



ICAO

Doc 10129

Financial Statements and Reports of the External Auditor for the Financial Year Ended 31 December 2018



Documentation for the 40th Session of the Assembly in 2019

INTERNATIONAL CIVIL AVIATION ORGANIZATION



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**FINANCIAL STATEMENTS AND
REPORTS OF THE EXTERNAL AUDITOR
FOR THE YEAR ENDED 31 DECEMBER 2018**

INTERNATIONAL CIVIL AVIATION ORGANIZATION
FINANCIAL STATEMENTS AND REPORTS OF THE EXTERNAL AUDITOR
FOR THE YEAR ENDED 31 DECEMBER 2018

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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 192 Member States as of 31 December 2018. 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 September 2016.

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, the Technical Co-operation Committee, the Relations with Host Country Committee, Edward Warner Award Committee, and the Committee on Cooperation with External Parties.

1.5 The Secretariat consists of 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 Secretary General is also directly responsible for the management and effective work performance of the activities assigned to the Office of the Secretary General relating to Finance, Evaluation and Internal Audit, Ethics, Communications, Strategic Planning, Coordination and Partnership, Global Aviation Training and seven Regional Offices. The regional offices 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 for approval of the financial statements of ICAO for the year ended 31 December 2018. As required by Article XIII to the Financial Regulations, the External Auditor's opinion and his report on the 2018 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

Overview and Highlights of the Financial Statements

2.1 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/V-A: Comparison of Budget and Actual Amounts.

2.2 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.

2.3 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.

2.4 The following paragraphs summarize the key information on the financial situation and performance of the Organization for 2018.

2.5 **Statement I** presents the financial position of the Organization. Assets totalling CAD 436.9 million at 31 December 2018 are mainly composed of cash and cash equivalents amounting to CAD 402.4 million and of assessments and other amounts receivable totalling CAD 26.6 million. Total liabilities amounts to CAD 494.7 million, of which an amount of CAD 304.9 million represents advance receipts mostly for technical co-operation projects, and a long-term liability of CAD 151.0 million for employee benefits recognized on this statement since 2010 with the application of IPSAS.

2.6 This statement also shows an accumulated deficit of CAD 53.9 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 81.8 million, it is not foreseen that additional funding will be necessary on a short term basis to cover the accumulated deficit.

2.7 **Statement II** presents the financial performance for the year 2018. Revenue from project agreement is recognized on the basis of services rendered and goods delivered to Technical Co-operation Projects (TCP). Revenue from assessed contribution is recognized when assessments are levied, generally at the beginning of the year when they become due and payable by Member States. 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 1 541 thousand during 2018 to take into account the impact of the recognition of long-term receivables at fair value as required by IPSAS. Total 2018 surplus amounts to CAD 7.6 million net of inter-fund eliminations. Table A shows the result by Fund or Group of Funds for regular activities. Expenses include an amount of CAD 11.0 million recorded in the Revolving Fund to recognize employee benefits expense (ASHI, annual leave and repatriation benefits) on an accrual basis. In 2018, CAD 4.0 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 7.0 million between benefits accrued and benefits paid is included in the deficit for the year for that Fund. Explanations on the financial results and surplus of the General Fund of the Regular Programme (CAD 4.7 million) and surplus of the AOSC Fund (CAD 4.3 million) are provided in the following paragraphs.

2.8 With regard to the net surplus of other Funds, it is explained, among others, by a combination of surplus of CAD 1.9 million in Ancillary Revenue Generation Fund, CAD 1.1 million in Aviation Security (AVSEC) Fund activities, CAD 0.9 million in Resource Mobilization Fund, CAD 0.9 million in Safety Fund, and deficit of CAD 2.0 million in Environment Funds.

2.9 With regard to the Technical Co-operation Projects segment, there is no annual surplus or deficit for the year 2018 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.

2.10 **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 65.7 million. The balance of the net accumulated deficit at the end of 2018 was CAD 57.8 million. The decrease to the accumulated deficit for 2018 is mainly caused by the surplus of the year of CAD 7.6 million, the actuarial gain of CAD 2.4 million on After-Service Health Insurance (ASHI), and a reduction of CAD 2.2 million resulting from reclassifications and transfers.

2.11 **Statement IV** gives the breakdown of the variation of cash flow from CAD 436.5 million at 31 December 2017 to CAD 402.4 million at 31 December 2018. The overall decrease is a combination of the reduction of TCP cash balance of CAD 57.1 million due to an increased level of implementation for TC Projects in 2018, offset by the increase in regular activities cash balance of CAD 23.0 million with more assessments collected in 2018. As permitted by IPSAS, the indirect method is used which is also the method adopted by ICAO in previous years.

2.12 **Statement V** shows a comparison between the budget (Regular Programme) and actual amounts. This Statement also reflects the status of appropriations including transfers and the amounts charged against the appropriations as required by Financial Regulation 12.1. **Statement V-A** includes all funds of the Organization and shows comparison between budget and actual amounts for funds for which the budgets are publicly available. This statement reconciles with the other financial statements and tables. These statements and Note 4 to the Financial Statements reflect the budget information required by IPSAS.

3. BUDGET PERFORMANCE AND FINANCIAL HIGHLIGHTS

Appropriations for Regular Programme

3.1 The 39th Session of the Assembly in 2016, under Clause C of Resolution A39-37, voted appropriations in the amount of CAD 99 868 thousand for the year 2018. Details of appropriations, transfers, actual expenditure and unobligated balances of appropriations by Strategic Objective and Supporting Strategies are given in Statement V.

3.2 The budgetary result for 2018, in thousands of Canadian dollars, is summarized as follows:

Original Appropriations	99 868
2017 Outstanding Commitments	16 364
Carry-over from 2017	<u>7 535</u>
Approved Revised Appropriations	123 767
2018 Outstanding Commitments	(18 747)
Carry-over to following year	<u>(6 125)</u>
Final Revised 2018 Appropriations	<u>98 896</u>

3.3 **2017 Outstanding Commitments.** In accordance with Financial Regulation 5.7, an amount of CAD 16 364 thousand was approved by the Secretary General to supplement the 2018 appropriations, primarily for payment of outstanding commitments for the year ending as of 31 December 2017.

3.4 **Carry-over from 2017.** In accordance with the Financial Regulation 5.6, an amount of CAD 7 535 thousand was approved by the Secretary General to supplement the 2018 appropriations, financed by savings from 2017, for mandatory and other mission-critical activities that were not budgeted for in 2018.

3.5 **2018 Outstanding Commitments.** The value of obligations entered into in 2018, but delivery against which is only expected in 2019, is CAD 18 040 thousand. Employee entitlements in an amount of CAD 707 thousand consisting primarily of accrued leave and repatriation grants foreseen to be paid to staff separating from ICAO in 2019. Therefore, an amount of CAD 18 747 thousand (also see Figure 1, column (e)), has been reserved and carried forward to 2019, pursuant to Financial Regulation 5.7 to clear legal obligations incurred during 2018.

3.6 **Transfers.** In compliance with Financial Regulation 5.9, the Secretary General authorized transfer of the appropriations from one Strategic Objective (SO) or Supporting Implementation Strategy (SIS) to another, up to an amount not exceeding 20 per cent of the annual appropriation for each of the SO or SIS to which the transfer is made.

3.7 **Carry-over to Following Year.** Under Financial Regulation 5.6, the Secretary General is authorized to carry over unspent appropriations, not exceeding 10 per cent per appropriation for each SO or SIS. The amount of CAD 6 125 thousand carry-over is within this limit and will be used to fund activities that did not get funded by the 2019 budget and those 2018 activities that were deferred to 2019. Mission-critical activities and those that are considered mandatory in nature were given priority for funding and include activities related to the implementation of the Universal Safety Oversight Audit Programme (USOAP) improvement requirements (in reference to the Group of Experts for a USOAP CMA Structured Review [GEUSR] recommendations and work proposed by ANConf/13); pilot project assessments for the Global Aviation Safety Oversight System (GASOS); activities related to the coordination strategy to protect the Aviation Spectrum; projects related to the Global Aviation Safety Plan (GASP) and the Global Air Navigation Plan (GANP); implementation of the Carbon Offsetting and Reduction Scheme for International Aviation (CORSA); activities related to the economic development of air transport (e.g. air transport connectivity); activities related to aviation security and facilitation such as cybersecurity and regional officers attendance to AVSEC 2019 symposium; No Country Left Behind (NCLB) initiatives such as Combined Action Team missions in APAC Region; technical assistance in the Regional Offices; the relocation of the NACC Office premises; activities related to in-house digitalization projects; further assistance to internal audit functions; and projects related to the

enhancement of cyber security and information technology as well as a project to enhance reporting and budgeting. Deferred activities include postponed Universal Safety Oversight Audit Programme (USOAP) audits; Special Implementation Project (SIPs); and the implementation of the Language Services Management System (LSMS) solution.

3.8 As a result of the increases and transfers outlined in the preceding paragraphs, the final revised appropriation for the year amounted to CAD 98 896 thousand.

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

FIGURE 1

	<u>2018</u> <u>Budget</u> ¹	<u>Actual</u> ²	<u>Exchange</u> <u>Differences</u>	<u>Actual</u> <u>at Budget</u> <u>Rate</u> ³	<u>2018</u> <u>Outstanding</u> <u>Commitments</u>	<u>Total</u>	<u>Difference</u>
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
				= (b)+(c)		= (d)+(e)	= (f) - (a)
							\$
REVENUE							
Assessed Contributions	91 540	98 400	(8 330)	90 070		90 070	(1 470)
Other Revenue							
ARGF	6 415	6 419		6 419		6 419	4
Miscellaneous	378	1 048		1 048		1 048	670
Reimbursement from AOSC	1 202	1 202		1 202		1 202	0
Transfer from Incentive Scheme Account	333	333		333		333	0
Currency exchange difference		3 115		3 115		3 115	3 115
	99 868	110 518	(8 330)	102 188	0	102 188	2 320
EXPENSES							
Staff salaries and employment benefits	96,060	87 592	(6 791)	80 801	11 051	91 852	(4 208)
Supplies, consumables and others	1,335	678	(91)	587	473	1 060	(274)
General operating expenses	18,684	11 683	(449)	11 234	7 199	18 433	(251)
Travel	5,648	5 231	(316)	4 915	0	4 915	(733)
Meetings	1,621	1 232	(103)	1 129	23	1 152	(469)
Other expenses	419	279	(49)	230	0	230	(189)
	123 767	106 694	(7 798)	98 896	18 747	117 642	(6 125)

¹ 2018 Budget-Expenses include carryover (and commitments) from prior year of CAD 23 899 thousand.

² From Table A, Financial Statements, excluding Working Capital Fund

³ Includes (1) budget exchange gain of CAD 8 330 thousand due to impact of US dollar transactions budgeted at USD1.00=CAD1.00, and (2) currency exchange gain of CAD 7 798 thousand due to the difference in the rate of exchange used to prepare the budget versus the monthly UN rates of exchange applied to expenditures during the year.

3.10 **Explanation of Differences – Revenues.** The overall budget of CAD 99 868 thousand (Figure 1, column (a)) refers to the five main funding sources of the Regular Programme Budget for 2018: Assessed Contributions, ARGF Surplus, Miscellaneous Income, Reimbursement from AOSC Fund, and Transfer from Incentive Scheme Account. For the *Assessed Contributions*, the difference of CAD 1 470 thousand pertains to additional assessments from a new Member State (CAD 71 thousand) as well as the discounted amount of the long-term contributions receivable (CAD 1 541 thousand). For the *Miscellaneous*, the difference is mainly due to higher interest earned than had been budgeted

3.11 **Explanation of Differences – Expenses.** The overall budget of CAD 123 767 thousand (Figure 1, column (a)) includes the 2018 original appropriations of CAD 99 868 thousand, the carry-over from 2017 along with 2017 Outstanding Commitments of CAD 23 899 thousand. Savings (unutilized appropriations) from 2018 of CAD 6 125 thousand will be carried over to 2019.

3.12 **Exchange Differences.** The exchange differences are due to the need to convert transactions in currencies other than CAD to CAD using the UN rate of exchange in the preparation of the financial statements under IPSAS; and to convert revenue and expenses at budget rate for comparison with approved budgets. Budget exchange differences in (Figure 1, column (c)) are composed of the following:

- a) The exchange gain of CAD 8 330 thousand on assessments represents the calculated positive differences between assessments budgeted at budget rate for the triennium and at the UN operational rate of exchange when assessments are levied. Since 2010, Member States are being invoiced partly in USD and partly in CAD. The USD/CAD exchange rate on 1 January 2018 (the date when invoices were raised in USD) was higher than the rate used in developing the 2018 budget, resulting in a positive difference to total assessed contributions of CAD 8 330 thousand; and
- b) The exchange gain of CAD 7 798 thousand on expenses is due to the difference in the rate of exchange used to prepare the budget versus the monthly UN rates of exchange applied to expenses during the year. This exchange difference has been allocated to actual expenses in order to restate it to the approved budget exchange rate. The total expenses restated at the budget rate are 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 (g). The currency exchange difference of CAD 3 115 thousand (Figure 1, column (b)) recognized on the IPSAS basis, relates mainly to positive differences from the revaluation of assets and liabilities in CAD initially recorded in other currencies.

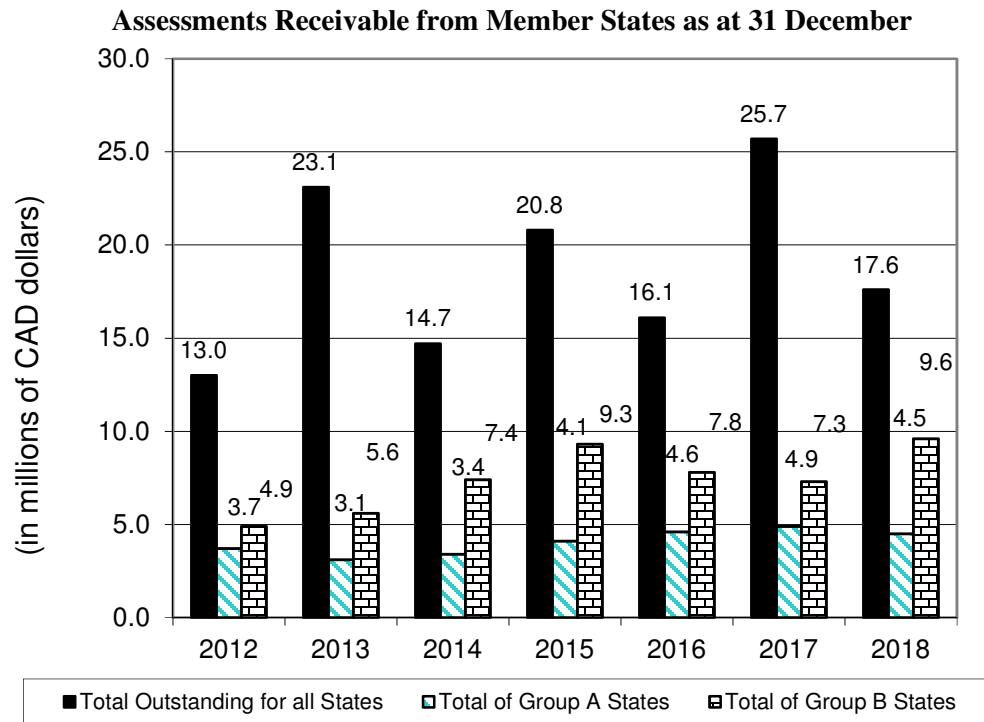
Assessment and Reporting Currencies

3.13 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 2018, the fluctuation of the Canadian dollar against the U.S. dollar was CAD 1.26 at the beginning of the year and CAD 1.365 at the end of the year.

Assessments and Other Voluntary Contributions

3.14 During the year 2018 assessments totalling CAD 95 918 thousand were received and a balance of CAD 4 023 thousand remained outstanding at the year-end against the current year's assessments. At the beginning of the year, CAD 24 938 thousand was receivable from States in respect to 2017 and prior years; payment of CAD 13 179 thousand was received, leaving a balance outstanding of CAD 11 759 thousand. The assessments receivable for all years totalled CAD 15 782 thousand as at 31 December 2018 (including the Working Capital Fund). CAD 15 782 thousand includes a USD assessment component converted at CAD 1.365 yielding a re-valued assessment receivable balance of CAD 17 624 thousand. Details are provided in Table B of Part IV to this document. The percentage of receipts of contributions for the last four years in relation to the amount assessed averaged 92.78 per cent. Figure 2 shows the status of the assessed contributions receivable at the end of each year since 2012.

FIGURE 2



3.15 Of the total outstanding contributions of CAD 17 624 thousand at 31 December 2018, CAD 1 337 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

	Number of States 2018	Amount Outstanding as at 31 December 2018	Number of States 2017	Amount Outstanding as at 31 December 2017
Group A: States that have concluded agreements with the Council to liquidate their arrears over a period of years	10	4 545	12	4 863
Group B: States with contributions in arrears of three full years or more that have not concluded agreements with the Council to liquidate their arrears	16	9 560	14	7 284
Group C: States with contributions in arrears for less than three full years	9	1 217	9	1 317
Group D: States with contributions outstanding only for the current year	19	1 605	21	11 577
Sub-total	54	16 927	56	25 041
The Former Socialist Federal Republic of Yugoslavia	-	697	-	644
Total Outstanding Contributions	54	17 624	56	25 685

3.16 As at 31 December 2018, 10 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 B of Part IV to this document, indicates the States that had not complied with the terms of their agreements at 31 December 2018.

3.17 Major contributions (*) received for the Regular Programme and other Funds in Segment 1 for 2018 are summarized in thousands of CAD below:

FIGURE 4

Member State	Assessments Received	Contributions In-Kind (premises)	Contributions in Cash and In-Kind	Total
Canada	2 607	23 848	238	26 693
United States	20 214		1 996	22 210
China	7 940		4 612	12 552
Japan	7 490		103	7 593
France	4 125	751	1 311	6 187
Germany	5 473		-	5 473
United Kingdom	4 264		391	4 655
Italy	2 746		322	3 068
Republic Korea	2 177		809	2 986
Brazil	2 754		219	2 973
Thailand	589	2 258	-	2 847
United Arab Emirates	2 247		69	2 316
	62 626	26 857	10 071	99 554

(*) Twelve highest contributions

3.18 Total expenses in 2018, including those for seconded staff, gratis personnel, missions and premises provided without charge, by Strategic Objective and Supporting Implementation Strategies (SIS) and for other activities (mainly relating to Revolving Fund, Ancillary Revenue Generation Fund, and Administrative and Operational Services Cost Fund which are detailed in the later part of the document) are shown in thousands of CAD below:

FIGURE 5

	Air Navigation		Economic		Environmental Protection	Supporting Strategy	Others	Total
	Safety	Capacity and Efficiency	Security and Facilitation	Development of Air Transport				
Regular Budget	24 745	15 876	10 711	2 930	4 128	48 304		106 694
Voluntary Funds and other Regular Activity funds Premises	3 011	2 516	4 314	380	3 088	1 430	28 007	47 358
Gratis Personnel and In-Kind Missions (1)								
China	1 159	498	430	232	35	562	1	2 917
France	493	279	472	5	9			1 258
Singapore	205	317	55	8	26	164		775
United States	246	178	28		84			536
Turkey	151	154	19	216	10	5	8	563
Korea	1	166				2	140	309
Malaysia	204	61	23	5	8			301
Saudi Arabia	5	5	147		1	113		271
United Kingdom	168	45	39					252
Netherlands	212		32					244
Others (2)	923	637	1 364	40	147	444	2	3 557
Sub-total Gratis Personnel and Missions	3 767	2 340	2 609	506	320	1 290	151	10 983
Total Expenses	31 523	20 732	17 634	3 816	7 536	79 031	32 770	193 042

(1): Ten highest contributions

(2): Including contributions from private sectors, international organizations, NGOs, etc.

Accumulated Deficit, Cash Surplus and Reserves

3.19 The cumulative surplus excluding reserves in Net Assets for the Regular Programme Budget at 31 December 2018 reflected in Table A of Part IV to this document amounted to CAD 20.4 million. Cumulative surplus less the Working Capital Fund balance of CAD 10.9 million and assessments receivable from Member States of CAD 15.8 million resulted in a cash deficit of CAD 6.3 million at 31 December 2018.

3.20 Reserved surplus for the Regular Programme totalling CAD 20.7 million includes an amount of CAD 24.9 million to finance 2018 outstanding commitments and appropriations carried over to 2019, plus unrealized exchange gain of CAD 4.7 million, offset by an unrealized discount and provision on assessments receivable of CAD 8.9 million.

3.21 Combined net accumulated surplus and deficits of all ICAO's Funds including reserves represent a deficit of CAD 57.8 million as at 31 December 2018. These amounts are presented in Table A and Table C of Part IV to this document.

Revolving Fund

3.22 The Revolving Fund was established effective 1 January 2008 under Financial Regulation 7.8 to record all transactions relating to after-service health insurance (ASHI) benefits, including related unfunded liabilities, and any other unfunded liabilities and deficits of the Organization following the application of IPSAS. After-service benefits reflected in this Fund are for ASHI, annual leave and repatriation benefits. Since its inception, the Fund has accumulated annual deficits as the annual funding by the Regular Programme for these benefits is not sufficient to finance the yearly cumulative accrued benefits. During 2018, the accumulated deficit of the Fund including reserves continued to grow to reach CAD \$155.3 million at the end of the year as follow:

	Net Accumulated Deficit at end of 2017	CAD 150.7 million
Add:	Employee benefits accrued during the year	CAD 11.1 million
Deduct:	Current service costs paid during the year	CAD 4.0 million
Deduct:	Actuarial gain on ASHI for 2018	<u>CAD 2.5 million</u>
	Net Accumulated Deficit at end of 2018	CAD 155.3 million

3.23 A Council Working Paper (C-WP/14478) dated 19 April 2016 was presented to Council to propose funding of ASHI with a number of options. The Council on 6 June 2016 in C-DEC 208/11 encouraged the Secretariat to continue exploring the opt-out of the ASHI plan within the context of the approved Budget for 2017-2018-2019, thus ensuring that it would be Budget neutral. The Council also requested the Secretariat to continue monitoring developments at the UN level vis-à-vis finding a solution to this important issue and to present any viable options for funding ICAO's growing ASHI liability for the Council's consideration at a later stage.

3.24 During 2018, in exploring the feasibility of implementing an opt-out option of the health plan, the Secretariat consulted stakeholders and a survey was launched to active staff members and retirees. They were invited to confirm their interest in the opt-out option, or whether they would wish to remain with the current ASHI arrangement. The result showed that a great majority of active staff and retirees wish to remain under the current ASHI arrangement. Therefore, ICAO will continue to work closely with other UN organizations on the ASHI matter and will keep the Council abreast on any developments on ASHI. In the meantime the "pay-as-you-go" approach will continue to be applied.

Ancillary Revenue Generation Fund (ARGF)

3.25 In 2018, ARGF realized an operating surplus of CAD 11 330 thousand. This is before payment of the required contribution of CAD 6 415 thousand to the Regular Programme Budget and further costs contribution of CAD 1 307 thousand to ICAO Work Programme. Charges of CAD 1 661 thousand were made to the cumulated surplus to finance various projects of the Organization.

3.26 A summary of the ARGF revenue and expenses by business activities including the Trainair Plus Programme activity and the Commissariat fund in thousands of CAD is as follows:

FIGURE 6

	Revenue	Expense	Surplus
Publications, Distribution & Printing	8 857	3 907	4 950
Training (incl. Trainair Plus)	5 746	5 062	684
Events	3 646	2 948	698
Licensing	3 159	324	2 835
Delegation and Conference Services	2 887	1 311	1 576
New Products	1 399	923	476
ARGF Operations and Admin. Fee & Support Costs	787	495	292
Commissariat	479	473	6
Periodicals	191	378	(187)
Operating Results	27 151	15 821	11 330
ARGF Inter-billing Elimination	(464)	(464)	-
	26 687	15 357	11 330
Amount Transferred to Regular Programme Budget		6 415	(6 415)
Further Contribution to ICAO Work Programmes		1 307	(1 307)
	26 687	23 079	3 608
Payments made from the Cumulative Surplus		1 661	(1 661)
Net	26 687	24 740	1 947

3.27 A budgetary comparison of the operating surplus is presented in the figure below in thousands of CAD.

FIGURE 7

	Actual	Budget	Variance
Revenue	27 151	25 658	1 493
Expense	15 821	16 314	493
Surplus	11 330	9 344	1 986

3.28 ARGF achieved an operating revenue of CAD 27 151 thousand (106% of budget) and an operating surplus of CAD 11 330 thousand (121% of budget). With approximately 74% of the 2018 ARGF sales priced in US dollars, the favourable USD/CAD exchange rate continues to have a favourable impact on the ARGF revenue. Actual expenses of CAD 15 821 thousand (97% of budget) were CAD 493 thousand lower than budgeted.

3.29 The cumulative surplus excluding reserves in Net Assets for ARGF at 31 December 2018 reflected in Table A of Part IV to this document amounted to CAD 12.5 million, which have been partly earmarked for special projects and future investments. Operational reserves for ARGF amounted to CAD 5.9 million at 31 December 2018. This is set aside in accordance with Financial Regulations 7.3 and Council Decision C-DEC 190/5.

Administrative and Operational Services Cost Fund (AOSC)

3.30 The AOSC Fund is established to meet the cost of administration and operation of the Technical Cooperation 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 Figure 8 in thousands of CAD.

3.31 Supplemental to the AOSC Fund, the Technical Cooperation Bureau (TCB) Efficiency and Effectiveness Fund was established by the Council (C-DEC 155/7) authorizing the Director of TCB to dispense, in any given year, up to 20 per cent (increased to 25 per cent as per C/DEC 172/8) of the AOSC Fund's annual surplus in the preceding year for the implementation of measures to improve the efficiency and effectiveness of TCB in responding to Contracting States' needs. The TCB Efficiency and Effectiveness Fund's accumulated surplus stood at CAD 1.4 million as at 31 December 2018.

3.32 In addition, a Special Reserve Fund was established (C-DEC 200/2) for the Technical Cooperation Programme to compensate for a possible shortfall caused by a decrease in the AOSC Fund income in any given year that would impact its ability to make the approved annual transfer to the Regular Budget as described in paragraph 3.36 below. In this regard, no amount has been drawn from the TCB Special Reserve Fund since its inception in 2014 due to the AOSC Fund's positive results during the reporting period and its balance stood at CAD 2.2 million as at 31 December 2018.

FIGURE 8

AOSC Fund Budget and Expenditures for 2018¹

	Submitted to the Assembly ²	Revised Budget 2018 ³	Actual Expenditure/ Income 2018	Balance of Revised Budget
Appropriation/Expenditure				
Major Programme	9 700	<u>10 069</u>	<u>10 412</u>	<u>(343)</u>
Income		<u>12 620</u>	<u>14 993</u>	
Excess/(Deficit) of Income over Expenditure		<u>2 551</u>	<u>4 581</u>	

¹ Excludes TCB Efficiency- Effectiveness Fund and Special Reserve Fund (SRF).

² Approved by the Assembly in 2016 (A39).

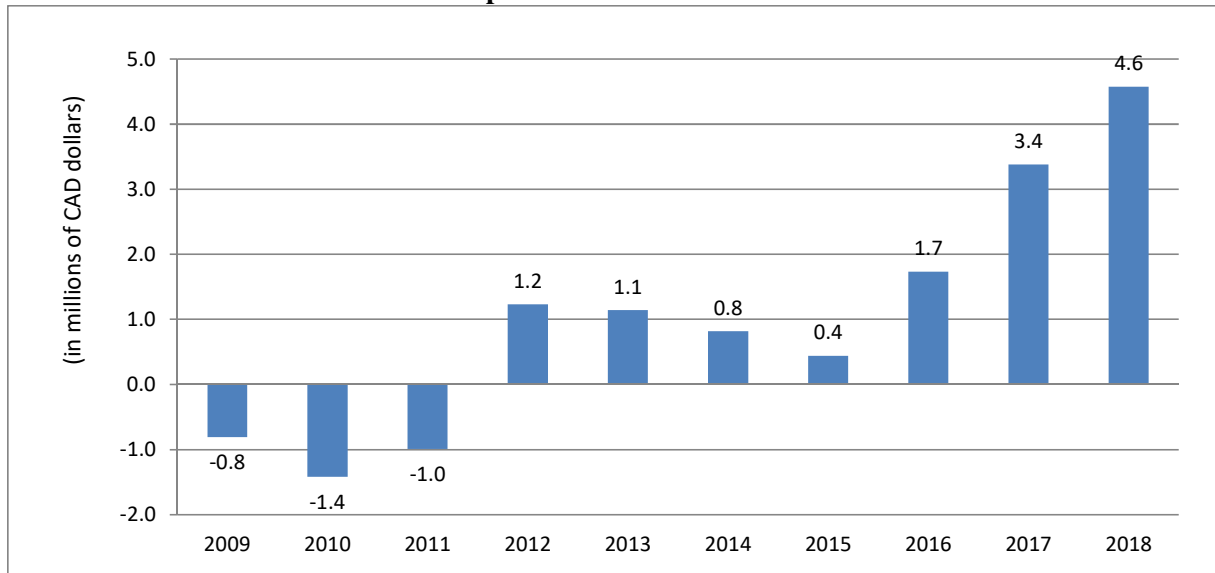
³ Noted by the Council at its 215th Session (C-WP/14791).

3.33 As indicated above, the Assembly approved the Indicative Budget Estimates (expenditure) of the AOSC Fund amounting to CAD 9 700 thousand for the financial year 2018. During the year, pursuant to Financial Regulation 9.5, the Secretary General submitted to the Council an update of the 2018 Budget Estimates (expenditure) in C-WP/14791. The revised estimated expenditures for 2018 amounted to CAD 10 069 thousand and the estimated income to CAD 12 620 thousand.

3.34 There is an excess of CAD 2 373 thousand in AOSC income versus budget mainly as the result from the continued strength of the US Dollar in which the AOSC income is earned, higher return from investments, and an increase in income from technical cooperation field personnel services. On the expenditure side, staff costs exceeded the budgeted amount by CAD 343 thousand mainly due to increase in consultancy and travel costs, though the overall result was a total positive variance of CAD 4 581 thousand between income and expenditures.

3.35 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



3.36 During the 37th Session of the Assembly, the Administrative Commission recommended that the question of sharing costs between the Regular Programme and the Technical Cooperation (TC) Programme be reported to the Council for review. The Council had considered this issue and based on a time survey, approved in 2012, the amount of CAD 1 202 thousand to be recovered annually by the Regular Programme from the AOSC Fund for Regular Programme Support directly related to projects continuing for the 2017-2019 triennium.

3.37 **Technical Cooperation Programme.** The Technical Cooperation Bureau (TCB) manages the Technical Cooperation 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.

3.38 ICAO took steps aimed at increasing TCB's efficiency and quality of services, operational and financial controls and to continually improve the Bureau's working processes through the implementation of a Quality Management System in 2012 based on the ISO 9001:2008 quality standard. TCB was re-certified in 2015 and in 2018, was re-certified against the new ISO 9001:2015 Standard and will undergo a surveillance audit in early 2019. The improved processes have contributed to the considerable progress in the Technical Cooperation Programme Performance and the AOSC fund's continued positive results.

3.39 A rolling three year Operating Plan for TCB is prepared in close coordination with the Technical Cooperation Committee, setting the goals and strategies to be followed during the current period with the aim at improving the governance, efficiency and quality of ICAO Technical Cooperation 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.

3.40 Technical Cooperation 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 170.6 million in 2018. Tables C to E in Part IV of this document provide more detail on these projects, summarized by the following figures in millions of CAD.

FIGURE 10

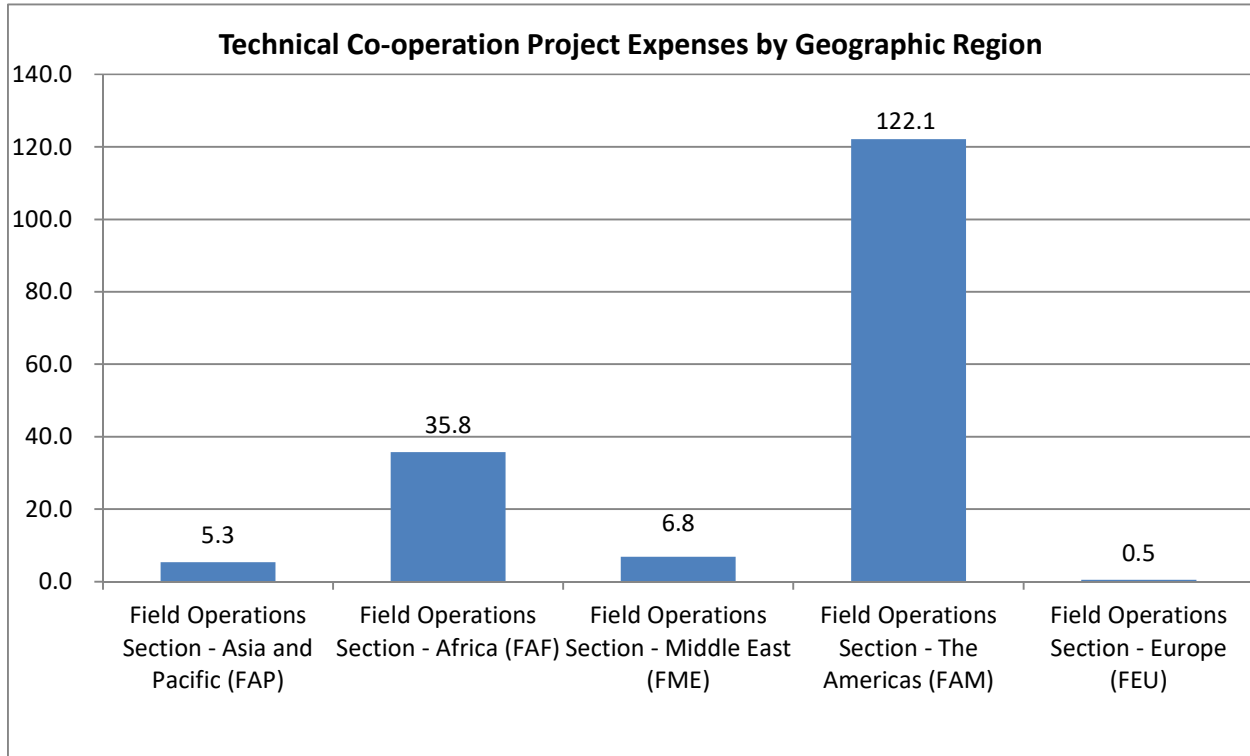
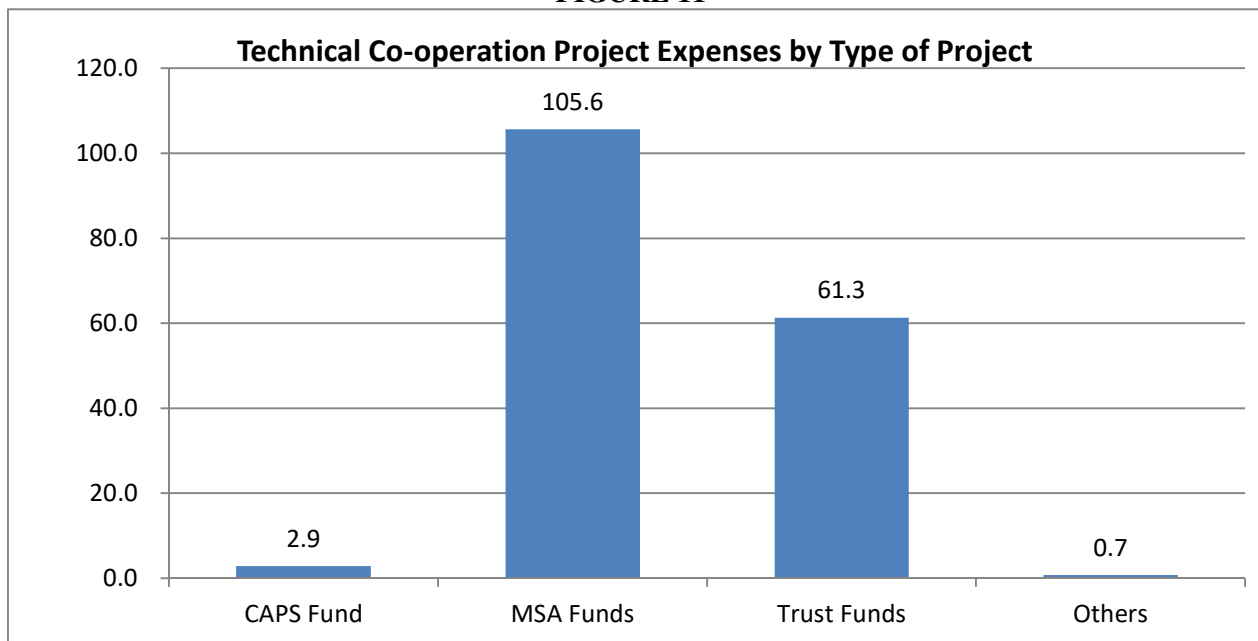


FIGURE 11



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 fulfill 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.



Monica Hemmerde
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 2018.



Fang Liu
Secretary General

Montréal, Canada
29 March 2019

Statement on Internal Control

2018

Scope of responsibility

1. 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 responsible for maintaining a sound system of internal control and am accountable to the Council for oversight.

Purpose of the system of internal control

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

3. Internal control is a process through which the Secretary General, senior management and other personnel provide reasonable assurance to Governing Bodies regarding the achievement of the following general internal control objectives:

- a) effectiveness and efficiency of operations;
- b) safeguarding of assets;
- c) reliability of financial reporting; and
- d) compliance with applicable regulations and rules.

4. 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

5. 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 risks to the Organization. An Enterprise Risk Management (ERM) Framework is being developed to enable the Organization to better integrate risk management into significant activities and functions, thereby enhancing the decision making process.

6. Since 2017, the Strategic Planning, Coordination and Partnerships (SPCP) Office, under the Office of the Secretary General (OSG), has assumed responsibility for the coordination of high-level and cross-cutting strategies and priorities among the different Bureaus and Offices of the Organization as well as the coordination activities between Headquarters and the Regional Offices. In particular, the SPCP is responsible for the development and maintenance of the ICAO Business Plan and Operating Plan, the Corporate Performance Management Framework, the Corporate Key Performance Indicators and the Risk Registry, which forms the basis for resource allocation and assists me to monitor its accountability and performance with respect to the implementation of Assembly Resolutions and Council Decisions. Further to an EAAC recommendation, the delegation of authority to manage ICAO's Internal Control Framework has been transferred from the Finance Branch to SPCP, in order to promote a wider view that would encourage ownership of internal controls by the Organization as a whole. Furthermore, it is considered a more suitable placement of the function since the Finance Branch itself is an integral part of the internal control process.

7. As the Secretary General of the Organization, in collaboration with the Senior Management Group (SMG), composed of my key managers, I am 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. The Secretariat is committed to the adequacy of the ICAO Corporate Risks Register and to ensure that the process of identifying, assessing and monitoring risks associated with the implementation of programmes and projects as well as the overall operations of the Organization, exists and is functioning as intended.

Risk and internal control framework

8. The Organization's risk and internal control framework includes:

- a) the identification of risks classified according to areas of activities, relevance, impact and probability of occurrence; and
- b) 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.

9. 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, in June 2018 the ICAO Council endorsed the establishment of an Investigations Committee (C-DEC 214/11) in order to reinforce the Organization's capacity to investigate allegations of wrongdoing.

10. 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

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

- a) 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 2018, 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;
- b) the Evaluation and Internal Audit Office (EAO) of whose reports on internal audits, evaluations and advisory services I rely, are also provided to me. These include independent and objective information on compliance and programme effectiveness, together with recommendations for improvement;
- c) the Ethics Officer, who provides 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;

- d) 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;
- e) the reports of the Joint Inspection Unit of the United Nations system on matters applicable to ICAO; and
- f) Council's observations and decisions.

Significant control issues

12. As in previous years, senior management has submitted statements of assurance on the effectiveness of internal controls in their areas of responsibility. The 2018 statements of assurance on the effectiveness of internal control, reported by senior management, confirm that the majority of internal controls are working effectively on the basis of established policies, procedures, systems and management actions. However, several control weaknesses have been highlighted. For example, the Risk Register in the Corporate Management and Reporting Tool (CMRT) does not as yet provide for ROs to log their risks. However, this issue is being addressed through a review of ICAO's Risk Management process that commenced at the end of 2018. The objective of the review is to develop an Enterprise Risk Management (ERM) Framework that will focus on facilitating an integrated risk management practice aimed at tracking total risk exposure over all ICAO activities. The ERM Framework and related processes will provide the Regional Offices with an opportunity to participate in risk identification as well as to manage and monitor their risks. Another issue that has arisen is the need for a more formal and continuous assessment of internal controls, particularly with respect to addressing previously identified control weaknesses, which shall be addressed.

13. EAO has submitted to Council its 2018 Report on the Activities of the Office (C-WP/14850). Summarized below are several observations and recommendations contained in the report that aim at improving internal controls. All control weaknesses identified through internal audits and evaluations are addressed through corresponding Secretariat Action Plans that are regularly monitored by EAO.

13.1 The **Audit of Cyber Security Management** points out that the Information Security Management Action Plan (CyberSec Action Plan) does not have a sufficiently robust project planning and control structure. The plan combines technical/operational activities, strategic activities and unique projects without regard to their interactions or major risks that would prevent the plan from being effectively implemented. While current staffing levels are not adequate to implement the security improvement plan, there are also a number of problems with the management of the upwards of 60 information security-related instructions that render them almost unusable. While emphasizing the need for controls, security instructions contain contradictory statements and a duplication of controls in certain cases. Furthermore, the Information Security Officer functional position is not commensurate with expected responsibilities. To enhance the effectiveness of the role, EAO has recommended splitting information security duties by distinguishing between maintenance, development and managerial roles. Another identified control weakness is the proliferation of asset inventories that are weakly correlated and are subjected to multiple authorities over them. It is recommended that a management system be developed, under the authority of the Chief Information Officer, to support the maintenance and control of a comprehensive inventory of assets.

13.2. The **Audit of the GAT Office** points to a need for greater clarity and more formalized arrangements between GAT and ATB, to favour prioritization of course development in a consistent and timely manner. Additionally, the Administrative Instructions supporting the GAT Pricing Policy should include performance targets set at appropriate levels, with greater focus on outcomes. EAO also recommends closer monitoring and re-assessment of the Regional Training Centres of Excellence (RTCE) in order to safeguard the standards and reputation of the TRAINAIR PLUS Programme (TPP).

13.3. The **Audit of Procurement for Technical Cooperation Projects** demonstrated significant improvements in internal procedures and controls in field procurement, including good oversight of the procurement process exercised by the Contracts Board. However, it was noted that overhead rates for procurement of equipment, goods and services up to USD 5 million are not standardized across all projects through the application of Civil Aviation Purchasing Service (CAPS) rates. Other key recommendations include the need to automatically collect information on sole source purchases, as well as other important statistics on purchasing patterns for monitoring purposes; a need for the Technical Cooperation Bureau (TCB) Management to regularly review reports on key trends, to ensure sufficient competition, recognize potential risks and identify any improvements that could be made to the procurement process. This would be further supported by an annual review by the Contracts Board. Additionally, for greater internal control, all TCB project documents involving a procurement element should clearly state that the rules in ICAO's Procurement Code will apply, together with a summary of the key requirements which States must adhere to. For purchases below USD 10 000, where procurement authority is delegated to project staff in the field, the audit revealed a number of control weaknesses and instances of non-compliance with procurement rules and procedures. It is recommended that oversight by TCB be strengthened, and that greater support, guidance and training on procurement matters be provided to project staff in the field.

13.4 The **Audit of the Aviation Security Audit Section** pointed to an opportunity to factor in parameters identified in Doc 9807-*Universal Security Audit Programme Continuous Monitoring Manual* in order to improve the robustness of the risk-based planning methodology used to select and prioritize Member States for the Universal Security Audit Programme's continuous Monitoring Approach (USAP-CMA) activities. There is also scope to improve documentation to more effectively support the selection of a given type of audit for a Member State; including its scope as well as which airports are to be assessed. Additionally, a more stable staffing situation is recommended to support the effective roll out of the USAP-CMA.

13.5. Through the **Audit of the EUR/NAT Regional Office** it was noted that the European Civil Aviation Conference (ECAC) Secretariat, which is co-located with the EUR/NAT Regional Office, does not have its own legal personality, and relies entirely on its relationship with ICAO. This has given rise to many significant legal, financial and reputational risks for ICAO. For example, all ECAC staff members have ICAO staff contracts, although they do not report to the Secretary General. In the case of travel, they have different arrangements to ICAO staff. This contravenes provisions in the Chicago Convention and the ICAO Service Code, which state that staff should not receive instructions from parties external to the Organization, and that all staff members are subject to the authority of the Secretary General. This situation may also lead to potential conflicts of interest for ECAC staff. EAO also noted that two grant agreements being implemented by ECAC have been signed on behalf of ECAC with no mention of ICAO. This creates risks for ICAO given that staff with ICAO contracts are assigned to these projects; the project bank account is in the name of ICAO; and ICAO is responsible for maintaining ECAC's accounting records and for preparing its consolidated financial statements. Other identified control weaknesses include the need to improve links between activities in the EUR/NAT Operating Plan and the ICAO Business Plan, including the formulation of more meaningful Key Performance Indicators (KPIs), and the need to collect appropriate data to measure outcomes directly influenced by the activities of the Regional Office. This audit has also identified the need to establish a risk register to capture, manage and monitor key risks, as well as the associated mitigating actions and controls.

13.6 The **Audit of the APAC Regional Office (RO) and Regional Sub-Office (RSO)** included a review of the operating plans, performance measures and risk management processes in place at the Regional Office (RO) and Regional Sub Office (RSO). It was concluded that more guidance is required on Results Based Management and Enterprise Risk Management (ERM) processes which are still in early stages of development. A need for comprehensive IT support was identified in order to enable the RO to carry out its operations efficiently and effectively. Currently the RO depends on one staff member for support and maintenance of its IT operations, and there is no backfill for this post in case of absence.

It is therefore important to identify alternative and sustainable solutions in order to mitigate potential risks. The RO and RSO Business Continuity/Disaster Recovery Plans requires further development, revision and strengthening to identify and assess the critical processes of both the RO and RSO; to manage safety issues and the restoration of critical personnel, office accommodation, and operational procedures in the event of an incident or disaster. It was also noted that the staffing structure and resource allocation at the RSO needs to be reviewed to promote sustainability.

13.7 EAO concluded its first continuous audit of ex-post facto payments using a **Continuous Auditing Approach** using a data analytics tool (IDEA™) to assess the design and effectiveness of key internal controls in selected areas of operations, and to draw management's attention to operational deficiencies and/or internal control weaknesses with a view to establishing and enhancing controls to mitigate the associated risks. An ex post facto payment is considered to be a payment for which a purchase order is issued after the goods/services have been provided. An analysis of all purchase orders below CAD 10 000 over the three year period from 2015 to 2017 showed a downward trend in the number of cases of ex post facto payments. This was a positive finding and indicated the success of recent actions taken to improve internal controls; greater awareness of procurement rules procedures as a result of regular training sessions conducted by TCB procurement staff; and the introduction of annual procurement plans, which are monitored by the Procurement Section and discussed with bureaus on a monthly basis. Additionally, EAO has recommended the establishment of an internal benchmark to effectively monitor the percentage of ex post facto transactions, and it will follow up on additional actions taken by the relevant bureaus/sections as part of its regular oversight work.

13.8 Through the **Evaluation of the ICAO Standard-Setting Process**, EAO assessed the relevance, effectiveness and efficiency of Standard Setting as a process involving both the Governing body and the Secretariat. Whereas the evaluation did not directly address the system of internal control, certain findings could be linked to the design and effectiveness of the internal control system in place. For example, there is a need to prepare and implement clear guidelines and/or mechanisms to improve the work of the various stakeholders involved in the Standard-Setting Process; develop a feedback mechanism to collect and analyse information on the implementation of SARPs by Member States; and to put in place a comprehensive monitoring system to track SARPs from the development of proposals to their adoption, including the corresponding guidance materials.

14. In its Annual Report to the Council (C-WP/14815) for the 2017 to 2018 period, the EAAC addresses a number of issues pertaining to the strengthening of internal controls as follows:

14.1 The EAAC recommends a bottom up approach to **Risk Management** where Bureaus and Regional Offices maintain risk registers in a common format to facilitate the evaluation and escalation of risks to be included in the corporate risk register, which needs to be kept under regular review, particularly with respect to the effectiveness of mitigating actions. It is also recommended that the focus be on common risk themes and risks that are likely to have the most significant impact.

14.2 EAAC members underscore several issues that affect internal control over **Information and Communications Technology**. They stress the need for a prioritized approach to resourcing IT risks, mindful of the need to ensure business critical risks are adequately resourced and that the extensive issues with current systems are addressed. The EAAC further recommends that a Threat and Risks Assessment (TRA) of IT be conducted to identify the most important risks to the Organization and to ensure that the limited ICT funds available are spent in areas of greatest risk.

15. **Concerning the issues reported in the previous year's Management Assurance Statement (MAS)**, Annual Operating Plans for each Regional Office have now been incorporated into the ICAO Corporate Management and Reporting Tool (CMRT). Performance targets are established for each Regional Office as an integral part of their regional planning process. Each Regional Office now reports its measurable achievement relative to the annual operating plan targets. Furthermore

Regional Offices are being encouraged to develop contingency plans for all critical posts as part of a Business Continuity Plan, to ensure that all duties and responsibilities in the office are covered in the event of a vacancy occurring in the office. In terms of ICAO's use of interns and secondees, revised administrative instructions have been drafted that include a "Selection Report" template to document the selection process.

Statement

16. 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.

17. 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 2018 and up to the date of approval of the financial statements.



Fang Liu
Secretary General

Montreal, Canada
29 March 2019

PART II: OPINION OF THE EXTERNAL AUDITOR



Corte dei conti

AUDIT CERTIFICATE

Opinion

We have audited the financial statements of the International Civil Aviation Organization (ICAO), which comprise the statement of financial position as at 31 December 2018, the statement of financial performance, the statement of changes in net assets, the statement of cash flow and the statement of comparison of budget and actual amount for the Regular Programme General Fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the International Civil Aviation Organization (ICAO) as at 31 December 2018, and its financial performance, its changes in net asset, its cash flows and its comparison of budget and actual amounts for the Regular Programme General Fund for the year then ended, in accordance with IPSAS and the ICAO Financial Regulations and Rules.

Basis for Opinion

We conducted our audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs), and the ICAO Financial Regulations and Rules. In the field of financial statements audit, the ISSAIs are a direct transposition from the International Standards on Auditing (ISAs). The Corte dei conti applies the provisions of the ISAs in so far as they are consistent with the specific nature of its audits. Our responsibilities under these standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the ICAO in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Nations system, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The ICAO Secretary General is responsible for the other information. The other information comprises the “Part IV – Tables (unaudited)”.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the ICAO Secretary General and Those charged with governance for the Financial Statements

The Secretary General is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards (IPSAS), and for such internal control as the Secretary General determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary General is responsible for assessing the ICAO’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Secretary General either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the ICAO’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ICAO's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ICAO's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the ICAO to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, the transactions of ICAO that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in

accordance with the ICAO Financial Regulations and Rules and its legislative authority.

In accordance with the ICAO Financial Regulations and Rules (Article XIII) and the Additional terms of reference governing the external audit (Annex B to these Financial Regulations and Rules) we have also issued a detailed report on our audit of the ICAO Financial Statements for 2018.

Emphasis of matter

We draw attention to the fact that the Statement of financial position shows a negative Net Asset (-57.8 MCAD), mainly due to the impact of 151 MCAD in actuarial liabilities relating to long-term employee benefits recorded in the financial position. Details of our analysis are included in our report. Measures are being undertaken by Management, which has assured us that it will monitor the effectiveness of these measures. Our opinion is not modified in respect of this matter.

Rome, 10 May 2019

Angelo Buscema
President of the
Corte dei conti

A handwritten signature in black ink, appearing to read 'Angelo Buscema', written in a cursive style.

PART III: FINANCIAL STATEMENTS

INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT I
STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2018
(in thousands of Canadian dollars)

	Notes	2018	2017
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2.1	402 414	436 490
Assessed contributions receivable from Member States	2.2	2 847	13 273
Receivables and advances	2.3	17 466	29 632
Inventories	2.4	550	381
Others	2.3	2 177	1 708
		425 454	481 484
NON-CURRENT ASSETS			
Assessed contributions receivable from Member States	2.2	5 963	5 193
Receivables and advances	2.3	373	385
Property, plant and equipment	2.5	4 391	2 776
Intangible assets	2.6	700	664
		11 427	9 018
TOTAL ASSETS		436 881	490 502
LIABILITIES			
CURRENT LIABILITIES			
Advanced receipts	2.8	304 944	372 006
Accounts payable and accrued liabilities	2.9	29 207	28 422
Employee benefits	2.10	7 944	7 642
Credits to contracting/servicing governments	2.11	1 562	1 389
		343 657	409 459
NON-CURRENT LIABILITIES			
Employee benefits	2.10	151 001	146 694
		151 001	146 694
TOTAL LIABILITIES		494 658	556 153
NET ASSETS (ACCUMULATED DEFICIT)			
Accumulated deficit	2.12	(53 911)	(51 141)
Reserves	2.12	(3 866)	(14 510)
		(57 777)	(65 651)
TOTAL LIABILITIES AND ACCUMULATED DEFICIT		436 881	490 502

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 2018

(in thousands of Canadian dollars)

	Notes	2018	2017
REVENUE			
Contributions for project agreements	3.2	169 439	130 370
Assessed contributions	3.2	98 400	101 031
Other revenue producing activities	3.2	25 549	22 479
Other voluntary contributions		14 532	13 281
Administrative fee revenue		3 721	2 160
Other revenue	3.2	9 852	3 115
TOTAL REVENUE		321 493	272 436
EXPENSES			
Staff salaries and employee benefits	3.3	173 568	174 316
Supplies, consumables and others	3.3	101 368	53 308
General operating expenses	3.3	17 876	17 911
Travel	3.3	15 701	15 297
Meetings		2 266	1 611
Training		1 500	2 944
Other expenses	3.3	1 622	5 798
TOTAL EXPENSES		313 901	271 185
SURPLUS FOR THE YEAR		7 592	1 251

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 2018
(in thousands of Canadian dollars)

	Notes	Accumulated Deficit	Reserves	Net Accumulated Deficit
Balance at 31 December 2017		(51 141)	(14 510)	(65 651)
Movements in fund balances and reserves in 2018				
Variation to carry forward balance	2.12	(973)	973	
Variation of actuarial gain/(loss)	2.10		2 433	2 433
Transfer Incentive Scheme to Reserve	2.12	(334)	334	
Transfer ARGF Surplus to Operational Reserve	2.12	(5 890)	5 890	
Other reclassifications and transfers	2.12	(2 192)		(2 192)
Variation of exchange difference	2.12	(973)	973	
Variation of translation adjustment	2.12		41	41
Surplus of the year		7 592		7 592
Total movements during the year		(2 770)	10 644	7 874
Balance at 31 December 2018		(53 911)	(3 866)	(57 777)

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 2018

(in thousands of Canadian dollars)

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:			
Surplus/(Deficit) for the year		7 592	1 251
(Increase) decrease in contributions receivable	2.2	10 426	(9 281)
(Increase) decrease in receivables and advances	2.3	12 166	(9 774)
(Increase) decrease in inventories	2.4	(169)	132
(Increase) decrease in other assets	2.3	(469)	39
(Increase) decrease in non-current contributions receivable (net of discount)	2.2	(770)	(642)
(Increase) decrease in non-current receivables and advances	2.3	12	(105)
Increase (decrease) in advanced receipts	2.8	(67 062)	59 412
Increase (decrease) in accounts payable and accrued liabilities	2.9	785	(1 224)
Increase (decrease) in short-term employee benefits	2.10	302	(659)
Increase (decrease) in credits to contracting/servicing governments	2.11	173	(76)
Increase (decrease) in long-term employee benefits	2.10	4 307	4 299
Actuarial gain (loss) reflected in reserves	2.10	2 433	916
Interest income	3.2	(8 002)	(4 557)
Depreciation and amortization	2.5 & 2.6	795	835
Foreign currency translation adjustment		41	83
NET CASH FLOWS FROM OPERATING ACTIVITIES		(37 440)	40 649
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of property, plant and equipment and Intangibles	2.5 & 2.6	(2 446)	(465)
Interest income		8 002	4 557
NET CASH FLOWS FROM INVESTING ACTIVITIES		5 556	4 092
CASH FLOWS FROM FINANCING ACTIVITIES:			
Transfers from net assets to liabilities and other transfers		(2 192)	(423)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(2 192)	(423)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(34 076)	44 318
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		436 490	392 172
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		402 414	436 490

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

INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT V
REGULAR PROGRAMME GENERAL FUND
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2018

(in thousands of Canadian Dollars)

Strategic Objective / Supporting Implementation Strategy	Appropriations				Expenditures			Balance				
	Original A39-37	2017 Outstanding Commitments ^a	Carry-over from Prior Year ^b	2018 Appropriations Before Transfers	2018 Outstanding Commitments ^a	Transfers among SO/SIS ^c	Carried over to following year ^b		2018 Appropriations Revised	Total ¹	Budget Exchange Difference ²	At budget rate of exchange
Safety	23 181	1 970	2 671	27 822	(3 148)	(340)	(2 430)	21 904	24 745	(2 841)	21 904	0
Air Navigation Capacity and Efficiency	15 116	1 402	1 820	18 338	(1 742)	(960)	(1 834)	13 802	15 876	(2 074)	13 802	0
Security and Facilitation	8 878	234	1 000	10 112	(652)	1 200	(920)	9 740	10 711	(971)	9 740	0
Economic Development of Air Transport	3 182	146	244	3 573	(239)	(300)	(286)	2 748	2 930	(183)	2 747	0
Environmental Protection	3 484	844	200	4 528	(1 197)	900	(418)	3 813	4 128	(315)	3 813	0
Sub-Total	53 841	4 596	5 935	64 372	(6 979)	500	(5 887)	52 007	58 390	(6 383)	52 006	0
Programme Support	31 774	7 976	1 120	40 870	(8 123)	(100)	(73)	32 574	33 380	(806)	32 574	0
Management & Administration	14 253	3 793	480	18 526	(3 645)	(400)	(166)	14 316	14 924	(608)	14 316	0
Sub-Total	46 027	11 769	1 600	59 396	(11 768)	(500)	(238)	46 890	48 304	(1 414)	46 890	0
Total	99 868	16 364	7 535	123 767	(18 747)	0	(6 125)	98 896	106 694	(7 798)	98 896	0

^a Approved by the Secretary General, Financial Regulations 5.7^b Approved by the Secretary General, Financial Regulations 5.6^c Approved by the Secretary General, Financial Regulation 5.9¹ Expenditures other than Canadian dollars are reflected at the UN rate of Exchange² Exchange difference: (1) currency exchange gain of CAD 7 798 thousand due to the difference in the rate of exchange used to prepare the budget versus the monthly UN rates of exchange applied to expenditures during the year.

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

INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT V-A
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR ALL FUNDS OF THE ORGANIZATION
FOR THE YEAR ENDED 31 DECEMBER 2018
(in thousands of Canadian Dollars)

	References	2018 Budgets*	Actual	Budget Difference	Actual on a comparable basis	Difference between Budget and Actual on comparable basis	Actual without IPSAS Requirements
		(a)	(b)	(c)	(d)	(e)	(f)
					(b) + (c)	(a) - (d)	
REVENUE							
Regular Budget							
Assessed contributions	Figure 1; Tbl A	91 540	98 400	(8 401)	89 999	1 541	99 940
Other	Figure 1; Tbl A	8 329	12 118		12 118	(3 789)	12 118
<i>Total Regular Budget</i>	Figure 1; Tbl A	<u>99 868</u>	<u>110 518</u>		<u>102 117</u>	<u>(2 248)</u>	<u>112 059</u>
Working Capital Fund - exchange			847				847
<i>Total Regular Budget and Working Capital Fund:</i>			<u>111 364</u>				<u>112 905</u>
AOSC (excluding Efficiency/Effectiveness and Special Reserve Funds)							
Administrative Fee	Table A	8 860	13 490		13 490	(4 630)	13 490
Other Revenue	Table A	3 760	1 504		1 504	2 256	1 504
<i>Total AOSC</i>	Figure 8; Tbl A	<u>12 620</u>	<u>14 993</u>		<u>14 993</u>	<u>(2 373)</u>	<u>14 993</u>
Other AOSC Funds			-				-
Other Regular Activity Funds			<u>51 292</u>				<u>44 695</u>
Total Revenue - Regular Activities (RA)	Table A		177 650				172 594
<i>Less: Elimination of Inter-Fund - Regular Activities Balances</i>	Table A		<u>(16 007)</u>				<u>(9 410)</u>
Total Net Revenue - Regular Activities (RA)	Note 5.3		161 643				163 184
Technical Cooperation Project (TCP)	Note 5.3		<u>170 557</u>				<u>170 557</u>
Total Revenue - Regular Activities and TCP			332 200				333 741
<i>Less: Elimination of Inter-Fund Balances RA and TCP</i>	Note 5.3		<u>(10 708)</u>				<u>(10 708)</u>
TOTAL REVENUE	Statement II		<u>321 492</u>				<u>323 033</u>
EXPENSES							
Regular Budget							
All SO/SIS	St. V; Table A	123 767	106 694	(7 798)	98 896	24 872	113 291
Outstanding commitments	Statement V			18 747	18 747	(18 747)	
<i>Total Regular Budget</i>	Figure 1; Tbl A	<u>123 767</u>	<u>106 694</u>		<u>117 642</u>	<u>6 125</u>	<u>113 291</u>
AOSC (excluding Efficiency/Effectiveness and Special Reserve Funds)	Figure 8	<u>10 069</u>	<u>10 412</u>		<u>10 412</u>	<u>(343)</u>	<u>10 412</u>
Other AOSC Funds			293				293
Other Regular Activity Funds			<u>53 498</u>				<u>41,641</u>
Total Expenses - Regular Activities (RA)	Table A		170 897				165 637
<i>Less: Elimination of Inter-Fund - Regular Activities Balances</i>	Table A		<u>(16 845)</u>				<u>(16 845)</u>
Total Net Expenses - Regular Activities (RA)	Note 5.3		154 052				148 792
Technical Cooperation Project (TCP)	Note 5.3		<u>170 557</u>				<u>170,557</u>
Total Expenses - Regular Activities and TCP			324 609				319 349
<i>Less: Elimination of Inter-Fund Balances RA and TCP</i>	Note 5.3		<u>(10 708)</u>				<u>(10 708)</u>
TOTAL EXPENSES	Statement II		<u>313 901</u>				<u>308 641</u>
SURPLUS FOR THE YEAR	Statement II		<u>7 592</u>				<u>14 392</u>

* Comprised of publicly available budgets only

The figures in the last column do not take into account International Public Sector Accounting Standards (IPSAS) replacing previous United Nations Accounting Standards (UNSSAS) for the Regular Activities with the following impact:

ADD:	Notes	
Variation of inventories capitalized	2.4	169
Capitalization of fixed assets	2.5	2 198
Intangible Assets	2.6	248
ASHI - Utilization	2.10	2 135
End of Service - Annual Leave - Utilization	2.10	687
End of Service - Repatriation benefits - Utilization	2.10	1 160
DEDUCT:		
Decrease in discounted long-term receivables	2.2	(1 541)
Depreciation	2.5	(583)
Amortization of Intangible Assets	2.6	(212)
ASHI - Expense	2.10	(8 807)
End of Service - Annual Leave - Expense	2.10	(1 069)
End of Service - Repatriation benefits - Expense	2.10	(1 186)

NET IMPACT

SURPLUS FOR THE YEAR

(6 800)
7 592

REFERENCES:

Figures 1 and 8 refer to the Presentation by the Secretary General included in this document; Table A (Tbl A), Note 5.3, Statement II and Statement V (St. V) are included in the Financial Statements and Tables.

Details may not add to totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION
Notes to the Financial Statements
31 December 2018

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. Except as otherwise stated in these statements, the measurement basis used in preparing the financial statements is the historical cost.
3. The Cash Flow Statement (Statement IV) is prepared using the indirect method.
4. 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 Co-operation Projects (TCP) activities 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, which reasonably approximates the spot rate. 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. Resulting gains or losses are accounted for in the Statement of Financial Performance except for unrealized differences, including those 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

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

Financial Instruments

7. 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).
8. 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.
9. 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

10. 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.

11. 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.
12. Publications and other documents for internal use are expensed when produced.

Receivables and Revenue

13. 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.
14. 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.
15. A new arrangement for sharing of interest income was introduced in 2011 under which ICAO retains generally fifty per cent of interest earned from deposit of project funds with an average monthly weighted balance in excess of USD 100 thousand. This income is presented in Administrative Fee Revenue of the AOSC Fund.
16. Other revenues are exchange transactions and balances receivable are presented in receivables and advances.
17. 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.

18. 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

19. Property, plant and equipment (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>Class</u>	<u>Estimated Useful Life (Years)</u>
Buildings	5-50
Information Technology (IT)	3-10
Furniture, Fixtures and Fittings	5-10
Machinery and Office Equipment	3-10
Motor Vehicles	5-15

20. PP&E 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.
21. 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 other events or circumstances where carrying amounts may not be recoverable.

Intangible Assets

22. 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.
23. 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

24. Licenses, rights and copyrights are amortized over the licenses, rights and copyrights periods.
25. Impairment indicators include the obsolescence and the deterioration of intangibles as well as other events or circumstances where carrying amounts may not be recoverable.

Advanced Receipts

26. 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.
27. 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.
28. Assessments received from Member States before the year to which they relate are presented under advanced receipts.

Employee Benefits

29. IPSAS 39 became effective on 1 January 2018, replacing IPSAS 25, Employee Benefits. IPSAS 39 does not have any significant impact on ICAO since the Organization was using the reserve approach under IPSAS 25 since ICAO's adoption of IPSAS in 2010. In addition, ICAO does not have any plan assets; therefore, there is no impact from application of the net interest approach prescribed by the new standard.
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. Short-term employee benefits comprise first-time employee benefits (assignment grants), regular remunerations, compensated absences (paid sick leave, maternity/paternity leave) and other short-term benefits (death grant, education grant, reimbursement of taxes and home leave travel) provided to current employees on the basis of services rendered. All such benefits that are accrued but not paid at the reporting date are recognized as current liabilities within the statement of financial position.
32. The following benefits are accounted for as defined-benefit plans: after-service health insurance (post-employment benefits), repatriation benefits (other long-term benefits) and accumulated annual leave that is commuted to cash upon separation from the Organization (other long-term benefits). The short-term portion of these benefits are presented as current liabilities within the statement of financial position. Defined-benefit plans are those where the Organization's obligation is to provide agreed benefits and therefore the Organization bears the actuarial risks. ICAO recognizes actuarial gains and losses related to after-service health insurance benefits (ASHI) in a reserve account in line with the requirements of IPSAS 39. 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.

33. Termination benefits are recognized as an expense only when ICAO is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate the employment of a staff member before the normal retirement date or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. Termination benefits to be settled within 12 months are reported at the amount expected to be paid. Where termination benefits fall due more than 12 months after the reporting date, they are discounted if the impact of discounting is significant.
34. ICAO is a member organization participating in the United Nations Joint Staff Pension Fund (the UNJSPF or the Fund), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. The 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.
35. The Fund 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 39. ICAO's contributions to the Fund during the financial period are recognized as expenses in the statement of financial performance.

Provisions and Contingent Liabilities

36. 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.
37. 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

38. 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 Co-operation 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.
39. 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.

40. 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 following financial period. The main funding sources of this segment are assessed contributions, revenue producing activities, other voluntary contributions and administrative fees.
41. 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**. The Working Capital Fund was 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 to other Funds in specific cases. The amounts advanced from the Working Capital Fund are reimbursed as soon as funds are available in the General Fund and other Funds.
 - **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)** established under Financial Regulation 9.4 includes also a) the **Special Reserve Fund (SRF)** and b) the **TCB Efficiency and Effectiveness Fund** described below. 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.
 - a) **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 thousand per year. The SRF shall be financed from the amount in excess of the approved annual transfer of CAD 1 200 thousand 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 thousand to the Regular Budget.

- b) **TCB Efficiency and Effectiveness Fund** was established by Council to authorize D/TCB to dispense, in any given year, up to 20 per cent of the AOSC annual surplus achieved in the preceding year for the implementation of measures to improve the efficiency and effectiveness of the Technical Cooperation Bureau in responding to Contracting States' needs.
- **Aviation Security (AVSEC) Activities** 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 Environment Funds.** The funds were established to support the growing demands for environmental protection activities, including activities not covered under the regular budget and implementation of aviation-related environmental projects. The majority of the funds are received through the grant agreements and directed to support specific projects or initiatives.
 - **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.
 - **The Resource Mobilization Fund (RMF)** was established by the Council to support States, through use of voluntary contributions, in strengthening their civil aviation systems. The voluntary funds will facilitate capacity building around and implementation of ICAO SARPs and policies and supplement ICAO's work programmes not covered or under-funded by the Regular Programme Budget but which are aligned with the ICAO Business Plan.
 - **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.

- **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.
 - **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.
 - **Other Funds** include the Administrative Fee for Joint Financing, the Universal Safety Oversight Audit Programme Fund, the International Registry Fund, the France Co-operation Fund, the Information and Communication Technology Fund, the Temporary Staff Salaries Fund (TSSF), the Human Resources Development Fund (HRDF), the ICAO Programme for Aviation Volunteers (IPAV) Fund, and various funds for financing experts and junior professional officers.
 - 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 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.
42. 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.
43. 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

44. 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:

	2018	2017
	<i>In thousands of CAD</i>	
Cash in banks	52 671	51 466
Term deposits	349 743	385 024
Total Cash and Cash Equivalents	402 414	436 490

45. As at 31 December 2018, cash in banks had an average interest rate of 1.857 per cent (0.902 per cent on 31 December 2017). The term deposits had an average interest rate of 1.997 per cent (1.145 per cent on 31 December 2017) and an average term maturity of 155 days (140 days in 2017). Term deposit amounts include USD 105 million held in investment savings accounts (USD 116 million on 31 December 2017) with an average interest rate of 1.992 per cent (1.08 per cent on 31 December 2017). Cash in banks at year end includes an equivalent amount of CAD 9 475 thousand held on behalf of ECAC.

Note 2.2: Assessed Contributions Receivable From Member States

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

	2018	2017
	<i>In thousands of CAD</i>	
Current	2 847	13 273
Discounted non-current	5 963	5 193
Total Net Contributions Receivable	8 810	18 466

47. 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:

	2018	2017
	<i>In thousands of CAD</i>	
Assessed contributions – Regular Programme	17 624	25 685
Less:		
Allowance for doubtful accounts	(697)	(644)
Cumulative discount on long-term receivables	(8 117)	(6 575)
Total Net Assessed Contributions Receivable	8 810	18 466

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

Year of Assessment	2018		2017	
	<i>In thousands of CAD</i>	%	<i>In thousands of CAD</i>	%
2018	4 174	23.7	-	-
2017	2 124	12.1	14 117	55.0
2016	1 683	9.5	1 805	7.0
2015	1 395	7.9	1 512	5.9
2014 and earlier	8 248	46.8	8 251	32.1
Total	17 624	100.0	25 685	100.0

49. There were no additions to the allowance for doubtful accounts on assessments during 2018.

	2017	Utilization	Increase/ (Decrease)	2018
	<i>In thousands of CAD</i>			
Total allowance for doubtful accounts	644	-	53	697

The amount of CAD 697 thousand represents the original amount of USD 511 thousand (equivalent of CAD 501 thousand set up in 2010) owing to ICAO by the former Socialist Federal Republic of Yugoslavia, adjusted by an exchange difference of CAD 53 thousand in 2018, 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.

50. There were no write-offs of contributions receivable during 2018. An increase or decrease in the allowance for doubtful accounts is reflected as an expense for the period and is reported in the Statement of Financial Performance.
51. There was no balance in the allowance for reductions in contribution revenue during 2018.
52. The movements of the discounted long-term contributions receivable during 2018 are as follows:

	2017	Utilization	Increase/ (Decrease)	2018
	<i>In thousands of CAD</i>			
Discounted long-term contributions receivable	5 193	2 311	(1 541)	5 963

53. 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. 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 are fully discounted by an amount of CAD 6 617 thousand in 2018. Utilization of CAD 2 311 thousand is the reclassification of amounts in arrears as long-term less payments received during the course of the year. The decrease of CAD 1 541 thousand in the discounted long-term accounts receivable balance represents an increase in the cumulative discount, which is reflected against revenue.
54. 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 expected to be collected within 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 2.25 to 2.40 per cent to the scheduled future installment payments.

Note 2.3: Receivables, Advances and Other Assets

55. Receivables and advances:

	2018	2017
	<i>In thousands of CAD</i>	
Advances to employees	1 403	1 350
Receivables from United Nations Agencies	589	357
Others	15 474	27 925
Total	17 466	29 632

56. Advances to employees are for education grants, rental subsidies, travel and other staff entitlements.
57. Receivables from UN Agencies are related to other international organizations, mainly United Nations organizations.
58. Other receivables include amounts advanced for TC projects and due from revenue generation activities such as the sales of publications, rental of conference rooms and space to delegations.
59. Other Current Assets are comprised of:

	2018	2017
	<i>In thousands of CAD</i>	
Recoverable Provincial sales tax	639	411
Recoverable Federal sales tax	367	235
Prepaid expenses	935	573
Recoverable United States income tax	111	382
Recoverable regional offices sales tax	125	107
Total	2 177	1 708

60. 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 439 thousand at 31 December 2018 (CAD 463 thousand as at 31 December 2017). The discounted amount due from AFCAC reflected in the accounts totals CAD 373 thousand, which represents the non-current portion of the receivable (CAD 385 thousand as at 31 December 2017).

Note 2.4: Inventories

61. 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.
62. The table below shows the total value of inventories as at 31 December.

	2018	2017
	<i>In thousands of CAD</i>	
Publications on hand–finished goods	268	216
Raw material and work in process	104	80
Total Publications	372	296
Total Commissariat Items	178	85
Total Inventories	550	381

63. 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.

	2018	2017
Publications Reconciliation:	<i>In thousands of CAD</i>	
Opening Balance	296	392
Direct material	368	331
Direct labour	1 120	1 100
Indirect costs	485	344
Total inventory purchased and produced	2 269	2 167
Less: Cost of publications sold	(1 859)	(1 832)
Less: Impairments	(38)	(39)
Closing Balance	372	296

	2018	2017
Commissariat Items Reconciliation:	<i>In thousands of CAD</i>	
Opening Balance	85	121
Inventory purchased	479	385
Total inventory purchased	564	506
Less: Cost of items sold	(386)	(421)
Closing Balance	178	85

64. Publications and commissariat items and quantities derived from ICAO's inventory tracking systems are validated by physical stock count.
65. Inventories are valued net of any identified impairments. During 2018, impaired publication inventory including disposal of overstock publications valued at CAD 38 thousand was identified and removed from the inventory records. This write-off represents an expense for the period and is included in the "general operating expenses" line in the Statement of Financial Performance.

Note 2.5: Property, Plant & Equipment (PP&E)

66. 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.

67. The following table presents PP&E capitalized in the accounts in accordance with IPSAS.

	Opening Balance 1 Jan 2018	Acquisitions during the Year	Depreciation during the Year	Closing Balance 31 Dec 2018
<i>In thousands of CAD</i>				
Furniture & Fixtures	52	4	16	40
IT Equipment	373	543	171	745
Office Equipment	245	121	116	250
Motor Vehicles	239	35	70	204
Leasehold Improvements	1 573	219	122	1 670
Machinery	294	242	88	448
Leasehold Improvements In Progress	-	1 034	-	1 034
Total	2 776	2 198	583	4 391

68. The leasehold improvements in progress as at 31 December 2018 include an amount of CAD 501 thousand on the main project of protective film for the headquarters, and an amount of CAD 533 thousand on other improvement projects in different sections of the HQ premises.
69. No impairment of PP&E was identified in 2018.
70. Commitments related to leases are presented in Note 6.
71. The HQ property – Maison de l'OACI was constructed in 1995 and purchased by the Government of Canada in 2016. The entire building is provided to ICAO rent-free for 20 years commencing on 1 December 2016 until 30 November 2036.
72. 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. Other buildings occupied by ICAO are under operating leases or nominal leases also shown in Note 3.1 and Note 6.

Note 2.6: Intangible Assets

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

	Opening Balance 1 Jan 2018	Acquisitions during the Year	Amortization during the Year	Closing Balance 31 Dec 2018
<i>In thousands of CAD</i>				
Software Acquired	25	-	13	12
Licenses and Rights	146	248	87	307
Software Internally Developed	470	-	89	381
Other Intangible Assets	23	-	23	-
Total	664	248	212	700

74. No impairment of intangible assets was identified in 2018.

Note 2.7: Financial Instruments**2.7.1 Financial Assets and Liabilities**

75. 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:

	2018	2017
	<i>In thousands of CAD</i>	
Assessed contributions receivable (current)	2 847	13 273
Assessed contributions receivable (non-current)	5 963	5 193
Receivables and advances (current)	17 148	29 465
Receivables and advances (non-current)	373	385
Other assets	1 242	1 135
Total Financial Assets	27 573	49 451

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

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

2.7.2 Credit Risk

77. 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.
78. 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.
79. 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

80. ICAO is exposed to interest rate risk through term-deposits. In 2018, the average interest rate and term maturity are provided in Note 2.1. Interest rates were increased in 2018.

2.7.4 Foreign Currency Risk

81. At 31 December 2018, cash, cash equivalent and investments are denominated in CAD (14 per cent) and in USD (79 per cent) which are the base currencies used by the Organization (9 per cent in the CAD and 85 per cent in USD base currencies at 31 December 2017). Non-CAD or USD holdings have the primary objective of supporting operating activities in other currencies than CAD. In addition, 43 per cent of contributions receivable are denominated in CAD and 57 per cent in USD base currencies (50 per cent in CAD and 50 per cent in USD base currencies at 31 December 2017).
82. 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.

83. 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

84. The Working Capital Fund has been increased from USD 6.0 million to USD 8.0 million at the 38th Session of 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

85. Advance receipts comprise:

	2018	2017
	<i>In thousands of CAD</i>	
Voluntary contributions for TC Projects	274 604	347 156
Assessed contributions received in advance	8 527	4 724
Other advances	21 813	20 126
Total	304 944	372 006

86. Advance receipts of voluntary contributions for TC Projects represent receipts of contributions less related expenses at year-end (refer to Table D and E). Other advances include advance payments of CAD 17 768 thousand for voluntary contributions and grants from Member States and private companies, CAD 1 304 thousand from publication sales, CAD 2 016 thousand from Member States for PKD activities, deferred revenue and other advances.

Note 2.9: Accounts Payables and Accrued Liabilities

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

	2018	2017
	<i>In thousands of CAD</i>	
Accrued Liabilities	7 110	8 222
Employee Payable	2 608	2 348
Trade Payable	10 014	8 228
ECAC	9 475	8 144
Others	-	1 480
Grand Total	29 207	28 422

88. 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.

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.

	2018	2017
	<i>In thousands of CAD</i>	
Composition:		
Current	7 944	7 642
Non-current	151 001	146 694
Total	158 945	154 336

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 2018 is as follows:

	Opening Balance 1 Jan 2018	Utilization	Increase/ (Decrease)	Actuarial Loss/(Gain)	Ending Balance 31 Dec 2018
	<i>In thousands of CAD</i>				
Post-retirement plan (ASHI)	129 329	(2 135)	8 807	(2 433)	133 568
End of service - annual leave	8 608	(687)	783	286	8 990
End of service - repatriation benefits	14 197	(1 160)	1 122	64	14 223
Other employee benefits for international experts	2 202	(385)	347	-	2 164
Total Employee Benefits Liabilities	154 336	(4 367)	11 059	(2 083)	158 945

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:

	Current Service Costs	Interest Cost	Total 2018	Total 2017
	<i>In thousands of CAD</i>			
Post-retirement plan (ASHI)	5 597	3 210	8 807	7 886
End of service - annual leave	576	207	783	780
End of service - repatriation benefits	787	335	1 122	1 105
Other employee benefits Liabilities	347	-	347	26
Total Employee Benefits Liabilities:	7 307	3 752	11 059	9 797

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

	2018	2017
	<i>In thousands of CAD</i>	
Post-retirement plan (ASHI)	(2 433)	(916)
End of service - annual leave	286	(291)
End of service - repatriation benefits	64	(807)
Total Employee Benefits Liabilities	(2 083)	(2 014)

94. Actuarial gains/losses for Annual Leave and Repatriation Benefits plus Current Service Costs and Interest cost including those for ASHI total CAD 11 062 in 2018 (CAD 8 673 in 2017) and are included in the expense of the Revolving Fund.

2.10.2 Employee Benefits Liability – Sensitivity Analysis

95. Sensitivity analysis for the discount rate for the employee benefits liabilities is presented in the following table.

	Increase of 1% in Discount rate	Decrease of 1% in Discount rate
	<i>In thousands of CAD</i>	
Current Service Cost+ Interest Cost	(681)	1 289
Accrued Benefit Obligation	(25 483)	33 593

96. Sensitivity analysis for the Medical and Dental Trend Rates, as described in note 2.10.4, for the Post-retirement plan (ASHI) is presented in the following table.

	Increase of 1% in Trend rates	Decrease of 1% in Trend rates
	<i>In thousands of CAD</i>	
Current Service Cost+ Interest Cost	2 592	(1 910)
Accrued Benefit Obligation	29 561	(22 902)

97. Sensitivity analysis for the Mortality Table assumptions, as described in note 2.10.4, for the Post-retirement plan (ASHI) is presented in the following table.

	1 Year Further Mortality Table	1 Year Closer Mortality Table
	<i>In thousands of CAD</i>	
Current Service Cost+ Interest Cost	424	(413)
Accrued Benefit Obligation	6 884	(6 748)

2.10.3 Expected Cost During 2019

98. The expected contribution of ICAO in 2019 to the defined benefits plan is CAD 5 780 000 which is determined based on expected benefit payments for 2019.

	Post- retirement plan (ASHI)	End of service - annual leave	End of service - repatriation benefits	Total
	<i>In thousands of CAD</i>			
Expected contributions during 2019	2 264	826	2 690	5 780

2.10.4 Actuarial Assumptions and Methods

99. 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 39. 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 2018.

Assumptions Used for ASHI Plan:

Actuarial Method	ASHI: The projected unit credit cost method, prorated on years of service, up to the age the employee is fully eligible for retirements benefits.
Discount Rate	2.25 per cent for accounting and funding (2.40 per cent in 31 December 2017 valuation).
Medical and Dental Trend Rates	Drugs and other health care from 8 per cent to 4 per cent over a period of 20 years, dental 4 per cent for 20 years.
Expected Return on Assets	Not applicable as plans are treated as unfunded.
Exchange Rate Used	USD 1.00 for CAD 1.365 (CAD 1.26 in prior valuation).
Medical and Dental Claims Cost	Average annual costs per person at age 60 are CAD 2.4 thousand for drug costs, from CAD 0.4 thousand to CAD 1.5 thousand for dental costs and from CAD 0.6 thousand to 7.9 thousand for other health care costs.

Age Variation of Medical and Dental Costs	For drugs in Canada from 5.8 per cent at age 40 to 59 down to 0 per cent at age 85 and up. For health care in Canada, from 2.0 per cent up to age 59 down to 0.75 per cent at age 85 and up. Health care outside Canada from 2.7 per cent at age 40 down 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, 65 per cent (65 per cent in 2017).
Annual Administrative Costs Mortality Table	USD 26.40 per Certificate Per Month. Inflation at 3.25 per cent per year, starting in 2018. CMM 2014 with Projection Scale MI 2017.
Withdrawal Rates	From age 20 to 55 and up: 15 per cent to 0 per cent.
Retirement Age	Employee hired prior to 1 January 1990: age 60; employee hired on or after 1 January 1990 to 31 December 2013: age 62; employee hired on or after 1 January 2014: age 65.
Coverage of Dependents at Retirement	60 per cent (60 per cent in 2017). 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:	
Actuarial Method	Annual leave and repatriation grant: actuarial present value of future benefits with salary projections.
Discount Rate	2.25 per cent per year (2.40 per cent in prior valuation).
Salary Increase	2.50 per cent per year.
Net Accrual in Annual Leave Balance	From 8 days during the first year to none for 35 years of service and more, up to a maximum of 60 days.
Withdrawals Due to Voluntary Leave	10 per cent (10 per cent in 2017).
Removal of Effects on Repatriation	USD 18.0 thousand per employee with eligible family members, USD 13.0 thousand per employee without eligible family members. Annual increases of 2.50 per cent per year thereafter.
Travel Costs	CAD 5.7 thousand per employee with annual increase at 2.50 per cent per year.

100. 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 88 of IPSAS 39 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.
101. The assumed increases in medical costs (trend rates) are selected with reference to the latest Global Medical Trend Rates survey of ICAO's actuary, UN Economic Assumptions for Retiree Medical Plans and the increases that are expected to be sustainable over the long run. For the After-Service Health Insurance plan (ASHI), the trend rates are unchanged for the December 31, 2018 valuation with the exception of classes 4 & 5 Health Care, which reduced the starting trend rate from 10.0% to 8.0%.

102. Medical costs are a key valuation assumption for ASHI valuation. These assumptions are selected with reference to ICAO's recent experience adjusted for historical medical trend rates, and anticipated utilization adjustments due to aging. For the ASHI valuation, the medical costs changed and are detailed in the assumptions table above. ICAO's expected ASHI claims are based on an average of three years' claims, trended forward to the year after the valuation date and adjusted to a spot USD/CAD exchange rate at the valuation date.

2.10.5 United Nations Joint Staff Pension Fund

103. The 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.
104. ICAO's 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 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 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.
105. During 2017, the fund identified that there were anomalies in the census data utilized in the actuarial valuation performed as of 31 December 2015. As such, as an exception to the normal biennial cycle, a roll forward of the participation data as of 31 December 2013 to 31 December 2016 was used by the Fund for its 2016 financial statements.
106. The actuarial valuation as of 31 December 2017 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 139.2 per cent (150.1 per cent in the 2016 roll forward). The funded ratio was 102.7 per cent (101.4 per cent in the 2016 roll forward) when the current system of pension adjustments was taken into account.
107. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2017, 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 plan. 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.
108. Should Article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the UNJSPF pension plan, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the UNJSPF during the preceding three years (2015, 2016 and 2017) amounted to USD 6 931.39 million, of which 0.78 per cent was contributed by ICAO.
109. During 2018, ICAO's contributions paid to UNJSPF amounted to USD 19.4 million equivalent to CAD 25.1 million (USD 18.5 million equivalent to CAD 24.3 million in 2017). Contributions due in 2019 are expected to be at the same level.

110. Membership of the Fund may be terminated by decision of the United Nations General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the United Nations Joint Staff Pension Board based on an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities are included in the amount.
111. 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.

2.10.6 Social Security Arrangements for Employees Under Service Contracts

112. 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

113. 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)

114. 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.
115. Reserves are composed of:

	2018	2017
	<i>In thousands of CAD</i>	
Regular Activities		
Carry Forward of Appropriations (Statement V)	24 872	23 899
Reserved Deficit for unrealized differences	(4 188)	(5 161)
Accumulated actuarial gain/(loss) on ASHI (Note 2.10.1)	(31 135)	(33 568)
Operational Reserve for ARGF	5 890	-
Amounts reserved in the Incentive Fund	571	237
	(3 990)	(14 593)
Technical Co-operation Project Activities	124	83
Total	(3 866)	(14 510)

116. Reserved deficit for unrealized differences represents unrealized gains and losses on assets and on exchange differences set aside until the corresponding assets are realized.

117. An amount of CAD 5 890 thousand is included in the Operational Reserve of ARGF in accordance with Financial Regulations 7.3 and Council Decision C-DEC 190/5.
118. With reference to Assembly Resolution A39-37, an additional amount of CAD 334 thousand was set aside in the Incentive Fund to finance Regular Programme expenditures of 2019.
119. 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).
120. Other reclassifications and transfers relate to unused voluntary contributions transferred to advanced receipts.

NOTE 3: REVENUES AND EXPENSES

Note 3.1: Contributions – Services in Kind

121. 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. Contributions in kind are not recorded in the accounts, but presented for information purposes in notes below.
122. 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:

	2018	2017
	<i>In thousands of CAD</i>	
Canada	23 848	23 433
Egypt	97	97
France	751	754
Peru	811	818
Senegal	242	212
Thailand	2 258	1 847
Total	28 007	27 161

123. The Government of Canada provides the HQ building to ICAO rent free and assumes 80 per cent of the Operation and Maintenance costs as well as 100 per cent of the property taxes. Included also in the above contribution in kind from Canada, is an amount equivalent to CAD 1 861 thousand (CAD 1 874 thousand in 2017) from the Government of Quebec towards the provision of premises in the Bell Tower office in Montreal provided for the Technical Co-operation Bureau.
124. Also, the Government of Mexico provides a contribution in cash towards the rental of the Regional Office in Mexico City. The contribution in 2018 amounted to CAD 374 thousand (CAD 286 thousand in 2017) and is included in revenue.

125. 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:

	2018	2017
	<i>In thousands of CAD</i>	
Aviation Security	2 558	2 710
Aviation Safety	5 149	6 384

Note 3.2: Revenue

126. The main source of revenue recognized during the year comprises contributions for technical co-operation projects that were implemented during the year (refer to Note 5.3 and Table C) 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:

	2018	2017
	<i>In thousands of CAD</i>	
Assessments on States as resolved by the Assembly	91 540	89 344
Assessment on a new State	71	-
Exchange Differences*	8 330	11 386
Decrease (increase) on cumulative discount on long-term receivables	(1 541)	301
Total	98 400	101 031

* Exchange differences represent calculated positive (negative) differences between assessments budgeted at budget rate and at the UN operational rate of exchange when assessments are levied.

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

	2018	2017
	<i>In thousands of CAD</i>	
Publication sales and printing services	5 779	5 469
Training/assessments, courses & membership fees	5 546	4 743
Events and symposia	3 484	2 397
Delegation services	2 642	2 473
Dangerous goods licensing fee	2 468	2 394
Publication royalties	1 433	1 321
User charge/Subscription fee	1 104	855
Licensing	593	608
Commissariat sales	479	527
Websites	463	462
Periodicals	256	343
Others	1 302	887
Total	25 549	22 479

128. Other Revenue comprises the following:

	2018	2017
	<i>In thousands of CAD</i>	
Interest income*	1 844	945
Exchange gains**	6 160	676
Professional liability insurance fee	161	340
Travel agent fee	102	174
Service fee	461	150
Others	1 124	830
Total	9 852	3 115

* The interest income excludes an amount of CAD 6 158 thousand related to non-proprietary funds (mainly TC Projects) since they are presented as advanced receipts and as administrative overhead fee revenue in the AOSF.

** Exchange gains relate mainly to positive differences from the revaluation of assets and liabilities in CAD initially recognized in other currencies.

Note 3.3: Expenses

3.3.1 Staff Salaries and Employee Benefits

129. 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

130. 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

131. **General Operating Expenses** mainly comprise rental, maintenance and operation of premises, information technology and printing expenses. Also included is depreciation on PP&E amounting to CAD 583 thousand, and to CAD 212 thousand for the amortization of intangible assets (CAD 572 thousand and CAD 263 thousand respectively in 2017).

3.3.4 Travel

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

3.3.5 Other Expenses

133. Included in other expenses are CAD 560 thousand bank charges (including UNDP service fees as well as bank charges from TCP imprest accounts), CAD 548 thousand exchange losses mainly attributable to TCP funds, and CAD 420 thousand ARGF related services for various conferences and training seminars.

NOTE 4: STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

134. The Organization's 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 of the Technical Cooperation Programme. These two budgets are publicly available and may be subsequently amended by the Council or through the exercise of delegated authority.
135. Statement V presents the variation of approved budgets between original and final, and a comparison between final budgets and expenses on a budgeted basis classified by Strategic Objective and Supporting Implementation Strategy for the Regular Programme, as required by Financial Regulation 12.1. Statement V-A provides a comparison between approved publicly available budgets and actual amounts on a comparable basis, and reconciles revenue and expenses with actual amounts for all Funds of the Organization presented in the Statement of Financial Performance (Statement II).
136. In Statement V-A, the major difference between budgeted and actual revenue for the Regular Programme (CAD 8 401 thousand) is mainly attributable to the Organization's practice of assessing contributions in Canadian Dollars (CAD) and in US dollars (USD). The exchange rate established to prepare the budget and the exchange rate used to recognize revenue when assessments are levied in compliance with IPSAS differ (CAD 8 330 thousand). Consequently this exchange difference is excluded from actual amounts for comparison purposes. Another budget difference is the assessment on a new Member State (CAD 71 thousand) as this was not budgeted for. Other differences, for actual revenue to be on a comparable basis, also not budgeted for, are composed of discounted receivables (negative difference of CAD 1 541 thousand) and additional other revenue (CAD 3 789 thousand) including currency exchange gain (CAD 3 115 thousand).
137. Statements V and V-A compare approved appropriations for the Regular Programme (CAD 123 767 thousand) at budget rate and the corresponding expenses for the General Fund of the Regular Programme at the UNORE (CAD 106 694 thousand). In order to compare approved Regular Programme budget with actual expenses, the following factors are taken into consideration: i) exchange difference (CAD 7 798 thousand) from the utilization of the budget rate of exchange and the UN rates of exchange applied during the year to expenses in compliance with IPSAS, bringing the actual amount of expenses at budget rate (CAD 98 896 thousand); and ii) the recognition of outstanding commitments, for budget purposes, foreseen to be incurred only in the following year (CAD 18 747 thousand). These factors have the effect of bringing expenses on a comparable basis (CAD 117 643 thousand) for the Regular Programme. The net impact resulted in a carry-over of unutilized appropriations (CAD 6 125 thousand).
138. Budget estimates (final revised) are also compared to actual amounts in Statement V-A with regard to the AOSC Fund. The Presentation of the Secretary General on the financial statements included in this document provides further explanations of material differences between Regular Programme and AOSC budgets and the actual amounts.

139. A reconciliation between the actual amounts on a comparable basis in the Statement of Comparison of Budget and Actual Amounts (Statement V-A) and the actual amounts in the Statement of Cash Flow (Statement IV) for the year ended 31 December 2018 is presented below:

	Operating	Investing	Financing	Total
	<i>In thousands of CAD</i>			
Actual on a Comparable Basis (Statement V-A, column (d)):				
Revenue Regular Programme	102 117			102 117
Revenue AOSC	14 993			14 993
Expenses Regular Programme	(117 642)			(117 642)
Expenses AOSC	(10 412)			(10 412)
Budget Differences (Statement V-A, column (c)):				
i) Net exchange differences on budgeted assessments and expenses and assessment on new Member State (par. 136 and 137 above)	603	-	-	603
ii) Outstanding commitments not requiring an outlay of funds (par. 137 above)	18 747	-	-	18 747
Entity Differences (par. 140 below)	(814)	-	-	(814)
Presentation Differences (par. 141 below)	(45 032)	5 556	(2 192)	(41 668)
Actual Amounts in the Statement of Cash Flow (Statement IV)	(37 440)	5 556	(2 192)	(34 076)

140. Entity differences occur when the approved publicly available budgets process omits programmes or Funds that are part of an entity for which the financial statements are prepared. Entity differences represent revenue (CAD 195 981 thousand) less expenses (CAD 196 795 thousand) reported in Statement V-A that are included in the Statement of Financial Performance (Statement II), and relate to other Regular Activities and Technical Cooperation Project activities. These activities and projects are generally funded by extra-budgetary resources and are excluded from the Regular Programme and the AOSC budgetary process.
141. Presentation differences are due to differences in the format and classification schemes adopted for the presentation of Statement of Cash Flows (Statement IV) and Statement of Comparison of Budget and Actual Amount (Statement V-A). The Statement of Cash Flows is prepared using the indirect method and reflects the impact of all receipts and disbursements; Statements of Comparison of Budgets and Actual Amounts present revenue and expenses for which expenses are authorized by the Assembly and Council. Since these statements cover the same financial year, there are no timing differences.

NOTE 5: SEGMENT REPORTING**Note 5.1: Statement of Financial Position and Financial Performance by Segment**

142. 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 Statements I and II.
143. The Regular Activities segment includes administrative fee revenue of CAD 9.7 million (CAD 11.2 million in 2017) 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 and other expenses. The amount due to Technical Co-operation Projects by the Regular Activities segment at 31 December 2018 amounted to CAD 1 753 thousand (CAD 1 087 thousand at 31 December 2017). These amounts are eliminated for presentation purposes.

INTERNATIONAL CIVIL AVIATION ORGANIZATION

NOTE 5.2

FINANCIAL POSITION BY SEGMENT

AT 31 DECEMBER 2018

(in thousands of Canadian dollars)

	Notes	Regular Activities		Technical Co-operation Project Activities		Elimination		Total	
		2018	2017	2018	2017	2018	2017	2018	2017
ASSETS									
CURRENT ASSETS									
Cash and cash equivalents	2.1	127 356	104 318	275 058	332 172			402 414	436 490
Assessed contributions receivable from Member States	2.2	2 847	13 273					2 847	13 273
Inter-segment balances	2.3	1 753	6 591	9 797	1 087	(1 753)	(1 087)		
Receivables and advances	2.4	7 669	381		23 041			17 466	29 632
Inventories	2.4	550	1 348	394	360			550	381
Others	2.3	1 783						2 177	1 708
		141 958	125 911	285 249	356 660	(1 753)	(1 087)	425 454	481 484
NON-CURRENT ASSETS									
Assessed contributions receivable from Member States	2.2	5 963	5 193					5 963	5 193
Receivables and advances	2.3	373	385					373	385
Property, plant and equipment	2.5	4 391	2 776					4 391	2 776
Intangible assets	2.6	700	664					700	664
		11 427	9 018					11 427	9 018
TOTAL ASSETS		153 385	134 929	285 249	356 660	(1 753)	(1 087)	436 881	490 502
LIABILITIES									
CURRENT LIABILITIES									
Advanced receipts	2.8	30 340	24 850	274 604	347 156			304 944	372 006
Accounts payable and accrued liabilities	2.9	22 592	21 193	6 615	7 229			29 207	28 422
Employee benefits	2.10	5 791	5 450	2 153	2 192			7 944	7 642
Inter-segment balances			1 087	1 753		(1 753)	(1 087)		
Credits to contracting/servicing governments	2.11	1 562	1 389					1 562	1 389
		60 285	53 969	285 125	356 577	(1 753)	(1 087)	343 657	409 459
NON-CURRENT LIABILITIES									
Employee benefits	2.10	151 001	146 694					151 001	146 694
		151 001	146 694					151 001	146 694
TOTAL LIABILITIES		211 286	200 663	285 125	356 577	(1 753)	(1 087)	494 658	556 153
NET ASSETS									
Accumulated deficit	2.12	(53 911)	(51 141)					(53 911)	(51 141)
Reserves	2.12	(3 990)	(14 593)	124	83			(3 866)	(14 510)
NET ASSETS (ACCUMULATED DEFICIT)		(57 901)	(65 734)	124	83			(57 777)	(65 651)
TOTAL LIABILITIES AND NET ASSETS		153 385	134 929	285 249	356 660	(1 753)	(1 087)	436 881	490 502

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 2018
(in thousands of Canadian dollars)

	Notes	Regular Activities		Technical Co-operation Project Activities		Elimination		Total	
		2018	2017	2018	2017	2018	2017	2018	2017
REVENUE									
Contributions for project agreements	3.2				130 646		(276)	169 439	130 370
Assessed contributions	3.2	98 400	101 031	170 269		(830)		98 400	101 031
Other revenue producing activities	3.2	25 549	22 479					25 549	22 479
Other voluntary contributions		14 532	13 281					14 532	13 281
Administrative fee revenue		13 403	13 339			(9 682)	(11 179)	3 721	2 160
Other revenue	3.2	9 760	2 500	288	790	(196)	(175)	9 852	3 115
		161 644	152 630	170 557	131 436	(10 708)	(11 630)	321 493	272 436
EXPENSES									
Staff salaries and employee benefits	3.3	122 088	117 286	51 591	57 030	(111)		173 568	174 316
Supplies, consumables and others	3.3	1 377	639	99 991	52 669			101 368	53 308
General operating expenses	3.3	15 854	15 291	2 022	2 620			17 876	17 911
Travel	3.3	10 896	10 321	5 001	4 976	(196)		15 701	15 297
Meetings		2 266	1 611					2 266	1 611
Training				1 500	2 944			1 500	2 944
Administrative overhead charges				9 647	11 197	(9 647)	(11 197)		
Other expenses	3.3	1 571	6 231	805		(754)	(433)	1 622	5 798
		154 052	151 379	170 557	131 436	(10 708)	(11 630)	313 901	271 185
SURPLUS FOR THE YEAR		7 592	1 251					7 592	1 251

Details may not add to the totals due to rounding

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

144. Lease commitments mainly pertain to ICAO premises.

	2018	2017
	<i>In thousands of CAD</i>	
Minimum obligations for property leases:		
1 – 5 years	502	526
Beyond 5 years	17	-
Total Property Leases Obligations	519	526

145. The lease commitments include the 30 per cent portion of the lease payable by ICAO for Mexico Office. As presented in Note 3.1, the Government of Canada provides the building to ICAO rent-free for an additional period of 20 years commencing on December 2016 until 30 November 2036. Therefore, as at 31 December 2018, there are no lease commitments for ICAO with regard to HQ premises. 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.

146. The future minimum lease revenues under non-cancellable operating leases total CAD 2.1 million for 2019 (CAD 2.0 million in 2018). These lease revenues comprise rental of premises to Delegations.

Note 6.2: Legal or Contingent Liabilities

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

148. 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 3.5 million (USD 3.0 million at 31 December 2017). 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	Compensa- tion and Post Adjustment	Entitlements	Pension and Health Plans	Total Remuner- ation	Outstanding Advances Against Entitlements	Outstanding Loans
<i>(In thousands of CAD)</i>							
President of Council/Key Management Personnel	12	2 381	523	736	3 640	48	-

149. The key management personnel (as defined by IPSAS 20) consist of: (i) the governing body of the Organization – the Council, including its President; and (ii) the members of the Senior Management Group (SMG) of the Secretariat. The Council consists of 36 Member States without personal appointment. The Senior Management Group comprises the head of the Secretariat, the Secretary General; Directors at Headquarters; and a number of Chiefs reporting directly to the Secretary General. The key management personnel have the authority and responsibility for planning, directing and controlling the activities of ICAO and for the establishment of policies. Total remuneration reported above is paid to the President of Council and members of the Senior Management Group.
150. The aggregate remuneration paid to key management personnel includes: net salaries, post adjustment, entitlements such as representation allowance, repatriation and education grants, and also employer pension and current health insurance contributions. Outstanding advances against entitlements are composed of education grant advances.
151. 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.
152. Key management personnel are ordinary members of UNJSPF with the exception of a number of 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.
153. Total remuneration also includes an amount of CAD 21 thousand paid during the year to a close family member of key management personnel. The close family member of key management personnel is working in another bureau and not in direct hierarchical relationship to the key management personnel.

Note 7.2: Related Party Transactions

154. 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

155. ICAO's reporting date is 31 December 2018. 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 2018 AND
REVENUE, EXPENSES AND SURPLUS (DEFICIT) FOR 2018
(in thousands of Canadian dollars)

	Regular Budget	Capital Fund	Revolving Fund	Ancillary Revenue Generation Funds	Administrative/ Operational Services Cost Funds	AVSEC Activities	AFI Plan Fund	Environment Funds	Joint Finance Funds
ASSETS									
CURRENT ASSETS									
Cash and cash equivalents	55 194		1 485	15 462	15 320	10 239	1 094	6 625	1 527
Assessed contributions receivable from Member States	2 847			702					
Inter-fund balances	1 511			5 605	75	288			35
Receivables and advances	1 451			550					
Inventories	1 625			88		27		17	
Others									
	<u>62 628</u>		<u>1 485</u>	<u>22 407</u>	<u>15 395</u>	<u>10 553</u>	<u>1 094</u>	<u>6 642</u>	<u>1 562</u>
NON-CURRENT ASSETS									
Assessed contributions receivable from Member States	5 963								
Receivables and advances	373								
Property, plant and equipment		4 391							
Intangible assets		700							
	<u>6 335</u>	<u>5 091</u>							
TOTAL ASSETS	<u>68 964</u>	<u>5 091</u>	<u>1 485</u>	<u>22 407</u>	<u>15 395</u>	<u>10 553</u>	<u>1 094</u>	<u>6 642</u>	<u>1 562</u>
LIABILITIES									
CURRENT LIABILITIES									
Advanced receipts	8 527			2 150	61	11			
Accounts payable and accrued liabilities	19 382			1 822	336	6	14	90	
Employee benefits			5 780		11				
Inter-fund balances					459				
Credits to contracting/service governments									1 562
	<u>27 909</u>		<u>5 780</u>	<u>3 972</u>	<u>867</u>	<u>17</u>	<u>14</u>	<u>90</u>	<u>1 562</u>
NON-CURRENT LIABILITIES									
Employee benefits			151 001						
			<u>151 001</u>						
TOTAL LIABILITIES	<u>27 909</u>		<u>156 781</u>	<u>3 972</u>	<u>867</u>	<u>17</u>	<u>14</u>	<u>90</u>	<u>1 562</u>
NET ASSETS									
Accumulated surplus/(deficit)	20 371	5 091	(124 161)	12 545	14 528	10 536	1 080	6 552	
Reserves	20 684		(31 135)	5 890					
NET ASSETS (ACCUMULATED DEFICIT)	<u>41 055</u>	<u>5 091</u>	<u>(155 296)</u>	<u>18 435</u>	<u>14 528</u>	<u>10 536</u>	<u>1 080</u>	<u>6 552</u>	<u>0</u>
TOTAL LIABILITIES AND NET ASSETS	<u>68 964</u>	<u>5 091</u>	<u>1 485</u>	<u>22 407</u>	<u>15 395</u>	<u>10 553</u>	<u>1 094</u>	<u>6 642</u>	<u>1 562</u>
REVENUE									
Contributions for project agreements									
Assessed contributions	98 400								
Other revenue producing activities				26 107					27
Other voluntary contributions				13		2 195	65	668	
Administrative fee revenue					13 490				
Other revenue	12 965	2 446	4 008	566	1 504	692	125	480	21
TOTAL REVENUE	<u>111 364</u>	<u>2 446</u>	<u>4 008</u>	<u>26 687</u>	<u>14 993</u>	<u>2 887</u>	<u>189</u>	<u>1 148</u>	<u>48</u>
EXPENSES									
Staff salaries and employee benefits	87 592		11 063	11 182	10 154	743	9	950	4
Supplies, consumables and others	678			541				1 586	
General operating expenses	11 683	796		10 100	299	60	0	84	
Travel	5 231			2 110	252	863	368	228	
Meetings	1 232			180		23	80	80	
Administrative overhead charges				39		100	5	225	
Other expenses	279			588	1	11	80		41
TOTAL EXPENSES	<u>106 694</u>	<u>796</u>	<u>11 063</u>	<u>24 739</u>	<u>10 706</u>	<u>1 800</u>	<u>543</u>	<u>3 154</u>	<u>44</u>
NET SURPLUS/(DEFICIT) FOR THE YEAR	<u>4 670</u>	<u>1 651</u>	<u>(7 055)</u>	<u>1 947</u>	<u>4 288</u>	<u>1 087</u>	<u>(354)</u>	<u>(2 006)</u>	<u>3</u>

Details may not add to totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION
REGULAR ACTIVITIES BY FUND
ASSETS, LIABILITIES, NET ASSETS AT 31 DECEMBER 2018 AND
REVENUE, EXPENSES AND SURPLUS (DEFICIT) FOR 2018
(in thousands of Canadian dollars)

Table A
(continued)

	Incentive for Settlement of Arrears Account	Resource Mobilization Funds	Public Key Directory	Regional Sub-Office	Safe Funds	Other Funds	Total	Elimination/ Adjustments	2018	2017
ASSETS										
CURRENT ASSETS										
Cash and cash equivalents	593	4 285	1 976	1 449	3 725	8 383	127 356		127 356	104 318
Assessed contributions receivable from Member States							2 847		2 847	13 273
Inter-fund balances							2 212	(459)	1 753	
Receivables and advances			114	11		91	7 669		7 669	6 591
Inventories							550		550	381
Others							25		1 783	1 348
	<u>593</u>	<u>4 285</u>	<u>2 089</u>	<u>1 460</u>	<u>3 725</u>	<u>8 499</u>	<u>142 418</u>	<u>(459)</u>	<u>141 958</u>	<u>125 911</u>
NON-CURRENT ASSETS										
Assessed contributions receivable from Member States							5 963		5 963	5 193
Receivables and advances							373		373	385
Property, plant and equipment							4 391		4 391	2 776
Intangible assets							700		700	664
							<u>11 426</u>		<u>11 426</u>	<u>9 018</u>
TOTAL ASSETS	<u>593</u>	<u>4 285</u>	<u>2 089</u>	<u>1 460</u>	<u>3 725</u>	<u>8 499</u>	<u>153 844</u>	<u>(459)</u>	<u>153 384</u>	<u>134 929</u>
LIABILITIES										
CURRENT LIABILITIES										
Advanced receipts			2 016			614	13 379	16 961	30 340	24 850
Accounts payable and accrued liabilities		531	73	303	3	33	22 592		22 592	21 193
Employee benefits							5 791		5 791	5 450
Inter-fund balances							459	(459)		1 087
Credits to contracting/service governments							1 562		1 562	1 389
		<u>531</u>	<u>2 089</u>	<u>303</u>	<u>3</u>	<u>646</u>	<u>43 783</u>	<u>16 502</u>	<u>60 285</u>	<u>53 969</u>
NON-CURRENT LIABILITIES										
Employee benefits							151 001		151 001	146 694
							<u>151 001</u>		<u>151 001</u>	<u>146 694</u>
TOTAL LIABILITIES		<u>531</u>	<u>2 089</u>	<u>303</u>	<u>3</u>	<u>646</u>	<u>194 784</u>	<u>16 502</u>	<u>211 286</u>	<u>200 663</u>
NET ASSETS										
Accumulated surplus/(deficit)	22	3 753		1 157	3 722	7 853	(36 950)	(16 961)	(53 912)	(51 141)
Reserves	571						(3 990)		(3 990)	(14 593)
NET ASSETS (ACCUMULATED DEFICIT)	<u>593</u>	<u>3 753</u>		<u>1 157</u>	<u>3 722</u>	<u>7 853</u>	<u>(40 940)</u>	<u>(16 961)</u>	<u>(57 901)</u>	<u>(65 734)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>593</u>	<u>4 285</u>	<u>2 089</u>	<u>1 460</u>	<u>3 725</u>	<u>8 499</u>	<u>153 844</u>	<u>(459)</u>	<u>153 384</u>	<u>134 929</u>
REVENUE										
Contributions for project agreements							98 400		98 400	101 031
Assessed contributions							26 781	(1 232)	25 549	22 479
Other revenue producing activities						647	13 693	839	14 532	13 281
Other voluntary contributions		2 578	2 069	1 122	1 923	3 061	13 490	(86)	13 403	13 339
Administrative fee revenue							25 287	(15 527)	9 760	2 500
Other revenue	78	243	188	4	333	1 635				
TOTAL REVENUE	<u>78</u>	<u>2 821</u>	<u>2 257</u>	<u>1 127</u>	<u>2 256</u>	<u>5 342</u>	<u>177 650</u>	<u>(16 007)</u>	<u>161 643</u>	<u>152 630</u>
EXPENSES										
Staff salaries and employee benefits		455	2 127	288	(7)	2 909	127 467	(5 379)	122 088	117 286
Supplies, consumables and others							2 911	(1 533)	1 377	639
General operating expenses	333	19	29	570	157	485	24 616	(8 762)	15 854	15 291
Travel		441	21	33		538	10 896		10 896	10 321
Meetings		511		13	124	25	2 266		2 266	1 611
Administrative overhead charges		340	79	3	133	120	1 043	(1 043)	1 571	6 231
Other expenses		203	1	9	433	54	1 698	(128)		
TOTAL EXPENSES	<u>333</u>	<u>1 968</u>	<u>2 257</u>	<u>990</u>	<u>1 409</u>	<u>4 403</u>	<u>170 897</u>	<u>(16 845)</u>	<u>154 052</u>	<u>151 379</u>
NET SURPLUS/(DEFICIT) FOR THE YEAR	<u>(255)</u>	<u>853</u>		<u>136</u>	<u>847</u>	<u>938</u>	<u>6 753</u>	<u>839</u>	<u>7 591</u>	<u>1 251</u>

Details may not add to totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME
ASSESSMENTS RECEIVABLE FROM MEMBER STATES
AND CONTRIBUTIONS RECEIVED IN ADVANCE
AS AT 31 DECEMBER 2018

(in thousands of Canadian dollars)

Member States Assembly Resolutions A39-37, A39-32 and A39-33	General Fund						Total Balances Receivable	Cumulative Exchange	Total Adjusted Balances Receivable	Contributions Received in Advance
	Scales 2018	Assessments 2018	Assessments Received for 2018	Balance of Assessments Receivable for 2018	Balance of Prior Years' Assessments Receivable					
Afghanistan	0.06	60	60							
Albania	0.06	60	60							
Algeria	0.13	130	130							
Andorra	0.06	60	60							
Angola (**)	0.09	90		90	179	269	3	272		
Antigua and Barbuda (**)	0.06	60		60	1 057	1 116	244	1 360		
Argentina	0.69	689		689		689	23	712		
Armenia	0.06	60	60						64	
Australia	2.06	2 057	2 057						2 208	
Austria	0.60	599	599							
Azerbaijan	0.06	60	60							
Bahamas	0.06	60	60							
Bahrain	0.09	90	36	54		54	3	57		
Bangladesh	0.08	80	80							
Barbados	0.06	60	60							
Belarus	0.06	60	60							
Belgium	0.76	759	759							
Belize	0.06	60		60		60	2	62		
Benin	0.06	60	60							
Bhutan	0.06	60	59	1		1		1		
Bolivia (Plurinational State of)	0.06	60	60							
Bosnia and Herzegovina	0.06	60	60							
Botswana	0.06	60	60							
Brazil	2.94	2 936	2 754	182		182		182		
Brunei Darussalam	0.06	60	60							
Bulgaria	0.06	60	60							
Burkina Faso	0.06	60	60							
Burundi	0.06	60		60	173	233	5	238		
Cabo Verde	0.06	60	60							
Cambodia	0.06	60	60			40	16	56		
Cameroon	0.06	60	60							
Canada	2.61	2 607	2 607						2 798	
Central African Republic	0.06	60	60							
Chad	0.06	60	60							
Chile	0.42	419	419							
China	7.95	7 940	7 940						269	
Colombia	0.31	310	310							
Comoros	0.06	60	60							
Congo	0.06	60	60							
Cook Islands	0.06	60	60			5	2	7		
Costa Rica	0.06	60	60							
Côte d'Ivoire	0.06	60	60							
Croatia	0.07	70	70							
Cuba	0.06	60	60							
Cyprus	0.06	60	60							
Czechia	0.27	270	270							
Democratic People's Republic of Korea	0.06	60	60							
Democratic Republic of the Congo	0.06	60		60	9	69	2	71		
Denmark	0.45	449	449							
Djibouti (*)	0.06	60		60	961	1 021	237	1 258		
Dominican Republic	0.06	60	60							
Ecuador	0.07	70	69	1		1		1		
Egypt	0.22	220	220							
El Salvador	0.06	60	60						1	
Equatorial Guinea	0.06	60	60							
Eritrea	0.06	60		60	266	326	11	337		
Estonia	0.06	60	60							
Eswatini	0.06	60	59	1		1		1		
Ethiopia (**)	0.16	160		160	165	325	6	331		
Fiji	0.06	60	60							
Finland	0.43	429	429						466	
France	4.13	4 125	4 125							
Gabon	0.06	60	60							
Gambia (**)	0.06	60		60	380	439	55	494		
Georgia (*)	0.06	60		60	103	163	43	206		

INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME
ASSESSMENTS RECEIVABLE FROM MEMBER STATES
AND CONTRIBUTIONS RECEIVED IN ADVANCE
AS AT 31 DECEMBER 2018

(in thousands of Canadian dollars)

Member States Assembly Resolutions A39-37, A39-32 and A39-33	General Fund					Total Balances Receivable	Cumulative Exchange	Total Adjusted Balances Receivable	Contributions Received in Advance
	Scales 2018	Assessments 2018	Assessments Received for 2018	Balance of Assessments Receivable for 2018	Balance of Prior Years' Assessments Receivable				
Germany	5.48	5 473	5 473						
Ghana	0.06	60	60						
Greece	0.35	350	350						
Grenada (*)	0.06	60		60	463	523	53	576	
Guatemala	0.06	60		60	106	166	2	167	
Guinea (*)	0.06	60		60	224	284	41	325	
Guinea-Bissau	0.06	60	60						
Guyana	0.06	60	60						
Haiti (**)	0.06	60		60	234	294	12	306	
Honduras	0.06	60	60						1
Hungary	0.18	180	180						193
Iceland	0.06	60	60						
India	0.85	849	849						
Indonesia	0.55	549	549						
Iran (Islamic Republic of)	0.38	380		380	1 080	1 460	36	1 496	
Iraq (*)	0.09	90	87	3	182	185	64	250	
Ireland	0.60	599	599						
Israel	0.41	409	409						
Italy	2.75	2 746	2 746						
Jamaica	0.06	60	60						
Japan	7.50	7 490	7 490						
Jordan	0.06	60	60						
Kazakhstan	0.17	170	170						2
Kenya	0.07	70	70						30
Kiribati	0.06	60	25	35		35		35	
Kuwait	0.25	250	243	7		7		7	
Kyrgyzstan	0.06	60	60						
Lao People's Democratic Republic	0.06	60		60		60	2	62	
Latvia	0.06	60	60						
Lebanon	0.06	60		60		60	2	62	
Lesotho	0.06	60		60	60	120	2	123	
Liberia (*)	0.06	60		60	261	321	56	377	
Libya	0.11	110		110	364	474	11	485	
Lithuania	0.06	60	60						
Luxembourg	0.27	270	270						
Madagascar	0.06	60	60						
Malawi (**)	0.06	60		60	756	816	126	943	
Malaysia	0.60	599	599						
Maldives	0.06	60	60						
Mali	0.06	60	60						
Malta	0.06	60	60						
Marshall Islands	0.06	60	60						1
Mauritania	0.06	60	60						
Mauritius	0.06	60	60						
Mexico	1.16	1 158	1 158						
Micronesia (Federated States of)	0.06	60		60	264	324	11	335	
Monaco	0.06	60	60						
Mongolia	0.06	60	60						
Montenegro	0.06	60	60						
Morocco	0.11	110	110						8
Mozambique	0.06	60	60						
Myanmar	0.06	60	60						
Namibia	0.06	60	60						27
Nauru (**)	0.06	60		60	915	975	188	1 164	
Nepal	0.06	60	60						50
Netherlands	1.58	1 578	1 578						
New Zealand	0.31	310	310						332
Nicaragua	0.06	60	60						
Niger	0.06	60	60						
Nigeria	0.16	160	160						
Norway	0.76	759	759						
Oman	0.13	130	130						139
Pakistan	0.13	130		130	27	157	4	162	
Palau	0.06	60		60	497	557	34	590	
Panama	0.12	120	120						

INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME
ASSESSMENTS RECEIVABLE FROM MEMBER STATES
AND CONTRIBUTIONS RECEIVED IN ADVANCE
AS AT 31 DECEMBER 2018

(in thousands of Canadian dollars)

Member States Assembly Resolutions A39-37, A39-32 and A39-33	General Fund					Total Balances Receivable	Cumulative Exchange	Total Adjusted Balances Receivable	Contributions Received in Advance
	Scales 2018	Assessments 2018	Assessments Received for 2018	Balance of Assessments Receivable for 2018	Balance of Prior Years' Assessments Receivable				
Papua New Guinea	0.06	60		60	60	120	2	123	
Paraguay	0.06	60	60						
Peru	0.16	160	160						
Philippines	0.30	300	300						
Poland	0.62	619	619						
Portugal	0.41	409	409						
Qatar	0.83	829	829						
Republic of Korea	2.18	2 177	2 177						
Republic of Moldova	0.06	60	60						64
Romania	0.14	140	140						
Russian Federation	2.77	2 766	2 358	409		409	34	443	
Rwanda	0.06	60	60						64
Saint Kitts and Nevis	0.06	60	60						
Saint Lucia	0.06	60	60						
Saint Vincent and the Grenadines	0.06	60		60	233	293	11	304	
Samoa	0.06	60	60						
San Marino	0.06	60	60						
Sao Tome and Principe (*)	0.06	60		60	866	926	169	1 095	
Saudi Arabia	1.12	1 119	1 119						
Senegal	0.06	60	60						
Serbia	0.06	60	60						
Seychelles	0.06	60	59	1		1		1	
Sierra Leone (*)	0.06	60		60	274	334	61	395	
Singapore	1.01	1 009	1 009						1 083
Slovakia	0.11	110	110						
Slovenia	0.06	60	60						
Solomon Islands	0.06	60	58	2		2		2	
Somalia	0.06	60	60						
South Africa	0.39	389	389						
South Sudan (**)	0.06	60		60	274	334	14	348	
Spain	2.03	2 027	2 027						
Sri Lanka	0.08	80	80						
Sudan	0.06	60	60						25
Suriname (**)	0.06	60		60	432	492	34	526	
Sweden	0.71	709	709						
Switzerland	1.04	1 039	1 039						
Syrian Arab Republic	0.06	60		60	285	345	18	363	
Tajikistan	0.06	60	60						
Thailand	0.59	589	589						632
The former Yugoslav Republic of Macedonia	0.06	60	60						
Timor-Leste	0.06	60		60	59	119	2	122	
Togo	0.06	60	60						
Tonga	0.06	60	36	24		24	2	26	
Trinidad and Tobago	0.06	60	60						
Tunisia	0.06	60		60		60	2	62	
Turkey	1.30	1 298	1 298						
Turkmenistan	0.06	60	60						
Tuvalu (***)	0.06	71	69	2		2		2	
Uganda	0.06	60	60						
Ukraine	0.10	100	100						
United Arab Emirates	2.25	2 247	2 247						
United Kingdom	4.27	4 264	4 264						
United Republic of Tanzania	0.06	60	60						
United States	20.24	20 214	20 214						
Uruguay	0.06	60	60						
Uzbekistan	0.06	60	60						3
Vanuatu	0.06	60	60						2
Venezuela (Bolivarian Republic of)	0.41	409	409	1		1		1	
Viet Nam	0.14	140	140						
Yemen	0.06	60	55	4		4		4	
Zambia	0.06	60	60						63
Zimbabwe	0.06	60	59	1		1		1	
The former Socialist Federal Republic of Yugoslavia (1)					501	501	196	697	
TOTAL (****)	100.06	99 941	95 918	4 023	11 759	15 782	1 842	17 624	8 527

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 2018.

** Receivable amounts include Working Capital Fund.

*** Tuvalu New Member State effective 18 November 2017

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

INTERNATIONAL CIVIL AVIATION ORGANIZATION

Table C

TECHNICAL CO-OPERATION PROJECT ACTIVITIES BY GROUP OF FUNDS
 ASSETS, LIABILITIES, NET ASSETS AT 31 DECEMBER 2018 AND
 REVENUE, EXPENSES AND SURPLUS (DEFICIT) FOR 2018
 (in thousands of Canadian dollars)

	United Nations Development Programme	Trust Funds and Management Service Agreements	Civil Aviation Purchasing Services Funds	2018	2017
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	1 264	266 447	7 347	275 058	332 172
Inter-fund balances					1 087
Receivables and advances	918	8 446	432	9 797	23 041
Others	7	387		394	360
TOTAL ASSETS	2 189	275 280	7 780	285 249	356 660
LIABILITIES					
CURRENT LIABILITIES					
Advanced receipts		266 840	7 764	274 604	347 156
Accounts payable and accrued liabilities	283	6 316	16	6 615	7 229
Employee benefits	29	2 124		2 153	2 192
Inter-fund balances	1 753			1 753	
TOTAL LIABILITIES	2 065	275 280	7 780	285 125	356 577
NET ASSETS					
Reserves*	124			124	83
NET ASSETS (ACCUMULATED DEFICIT)	124			124	83
TOTAL LIABILITIES AND NET ASSETS	2 189	275 280	7 780	285 249	356 660
REVENUE					
Contributions for project agreements		167 373	2 895	170 269	130 646
Other revenue		288		288	790
TOTAL REVENUE		167 662	2 895	170 557	131 436
EXPENSES					
Staff salaries and employee benefits		51 467	123	51 591	57 030
Supplies, consumables and others		97 331	2 660	99 991	52 669
General operating expenses		2 022		2 022	2 620
Travel		4 967	34	5 001	4 976
Training		1 500		1 500	2 944
Administrative overhead charges		9 570	77	9 647	11 197
Other expenses		805	1	805	
TOTAL EXPENDITURE		167 662	2 895	170 557	131 436
SURPLUS/(DEFICIT) FOR THE YEAR					

* Reserves comprise translation differences

Details may not add to totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION

Table D

TECHNICAL CO-OPERATION PROJECT ACTIVITIES
TRUST FUNDS AND MANAGEMENT SERVICE AGREEMENTS
RECEIPTS, EXPENSES AND BALANCE OF ADVANCE RECEIPTS
FOR THE YEAR ENDED 31 DECEMBER 2018
(in thousands of United States dollars)

Fund	Type of Fund	Balance as at 01-Jan-2018	Adjustment	Receipts		Expenses		Transfer from or to Other Funds	Refund of Contributions	Unrealized Exchange Gain or Loss	Balance as at 31-Dec-2018
				Contributions ⁽¹⁾	Interest and Other Income	Project Costs	Administrative Overhead				
Afghanistan	MSA	935		12	9	162		(8)	(12)		774
Angola	MSA	62			1			(63)			
Argentina	MSA	57 585	95	15 535	900	31 163	1 843	(41)		(762)	40 306
Bahamas	MSA	10									11
Barbados	TF	47			1						48
Belgium	MSA	390						(390)			
Bolivia	MSA	399		1 009		458	47	(37)	(149)		718
Bolivia	TF	12									12
Botswana	TF										
Brazil	MSA	90		1 859		275	27		(80)	(9)	1 557
Cabo Verde	MSA	191				104	10				76
Cambodia	IPAV	6									6
Cambodia	MSA							314			314
Cameroon	MSA	14						(14)			
Colombia	MSA	19				7					11
Comoros	MSA	179				2					176
Costa Rica	MSA	39 819			184	815	1		(34 989)		4 198
Cyprus	MSA			450		17	2				431
Czechia	MSA	36			1						37
Democratic Republic of the Congo	MSA										
Denmark	MSA										
Djibouti	MSA	244			3						247
Dominican Republic	MSA	3									3
Ecuador	MSA	1 150			11	310	27	(1)			824
Egypt	MSA	50						(50)			
El Salvador	IPAV	1						(1)			
Equatorial Guinea	MSA	186			2	1			(188)		
Ethiopia	MSA	1						(1)			
Fiji	IPAV	7									7
Gabon	MSA										
Ghana	MSA										
Greece	MSA	119		153	3	163	18			1	95
Guatemala	IPAV	1						(1)			
Guatemala	MSA	302			3						305
Guyana	TF	7						(6)			1
Haiti	MSA					22	2	61			38
Haiti	TF	56						(56)			
INTER-REGIONAL	TF	78				5	1	(65)			8
India	MSA	762		895	1			(718)	(500)		440
Indonesia	MSA	1 236		483	15	607	49			(1)	1 077
Iran, Islamic Republic of	MSA										
Italy	MSA	17									18
Jamaica	IPAV					11	1	14			2
Jamaica	MSA	272				78	8	(75)			111
Jamaica	TF	6									6
Jordan	MSA	22							(22)		
Kazakhstan	MSA										
Kuwait	MSA	1 492		1 130	(1)	694	69				1 857
Lebanon	MSA	307			2	253	25	(1)			30
Lesotho	TF	131						(131)			
Liberia	MSA	8									8
Libyan Arab Jamahiriya	MSA										
Mali	MSA	139				261	26				(148)
Mauritius	MSA	6						(6)			
Mexico	MSA	308		141	2	112	9				331
Mexico	TF	314		415	1	349	30				350

INTERNATIONAL CIVIL AVIATION ORGANIZATION

Table D
(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 2018
(in thousands of United States dollars)

Fund	Type of Fund	Balance as at 01-Jan-2018	Adjustment	Receipts		Expenses		Transfer from or to Other Funds	Refund of Contributions	Unrealized Exchange Gain or Loss	Balance as at 31-Dec-2018
				Contributions ⁽¹⁾	Interest and Other Income	Project Costs	Administrative Overhead				
Mongolia	MSA	67						(67)			
Mozambique	IPAV							35			35
Mozambique	MSA	37						(37)			
Namibia	MSA	3 484		3 491	(27)	3 908	387			2	2 655
Nepal	MSA	83						(83)			
Nicaragua	MSA										
Nigeria	MSA	28			1	25	3	14			15
Oman	MSA	392						(305)			86
Pakistan	MSA	32							(32)		
Panama	MSA	1 026		1 118	2	1 496	132	(14)			504
Panama	TF	80 228		26 367	688	38 979	1 927				66 377
Paraguay	MSA	512		1 327	5	519	52		(4)		1 269
Peru	MSA	9 623		10 634	(82)	9 173	853	(2)		(48)	10 099
Philippines	MSA	71									71
Philippines	TF	2				2					
Qatar	MSA	28		6				(28)			6
REGIONAL FOR AFRICA	MSA	7 968		1 075	69	2 805	87	13		(10)	6 223
REGIONAL FOR ASIA	MSA	512		201	4	72	8	(185)			452
REGIONAL FOR ASIA	TF	4 330		2 013	50	1 602	185	203		(5)	4 804
REGIONAL FOR EUROPE	MSA	37			1						37
REGIONAL FOR EUROPE	TF	129			1	60	7				63
REGIONAL FOR EUROPE AND MIDDLE EAST	MSA	682		170	5	399	40			(1)	416
REGIONAL FOR EUROPE AND MIDDLE EAST	TF	384		7	4	7	1				387
REGIONAL FOR LATIN AMERICA	MSA	532		615	2	407	22	75			795
REGIONAL FOR LATIN AMERICA	TF	5 181		2 546	56	3 169	217	137	(32)	(1)	4 501
Republic of Korea	MSA			39				(39)			
Republic of the Congo	MSA										
Rwanda	MSA	150				12	1				137
Saudi Arabia	MSA	10 191			311	3 410	281	1		(6)	6 806
Seychelles	MSA	57						(58)			
Sierra Leone	MSA			247	1						247
Singapore	MSA	96		145	1	63	6	(121)	(54)	3	
Singapore	TF	126		72	1	92	5				103
Solomon Islands	IPAV					13	1	17			3
Somalia	MSA	23 543				17 157	793	6 000		1	11 594
Somalia	TF	6 790		17 609	119	623	8	(6 052)	(1 303)		16 532
South Africa	MSA	208						(208)			
Spain	MSA	19		19		40	2				(4)
Sri Lanka	MSA	181						(181)			
Sudan	MSA	168			2						170
Sweden	MSA	5		57		48	2			(2)	10
Thailand	MSA	10		137		19	2	(11)			116
Thailand	TF	148						(148)			
Timor-Leste	IPAV	6									6
Trinidad and Tobago	TF	8									8
Turkey	MSA	13									13
UN DEPARTMENT OF PEACEKEEPING OPERATIONS	MSA	10									10
Uganda	MSA	73		125		53	5	(8)			131
United Republic of Tanzania	MSA			763		153	15				595
Uruguay	MSA	1 449		1 505	11	1 118	109	(95)	(1)		1 641
Venezuela (Bolivarian Republic of)	MSA	119			3						122
Yemen	MSA	5						(5)			
Lump Sum Projects	LS	1 629		1 172	6	495	50	(161)			2 102
Funds held on behalf of third parties			2 065								2 065
Total		267 388	2 160	93 539	2 376	121 784	7 396	(2 588)	(37 368)	(840)	195 487
Equivalent Canadian Dollars		355 800	2 949	127 681	3 195	157 589	9 570	(3 532)	(51 007)	(1 087)	266 840

(1): On a cash basis

Details may not add to totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION

Table E

TECHNICAL CO-OPERATION PROJECT ACTIVITIES
 CIVIL AVIATION PURCHASING SERVICE FUNDS
 RECEIPTS, EXPENSES AND BALANCE OF ADVANCE RECEIPTS
 FOR THE PERIOD ENDING 31 DECEMBER 2018
 (in thousands of United States dollars)

Fund	Type of Fund	Balance as at 01-Jan-2018	Receipts		Expenses		Transfer from or to Other Funds	Refund of Contributions	Unrealized Exchange Gain or Loss	Balance as at 31-Dec-2018
			Contributions ⁽¹⁾	Interest and Other Income	Project Costs	Administrative Overhead				
Afghanistan	CAPS	168		2						170
Bahamas	CAPS	68		1			(66)			3
Bangladesh	CAPS									
Bolivia	CAPS	5								5
Cabo Verde	CAPS	31		1						32
Canada	CAPS	39		1						39
Costa Rica	CAPS	109		1						110
Cuba	CAPS	17								17
Ethiopia	CAPS	2 137		15	1 010	6				1 137
Guinea	CAPS	44		1						45
Lebanon	CAPS	2 021		21	32	37				1 973
Lesotho	CAPS	41		1						41
Libyan Arab Jamahiriya	CAPS	63		1						64
Macao SAR, China	CAPS	1 696		11	1 122	2				583
Mozambique	CAPS	4								4
Myanmar	CAPS	367					(368)			
Nigeria	CAPS	300		3	4	13				286
Oman	CAPS	16								16
Russian Federation	CAPS	3								3
Seychelles	CAPS	(69)								(69)
Sudan	CAPS	100		1						101
Suriname	CAPS	6								6
Syrian Arab Republic	CAPS	734		8						742
Trinidad and Tobago	CAPS	162	152	3	10	1				307
United Republic of Tanzania	CAPS	12								12
Uruguay	CAPS	43		1						44
Yemen	CAPS	17								18
Total		8 134	152	73	2 178	60	(434)			5 688
Equivalent Canadian Dollars		10 944	208	100	2 818	77	(592)			7 764

(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 2018 AND THE SECRETARY GENERAL'S COMMENTS IN RESPONSE TO THE REPORT OF THE EXTERNAL AUDITOR



Corte dei conti

REPORT OF THE EXTERNAL AUDITOR

INTERNATIONAL CIVIL AVIATION ORGANIZATION

Audit of the financial statements for 2018

10 May 2019

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INTRODUCTION

The legal basis for the External Auditor's audit is set out in the ICAO Financial Regulations and Rules (Sixteenth edition), Article XIII and Additional terms of reference governing the External Audit (Annex B).

This report informs the Council of the results of our audits.

This audit looked at the ICAO Report for the Financial Year ended 31 December 2018 and its consistency.

The financial periods are governed by the ICAO Financial Regulations approved by the Assembly, the Financial Rules approved by the Secretary General and by the International Public Sector Accounting Standards (IPSAS).

We audited the accounts for the Financial Year 2018 based on the INTOSAI standards and the IPSAS regime and in line with the Additional terms of reference that are an integral part of the ICAO Financial Regulations and Rules.

We planned our activities according to our audit strategy, so as to obtain reasonable assurance that the Financial Statements were free from material misstatement.

We evaluated the accounting principles and the related Management estimates and assessed the adequacy of the presentation of information in the Financial Statements.

In this way, through our audit, we obtained a sufficient basis for the opinion given in the audit certificate.

We tested a number of transactions and the relevant documentation on a sample basis, and we obtained sufficient and reliable evidence in relation to the accounts and disclosures in the Financial Statements.

During the audit, all questions were clarified and discussed with the officials responsible.

The team had regular discussions with Chief, Finance Branch (FIN), and members of FIN staff or with Management and staff in other departments, depending on the subject matter under consideration.

The field audit ended on 04 April 2019. We received the financial statements, signed by the Secretary General, on 29 March 2019. Pursuant to paragraph 9 of the Additional terms of reference governing the external audit, we sought comments from the Secretary General. These comments were received on 8 May 2019 and were duly incorporated in this report.

We audited the financial operating report on the audited accounts held by the ICAO relating to the financial results as at 31 December 2018, presented in compliance with the ICAO Financial Regulations and Rules (Sixteenth edition), Article XIII.

A Letter of Representation referring to the Accounts for the Financial Year 2018, signed by the Secretary General and the Chief of the Finance Branch, was included in the Financial Statements and is an integral part of the audit documentation.

We also received, on 4 April 2019, the Statement of Internal Control for 2018, signed by the Secretary General on 29 March 2019.

We have highlighted the results of our audit activity as “Recommendations” and “Suggestions”. Whereas “Recommendations” fall under the follow-up process carried out by the Finance Committee, “Suggestions” are only followed up by the External Auditor. However, in principle, the ICAO Council, possibly following advice from the Evaluation and Audit Advisory Committee (EAAC), may ask the Secretary General to implement a “Suggestion”, where deemed necessary. Where an issue is out of the Management’s remit, we have drawn the Council’s attention to it.

Finally, we wish to express our appreciation for the courtesy shown by all the ICAO officials to whom we had cause to request information and documents.



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AUDIT CERTIFICATE

Opinion

We have audited the financial statements of the International Civil Aviation Organization (ICAO), which comprise the statement of financial position as at 31 December 2018, the statement of financial performance, the statement of changes in net assets, the statement of cash flow and the statement of comparison of budget and actual amount for the Regular Programme General Fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the International Civil Aviation Organization (ICAO) as at 31 December 2018, and its financial performance, its changes in net asset, its cash flows and its comparison of budget and actual amounts for the Regular Programme General Fund for the year then ended, in accordance with IPSAS and the ICAO Financial Regulations and Rules.

Basis for Opinion

We conducted our audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs), and the ICAO Financial Regulations and Rules. In the field of financial statements audit, the ISSAIs are a direct transposition from the International Standards on Auditing (ISAs). The Corte dei conti applies the provisions of the ISAs in so far as they are consistent with the specific nature of its audits. Our responsibilities under these standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the ICAO in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Nations system, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The ICAO Secretary General is responsible for the other information. The other information comprises the “Part IV – Tables (unaudited)”.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the ICAO Secretary General and Those charged with governance for the Financial Statements

The Secretary General is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards (IPSAS), and for such internal control as the Secretary General determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary General is responsible for assessing the ICAO’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Secretary General either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the ICAO’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ICAO's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ICAO's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the ICAO to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, the transactions of ICAO that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the ICAO Financial Regulations and Rules and its legislative authority.

In accordance with the ICAO Financial Regulations and Rules (Article XIII) and the Additional terms of reference governing the external audit (Annex B to these Financial

Regulations and Rules) we have also issued a detailed report on our audit of the ICAO Financial Statements for 2018.

Emphasis of matter

We draw attention to the fact that the Statement of financial position shows a negative Net Asset (-57.8 MCAD), mainly due to the impact of 151 MCAD in actuarial liabilities relating to long-term employee benefits recorded in the financial position. Details of our analysis are included in our report. Measures are being undertaken by Management, which has assured us that it will monitor the effectiveness of these measures. Our opinion is not modified in respect of this matter.

Rome, 10 May 2019

Angelo Buscema
President of the
Corte dei conti



STRUCTURE OF THE ACCOUNTING STATEMENTS

1. The ICAO's Financial Statements, prepared and presented in compliance with IPSAS 1, included the following elements:
 - Statement of financial position (Statement I) – Balance sheet at 31 December 2018 with comparative figures as at 31 December 2017, showing Assets (divided into Current and Non-current assets), Liabilities (split into Current and Non-current liabilities) and Net assets;
 - Statement of financial performance (Statement II) for the year ended 31 December 2018, with comparative figures as at 31 December 2017, showing the Surplus/Deficit for the financial year;
 - Statement of Changes in Net Assets for the year ended 31 December 2018 (Statement III), showing the value of the Net assets including the surplus or deficit for the Financial Year including losses directly recorded in Net assets without being recorded to the Statement of Financial Performance;
 - Cash Flow (Statement IV): table of cash flows for the period closed on 31 December 2018, showing the inflow and outflow of cash and cash equivalents, purposely regarding the operational, investment and financing transactions and the treasury totals at the end of the Financial Year;
 - Comparison of Budget and Actual Amounts (Statement V) for the 2018 financial period, limited to the Regular Programme General Fund, and the Statement V-A, i.e. the Comparison of Budget and Actual Amounts for all funds of the Organization for the year ended 31 December 2018;
 - Notes to the financial statements, providing information about accounting policies, segment reporting and additional information necessary for a fair presentation (quoted in this Report as “Note” or “Notes”).

STATEMENT OF FINANCIAL POSITION 2018

ASSETS

2. In 2018, the ICAO's Assets amounted to 436.9 million CAD (MCAD), a decrease of 53.6 MCAD (-10.9%) as compared with the value recorded in 2017 (490.5 MCAD).
3. They consisted of Current assets, amounting to 425.5 MCAD, representing 97.4% of Total Assets (in 2017, the figure was 481.5 MCAD, representing 98.2%

of Total Assets), and Non-Current Assets, amounting to 11.4 MCAD, or 2.6 % of Total Assets (in 2017, 9.0 MCAD, or 1.8% of Total Assets).

Current Assets

4. Total Current Assets in 2018 amounted to 425.5 MCAD, representing a decrease of 56 MCAD (-11.6%) as compared with 2017. All main sub-headings decreased: “Cash and cash equivalents” (-34.1 MCAD), “Assessed contributions receivable from Member States” (-10.4 MCAD) and “Receivables and advances” (-12.2 MCAD); on the other hand, “Inventories” and “Others” slightly increased, but their worth is only 2.7 MCAD in total. The basis for evaluating Current Assets is given in the Accounting Policies (Note 1).

Cash and cash equivalents

5. As stated in paragraph 4, the sub-heading “Cash and cash equivalents”, totalling 402.4 MCAD, decreased by 34.1 MCAD (-7.8%) compared to 436.5 MCAD in 2017. It included cash-in-banks and short-term deposits as at 31 December 2018. As shown in Note 2.1, the composition of the sub-heading is the following:

	2018	2017	% diff.
Cash in banks	52,7	51,5	2,3%
Term deposits	349,7	385,0	-9,2%
<i>Total Cash and Cash Equivalents</i>	<i>402,4</i>	<i>436,5</i>	<i>-7,8%</i>

6. We asked all the banks and financial institutions with business relations with ICAO to confirm the current account balances as at 31 December 2018.
7. As in the past years, we did not receive direct confirmations from all the banks. Overall, in our five years’ audit, several banks have never replied to our confirmation letters sent by ICAO. Although we acknowledge that Management made efforts in order to solicit all the banks, the rate of confirmation’s replies is really low, and this limited our work in this area.
8. Moreover, in the consideration that the area, where statistically we received less replies from third parties having financial relationship with ICAO, is related to bank accounts opened by ICAO overseas for Regional Offices’ activities and project management, this increases our level of risk in this area. FIN reported to us that it is monitoring the situation and is taking steps for closing as many of these overseas’ accounts as possible, while ensuring that local expenditures can still be paid in an efficient and safe manner, or for increasing the level of controls with a direct management through internet banking. We will follow up the effectiveness of the actions taken by FIN.

9. We performed alternative procedures on copies of the bank statements provided by Management; however, it is worthwhile mentioning that, according to International Standards on Auditing, these alternative procedures provide the auditor with a lower assurance than balances received directly from Banks stated in the confirmation letters.
10. Furthermore, our standard letters of confirmation require that the third parties provide us directly with several data (for example, power of signature, safety boxes, guarantees, investments etc.) which, if not received directly from banks and financial institutions, might not be disclosed to us through standard alternative procedures on aforementioned bank accounts.
11. In our report on FS 2016, we issued a recommendation (n. 1/2016) on the lack of banks' confirmations and, considering the importance of this issue for obtaining reasonable assurance and, moreover, the fact that the confirmations' rate is low, we considered to renew our recommendation.

Recommendation n. 1

12. Considering that the amount recorded in the Financial Statements under "Cash and cash equivalents", totalling 402.4 MCAD at 31.12.2018 and representing more than 90% of the "Total Assets", is mainly composed of the balance of bank accounts and that, this year too, we did not receive a large number of confirmations from field imprest accounts and for some of the Regional Offices accounts . Due to the relevance of bank confirmation for the auditor's assurance, we renew our recommendation n. 1/2016 and therefore we recommend that Management should urgently: i) rationalise the current list of bank accounts, limiting considerably their number, and ii) identify a process that will induce the banks to send confirmation letters to the Auditor when asked.

Proposal and comments by the Secretary General

The recommendation is accepted.

Five additional bank accounts are scheduled to be closed in 2019. We will continue to investigate the possibility of centralizing some field office payments to HQ which will reduce the need for those imprest accounts.

We will continue our efforts to increase the return rate of confirmation letters and will look into related best practices from the UN system.

Updating of lists of authorized signatures at banks

13. As a result of our audit of the bank confirmations, we also found, as in the past years, differences between the lists of authorized signatures kept by Management at Headquarters and the lists that we received as declared by the banks. Due to the fact that not all the confirmations had been received, we could not reach a conclusion over the signatories.
14. We acknowledge the fact that Management, when aware that an outdated list was being submitted by banks, acted promptly, communicating with the banks in order to solve these discrepancies.
15. For the mentioned above reasons, we cannot consider as “closed” the recommendation of our financial audit report on FS 2015 related to signatures, which is still ongoing (refer to follow-up to rec. 1/2015, Annex 1).
16. Furthermore, during our audit of the bank’s confirmations, this year, in a confirmation letter that we received from a Bank with whom ICAO is having a current account for managing operations in a Regional Office, we detected some shortcomings that might lead to risks that should be promptly addressed, and Management assured us that they will tackle this issue urgently.

Recommendation n. 2

17. In order to enhance the level of controls over accounts managed overseas by Regional Offices and Project Managers, we recommend that Management set-up measures that could lead to a direct control over these overseas accounts operated directly by HQ, for the transactions above a given threshold.

Proposal and comments by the Secretary General

The recommendation is accepted.

We are working with our regional offices to introduce electronic banking which will allow the treasury office real-time access to the accounts. We will continue to centralize field office payments as much as feasible.

Cash-in-hand at Headquarters and the Regional offices

18. On 31 December 2018, the cash-in-hand kept by the ICAO at Headquarters was equivalent to an amount of 2,927.28 CAD. Overall, the cash-in-hand at Regional offices amounted to the equivalent of 4,983.01 CAD.

Increasing accuracy in reporting cash-in-hand

19. Our work revealed some inaccuracies in the monthly report presented to Headquarters by the people in charge of the petty cash and imprest accounts, such as, for instance, missing signatures, incorrect (or not mentioned) Agresso account in the report. Management at Headquarters corrected promptly every inaccuracy detected.

Assessed contributions receivable from Member States

20. Assessed contributions receivable from Member States for the regular budget are composed of:
 - a) *Current*, which are due within 12 months (2.8 MCAD, around 13.3 MCAD in 2017, with a decrease of 78.6%);
 - b) *Non-current*, which are due after 12 months from the date of the financial statements (around 6.0 MCAD in 2018, 5.2 MCAD in 2017, an increase of 15%). This includes discounted long-term contributions.

The decrease of the current receivables is due to weight of the receivables from main contributor registered at the end of 2017, eventually fully paid and no more present at the end of 2018.

21. We analysed the procedures in place at the ICAO for the discounting of receivables and our audit did not reveal any major issues. The cumulative discount on long-term receivables totalled 8.1 MCAD in 2018, an increase of 1.5 MCAD compared to 2017.
22. Some member States concluded agreements in order to liquidate their arrears in ten or fifteen or 20 years. At the end of the year there were 10 of such agreements (they were 12 at the end of 2017) in 8 of which the agreed payment have not been respected. Two agreements are foreseen to end in 2019.
23. The number of countries with more than three years of arrears and no agreements was 16 (against 14 in 2017).
24. The status of outstanding contributions as at 31 December 2018 (including the year 2018) shows a total amount of 17.6 MCAD (including 1.8 MCAD as a consequence of the USD/CAD exchange rate for the USD assessment component) for 54 Member States and The Former Socialist Republic of Yugoslavia. The total amount outstanding as at 31 December 2017 was 25.7 MCAD (with 0.7 MCAD due to the exchange rate) for 56 Member States.

25. On the amounts of the long-term contributions receivable (14.1 MCAD as gross amount at the end of 2018) was applied a discounting operation (at long-term Canada Bonds interest rate of 2.25%) for 8.1 MCAD. The discount amount is higher than in 2017 by 1.5 MCAD. The value registered in accounts for these long-term receivables is thus 6.0 MCAD.

Receivables, advances and other current assets

26. Receivables and advances are composed of: a) *Current* (17.5 MCAD in 2018, a decrease of 41.1% with reference to 2017), and b) *Non-current* (0.4 MCAD in 2018, approximately same as 2017).
27. *Current* represented 4.0% of the Total Assets, compared to around 6.0% in 2017. As stated in Note 2.3, they represented advances to employees, receivables from United Nations Agencies and other amounts due from revenue generation activities, such as sales of publications, and the rental for conference rooms and space to delegations.
28. An amount of 2.2 MCAD in 2018 is shown in the closing balance sheet under "others", with an increase compared to 2017 (1.7 MCAD, +27.5%). A detailed breakdown of these values is reported by Management in Note 2.3.

Inventories

29. At the end of 2018, items related to publications, souvenirs, duty free items and supplies were recorded at a net value of 0.55 MCAD, an increase of 0.17 MCAD (+44.2%), compared to the 2017 net value of 0.38 MCAD. Inventories are detailed in Note 2.4 and the values recorded in the Financial Statements are related to Publications (0.37 MCAD in 2018) and Commissariat (0.18 MCAD).
30. We obtained and checked the lists of items. We carried out a physical stock-check on a sample of the items recorded in the inventories.
31. We acknowledge the efforts made by Management in recording and reconciling the movement of products. Nevertheless, during our audit, as in past year we noted limited weaknesses related to a lack of accuracy in recording and updating actual quantities. However, no major problems which could impact the accounts at the closing date (31.12.2018) were identified.

Non-current assets

32. As at 31 December 2018, Non-current assets totalled 11.4 MCAD, with an increase of 2.4 MCAD as compared with 2017. The basis for the evaluation of Non-current assets is given in the Accounting Policies (Note 1).

33. This heading is composed of: a) “Property, plant and equipment”, amounting to 4.4 MCAD and representing 38.4% of total Non-current assets (in 2017 it was 2.8 MCAD, representing 30.8% of total Non-current assets); b) “Assessed contributions receivable from Member States”, amounting to 6.0 MCAD (around 52.2% of the non-current assets); c) “Receivables and Advances”, totalling 0.4 MCAD (see paragraph 26); d) “Intangible assets”, amounting to 0.7 MCAD, around 6.1% of total non-current assets. The above-mentioned headings are illustrated in Notes 2.5, 2.2, 2.3 and 2.6 respectively.

Property, plant and equipment

34. The heading “Property, plant and equipment”, as seen above, showed a value of 4.4 MCAD, which is the net value at 31 December 2018 (in 2017 it was 2.8 MCAD) of the capitalised cost for “Furniture & fixtures”, IT equipment, Office equipment, Motor vehicles, Leasehold improvements, Machinery. Acquisitions during the year amounted to 2.2 MCAD and depreciations totalled 0.6 MCAD; the values related to depreciation were traced in the Statement of Financial Performance. A detailed breakdown and descriptions are provided by Management in Note 2.5.

Intangible Assets

35. In 2018, Intangible Assets amounted to 0.7 MCAD, similar to the amount of 2017; the values related to depreciation were traced in the Statement of Financial Performance. The breakdown is illustrated in Note 2.6.

LIABILITIES

36. In 2018, Total Liabilities amounted to 494.7 MCAD, a decrease of 61.5 MCAD (-11.1%) in comparison with the value recorded in 2017 (556.2 MCAD). They consisted of:
- a) *Current Liabilities*, amounting to 343.7 MCAD, representing 69.5% of Total Liabilities (in 2017, they represented 73.6%, totalling 409.5 MCAD), and
 - b) *Non-Current Liabilities*, totalling 151 MCAD, composed only of actuarial liabilities related to Employee benefits, representing 30.5% of Total Liabilities (in 2017, non-current liabilities represented around 26.4%, totalling 146.7 MCAD).

Current Liabilities

37. As written above, in 2018 total Current Liabilities amounted to 343.7 MCAD, a decrease of 65.8 MCAD (-16.1%) compared to 2017 (409.5 MCAD). These were composed of:
- a) “Advanced receipts”, totalling 304.9 MCAD in 2018 (372 MCAD in 2017, a decrease of 18%). These represented around 88.7% of Current Liabilities and 61.6% of total Liabilities and were mainly composed of voluntary contributions for Technical Cooperation projects (274.6 MCAD in 2018). The basis for the evaluation of Advanced receipts is set out in the Main Accounting Policies (Note 1). A detailed breakdown of these values is provided by Management in Note 2.8.
 - b) “Accounts payables and accrued liabilities”, recorded for an amount of 29.2 MCAD in 2018 (28.4 MCAD in 2017, an increase of 2.8%), representing 8.5% of Current Liabilities. Descriptions are provided by Management in Note 2.9.
 - c) “Employee benefits”, recorded for 7.9 MCAD, an increase of 0.3 MCAD (+4.0%) compared to 2017 (7.6 MCAD). See dedicated paragraph below for further considerations.
 - d) “Credits to contracting/servicing governments” amounting to 1.6 MCAD and representing 0.5% of Current Liabilities (0.3% in 2017).

Non-current Liabilities

38. Total non-current Liabilities are only related to “Employee benefits”; in 2018, they amounted to 151 MCAD, representing an increase of 4.3 MCAD (2.9%) compared to 2017 (146.7 MCAD). The basis for the evaluation of Non-current Liabilities is given in the Note 2.10. Furthermore, in accordance with IPSAS, Management provided the sensitivity analysis of trend assumptions in Note 2.10.2.

Employee Benefits

39. Employee Benefits are disclosed in the Financial Statements under “Current Liabilities” with an amount of 7.9 MCAD and under “Non-current liabilities”, with a value of 151 MCAD, as summarised in the table below. The total increase in the Liabilities (Current and Non-current) is 4.6 MCAD.

<i>Liabilities</i>	Year (MCAD)		Variance 2018-17	
	<i>2018</i>	<i>2017</i>	MCAD	%
<u>Current</u>	7,94	7,64	0,30	3,9%
<u>Non-current</u>	151,00	146,69	4,31	2,9%
Total	158,94	154,33	4,61	3,0%
Composition				
Post retirement Plan (ASHI)	133,57	129,33	4,24	3,3%
End of service-annual leave	8,99	8,60	0,39	4,5%
End of service-repatriation benefits	14,22	14,20	0,02	0,1%
Other employee benefits for international experts	2,16	2,20	-0,04	-1,8%
Total	158,94	154,33		

40. The overall increase in these Liabilities, jointly with their disclosure, is explained by Management in Note 2.10, and the basis for the evaluation of Non-current liabilities is given in the Accounting Policies (Note 1, paragraphs 29-32).

Liabilities generated by benefits related to the ASHI, Leaves and Grants

41. As shown in the table above, the increase in these liabilities is produced almost totally by the increase in the “After Service Health Insurance (ASHI) (4.2 MCAD)”, whereas other sub-headings, at the end of 2018, had only a slight increase, as compared to 2017. These liabilities are due to actuarial loss or gain and were calculated by an actuary chosen by Management (AON Hewitt), according to actuarial assumptions reported by Management in Note 2.10.4.
42. These assumptions consider elements like the discount rate on long-term Canadian government bonds, with the yield as of 31 December 2018 (2.25%, it was 2.40% in 2017), and the exchange rate between USD and CAD (1.00:1.365 in 2018; it was 1.00:1.26 in 2017). In compliance with IPSAS 39, a sensitivity analysis relating to the discount rate is disclosed by Management in Note 2.10.2, paragraph 95.
43. It is to be considered that, except for the increase in the retirement age from 62 to 65 (effective starting 1 January 2019), no other structural measures have been adopted, at the moment, in order to reduce the underfunding of the actuarial liabilities. This is considered in our follow-up analysis carried out in Annex 1.
44. We have to refer also to our performance audit report, presented to the Council in 2016, on the effectiveness of measures taken by ICAO’s Management to reduce ASHI liabilities. Based on the study by the actuary chosen by the ICAO and with the support of the analysis carried out by our actuaries, we addressed

some of the points that might, in the long term, impair the effectiveness of the measures proposed to reduce ASHI liabilities, issuing three recommendations, which we consider did not affect acquired rights.

45. In particular, the first recommendation was related to the possibility of paying a premium proportional to the size of the salary or pension, instead of a premium linked to the position (Professional or General services). The second recommendation considered that a worldwide health coverage for a retiree (charged to the ICAO budget) was very expensive and not linked to service needs; so, it would have been logical for the ICAO only to guarantee coverage for the country of residence.
46. These two recommendations are considered as “closed” by Management, with the motivation that *“the two options had been met with strong opposition from the ICAO Staff Association and retirees’ representatives (CAFICS and FAFICS) as they impacted the apportionment of health insurance premiums between the Organization and participants. Staff and retirees representatives considered that as a benefit attached to their employment at ICAO and had an expectation that that would remain unchanged in the future. This position was presented to the Council at its 208th session who noted it”*. However, we consider the recommendations as still “ongoing” (see Annex 1).
47. The only recommendation that was accepted by the organization was the one related to the so called “opt-out” incentive. However, since this measure could have only a small impact, we recommended (recommendation n. 7 in the report on FS 2016) that a new actuarial study were performed once *“the current measures considered by ICAO”* had been adopted, in order to evaluate if and when the actuarial liabilities could affect the ICAO ability to continue as a going concern.
48. The recommendation was accepted, but, during the follow-up to our previous recommendations, Management referred that the “opt-out” incentive *“was not accepted by the majority of ICAO’s staff and retirees”* and therefore will not be implemented.

Negative value of the ICAO’s Net-assets is highly influenced by actuarial liabilities.

49. The following table shows the trend of non-current liabilities in the period of our mandate as External auditor at ICAO, i.e. the Financial Statements 2014-2018; we considered also the data of 2013, as a reference.

Financial Statements (in MCAD)						
Year	2013	2014	2015	2016	2017	2018
Non-current liabilities	103.0	147.5	149.1	142.4	146.7	151.0
Net Assets	-58.7	-92.3	-87.3	-67.5	-65.7	-57.8

50. The table clearly shows, firstly, that the increase of the retirement age, which influenced the actuarial assumptions, had only a small impact and only in the short-term, as our actuaries highlighted in their recalculations (see paragraph 64 of our report on FS 2016). On the other hand, we can see that, even when the negative net assets decreased, the non-current liabilities increased.
51. In 2018, the amount for non-current liabilities (151 MCAD) represented 30.5% of total liabilities (494.7 MCAD) and had a strong impact on the ICAO's net asset. Furthermore, it is to be considered that ICAO financial statements' amount is highly influenced by the TCB transactions; therefore, if we consider the actuarial liabilities only in the context of the regular programme, their impact is more relevant.
52. Indeed, as results from note 5.2 (segment reporting), the total assets of ICAO amount to 436.9 MCAD, where 285.2 MCAD are from "Technical Co-operation Project Activities" and the Regular activities total assets are 153.4 MCAD. The total liabilities are 494.7 MCAD, where 285.1 MCAD are composed of "Technical Co-operation Project Activities" and the Regular activities total liabilities are 211.3 MCAD. This means that, on the ICAO FS, the TCB activities are more or less neutral; this also means that the negative value of ICAO net assets is entirely comprised in the regular programme.
53. We have knowledge of the Report of the UN Secretary-General A/73/662, which recommends the following actions:
- a) *"That the pay-as-you-go funding of the United Nations after-service health insurance obligation in respect of staff members recruited before 1 January 2022 be maintained;*
 - b) *That the funding of the obligation in respect of officials recruited from 1 January 2022 be achieved through the implementation of a payroll charge*

corresponding to a level 5.35 per cent of salary mass and the establishment of a dedicated financial reserve”.

54. It is to be considered that, as specified in the same A/73/662 report (*“Recommendations with respect to funding the after-service health insurance liability, pertaining only to the United Nations Secretariat”*), these actions regard, at the moment, only the United Nations Secretariat.
55. If we could imagine similar provisions for ICAO, even considering them as a positive step, we must be aware of the fact that, in a context of zero nominal growth (as in ICAO), their possible impact, especially in the short and medium term, should be analysed in correlation with the actual possibility of new recruitments.
56. Council and Assembly must pay attention on this perspective, before considering a funding strategy for ICAO that could reflect the one adopted for the UN Secretariat. Actually, the actions recommended by the UN Secretary-General was based on a specific actuarial study carried out for this purpose.
57. After the full actuarial study that was carried out in implementing our recommendation n. 3/2014, ICAO adopted some measures, such as the increase of the retirement age and other minor measures, with only a limited impact in funding the ASHI liability. No additional measures to reduce underfunding were accepted (see above, paragraphs 46 to 48). For this reason, we have the opinion that any other possible measure should be assessed by another actuarial study, in order to analyse the true impact on the ICAO financial statements, in the short-, mid- and long-term scenario.

Recommendation n. 3

58. We recommend that, when considering a funding strategy for the actuarial liabilities related to ASHI, any potential measures be assessed by a new actuarial study, in order to analyse their appropriateness of having a positive impact in the ICAO regular budget in the short-, mid- and long-term scenario.

Proposal and comments by the Secretary General

The recommendation is partially accepted. A new funding strategy in the future is subject to the availability of funds. Only if an indication of sufficient funding is available, ICAO can have any potential measures assessed by a new actuarial study.

59. We remind that, in the letter to the Secretary General of the United Nations, the Chair of the Panel of External Auditors of the United Nations, the Specialised Agencies and the International Atomic Energy Agency, summarising the works of the Panel in its meeting of 2017, wrote: “*The Panel noted that employee benefit liabilities are having a significant impact on the net value and financial health of entities. It remains essential that the financial statements accurately and transparently disclose these Liabilities. This enables Governing Bodies to make effective decisions to enable them to continue review of the appropriateness of their Long term funding strategies, **which differ between entities**. While acknowledging the important work being undertaken by the IPSAS Task Force on the harmonisation of actuarial assumptions and the system response to revised accounting standards, the Panel recommends that the UN entities should have a Long term funding strategy for these liabilities*”.
60. With regard to this aspect, we recall also what we wrote in paragraph 53 (and following table) of our first financial audit report (on FS 2014), where five possible drivers were considered in order to reduce the underfunding. The paragraph and the table are quoted below:

53. In our opinion, remedial measures are necessary; we observe that there are mainly five “drivers” in order to fund the liabilities and consequently to offset negative Net assets.¶

Drivers’ category	Initiative	Decision in the remit of:
Drivers for funding the liability:		
1) increase the level of Member States’ Contributions		Council
2) increase the level of internal savings, through a reduction of specific expenses related to personnel and operations, and conveying them in a funding vehicle;	Management	Council the disposition of budgetary savings is at the discretion of the Council and the Assembly under Financial Regulation 6.2
3) increase the level of other revenues than the regular budget	Management	Council the Organization will need Council approval to divert incremental revenues for ASHI funding.
Drivers for managing the liability:		
4) increase the level of Staff contributions to the Health Insurance Scheme;	Management	Secretary General on the recommendation of the Health & Life Insurance Committee.
5) decrease the level of benefits guaranteed by the current Health Insurance Scheme;	Management	Secretary General on the recommendation of the Health & Life Insurance Committee.

61. With regard to this part of our past report on FS 2014, it is to be noted that we had issued also the recommendation n. 2 and the suggestion n. 4, quoted below:

▪ **Recommendation n. 2**

▪ 54.- As remedial measures are needed, these drivers might be considered by the Council: whereas the first driver is totally not within the Management's remit, we recommend Management, as part of their competence, to address the other drivers with the Council.

▪ **Suggestion n. 4**

▪ 56.- We suggest Management, as remedial measures are needed, to define comprehensively a set of drivers and sub-drivers in advance, in order to identify which of them are more suitable for reducing the underfunding in the long term.

62. We consider the recommendation n. 2 still ongoing and we recall it; last year, we considered the suggestion n. 4 as “closed”, because of the issuing of the mentioned recommendation n. 7/2016: actually, even considering, now, this latest as “closed”, because it will not be implemented “as it is” (see above, paragraph 48), its substance is encompassed in the new Recommendation n. 3.

63. After five years, in the current situation, our observations still remain valid, as well as paragraph 62 of our first report, as follows:

▪ 62.- We draw the Council attention, to consider the first three drivers mentioned in paragraph 52 and how these drivers will influence the result of the “full actuarial study”; this study would provide information to the Council on which scenario will be the most suitable for ensuring the financial health of the ASHI and for affecting to minimum extent possible the core activity of the Agency. (See also Recommendation n. 2 in this regard).

Based on the ICAO's assumptions, the value of liabilities is substantially correct

64. The choice of actuarial assumptions is the sole responsibility of Management. In relation to the audit of the Financial Statements, the External Auditor checks their plausibility and their consistency with IPSAS 39 and with previous years and validates them.

65. Our team of actuaries carried out a review of the key assumptions related to 2018, which were discussed with Management. We found that these assumptions were in line with economic trends and rates and also consistent with data available at the ICAO at the moment of our audit, and we validated them.

66. To carry out their work, our actuaries recalculated the valuations prepared by AON Hewitt related to the ASHI, Annual leave and the Repatriation Grant; they

also performed an in-depth analysis of all actuarial valuations and assumptions in order to review their plausibility and the algorithms used by AON. Management and its experts provided full cooperation and assistance to our actuaries.

67. The work of our actuaries revealed that the amounts recorded in the accounts were substantially correct.

NET ASSETS

68. Net assets comprise the accumulated deficit and reserves of the Organization at year-end. In 2018, Net assets resulted in a negative value of -57.8 MCAD, with an improvement of 7.9 MCAD (12%) compared to -65.7 MCAD in 2017. Please refer to Paragraph 51 for an explanation.
69. All the movements in Net assets are explained in various Statements and Notes in the Financial Operating Report, in particular:
- a) Statement II “Statement of financial performance”, which shows the surplus for the period (7.6 MCAD);
 - b) Statement III “Statement of changes in net assets” with the movements listed separately;
 - c) Note 2.12, where Management discloses details on the composition of the reserves.

STATEMENT OF FINANCIAL PERFORMANCE 2018

70. This Statement shows the Organization’s revenue and expenses classified, disclosed and presented on a consistent basis to explain the year’s net deficit or surplus. The result for the period is a surplus of 7.6 MCAD.

REVENUE

71. Total revenues amounted to 321.5 MCAD, with an increase of 49.1 MCAD (18%) as compared with 2017 (272.4 MCAD). This was composed of:
- a) “Contributions for project agreements” totalling 169.4 MCAD in 2018 and representing 52.7% of Total revenues; these contributions increased by 30% from 2017 (130.4 MCAD);
 - b) “Assessed contributions”, amounting to 98.4 MCAD in 2018, representing 30.6% of Total revenues, a decrease of 2.6% compared to 2017 (101 MCAD);

- c) "Other revenue producing activities", totalling 25.5 MCAD in 2018, and representing 7.9% of Total revenues; an increase of 13.7% compared to 2017 (22.5 MCAD);
 - d) "Other voluntary contributions" totalling 14.5 MCAD in 2018 (4.5% of Total revenues), a 9.4% increase compared to 2017 (13.3 MCAD);
 - e) "Administrative fee revenue" and "Other revenue" totalling jointly 13.6 MCAD in 2018 (4.2% of Total revenues), a 157.3% increase compared to 2017 (5.2 MCAD).
72. Our audit did not reveal any major issues; a detailed breakdown has been disclosed by Management in Note 3.2.

EXPENSES

73. Expenses totalled 313.9 MCAD, with an increase of 42.7 MCAD (15.8%) as compared with 2017 (271.2 MCAD). These were composed of:
- a) "Staff salaries and employee benefits", totalling 173.6 MCAD in 2018 representing 55.3% of Total expenses; a decrease of 0.4% from 2017 (174.3 MCAD);
 - b) "Supplies, consumables and others", amounting to 101.4 MCAD in 2018 and representing 32.3% of Total expenses, increasing 90.2% compared to 2017 (53.3 MCAD);
 - c) "General operating expenses", totalling 17.9 MCAD in 2018 and representing 5.7% of Total expenses; same amount in 2017;
 - d) "Travel", totalling 15.7 MCAD in 2018 and representing 5.0% of Total expenses, up 2.6% compared to 2017 (15.3 MCAD);
 - e) "Meetings, Training and Other expenses", totalling jointly 5.4 MCAD in 2018 (1.7% of Total expenses), a 48% decrease compared to 2017 (10.4 MCAD).

Procurement

74. Procurement for ICAO Headquarters and its Regional Offices represent part of the expenses against the budget, that are analysed in the paragraph above and accounted as "Supplies, consumables and others", "General operating expenses", "Meetings" and "Training".

Absence of “key guidelines” in the Financial Regulations and Financial Rules

75. In 2019 (from February to March) we have carried out a performance audit a Special Report on the “Efficiency and effectiveness of the Procurement service at ICAO”, which was approved by our Chamber on 28 March 2019.
76. In this report we issued six recommendations, substantially agreed by the Secretary General, that tackled also some weaknesses related to the structure of the Procurement function itself.
77. In addition to the recommendations issued in that Special Report, we found, during our audit, that ICAO Financial Regulation do not contain the general principles for procurement.
78. Procurement in the UN system is generally governed by the established Financial Regulations and Rules (FRR) of each UN organization.
79. General practice within the United Nations Organizations is that their individual procurement frameworks are governed by the established Financial Regulations and Rules (FRR) of each organization, which may differ in matter of detail. The different Regulations and Rules are often also translated into different sets of procurement policies, procedure and practises specific to each organisation and their mandate.
80. The FRR provide the framework for the administrative context within which procurement is carried out. The FRR usually specify key guidelines for procurement, types of procurement instruments and evaluations, primacy of competitive tendering while recognizing situations in which that may not be in the best interest of the organization.
81. The FRR usually clearly state the principle of selection through competitive tendering. They also indicate conditions which might justify waiving the competitive tendering process in favour of direct contracting, where it is deemed to be in the interest of the organization, as long as justification is supported by clear evidence that tendering would not provide an effective solution.

Recommendation n. 4

82. During our audit we have notice that the ICAO Financial Regulations (Sixteenth Edition — 2017) do not make any reference to procurement rules and principles, therefore we recommend amending them in order to comply with the United Nations best practices

Proposal and comments by the Secretary General

The recommendation is partially accepted.

The existing ICAO Procurement Code already provides details on general procurement principles and guidelines to follow and the Secretariat considers it would be a duplication to include the same information in the ICAO Financial Regulations. Different UN agencies have different practices on whether to include procurement related information in the Financial Rules and Regulations and there is no consensus on which practice is the best.

The Secretariat has planned to do a comprehensive review of the Financial Regulations in the next triennium. As part of this review, the Secretariat will evaluate the need and best way to reflect references to procurement on the FRR, taking into account UN practices.

Use of the Sole source at ICAO

83. Currently, according to article 1.5 of the ICAO Procurement Code, the procurement functions in ICAO are assigned to the Director of the Technical Cooperation Bureau (TCB).
84. The Procurement Section is responsible for the purchasing of equipment, goods and services, in order to meet the requirement of the technical cooperation projects, and all procurement for ICAO and its Regional Offices.
85. Since 2015, procurements for the Technical Cooperation Bureau amounted to US\$ 293.67 Million. Out of those, US\$ 82.84 Million (28%) represented sole source contracts, made by States based on the need for standardization or compatibility with other equipment according to article 6.6, point c) of the ICAO Procurement Code. It should be noted that the sole source has been on a downward trend and for 2018 it represented 12% of all purchases for TCB.
86. As already pointed out by the Internal Audit Report on Procurement for Technical Cooperation Projects (IA/2018/3), the need of standardization or compatibility is a legitimate justification for procurement on sole-source basis.
87. However, if a contract awarded following a competitive procedure (or on a sole-source basis) is followed by multiple contracts awarded on a sole-source basis to the same supplier, without any limits in the amount or duration, there is a high risk that the competition among suppliers is restricted. That practice could bring to an abuse of contracts awarded on the sole-source basis that could create a situation of monopoly, even if more suppliers are present on the market.

Recommendation n. 5

88. In order to avoid the risk that situations of monopoly could occur and competitive procedures are bypassed, we recommend, when sole source requests are submitted by the requisitioner to Procurement, that the exception based on the need of standardization or compatibility be verified, in order to confirm that it is appropriately justified, when standardization is evoked, to indicate that only one supplier or vendor is obtainable. Under this exception to the same supplier, Procurement should also consider equipment life cycle.

Proposal and comments by the Secretary General

The recommendation is accepted.

ICAO Procurement Procedures

89. According to article 1.3 of the ICAO Procurement Code, detailed procurement procedure shall be established and incorporated into the Procurement Procedures Manual.
90. During our audit we noticed that procurement procedures are implemented, however they are not incorporated into a Procurement Procedure Manual.

Suggestion n. 1

91. Therefore, we suggest incorporating the current procurement procedures into a Procurement Procedures Manual as foreseen by article 1.3 of the ICAO Procurement Code.

Proposal and comments by the Secretary General

The suggestion is accepted. The current detailed procurement procedures indeed identify all procedural requirements to carry out the procurement function and comply with the ICAO Procurement Code. They are currently catalogued under the ISO 9001:2015 structure and will be linked to the ICAO Procurement Code and collated to form a manual.

Personnel

92. We reviewed a sample of payslips related to various categories of staff members (GS and Professional) from the Headquarters, the regional offices and the field. We checked the accuracy of the amounts recorded in the payroll against the current remuneration package and sought evidence in the personal files for any allowance obtained. Our substantive testing did not reveal any error or major issues, so we consider that we obtained reasonable assurance that the values recorded in the accounts were correct.
93. Regarding the payslips related to Professional categories, an update was requested last year for recording the new IP salary structure with 13 steps, that was adopted from 01 Jan 2017. We ascertained that the new levels (PP1 and PP2) of levels P1 to P4 for staff beyond the maximum salaries on the unified salary scale, were introduced in the system in 2018.
94. In the last few years we focused our attention on three issues related to the management of personnel, namely the centralization of the payroll function, the process of harmonization of the rules related to personnel, the digitalization of personnel files. In August 2018 an analysis of the harmonization of staff rules was presented by ADB, with the advice of LEB, to the SG.
95. We obtained the November 2018 version of the proposal for the said harmonization, as well as the excel file comparing ICAO Service Code, ICAO Staff Rules and Field Service Staff Rules and the persistent differences among them. In most cases, such differences were fully justified by different situations (e.g. shorter probation, no after-service health insurance and so on).
96. Regarding the "Recruitment incentive", we checked the new rules to ascertain the compliance with all the involved principles and best practices. We acknowledge that presently the recognition of the authority of the Secretary General is provided for under Rule 3.9 and satisfies our requirements.
97. We consider National Project Personnel recruitment as an area to be supervised with the utmost attention for its high risk nature. While acknowledging the efforts done in strengthening TCB oversight of the recruitment process for national personnel, we invite to maintain this oversight in a very efficient way.
98. The coordination between centralized HR al TCB management of staff, although not sufficiently formalized, is currently in force and does not present relevant weaknesses in normal circumstances.

Segment reporting

99. A report by segments is provided in Note 5 of the 2018 Financial Statements. The aim of this segmentation is to disclose the financial position and financial performance and assign expenses directly to the related segments. The methodology also provides for a distribution of expenses and revenues, primarily by segments, known as the Regular Activities and Technical Co-operation Project.

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 DECEMBER 2018

100. Statement III, "Statement of changes in net assets", shows movements during the year, ending in a negative balance of -57.8 MCAD at 31 December 2018. The improvement in the negative net assets is due to the variation in actuarial gain and to the surplus of the year.
101. Our audit conclusions on the negative net assets are noted in the paragraphs related to "Employee Benefits".

STATEMENT OF CASH FLOW

102. The Statement of cash flow identifies the sources of cash inflows, the items on which cash was spent during the reporting period, and the cash balance as at the reporting date.
103. In 2018, the ICAO reported a net cash flows of -37.4 MCAD from operating activities, which was negative, whereas it had been positive in 2017 (40.6 MCAD). The value is due mainly to the decrease in advance receipts; the breakdown in note 2.8, showed the decrease in "voluntary contributions for TC Projects": these represent receipts of contributions less related expenses at year-end. Please refer also to paragraph 37, point a), above.
104. Net cash flows from investment activities (5.6 MCAD) showed a positive variation as compared to 2017, due to an increase in Interest income and decrease in Acquisition of property, plant and equipment and Intangibles.
105. The net result in cash and cash equivalents showed a decrease of 34.1 MCAD in 2018. We checked the underlying entries by selecting samples from some accounts. The result was that all selected transactions were properly backed by supporting documentation. The Cash Flow Statement was thus verified and confirmed.

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

106. Statement V, “Comparison of budget and actual amounts for the year ended 31 December 2018”, is provided in accordance with IPSAS 24, which requires that this comparison, arising from execution of the budget itself, should be included in the Financial Statements. This Standard also envisages the disclosure of the reasons for the material differences between the budget and actual amounts. Further details concerning Statement V are provided in Note 4.
107. As stated above (see paragraph 1, second to last bullet point) implementing our recommendation n. 15 on FS 2016, the Financial Statements comprise the Statement V-A, which also shows the Funds that are reported under “Regular activities” and budgets that are publicly available (AOSC Fund).

FOLLOW-UP TO PREVIOUS RECOMMENDATIONS AND SUGGESTIONS

108. As usual, our long form report ends with the follow-up tables (Annexes 1 and 2) that resume the status of implementation of the recommendations and suggestions issued in our previous reports, not only in the financial reports, but also in the special reports.
109. Although we appreciate the cooperation given by Management, we remind that the status of implementation can be evaluated only by the External Auditor; of course, it was discussed and transparently shown to Management.
110. The recommendations that are evaluated as “closed” this year will not be included again in next year’s Audit Report, unless they need an annual follow-up.

ANNEX 1 – Follow-up to the recommendations issued in our previous reports

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
Rec. 1/2017	With a view to enhancing controls over cash and accountability, <u>we recommend</u> that Management provide evidence that controls and related supporting documentation are in place over the cash-in-hand held in field and Regional Offices, through a monthly reconciliation process, also emphasizing the importance of a double signature, by the staff in charge of preparing the reports and the responsible.	The Recommendation is accepted. Treasury has currently in place a checklist that is used every time a cashbook is processed. We will update the list to reflect the requirement for a double signature approval. In addition, we will add a column showing if we have contacted TCB for clarification on the nature of certain expenses. At the present time, e-mails are sent to TCB as a formal practice but this procedure is not included in the current checklist. The checklist is now being updated; it will be signed by the approving officer and attached to the monthly bank reconciliation.	Update as of 31 January 2019: The new standardized report has been implemented with effect from September 2018. This report is being sent to HQ on a monthly basis along with the new cashbook checklist which show the two signature requirements. All TC projects have implemented this requirement.	Closed
Rec. 2/2017	<u>We therefore recommend</u> , in order to avoid possible conflicts of interests, that Director ADB should not be directly or indirectly responsible of both the acquisition of the assets and, at the same time, of their disposal/write-offs.	The recommendation is accepted. The organization will seek to find a suitable solution in order to comply with the requirements for segregation of duties, whereby the acquisition of assets for administrative assets remains with ADB/CSG whilst the responsibility of asset disposal/write-offs is undertaken outside of ADB.	Update as of 31 January 2019: As CSG executes of all building acquisitions and PCL performs write offs for these assets, it is proposed that PCL is relocated from CSG. While ADB oversees all management of its sections, it is not involved in any direct acquisition of assets. Since there is no suitable office outside of ADB that can properly manage daily responsibility, ADB recommends relocating Property Control from CSG to address the separation of duties recommendation for all Write Offs as an independent unit.	Closed
Rec. 3/2017	In order to represent in a correct manner all the expenses related to the calculation of the actuarial liabilities and to allow a better understanding of the different fees involved in the calculation, <u>we recommend</u> that Management should represent, in the future actuarial reports to be issued under the new IPSAS 39, the administrative fees separately from the other costs, clearly indicating the different rates of increase.	The Recommendation is accepted. We will ask our actuary, in the fall of 2018, to disclose separately the administrative fees from the medical costs, indicating the different rates of increase, in the 2018 actuarial valuation.	Update as of 31 January 2019: The actuary (AON) was asked to disclose separately the administrative fees from the medical costs, indicating the different rates of increase. AON had accepted our request and confirmed its application in the 2018 actuarial valuation.	Closed

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
Rec. 4/2017	<u>We recommend</u> , in case of sole-source requests, that either PRO or any other independent expert in the specific matter, should check the justifications provided for obtaining the supply on a sole-source basis are in line with article 6.6 of the ICAO Procurement Code.	The Recommendation is accepted. For all procurement above \$10,000 Procurement Section (PRO) should verify that the sole-source request complies with article 6.6 of the ICAO Procurement Code. For procurement less than \$10,000 the allotment holder is responsible to comply with the Procurement Code and PRO should provide an annual report to the Secretary General (SG) of all sole-source procurement under \$10,000.	Update as of 31 January 2019: Report to SG will be provided as per every year.	Closed
Rec. 5/2017	Having observed that ICT Section is not regularly consulted in case of procurements related to information and communication technology, <u>we recommend</u> that ICAO should adopt a procedure, which envisages to consult ICT in case of this kind of procurement.	The Recommendation is accepted. ADB should draft and propose to the OSG a procedure for all allotment holder to collaborate with ICT before proceeding with a procurement related to ICT.	Update as of 31 January 2019: Procurement section is recruiting an IT expert to help procurement in processing ICT related items.	Ongoing
Rec. 6/2017	<u>We recommend</u> , as already done by EAO, that, in case of a DPO, the suppliers should sign a declaration that they adhere to the principles established by the UN Supplier Code of Conduct.	Accepted. PRO is to develop a new Form that includes this requirement for all DPOs.	Update as of 31 January 2019: Closed in September 2019. The DPO form was revised to include requirement.	Closed
Rec. 7/2017	Although we verified that the lack of updating for levels P1 to P4 does not affect the reliability of the accounts, <u>we recommend</u> correcting those payslips that presently do not reflect the Category and step of the Staff member concerned.	The Recommendation is accepted and actions will be taken to reflect pay steps as per the new IP salary structure.	Update as of 31 January 2019: The payslips have been revised since April 2018 to reflect pay steps as per the new IP salary structure.	Closed
Rec. 8/2017	In the event that a GS staff requests to be paid for the overtime work, in order to avoid the risk of potential dispute because of the overtime authorized and not paid for time worked, due to the lack of budgeted resources, <u>we recommend</u> that Management consider reviewing the staff rules 105.3 with specific reference to overtime caps, and compensation for overtime work done either in the form of payment or compensatory leave.	The Recommendation is accepted. Management is committed to review Staff Rule 105.3.	Update as of 31 January 2019: ADB/POD is reviewing the patterns on overtime with a view to proposing a revision to the current staff rule and related procedures. As this will entail an in-depth study to determine patterns and the need to potential introduce new working arrangements such as shift work, and not only adjustments to the current conditions on overtime, it is requested that the deadline for this work be extended from 31 March 2019 to 30 June 2019.	Ongoing

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Rec. 9/2017	<p>Salaries paid through accounts payable <u>We recommend</u> that LEB, after consultation with FIN, provide legal advice on the advisability of the procedure adopted and its correctness.</p>	<p>The Recommendation is accepted and Management agreed to obtain legal advice from LEB.</p>	<p>Update as of 31 January 2019: LEB provided their advice on LACAC salaries on 29 August 2018. LEB sees no threat to ICAO's financial assets as payments to Mr. Ospina are made (1) on the basis of a written express request by the president of LACAC (2) funds are those provided by LACAC (3) ICAO has in place a hold-harmless arrangement with LACAC. The fact that the individual has no contractual relationship with ICAO does not negate the aforementioned points.</p>	Closed
Rec. 1 audit report on external parties agreements	<p>The EAO's Evaluation Report EVA/2015/1 "<i>Report on the Evaluation of External Stakeholder Perspectives on ICAO</i>" issued on 6 October 2015 was issued before Council approved in 2017 the revised <i>ICAO Policy on Interactions with External Parties</i> (C-DEC 210/10). Due to the relevance of the issues analysed in the Report, <u>we recommend</u> to EAO to assess the need of including, in its future work plans, an audit of Third Party Risk Management, also in the light of <i>ICAO Policy on Interactions with External Parties</i> (C-DEC 210/10).</p>	<p>Recommendation accepted with the following comments. The audit team based its assessment on the following questions: whether there are effective and efficient procedures to implement the Policy on Interactions with External Parties, and whether these procedures are effective in mitigating risk? Any attempt to address the above questions would be incomplete without the in-depth review of the Policy itself, as a number of important provisions within the Policy also constitute "procedures", and both policy and procedures, as well as the work undertaken by the CCEP together impact the effective and efficient implementation of interactions with external parties. Therefore, the Secretariat considers it important to underscore the following: a) at the heart of risk assessment and risk management of ICAO's proposed interactions with external parties is the Policy on Interactions with External Parties and the <i>modus operandi</i> of the Committee on Cooperation with External Parties (CCEP). The Policy sets the criteria for choosing potential partners on the basis that partnerships shall comply with the guiding principles contained in the Policy, which includes among others: <i>the need for objective selection of partners; ensuring equal</i></p>	<p>Update as of 31 January 2019: EAO has included an audit of third party risk management in our proposed work plan for 2020. C-WP/14816 refers.</p>	Closed

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		<p><i>opportunity and access; conduct of due diligence and risk assessment; etc.</i> Moreover, the Policy document contains useful guidelines on the processing and routing of draft agreements to CCEP, utilizing internal mechanisms to ensure appropriate peer review by other concerned Bureaus/Offices ensuring all risks are taken into account and are mitigated;</p> <p>b) in addition to policy statements, the Policy document also establishes procedures, such as for the internal coordination of proposals prior to their routing to CCEP to ensure compliance with internal organizational rules and regulations. These also involve the vetting by the Legal Affairs and External Relations Bureau (LEB), which pursuant to the Policy not only provides legal advice, but also makes a determination on exemptions and exclusions. In turn, final submissions are examined by the CCEP on the basis of the Policy, and makes recommendations as to appropriate signatory authority;</p> <p>c) the modus operandi of the CCEP involves weekly physical meetings (or as necessary) which has been the standard practice of the Committee since its inception. The Committee's review and consideration of the merits of each proposal is comprehensive and in-depth, focussing among others on how each case complies with guidelines and criteria set forth by the Policy. A Secretariat Officer representing the initiating Bureau/Office presents each proposal, and this is followed by a question/answer session. During this period, matters such as partner selection criteria, conflict of interest, risks (financial, reputational, etc.), benefits to ICAO, etc., are examined with a view to satisfaction by the Committee that the proposed partnership complies</p>		

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		<p>with the Policy and all issues have been adequately addressed. Thereafter, the CCEP makes a determination as to the nature of the partnership i.e. “administrative” or “non-administrative” and recommends whether a particular agreement should be signed by the President of the Council or the Secretary General; and</p> <p>d) under certain conditions as set forth in the Policy (paragraph 4.2 and Appendix A), an exemption from CCEP review is also possible taking into account the need to ensure efficient processes and focus on the agreements/partnerships that are perceived to have higher risk. It was the understanding on the basis of discussions during the 210th Session of the Council that as the Committee gained more experience and in light of lessons learned, the categories those agreements that could be exempted from the CCEP review process could be increased. These could include agreements with other UN Agencies as well as with other inter-governmental organizations, which involves less risk than for partnerships with industry. However, this does not appear to be the case today. For example, in early 2018 a “Letter of Interest” between ICAO and UNDP for the rental of office space for the ICAO Regional Office in Dakar was subjected to a full CCEP review because the Policy does not consider partnerships with UN agencies (unless they relate to staff secondments) to be of “lower” risk and therefore exempted from additional CCEP review under Appendix A.</p> <p>It is the Secretariat’s understanding that the principles and procedures contained in the Policy as described above were not within the scope of the audit and to disregard these elements might reduce the holistic consideration of the efficiency and effectiveness of ICAO’s framework on interactions with external parties,</p>		

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		<p>which are the critical issues that, in our opinion, have to be taken into account. This is also the reason for the non-acceptance and partial acceptance of a number of other recommendations set out below, as we consider that assessment of third-party risk management by ICAO should include an in-depth review of the effectiveness of the Policy itself, as well as the <i>modus operandi</i> of the CCEP, taking into account best practices of UN Organization.</p> <p>At the present time, work is ongoing in the Organization to develop a comprehensive guidance framework for partnerships in line with the ICAO <i>Policy on Interactions with External Parties</i>. This includes an organization-wide database, updates to the GSI on 'Proposals for cooperative arrangements with third party entities', and specific guidance on modalities for interacting with partners, reporting on results and outcomes, and building on lessons learned. These initiatives will help to strengthen and leverage strategic partnerships that support ICAO's Business Plan and Strategic Objectives. As this work progresses and is completed, and taking into account the above comments, the Secretariat will also consider in its future work plans the possibility of including an assessment of third party risk management in the context of the partnership framework.</p>		
Rec. 2 audit report on external parties agreements	<p>In the consideration of Recommendation n. 5 of the EAO Evaluation Report EVA/2015/1 we acknowledge and welcome the initiative and commitment of the SPCP Office to prepare in the coming months a Partnership Framework for procedures that would extend beyond partnerships with UN entities. <u>We recommend</u> that Management ensure a holistic approach in the drafting of a meaningful procedure to consider interactions with external parties, also supporting the goal for a beneficial engagement with</p>	<p>Recommendation <u>partially</u> accepted with the following comments.</p> <p>Further to the comments under Recommendation No. 1, we consider that inter-Bureau coordination that takes place prior to final submission to the CCEP (a procedure established under paragraph 4.2 of the Policy) provides the necessary assurances that all proposals are duly coordinated with other Bureaus/Offices concerned. Many agreements/partnerships involve multiple Strategic</p>	<p>Update as of 31 January 2019:</p> <p>A draft partnership framework has been prepared with the goal of ensuring a holistic approach to interactions with external parties in a manner that enhances transparency and managerial accountability and clarifies the controls in place for assessing the appropriateness of agreements when processed for approval. Coordination of the draft partnership framework is ongoing with concerned Bureaus/Office.</p>	Ongoing

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	<p>industry stakeholders on the basis of a framework that avoids potential conflicts of interests and enhances transparency and managerial accountability, establishing, for instance, <i>who</i>, independently from the bureau/office that requests an agreement (the initiator), could monitor and assess the appropriateness of the agreement itself.</p>	<p>Objectives, and horizontal coordination within the Secretariat ensures that non-initiating Bureaus/Offices have the opportunity to comment on the appropriateness of the proposals.</p> <p>Given the large volume of agreements endorsed by the CCEP to date (over 200 and not one has been rejected) indicates that the inter-Bureau review procedure referred to above has been effective, successful and has provided an adequate level of assurances to the Committee when it reviews proposals.</p> <p>While we agree in principle of the benefits of independent oversight on the appropriateness of the agreement when processed for approval, we also believe this should not be carried out at multi-levels thereby creating inefficiencies in processes and procedures. If the recommendation is for this monitoring function is to be carried out at the Secretariat level, there should be also be recommendations on how to avoid duplication of effort when a similar exercise is being carried out by the CCEP.</p> <p>In terms of framework of partnerships with non-UN entities, we also wish to highlight other initiatives referred to below.</p> <p>Recognizing the need to ensure beneficial engagement with industry stakeholders, in 2013, the Secretary General established the Industry High Level Group (IHLG), bringing together the heads of four industry organizations — ACI, CANSO, IATA and ICCAIA — as an informal group which considers international civil aviation matters that can be better addressed in a collaborative arrangement between States and the industry. The Secretariat further encourages and facilitates the participation of key aviation industry stakeholders in multiple initiatives, forums and meetings. To this end, the Secretariat agrees that there should be meaningful procedures in place to support</p>		

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		the goal of beneficial engagement with industry stakeholders in a manner that avoids any potential conflicts of interests and enhances transparency and managerial accountability.		
Rec. 3 audit report on external parties agreements	<p>The partnership framework to be developed should adequately account for the issue of “Renewals/extensions of expiring agreements” and “Amendment to existing agreements”, particularly in the case where the original agreement (MoUs and similar arrangements) were not previously and effectively monitored within the Secretariat.</p> <p><u>We recommend</u> Management to consider including, in the development of its partnership framework, sufficient procedures to address the following:</p> <ul style="list-style-type: none"> a) The need for the CCEP to review and approve agreements; b) A mechanism, which may include documented processes and procedures, involving both HQ and, as applicable, Regional Offices, to provide reasonable assurances that risks (technical, financial, reputational, legal, etc.) associated with interactions with external parties have been internally assessed and <i>independently</i> monitored; c) Detailed procedures in place that provide adequate clarity on who and how should independently monitor and assess any agreement before being signed by the Secretary General or by the President of the Council; d) The possibility, for all Council members, of having access and visibility to the repository of agreements, including the supporting documentation; e) Procedures for promoting transparency, staff accountability and good governance by providing for an enhanced mechanism of declarations/attestations as regards the absence of conflicts of interests; 	<p><i>Recommendation partially accepted with the following comments.</i></p> <p>The Secretariat considers that a large majority of the recommendations are already addressed, either in specific paragraphs of the Policy on Interactions with External Parties or via general instructions to all Bureaus/Offices. These include:</p> <ul style="list-style-type: none"> a) paragraph 4.2 d) and Appendix A of the Policy sufficiently address the issue of renewals/amendments to existing agreements whereby only under certain conditions, as verified independently by LEB, those agreements could be exempted from additional CCEP review; b) instructions sent to all Bureaus and Offices of the importance of ensuring all proposals to the CCEP are received by the Committee 10 days before such agreement is to be signed; c) paragraph 4.2 a) which requires inter-Bureau coordination considered as an internal mechanism which could provide additional assurances that necessary consultations have taken place to address different risks (technical, financial, reputational, legal, etc.); d) lessons learned and experience gained from the implementation of the Policy since early 2015 clearly indicate that an overwhelming majority of agreements are administrative in nature, with no agreement rejected and/or considered inappropriate prior to their execution. Furthermore, the Policy is clear on what types of partnerships are exempted from CCEP review; e) an online repository providing the status of 	<p>Update as of 31 January 2019:</p> <p>A draft partnership framework has been prepared which addresses all recommendations, in combination with the updated General Secretariat Instructions on <i>Agreements, Memoranda of Understanding (MOUs) and Similar Arrangements</i> prepared by LEB. Coordination of the draft partnership framework is ongoing with concerned Bureaus/Office.</p> <p>No further action is required as this is ongoing. LEB continues to review Proposals before CCEP and supports CCEP by providing Legal advice.</p>	Ongoing

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	<p>f) Any information on:</p> <p>1) if ICAO had received transparently material or immaterial benefits from the Agreement itself. This in order also to understand if there is any financial risks or liabilities for ICAO and the possible related impact on the Financial Statements;</p> <p>2) if any procurement or direct purchase order has been assigned to the counterpart;</p> <p>3) if the counterpart had respected the role and prerogatives of ICAO without overlapping with ICAO's initiatives, etc. This in order also to understand if there are any reputational risks and if a potential conflict of interest have been duly taken into considerations</p>	<p>agreements which is already available on the ICAO <i>intranet</i> and is maintained by LEB; and</p> <p>f) good governance and abiding by the Principles of Ethics and the ICAO Service Code is a principle enshrined in the Policy (paragraph 4.1 c refers). However, it is agreed that checklists could be developed to provide additional assurances there is no conflicts of interest.</p> <p>In light of the above, the Secretariat agrees that a comprehensive partnership framework should take into account the issue of renewals and amendments to existing agreements. The procedures should also be in line with the UN best practice. The Secretariat further supports the introduction of processes and procedures that would provide reasonable assurances that any risks associated with interactions with external parties have been internally assessed. There should also be clarity on which agreements need to be submitted to the Committee for consideration. The Secretariat further agrees that it is an essential component of good governance to ensure staff accountability and a mechanism to ensure the absence of conflicts of interest and will address these concerns in the partnership framework under development.</p>		
Rec. 4 audit report on external parties agreements	<p>In order to increase effectiveness, also in line with the EAO considerations as stated in its Evaluation Report that “partnership agreements [should be] based on well-defined criteria and [should] take measures so that all partnership agreements are linked to ICAO's Business Plan and Strategic Objectives to reap the expected benefits” and that “the absence of expected result in many of the cooperative arrangements, for example, made it difficult to assess the effectiveness and value-added of partnerships”, <u>we recommend</u> Management to consider, when developing and implementing its Partnership Framework, that all proposals for</p>	<p>Recommendation accepted with the following comments.</p> <p>It is recalled that in the consideration of C-WP/14707, Council (213/3) already decided that each proposal for new and/or amended arrangements submitted to the CCEP for review should be accompanied by an assessment, which should describe the following: nature, level and extent of current cooperation (if any) with the other party; legal views on benefits and utility of the proposed arrangement; and cost or impact to ICAO if such an arrangement were not entered into by the Organization. This is currently work in progress.</p>	<p>Update as of 31 January 2019:</p> <p>A draft partnership framework has been prepared which addresses the recommendation, in combination with the updated General Secretariat Instructions on <i>Agreements, Memoranda of Understanding (MOUs) and Similar Arrangements</i> prepared by LEB. Coordination of the draft partnership framework is ongoing with concerned Bureaus/Office.</p>	Ongoing

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	interactions, brought forward by the Initiator, should present already clear objectives and indicators, that will allow different Bureaus/Offices and Regional Offices, as applicable, to have the possibility to assess necessity for engagement and to monitor effectiveness of the agreements and their potential benefits and risks (as specified in para. 61).	The Secretariat agrees that partnership agreements should have clear objectives that allow for monitoring the effectiveness of the collaboration. In determining the level and detail of 'expected results', the very wide range of agreements entered into by the Organization must be taken into account and allow for a degree of flexibility.		
Rec. 1 special report on cyber security	In relation to the EAO's recommendation n. 3 ("Network Segmentation"), where is recommended performing "a redesign of the existing LAN segmentation to better accommodate ICAO business and security needs", we share the EAO's view and further <u>recommend</u> that ICAO start from a collection of services maps that show relationships between every business service and their IT components. In this way, it should be possible to applicate segregation "vertically" (front-end, DMZ, back-end, etc.) but also horizontally, relying on the different critical level of each service.	Recommendation accepted. Already, a set of projects in the Cybersecurity Action plan address the issue of Network segmentation. A preliminary report by a reputable third-party Information Security service provider was presented to ICAO, which will form the basis of the network re-design, and the projects are planned for 2018. The new design will be informed by the relevant Business Service vs. ICT component maps as recommended. A comprehensive programme for Enterprise Architecture for ICT within its own dedicated unit has also been established in the ETS Section. This unit will oversee the creation and maintenance of these maps.	Update as of 31 January 2019: The implementation of this recommendation was delayed because ETS is looking to leverage the implementation of a new firewall infrastructure to involve external expertise on the design of the new architecture with the implementation of the new firewall. The procurement of the new firewalls took longer than initially planned. ETS waited for the firewall procurement process to be completed, to make sure that network architecture mandate would not interfere with the impartial procurement process. ETS is in contact with an expert partner to develop, in collaboration with the Information Security Team, the new network architecture; it is expected that the mandate will be completed in Q1.	Ongoing
Rec. 2 special report on cyber security	With reference to the EAO's recommendation n. 7 ("Telework, Remote Access and Mobile Devices"), which recommends that "a new Instruction should be developed considering controls from the ICAO Acceptable Use document to be combined with controls for teleworking and remote access", we share the view of the internal auditor and <u>we recommend</u> also that ICAO, apart from developing of a technical instruction about teleworking and remote access, develop a strict policy to regulate such activities, as, for instance, which services are available for teleworkers, which information can be accessed through telework, etc.	Partially accepted. Teleworking is outside the scope of this audit. ADB/ETS will develop Technical Instructions on Remote Access to ICAO IT resources. These instructions will fully document the services currently in place including the security criteria to be applied and the user's obligations when using such services.	Update as of 31 January 2019: The Technical instructions on Remote access to IT Services are already available. A procedure is already in place to request remote access to ICAO IT services via remote desktop or remote application connections. Criteria are applied to limit access on a as required basis only. Permission is granted for six months only and must be renewed. HR is responsible to develop AI for working from home.	Ongoing

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Rec. 3 special report on cyber security	Referring to the recommendation n. 13 of the EAO (“Expand Log Management”), where is recommended “ <i>implementing a full log management system within and controlled by dedicated ICT log management personnel and revising SIEM input requirements to take into account full log inputs and expected additional technical inputs</i> ”, we share the EAO’s view and <u>we recommend</u> , in addition: (i) that logs be collected in order to prevent non-repudiation, e.g. sending them in real time to a central repository where they are digitally signed, (ii) that all system be synchronized on the same time server, (iii) that the personnel that has the administrative assignment on log management infrastructure be dedicated to security monitoring, without having at the same time other administrative tasks (even in other security areas, e.g. firewall administration), (iv) defining a policy of log retention, which considers how long data must be stored, and (v) correlating events and spotting individual anomalies or patterns of behaviour that may indicate a security breach also based on past security incidents.	Accepted in principle and subject to the provision of necessary funding in the regular budget to implement the recommendation. An audit and transaction log management policy has been implemented. An information security operation center roadmap along with a SIEM implementation plan is being executed and monitored using key goal indicators (KGIs). A log system will be implemented for the entire ICT environment to further enhance ICAO information security capabilities. ICAO has outsourced some information security operations functions and will be looking for other opportunities to outsource security functions requiring a high degree of expertise and intensive workload.	Update as of 31 January 2019: Q3/2019 (InfoSec SPLUNK) InfoSec SOC roadmap to be revised reflecting the implementation of a full log management system. CORE ACTIVITY #3: INFOSEC 1.1.3 in “2019 InfoSec operational plan.xls” is to improve maturity of SPLUNK as a SIEM ecosystem - SPLUNK architecture redesign to improve and augment capabilities to function as a Security Information Events Management (SIEM) The InfoSec SPLUNK will insure also items (i), (ii), (iii), (iv) and (v). The (iv) will also be developed as a technical instruction in the information security system management (ISMS) (see ICAO InfoSec strategy 2019 presentation to FSMG)	Ongoing
Rec. 4 special report on cyber security	Considering that the current scope for the ISMS, as designed, may not accurately describe the boundaries and applicability of the ISMS itself, because some of the controls required for designating risks had been bypassed (see para. 30), <u>we recommend</u> that ICAO undertake a review to include controls of Standard ISO 27001:2013 that are currently neglected, such as A.14.2.7, outsourced development, and control objectives A.15.1 and A.15.2, related to third parties.	Accepted. ICAO recently created a CISO position and is in the process of filling the position. Once the CISO is appointed, reviewing the current ISMS situation and the appropriate control standards will be addressed as a matter of priority.	Update as of 31 January 2019: Q4/2020 (ISMS Phase I) ISMS is the main item of the InfoSec strategy / organizational security. The ISMS from scoping to risks to controls is being revamped according to the proposed roadmap (see ICAO InfoSec strategy 2019 presentation to FSMG). The controls related to outsourcing, third parties will be part of the risk management framework and program (3rd party risk assessment and compliance 3PCRM).	Ongoing

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Rec. 5 special report on cyber security	For a more focused analysis on cybersecurity aspects, <u>we recommend</u> that Management adopt a specific framework, like NIST cybersecurity framework, possibly using an integrated approach with a robust IT management framework. Firstly, and in particular, the “ <i>detect and respond functions</i> ” should be implemented, to allow the ICAO to face sophisticated attacks, like multi-stage malware and advanced persistent threats, that can compromise not only data but also critical services or infrastructures.	Accepted. ICAO recently created a CISO position and is in the process of filling the position. Once the CISO is appointed, reviewing the Information Security posture and selecting the best security framework will be addressed in priority. In 2017, ICAO conducted a comprehensive security posture assessment using ISO27001 and the NIST framework. Based on this information, ICAO Information Security drafted its strategic plan and developed the roadmap to achieve the required security capability maturity level.	Update as of 31 January 2019: Q4/2020 (ISMS Phase I, org and operational security) While the ISMS (based on ISO 27001:2013) is part of the organizational security, we use NIST CSF as the standard for the operational security. The combined organizational and operational security use a capability maturity level model and recurrent assessments to acquire maturity (see ICAO InfoSec strategy 2019 presentation to FSMG and milestones).	Ongoing
Rec. 6 special report on cyber security	<u>We recommend</u> that Management implement a successful cybersecurity strategy, to define a cyber threat information sharing network, which can increase the efficiency and effectiveness of an organization’s cybersecurity capabilities. As an example, NIST Special Publication 800-150 can be used as a guideline to help the organization to establish information sharing goals, identify cyber threat information sources, engage with existing sharing communities, etc.	Accepted. ICAO is already participating in the UN cyber threat network as well as civil aviation threat intelligence.	Update as of 31 January 2019: Q3/2019 (risk management) In the vulnerability management framework and program, from the operational security part of the InfoSec strategy, threat intel does take its place (see ICAO InfoSec strategy 2019 presentation to FSMG). ICAO is also member of the Aviation Information Sharing and Analysis Center (A-ISAC). A-ISAC allows information sharing, gathering and help requests. ICAO commits to participate to meeting the A-ISAC network.	Ongoing
Rec. 1/2016	In consideration of the fact that the balance for “Total Assets” is mainly composed of the balance of bank accounts and that, this year too, we did not receive a large number of confirmations, <u>we strongly recommend</u> that Management i) rationalise the current list of bank accounts, limiting considerably their number, and ii) find a process that will induce the banks to send confirmation letters to the Auditor when asked.	We are working with TCB to limit the number of new imprest accounts to be opened. As projects close, existing imprest accounts will also be closed and we will try and use the services of the UNDP as much as practically possible taking location and costs into consideration. As agreed in our meeting, we will work closely with the External Auditors and coordinate on the signature lists that they receive directly from our banking partners. We will also contact our banks and remind them to be extra vigilant when providing this information on the confirmation letters.	Treasury has been working diligently in 2017 to reduce the number of imprest accounts. Seven bank accounts were closed and one more is in progress. In addition, we have implemented a test project with our staff in Namibia to pay their salaries directly from Montreal, avoiding the use of an imprest and/or UNDP account. We are also working with our banking partner to test salary payments for our Argentina projects. If successful, this will require additional resources for the Payroll and Treasury units, which has already been noted by the auditors. The bank confirmation letters were sent this year in various languages and for TC imprest accounts, the letters were prepared by HQ and then followed-up by	Closed. The recommendation was renewed with the rec. n. 1/2018

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			<p>cashbook staff. The closing of imprest accounts is on-going and will continue in 2018. Additional resources will speed up this process as the responsibility for salary payments (and other payments) will lie with HQ staff but the risk reward will be worth it provided we have the necessary resources.</p> <p>Update as of 31 January 2019: We consistently send the auditor's requests for bank confirmation to all banking partners and stress the need for them to complete the form and send it directly to the auditors. Unfortunately, we do not have control over the banks' internal policies and their response rates.</p> <p>In addition, we continue to work on closing imprest accounts. In 2018, we closed 5 imprest/petty cash accounts and no new bank accounts were opened.</p>	
Rec. 3/2016	<p>We therefore <u>recommend</u> that Management increase its efforts to recognize, label and capitalize the fixed assets located at the ICAO, in order to have a more accurate record of transfers of assets, through procedures and processes that will bolster coordination between different Departments.</p>	<p>Recommendation is accepted as the Organization needs to reinforce the tracking of assets that are transferred.</p> <p>ADB/CSG is in the process of implementing an asset transfer/relocation form to track movement of all IT and Non-IT assets to be used by all ICAO Bureaus and Offices.</p>	<p>The Asset Relocation Sheet has been implemented at ICAO HQ since April 2017 for all Non-IT assets and has now been extended to all IT assets as well.</p> <p>The Asset Relocation Form has been sent to all Regional Offices to be used starting from 6 March 2018.</p> <p>ADB considers this recommendation to be closed.</p> <p>Update as of 31 January 2019: ADB considers this recommendation to be closed.</p>	Closed
Rec. 4/2016	<p>We consider that the asset management framework needs further improvement; therefore, we <u>recommend</u> that Management should: i) consider the feasibility of assessing the status and the level of utilization of assets; ii) monitor regularly the obsolescence of items, also with a view to assessing the accuracy of the Asset Register; iii) extend these processes and procedures to all ICAO Bureaus and Regional offices.</p>	<p>Continuous efforts will be undertaken to further improve the accuracy of the asset register. While a comprehensive inventory count and assessment is performed on a regular basis, the Organization does not have the resources to centrally and continuously monitor the status and level of utilization of all assets.</p> <p>In addition to the regular inventory count, ADB/CSG is in the process of implementing an asset transfer/relocation form to track movement of all IT and</p>	<p>As mentioned above, with the implementation of the Asset Relocation Sheet, we will now have a daily assessment and record of all asset movements and assignments.</p> <p>The Asset Transfer Relocation form has been implemented and used from April 2017. Bureaus and Offices are using this form and submitting to ADB/PCU accordingly.</p>	Ongoing We acknowledge the efforts of the Management in this issue, nevertheless during our audit we found that weaknesses still remain; therefore, we recommend

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		Non-IT assets to be used by all ICAO Bureaus and Offices.	ADB considers this recommendation to be closed. Update as of 31 January 2019: ADB considers this recommendation to be closed.	improving the monitoring of assets' management
Rec. 5/2016	<u>We recommend</u> that the Asset management of IT tools Assets will be further implemented as soon as possible according to Recommendation n. 4 and, in particular, that portable devices i) are carefully monitored in all their useful technical life, and ii) are assigned only after a "recognition of need" (prepared according a specific procedure). This, in order to avoid that these devices, although still serviceable, are written off, or left unused, while continuing to buy similar devices.	Recommendation accepted. ICT already implemented an IT asset management system as part of the deployment of a standard ITIL management system. ICT has been keeping a record of all IT assets acquired in HQ since 2014. This system will be expanded to record IT assets acquired before 2014, and it will also be deployed to the Regional Offices. Users are required to submit a form in support of the acquisition of IT assets which will be added to the IT assets database.	An Excel form has been implemented by PCU since 2015 and is being used in data by HQ and Regional Offices. It is confirmed that PCU and ETS have already implemented this recommendation in HQ and Regional Offices for IT and non-IT assets. ADB considers this recommendation as closed. Update as of 31 January 2019: ADB considers this recommendation to be closed.	Ongoing We acknowledge the efforts of the Management in this issue, nevertheless during our audit we found that weaknesses still remain; therefore, we recommend improving the monitoring of assets' management
Rec. 7/2016	<u>We recommend</u> that a new actuarial study be performed, to evaluate if and when the actuarial liabilities related to the ASHI will impact the ICAO's ability to continue its core activity as a going concern, after the current measures considered by ICAO have been implemented.	Recommendation accepted. Once the implementation of offering the opt-out option is completed and the acceptance rate is known, a new actuarial study will be conducted to evaluate the real impact of this option in reducing the ASHI liability and the benefit payments. Regarding the going concern issue, to believe that ICAO will cease to be a going-concern implies that Member States will refuse to honor their liabilities in the future and that assumption is not supported by the Council.	The analysis of the opt-out option is in progress. Once the analysis is concluded, a new actuarial study to evaluate the impact of this option in reducing the ASHI liability and the benefit payments would be conducted. Update as of 31 January 2019: Since the results of the survey on the opt-out option from ASHI demonstrated that this option was not accepted by the majority of ICAO's staff and retirees, the implementation of the opt-out option will not be performed. Therefore, a new actuarial study to evaluate the impact of this option is no longer necessary.	Closed. We issued a new recommendation on the subject
Rec. 10/2016	In order to increase transparency in the use of the funds, in particular for Regular Programme Procurement, <u>we recommend</u> that, in relation to sole-sourcing, a contract award notice should be published on the ICAO tendering bulletin board (or UNGM).	Partial Agree. Given the limitation of the Alito system (its design), we cannot publish sole source since they are not, given their nature, initially tendered on a competitive basis. Nevertheless, we shall report on all sole source procurement to the Chairman of the Contracts Board.	PRO is currently working with ETS to develop a statistical tool that will also enable us to review and report on sole source procurement as they occur and therefore allowing an earlier intervention period. We expect this tool to be developed by December 2018. Update as of 31 January 2019:	Closed

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			Closed November 2018. Tool has been developed.	
Rec. 12/2016	It is noted that EAO's recommendation is considered as "implemented". It is also noted that PRO has added a tracking method to identify when ICAO Allotment Holders issue multiple Direct Purchase Orders to the same supplier. However, in the best-case scenario, the Procurement Section, in presenting the yearly statistics to the Secretary General, can only highlight potential abuse after the event. In the meantime, we have found a case (see paragraph 97) where a sole source was obtained without adherence to the ICAO Procurement Code. Therefore, <u>we recommend</u> that ICAO allotment holders should duly fill in a sole-source request form and have it duly approved by the appropriate authority (Chief or Higher) and that a solid justification be provided.	Agreed with the caveat that the responsibility lies with the ICAO Allotment Holders.	Guidelines have been promulgated by Secretary General on February 2016 to include guidance on proper authority level on direct purchase orders. Additionally, PRO is currently working with ETS to develop a statistical tool that will also enable us to review and report on sole source procurement as they occur and therefore allowing an earlier intervention period. We expect this tool to be developed by December 2018. Update as of 31 January 2019: Closed November 2018. Tool has been developed.	Closed
Rec. 14/2016	<u>We recommend</u> that specific and detailed Declaration of absence of conflict of interest (DACIs) should be provided, duly signed, by all the people involved in the procurement process, and, further, we also recommend that the ICAO: A) should identify which people are able to assess the reliability of DACIs and B) should have the power to realign the procurement process towards correct practice once a DACI has been assessed as not reliable.	All Procurement Staff as well as Senior Management in TCB dealing with Procurement have a Declaration of Absence of Conflict of Interest. For points "A" and "B", this matter should be referred to the ICAO Ethics Officer.	All Procurement Staff as well as experts utilized by procurement have duly submitted their declarations as required under ICAO policies and regulations. Declarations by ICAO staff are monitored and checked by the Ethics Officer Update as of 31 January 2019: Closed. TCB/PRO has received a comprehensive checklist by the Ethics Officer to identify all staff that require the DACI. This is done every year.	Closed
Rec. 1 audit report on recruitment	We acknowledge that the recruitment process is well documented in several HR policy instruments (such as Staff Regulation, Staff rules, Memoranda etc.). Guidelines are in place, however, we <u>recommend</u> that Management prepare a comprehensive guide, which summarises all the Rules, Regulations, IOM, Circulars, etc. present in ICAO.	An administrative instruction consolidating all existing documentation/procedures on recruitment and staffing will be developed.	Update as of March 2018: Ongoing; to be delivered by September 2018 as per the HR operational plan. Due to operational reasons and resource constraints, the deadline was moved from 2017 to 2018. Update as of 31 January 2019: A draft administrative instruction on recruitment is being developed and will be finalized in March 2019.	Ongoing

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			Following the internal review process, the administrative instruction will be implemented by 30 June 2019.	
Rec. 1/2015	<p><u>We recommend</u> that Management continue to make efforts to monitor the updating of signature powers at banks, e.g. if a signer is added or deleted because he/she is no longer authorized.</p>	<p>The Recommendation is accepted. We propose to ask our banking partners to send us a confirmation of receipt for all future letters to confirm that all requested changes have taken place. Treasury will implement a follow up system to ensure that the banks respond to our request.</p>	<p>The recommendation is implemented. Every time a letter is sent out changing signatures, a confirmation form to be completed by the bank is attached.</p> <p>Update as of end March 2018: Every time a signature change letter is sent out we attach our acknowledgement form. Although we insist to the bank that they complete the form, we have no control over them and their own internal procedures. A "signatory list" as we know it will soon be a thing of the past. Due to increased cyber security, banks are moving away from the traditional list, which can be easily manipulated, to more robust security measures which include RSA tokens for all users, uploading of a list of approvers to a secure web site with the assistance of a bank contact and new bank documentation where we complete a secure form that they control. We are already working with the Royal Bank of Canada (RBC) on some of these new procedures. Some banks have also indicated that they will not disclose our signature list for security reasons even if it is an audit request. Things have changed dramatically as the banks are receiving hundreds of fraudulent attempts daily. In the meantime, we will continue to send out our acknowledgement form and push the banks to reply properly to us and to the auditors.</p> <p>Update as of 31 January 2019: Banks do not require a list of signatories as in the past they have implemented new security measures which we have adopted (e.g. token, passcode, etc.). All banks require two- factor authentication which we also have</p>	Ongoing

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			implemented.	
Rec. 2/2015	In consideration of the above-mentioned issues, <u>we recommend</u> that Management seek an opinion from the Legal Affairs and External Relations Bureau on how to better regulate the ECAC/EUR-NAT operational banking activities. At the same time, it should start a thorough internal review of the current procedures, aiming at enhancing the internal control process with regard to the ECAC bank accounts and other similar situations, if any.	The Recommendation is accepted. We will emphasize, again, to ECAC that bank accounts can only be opened under the authority of ICAO's Treasury Office. Second, we will request a review by our Legal Bureau of the current arrangements between ICAO and ECAC with a view to mitigate any risk that ICAO may be exposed to. We will explore if an Agreement between ECAC and ICAO where ECAC agrees to indemnify ICAO for any loss that ICAO may suffer as a result of an action by one of its staff members will resolve this matter. Finally, we confirm that we do not have similar arrangements with any other regional civil aviation conference.	<p>Management reached out to the Legal Affairs and External Relations Bureau for an opinion on how to better regulate the ECAC/EUR-NAT operational banking activities. It appears that the most efficient solution in the short term is to explore if ECAC's governing council can adopt a resolution under which ECAC agrees to indemnify ICAO for any loss that ICAO may suffer as a result of an action by one of its staff members will resolve this matter. Finally, we confirm that we do not have similar arrangements with any other regional civil aviation conference.</p> <p>Update as of end March 2018: LEB and Procurement are in the process to get a formal legal commitment from AIG (insurer) to make sure the current Crime policy covers ECAC staff. And LEB is also requesting ECAC member States to issue a resolution to confirm that they "agree to indemnify ICAO for any loss that ICAO may suffer as a result of an act or omission of an ECAC Official." The documentation has been drawn up, and this resolution will be sought once the insurer has formally confirmed the insurance coverage issue.</p> <p>Update as of 31 January 2019: The Directors General, members of the ECAC Coordinating Committee, were informed in November 2018 of the non-inclusion of ECAC staff in ICAO's insurance, and have expressed the need for ECAC to get an anti-fraud insurance coverage before signing the exchange of letters, as proposed by LEB. ECAC has subsequently obtained the requested insurance policy, and after its signing, ECAC will work with LEB to finalize/sign the exchange of letters.</p>	Ongoing

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Rec. 4/2015	<p>In relation to Publications and the Commissariat, in order to ensure (i) the accuracy of the inventory value recorded in the Financial Statements, and (ii) the correctness of the movement of items in the inventory, <u>we recommend</u> that a detailed procedure be established and implemented. Also, as stated last year in our Suggestion n. 1(2014), attention should be given, through subsequent inventory verification exercises, to fair value of items, in particular items to be written-off.</p>	<p>The Recommendation is accepted. New procedures were established to verify and confirm inventories in 2016. In the Commissariat, these procedures will be further strengthened through the implementation of an automated system that continuously monitors inventory; the system will be in place prior to the end of 2016. Automated work flows for Publication inventories will be in place before the end of 2017.</p>	<p>New procedures were established to verify and confirm Commissariat inventories in 2016. A Commissariat Manager position was established to manage all elements of the Commissariat including inventory. In addition, an independent inventory control clerk verifies the delivery of product and reconciles packing slips from suppliers. A Financial Associate independently ensures that inventory is correctly entered into the Commissariat point-of-sale (POS) system, ensures monthly reconciliation of sales and undertakes spot checks of inventory records, customer accounts and pricing to ensure the accuracy of the POS system. These changes in procedure were incorporated into the Administrative Instructions and a Human Resource Plan which were reviewed and adopted by the Board of Management in April 2016.</p> <p>For the Publications inventory, a standard procedure is in place for conducting the inventory count each year. This includes suspending sales on the e-store, using multiple independent teams to count publications separately and cross verify data, reconciliation with the automated online system (Alcie) and Agresso, etc. In addition, a separate independent inventory exercise was conducted for publications on the second floor. On valuing publications, the standard used is price per page which is based on detailed costs of printing publications; this practise has been used and endorsed by the Organization virtually since its inception and is reflected in the Publications Regulations.</p> <p>PCU and Commissariat Management have implemented the procedures for inventory count and are updated on a monthly basis. FIN provides monthly financial statements based on Commissariat monthly sales record.</p> <p>Two new Digital Access Systems, 1) Main door access</p>	Closed

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			<p>to the Commissariat; and 2) Turnstiles, have been implemented and will be used by Council Members, diplomats and ICAO eligible staff members starting from 3 April 2018. (Management considers this recommendation as closed)</p> <p>Update as of 31 January 2019: New procedures were established to verify and confirm Commissariat inventories in 2016. A Commissariat Manager position was established to manage all elements of the Commissariat including inventory. In addition, an independent inventory control clerk verifies the delivery of product and reconciles packing slips from suppliers. A Financial Associate independently ensures that inventory is correctly entered into the Commissariat point-of-sale (POS) system, ensures monthly reconciliation of sales and undertakes spot checks of inventory records, customer accounts and pricing to ensure the accuracy of the POS system. These changes in procedure were incorporated into the Administrative Instructions and a Human Resource Plan which were reviewed and adopted by the Board of Management in April 2016. For the Publications inventory, a standard procedure is in place for conducting the inventory count each year. This includes suspending sales on the e-store, using multiple independent teams to count publications separately and cross verify data, reconciliation with the automated online system (Alcie) and Agresso, etc. In addition, a separate independent inventory exercise was conducted for publications on the second floor. On valuing publications, the standard used is price per page which is based on detailed costs of printing publications; this practise has been used and endorsed by the Organization virtually since its inception and is reflected in the Publications Regulations.</p>	

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			PCU and Commissariat Management has implemented the procedures for inventory count and are updated on a monthly basis. FIN provides monthly financial statements based on Commissariat monthly sales record.	
Rec. 5/2015	Following the comments under points a), b) and c) above, we took note of the initiatives currently undertaken by Management and of the new Administrative Instructions approved in December 2015, and we will look at the issue in a future audit. However, considering that some assets have not been recorded at EUR/NAT and also referring to the recommendations issued in specific reports by EAO and by our predecessors, who reported that this also happened in other ROs, we recommend that all the assets, in particular the ones not previously entered, be recorded in the IMS, regardless of their value.	The Recommendation is accepted. All assets above CAD 300 should be incorporated in the IMS. EUR/NAT will take the necessary action to record all missing assets. Under the approved AI for PPE, it is the responsibility of each RO to assess, record and enter the asset data for the RO into the IMS. As per the approved AI, ADB has provided all ROs with the required scanning machines and training, to allow the RO to input asset data to the IMS.	Following the visit of the External Auditors in December 2015 and their findings, plus the training, software and equipment received from the HQ at the end of 2015, we have proceeded with the inventory as per HQ rules. The inventory (GSU and ICT) was finalised mid-June 2016 and includes the items with the value of CAD300 and above. We have already informed the External Auditors and the HQ Inventory Management that the work has been completed and the full inventory will be sent, at the end of the year (2016), as part of the regular end of the year activities. (Management considers this recommendation as closed) Update as of 31 January 2019: Full inventory was performed before 31/12/2018, as per standard procedures and the Internal Audit recommendation no. 12. The necessary corrections were made and the write-off procedure for ICT and GSU items will be done in accordance with the deadline (31/03/2019).	Closed
Rec. 8/2015	We recommend that ICAO should evaluate whether the function of the payment of salaries can be centralized in order to include TCB field General Services and National Officers and non-TCB consultants and, if necessary, reconfigure HQ Payroll's resources accordingly.	The Recommendation is accepted. An evaluation will be done to determine whether the payment of remuneration for these two categories of staff – (a) TCB field General Services and National Officers (b) non-TCB consultants – should be centralized in the HQ Payroll Office.	FIN has examined the issue in collaboration with TCB. There is a real problem in centralizing the payroll because Payroll Section would have to be augmented with additional resources. However, TCB Field staff is transient, and Payroll Section cannot be staffed with resources that can vary by volume. Neither can centralized cost be charged to the projects as a direct expense. Under the present operating model, the	Closed

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			<p>Project hires dedicated, and temporary, staff for this purpose, the cost of which is absorbed by the project. However, the Payroll Section offers help to TCB in training staff, making computations, and filing pension returns with UNJSPF.</p> <p>Update as of end March 2018: The status remains the same. Unless the Payroll Office is provided with more resources, the services cannot be centralized. As explained earlier, with the current operating model, this is not possible. But with Payroll's assistance in the salary calculations and filing of pension returns, for example, it mitigates the risk.</p> <p>Update as of 31 January 2019: No change in status. The recommendation can be closed as the evaluation has been done.</p>	
<p>Rec. 1 Report on Audit of ASHI</p>	<p><u>We recommend</u> to Management to consider a modulation of the incidence of the cost of the ASHI scheme, following the solidarity principle, according to the level of gross salary/pension earned, given that in the current ASHI scheme, "premium" is not proportional to the size of the salary/pension.</p>	<p>Management will develop a scenario where the retiree's share of the related premiums for medical benefits is proportional to their pension.</p>	<p>The two options had been met with strong opposition from the ICAO Staff Association and retirees' representatives (CAFICS and FAFICS) as they impacted the apportionment of health insurance premiums between the Organization and participants. Staff and retirees representatives considered that as a benefit attached to their employment at ICAO and had an expectation that that would remain unchanged in the future. This position was presented to the Council at its 208th session who noted it.</p> <p>A Working Group has been established by the United Nations to review ASHI with respect to the UN common system organisations and to make recommendations to the UN GA. While considering the recommendation, ICAO being a part of the UN common system will be guided by the recommendations and decisions of the UNGA on this matter. The ASHI Working Group is</p>	<p>Ongoing. Council decision 208-11 did not endorse the Secretariat position, simply noted it. We will continue monitoring actions taken by ICAO with regard to the funding strategy, also in relation to the recommendation issued in this report</p>

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			<p>expected to present its report to the UNGA in due course. (Management considers this recommendation as closed).</p> <p>Update as of 31 January 2019: The final report dated December 2018 of the UN Secretary-General on Managing ASHI, which was prepared at the request of the UNGA indicated once again that scenarios with a reduced share of the premiums apportioned to the organizations are not to be explored and to continue to maintain at existing ratios the apportionment of health insurance premiums between the organization and both active and retired staff members covered under United Nations health insurance plans.</p>	
<p>Rec. 2 Report on Audit of ASHI</p>	<p><u>We recommend</u> to Management to consider also a threshold to the ICAO contribution to the ASHI scheme levelled on granting similar benefit of a reference State (for example RAMQ) but limited, in terms of risk, to the country where the pensioner is resident.</p>	<p>Management will consider a proposal where the excess cost of the premium attributable to worldwide coverage compared to national coverage is borne by the retirees. Where no national coverage exists, a premium similar to the one in Head Quarter (Class 2) will be used as reference.</p>	<p>The two options had been met with strong opposition from the ICAO Staff Association and retirees' representatives (CAFICS) an (FAFICS) as they impacted the apportionment of health insurance premiums between the Organization and participants. Staff and retirees representatives considered that as a benefit attached to their employment at ICAO and had an expectation that that would remain unchanged in the future. This position was presented to the Council at its 208th session who noted it. C-DEC 208/11 paragraphs 30-34 refer.</p> <p>The recommendation is subject to the outcome of the ASHI Working Group of the UN Common system organisations and the decision of the UN GA.</p> <p>(Management considers this recommendation as closed)</p>	<p>Ongoing. Council decision 208-11 did not endorse the Secretariat position, simply noted it. We will continue monitoring actions taken by ICAO with regard to the funding strategy, also in relation to the recommendation issued in this report</p>

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			<p>Update as of 31 January 2019: The final report dated December 2018 of the UN Secretary-General on Managing ASHI, as stated above mentioned that scenarios with a reduced share of the premiums apportioned to the organizations, with the objective to transfer the organization's ASHI obligation to active and retired staff members are not to be explored and to continue to maintain at existing ratios the apportionment of health insurance premiums between the organization and both active and retired staff members covered under United Nations health insurance plans. The UN Secretary-General considers that control of the ASHI obligation is better achieved through its funding and other cost containment measures rather than through the transfer of liability implicitly.</p>	
<p>Rec. 3 Report on Audit of ASHI</p>	<p>After having re-modulated the ASHI scheme following the previous recommendations, <u>we recommend</u> that Management study a targeted opt-out incentive, assessing at the same time its cost-benefit against the ASHI "premium" paid by ICAO, evaluating also any possible negative impact on the ASHI scheme, when retirees decide to opt-out.</p>	<p>Once the previous modifications are implemented, Management will study targeted opt-out incentives.</p>	<p>The previous recommendations regarding the reduction in the ASHI benefits had been met with strong opposition from the ICAO staff Association and retirees' representatives (CAFICS) as it impacted the apportionment of health insurance premiums between the Organization and participants. Staff and retirees representatives considered that as a benefit attached to their employment at ICAO and had an expectation that would remain unchanged in the future. This was presented to the Council which endorsed it. The opt-out option as the most impactful option studied by the actuaries was presented by FIN to the Life and Health Insurance Committee which includes members of Staff Association and CAFICS to explain the benefits/drawbacks of the opt-out option in order to initiate discussion and consultation with staff and retirees at large. We also assisted Human Resources (HR) in developing a monkey survey on the opt-out option to survey staff and retirees on the possibility to</p>	<p>Ongoing. Council decision 208-11 did not endorse the Secretariat position, simply noted it. We will continue monitoring actions taken by ICAO with regard to the funding strategy, also in relation to the recommendation issued in this report</p>

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			<p>accept or not this offer. HR is advocating a discussion with Health Committee and other sister UN agencies before this is rolled out.</p> <p>Update as of end March 2018:</p> <p>This matter is currently under discussion with the ICAO Health and Life Insurance Committee (HLIC), with stakeholders' representation. Once the analysis is concluded, a study on the impact will be conducted.</p> <p>Update as of 31 January 2019:</p> <p>A survey on the opt-out option has been conducted by ICAO to assess all staff and retirees' positions regarding the acceptance of this option. The survey was completed and its outcome is to maintain the coverage under the Medical Benefit Plan since the vast majority of ICAO's staff and retirees did not express an interest in pursuing the opt-out option. As a consequence, the opt-out option will not be pursued by the Organization at this juncture.</p>	
Rec. 1/2014	Considering that the backlog in the appeal process at the AJAB raises the consideration as above stated, <u>we recommend</u> Management to start an internal review of the current procedures and resource capacities, in full respect of the Staff rules.	The recommendation is accepted.	Responsibility for this item is shared between ADB and LEB; this ought to be properly reflected in Symbiant. The internal management working group held to date two meetings. It unanimously assessed current capacity constraints as a structural problem and identified the need, in addition to procedural measures, strengthen resource capacities to fortify functions pertaining to the AJAB. The group considered a number of options, including but not limited to, the expansion of the existing membership pool of the AJAB from 6 to 9 persons, more vigorous application of Staff Rule 111.1.9, potentially involving the usage/compliance with pre-set submission forms and early stage determination of receivability, and the possibility of appeals without	Closed

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			<p>hearing on the basis of written submissions only in cases when facts are not in dispute and/or consent of the parties has been obtained. Work on this matter is ongoing.</p> <p>Update as of end February 2017: Responsibility for this item is shared between ADB and LEB. The internal management working group held to date two meetings. It unanimously assessed current capacity constraints as a structural problem and identified the need, in addition to procedural measures, strengthen resource capacities to fortify functions pertaining to the AJAB. The group considered a number of options, including but not limited to, the expansion of the existing membership pool of the AJAB from 6 to 9 persons, more vigorous application of Staff Rule 111.1.9, potentially involving the usage/compliance with pre-set submission forms and early stage determination of receivability, and the possibility of appeals without hearing on the basis of written submissions only in cases when facts are not in dispute and/or consent of the parties has been obtained. A formulation of proposed procedural enhancements and required resource allocations is being prepared and will be submitted to stakeholders for consideration shortly, with a view to an amendment of the Staff Rules.</p> <p>Update as of end March 2018: LEB Draft Revised Staff Rules, AJAB Submission Forms, AJAB Practice Guidance submitted by ADB for approval by SG</p> <p>ADB Based on a detailed analysis of feasible options and taking into account resource capacity, LEB submitted to the Staff Advisory Committee (SAC) on 7 December 2017 recommendations to streamline and expedite the review of AJAB cases. These changes/improvements were endorsed by the SAC,</p>	

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			<p>and subsequently approved by the Secretary General on 17 February 2018. LEB is in the final phases of implementation of approved changes.</p> <p>Update as of 31 January 2019: New Staff Rules in effect as per Staff Notice 5701. Matter is closed.</p>	
Rec. 2/2014	<p>As remedial measures are needed, these drivers might be considered by the Council: whereas the first driver is totally not within the Management's remit, <u>we recommend</u> Management, as part of their competence, to address the other drivers with the Council.</p>	<p>Accepted. FIN will be presenting options for funding ASHI liability at the 205th Session of the Council.</p>	<p>FIN will be presenting options for funding ASHI liability at the 205th Session of the Council.</p> <p>Update as of end March 2018: FIN presented the following options for funding ASHI liability at the 205th and 207th Session of the Council:</p> <ul style="list-style-type: none"> a) increasing the mandatory age of separation immediately from 62 years to 65 years (cost containment strategy); b) implementation of a monthly payroll charge of 2 per cent on the gross salary of all active staff (funding strategy); c) offering incentives to retirees to opt out of the ASHI plan and take up nationally-sponsored healthcare options instead by providing annual annuities of either CAD 2 000 or CAD 2 500, indexed to the Canadian Consumer Price Index (CPI), in addition to reimbursement of the premium for the nationally-sponsored healthcare options (cost containment strategy); <p>The Secretariat continues to follow actively the developments at the level of the UN through the ASHI Working Group in finding a common solution to this common issue within the UN system. (Management considers this recommendation as closed)</p> <p>Update as of 31 January 2019: The ICAO's Secretariat continue to follow up on the</p>	Ongoing

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			developments at the level of the UN through the ASHI Working Group in finding a common solution to this common issue within the UN system. The final report of the UN Secretary General on this issue considers that control of the ASHI obligation is better achieved through its funding and other cost containment measures such as UN system negotiations with third party administrator, etc. rather than through the ASHI premium apportionment.	
Rec. 5/2014	We <u>recommend</u> to start an internal comprehensive review process to identify: a) which differences can be regarded as justified in relation to a substantial disparity in needs and circumstances and, b) which differences require further harmonization, including through a change in the legal framework	Accepted. An internal review with subject area experts to review the provisions in the Staff Rules and the Field Service Staff Rules respectively could be conducted. The task would be to make recommendations in respect to the harmonization of the approach where possible and highlight the needs for different treatment where justified.	Work on the harmonization of TCB Field Staff Rules and ICAO Secretariat Staff Rules has been initiated by TCB and ADB and is ongoing. Update as of end February 2017: An internal review with subject area experts to review the provisions in the Staff Rules and the Field Service Staff Rules respectively could be conducted. The task would be to make recommendations in respect to the harmonization of the approach where possible and highlight the needs for different treatment where justified. Due to exigency of work and shortage of HR in TCB a consultant will be hired within the first quarter of 2017 to conduct the reviews and make recommendations for adoption. Target conclusion date is 31 July 2017. Essential to advance in this process is the participation of HR from ADB, so the tentative date for completion (July 2017) is subject to HR availability to participate as counterpart. Update as of end March 2018: Comparative analysis of the TCB Field Service Staff Rules and ICAO Secretariat Staff Rules has been completed. The proposed revisions to FSSRs will be sent to ADB/HR for review during week of 3 April. TCB and ADB-HR will then meet during week of 9 April to jointly discuss areas which have been harmonized, and areas where differences may still be required, prior to	Closed

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			<p>submission to LEB. Following clearance by LEB, the revised FSSRs, harmonized to the extent possible with ICAO Secretariat Staff Rules, will be forwarded to the Secretary General for approval. It is estimated that the revised/updated/harmonized FSSRs will be approved by end June 2018.</p> <p>Update as of 31 January 2019:</p> <p>Process completed and Presented to the SG through ADB & LEB on 29 August 2018.</p>	

ANNEX 2 – Follow-up to the suggestions issued in our previous reports

N.	Suggestion raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
Sugg. 1/2017	<u>We</u> therefore <u>suggest</u> (i) to remind the use of the standard reporting, and (ii) to enhance the current framework of guidelines regarding the utilisation of petty cash, distributing them to all responsible people in the field.	The suggestion is accepted. We are already in the process of updating our imprest and petty cash guidelines which will be released to all custodians in 2018 including a reminder to use the existing template for reporting.	Update as of 31 January 2019: The revised template for standardized reporting for the use of local imprest accounts and petty cash has been implemented since September 2018 to all TC projects. The updated guidelines are in process and will be released in the spring of 2019.	Closed
Sugg. 2/2017	<i>Increasing accuracy in reporting cash-in-hand</i> In this regard, <u>we suggest</u> that Management increase its efforts, in order to have a more accurate reporting of cash-in-hand.	The suggestion is accepted. The applicable projects have already been notified to update the account numbers on their petty cash reports. In addition, we have already undertaken steps to update the titles of certain accounts in Agresso and moving forward, we will ensure that the account titles are amended as required.	Update as of 31 January 2019: Agresso was updated, effective September 2018, to reflect the correct project title.	Closed
Sugg. 3/2017	Having found that, in case of a DPO, bidders can send their offers for an extended period (6 months) <u>we suggest</u> that DPO Guidelines should be amended in order that a deadline for the receiving of the offers should be included in the RFP.	The suggestion is accepted. DPO Guidelines will be amended to include a deadline to upload the offers information in the RFP.	Update as of 31 January 2019: This suggestion was taken into consideration and the guidelines were revised.	Closed
Sugg. 4/2017	<u>We suggest</u> a review of the actual adequacy of Staff resources in the operating units more affected by overtime work and to also establish whether the current overtime cap needs to be adjusted.	Due consideration will be given to the suggestion having regard to the best interest of the Organisation.	Update as of 31 January 2019: ADB/POD is reviewing the patterns on overtime with a view to proposing a revision to the current staff rule and related procedures. As this will entail an in-depth study to determine patterns and the need to potential introduce new working arrangements such as shift work, and not only adjustments to the current conditions on overtime, it is requested that the deadline for this work be extended from 31 March 2019 to 30 June 2019.	Ongoing

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<p>Sugg. 1 audit report on external parties agreements</p>	<p>Considering that, at the time of our audit, CCEP was monitoring the efficiency of its activity through detailed statistics, <u>we suggest</u> Management to consider, in the development of its Partnership framework and procedures, the cost-benefit to include statistics on efficiency at level of Initiators (as defined in point 1.1.c of the AI). For instance, it would be important to understand <i>how many</i> working days secretariat staff are needed to prepare MoUs and similar Arrangements and if they have been efficiently coordinated by the Initiator. Further, it might be important to highlight that, having these statistics, would provide a means to assess effectiveness of the process: reliable statistical data might provide to CCEP and Secretariat, possibly jointly, the chance to undertake corrective actions, also on how to efficiently and effectively divide the workload amongst them.</p>	<p><i>Suggestion <u>not accepted</u> with the following comments.</i></p> <p>The time required to prepare and finalize memoranda of understanding varies with the complexity of each individual case, and whether terms and conditions were easily agreed with the counterparty, etc. This could be anywhere from two days to two weeks. However, once basic terms and conditions are agreed upon, normally internal mechanisms (e.g. inter-Bureau coordination including LEB review) prior to reaching CCEP would take about one week.</p> <p>Relevant offices are always coordinated per paragraph 4.2 a) of the Policy, and the time and resources involved are no different than with other matters that require inter-Bureau coordination.</p> <p>In light of the above, and to facilitate conclusion of agreements, the Secretariat has developed template agreements for various categories of partnerships. The use of such templates expedites the process with the external counterparty, and in certain conditions are exempted from the CCEP review process.</p>	<p>Update as of 31 January 2019:</p> <p>This suggestion is not accepted.</p>	<p>Ongoing</p>
<p>Sugg. 1 special report on cyber security</p>	<p>Considering the core business of the organization, <u>we suggest</u> that Management consider the Framework for Improving Critical Infrastructure Cybersecurity released by NIST. It is worthwhile mentioning that this document is still in draft, however, in our opinion, it has important insights about the mentioned themes.</p>	<p>Suggestion accepted, will be considered.</p>	<p>Update as of 31 January 2019:</p> <p>Q4/2020 (ISMS phase I, org and operational security)</p> <p>See Rec. 5 special report on cyber security. While the ISMS (based on ISO 27001:2013) is part of the organizational security, we use NIST CSF as the standard for the operational security. The combined organizational and operational security use a capability maturity level model and recurrent assessments to acquire maturity (see ICAO InfoSec strategy 2019 presentation to FSMG and milestones).</p>	<p>Ongoing</p>

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Sugg. 2/2016	Following also what stated in our recommendation n.6 above, <u>we suggest</u> i) that asset management related to disposal might be further enhanced in particular through an assessment if an asset could be used further beyond the "estimated" life cycle when the depreciation ends and ii) to consider, subject to a cost/benefit evaluation, the possibility of exchanging assets between Departments and Regional offices, before deciding to buy a new item.	Suggestion partially accepted. As per policy, the life cycle is still the main indicator of asset value and eligibility to be written off. However in practice, items that are still serviceable are utilized until they are unserviceable. A cost/benefit evaluation has been performed and has determined that transfer of items between the eight RO's and HQ would not be cost effective to the organisation as a result of costs, regional needs, data safety issues and transportation requirements.	The asset life extension project is now being reviewed by PCU and ICT so as to better judge feasibility, practicality and cost effectiveness of this policy change. Update as of 31 January 2019: As with the extended life cycle of Non ICT equipment at ICAO HQ for 2018, a pilot project In cooperation with ETS for IT equipment will be implemented in 2019 as per Audit recommendation in March 2018. As with the extended life cycle of Non ICT equipment at ICAO HQ for 2018, a pilot project in cooperation with ETS for IT equipment will be implemented in 2019 as per audit recommendation in March 2018.	Ongoing
Sugg. 3/2016	Overall, <u>we suggest</u> that, as soon as the procurement procedure is concluded, all the potential eligible vendors participating in the procurement procedure should be informed of the outcome of the procedure.	Agreed. Actual procedures in TCB consider that all Tenders awarded were and are currently published on the ICAO Procurement Portal indicating to who and the amount awarded.	Nothing to add Update as of 31 January 2019: Nothing to add. All Bidders are advised.	Closed
Sugg. 5/2016	<u>We</u> therefore <u>suggest</u> that ICAO should explore the possibility and the cost-benefit of having different technical consultants for the different stages of the procurement process.	Noted. ICAO will study the possibility on a case by case basis.	On-going Update as of 31 January 2019: Nothing to add.	Ongoing

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Sugg. 6/2016	Since this extension would require additional resources, which are currently not available at HQ Payroll and cannot be charged to the field projects as a direct expense, we <u>suggest</u> that an agreement be sought with the TCB to finance this service in an alternative manner.	An agreement between TCB and the Regular Budget needs to be sought for additional resources in the Payroll Office and in Treasury in order to deliver the service to all field staff. However, TCB should develop a methodology that would pass on the cost of the additional recourse fairly to all TC projects. Any solution whereby the cost is absorbed by the AOSC Fund would be unacceptable. We are also concerned that the solution is not scalable because the cost of the additional resources would be fixed in the short-term. However, the UNDP solution presents a scalable option.	No agreement has been sought to-date as status quo has been maintained. Update as of 31 January 2019: No change in status. Unless TCB offers to fund this service, FIN cannot deliver.	Ongoing
Sugg. 7/2016	In light of the unrestricted flexibility in the usage of savings, albeit within the limit of 10 percent of the budget, we <u>suggest</u> that the Secretary General should consider the possibility of systematically informing the Council about the amount of savings that are reallocated to old activities and those that are for new priorities.	Starting from the 2017 year-end, Council working papers on the carry-over of appropriations, regardless on whether the 10% limitation has been exceeded or not, the Secretariat will provide the total amounts to be carried-over for the following; a) outstanding commitments; b) deferred activities within the same triennium; c) deferred activities for the following triennium; and d) mission-critical and/or mandatory in nature.	This suggestion will be implemented starting from the Council working paper on the carryover of the 2017 savings. Update as of 31 January 2019: The Secretariat has started implementing the suggestion since 2017 by providing, in the Council working paper, the total amounts to be carried over for outstanding commitments, deferred activities within the same triennium, deferred activities for the following triennium and mission-critical and/or mandatory in nature (Ref. C-WP/14749).	Closed

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Sugg. 8/2016	With a view to simplification, <u>we suggest</u> , for the next triennium, assessing the cost-benefit of attributing all the expenses and revenues directly to the regular programme, instead of maintaining the ARGF as a separate instrument for managing revenue-generating activities and contributing to the regular budget.	This is a wider policy decision that needs to be taken by the Council and the Assembly. Putting market-dependent activities within the strict confines of the Regular Budget which is fixed by assembly resolution to a pre-determined number has serious limitations. We will examine the pros and cons of this proposal.	<p>Update as of 31 January 2019: The ARGF will continue to be a separate instrument in 2017-2018-2019 triennium (and the next) as it was since 2008.</p> <p>Based on the A39 resolution, the ARGF budget is based on mandatory contributions. Considering that the nature of ARGF budget planning is different, it is not recommended to consider ICAO's special funds including TCB and ARGF as part of regular programme budget.</p>	Ongoing
Sugg. 1 audit report on recruitment	We observed that the UN competency framework does not provide specific metrics on how to assess “positive” and “negative” indicators for each competency. At ICAO, HR Management has put in place a definition mechanism for competencies and technical knowledge in order to facilitate the assessment process. Furthermore, definitions of competencies have been standardized for specific positions like Regional Directors, Deputy Regional Directors or different groups of similar positions (e.g. aviation safety, aviation security, technical assistance, translators, etc.). However, in order to increase efficiency of the recruitment process, <u>we suggest</u> this practice might be expanded to include all technical positions and better standardized and codified.	The UN competency framework is currently under review. Any modifications that will be introduced by UNHQ, including any applicable metrics, will be considered by ICAO.	<p>Update as of March 2018: The United Nations Secretariat has not introduced a new competency framework yet. As part of our policy review, we will consider any new changes when they are introduced by the UN.</p> <p>Update as of 31 January 2019: The UN Competency Framework has not been changed. So this item should be considered closed, with a note stating that any changes introduced by the UN to the competency framework will be considered by ICAO.</p>	Closed

N.	Suggestion raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
Sugg. 2 audit report on recruitment	<p>We suggest that HR Management explore the possibility (cost-benefit) of being assisted by external independent experts either for defining specific eligibility criteria for technical positions, prior to the issuing of the vacancy note either for determining in advance specific evaluation grid for assessing candidates, and also, if necessary, to select the most appropriate candidate for a technical post.</p>	<p>ICAO takes note of the suggestion and will explore the cost-benefit of using independent external experts whenever necessary and feasible. The practical approach would be to increase the use of standard/generic job descriptions which will be developed using internal expertise and/or external independent experts if so required. This is consistent with the practices of other UN system organizations, and will enable the Organization to establish evaluation criteria for positions in advance, and reduce subjectivity by the hiring Bureau/Office.</p>	<p>Update as of March 2018:</p> <p>ICAO hired an experienced job classification expert at the end of 2017, in order to develop standard job descriptions for technical posts both at Headquarters and in the Regional Offices. We plan to have standard job descriptions for 90% of technical post in the Regional Offices and at HQ, by the end of 2018.</p> <p>Update as of 31 January 2019:</p> <p>This item has been delayed due to the fact that the only classification officer at ICAO has been out on sick leave for an extended period of time. The staff member has resumed work recently on a part-time basis; so it is expected that this item can be implemented by end of 2019.</p>	Ongoing
Sugg. 3 audit report on recruitment	<p>Further to the Decision of the Council where “a maximum time frame of 12 months for the completion of the recruitment process for all posts, from the date of the issuance of the vacancy notice to the appointment decision” should be respected, <u>we suggest</u> to HR Management, in order to understand the efficiency and effectiveness of the process, to monitor all the time, since the request of a post issued by a Unit, and, in this way, every office will be accountable for the timing needed for the recruitment process.</p>	<p>The standard practice in the UN is to monitor recruitment timeliness from the date of vacancy advertisement until the date of selection decision. Nevertheless, ICAO HR already captures and monitors most of the steps of the recruitment process, starting from the date of receipt of the request from the hiring unit to the date of advertisement of the post. ICAO is currently implementing an accountability framework for recruitment timelines, detailing role/responsibilities of all parties, as well as a new IT tool to further enhance the management and monitoring of recruitment timelines. When fully implemented, these initiatives will provide the Organization with an opportunity to strengthen the monitoring and management of recruitment timelines from the initial request of the hiring unit to the appointment decision.</p>	<p>Update as of March 2018:</p> <p>An accountability framework for recruitment timelines, detailing roles/responsibilities of all parties, has been developed (attached). A new IT tool to manage recruitment processes is still under development. The new revised timeline for IT is end of 2018.</p> <p>Update as of 31 January 2019:</p> <p>The guidelines on recruitment timelines, detailing roles/responsibilities of all parties, were developed in 2018. These guidelines will be revised as part of the new administrative instructions on recruitment to be finalized in the 1st half of 2019.</p> <p>On the IT recruitment tool, a cost-benefit analysis is currently being prepared by ADB/IAS for approval by the SG, with implementation by December 2020.</p>	Ongoing

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Sugg. 4 audit report on recruitment	<u>We suggest</u> to Management, once a monitoring system (according to the above mentioned "suggestion") would have been prepared, to eventually assess the cost benefit of initiating a benchmarking exercise with other UN or similar Organizations that might give indication on effectiveness and efficiency of the recruitment process. In this way, through a detailed monitoring, and the related benchmarking, it would be also easy to determine robust KPIs to be adhered with.	ICAO currently uses as a reference the benchmarking study conducted by the UN Joint Inspection Unit in 2012 (JIU/REP/2012/4 refers). Since it is too costly for a single organization to conduct such an exercise on its own, ICAO will continue to work with other UN system organizations through the Chief Executives Board for Coordination (CEB) and its subsidiary bodies to further consider this issue.	Update as of March 2018: This matter will be addressed through the UN system organizations Chief Executives Board for Coordination (UN/CEB) and the UN Joint Inspection Unit (UN/JIU). Update as of 31 January 2019: This item should be closed. It is not dependent on ICAO management, but entirely under the authority of the UN system organizations Chief Executives Board for Coordination (UN/CEB) and the UN Joint Inspection Unit (UN/JIU).	Closed
Sugg. 1 Report on Audit of ROs KPIs	When the framework is enhanced through the implementation of our recommendations above, <u>we</u> then <u>suggest</u> to Management to timely evaluate if the performance of the HQ and ROs can be assessed and to consequently measure if objectives have been effectively achieved.	Agree. Performance evaluation and measurement will take place for all Bureaus and ROs of the Organization.	Update as of 31 January 2019: The Regional Offices report on the status of their KPIs/targets are now included in their annual operating plans every winter session of the Council. Regional dashboards have also been developed at the CKPI level.	Closed

N.	Suggestion raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
Sugg. 1/2014	In order to increase the accuracy of items recorded as inventory in the Financial Statements, we suggest that in the next inventory verification exercise, attention be accorded to fair value of items, in particular to those inventory items that should be written-off.	Accepted	<p>Update as of end March 2018:</p> <p>Inventory has been consistently reported over the past 5 years and reflects the price charged to Bureaus.</p> <p>The EAO audit found no inventory anomalies in the 2015 audit. No changes are expected and this item is considered closed.</p> <p>Management considers this suggestion to be closed.</p> <p>Update as of 31 January 2019:</p> <p>From 2015 to 2017, the inventory value reported decreased by 49% as more attention is being paid to Publication documents that can be printed on a "Print on Demand" (POD) basis. Additionally, inventory write-offs were made in 2018 for slow moving Commissariat products and for publication documents damaged due to flooding in the ICAO print shop.</p> <p>Management considers this suggestion to be closed.</p>	Closed
Sugg. 5/2014	Considering the importance of preserving the data on staff, we suggest Management in HRB to complete within a reasonable time the digitalization of all the hard copy files.	Accepted. The possibility to digitize additional personnel data, taking into account organizational priorities for the preservation of information, should be considered based on available resources.	<p>Update as of end March 2018:</p> <p>Digitization of medical records of staff is ongoing, and further assessment will be undertaken on digitizing staff files, bearing in mind financial, IT and staff resources.</p> <p>Update as of 31 January 2019:</p> <p>ICAO has engaged a consultant to assist in the organising of the medical files for easy digitisation. This is an ongoing activity.</p>	Ongoing