accounting operations: the difference comes from the fact that the external auditor considers that the activity covered by 6 posts for payroll, and one manager and his secretary is mainly linked with general ledger/accounting operations.



92. For the 2011-2013 triennium, FIN's own budget and expenditure were as follows:

**Table 14: FIN Budget (in thousands of Canadian dollars)**

	2011	2012	2013
FIN Regular Budget agreed A37-26 (original appropriation)	3,231	3,260	3,410
The share allocated to FIN through AOSC fund reimbursement	968	992	1,025
Carry over	61	63	64
Exchange losses and adjustments	-28	-73	-88
<b>Revised appropriation FIN budget</b>	<b>4,232</b>	<b>4,242</b>	<b>4,412</b>
Allotments	4,018	3,884	4,363
Expense	3,974	3,641	n/a
<i>Expenditure rate</i>	<i>99%</i>	<i>94%</i>	<i>n/a</i>

Source: 2011-2013 triennium Budget and FIN, AOS)

93. FIN's annual budget, voted by the Assembly, increased over the triennium. In reality, however, real expenditure was down in 2012, as a result of the annual allotment reductions and a slightly lower rate of budgetary spending.

94. The AOSC Fund covers part of FIN's triennium Budget to compensate for the services provided under the aegis of the Technical Co-operation Programme (TCB) :

**Table 15: FIN's triennium Budget (in thousands of Canadian dollars)**

	2011	2012	2013
Total initial budget	3,231	3,260	3,410
Share allocated to FIN through AOSC fund reimbursement	968	992	1,025
<i>% of share/agreed budget</i>	<i>30.0%</i>	<i>30.4%</i>	<i>30.1%</i>

Source: triennium budget 2011-2013 and FIN, AOSC

95. The share provided by the AOSC to cover the cost of Finance Branch services is equivalent to about 30% of the total budget. The proportional share accorded to FIN was the equivalent of some thirteen posts in 2010. This was confirmed on two occasions by surveys conducted among FIN's personnel, one in October 2010 and one in the second half of 2012.

96. In practice, though, this share was reduced by the Council's Decision C-DEC 196/3 under the terms of which the amount covered by technical co-operation was reduced by 30%, thereby lowering the contribution of the AOSC Fund to the full Regular Budget from 1.7 to 1.2 MCAD in 2012. The Council's Decision C-DEC 197/2 then froze this sum for 2013. If such a contraction were applied to FIN's share, the figure would be reduced from 1,025 KCAD to 718 KCAD, a level well below the real costs involved. TCB claims that the Council approval of CAD 1.2 million was based upon the two surveys previously performed. The external auditor doubts this explanation : based on the time spent that all the Branch's staff, with the exception of the Chief, have declared, the External Auditor has estimated the salary cost of the sole services provided by FIN for technical co-operation at close to 1 MCAD.

**Finding no. 7:** The costs of services provided by FIN for technical co-operation activities are insufficiently covered by the AOSC following the Committee decision C-DEC 197/2 to reduce the AOSC Fund's contribution to the Regular Budget. On the basis of staff declarations, the External Auditor estimates the shortfall for FIN to be in the region of 300 KCAD, i.e. an additional 40% of the current contribution from the AOSC. Although this estimate needs to be treated with care, given that it is based strictly on employees' views, the gap is large enough to indicate that the AOSC Fund does not fully cover the costs incurred by FIN.

**Recommendation no. 7:** The Auditor recommends that a more realistic contribution from the AOSC be granted to FIN to reflect the actual time spent by FIN's staff on technical co-operation activities.

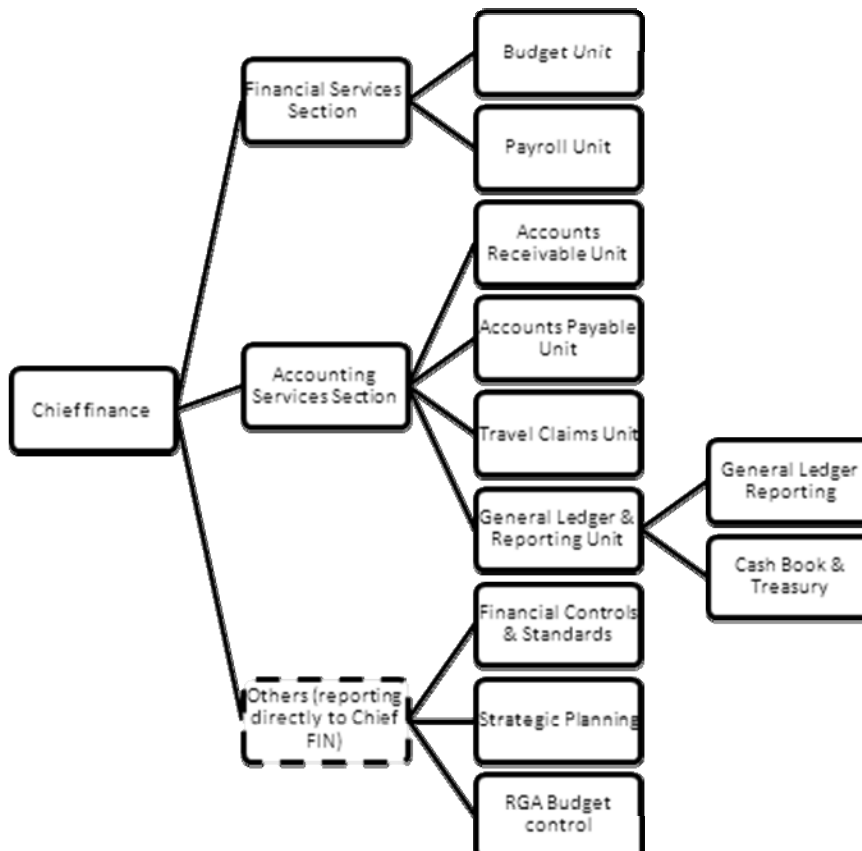
The Secretary General rejects this recommendation, considering Council had been properly informed before taking its budgetary decisions. The external auditor keeps to its initial view that 1.2 MCAD do not cover regular budget expenditure for TCB activities.

**Priority 1**

## 5.2. Work organisation

### 5.2.1. Organisational structure chart

97. Below is an organisational structure chart for the Finance Branch:



98. This organisational structure chart does not reflect FIN's three missions.
- control of the budget is not in the hands of one unit, but split between one for the Regular Budget ("Budget Unit") and one for the Ancillary Revenue Generation Fund (ARGF) ("RGA Budgetary Control");
  - settling travel expense claims is not grouped under Payroll, even though the two operations have similar checking and payments procedures;
  - the functions dealing with financial and accounting standards and those handling strategic analysis and risk prevention are not grouped, despite having many synergies.
99. The choice of this particular organisational structure is explained in part by the desire to have similar sized units and a similar level of middle management activities. There are also historical choices involved. In particular, the ARGF budgetary control post, although separate since this Fund was attached to the Bureau of Administration and Services (ADB) in 2011, has continued to report directly to the Chief FIN.
100. Such an organisation is not ideal for sharing experience and building up solid know-how around the major functions. Organisational choices are often a function of the available skills: from this point of view, preventing compartmentalisation risks would not require organisational changes, but rather initiatives to spread the best practices across the different teams and managers.
101. However, at the time of this the audit, the involvement of management was limited in the services section and almost non-existent in the financial services section given that the management position is currently vacant. Further down in the hierarchy, at the unit level, there has been an effort to introduce a level of versatility amongst the team members. This should be strengthened, even though, according to the information from the individual PACE (Performance and Competency Enhancement) reports, this activity does not appear to be enough valued.

### **5.2.2. The information system**

102. The Agresso management software suite was initially installed in 2008 with the accounting module and has been regularly enhanced with the addition of complementary modules, such as the Fixed Assets module introduced at the beginning of 2013. The first fruits of this system were to be found in a greater reliability of the information provided, notably with consistency between accounting and budgetary data, as shown in Statement 5 of the Financial Statements. Subsequently, after a delicate change-over period, the software enabled the unit to eliminate certain manual operations and to format the automatic production of management reports and follow-up requests.
103. In the vast majority of situations, the Agresso tool is now handled without any problems, especially in the automatic production of the accounts. Nonetheless, certain difficulties do exist, and improvements should be sought in the areas of aged balance, payroll and reimbursement of travel expenses.

## **5.3. Results by principals**

### **5.3.1. Expected results**

104. For the 2011-2013 triennium, the Council gave FIN three sets of objectives:
- the creation of an internal control framework, a modified set of Financial Regulations and financial statements compliant with IPSAS standards and approved without reserve;
  - the establishment of the budget and adherence to the assigned budget appropriations;
  - accurate, on-time payment for all personnel and outside consultants.
105. The External Auditor observes that the objectives set by the Council have been met. In particular, the accounts for 2011 and 2012 were approved without reserve, and the Finance Branch has produced the new procedures and Financial Regulations, albeit with a delay of a few months in relation to the original plan.
106. During the same triennium, the Finance Branch handled, within its initial budgeted posts, several other one-time projects. These include the roll-out of various functions in the integrated Agresso management software, the implementation of IPSAS standards with effect from the financial year 2010, and the undertaking of several additional tasks, such as the payroll operations for seven Regional Offices.
107. The budget proposals for the next 2014-2016 triennium submitted to the Council at its 199th session (C-WP/14032) assign 34 posts to FIN for 2014 and 33 for subsequent years. This Branch will therefore need to eliminate three posts next year with no decrease of its responsibilities. The External Auditor believes that this reduction can be achieved with no impact on the service provided, given the stabilisation around the IPSAS standards and the now generally satisfactory use of the Agresso integrated management system.

### **5.3.2. Principals' expectations**

108. Schematically speaking, one can consider that the Finance Branch has two main "customers": the Council, on the one hand, and the Headquarters bureaus on the other.
- for the Council, the Chief FIN reports on the execution of the budget and on the financial situation, produces performance indicators and responds to all ad hoc requests;
  - as for its relationship with the Headquarters bureaus (ADB, ANB, ATB), FIN provides information on and assumes responsibility for all accounting and financial activities, and would therefore be better described as a service provider.
109. In carrying out his mission, the Chief FIN gives clear priority to the Council. Such prioritisation is not only logical, but also totally consistent with FIN expected results outlined in the 2011-2013 Budget. Thus, of the seven expected results, only one, concerning payroll, is not directly related to the provision of information or decision support for the Council.
110. Although such prioritisation is perfectly legitimate, it should not mean that satisfying the needs of the other bureaus should be postponed or, worse, completely ignored. To avoid this risk, and to take greater account of the level of service that FIN should provide to the other bureaus, there could be a better balance in the evaluation criteria specified in the budget for the next 2014-2016 triennium. For example, there could be an indicator for measuring the effectiveness in recovering non-sovereign debts.
111. At the same time, in view of continual improvement, one could organise half-yearly meetings with the bureaus Directors in order to fine tune the budgetary and financial

information provided to them. Such a pragmatic approach could usefully complement the use of performance indicators, given that questions concerning improvements in service and the tools used do not lend themselves easily to a quantitative evaluation using Key Performance Indicators, and that there is no formalised way in which the bureaus define their requirements.

**Finding no. 8:** although FIN asserts that it communicates with bureaus on budgetary matters on a constant and real-time basis, and that the turnaround time to respond to queries is less than 24 hours, there is no formal mechanism for evaluating the pertinence of the budgetary and financial data provided to the various Headquarters bureaus. The expected results take little account of the services provided by FIN to Headquarters bureaus.

**Recommendation no. 8:** The External Auditor recommends adopting the principle of continual improvement in the budgetary and financial data provided by FIN. This could take the form, for example, of periodic meetings with the Headquarters bureaus. The Auditor also recommends having the rate of recovery of the debts on missions, delegations and ARGF services (the bulk of it being on account 14150 and 14160) a key performance indicator in the next triennial budget.

The Secretary General partially accepts this recommendation and will implement it during the 1st half of 2014.

1. FIN will distribute budget reports and seek input or suggestions from Bureaus at least once a year. FIN will provide visibility to payroll cost to those bureaus who desire it.
2. KPIs that are important for the Council will be developed with input from the Council.

**Priority 3**

## 5.4. Budgetary control

### 5.4.1. Budget implementation monitoring

112. The budget structure for the 2011-2013 triennium comprised some 37 programmes which the final report approving the financial statements for the year 2011 described as unnecessarily detailed (observation No. 11), and stated that they de facto could easily be merged in the case of Regional Offices.

113. Apart from this minor reservation, budgetary control of expenditure is in place. There is a high degree of reliability, especially as a result of the system of automatic blocking of expense and the partial automation of certain checks.

114. The External Auditor has nevertheless observed two remaining risks, albeit with limited potential impact.

- first, in the absence of systematic checks on the nature of an expense, allocation errors are possible<sup>18</sup>. In particular, the erroneous allocation of travel costs to the 'meetings'

---

<sup>18</sup> Concerning possible allocation errors, FIN asks: "how can a system check be built which can verify the nature of expense? How can a system detect, for instance, that what is charged to Travel cost is really Travel related?" But the external auditor's analysis is based on the assumption that one of the main functions of FIN is precisely to make sure budget allocations decided by the Council are checked.

budget can escape the vigilance of the budget controller, in which case savings resulting from the cancellation of a 'meeting' can be used to fund trips that have not received prior budgetary approval.

- also, recruiting a consultant to plug a vacancy does not result in a change to the e-recruiter database; therefore there is a residual risk that a permanent employee is recruited for a position that is already 'filled'. Setting up an additional check when the holder of any position changes would remove this risk. This option has not been chosen as it constitutes an additional administrative procedure for the allotment holders, to avoid a risk of such limited impact. Nevertheless, according to FIN, this matter can be easily resolved by amending the workflow in e-recruiter without involving any additional administrative burden for the allotment holders.

115. The take-up of budget appropriations is updated in real time and is available to the various bureaus. Apart from the budget take-up, there are templates which provide information by program and by fund, in a pedagogical ergonomic format. Using a somewhat intuitive approach, these provide the history of the transfer of approved appropriations, the committed appropriations not yet spent and the travel expenses for the personnel involved. The reports produced for the funds that receive voluntary funding from Contracting States carry complementary information concerning their income and the situation of their balance sheets. These reports are extensively used and much appreciated by those managing the funds.

#### **5.4.2. The relevance of revenue forecasts**

116. There is no particular problem concerning the quality of revenue forecasts for the Regular Budget. However, this takes on a strategic aspect for the Ancillary Revenue Generation Fund (ARGF) because of its contribution to the Regular Budget as defined by the decision of the Council for the triennial budget. According to the terms of the working document C-WP/14032, the ARGF has to contribute to the level of 5.1 MCAD per year to the 2014-2016 Regular Budget.

117. However, the Finance Branch did not participate in the evaluation of the revenue forecast. The budget was built using a top-down approach starting from the constraints imposed on the Regular Budget, notably the freeze on contributions by Contracting States. Once the ARGF contribution to the Regular Budget has been defined and, because of the relatively fixed nature of the cost structure, the budget is effectively balanced by the revenue, although no details of this are produced or discussed with FIN.

118. The risk associated with such revenue forecasts is nevertheless attenuated to a degree by the ability of FIN to identify early on any shortfalls in the expected level of income. As the contributions to the Regular Budget are debited monthly, corrective measures can be implemented, within the limits imposed by the statutory constraints on the ICAO officers.

**Finding no. 9:** The External Auditor observes that the ARGF Fund's contribution to the Regular Budget results not from a bottom-up budget construction based on the various revenue streams, but rather uses a top-down approach, the principle aim of which is to balance the Regular Budget. This is despite the External Auditor having already mentioned, in its annual report on the 2012 accounts, that the trend towards a decrease of the net assets and future prospects for the activity of the ARGF should be the subject of greater analysis to determine the level of funding from the Fund to finance the Regular Budget for the next triennial budget.

**Recommendation no. 9:** The External Auditor recommends greater involvement from the Finance Branch in assessing the reliability of the budgeted revenue from the ARGF, in particular by giving it the authority to question and discuss the forecasts established by the ARGF's Director in a bottom-up approach.

The Secretary General “partially accepts” this recommendation, but considers that, as a member of the RGA<sup>19</sup> Governing Committee, FIN is already involved in assessing the reliability of ARGF budget. No specific action is intended to increase this involvement.

**Priority 1**

## 5.5. Budget implementation follow-up

### 5.5.1. Reports for monitoring budget implementation

119. The Agresso system produces automatic reports and templates for monitoring budget implementation, but there is no consistency, either ergonomically or in the level of detail, between those concerning the Regular Budget and those concerning the ARGF. This inconsistency is not justified, either by the fact that the revenue-generating activities require that receipts be closely monitored, or by the decision not to communicate to Headquarters bureaus Directors the real salary cost charged to the budget (see below)<sup>20</sup>.
120. For example, the budget implementation tables that are produced from pre-recorded requests in Agresso for the ARGF budget do not allow for the monitoring of financial commitments, whereas such an indicator exists for the Regular Budget. On the other side of the coin, for the Regular Budget there is no possibility of comparing the progress of budget implementation with the same period of the previous year, a facility which exists by month for the ARGF.
121. Consistency in the documentation in the area of budget implementation monitoring should be encouraged as it can simplify operations, enable early detection of shortfalls and promote management dialogue.
122. The current inconsistency may be due in part to the relatively recent nature of the various process improvements that have been implemented (one year at the most). On the other hand, it is also a reflection of the separation that exists between the sections responsible for the Regular Budget on the one hand, and the ARGF on the other.

<sup>19</sup> RGA: Revenue Generating Activity

<sup>20</sup> FIN considers the nature of business for regular budget and ARGF is different “the two have to be managed differently. The Regular Budget is managed to an appropriation – to an expenditure total. The ARGF budget cannot be managed to a fixed expenditure total. It is revenue dependent. Hence the ARGF budget can only be managed to the Contribution Margin”. But the concrete examples of differences given in the following paragraph have no link with the nature of the activity.

123. Sharing best practices would be a good way of responding consistently to the various demands from the budget managers. However, building on and sharing experiences is more a question of management - it does not imply any organisational changes, and it does not require any additional resources.

### **5.5.2. The use of a standard charge for personnel expenses**

124. When preparing the triennial budget, personnel costs are based on a standard cost rate. The primary reason for not communicating the real costs to bureaus Directors is to avoid managers being influenced by the family or personal situation of personnel which could significantly increase the real cost when all appropriate allowances have been added.

125. To this argument on principle can be added other more pragmatic reasons:

- on the one hand, FIN has established a fairly conservative figure for the standard cost in order to avoid the need to go back to the Council during the year to ask for a budget increase if the allocation is exceeded. However, such a system has the effect of creating a much higher level of carry-over than a more transparent system, which would also give more responsibility to the operational managers in handling real costs;
- on the other hand, the current system simplifies management in that it removes the possibility of managers carrying over appropriations (or increasing other expenditure) as a result of savings that might have been made from the wage costs in their office compared with the standard cost.

126. However, this practice has the drawback of limiting the responsibility of bureaus Directors to non-personnel related expenses, representing less than a quarter of the budget they are allocated to manage. Some Directors believe this to be contrary to the idea of a Results-Based Budget and would prefer to be given responsibility for managing wage costs and not simply the number of posts<sup>21</sup>.

127. Co-incidentally, the system of a standard cost can also deter bureaus from hiring outside the consultants whose real cost is greater than the standard cost.

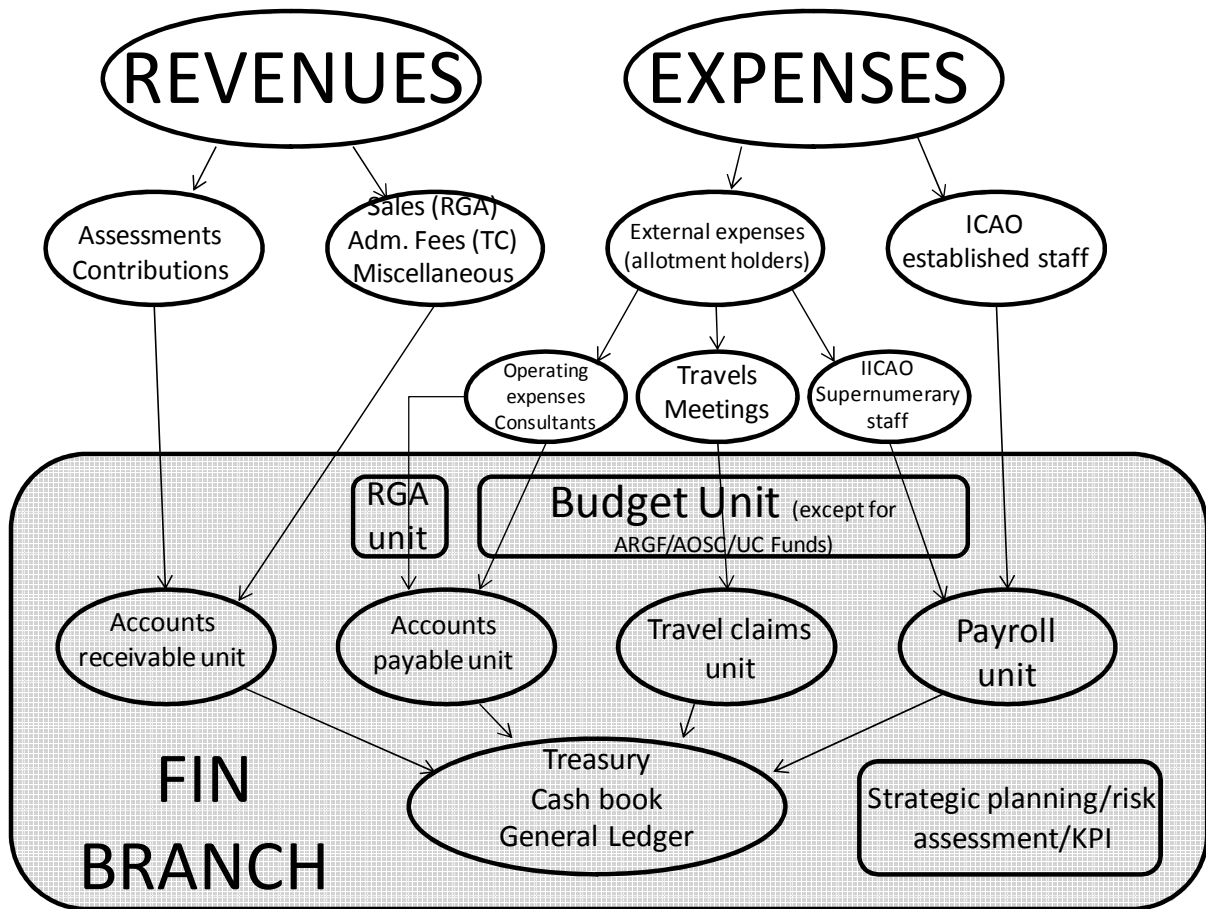
128. The current mechanism can be demonstrated in the chart below, which clearly shows the limited scope for bureaus Directors ("External Expenses -Allotment holders" in the chart) to handle the personnel element of their budgets:

---

<sup>21</sup> On this question, FIN considers that wage costs should remain managed centrally for three reasons:

(i) No Organization in the UN system allows its Directors to manage their own wage costs, (ii) In case one bureau would report a favourable Standard Cost vs. Actual Cost variance, but another bureau would have an adverse Standard Cost vs. Actual Cost variance, the Organization could be left with an overall overspent budget (iii) If each Director was to manage his/her wage cost, the overall vacancy rate (6,2% in the next triennial budget) could not be managed.





129. Specifically, the diagram shows that bureaus Directors, as 'allotment holders', are required to manage consultants and supernumerary personnel without knowing the budgetary effect of those occupying the 'established' posts.

130. Taking into consideration FIN's arguments (there needs to be an overall budgetary control of wages) a solution could be to enable Headquarters bureaus to have access to the real personnel costs, whatever the status (established, supernumerary or consultant). In this way, the Headquarters bureaus (ADD, ANB, ATB) would be 'allotment holders' for the totality of their budgets including all personnel costs: staff, costs and holiday. The mechanism would always be signed off by FIN and remain under the overall control of the Secretary General, who would have, as now, the right to decide on the end-of-year carry-overs.

131. Personnel cost transparency could also lead to a greater emulation among the various bureaus and an optimisation of budget appropriation, whilst at the same time maintaining the level of control over the average wage cost<sup>22</sup>. This would produce a more entrepreneurial approach. The role of the budgetary liaison personnel in the bureaus would be strengthened, particularly when it comes to decisions concerning end-of-year carry-overs.

<sup>22</sup> i.e in fact, a relatively limited control, UN wage levels being in any case fixed by the UN International Civil Service Commission (ICSC)

132. Both systems have advantages and drawbacks, and the decision on which to choose will depend on what type of management dialogue the Council and Secretary General would like - decentralised and debated (real costs) or centralised and administrative (standard costs).
133. Whichever system is chosen, it should not interfere with the ability to analyse the history and trends of the Organization's labour costs. At the moment, as the various bureaus only have standard personnel costs covered in the Regular Budget, the monitoring and analysis of the total payroll can only be carried out by the Finance Branch, which is also responsible, as it happens, for updating the standard costs.
134. However, in the annual report for the financial year 2012, the External Auditor noted<sup>23</sup> that, despite the fact that total payroll represents some 80% of the Regular Budget and had shown a considerable increase in a year, no analysis of the situation had been undertaken. The explanations offered by FIN were "sometimes contradictory, often imprecise and generally not auditable". The Finance Branch was thus invited to carry out an annual survey of the major trends in both standard costs and total payroll, as they concern the Regular Budget and the major related funds (AOSC, ARGF, etc.).
135. To date, this analysis has not been seen as a priority item by FIN, which has focused its resources on ensuring reliable budgetary and accounting procedures following the roll-out of the Agresso system. It would now appear urgent to improve the level of such financial analysis. The organisational audit of FIN confirms that, in the absence of transparency concerning real personnel costs, it is the Branch's responsibility to analyse the factors that may explain total payroll evolution.

**Finding no. 10:** Given the system of standard labour costs currently used by the Organization, FIN is in sole possession of information concerning real staff costs and the real budgetary appropriations for staff. Such exclusivity is not necessarily harmful, in that it simplifies any management dialogue, on condition though that it does not deprive the Organization of up-to-date consolidated information concerning appropriations for budgeted labour costs, or affect analysis of the factors involved in total payroll evolution. The External Auditor notes, though, that this analytical capability is lacking in the Organization, as it is not being carried out by FIN.

**Recommendation no. 10:** Noting that FIN chief asserts that "FIN performs all analyses considered necessary or useful" the External Auditor recommends that FIN sets itself up to be able to carry out detailed and auditable financial analyses on the trends affecting total payroll, in particular by identifying the variables associated with the level of employment and labour costs, the use of consultants or changes in re-invoicing methods to the ARGF or the AOSC. The External Auditor believes that such a capability can be achieved with the current resources through internal redeployment.

The Secretary General accepts this recommendation: FIN will annually issue a report explaining the variance in payroll expenses.

**Priority 1**

---

<sup>23</sup> Finding n°5, annual report of the External auditor Financial period 2012

## 5.6. Risk prevention and strategic management

136. The Finance Branch has two posts devoted to standards compliance and two others handling strategic analysis, risk prevention and implementation of management tools and indicators. The personnel in question are not assigned to the budgetary control or accounting services, and report directly to the Chief FIN.

### 5.6.1. Risk prevention and standards compliance

137. Risk prevention has given rise to a chart provided for the Secretary General. This gives for each Strategic Objective (safety, security, environment) and support functions - information and communication systems (ICT), finance (FIN), human resources (HR), procurement (PRO) - the indicators provided by the Offices and Bureaus concerned. The Finance Branch, however, does not have the authority to discuss the appropriateness, the exhaustiveness and the manner in which these indicators are reported.

138. Without carrying out an exhaustive review of the risks, the External Auditor recognises certain limits to the current chart. For example, although the chart identifies 'missed opportunities' as a major risk for the Organization, there is no mention in the performance indicators of the reconstruction of the Haiti air traffic control system, in which the ICAO did not participate. In the same vein, although, based on the working document C-WP/13867, the retirement of some 85 Professional (P)<sup>24</sup> staff and 75 General Services (GS)<sup>25</sup> staff between 2011 and 2016 had been identified by the Human Resources Branch, this risk did not initiate an estimation of the financial cost of health insurance for retirees (ASHI), which is paid on a 'pay as you go' basis.

**Finding no. 11:** The External Auditor notes that, although the risk associated with health insurance for retirees has been identified, the Finance Branch has not carried out any assessment of its impact on the accounts. In more general terms, the External Auditor has observed that there is limited ability to analyse the situations and their financial risks. Even the usefulness of such an evaluation is questioned by the Chief FIN, who points out that the budget, and not the financial accounts, is the preferred management tool, both by the Headquarters bureaus and the Council.

**Recommendation no. 11:** Following on from the annual report on the 2012 accounts where the recommendation was made to plan for financing the ASHI commitments, the External Auditor recommends that FIN adds financial estimates to the list of risks, so as to understand their potential impact.

The Secretary General rejects this recommendation, considering ICAO has no in-house ability to develop meaningful and accurate estimates, and that there are no funds appropriated for this purpose. Nevertheless, the external auditor encourages a better knowledge and information of the Council on these key risk issues.

**Priority 2**

<sup>24</sup> Professional = managers and senior civil servants

<sup>25</sup> General Services = administrative and general services personnel

### 5.6.2. Strategic analysis and Performance Management

139. The Finance Branch is responsible for advocating the use of the project management software tool known as the IKSN (ICAO Knowledge Sharing Network). This software is used by some 130 staff. The Air Navigation Bureau (ANB), which was the originator of the software, and the Information and Communication Technology (ICT) section of the Administration and Services Bureau (ADB) are the most assiduous users. Bureaus like FIN and ADB (except the ICT) hardly use it at all, whilst the Technical Co-operation Bureau (TCB) uses it three or four times a year to produce reports for the Council. Using project management software, with somewhat complex procedures, simply as a reporting tool cannot be considered optimal, particularly in terms of efficiency.
140. The Key Performance Indicators currently being defined should enable some objective measurements of office performance to be available in time for the next triennial budget. The indicators currently proposed have been drawn up by the offices from a set of indicator types put forward by the budgetary controller. This initiative has therefore been implemented without the involvement of the officer in charge of strategic planning, with the risk reducing its role to one of simple information gathering.
141. Today, the main contribution of FIN in this area is collating information produced by the various bureaus in order to produce a summary report for the Council. And yet, out of the three principal challenges that have been identified (i.e. (i) medium and long term trends in financial and human resources, (ii) the levers available for attracting additional voluntary contributions, (iii) the growth in civil aviation), the first represents a natural arena for the Finance Branch to play a coordinating role. The fact that strategic planning can only be achieved in a collaborative manner does not excuse FIN from failing to take the initiative in this first project in conjunction with the Human Resources Branch (HRB).

**Finding no. 12:** The External Auditor notes that, in the same way as its role in risk management, FIN serves mainly as an information gatherer in the areas of strategic planning, performance indicator definition and the use of the IKSN project management software. In these cross-functional areas, FIN has not succeeded in imposing itself as a leader and driving force, contenting itself with gathering information for the Council without any real added value to the bureaus, and therefore the Organization's activities.

**Recommendation no. 12:** The External Auditor recommends that the strategic planning unit be placed in a driving force position, and not just a focal point, for cross-functional projects associated with strategic analysis and performance evaluation. The main contribution of FIN should be, in close cooperation with the Human Resources Branch, to take a strategic look at the Organization's future requirements in terms of financial resource planning.

The Secretary General accepts this recommendation: a new set of indicators will be implemented by the end of 2015.

**Priority 3**

## 6. DAKAR REGIONAL OFFICE

142. The audit of West and Central Africa regional office (WACAF) was performed in Dakar from 13 to 24 May 2013. The External Auditor had performed a previous audit on this office from 13 to 23 May 2008.

### 6.1. Operations of the Regional Office

143. The Office was established in Dakar (Senegal) in 1963. The Office is accredited to twenty-four Contracting States in the African and Indian Ocean Region (AFI)<sup>26</sup>.

144. In the WACAF Region, there are a number of consulting and working bodies common to all the Regional Offices and a number of bodies specific to the Region. The following description classifies these bodies in terms of their relationship with the Regional Office, namely:

- regional bodies for which the secretarial function is performed by the Regional Office;
- regional bodies that are independent partners of the Regional Office;
- internal ICAO bodies operating in the WACAF Region.

145. The presentation of these bodies will be followed by an overview of the Regional Office's internal organisation and then a review of the regional safety oversight organisations (RSOOs) currently being set up.

#### 6.1.1. Regional consulting bodies coordinated by ICAO

##### ***APIRG (Air Navigation)***

146. The mission of APIRG (AFI Planning and Implementation Regional Group), of which the WACAF and ESAF Offices are members, is to guarantee cohesion between the Regional Air Navigation Plan, or RANP (AFI Plan – doc. 7030), and the Global Air Navigation Plan (GANP), taking specific local conditions into account. APIRG is composed of four technical Sub-Groups: ATM/SAR/AIM (Air Traffic Management, Search and Rescue, Aeronautical Information Management), CNS (Communication, Navigation & Surveillance), the sub-group AOP (Aerodrome & Operational Planning) and the sub-group MET (Meteorology). In response to emergencies and according to the importance of the matters to be handled, temporary or permanent task forces or working groups are set up within each Sub-Group for the purpose of proposing specific solutions to various issues related to the Regional Air Navigation Plan (AIS-MAP task force, e-TOD<sup>27</sup> task force, ATM/MET task force, etc.).

##### ***RASG (Aviation Safety)***

147. RASG-AFI (AFI Regional Aviation Safety Group), of which the WACAF and ESAF Offices are members, was only very recently established, despite the fact that its

---

<sup>26</sup> Benin, Burkina Faso, Cameroon, Cap Verde, Congo, Ivory Coast, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Equatorial Guinea, Liberia, Mali, Mauritania, Niger, Nigeria, Central African Republic, Democratic Republic of the Congo, São Tomé and Príncipe, Senegal, Sierra Leone, Chad and Togo.

<sup>27</sup> e-TOD: Electronic Terrain & Obstacles Data

mission is to support the Global Aviation Safety Plan (GASP) and the AFI Plan/ACIP programme launched in 2008. It held its first meeting in March 2012, to coincide with the Eighteenth APIRG meeting. The group's activity is geared towards the States' safety oversight authorities, operators and manufacturers, with the objective of improving aviation safety. The tools employed by RASG-AFI include Safety Support Teams comprising representatives from States and various service providers and manufacturers. The group's operations consist of:

- assisting States for which ICAO audits have identified "significant safety concerns" (SSC) with a view to their removal from the list of SSC countries in accordance with the targets adopted under the Abuja Declaration, i.e. 12 months after confirmation of the SSC;
- improving the States' safety oversight capabilities by improving the levels of effective implementation of the eight "critical elements" of a State safety oversight system established by ICAO. The main tools employed to achieve this goal are the Cooperative Development of Operational Safety and Continuing Airworthiness Programme (COSCAP – see below), the AFI-CIS (AFI Cooperative Inspectorate Scheme) and the Regional Office Safety Team (ROST) missions;
- following up accident investigations;
- resolving emerging safety issues, such as runway safety, loss of control and CFIT (Controlled Flight into Terrain).

148. A Steering Committee and four Safety Support Teams are currently being set up within this group.

### **6.1.2. WACAF Office regional partner bodies**

149. The main regional bodies in partnership with the ICAO Regional Office are the African Civil Aviation Commission (AFCAC), various African Regional Economic Communities (UEMOA, CEMAC, ECCAS and ECOWAS – these acronyms are explained below), regional authorities specialising in civil aviation (BAG/BAGASOO/BAGAIA and AAMAC – also explained below) and the Agency for Air Navigation Safety in Africa and Madagascar (ASECNA).

#### **AFCAC**

150. AFCAC (African Civil Aviation Commission), in which all AFI Region countries are represented (and therefore the 54 States to which the four ICAO Regional Offices are accredited: WACAF, ESAF<sup>28</sup>, MID<sup>29</sup> and EUR/NAT<sup>30</sup>), shares its headquarters with the WACAF Regional Office in Dakar. Although the commission is governed by Article 55 of the Chicago Convention (according to which it is a "subordinate air transport commission" of ICAO<sup>31</sup>), it has also held the status of a "specialised institution of the African Union" since its foundation. At the outset, the African States signed a MOU with ICAO: this agreement is no longer in force and there are now no ICAO staff working for AFCAC.

---

<sup>28</sup> ICAO, Eastern and Southern African Office

<sup>29</sup> ICAO, Middle East Office

<sup>30</sup> ICAO, European and North Atlantic Office

<sup>31</sup> As such, the staff of AFCAC initially held the status of ICAO staff.

151. AFCAC currently employs 15 staff and has an annual budget of around USD 3 million. As its Secretary General explained, AFCAC has basically two roles, which complement the activity of the ICAO Regional Offices: firstly, it acts as a co-ordinator (as the 54 States in the Region are “dispersed” between the four ICAO Regional Offices) and, secondly, it promotes implementation of ICAO Standards and Recommended Practices (SARPs) and provides political support for the aviation agenda in the whole Region<sup>32</sup>. In this respect, for example, the AFCAC set up a group of inspectors from States under the AFI-CIS, mainly in order to assist States considered by the AFCAC Secretary General to be insufficiently covered by a COSCAP (see below) with a view to their removal from the list of countries having significant safety concerns. To do this, AFCAC created a roster of around 100 African safety experts and entered into MOUs (Memoranda of Understanding) with the governments of the Member States in which these experts reside, as a result of which it now has 16 inspectors, mainly specialised in the areas of Flight OPS and Airworthiness. There appear to be no particular problems in the relationship with the WACAF Office with regard to these complementary activities.

### ***Economic and specialised regional commissions***

152. These commissions have one common feature with regard to the Regional Office and ICAO as a whole: they are currently or potentially preferred partners in the three COSCAP/RSOO projects implemented in the WACAF Region (the present and future state of these projects is explained below).

### ***The African Regional Economic Communities***

153. According to their location, the AFI Region States are assigned to one of eight Regional Economic Communities. The advantage for ICAO of dealing with these communities lies mainly in the fact that, by including Ministers and Heads of State within their constitutive bodies and benefiting from the support of donors, they can implement regulations that they have approved directly in the Member States without waiting for them to be transposed into domestic legislation. Two Communities are particularly relevant to the WACAF Region: UEMOA (West African Economic and Monetary Union<sup>33</sup>) and CEMAC (Central African Economic and Monetary Community<sup>34</sup>), with which ICAO launched the COSCAP projects. However, there are other Regional Economic Communities actually or potentially responsible for the regional organisation of safety oversight: in particular, the Economic Community of Central African States (ECCAS<sup>35</sup>) and the Southern Africa Development Community (SADC), one of whose members (the Democratic Republic of Congo) is in the WACAF Region.

---

<sup>32</sup> Regarding this presentation made to the External Auditor by the AFCAC Secretary General, the Dakar Office prefers to speak of “co-ordination” and “co-operation”, noting that the AFI-CIS programme is implemented by AFCAC with technical support provided by ICAO (co-ordination), whereas the ICAO Regional Offices in Africa have set up safety teams (ROST) that carry out assistance missions under the frame work of the AFI Plan and in addition to the AFI-CIS, COSCAP and RSOO programmes (co-operation).

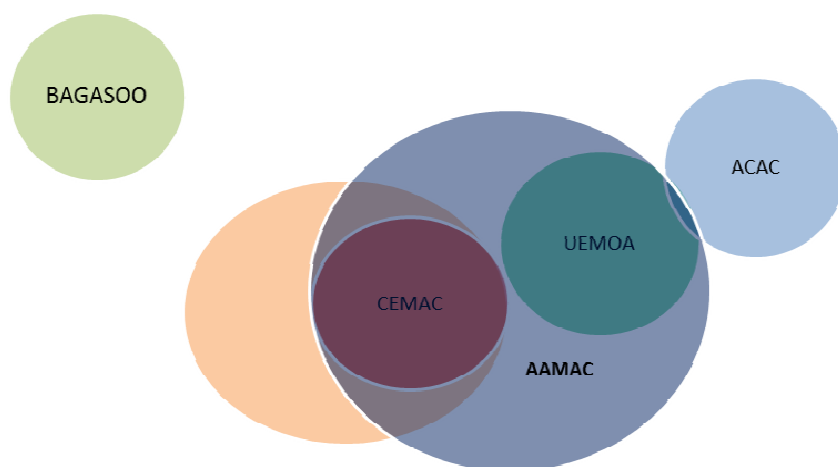
<sup>33</sup> The eight UEMOA States are: Benin, Burkina Faso, Ivory Coast, Guinea-Bissau, Mali, Niger, Senegal and Togo.

<sup>34</sup> The six CEMAC States are: Cameroon, the Central African Republic, Congo (Brazzaville), Gabon, Equatorial Guinea and Chad. For the purpose of implementing COSCAP and the RSOO, Sao Tome et Principe has been grouped with CEMAC.

<sup>35</sup> The seven ECCAS States in WACAF region are: Cameroon, the Central African Republic, the Republic of Congo, Gabon, Equatorial Guinea, Sao Tome and Chad. The eighth member, Burundi, is in ESAF.

### ***Regional commissions specialising in civil aviation***

154. There are also a number of regional agencies and other organisations specialising in civil aviation within the WACAF Region: ICAO set up the COSCAP projects with one of these, the Banjul Accord Group (BAG<sup>36</sup>). However, there are other organisations actually or potentially responsible for regional safety oversight: the African and Malagasy Civil Aviation Authorities (AAMAC, 17 members, the same as ASECNA excluding France – see below).
155. Indeed, a number of States in the WACAF Region belong to several organisations and agencies that could, for various reasons, claim responsibility for the regional organisation of aviation safety oversight (RSOO). The simplified diagram below, given by the WACAF regional office, shows the overlaps between these organisations:



156. This situation, which does not reflect the viewpoint of the AFI Plan Steering Committee, gives rise to many cases where one WACAF Region State is potentially covered by several RSOOs, as the following table shows:

---

<sup>36</sup> The seven States of the Banjul Accord Group are: Cap Verde, Gambia, Ghana, Guinea-Conakry, Liberia, Nigeria and Sierra Leone.



**Table 16: number of States in the WACAF Region belong to the regional organisation of aviation safety oversight (RSOO)**

STATE	RSOO				ACAC	SADC
	BAGASO	UEMOA	CEMAC	CEEAC(**)		
1 BENIN		✓				
2 BURKINAFASO		✓				
3 CAMEROON			✓	✓		
4 CAPEVERDE	✓					
5 CENTRAL AFRICAN REP			✓	✓		
6 CONGO			✓	✓		
7 COTE D'IVOIRE		✓				
8 CHAD			✓	✓		
9 DEM. REPUBLIC OF CONGO				✓		
10 EQUATORIAL GUINEA			✓	✓		✓
11 GABON			✓	✓		
12 GAMBIA	✓					
13 GHANA	✓					
14 GUINEA	✓					
15 GUINEA BISSAU		✓				
16 LIBERIA	✓					
17 MALI		✓				
18 REP. ISLAND OF MAURITANIA		✓			✓	
19 NIGER		✓				
20 NIGERIA	✓					
21 SAO TOME AND PRINCIDE			✓	✓		
22 SENEGAL		✓				
23 SIERRA LEONE	✓	✓				
24 TOGO		✓				

Source : ICAO

### **ASECNA**

157. ASECNA is a public institution endowed with legal personality, headquartered in Dakar. Its membership comprises 17 French-speaking African countries and France, and it is financially independent. Pursuant to Article 2 of the Convention of Dakar, ASECNA designs, implements and manages transmission, traffic, aircraft guidance, air traffic control, flight information and meteorology systems and services for use during flight, approach and landing on Member States territory. A number of technical officers at the WACAF Office spent a considerable part of their careers at ASECNA before joining ICAO (CNS, MET, TC, ATM and AVSEC<sup>37</sup> officers), while the former Regional Director of WACAF is now Director General of ASECNA. The collaboration between ASECNA and the Regional Office is very close:

- firstly, the fact that ASECNA is the ANSP (Air Navigation Service Provider) of 17 States (15 of which are in WACAF) necessitates and facilitates the coordinated and harmonized implementation of ICAO standards relevant to air navigation services;
- secondly, TCB entered into a major CAPS contract with ASECNA, currently in progress and worth USD 34 million, for the purchase of radar systems, installation of an air traffic control centre and air traffic management equipment;
- thirdly, in accordance with its decision to locate the headquarters of the AFI-FPP (Flight Procedure Programme), a programme designed to introduce PBN procedures in the AFI Region according to the schedule set by ICAO, in Dakar, ICAO has entrusted the hosting of this programme to ASECNA;

<sup>37</sup> CNS: Communication, Navigation and Surveillance; MET: Meteorological Services for Air Navigation; TC: Technical Cooperation; ATM: Air Traffic Management; AVSEC Aviation Security Branch.

- lastly, ASECNA is, *de facto* if not *de jure*, the backbone of AAMAC (see above), even if in principle this commission should act as ASECNA's regulator on behalf of its member States.

### **6.1.3. ICAO internal regional bodies**

158. The main ICAO safety initiative structured around the Regional offices of Dakar and Nairobi, inherited from the ACIP and integrated within ICAO's AFI Regional Offices, is the AFI Plan (AFI Comprehensive Regional Implementation Programme for Aviation Safety in Africa, hereinafter referred to as "ACIP"). Within the framework of the AFI Plan the ROSTs (Regional Office Safety Teams) were established in the two Regional offices.

#### ***ACIP***<sup>38</sup>

159. In 2011, the AFI Plan, which is jointly managed by the ESAF and WACAF Offices, succeeded the ACIP programme. Within the regular budget, the AFI Plan has its own dedicated fund (No. 1108) managed by the ESAF Regional Director. In principle, two technical officers working in the WACAF Office are assigned to this programme: an AIR (Airworthiness) officer and an FS (Flight Safety) officer, the latter of whom is specifically responsible for flight operations (Flight OPS). Their activity (mainly consisting of assistance or training missions to help States to remedy oversight deficiencies identified by the USOA<sup>39</sup> audits) continues to be planned jointly between Nairobi and Dakar, based on the respective competencies of the technical officers posted within ESAF and WACAF.

#### ***ROST***

160. From 2009, the ROSTs (Regional Office Safety Teams) were composed of all the technical officers in Nairobi and Dakar working within the framework of ACIP and, at the outset, were not under the responsibility of the ESAF and WACAF Regional Office Directors. Early 2011, these ACIP officers were integrated into the two Regional Offices. At the same time, however, the other technical officers of the two Offices (except for the AVSEC experts) were also integrated into the teams, regardless of whether they were working on the ACIP programme (fund 1108) or engaged in the normal activity of each Office (fund 1100). Regarding the extension of ACIP, the ROSTs help the States to formulate action plans for the correction of deficiencies; regarding ROST activities unrelated to the extension of ACIP, which are still managed from Nairobi, the WACAF Office's ROST missions more or less coincide with the scope of CMA (Continuous Monitoring Approach). To prevent a situation in which the same technical officer acts as both auditor (CMA) and adviser (ACIP) for the same State different ROST members are assigned these tasks separately and in addition, the Nairobi and Dakar Offices also sometimes call upon their respective specialists on an alternate basis in accordance with the planned missions.

161. Apart from the ROST missions, the technical officers carry out, in general and each according to his own specialisation, all of the operations provided for in the Regional Office Manual – this concerns mainly training, the circulation and explanation of ICAO

---

<sup>38</sup> AFI Comprehensive Implementation Programme

<sup>39</sup> Universal Safety Oversight Audit Programme

standards (annexes, SARPs, etc.). These missions focus on the development and implementation of specific ICAO plans of action related to safety deficiencies, giving priority to the resolution of SSCs (see above). These action plans incorporate the targets adopted by the Abuja conference in July 2012. At the time of the Audit there were 12 such plans in operation.

#### **6.1.4. The WACAF Office technical officers**

162. In addition to the Regional Director and his Deputy, the WACAF Office employs nine professional technical officers:

- **in the area of air navigation**, the WACAF Office has five technical officers: AGA<sup>40</sup> (P4), CNS (P4), AIM (P3), MET (P4), ATM<sup>41</sup> (P4);
- **in the area of aviation safety**, the WACAF Office theoretically<sup>42</sup> has two officers: FS (Flight Safety – P4) and AIR (Airworthiness – P4), a large part of whose activity is related to the AFI Plan. As such, they are subject to the overall co-ordination of the ESAF Regional Director and their activities are allocated to fund 1108. At the time of the audit, the FS officer had been on Special leave without pay for several months for personal reasons – a consultant was due to be engaged on a Special Service Agreement (SSA) to take temporary charge of some of the FS activities at the WACAF Office (those relating to the CMA programme, but not ACIP-type operations);
- **besides the navigation and aviation safety officers**, the Office also has an AVSEC officer (P4) and a TC officer (P4).

#### **6.1.5. Future prospects for RSOOs in the WACAF Region**

163. ICAO coordinated the implementation of three regional Technical Co-operation Projects - COSCAP (Cooperative development of Operational Safety and Continuing Airworthiness Programme) - in the WACAF Region: in 2005 for the BAG States, in 2006 for the UEMOA States and in 2009 for the CEMAC States. These projects were meant to eventually be transformed into permanent regional bodies. The BAG States COSCAP has already given rise to two organisations: BAGASOO, the regional safety oversight organisation, and BAGAIA, which covers accident investigations. The other two COSCAPs have not yet been fully transformed into RSOOs (Regional Safety Oversight Organisations).

### ***Unresolved issues***

#### **BAGASOO**

164. The BAG group COSCAP project RAF-02-906 (Banjul Accord Group, see above) is now completed: it led to the creation of a RSOO, the BAGASOO, in 2008. A TCB project was launched in 2009 with BAGASOO (project BGS-09-801), with a budget of USD 4.2 million to be funded by the BAG States, with ICAO continuing to support this

---

<sup>40</sup> AGA : Air Routes and Ground Aids

<sup>41</sup> ATM : Air Traffic Management

<sup>42</sup> At the time of the external audit, the FS officer was on Special Leave Without Pay for 12 months.

now independent authority by managing staff contracts<sup>43</sup>, missions, procurement and subcontracts. The last contract (rephasal) for this project, entered into in March 2013, involved a budget of USD 1.52 million.

165. However, behind this official success, major issues remain unresolved with regards to BAGASOO – in particular, now that the headquarters issue has been resolved (HQ in Abuja, whilst the position of Board Chairman is held by the Director General of Liberian CAA), the question of the contribution of certain Member States that are most in need of BAGASOO's services (Guinea, Liberia, Sierra Leone) had still not been resolved at the time of the audit.

### **UEMOA COSCAP**

166. At the time of the audit, the conditions required for the transformation of the COSCAP UEMOA into a RSOO had not been met:

- the Member States were of the opinion that UEMOA should continue to provide the funding, as it had done for the COSCAP UEMOA. An agreement in principle was reached such that this funding was to be provided in the form of an aviation fee to be collected via the Commission (amounting to between 300 and 600 CFA francs per passenger). However, no funding mechanism had been set up by May 2013;
- at the time of the audit, the External Auditor was notified in situ that the technical consultant assigned to this project had resigned and that the project was being managed in the meantime by a "team leader". TCB, from its end, stated that the team had not changed over the past 12 months (i.e. since May 2012);
- moreover, at the time of the same audit (May 2013), discussions were still in progress regarding the location of the headquarters of the future RSOO (maintained in Ouagadougou, as for the COSCAP UEMOA, or transferred to Abidjan), while some States felt that there was a certain imbalance in the distribution of professional posts, in favour of Cote D'Ivoire.

### **CEMAC COSCAP**

167. The transformation of the CEMAC COSCAP into a RSOO is in principle less complete, following a decision made by the CEMAC Heads of State in April 2012, the expiry date of project RAF-03-801, and a RSOO was officially established in November 2012. However, at the time of the audit (May 2013):

- the Member States continued to refuse to fund the new organisation and to pay TCB a number of arrears related to the COSCAP – ICAO registered a deficit of around USD 50,000 in respect of project RAF-03-801;
- the appointed Director General had not yet taken up his post, and the four COSCAP consultants, who had not resigned, had not yet received any remuneration from the RSOO; and
- the new RSOO had contacted TCB regarding the hiring of its technical staff. TCB was reviewing a proposal.

---

<sup>43</sup> The BAGASOO staff (six local professionals and nine administrative support staff) are hired under consultant contracts (SSA) and do not pay contributions to the UN pension scheme (UNJSPF) but to a Nigerian pension fund.

### ***Potential developments***

168. The External Auditor was told that, in respect of the whole of the Regional Office's activity, one of issues of the most concern was the future of the aviation safety oversight organisations (RSOO) in the Region's countries: although ICAO had shown strong commitment since 2001 through its support for the three COSCAP projects (UEMOA COSCAP in 2001, BAG COSCAP in 2002 and CEMAC COSCAP in 2003), the various individuals, internal and external to the Regional Office, interviewed locally by the External Auditor shared the feeling that there was a high risk of dispersion of resources unless the States in question pooled their efforts and resources in a coherent manner. Some of these individuals described the three RSOOs as "still-born" and, although this pessimistic view was not shared by all, they all agreed at local level that:

- in the long term, RSOOs scattered between the three Regions covered by the COSCAPs implemented since 2001 did not constitute an ideal solution, as they were too widely dispersed;
- on the other hand, the solution favoured by the Director General of ASECNA (former Regional Director of the WACAF Office), whereby a large-scale regional aviation safety oversight organisation would be established by extending AAMAC's sphere of competence and admitting other African countries, notably English-speaking ones, seemed inappropriate to certain other parties involved for various reasons (too close ties between the regulator, AAMAC and one of the main service providers, ASECNA; predominantly "French-speaking" culture of this authority, lack of clearly determined funding, etc.).

169. In this context, local managers and staff (including those at the Regional Office) found the standpoint of ICAO neither clear nor consistent. The ICAO AFI Plan Steering Committee had recently decided to suspend its support for initiatives launched by States that continued to be members of several RSOOs (see above table) and instead focus such resources in the implementation of ICAO Plans of Action for the other States – we note, however, that this decision has not been notified to the relevant States. conversely, however, ICAO's past commitment to the three "historical" regional COSCAPs (BAG, UEMOA and CEMAC) has led it to adopt a somewhat ambivalent attitude regarding its willingness to promote larger or different groupings, even though, in connection with the ACIP plan, proposals have been submitted to the relevant States regarding the organisation of the transformation of the three COSCAPs into RSOOs.

170. Nevertheless, the various regional civil aviation officials interviewed by the External Auditor believe that, in any event, ICAO will be a key partner in the permanent establishment of one or more regional civil aviation safety oversight organisations.

**Finding no. 13:** the organisation and activity of the WACAF Regional Office do not prompt any particular observations apart from the difficulties, not attributable to ICAO, caused by the large number of regional bodies mandated, for various reasons, to be involved in the regulation and oversight of aviation safety. In this respect, several civil aviation officials within and outside the ICAO Regional Office consider that the current situation causes the various States of the Region, and of the AFI Region as a whole, to disperse their efforts and resources to an excessive extent. At the present stage, ICAO sticks to two general principles:

- encouraging States of the region to implement RSOOs;
- urging each of these States to adhere to only one RSOO.

During the audit (May 2013), the issue of permanently setting up one or more RSOO was described as one of the biggest challenges to be faced, while some external officials told the External Auditor that they thought ICAO could be more proactive in this domain.

**Recommendation no. 13:** The external auditor has been informed of the 12th meeting of the AFI Plan steering committee. However, no indication has been given on the expected orientations that would be suitable for the region. ICAO is locally expected, without interfering with States sovereignty, to help define, through the AFI Plan Steering Committee, a clear standpoint, from a purely technical and financial point of view, on the potential groupings it considers most suitable, with a view to establishing one or more RSOOs in Africa (particularly in the WACAF Region), in order to help the States of the Region to express their own opinion and make a choice on one or more coherent alternatives.

The Secretary General accepts this recommendation. The target date for implementation is set at 2<sup>nd</sup> quarter 2014.

**Priority 1**

## 6.2. New premises of the Regional Office

171. The issue of the WACAF Office premises is a long-standing one that was raised by the External Auditor during the 2008 audit. Since then, after several deferrals, the new premises, on which work started in 2005, have finally been completed, and the ICAO team moved in on 19 September 2011. The Headquarters Agreement signed in 1978 between the Senegalese government, which provides the premises, and ICAO remains unaltered. However, a new MOU was signed on 16 December 2010 regarding the new premises (land and building with a total surface area of around 650m<sup>2</sup> on a site area of 6,000m<sup>2</sup>) located at the L. S. Senghor International Airport. The first, second and third floors (400m<sup>2</sup>) are assigned to ICAO<sup>44</sup>, whilst the ground floor (250m<sup>2</sup>) is assigned to AFCAC<sup>45</sup>. The division of responsibility for “alterations, repairs and maintenance” is set forth in Article 4.1 1: *“The government shall take charge of major repair work on the building, parking areas and other facilities and equipment provided”*. Article 5.3 states that *“construction defects, duly recorded, shall be remedied at the expense of the government”*.

<sup>44</sup> Part of the third floor is reserved for use by both organisations (ICAO and AFCAC).

<sup>45</sup> In fact, all of the Offices are located on the ground floor and the two floors above. Above that, a staircase leads to the terrace, which contains a mini-kitchen and a storeroom used by AFCAC.

172. An inventory containing a description of the premises and the facilities provided (including a power inverter provided to AFCAC), under Article 3 of the MOU, is attached as a schedule thereto. The inventory includes only a list of in situ equipment and facilities. The External Auditor could find no trace of a qualitative inventory, based on an expert study, certifying that these facilities and equipment were in proper working order and in compliance with the applicable standards. If it is confirmed that no such document was requested, the conclusion must be drawn that not all of the acceptance procedures applicable to the premises made available were carried out. This omission is in view of the disappointments experienced by ICAO in the use of these premises since that time. The regional office has tried, on several occasions, to draw the governmental authority's attention on the deficiencies of the premises without success. ICAO has no adequate documentary basis for any complaints it might wish to make regarding technical defects or deficiencies. Positive action was subsequently taken through the interventions of "Aéroports du Sénégal" agency (ADS) and ANACIM and, according to ICAO, 75% of the problems addressed by Oct. 2013.
173. Indeed, since moving into the new premises, the Regional Office has experienced a number of problems in the use of the facilities provided (although all the equipment used by WACAF was provided by ICAO). These problems concern a number of significant malfunctions in four main areas: electricity supply, water system (supply, drainage), the number of toilets available and external security.
174. At the time of the audit, the electricity supply to the building is permanently unreliable and has led to major expenses: on one occasion, a phase inversion led to an incipient fire; in addition, various items of equipment (air-conditioning, hard drives, etc.) have been destroyed due to overvoltage. Frequent use of a back-up generator has led to considerable expenditure on fuel. Such incidents are serious and costly to repair. It should be noted that AFCAC, which occupies the ground floor, has not experienced any power supply issues. The cable supplying AFCAC has remained intact and has not caused any problems. However, we noted that, since the original installation, the power supply cable had been cut (Richard Equipement expertise dated 19/03/2012), no doubt in connection with a copper theft, and that the section of cable leading to the ICAO Offices has been repaired: this could be the cause of the aforementioned problems. Another explanation for the difference in the quality of current supplied to AFCAC and WACAF may be the fact that, from the outset, AFCAC was using an inappropriate power inverter.
175. Also at the time of the audit, the number of toilets was insufficient (especially during large conferences) and the drainage of waste water from the toilets was defective. For this reason, a decision was made to build toilets so as to provide an adequate number and the cost shared between AFCAC and ICAO. The conference room, which generates a large influx of visitors when meetings are held, was not included in the original project but was added at ICAO's request during construction work on the building. At the time this decision was made, no consideration was given to the number of toilets required.
176. The water supply system was due to be supplemented by a water tank provided by ADS. At the time of the audit, however, this tank was lying unused on the terrace.

177. According to ICAO, following joint corrective measures on the part of the government of Senegal, ICAO and AFCAC, the electricity and water problems have been resolved since the time of the audit (June 2013).
178. In general, the building itself contains a number of major defects: the roof is not watertight, w the terrace , which has been redone by the State, still is incomplete, the overall finishing has been neglected, the building tends to deteriorate rapidly in some parts, despite the fact that they have only been in use for two years.
179. Inevitably, discussions have arisen concerning the apportionment of the costs of essential repair work undertaken between the various stakeholders (ICAO, AFCAC and the host government).
180. The Office has incurred various expenses. Various expenses are planned with regard to equipment: in 2013, due to problems with the electricity supply (power surges), the Office had to buy a power inverter and a voltage regulator, at a cost of CAD 26,755, and replace 25 (out of 28) air conditioners, at a cost of CAD 17,216, after overvoltage had rendered them unusable.
181. In connection with various electricity-related repairs and works, the Office spent CAD 3,600 on a VERITAS survey, CAD 3,560 on repairs to the central air-conditioning system and CAD 1,000 on earthing the installation. Sundry minor expenses totalling CAD 4,128 were incurred from 2011 to 2013.
182. The building contains flaws whose impacts have not been calculated: leaking roof due to uncompleted terrace, building stability further threatened due to infiltration. These were brought to the attention of the State prior to relocation and several attempts were made to repair them.
183. After referral of the matter by FIN, the ICAO Legal Affairs Bureau communicated an analysis, in an e-mail dated 5/10/2012, according to which the construction of toilets falls within the scope of “additions or alterations” as provided for by Article 4.2 of the MOU, which states that the cost should be borne by the occupants (ICAO and AFCAC). However, it should be noted that the internal operations of ICAO have led to further delays. Although the financing agreement in principle had already been decided, the funds were not released until November 2012. At this date, another instruction, issued this time by TCB/PRO, suspended the calls for tender relating to external supplies until the end of the year, thereby preventing any progress on this operation. It is regrettable that this lack of co-ordination between the Headquarters departments has aggravated an already problematic situation.
184. An appraisal should be organised in order to investigate the causes of the electricity failures and resulting equipment replacements; the cost of this appraisal should be shared with the host government. Indeed, after the initial emergency measures (purchase of a voltage regulator and power inverter, reimbursed by ADS), ICAO requested Bureau Veritas to make an assessment of the defects and remedies. On the basis of detailed terms of reference, the first technical measures (preparation of internal electricity diagrams) have started to be implemented. Assessment was done and host government (ADS / ANACIM) agreed to cover costs of recabling works required.



185. The large number of similar incidents has necessitated use of the Office's internal human resources for coordination, as the CNS officer is coordinating with contractors on the electricity problem, whilst the AGA officer is overseeing the renovation of the water system and toilets. Regardless of these officers' respective knowledge of low voltage systems or civil engineering, and even though they are only occasionally called upon to intervene in these matters, one wonders whether the skills of the officers working in a Regional Office of ICAO are being exploited in the best way.
186. The Regional Office has referred all of these matters to the Senegalese authorities (letter dated 01/03/2012 to DGAC, letter dated 06/07/2012 to the Director General of Aéroports du Sénégal). We stress the fact that the last letter was sent further to a joint inspection of the facilities in which representatives of ANACIM (Senegal CAA) and ADS (Aéroports du Sénégal) took part. A detailed table of findings and work to be performed was drawn up and enclosed with the letter, but there has been no specific follow-up. A letter dated 06/12/2012 and sent to the new Minister of Infrastructure and Transport has also remained unanswered.

**Finding no. 14:** the premises suffer from a large number of major technical defects. Extensive repairs requiring significant expenditure must be carried out. No qualitative inventory drawn up at the time of occupation is available; consequently, it is difficult to determine the apportionment of financial liability from a legal point of view, particularly between ICAO and the host country. Meanwhile, working conditions are less than optimal (water and electricity, fencing to be brought into compliance with UN security requirements, adequate toilet facilities) and are proving detrimental to the proper running of the Regional Office.

**Recommendation no. 14:** an inventory was drawn up in the presence of all parties concerned in July 2012, further to which a letter was sent to the Director General of ADS. The Council could request the Secretariat to use this joint report in order to put the matter clearly and directly to the higher authorities of the host country.

The external auditor has been told that the State, through ANACIM and ADS, has taken the responsibility and repair works are on-going (according to ICAO, in April 2014, about 75% were completed, and remainder -terrace, access road- were targeted for May 20th 2014)..

This recommendation has thus been partially accepted by the Secretary General with a target date of 1<sup>st</sup> quarter 2014.

**Priority 3**

### 6.3. Protection of international officials at the WACAF Office

187. The implementation of MORSS (Minimum Operating Residential Security Standards) requirements at the residences of international UN officials requires considerable expenditure. This involves the protection of 7 individual homes (house guards) and 3 apartments (burglar alarms). A specialised firm (Vigassistance) has been engaged with a view to the former. The contract with Vigassistance provides for a monthly fee of 433,000 CFA francs excluding VAT (USD 850) per house, entailing an aggregate annual cost of USD 71,400. For the burglar alarms, a contract was signed with Sagam in February 2011 for a flat fee of 150,000 CFA francs (USD 295) plus a

monthly subscription of 85,000 CFA francs (USD 170) per apartment (entailing an aggregate annual cost of 885 + 6,000 = USD 6,885). Both firms are amongst the three security companies approved by UNDSS<sup>46</sup>.

188. The cost of protecting buildings and staff is thus very high and is the subject of an ongoing issue with regard to budget funding.

189. The question of liability for funding these security measures is based on the fact that ICAO, as a member of the United Nations system, participates in the Security Management Team (SMT) in each country and is required to enforce its recommendations. These recommendations concern not only protection of the organisations' premises but also all other security issues relating to UN staff, including their residences. Over the past few years, in reaction to the deterioration in the security situation, the Senegalese SMT redefined, in consultation with the UN Secretariat (UNDSS), the conditions governing the enforcement of the MORSS plan for Senegal (26/03/2010, amended pursuant to the Minutes of the 25/01/2012 meeting). The SMT issued a number of instructions relating to building and staff security and, after reviewing the offers of a number of specialist firms, recommended three of them. Although, a priori, this gives a certain guarantee of quality, it also limits the competition in the tender procedure. As the Regional Office is part of an organisation belonging to the United Nations system, it has naturally complied with the SMT recommendations.

190. However, the high cost of the services is a frequent topic of discussion within the SMT and in each of the organisations involved. The ICAO is no exception to this.

191. In particular, the Regional Office is faced with considerable reticence on the part of the Finance Branch (FIN) regarding the implementation of the measures recommended by the United Nations (SMT) in Senegal. In an IOM<sup>47</sup> dated 18/06/2010, FIN commented on the implementation of MORSS and the measures adopted, concluding that "... a request should be made to the government of Senegal to enhance security of ICAO staff members by providing security services. The primary responsibility of the security and protection of UN staff and their eligible family members and property rests with the host government". A handwritten annotation added by FIN to an IOM dated 12/07/2010 on the same subject, referring to an attack on the Dakar Office Deputy Director's residence, stated in particular that "*Security is the responsibility of the host government. Providing guards is too expensive and is not an option that ICAO can afford*".

192. In legal terms, these statements are inadmissible. Firstly, the 13 January 1978 Headquarters Agreement between ICAO and the Senegalese government does not provide for any obligation regarding protection of the residences of international officials posted to the Regional Office<sup>48</sup>. Any claim such as the one proposed by FIN would be legally inadmissible. Secondly, the FIN standpoint disregards the rules of the United Nations system concerning security and the responsibility of the SMT (in which ICAO, like the other UN agencies established in Dakar, plays an active role). MORSS requirements apply to organisations established on Senegalese territory and liability cannot be transferred to the host government by an agency acting alone.

---

<sup>46</sup> United Nations Department of Safety and Security

<sup>47</sup> IOM: Interoffice Memorandum

<sup>48</sup> However, in Section 10, the Agreement provides that "the government shall ensure the protection of the Regional Office Headquarters and the maintenance of law and order in the immediate vicinity thereof".

193. Finally, the solution could be reached through action on the various parameters involved. As regards the residences of agents, if the safety of individual houses proves to be much more costly, residence in apartments should be favoured. The option for detached houses could be compensated by the officers who would make this choice. As regards providers, an active re-negotiation of rates could usefully be undertaken with the help of UNDSS which, by restricting the possible choices, limits the competition. Also, it seems essential that ICAO undertake an active and resolute approach towards Senegalese authorities, to ensure better safety of international personnel.

**Finding no. 15:** an annual expense of USD 80,000 for the protection of 10 officers may seem excessive from Headquarters' point of view. The observed quality of these services may also be open to discussion. Moreover, the choice between three firms imposed by the SMT limits the competition. The solution currently adopted by FIN, whereby the WACAF Office is denied the budget required to meet the United Nations' security requirements, taken alone, can hardly resolve this issue.

**Recommendation no. 15:** three actions might be considered to solve the present issue:

- 1) Regional officers should be oriented towards residence in an apartment, or invited to bear the additional protection costs if they choose an individual house;
- 2) Security services providers should be called (if necessary under the supervision of UNDSS) to competition and improvement of their rates;
- 3) ICAO should firmly put pressure on the host country on the need to strengthen the safety of its officers.

If and when these three conditions are met, ICAO should allocate to the Dakar Office credits allowing it to comply with the local requirements of the UN Security.

The Secretariat General rejects this recommendation, considering that this Security issue is to be dealt with by all UN organizations, under the auspices of UNDSS, which would allow collective pressure to be exerted on local authorities. The external auditor confirms its initial recommendation but agrees with the Secretary General that this issue is to be held through UNDSS action. ICAO informed the external auditor that a UN working group completed a study on the subject in Dec 2013, and that Secretariat has upheld full compliance with MORSS requirement without restriction and is making required budgetary allocation

**Priority 2**

## **7. TECHNICAL COOPERATION PROJECTS FOR THE PROCUREMENT OF RADAR AND TELECOMMUNICATIONS EQUIPMENT**

194. The audit of a sample of purchases of radar and/or telecommunications equipment, made for technical cooperation projects financed by several States, was carried out at the TCB on 15-25 October 2013.

### **7.1. Purpose and methodology of the audit**

195. In October 2012, as part of its review of the 2012 financial statements, the External Auditor had carried out a formal analysis of internal control procedures applying to TCB's procurement process. The present audit focused on a more detailed review of the consistency and suitability of these procedures, and of their effective implementation in respect of projects involving the purchase for which:

- payments made over the past three years were for significant amounts (over USD 400,000);
- TCB relied heavily on external experts.

196. Based on these two criteria, the Auditor selected 10 projects representing a total of 20 purchases (involving the validation of the same number of purchase orders, or PO) recorded in Agresso, for an amount totalling USD 74.3 million recorded in ICAO's accounts between 2011 and 2012.

197. In this respect, the purpose of the audit was to:

- assess to what extents the procedures in place protected the ICAO from the possible influence of outside interests. Such outside influences could come from the independent experts it employs;
- verify whether these procedures safeguarded the ICAO from various legal risks inherent in such purchases;
- verify the suitability of procedures for monitoring the effective technical completion of transactions until the end of the warranty period;
- carry out substantive tests on each transaction in the sample to verify that these procedures were effectively applied.

198. The TCB's procurement section (PRO) began the ISO 9001 quality certification process in 2011: in this respect it has formalised a range of procurement procedures that define the processes to be completed and the corresponding responsibilities.

199. The External Auditor used these formal procedures to identify 5 audit areas, for which 11 substantive tests were defined. The audit areas were:

- the exhaustiveness and traceability of PO documentation as defined in the procedures referred to above;
- transparency and equal access to information for bidders;
- the terms under which the end user validated the TCB's chosen supplier;
- procedures carried out on legal aspects relative to the execution of the PO;

- monitoring of the technical execution of the service by the supplier.

## 7.2. Results of the Audit

200. During several previous audits, the External Auditor had raised a number of issues in the procedures followed by the TCB for purchases made under technical cooperation projects. These issues included conflicts of interest between the different stakeholders, which could give rise to financial, legal, ethical or reputational risk for the ICAO.
201. Analysis of the measures introduced since 2011 led the Auditor to conclude that current procedures are coherent and that their application provides the ICAO with reasonable assurance that the risks related to procurement on behalf of third parties are now correctly managed, provided that these procedures are strictly followed.
202. Substantive tests on the 20 transactions in the sample enabled the External Auditor to conclude that these procedures were effectively followed in the recent and current period.
203. The External Auditor noted that some procedures could be improved, in particular regarding documentary management of purchases: a number of conclusions and recommendations were laid out in a management letter sent to the Secretary General.

**Finding no. 16:** The External Auditor considers that in view of the measures introduced by the TCB since 2011, the ICAO has established a coherent set of procedures enabling the risks arising in respect of technical cooperation procurement projects (financial, legal, ethical and reputational risks) to be managed with reasonable assurance.

Two shortcomings were addressed in a management letter sent to the Secretary General:

- documentary management of purchases continues to show weaknesses that undermine the audit tracking of the procedures in place;
- in legal terms, the optimal balance between the TCB's requirements and the LEB's resources does not seem to have been found.

**Recommendation no. 16:** In order to assess the residual level of risk relating to purchases made under technical cooperation agreements, of which it is the final guarantor, the Council could request a review of the effective functioning of all procedures in place, notably including improvements accepted by the Secretary General, to be completed by the end of 2014.

Secretary General accepts this recommendation: concerning the improvements in the filing system by the end of 2014, PRO will evaluate the confidentiality and functional aspects related to using a common data storage facility prior to assessing a definitive transition.

**Priority 2**

## 8. FOLLOW-UP OF PREVIOUS RECOMMENDATIONS OF THE EXTERNAL AUDITOR

204. In March 2013:

- 14 accepted recommendations remained outstanding, after considering, in the Annual report of external auditor for financial period 2012, that 12 previous recommendations could be closed;
- For financial period 2012, 29 new recommendations had been issued.

205. Therefore in March 2014, the external auditor had to conduct the follow up of 43 recommendations. According to external auditor review:

- among the three recommendations made in 2009 and not implemented in March 2013, one remains outstanding in March 2014;
- one recommendation made in 2010 and still not implemented in March 2013 has only been partially implemented by March 2014
- among the 10 recommendations made in 2011 and not implemented by March 2013, four remain open: three are partially implemented, one not implemented but in progress.

206. According to external auditor review, 60% of the 2012 accepted recommendations are already implemented, and 24% have not been implemented but are in progress, showing ICAO's determination to achieve the goal. Four recommendations from 2012 were initially rejected by the organization: but two of them, concerning arrears in assessed contributions, although rejected, have subsequently been implemented. Between last year's and this year's follow ups, 59% of the outstanding recommendations have been closed.

207. Within the organization, three bureaus or branches, FIN, ADB and EAO, all belonging to headquarters, are mainly concerned:

- ADB is the most concerned with 15 recommendations, but among those, only two were issued prior to 2012: almost half of them have been carried out satisfactorily during the financial period 2013, and five out of the eight outstanding recommendations are in progress;
- FIN had to deal with 14 recommendations during the financial period 2013, seven of which were issued before 2012. During the period, FIN closed almost two thirds of its outstanding recommendations;
- among the five recommendations under EAO responsibility, two are not implemented.

208. Previous figures give a general idea of the result of the external auditor follow up review. This is at odds with the view expressed by the internal auditor to the external auditor before stating the review. The Secretariat considers 11 recommendations to be outstanding, whereas external audit considers 20 recommendations remain outstanding. This gap finds an explanation in the fact that EAO fully relies on the information and the interpretation given by the bureaus and branches, while external auditor asks at least for supporting evidence and/or documentation.

209. The implementation of external audit recommendations allowed ICAO to improve different areas: in particular, one can note a simplification in the presentation of triennium budget thanks to a reduction of the number of strategic objectives, and to replacement of a complex programmes/projects structure by 25 functions. Control of ITC activities was improved thanks to identification of all related resources and expenditures, and to an ITC risks' rationalization, in particular

regarding hiring of consultants. The period is also marked by a significant extension of paperless environment.

210. Concerning outstanding recommendations, the main efforts should be directed towards analysis and control of wage costs, but also towards rationalization of the management of interpreters and translators. Improvements are also expected on publications.

**Finding no. 17:** during his two mandates, covering years 2008-2014, the external auditor made a total of 181 recommendations, out of which 171 were accepted by the Council, out of which, at the end of the external auditor's second mandate, 35 remained open.

**Recommendation no. 17:** ICAO bureaus and branches shall complete the implementation of all the recommendations accepted by the Council. Their follow-up is part of the next external auditor's mandate.

Secretary General accepts this recommendation

**Priority 2**

## 9. ACKNOWLEDGEMENT

211. The External Auditor wishes to extend its sincere appreciation to the Secretary General and its staff for their support and assistance during the audit.

End of audit observations.

Cour des comptes



The First President

Paris, 31 MARS 2014

To the Assembly of  
the International Civil Aviation Organization

### AUDIT OPINION

We have audited the financial statements of the International Civil Aviation Organisation (ICAO), for the 12 month period ended 31 December 2013. These financial statements include a statement of financial position at 31 December 2013, a statement of financial performance, a statement of changes in net assets, a statement of cash flow, a statement of comparison of budget and actual amounts for the period ended 31 December 2013 and notes including a summary of the accounting principles and other information. The table disclosed after the notes, including those presenting a financial position and a statement of performance by funds are not parts of the financial statements and are not audited.

Within the general framework of Article 61 of the Chicago Convention and by virtue of Article XII of the ICAO Financial Regulations, the Secretary General of the ICAO is responsible for preparing and presenting the financial statements. These statements are in conformity with the International Public Sector Accounting Standards (IPSAS). This responsibility includes the design, implementation and monitoring of internal control procedures to ensure the preparation and the fair presentation of financial statements, free of significant misstatements, resulting either from frauds or errors. This responsibility also includes the determination of fair accounting estimates adapted to the circumstances.

Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with the International Standards on Auditing (ISA). These Standards require us to comply with the ethical rules and to plan and perform our audit in order to obtain a reasonable assurance that the financial statements are free from material misstatements.

An audit consists in implementing audit procedures in order to collect audit evidence regarding the amounts and the information presented in the financial statements. The design of the audit procedures is based on the external auditor’s professional judgment, as well as the risk evaluation that the financial statements include significant misstatements, resulting either from frauds or errors. In the context of this risk evaluation, the auditor considers the internal control in place for the preparation and presentation of the financial statements, in order to design appropriate audit procedures and not in order to express any opinion on the internal control. An audit also consists in evaluating that the accounting method applied and the presentation of the financial statements are appropriate and that the significant accounting estimates are reasonable.

.../



We believe that the audit evidence collected is sufficient and appropriate to constitute a reasonable basis for our opinion.

Based on our audit, the financial statements give a fair view of the financial position of the ICAO at 31 December 2013, as well as the financial performance, the cash flow and the comparison of budget and actual amounts for the 12 month period ended 31 December 2013 in conformity with the IPSAS.



Didier MIGAUD

## ANNEX II – FOLLOW UP OF RECOMMENDATIONS

<u>ICAO - Status of External Audit Recommendations - Update 27th of march 2014</u>												
<u>Name</u>	<u>Recommendation No.</u>	<u>Priority</u>	<u>Office Responsible</u>	<u>Recommendation</u>	<u>Management Comments</u>	<u>Action</u>	<u>Implemented (ICAO position)</u>	<u>New Action Update (ICAO position)</u>	<u>Original/ Revised target date</u>	<u>Implemented (External audit position)</u>	<u>New Action Update (External audit position)</u>	<u>ICAO's comments - answer external audit</u>
External Audit Annual Report for 2010	EA/Rep/2010 Rec 4	N/A	FIN	When presenting budgetary hypothesis related to established posts to the Council, the Secretary General should systematically indicate the actual posts charged to the regular budget.	In future, C/FIN will provide in the budget an indication of the actual headcount compared to the budgeted headcount.	Include information on the actual headcount in the budget for 2014-16.	Yes	This has been provided and is part of the budget for 2014 to 2016. See C/WP/14032.		Partially	C/WP/14032 indicates in annex 3 (p138), table 4, approved appropriations for 2011-2012-2013 and estimates for 2014-2015-2016 in thousand CAD distinguishing P and GS. Table 5 indicates for each block of offices the number of P posts and the number of GS posts in 2013 and the estimations for 2016, but Exhibit 1 to 3 (p 147 to 149) which give the structure of the posts (D2, D1,...G7, G6,...) are not available for 2013, nor 2012 or 2011. So budgetary Hypothesis related to establishes posts are only partially given to transparency.	Table 5 of Annex 5 in the budget working paper (C-WP/14032) and final document (DOC 10030) provided the comparison between 2013 posts and 2016 posts (i.e. post movement) -- which is more relevant than merely providing the detailed information of 2011-2012-2013 headcounts. During the budget preparation process, the 2011-2013 headcounts and other information were already provided to the governing bodies, as requested - but this information was not included in the final budget documents as <b>these are no longer relevant and necessary for the 2014-2015-2016 budget working papers</b> and final budget document (DOC 10030). Auditor's view: the structure of post is necessary. No change in external audit's position.

External Audit Annual Report for 2011	EA/Rec 2011 Rec 2	N/A	FIN	A more rigorous and transparent approach must be taken to the preparation of the budget for the triennium 2014-2016. This would consist of: -(a) starting by coming up with an exhaustive definition of the perimeter of activity covered by the budget and of the resources available other than assessed contributions; -(b) not setting any restrictive rule for real growth in budget estimates until the first step is complete and applying it only to the Member States' assessed contributions, since the other resources are, by definition, variable.	This recommendation is rational and we will share the External Auditor's views with the Council to guide their decision-making during the budget discussions, i.e. that (1) the activities to be covered by the budget should be agreed upon as a first step; (2) the zero real growth principle should be applied only to Member States' assessments and not to the size of the budget; and (3) the size of the budget and Member States' assessment having been established, other sources of revenue should be identified to bridge the budgetary deficit.	Submit the draft budget proposal for 2014-16 to the Finance Committee and Council taking into consideration the External Auditor's recommendations.	Yes	This is the approach adopted for the next triennium.		Partially	Following C-WP/13899, point 3 (p1) and point 9 (p2), scenario of zero growth has been first chosen, then the activities have been decided: so the process has been conducted reverse to our recommendation. This recommendation cannot no longer be implemented before triennium 2017-2019.	As indicated, we have shared the views of the auditors with Council Members. The approach for developing the budget is what the Council wanted and what it eventually decided. Auditor's view: ICAO comment's is not bringing new elements so no change in external audit's position.
---------------------------------------	-------------------	-----	-----	---	---	---	-----	--	--	-----------	---	---

External Audit Annual Report for 2011	EA/Rec 6	N/A	FIN	Considering the proportion of the budget which ICT now constitutes at ICAO (i.e. approximately 11.5 per cent of the Organization's regular budget), when preparing the budget for the next triennium, ICAO should implement a budget and accounting system enabling more accurate and reliable tracking of all ICT expenditure incurred by any structure (ICT, ANB, ATB, FIN, regional offices, etc.).	The use of the accounts specifically created for IT expenditures in Agresso will be reinforced.	Implement a budget and accounting system enabling more accurate and reliable tracking of all IT expenditure across the Organization.	Yes	All hardware and software expenditures can be extracted from Agresso. Programmers within substantive bureaus are not considered ICT resources.		Yes	Separate accounts for hardware expenditures and for software expenditures have been created in Agresso so that corresponding expenditures can be identified across the organization. Some ICT expenditures are still registered in other accounts. As they are few, they are linked to individual practices that still need to be changed. FIN reminds the rules when such a case is identified. Nevertheless the recommendation is implemented.	
---------------------------------------	----------	-----	-----	--	---	--	-----	--	--	-----	--	--

External Audit Annual Report for 2011	EA/Rep /2011 Rec 11	N/A	FIN	The structure of the budget should be considerably simplified, while complying with the financial regulations, by ensuring that the number of programmes/projects is decreased to the strict minimum compatible with financial regulations (art. IV) and, insofar as is possible, by avoiding allocating the same programme to several sections. As for projects, given the fact that they largely relate to low-level management of programmes and which must therefore retain a certain degree of flexibility, they should not be disclosed in the Budgetary Document and the latter should be limited to presenting a list of results and outcomes expected for each programme over the triennium.	The structure for the next triennium's budget will be modified and Council approval sought. The proposed Strategic Objectives and Budget Model will take into consideration the functions of each Strategic Objective, instead of Programmes, and the inclusion of deliverables/milestones, which will then resolve the issue raised on performance indicators.	Modify the presentation of the 2014-16 budget to allocate funds by function rather than by programme.	Yes	Budget proposal under C-WP/13692 has been simplified. Programmes are eliminated. The budget for the next triennium will be presented by functions and no longer by programmes. There will be a maximum of 25 functions (five per strategic objective) - that will be less than the 37 programmes in the 2011-2013 budget. This will resolve the issue of presentation gap between the budget and actual activities. These changes are reflected in the latest C/WP/14032.		Yes	According to C-WP/14032, budget proposal is effectively organized under five strategic objectives, each objective is declined under the 5 same functions (direction, policy, monitoring, implementation, analysis) related to main activities. Key activities with expected output, key performance indicator and target are defined for each function. Thus the simplification is effective and the expected results clarified. Full recommendation is implemented.	
---------------------------------------	---------------------	-----	-----	---	---	---	-----	---	--	-----	--	--

External Audit Annual Report for 2011	EA/Rep /2011 Rec 12	N/A	FIN	As part of the simplification recommended in the previous observation for the formulation of the budget for the next triennium, the activities of the Air Navigation Bureau should encompass less programmes/projects within the current three strategic objectives so as to reduce the gap between the presentation of the budget and actual activities.	Since the proposed budget for 2014-16 will be by functions, this will resolve the issue of presentation gap between the budget and actual activities. The new framework proposed for the budget will allow both ANB and ATB to properly reflect all of their activities in the budget.	Modify the presentation of the 2014-16 budget to allocate funds by function rather than by programme.	Yes	Budget proposal under C-WP/13692 has been simplified. Programmes are eliminated. The budget for the next triennium will be presented by functions and no longer by programmes. There will be a maximum of 25 functions (five per strategic objective) - that will be less than the 37 programmes in the 2011-2013 budget. This will resolve the issue of presentation gap between the budget and actual activities.	Yes	In addition to the comment of the recommendation 2011 Rec 11, the strategic objective "Air Navigation Capacity and Efficiency" (ANCE) presents the activities distributed among 5 functions declined in two or three objectives, or a total of 13 objectives (C-WP/14032, p34 to 39). The 2014-2016 budget of each of the 5 ANCE functions is defined (C-WP/14032, p8).
External Audit Annual Report for 2011	EA/Rep /2011 Rec 13	N/A	FIN	When preparing the budget for the next triennium, and given the significant proportion of "un budgeted" professionals, more accurate and transparent anticipation should be made of the headcount actually available to perform the missions programmed by the Organization.	Some of the present activities have been made possible due to extra-budgetary resources. These include a significant amount of 'volunteered' resources such as seconded staff, and reliance on 'carry-over' funds, both of which are not really predictable at the time the budget is drafted. A customized IKS report will be created to provide greater transparency into this matter. The expected target date is the end of	Create a customized IKS report to provide greater transparency on seconded/gratis staff. Include a consultancy/outourcing line for each programme in the budget.	Yes	The details of gratis personnel have been provided to the Council Members and are now posted on the Council website. Since the new budget format for 2014-2016 has been adopted, the IKS will need to be modified accordingly and the customized IKS report on seconded/gratis staff will be bundled into those modifications, replacing the posting on the website.	Yes	The information on gratis staff provided to the Council Members through a table of number of gratis staff in each office (OSG, ADB, ANB, ATB, TCB, RO) for 2012. 2013 has not been provided for the moment. The revision of IKS report expected in 2014 will not include gratis staff but it should be the case latest in 2015. Information on gratis staff in order to have anticipation (based for example of the duration of the contracts) has not been provided.

					the third quarter of 2012. The current practice of including a 'consultancy/outourcing' line for each programme in the budget will be continued.							
External Audit Annual Report for 2011	EA/Rep /2011 Rec 15	N/A	FIN	It is recommended that, further to a proposal backed by the Secretary General, the Council should adopt a drafting of the Financial Regulations that eliminates all ambiguity regarding transactions allocated to the Fund, either as receipts or expenditure. More generally, the Council should ask the Secretary General to prepare a summary document clearly defining the objectives, policies and rules for allocating activities to the ARGF.	The Financial Rules are not all inclusive and cannot be all inclusive to include every possible business opportunity that may present itself in the future. However, it will be clarified that the list of activities is only indicative and not all inclusive. RGA Administrative Instructions will be developed, which will also include accounting guidelines for the fund.	Revise the Financial Rules to clarify the nature of ARGF activities. Complete the Administrative Instructions and accounting guidelines for the ARGF.	Yes	Rule 106.1 has been amended to remove ambiguity. RGA Administrative Instructions have been developed.		Yes	Amendment in rule 106.1 did not change the list of possible incomes but added the fact that that list was not limitative. General procedures for RGA adopted on January 2013 give detailed instructions including on utilisation of resources.	

External Audit Annual Report for 2012	EA/REP/2012 Rec 1	3	FIN	In such a context, it would make sense to anticipate the financing of future payments by creating a specific funding vehicle (that may be outsourced or managed within the United Nation organization) that could be used in addition of Member States contributions to meet this obligation.	Accepted. This issue has to be followed up at UN level.	None at present. The financing of ASHI is discussed at the UN level where the overall ASHI liability exceeds \$5 billion with approximately 20% funded. Ways and means to finance part of the liability and to invest funds are under consideration at the UN level and ICAO will consider any proposed global UN approach with interest. The ICAO Council has been informed of the level of the liability and possible means to finance part of the liability.	Yes	The Council is fully informed on this issue, however in the light of budgetary constraints, has decided not to fund this liability at present. No further action can therefore be taken by the Secretariat at present.		No	This recommendation was in fact rejected by ICAO. In 2013, we noted a new significant increase by 12.8 MCAD in Employee benefit liabilities. As a consequence the external auditor makes a similar recommendation in the 2013 audit report to the Council.	ICAO position remains the same. The Council will be informed of the significant increase in Employee benefit liabilities. External auditor's view: ICAO comment's is not bringing new elements so no change in external audit's position.
External Audit Annual Report for 2012	EA/REP/2012 Rec 2	1	FIN	The decreasing trend in ARGF reserves as well as this activity's business plan have to be taken into consideration when deriving the estimates of the transfers from ARGF surplus figures that will be included in the 2014-2016 triennial period budget.	Accepted. June 2013.	The decreasing trend in ARGF reserves and other relevant factors will be taken into consideration in estimating the net revenue of the ARGF and the transfers from ARGF to the Regular Budget for the next triennial budget.	Yes	The contribution of CAD 15.2 million from ARGF to the Regular Programme Budget for the 2014-2016 triennium took into account the level of ARGF reserves as well as existing revenue trend and business plan into consideration.		Yes	ARGF prepared a business plan following external audit recommendation and the 2013 result is a 0.2 MCAD profit after funding the regular budget in accordance with the forecast of the 2014-2016 triennium. The recommendation was fully applied.	



External Audit Annual Report for 2012	EA/RE P/2012 Rec 3	1	FIN	Council should request from the Secretary General to be provided with a summary detailing all estimation and allocation changes impacting AOSC net result on an annual basis. This summary should clearly show how regular budget contributes to the financing of technical cooperation activities.	Not accepted. The Secretary General disagrees with the finding and the recommendation: he strongly denies the fact that regular budget may partially finance technical cooperation activities and considers the AOSC budget and mid-year forecast to be a sufficient level of information for the Council. In the external auditor's view the transfer of five regional officers from AOSC costs to regular budget cost may be analysed as a partial funding of the technical cooperation activities by the regular budget. In addition to this, the external auditor considers the information provided to the Council to be insufficient at this stage. As a consequence, the external auditor recommends that a detailed analysis explaining the reasons of the return to profitability of AOSC fund in 2012 be prepared by the Secretary General and communicated to the Council.				No	In the reports of the Secretary general included in the financial package there are some explanations about AOSC results. However, the external auditor considers that this information is insufficient to give a clear view to the Council. For instance, we noted that severance costs relating to staff working for AOSC were funded by regular budget.	The severance cost for staff working for AOSC was absorbed by the Regular Budget because the severances in TCB occurred in order to accommodate redundancies within the Regular Budget. External auditor maintains its position
---------------------------------------	--------------------	---	-----	---	---	--	--	--	----	--	---

External Audit Annual Report for 2012	EA/RE P/2012 Rec 4	1	FIN	<p>This situation may require ICAO to revise its position regarding bad and doubtful debt allowances, especially if no significant improvement is noted in the debt collection process in 2013. For instance, the Member States that lost their voting rights (representing a MCAD 5.4 receivable as at 31 December 2012) could be subject to an allowance. We informed the Secretary General on this issue in our management letter.</p>	<p>Not accepted. ICAO's position remains appropriate in the circumstances. As shown in the example mentioned in the finding, a Member State that loses its voting right during an Assembly is not a clear indication that it will not discharge its obligation toward the Organization in the future. No Member States formally indicated their unwillingness to discharge their obligations. Another factor to consider is that assessments receivable from Member States having an agreement with ICAO to settle their obligations are discounted over a period of years which take into consideration the impact of assessments currently due, but which will be collected in future years. This discount, including one allowance for doubtful account, amounts to approximately 17% of total assessments receivable at December 31, 2012. Nonetheless, ICAO Secretariat will consider</p>	<p>Consider Council advice on the political implications of creating a bad debt provision for outstanding assessments as well as practices adopted by other UN organizations in a similar situation.</p>	Yes	<p>ICAO's position remains appropriate in the circumstances but will adopt a more conservative approach with the estimation of the fair value of receivables. We consider practically impossible to predict when States that lost their voting rights in two consecutive assemblies will pay ICAO or will enter into an agreement with ICAO over a period of years to liquidate their arrears. Thus the fair value will be estimated at zero.</p>	Yes	<p>ICAO revised its accounting estimation in 2013 and records an additional 3.8 MCAD discount to bring to 0 the receivable from Member States which lost their voting rights during the last 2 general assembly. The recommendation was fully applied. In the 2013 audit report to the Council, it is nevertheless recommended to pursue the collection process and the effort to talk Member States into signing agreements to liquidate their debts.</p>	
---------------------------------------	--------------------	---	-----	---	--	--	-----	---	-----	--	--

					Council advice on this issue and also practices adopted by other UN organizations in similar situations. It should be noted that Member States will have to pay any amount determined to be doubtful of recovery to the extent that it creates a negative surplus.							
External Audit Annual Report for 2012	EA/RE P/2012 Rec 5	1	FIN	The wage bill represents nearly 80% of budget expenditure. The General Secretariat and the finance department should be invited by the Council to submit an annual management report explaining clearly and in detail, in an auditable form, major changes to the payroll as compared to the previous year under the program funds from the regular budget and other major funds related to the regular budget (AOSC, ARGF, etc.), and the evolution of discrepancy between standard costs used to establish the triennial budget and costs recorded each year on year.	Accepted. The Secretary General will prepare and present to the Council an annual report in line with the external auditor's recommendation.	Prepare and present an annual report to the Council explaining the major changes in payroll compared with the previous year and the differences between standard costs used to prepare the budget and actual costs recorded.	No	In progress, will be completed by April 2014, however the information will be presented to the Secretary General rather than the Council.	01/06/2014	No	The increase of costs is collected in 4 components for P Posts (salary and post adjustment costs - around 0,6 MCAD), consultants/temps charged to IP vacancies (around 0,7 MCAD), repatriation costs (around 1,5 MCAD), ASHI (around 0,5 MCAD) and only one component for GS posts (termination indemnity costs - around 1,2 MCAD) but the analysis of the increase of the components is not linked to the evolution of number of posts. More than an analysis, it is a brief overview that will not enable the Council to take action to control costs' evolution. The recommendation will not be completed, since	As explained to the auditor on 20 March 2014, the variance analysis emailed to the auditors on 21 March 2014 was still in its draft version. This recommendation has been completed on 31 March 2014 when the Secretary General has been provided with a concise but comprehensive variance analysis of the 2013 Regular Budget expenditures, which included both price (cost) and headcount variances. This can be shared with the auditors if requested. External

											current actions are not in line with it. The position of external auditor remains.	auditor's view: the information of council is necessary, formalized explanatory document also and both do not exist. No change in external audit's position.
External Audit Annual Report for 2012	EA/RE P/2012 Rec 7	1	FIN	Given the financial burden of the ICAO IT operation – in the order of 12.37% of the budget, the external auditor recommends, as part of budget preparation for the next triennium, to identify IT expenditures and IT staff costs specifically under each Strategic Objectives budget and accounting classification.	Accepted for non-staff costs. Not accepted for staff costs. This recommendation is already implemented for expenditures relating to IT hardware, software, outsourcing, etc. however the recommendation cannot be accepted for IT staff costs. For example, IT posts in the Regional Offices and in bureaus cannot be separately identified and staff working on IT matters are allocated to the Strategic Objectives which they support. The Secretariat does not accept that these should be allocated to Supporting Implementation Strategies.	N/A. The recommendation is already implemented for non-staff costs.	Yes	The recommendation is not accepted for staff costs and is already implemented for non-staff costs.		Yes	For non-staff costs, see comment of recommendation 2011 Rec 6.	

External Audit Annual Report for 2012	EA/RE P/2012 Rec 26	2	FIN	The next triennial budget should provide, for regional offices, in parallel with the formal RBB structure, tables and charts showing expenses by expenditure blocks (salaries, travel, meetings, equipment purchases, etc.), as they are actually implemented and monitored by ICAO.	Accepted. The next triennium budget structure will be largely simplified, which should reduce the gap between theoretical RBB structure and actual budget implementation.	Include information by nature of expense in addition to the RBB format in the budget document for 2014 to 2016.	Yes	The A-WP on the 2014-2016 budget, which was approved by A38, includes tables showing expenses by expenditure blocks.		Yes	C/WP/14032, annex 3, table 4 presents expenditures by blocks at the level of the whole organization. Exhibits 4a and 4b give the detail for each regional offices and as a whole by budget blocks, with further details inside the blocks.	
---------------------------------------	---------------------	---	-----	--	---	---	-----	--	--	-----	--	--

External Audit Annual Report for 2011	EA/Rep /2011 Rec 7	N/A	ADB	In preparing the budget for the next triennium, with regard to ICT duties, ICAO needs to reassess the ratio of ICAO staff to consultants in order to optimally ensure the sustainability and control of essential ICT functions, whereas the rest can be outsourced or handled by consultants.	ICT is in the process of finalizing an ICAO ICT Master Plan, which will also include a resources plan. This plan will be presented to SMG for approval and will be considered in the budget preparation exercise for the next triennium.	Prepare and finalize a resource plan for ICT for the next triennium and include this in the ICT Master Plan.	Yes	2014~2016 ICT Budget plan with resource structure had been approved in Assembly. This Item can be closed.		No	According to C-WP/14032, Exhibits 1 to 3 (p147 to 149), number of ICT posts, identified as such in ADB, is stable with 17,5 posts ( 11,5 P, 6 GS) from 2014 to 2016. Exhibit 4b, 2014-2016 ICT budget, shows that total budget for consultancy and outsourcing to third party is reduced by 115KCAD (from 1 118KCAD to 1073KCAD). "ICAO's ICT Strategic Plan and Budget Planning for 2014-2016" presented on 17th January does not include any strategy to reassess the ratio of ICAO staff to consultants. However, external auditors take note that some changes underway, as documented in recommendations 2012 Rec 8 and Rec 15.	We do not agree to keep this recommendation open. There are no hard and fast rules regarding the reassessment of the ratio of staff to consultant or a general formula for determining the appropriate ratio composition. The basic premise for the recommendation was to ensure that core services are not adversely affected because they are manned only by consultants. As such all the measures undertaken (which C/ICT has also directly communicated to the external auditor in a meeting) were directed at ensuring that: • Core Services are clearly defined and the manpower needs correspondingly identified (Service
---------------------------------------	--------------------	-----	-----	--	--	--	-----	---	--	----	--	---

													<p>catalogue and Skills Matrix)</p> <ul style="list-style-type: none"> <li>• For each core service, at least a staff member and back-up staff member resource is available to support it.</li> <li>• Four (4) additional staff positions were created, to achieve the above, by converting roles currently managed by consultants. Furthermore, as reflected in C-WP/14011 and as recognized by the Council, cost efficient models that allow for flexibility of operations were being taken into consideration in areas such as ICT, owing to the nature of the functions that consultants carry out in these areas and subject to budgetary constraints and increasing service demand.</li> </ul> <p>External auditor's view: ICAO comment's is not giving any answer to</p>
--	--	--	--	--	--	--	--	--	--	--	--	--	--

													external auditor's assessment.
--	--	--	--	--	--	--	--	--	--	--	--	--	--------------------------------------



External Audit Annual Report for 2011	EA/Rep /2011 Rec 17	N/A	ADB	In accordance with the internal auditor's recommendation in 2009, a single business plan should be drawn up for RGA activity, which, in the future, would help make the budget forecast more detailed and more accurate. Grouping all the entities contributing to the Fund's activity (i.e. the RGA unit for marketing, the RSED service for publications and the COS service for conference services) under a single authority (ADB), as recommended by the External Auditor during his audit and agreed by the Secretary General on 1 November 2001, should facilitate this process.	A single business plan will be developed for the next triennium.	Develop a single business plan for revenue generating activities for the next triennium.	No	The budget is the financial expression of the business plan containing all resource requirements, parameters, product and market analyses and objectives. The 2014-16 Budget and Plan was developed in Dec 2012 and set aside and is now being redone for the coming triennium and due in December 2013. The accompanying narrative including business cases for new project areas will represent the ARGF Business Plan. The overall budget for ARGF for the next triennium is included in the ICAO budget and was approved by the Assembly. The financial details of the business plan are being completed due to recent changes in the organizational structure of ICAO. Finalization is expected by April 2014.	May 2014	In progress	A revenue-generating activities policy (C-WP/14122) has been adopted on 5th February 2014. It includes, among others, the principles of an annual budget and business plan for the ARGF presented to the Council in the Autumn session for its review, of a quarterly report on financial results posted on the Council website and of an annual audit of financial results of the ARGF. Next triennial budget (2014-2016) preparation is in progress. Table of revenues and expenses aggregates all activities (publications, e-products, training, seminar,...) and a business plan is attached to each new activities. After approval of these elements (28/03/2014), narrative budget and business plan will be written for approval by the Finance committee on 25/05/2014.	
---------------------------------------	---------------------	-----	-----	---	--	--	----	---	----------	-------------	--	--

External Audit Annual Report for 2012	EA/RE P/2012 Rec 6	1	ADB	Taking into account the increasing number of consultants, and recognizing the financial benefit of the use of consultants, it would be advisable to undertake a review of the policy and use of consultants in ICAO so as to identify challenges and areas for improvement.	Accepted. A Council working paper on a review of the implementation of the consultant's policy is to be presented to the Council at its current session. This paper will review challenges, provide an update of the policy and other measures for improvement as well as outline findings and recommendations of the recently concluded internal audit on the matter.	Undertake a review of the implementation of the Policy on Consultants in ICAO and revise the Policy as appropriate	Yes	Completed. Revised Policy posted on HR website.		Yes	The final review report of the policy and use of consultants in ICAO has been approved on 7th August 2013. It includes 7 HR recommendations and an action plan (target : Dec 2013, excepted training for June 2014). Administrative instruction on contracts of individual consultants/contractors has then been revised on 31st October 2013 in accordance to the recommendations. The policy is posted on HR website.	
External Audit Annual Report for 2012	EA/RE P/2012 Rec 8	2	ADB	In order to better ensure the durability and expertise of IT services deemed essential, the risk of using a large majority of consultants should be identified, documented and the appropriate mitigating actions put in place.	Accepted. The Secretary General notes that ADB agrees on the fact that the current utilization of SSA contractors could potentially lead to a loss of critical business knowledge, and accepts recommendation.	The use of consultants will continue to be the preferred business model for ICT. The risk of using consultants will be identified and documented, and mitigating actions will be identified, subject to available resources, in the ICAO risk register.	Yes	ICT follows Internal Control framework (Risk Register) on this documentation. This item can be therefore closed. This specific risk has been documented in the ICAO risk register (status Dec 2013).		Yes	ICT ICAO risk register updated in December 2013 includes a new risk (compared to November 2011) on durability and expertise of IT services not fully ensured and retained due to the use of large number of consultants. Instances and cases where key services manned by consultants have been documented. Four positions (two G-7 and two P-3) have been identified and converted. This recommendation is linked to 2012 Rec 15.	

External Audit Annual Report for 2012	EA/REP/2012 Rec 12	1	ADB	In view of the size of the managed financial volumes, in terms of both the regular budget and other resources, ICAO could consider the setup of instruments for comprehensive financial monitoring and management of ADB activities, which are dependent on non-budgetary resources (COS and RGA).	Accepted. Target date: December 2013. This recommendation will allow ensuring an efficient use of resources and effective management of ADB activities.	In cooperation with FIN, set up a comprehensive financial monitoring and management system for ADB activities.	No	Discussions were started with FIN. A post of Resource Management Associate was established in the Office of D/ADB to assist with comprehensive resource monitoring and management.	déc-15	No	This position of Resource Management Associate is currently under recruitment and will report to ADB Deputy director.
External Audit Annual Report for 2012	EA/REP/2012 Rec 13	2	ADB	The setup of objective fool-proof system for measuring the available translation potential of interpreters, and an effective assignment of interpreters to enhance planning, together with adequate means for monitoring the work done by each interpreter, are a prerequisite for any concrete attempt at using this potential rationally and in a necessarily concerted way. Using the data available in EDEN and Agresso, LPB should provide as soon as possible reliable information on these important parameters.	Accepted. December 2013. Adjustments to the availability data in Agresso are being implemented. The data will be validated and the reports modified if necessary. Flexible working arrangements are currently under review as a potential means of increasing efficiency.	Review and modify productivity reports to identify the availability of interpreters and consider more flexible working arrangements to increase efficiency.	Yes	Procedure in place and the EDEN system was modified accordingly as well as the reports. System for tracking availability of translation potential of interpreters set up and tasks assigned effectively; planning and monitoring enhanced through system. Completed.		In progress	EDEN system allows automatically planning for interpreters (permanent or not) and reports on interpretation done and on resulting translation availability. Council has reorganized for the triennium 2014-2016 its meetings in order to have 7 meetings a week. This allows a better use of interpretation potential. The difficulty is that this translation availability remains theoretical in many cases because interpreters take their holidays during part of this time: chiefs of translation manage effective availability with the interpreters without trying to match translation

											availability figure given by EDEN. Flexible arrangements are few and concerne translation hours as interpretation hours are ruled by the meetings.	
External Audit Annual Report for 2012	EA/RE P/2012 Rec 14	1	ADB	ADB is working on issues regarding evaluation and benchmarking of translation services, particularly compared with other United Nations organizations. When this reflection is completed and the objective methodological bases defined, measuring translators' productivity and controlling translation quality should be two priorities. These priorities must be accompanied by precise schedule markers, to put an end to the present situation of resistance to change.	Accepted. December 2014. A policy and system to measure translators' productivity and to control translation quality will be developed.	Develop a policy and system to measure translators' productivity and to control translation quality.	Yes	Section Chiefs were advised of the new productivity standards for LPB on 19 April 2013. The EDEN system was modified to recognize other translation tasks not directly related to requests for document services such as editorial queries, quality management, training and the productivity reports were modified. The productivity reports are monitored regularly on a monthly basis. Completed.		In progress	Productivity policy and system have been established, the standard has been set at 1500 words per days of activity (although it was estimated 1600 initially). Productivity reports are released. But all these productivity tools are not effectively implemented. For example, individual productivity reports mention neither the number of words nor the number of hours, 1500 words per days of activity is only seen as experimental, work assigned and work completed always match perfectly, ... A quality control, by the way, exists, procedures are documented and based on risk analysis (of the document or of the translator).	

External Audit Annual Report for 2012	EA/RE P/2012 Rec 15	1	ADB	Within the limits set out for support services in the next triennial budget, the Organization should consider granting ICT enough posts to ensure a satisfactory control of the main IT applications, including by reallocation from other sections.	Accepted. The Secretariat supports this recommendation. Options to grant ICT enough posts to perform its tasks will be identified within the available budget.	Ensure sufficient posts within ICT whilst taking into account budgetary resource constraints.	No	ICT is underway converting existing key functions handled by consultants to two G7 and two P3 temp posts.	déc-16	In progress	Instances and cases where key services manned by consultants have been documented. Four positions (two G-7 and two P-3) have been identified and converted. This recommendation is linked to 2012 Rec 8.
External Audit Annual Report for 2012	EA/RE P/2012 Rec 16	2	ADB	Given the growing importance of IT applications in ICAO's various activities, this is now a major area of risk: the external auditor shares the conclusions of the internal audit office on the need for further effort in this area, and welcomes the perspective of implementing a core Disaster Recovery Plan in the first half of 2013.	Accepted. End of 2014. ICT will prepare a disaster recovery plan.	ICT prepare a Disaster Recovery Plan and set standard recovery goals taking into consideration available resources	Yes	ICT has implemented DRP, High Availability plan and Backup/Restore procedures. The implementation of BIA is not under authority of ICT therefore this item can be closed.		Yes	A Disaster Recovery Plan has been established in September 2012, that has been completed by Disaster recovery and backup policies on 22th October 2012. Effectiveness of the DRP has not been reviewed by external auditor.

External Audit Annual Report for 2012	EA/RE P/2012 Rec 17	3	ADB	The Priority Board should meet more regularly. Indeed, the following observations show that it could usefully be referred to for discussion of a number of major issues relating to publications.	Accepted. The Secretary General plans to hold a quarterly meeting of the Priority Board (first meeting took place on 1 March 2013).	Increase the number of meetings of the Priority Board to coordinate the production of publications, to establish planning schedules and modifications in work programmes and to meet unforeseen changes in priorities	Yes	Meeting with Priority Board was held in December 2013 and Administrative Instructions for the Provision of Language Services for next triennium were presented which included detailed information on the slotting system. Effective date 1 January 2014. Completed. Regular, quarterly meeting will continue to be held.		In progress	Priority Board met only twice during 2013 and no meeting is planned for the moment for 2014. This cannot be considered as "regularly meeting" and represents only the half of the original goal of quarterly meetings that have been reduced to two meetings per year, following Publications Priority Board's meeting summary from December 2013. Administrative Instructions for the Provision of Language Services was discussed by the board but other policies are to be discussed as "The Publications Priority Board, chaired by D/ADB, meets at regular intervals to discuss policy and other high-level matters related to publications activities" and "reviews and approves proposals and recommendations submitted by the Subgroup for the establishment of priorities and other language-related policies".	We do not agree to keep this recommendation open. The recommendation was for the Priority Board to meet more regularly. Regular meetings of the Board were held in 2013 and meetings will be held on a regular basis in 2014; the next meeting of the Board will be held at the end of April. In addition, the Subgroup on Coordination of Publications, which consists of representatives from all Bureaus, held five meetings in 2013 (February, May, July, September and December). The Subgroup meets regularly to coordinate operations in the production of publications (from planning and forecasting, through translation,
---------------------------------------	---------------------	---	-----	---	---	---	-----	---	--	-------------	--	---

												editorial, printing, electronic and hard copy distribution, and sales). Priorities for publications and deliverables are discussed during the establishment of a planning schedule for submission/delivery of documents as well as modifications in work programmes and unforeseen changes in priorities. The Subgroup makes proposals and recommendations to the Priority Board when agreement on priorities cannot be reached by the group. No other issues requiring the review or approval of the Priority Board were encountered by the Subgroup during the year 2013. Auditor's view: ICAO comment's is not bringing
--	--	--	--	--	--	--	--	--	--	--	--	--

														new elements so no change in external audit's position.
--	--	--	--	--	--	--	--	--	--	--	--	--	--	---



External Audit Annual Report for 2012	EA/RE P/2012 Rec 20	2	ADB	In order for the "paperless environment" policy to be cost effective, the move to electronic publications is not sufficient. The Council should take a decision to drastically limit the number of documents made available in paper form to the Council itself, the Assembly, and the various "standing bodies" (AN commission, AT commission, work groups, etc.)	Accepted. A policy of limitation of all papers available to internal structures is already in place. No additional measure was first proposed by the Secretary General.	In addition, sufficient resources for training, infrastructure and support need to be provided to the Secretariat to achieve this goal. In consultation with the Council, identify possible ways of reducing the number of documents made available in paper form to the Council, Assembly and other standing bodies.	Yes	Documentation provided to Delegations in hardcopy for the Assembly was drastically reduced. As per Section 5 of the attached State letter, the documentation provided to Delegations was reduced by 50%. In addition, "ikits" were handed out to participants to provide additional electronic documentation, and a website was set up to provide all Assembly documents for electronic download. Only one set of documents in English is normally provided to Delegations for Council and Committee meetings. Versions in other official languages are distributed upon request. All such documents continue to be made available on dedicated websites for download.		Yes	Section 5 of State letter and pending amendments to doc 7231/11 illustrate ICAO's determination for "paperless environment" policy. As 2013 was an assembly year with an air navigation conference, it is not comparable: 2013 printings are much higher than in 2012. But comparing first months of 2012 to first months of 2014, printings decreased.	
---------------------------------------	---------------------	---	-----	--	---	---	-----	--	--	-----	---	--

External Audit Annual Report for 2012	EA/RE P/2012 Rec 21	3	ADB	The possibility of updating articles 9 and 10 of Document 7231/11 concerning publication regulations should be investigated, particularly with regard to the issue of the circulation of certain publications with high added value.	Accepted. Doc 7231/11 is being revised with the recent decision of the Secretary General to eliminate Air Cargo.	Revise Doc 7231/11 according to the decision of the Secretary General to eliminate Air Cargo. Consider revisions to Articles IX (distribution) and X (pricing).	Yes	The Publications Regulations will be amended. A Digital Rights Management (DRM) will be used to protect selected publications and is presently being applied to four best sellers. This recommendation can be considered as completed.		Yes	Draft of amends for doc 7231/11, in articles IX and X, from 14th August 2013, removes the two hard copies free of charge for the contracting states and the one for non contracting and replaces them by a Free web access for respectively two or one copies. But this modifications have still not been approved. The organization choosed to wait for DRM before amending doc 7231/11.
External Audit Annual Report for 2012	EA/RE P/2012 Rec 22	2	ADB	An evaluation of the cost-benefit ratio of a specific intelligence system for copyright protection of ICAO publications on the Internet would be worthwhile.	Accepted. ICAO has already implemented a partial Digital Rights Management (DRM) System for saleable publications. No additional measure is proposed by the Secretary General.	Implement partial DRM system for key top selling publications.	Yes	DRM is already implemented on ICAO eCommerce site. After review, the decision was taken to implement a digital rights management system for ICAO publications. The recommendation can be considered completed.		Yes	A preliminary study of the unauthorized use of ICAO information was conducted on the top 50 downloaded Publications in the second half of 2012. Following this study 600K-700K CAD could be recovered by ICAO. On another hand, ICAO evaluated that a professional grade DRM solution is in the range of 10K-20K CAD per year, with an additional estimated 50K CAD for ICAO staff resources to support such a system. DRM solution went live on Friday, 7 March 2014, on ICAO eCommerce site. The call to tender for global DRM is imminent.

External Audit Annual Report for 2012	EA/REP/2012 Rec 23	2	ADB	The codes of ethics featured in ICAO contracts used when canvassing advertisers should be reinforced, with more specific provisions added. The head of any ICAO publication that carries advertising should be systematically consulted and engage their own liability by giving their agreement.	Accepted. The responsibility for approving advertisers in publications will be attributed to the originating bureaus and Communications.	The several participants and owners within ICAO are being consulted by RGA. The responsibility for selecting advertisers in publications rests with the originating Bureaus and Communications.	Yes	The owners of each ICAO periodical have been informed and have accepted their responsibilities - A Philbin (ICAO Journal); M. Siciliano (MRTD Report) and M. Houmaddy (Training Report). There has been no change to any code of ethics. See e-mail sent to EAO on 14 Nov 2013 by H O'Donnell. Consulting all business owners were already done with Communication section of OSG. The contract part of this audit item is belonged to PRO and Legal, not under management of RGA (PRM section). To PRM section, this case is closed.		Yes	Firstly, before any advertising is accepted in ICAO periodicals, ADB sees the advertising and reviews it. Then the business owners get a dummy of the periodical before it is printed, this is another verification/validation step where the owner sees the advertising and has the opportunity to remove it if required. With providing the final "ok to go to print", the business owner accepts responsibility of the publication, including ethics of added advertising.	
---------------------------------------	--------------------	---	-----	---	--	---	-----	---	--	-----	---	--

External Audit Annual Report for 2012	EA/REP/2012 Rec 25	2	ADB	Since advertising revenues are systematically below forecast, the entire system needs revising (prices, partners, contract clauses and distribution costs).	Accepted. The factors listed are not necessarily attributable to advertising revenues below forecast. The advertising system in ICAO will be revised.	Revise the advertising system in ICAO	No	Almost all the ICAO advertising is handled via FCM communications . Periodic reviews and audits have taken place and the process was documented. Alternative models have been proposed for specific projects.	déc-14	No	Such advertising revenue has been generated under a contractual arrangement with FCM Communications Inc., a firm that has been handling ICAO Journal sales for numerous years. However FCM did not manage to forecast properly advertising revenues (systematically below), ICAO is about to renew its contract. The renewed contract has not yet been concluded due to issues related to the terms, that need to be revised, and conditions and financial accounting list. The recommendation might be difficult to fulfill as current actions are not fully in line with it.
External Audit Annual Report for 2012	EA/REP/2012 Rec 27	3	RO Bangkok	An update to the agreement between the Thai government and ICAO would be legally useful (even if, "politically" speaking, the risk is probably low that the clauses will be reconsidered by the Kingdom of Thailand), in order to confirm that the measures agreed upon in 1965 for	Accepted. An official request has been submitted to the Thai authorities concerned to amend the Agreement between the Government of Thailand and ICAO to include the provision of the Conference Building.	Submit an official request to the Thai authorities concerned to amend the agreement between the Government of Thailand and ICAO to include the provision of the Conference building. Amendment is in process.	Yes	Official request has been submitted to the Thai authorities and the agreement has been amended accordingly to include the Conference Building. Copy of the official letter is attached.		Yes	Inter-office memorandum from 10th of July 2013 endorses the amendment.

				another building do indeed cover the new buildings, particularly with the prospect of expensive repair work.								
External Audit of APAC	EA/Rep /APAC Rec 24	N/A	RO Bangkok	Update of job descriptions - We recommend that the Office keep its job descriptions updated with any changes made to the tasks assigned to staff.	Agreed. 1) Job descriptions of regional office staff members will be reviewed and updated. 2) Consultant engaged to review and amend the ROM, will be requested to focus on this aspect.	Update job descriptions for all RO staff.	Yes	Review and update of job descriptions of Regional Office staff has been undertaken. See attached e-mail dated 12/3/14 for details.		Yes	Up date started 2010 and was completed in March 2014.	
External Audit Annual Report for 2011	EA/Rep /2011 Rec 14	N/A	Shared ATB & ANB	The non-budgetary funding of the activities of ANB and ATB leads to the following recommendations : - The revenue-generating activities should be re-examined, along with the payment of missions and conferences by third parties, so as to ensure that there are no conflicts of interest (notably with regard to training centres and suppliers of aeronautical services). In this respect, the Secretary General's decision to appoint an ethics officer should undoubtedly be beneficial; - Given the	The Ethics Officer has been appointed and has taken up his duties. He will ensure that conflicts of interest issues are covered in mandatory training to be provided to all ICAO staff members and that relevant guidance on this issue is made available. All Bureaus will then be responsible for avoiding any conflict of interest. On MRTD: The regular programme budget currently provides fund for 1.00 P4, 0.50 G8 and 0.25 G5, as well as about \$100,000 non-staff costs (travel, meetings and consultancy) per year with the assumption that MRTD activities	Provide mandatory training on ethics. Review funding options for the MRTD programme.	Yes	Completed. A new ICAO Traveller Identification Programme (ICAO TRIP) Strategy was adopted by the 38th Session of the Assembly in 2013. The regular programme budget allocated to ICAO TRIP/MRTD programme was also adopted by the 38th Session of the Assembly in 2013. ARGF budget allocated to ICAO/TRIP/MRTD programme will be finalized in March 2014 subject to the Council review in the Spring Session 2014.		Partially	1. Conflicts of interest : "conflict of interest declaration and financial disclosure" statement revised in march 2014, 100% of the key staff signed the declaration of interest, book about preventing conflict of interest sent to all staff, 31 face-to-face trainings in 2013, all RO trained, 50-60% central staff trained 2. Funding MRTD : ICAO TRIP Strategy has been adopted. MRDT funding sources, following A38-WP/11, appendix C (p8), remain mainly out of the regular budget as extra-budgetary sources finance more posts than regular budget and technical groups	The core work programme related to MRTD/TRIP is funded by the regular budget and will be consolidated into the new Facilitation Section in mid-2014. Currently, one G-6 post is funded by ARGF. Functions assumed by two consultants (mainly related to revenue-generating activities) will be converted into the posts funded by ARGF. The two agreed actions have been completed. Auditor's view: ICAO

				<p>growing importance of the MRTD programme over recent years, its funding should be reconsidered so as to include specific appropriation of funding for this programme in the next regular triennial budget that is commensurate with the level of Secretariat effort required;</p> <p>- Finally, in the framework of the next triennial budget, care should be taken to ensure that mandatory contributions correspond to priority ICAO actions, while extra-budgetary funding, which by definition is more unstable, should be geared more towards actions which do not require long-term stability.</p>	<p>could generate more revenues than those staff and non-staff costs. Additional 1.00 G7 and two consultants (SSAs) dedicated to the MRTD programme are also funded by RGA. The funding options for the MRTD Programme will be reopened for review during the preparation of the next triennium budget, taking into account the new MRTD Programme strategy. On the issue of funding priorities: Past experience shows that the process of using both regular budget and extra-budgetary resources to support the work programme can be managed effectively. Moreover, the actions taken under several of the other recommendations will help to ensure improved visibility and transparency of the entire process for the Council.</p>						<p>are funded by States, organizations or private sector.</p> <p>3. Mandatory contributions correspond to priority ICAO actions : as ARGF is still funding the regular budget, it can be considered that this is not implemented. Recommendation completed on conflicts of interest but there might be a risk on the future if the ethics officer remains on 0,5 post.</p>	<p>comment's shows that the process is going on but not completed, so no change in external audit's position.</p>
--	--	--	--	---	---	--	--	--	--	--	--	---

External Audit Annual Report for 2012	EA/RE P/2012 Rec 18	2	COM	It is time for the rules governing the style, format and presentation of ICAO publications to be reviewed and streamlined: firstly to avoid the Organization's "commercial" publications adversely affecting the Organization's external image, and secondly to take into account the increasing share of electronic distribution in the work of publication. In this regard, texts focusing on these two aspects (Staff Notice 4562 and Doc 7231/11) should be updated.	Accepted. December 2014. Updated standard for branding of ICAO publications will be prepared.	Prepare an updated standard for branding of ICAO publications	No		31 Dec 2014	In progress	The new branding is already applied for most publications. Templates have been created. Only few templates remain to establish and among them is the template regarding technical publications (1999 standards still apply). It is planned to review them during 2014 in order to harmonize them with the other templates. The guidelines for the implementation of all the template will be established and shared through the Secretariat web site. Since April 2012, all publication need an approval from COM: if 2013 has been a year of "learning" of the new branding, it seems that it is now assimilated. Realised and processing actions should allow an implementation of the recommendation on time.	
---------------------------------------	---------------------	---	-----	--	---	---	----	--	-------------	-------------	--	--

External Audit Annual Report for 2012	EA/REP/2012 Rec 19	3	COM	The inclusion of publications policy in the reflection on the public information strategy plan would be appropriate.	Accepted. December 2014. The communication plan will take into account the publications policy.	Ensure that the communication plan takes into account the publications policy	No		31 Dec 2014	No	COM is not aware about any publications policy and already implements the 2014-2016 communication plan. The implementation of the recommendation seems unlikely since COM doesn't even know the publications policy.	We maintain that a communication plan, incorporating a publication policy is being developed for the end of 2014. There is no publication policy document as such, but there is a publication regulation, doc 7231. Auditor's view: ICAO comment is not bringing new elements so no change in external audit's position.
External Audit Annual Report for 2011	EA/Rep/2011 Rec 4	N/A	EAO	Even though a policy on consultants and individual contractors, which clearly defines the conditions under which consultants may be hired, has been implemented, ICAO should ensure that managers act in full compliance with these guidelines.	A yearly audit will be conducted by Internal Audit to ensure compliance with guidelines.	Completion of the planned internal audit on the implementation of ICAO's Policy on Consultants.	Yes	The audit was completed at the end of March 2013 and the draft report issued on 24 April 2013.		Yes	An internal audit on the implementation of ICAO's Policy on Consultants has been conducted.	



External Audit Annual Report for 2012	EA/RE P/2012 Rec 9	2	EAO	Unplanned audits that are added during the year should, in principle, remain exceptional. This would imply more in-depth reflection during the preparation of the annual programme submitted to the Council.	Accepted. But the Secretary General does not propose to take any specific step to apply it. EAO agrees that the audits included in the annual work programme should be carried out as planned and that any changes should in theory be exceptional. However some flexibility is also required to be able to make changes or to add audits during the year based on emerging risks and changing priorities. EAO will regularly monitor the work programme to ensure that planned audits are completed, resources permitting.	Regular monitoring of the work programme to ensure that planned audits are completed, resources permitting.	Yes	Dashboards are already in place to monitor the progress in implementing the EAO work plan on a monthly basis.		Yes	Monthly dashboards allow the monitoring of the EAO audits for EAO Work Programme and for of Special Requests (unplanned actions). But since January 2014, dashboard are limited to EAO Work Programme. The follow-up of all EAO audit activities should be restored. Report (C-WP 14096) to the Council on evaluation and internal audit didn't review the difference between scheduled and unscheduled audits.	
External Audit Annual Report for 2012	EA/RE P/2012 Rec 10	1	EAO	The auditors and evaluators should fully dedicate their activity on audit and evaluation, and administrative tasks (external auditor focal point and follow up of JIU) should be transferred to more suitable services in ICAO.	Not accepted. Rejected although compliant with INTOSAI recommended practices and followed by most of other UN organizations.					No		This recommendation was rejected by the Secretary General and the Council in C-WP/14048. It should be closed.

External Audit Annual Report for 2012	EA/RE P/2012 Rec 11	1	EAO	External auditor considers that EAO should increase its audits in the areas of technical cooperation and regional offices, and also ensure a better coverage of IT systems, an area which is still very scantily audited by EAO.	Neither accepted nor rejected. The Secretariat General points out that one audit of TCB consultants was carried out in 2012, but that following external auditor's recommendation would require a higher consultancy budget and the recruitment of an additional audit professional.	Not accepted. The current audit activity is restricted by the level of resources. Implementing this recommendation would require a higher consultancy budget and the recruitment of an additional Internal Audit Professional, and no abolishment of positions in the budget for the next triennium. However, it has to be noted that an audit of TCB consultants was carried out in 2012. An evaluation of Technical Cooperation administrative support processes is planned in 2013. Since 2011, one IT audit has been planned every year. Being more active in these two areas would require more resources. Consider the External Auditor's recommendations for the 2014 work plan to the extent possible given current resources.	Yes	The 2014 EAO work programme (C-WP/14071) which is prepared on the basis of a risk assessment, covers these areas to the extent possible given current resources.		Yes	2014 EAO work programme (C-WP/14071) compared to 2013 EAO work programme (C-WP/13887) includes more audits, and within these, more are related to regional offices. ICT and technical matters are also part of 2014 programme.	
---------------------------------------	---------------------	---	-----	--	--	--	-----	--	--	-----	--	--

External Audit Annual Report for 2012	EA/REP/2012 Rec 29	2	EAO	ICAO should not declare closed a recommendation that has not been fully and satisfactorily implemented.	Accepted.	This is already the case. However some flexibility needs to be retained since it may be necessary to close recommendations which are no longer relevant due to changing circumstances or as a result of the passage of time. EAO will continue to hold quarterly meetings with each bureau director to discuss actions taken and to agree which recommendations can be closed.	Yes	Quarterly meetings are held with each bureau to discuss the status of all outstanding recommendations and to agree which recommendations can be closed. Recommendations are not closed unless evidence of completion is satisfactorily recorded in Symbiant.		No	Example given with the external audit recommendations, many recommendations are considered as implemented by EAO although they are not, principally because EAO relies on bureaus' declarations and not on searching supporting documents.	The action proposed by ICAO to close this recommendation, i.e. to hold meetings with each bureau is implemented. Auditor's view: a meeting is not a result. ICAO comment's is not bringing new elements so no change in external audit's position.
External Audit of TCB	EA/Rep /TCB Rec 15	N/A	TCB	We recommend regularly updating technical cooperation project operations manuals so as to make the process secure as well as ensuring archival under the best conditions. This way, staff members would have updated versions so as to properly undertake their activities.	A consultant will be hired to conclude the updating of the TCB Administrative Manual and to prepare the updated version of the Field Operations Manual, to be completed by the end of 2010, subject to the full implementation of Agresso.	Update of the Administrative Manual and Field Operations Manual	Yes	FOS has achieved ISO certification in June 2013. Nevertheless in our constant search for improvement, amendments to these procedures are being made and additional procedures are being developed within FOS. The exercise of having FOS Manuals harmonized with ISO procedures is part of the Quality Management System based on continuous improvement. In summary, processes and manuals are living documents and		Yes	As FOS has achieved ISO certification in June 2013, external auditor assumes that operations manuals are regularly updated. However ISO certification report (BSI assessment report from June 2013) has no mention on that item.	

								in order to keep them updated they are subject to constant changes. As a clear example, ROM Chapter 5 has been updated.				
External Audit of TCB	EA/Rep /TCB Rec 17	N/A	TCB	We recommend fully and quickly implementing all of the Agresso modules, especially those relating to budget aspects.	The implementation schedule for Agresso modules rests with the IRIS project. The Agresso Budget Planner module is undergoing final acceptance testing by both FIN and TCB with final implementation scheduled before the end of the first quarter of 2010.	To implement all Agresso modules, especially those relating to budget aspects.	No	The post implementation review was conducted by the IRIS consultant along with the BSU and FOS team during the week of 16-20 September 2013. Requirements have been identified and reporting issues are to be addressed by the IRIS team. The upgrade to the module with added and improved functionalities is expected to be implemented in April 2014. Due to shortage in staffing, the IRIS team is unable to meet TCB's automation and reporting requirements. A consultant will be contracted for 6 months (expected start date 1-Mar-14) to assist IRIS in addressing all outstanding requirements on a full time basis.		No	See ICAO comments	

External Audit Annual Report for 2012	EA/RE P/2012 Rec 24	3	OSG	While there is no clear solution, one potential avenue for cutting costs would be to find a balance between a fairly limited hardcopy circulation and broader electronic circulation. It remains to be seen whether the main advertisers would be willing to participate in such a change, particularly with respect to the electronic version of the journal.	Partially accepted. The Secretary General has taken a different option, deciding to publish the ICAO Journal in English only, thus managing to break even for the first time for the last 2012 issue of the Journal – this does not fully answer the Council's request (breaking even by maximizing revenues).	Costs have been reduced by the decision of the Secretary General to publish and distribute the ICAO journal in English only. Advertising sales from an electronic magazine are expected to be a fraction of those from hard copy.	Yes	The Secretary General has decided that the ICAO Journal will be published in English only.		Yes	In 2012 as in 2013, 6 editions of the ICAO Journal have been published. The number of printed journal decreased importantly between 2012 and 2013, but revenues increased (in 2012 204 units were sold for 261 360 CAD revenues, in 2013 145 units were sold for 530 495 CAD revenues) as sale of advertisements are linked to number of readers and not of sales of printed journals . In 2012, ICAO Journal registered losses whereas benefits have been registered in 2013 at 97 941 CAD, through greater revenues and almost stable expenditures. Electronic version can be free downloaded. See added comment (green highlighted) to avoid mentioned misunderstanding.	
External Audit Annual Report for 2012	EA/RE P/2012 Rec 28	3	OSG	It is recommended to ensure that the integration of the technical cooperation activities within the regional offices is implemented in a harmonized manner between the various	Position unclear but finally accepted. On one hand, the Secretary General considers that, for five regional offices out of seven, this integration has been completed. But on the other hand, he declares	The Policy on Technical Assistance and Technical Cooperation approved by the Council will govern the implementation of technical assistance and technical cooperation activities. In	No		31 Dec 2014	In progress	Key activities and related key performance indicators for each regional office have been defined and given to transparency in the regular budget 2014-2016. Beyond regional differences, and following C-	In fact, the auditor is right; there are differences between the various ROs, that may go beyond strict geographical diversity. But the action agreed in the end is to have

				offices.	that technical officers in the regional offices deal no longer with technical cooperation, but with technical assistance (and that is the reason why, from 2012, they are financed by regular budget and no longer by AOSC fund – see finding n°3 above).	addition, through the Monitoring and Assistance Review Board (which includes the participation of the Regional Offices whenever possible), the Secretary General will allocate resources from the Regular Budget for the delivery of technical assistance. The technical cooperation officers in five of the seven Regional Offices, previously funded by the TC AOSC Fund, have been absorbed by the Regular Budget. Performance indicators and targets will be set in order to evaluate the activities carried out by the regional offices.					WP/14032 (p68 to 101), many differences remain in the technical cooperation activities.	some harmonized KPI in the new performance management system. This is still to be put in place by the end of 2014. No change in external audit's position.
--	--	--	--	----------	---	---	--	--	--	--	---	--

- END -



