Doc 9875

FINANCIAL STATEMENTS

AND

REPORT OF THE EXTERNAL AUDITOR

FOR THE FINANCIAL PERIOD ENDING 31 DECEMBER 2005

DOCUMENTATION
for the 36th Session of the Assembly in 2007

INTERNATIONAL CIVIL AVIATION ORGANIZATION

FINANCIAL STATEMENTS AND

REPORT OF THE EXTERNAL AUDITOR

FOR THE YEAR ENDED 31 DECEMBER 2005

INTERNATIONAL CIVIL AVIATION ORGANIZATION

FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2005

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INTERNATIONAL CIVIL AVIATION ORGANIZATION

PART I: REPORT OF THE SECRETARY GENERAL, CERTIFICATION, APPROBATION AND SUBMISSION OF THE FINANCIAL STATEMENTS FOR THE YEAR 2005

1. The financial statements of the International Civil Aviation Organization for the year ended 31 December 2005 reflect the results of operations of ICAO and the financial performance of projects and activities managed by ICAO on behalf of third parties. The format and presentation of this report and the accompanying financial statements have changed significantly as compared to previous years. The Funds reported in the financial statements have been grouped differently to distinguish between those used for ICAO's operational activities and those that are administered on behalf of third parties. Some information that was previously presented in the accompanying working paper to the Assembly and in Schedules to the financial statements are presented in Annexes in Part IV. Significant changes are planned in the future as the United Nations organizations move towards the adoption of the International Public Sector Accounting Standards (IPSAS).

2. The magnitude of ICAO's financial operations, in terms of expenditures incurred, is indicated below against each Fund or group of Funds, and a summary is provided in Figure 1. Summary information relating to income, expenditures, assets and liabilities on the main ICAO Funds and the combined total of all Funds are shown in Statements I and II. Statement IV presents appropriations and expenditure by major programmes for the Regular Programme General Fund. Statements III and V reflect the movement in cash flow and surplus for all Fund groups. The report also provides highlights of ICAO's financial activities in 2005. All amounts in this report, the financial statements and Notes to the financial statements, are reported in thousands of United States dollars unless otherwise specified.

	Total Expenditure excluding administrative overhead (in thousands of United States dollars)	
	2005	2004
The expenditure relating to ICAO Funds comprises:		
1) Regular Programme Funds appropriated by the Assembly or by the Council;	60 458	60 444
2) Other Proprietary Funds, including Aviation Security Plan of Action, Special Accounts for revenue-generating and cost recovery activities, and other Funds/Special Accounts;	14 118	12 273
3) The Technical Cooperation Programme comprises:		
a) Trust Funds and Management Service Agreements Funds provided by various contributors for technical co-operation projects executed by ICAO;	63 565	53 355
b) Civil Aviation Purchasing Service Funds provided by various contributors for civil aviation purchases on their behalf;	7 141	15 513
c) United Nations Development Programme Funds, mainly contributed by governments to UNDP under cost-sharing arrangements; and	5 181	9 739
d) ICAO Objectives Implementation Mechanism; and	140	112
4) ICAO maintains funds for the activities managed or administered on behalf of third parties, including Joint Financing Agreements, Preparatory Commission of the International Registry, the International Financial Facility for Aviation Security Fund and the Public Key Directory.	35 064 *	33 504
Total	185 667	184 940

* Excludes grants from IFFAS given to Trust Funds and Management Service Agreements

3. A comparison of overall expenditures, in millions of United States dollars, for all ICAO activities during the last two years is provided in the figures below.

FIGURE 1: TOTAL EXPENDITURES - ALL FUND GROUPS

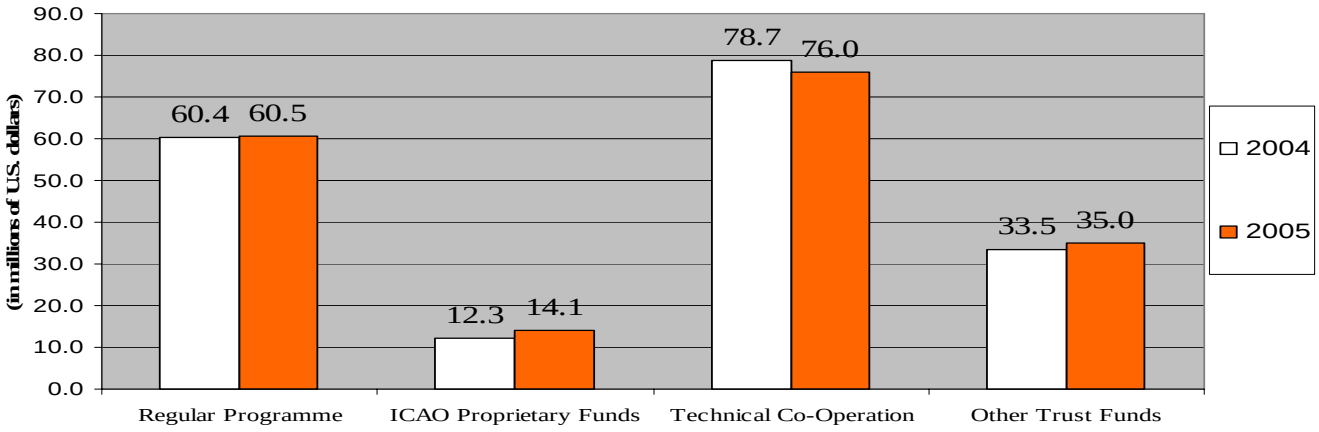


FIGURE 2: TECHNICAL CO-OPERATION PROGRAMME FUNDS

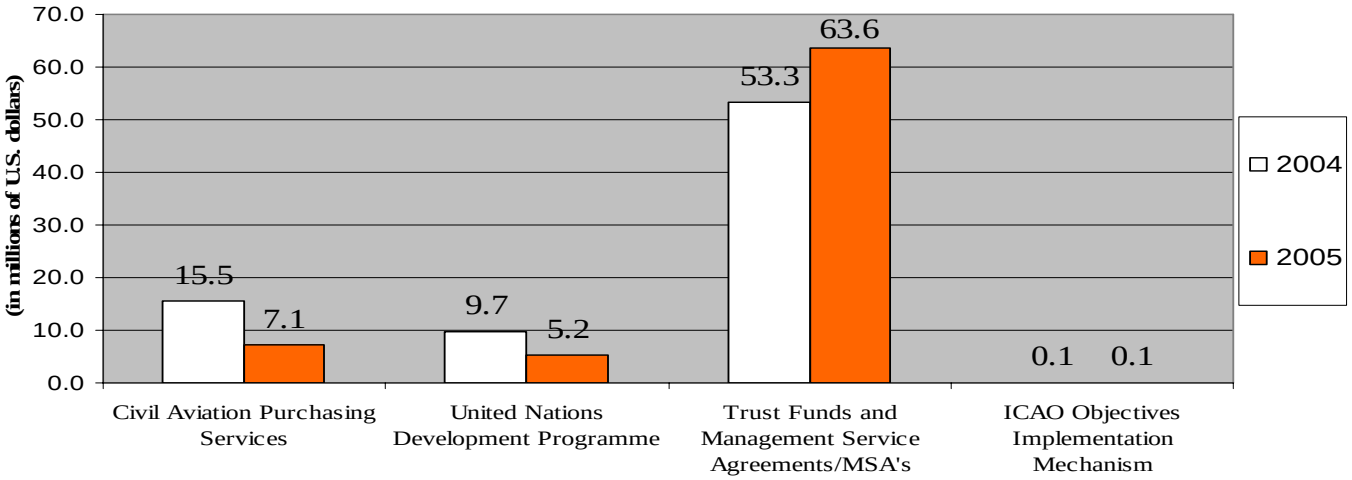
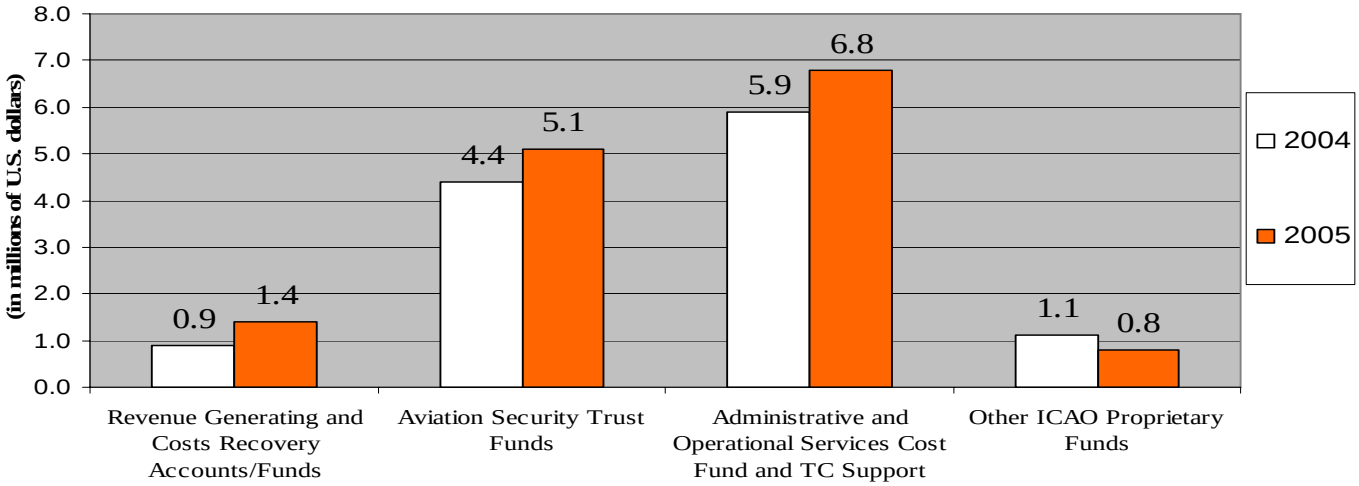


FIGURE 3: SUMMARY OF ICAO PROPRIETARY FUNDS



4. REGULAR PROGRAMME

4.1 Appropriations

4.1.1 The 35th Session of the Assembly in 2004, under Clause C of Resolution A35-22, voted appropriations in the amount of $ 64 669 for the year 2005. Details of appropriations, transfers, actual expenditure and unobligated balances of appropriations by Major Programme are given in Statement IV on page III-4. Actual expenditure is stated at the forward exchange rate of the forward contracts entered into for Canadian dollars and EUROs and at the United Nations operational rate of exchange for transactions in other currencies. The budgetary result for 2005, in thousands of dollars, is summarized as follows:

Original appropriations	$ 64 669
Carried over from 2004	1 978
Increase in appropriations	460
Carried over to 2006	(6 400)
Revised appropriations	60 707
Total expenditure	60 458
Unobligated balance of appropriations	$ 249

4.1.2 Pursuant to Financial Regulation 5.11, the Council approved the carry-over of unobligated appropriations amounting to $ 1 978 from financial year 2004 to financial year 2005 (C-DEC 173/9).

4.1.3 During the year, the Council approved additional appropriations of $1 460 under Financial Regulation 5.2 c) by the use of 2004 excess miscellaneous income, representing excess of actual 2004 income over estimated 2004 income approved by the Assembly (C-DEC 176/14). Of this amount approved, $ 460 relates to the 2005 financial year, for various projects under Major Programme II: Air Navigation and Major Programme III: Air Transport. The balance of $1 000 will be used in 2006 and 2007, for Major Programme III: Air Transport, to facilitate the integration of the Universal Security Audit Programme (USAP) into the Regular Programme, at the rate of $ 500 per year.

4.1.4 During the year, pursuant to Financial Regulation 5.10, the Secretary General approved the transfer of appropriations totalling $ 260 from Major Programmes: Air Transport, Administrative Support, and Finance, External Relations/Public Information and Programmes Evaluation, Audit and Management Review to the following Major Programmes: Legal - $ 60, and Air Navigation - $ 200.

4.1.5 Pursuant to Financial Regulation 5.6, the Council approved a carry-over of the appropriation totalling $ 6 400 from 2005 to 2006 with regards to deferred programme elements/activities (C-DEC 176/14). The transfer of $ 1 130 for the Major Programme Universal Safety Oversight Audit Programme was a result of the transfer of unobligated balances from 2004 due to the introduction of a comprehensive systems approach for the conduct of safety oversight audits. A large part of the transfers in respect of the other Programmes related to renovation of Regional Office buildings, which could not be implemented during the year. Similarly, funds provided for certain meetings that have been deferred to a future date had to be carried over. In addition, as 2005 was the first year of the triennial cycle, some expenditures such as those related to the acquisition of hardware, software and equipment were deferred as part of the overall effort to contain costs in order to finance likely cost increases in the budget for the work programme of 2006. An amount of $ 419 of the appropriations carried over relate to the Excess of Miscellaneous Income projects approved in 2005 (C-DEC 176/14) which are on-going.

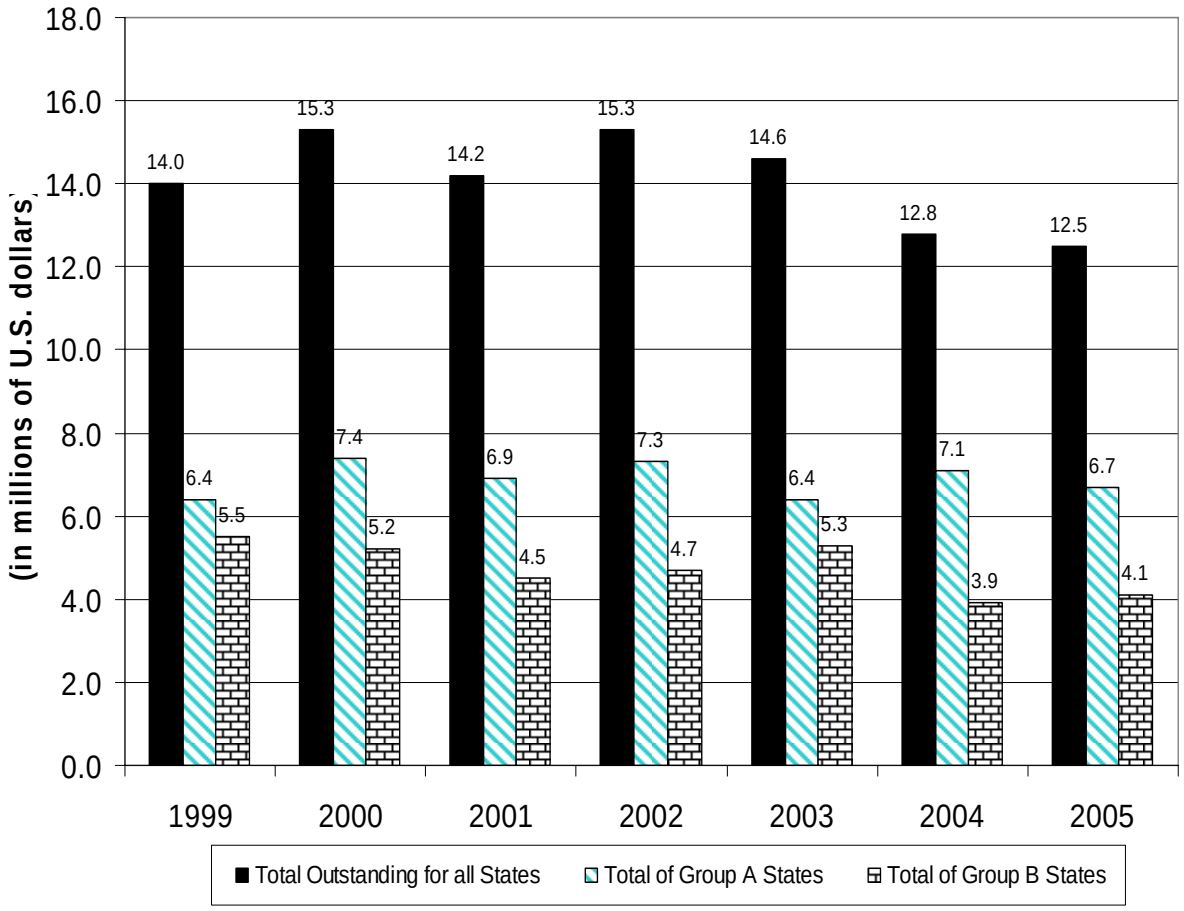
4.1.6 As a result of the increases and transfers outlined above, the final approved appropriation for the year amounted to $ 60 707.

4.2 **Income**

4.2.1 The appropriations for the year 2005 approved by the 35th Session of the Assembly were to be financed by assessments on Contracting States of $ 58 507, miscellaneous income of $ 5 162 and by a transfer from the Incentive Scheme for Long-Outstanding Arrears Account of $1 000 for a total of $ 64 669.

4.2.2 **Assessments.** During the year 2005 assessments totalling $ 56 847 were received and a balance of $ 1 669 remained outstanding at the year end against the current year's assessments. At the beginning of the year, $ 12 790 was receivable from States in respect of 2004 and prior years; payment of $ 1 929 was received, leaving a balance outstanding of $ 10 861. The assessments receivable for all years totalled $ 12 530 as at 31 December 2005. Details are provided in Schedule A. The percentage of receipts of contributions for the last four years in relation to the amount assessed was in excess of 95 per cent. Figure 4 shows the status of the assessed contributions receivable at the end of each year since 1999.

FIGURE 4
ASSESSMENTS RECEIVABLE FROM CONTRACTING STATES
AS AT 31 DECEMBER



4.2.3 Of the total outstanding contributions of $ 12 530 as at 31 December 2005, $ 45 pertained to States represented on the Council.

	Number of States 2005	Amount outstanding as at 31 December 2005	Number of States 2004	Amount outstanding as at 31 December 2004
Group A: States that have concluded agreements with the Council to liquidate their arrears over a period of years	34	$ 6 719	37	$ 7 071
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	8	$ 4 104	8	$ 3 919
Group C: States with contributions in arrears for less than three full years	10	$ 616	8	$ 414
Group D: States with contributions outstanding only for the year 2005	20	$ 580	22	$ 875
Sub-total	72	$ 12 019	75	$ 12 279
The Former Socialist Federal Republic of Yugoslavia	-	$ 511	-	$ 511
Total Outstanding Contributions	72	$ 12 530	75	$ 12 790

4.2.4 As at 31 December 2005, 34 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 years arrears. The note on Schedule A indicates the States that had not complied with the terms of their agreements at 31 December 2005.

4.2.5 **Miscellaneous income** budgeted for the period amounted to $ 5 162 when compared to actual income of $ 6 306 and comprised the following:

(in thousands of United States Dollars)

	Budget 2005	Actual 2005	Difference
Sales of Publications	3 600	4 494	894
Publications Royalties	375	380	5
Investment Income - Interest	300	335	35
Rental on Premises	569	495	(74)
Journal Advertisements	88	72	(16)
Other Income	230	530	300
Total	5 162	6 306	1 144

4.2.6 Major contributions received for the Regular Programme Fund and the Proprietary Funds for 2005 are summarized as follows:

(in thousands of United States dollars)

Contracting State	Regular Fund		Proprietary Funds			Total
	Assessment Received	Contributions In-Kind (Premises)	AVSEC	Contributions		
				Others	In-Kind	
United States of America	14 627		1 352		95	16 074
Canada	1 439	11 413			33	12 885
Japan	8 525		721		6	9 252
Germany	4 178		360		13	4 551
France	2 996	554	468	143	196	4 357
United Kingdom	3 300		121		71	3 492
Italy	2 106		187	111	13	2 417
Spain	1 217		379		5	1 601
Republic of Korea	1 422			110	4	1 536
Netherlands	1 100				11	1 111
Total	40 910	11 967	3 588	364	447	57 276

4.3 Miscellaneous Income Projects

Financial Regulations 5.2 c) gives authority to the Council to approve appropriations in excess of the budget voted by the Assembly using the excess of actual miscellaneous income over budgeted income. In 2005, the Council (C-DEC 176/14) approved the use of excess miscellaneous income of $ 1 460 from 2004 to finance the following projects:

i) $ 500 for 2006 and $ 500 for 2007, under Major Programme III – Air Transport to facilitate the integration of the Universal Security Audit Programme (USAP) into the Regular Programme; and

ii) $ 400 for Major Programme II – Air Navigation, and $ 60 for Major Programme III – Air Transport for implementing projects in accordance with C-WP/12522.

4.4 Expenditure at Budget Rate Compared to Budget

4.4.1 Annex E reports on the final approved appropriations compared to the expenditure. The expenditure in the Annex E differs from that reported in Statement of Appropriations, Statement IV, to the extent that transactions in Canadian dollars are reported in Annex E at the budget rate of exchange for the Canadian dollars of CAD$ 1.32 to US$ 1.00.

4.5 Meetings Expenditure

4.5.1 The approved budget for meetings in 2005 amounted to $ 809, and the actual expenditure on meetings in 2005, as shown in Annex F, amounted to $ 359.

4.6 **Surplus**

4.6.1 The total cumulative surplus, as at 31 December 2005, as reflected in Statement V, amounted to $ 16 264, as compared to $ 15 773 in 2004. This is comprised of assessments receivable from Contracting States of $ 12 530 and cash surplus of $ 3 734 as at 31 December 2005 ($2 983 as at 31 December 2004). A reduction in the assessments receivable by $ 259 in 2005 as compared to 2004 as presented in Statement III, and budget savings of approximately $ 249 (Statement IV), contributed largely to the increased cash surplus position of 2005.

4.7 **Cash Balances**

4.7.1 The cash balance held in the General Fund as at 31 December 2005 amounted to $ 22 609 (including the balance in the Working Capital Fund) and is reflected in Statement II. The Council did not change the level of the Working Capital Fund during the triennium under the authority granted by the Assembly under Assembly Resolution A35-28.

4.8 **Forward Purchase of Currency**

4.8.1 ICAO's budget appropriations and the assessed contributions of Contracting States to finance the appropriations are approved in United States dollars, but a large proportion of expenditure is either incurred in, or impacted by, Canadian dollars and Euros. The budget and the assessed contributions for the 2005 to 2007 triennium were established at a rate of CAD$ 1.32 to US$ 1.00. In order to minimize risks and insulate the budget against the consequence of potential exchange rate fluctuations, Canadian dollars as well as EUROs, were forward purchased with the approval of the Council.

5. **OTHER ICAO PROPRIETARY FUNDS**

5.1 **Administrative Operational Services Cost Fund (AOSC Fund)**

5.1.1 The AOSC Fund is utilized to meet the costs of administration and operations of the Technical Cooperation Programme (TCP), and is primarily financed from administrative overhead charges on UNDP, CAPS, Trust Fund and MSA projects. The financial results for the AOSC Fund are reported in Annex C and the budgetary comparison is presented in the following table:

FIGURE 5
TABLE OF TECHNICAL CO-OPERATION ADMINISTRATIVE AND OPERATIONAL SERVICES COST OF APPROVED BUDGET, EXPENDITURE AND UNENCUMBERED BALANCE OF APPROVED BUDGET FOR 2005

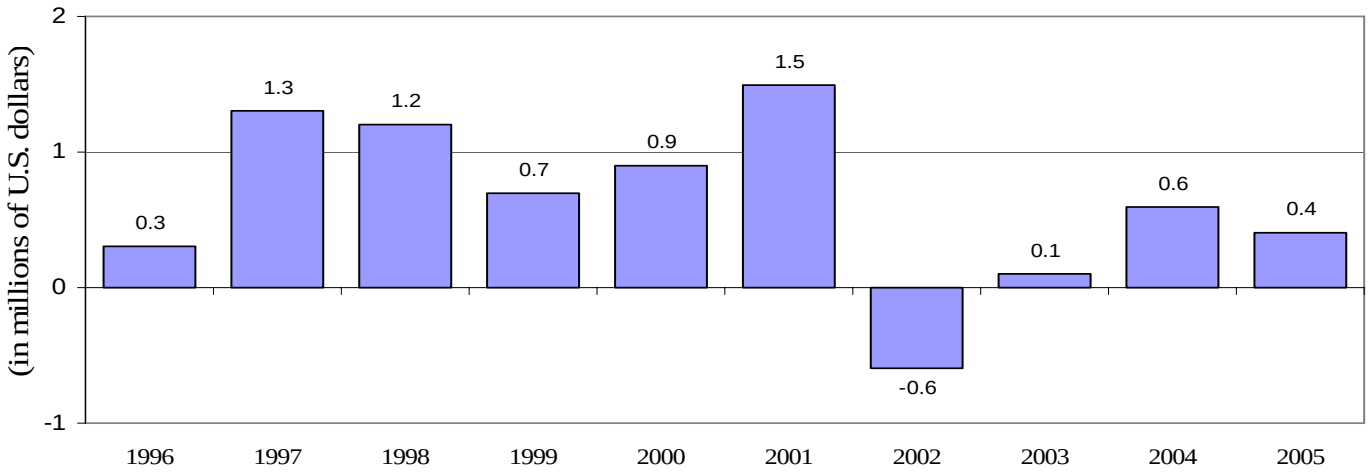
	Approved by the Assembly	Revised Budget 2005[1]	Expenditure/ Income 2005	Unencumbered Balance of Approved Budget
Appropriation/Expenditure Major Programme XI	6 299	7 124	6 747	377
Income	6 075	7 262	7 153	
Excess/(Deficit) of Income over Expenditure	(224)	138	406	

[1] Noted by Council at its 176th Session (C-DEC 176/2).

5.1.2 As indicated in Figure 5, the Assembly approved the Indicative Budget Estimates (expenditure) of the AOSC Fund amounting to $ 6 299 for the financial year 2005 and estimated income for the year of $ 6 075. During the year, pursuant to Financial Regulation 9.5, the Secretary General submitted to the Council an update of the 2005 Budget Estimates (expenditure) for 2005 in C-WP/12510. The revised estimated expenditures for 2005 amounted to $7 124 and the estimated income to $ 7 262.

5.1.3 Total expenditures for the Technical Co-operation Programme (TCP) in 2005 amounted to $ 76 027 compared with $ 78 719 in 2004. There was an increase in the recovery of overhead fees and support costs, which constitute the primary source of income for the AOSC Fund. During 2005 as in 2004, a significant portion of AOSC Fund revenue was earned on equipment implementation for which payments are made directly by governments to suppliers and which are therefore not reflected as expenditure in the Technical Cooperation Programme. The AOSC Fund income for 2005 was $ 7 153 representing an increase of $ 843 (13%) compared with 2004, and, therefore, higher than the indicative income budget presented to the 35th Session of the Assembly by $ 1 078. The actual AOSC Fund expenditure, on the other hand, amounted to $ 6 747, compared to the indicative budget presented to the 35th Session of the Assembly of $ 6 299. This amount includes non-budgeted gains on exchange for operational projects of $ 384. The AOSC Fund fully recovered its costs for the year 2005 and also earned net income of $ 406. Figure 6 reports on the trend in the annual surplus/(deficit) over the last ten years.

FIGURE 6
AOSC FUND SURPLUS AND SHORTFALL AS AT 31 DECEMBER**



** Note that the above amounts do not include the expenditure for improving the efficiency and effectiveness of TCB.

5.1.4 During the 35th Session of the Assembly, the Administrative Commission recommended that the question of sharing of costs between the Regular Programme and the Technical Cooperation Programme be reported to the Council for review. The Council considered this issue during the 175th Session and instructed the Secretary General to progressively allocate the identifiable costs to the AOSC Fund and the Regular Programme, as appropriate, in order to minimize the amount of cross-funding that was occurring between these funds. During 2005, costs of $ 286 relating to Regular Programme support that had in previous years been charged to the AOSC Fund were charged to the Regular Programme, while an amount of $ 332 of Technical Cooperation Programme support costs previously charged to Regular Programme were charged to the AOSC Fund.

5.1.5 It should be noted that $ 2 000 of the AOSC Fund surplus has been reserved for transfer to the ICT Fund to finance part of the cost of modernizing ICAO's financial system, in accordance with Assembly Resolution A35-32.

5.2. **The Aviation Security Plan of Action**

5.2.1 In Resolving Clause 5 of Assembly Resolution A35-10, the Assembly urged the Council to ensure the long term sustainability of the Aviation Security Plan of Action by progressively, and as soon as possible, incorporating the funding requirements within the Regular Programme. During 2005, various proposals and initiatives were presented to the Council by the Secretary General, including integration of a P-5 (ASA, Programme Administrator) post, the re-organization of various units in the Air Transport Bureau, and the creation of a new aviation security coordinated assistance and development programme.

6. TECHNICAL CO-OPERATION PROGRAMME FUNDS (NON-PROPRIETARY FUNDS)

6.1 The Technical Co-Operation Programme Funds are reported in Schedule C.

6.2 The Financial Regulations and Rules of the United Nations Development Programme (UNDP) provide that executing agencies, which are organizations of the United Nations system, transmit to the UNDP Administrator the accounts of funds allocated to them by the UNDP Administrator and the Report of the External Auditor thereon for submission to the UNDP Executive Board. The accounts for 2005 in respect of the UNDP projects executed by ICAO are included in Schedule C.1 of the Financial Statements of the Organization and the Report of the External Auditor accordingly encompasses the UNDP project accounts. These accounts are submitted for approval by the Assembly and subsequent submission to the Administrator of the UNDP.

7. OTHER TRUST FUNDS (NON-PROPRIETARY FUNDS)

7.1 The International Financial Facility for Aviation Safety (IFFAS)

The balance of funds in IFFAS as at 31 December 2005 amounted to $ 2 185, compared to $ 1 842 as at the end of 2004. During 2005, five grants amounting to $ 516 were approved by the Governing Body of IFFAS. A loan of $298 approved in 2005 is pending acceptance.

7.2 The Public Key Directory Fund (PKD)

The Fund was established by the Council in 2005 (C-DEC 174/1). ICAO will be responsible for supervision of the development of a project to support interoperability of electronic-enhanced machine readable passports, which includes the establishment of a public key directory under the aegis of ICAO to manage exchange of electronic keys for decryption of the digital signatures imbedded in the 'e-passports'. During 2005, a supplier was selected as the operator of the PKD, and the Secretariat prepared a proposed schedule of fees and a Memorandum of Understanding for consideration by participating States.

7.3 Joint Financing Agreements

ICAO supervises the operation of air navigation services provided by the Governments of Denmark and Iceland, the costs of which are recovered by user charges and assessments on Contracting governments. In addition, ICAO is responsible for the administration of the funds, related to services, provided by the United Kingdom to monitor vertical separation minimum in the North Atlantic Regions, the costs of which are recovered through user charges. Funds are received from the United Kingdom and distributed by ICAO for the North Atlantic Height Monitoring System Fund and for the Administrative Fee for Joint Financing Fund whereas for the Danish Joint Financing Agreement and the Icelandic Joint Financing Agreement the funds are received directly to parties involved. In 2005 revenues ceased to be reported on cash basis and are now reflected on an accrual basis and include a restatement of 2004 figures. In the 2005 financial statements, the revenue reported includes the balance of user charges receivable with respect to the Danish Joint Financing Agreement of $ 1 270 ($ 1 036 for 2004) and for the North Atlantic Height Monitoring System Fund equivalent to $ 78 ($ 86 for 2004).

8. CERTIFICATION, APPROBATION AND SUBMISSION OF THE FINANCIAL STATEMENTS FOR THE YEAR 2005:

The Secretary General is required by the Financial Regulations to maintain such accounting records as are necessary and to submit financial statements showing the income and expenditure of all the International Civil Aviation Organization Funds during the financial year and their respective financial positions at the end of the year, as well as the status of appropriations (Regular Programme General Fund) and credits not budgeted for by the Assembly. He is also required to give such other information as may be appropriate to indicate the current financial position of the Organization.

Management is responsible for the preparation and integrity of the financial statements in this report. These statements have been prepared in accordance with United Nations System Accounting Standards (UNSAS), and necessarily include certain amounts that are based on management's best estimate and judgement. Financial information contained throughout the report is consistent with that in the financial statements. Management considers that the financial statements present fairly the financial position of the Organization, the results of its operations and its cash flows and the information disclosed in this report is presented in accordance with the provisions of the ICAO Financial Regulations.

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

The financial statements included in this annual report are certified.

Richard J. Barr
Chief, Finance Branch

As the Secretary General of the International Civil Aviation Organization, I hereby approve and submit the financial report of ICAO, accompanied by the Financial Statements, the Schedules and the Annexes for the year 2005.

Taïeb Chérif
Secretary General

Montreal, Canada
12 May 2006

PART II: OPINION OF THE EXTERNAL AUDITOR

AUDITOR'S REPORT

To the Assembly of the
International Civil Aviation Organization

I have audited the statement of assets, liabilities and fund balances of the International Civil Aviation Organization (ICAO) as at 31 December 2005, and the statements of income and expenditure and changes in fund balances, cash flow, cumulative surplus and appropriations for the Regular Programme General Fund and supporting schedules for the year then ended. These financial statements are the responsibility of the Secretary General. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with the Common Auditing Standards of the Panel of External Auditors of the United Nations, specialized agencies and the International Atomic Energy Agency and conforming with International Standards on Auditing. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Secretary General, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for the audit opinion.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the International Civil Aviation Organization as at 31 December 2005 and the results of its operations and changes in fund balances, cash flow, cumulative surplus and appropriations for the Regular Programme General Fund for the year then ended in accordance with the United Nations System Accounting Standards. As required by the Financial Regulations, I report that, in my opinion, these principles have been applied, after giving retroactive effect to the change in the method of accounting for user charges as explained in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the International Civil Aviation Organization that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the International Civil Aviation Organization's Financial Regulations and legislative authority.

In accordance with Article XIII of the Financial Regulations, I have also issued a long-form report on my audit of the International Civil Aviation Organization.

Sheila Fraser

Sheila Fraser, FCA
Auditor General of Canada
External Auditor

Montreal, Canada
12 May 2006

PART III: FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT OF INCOME AND EXPENDITURE AND CHANGES IN FUND BALANCES
FOR THE PERIOD ENDING 31 DECEMBER 2005

(expressed in thousands of United States dollars)

	Regular Programme General Fund and Working Capital Fund		Other ICAO Proprietary Funds (Refer Schedule B)		Sub-total ICAO Funds		Technical Co-operation Programme Funds (Refer Schedule C)		Other Trust Funds (Refer Schedules D and E)		Eliminations		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004*	2005	2004	2005	2004*
INCOME														
Assessed Contributions (Schedules A and D)	58 516	50 530			58 516	50 530			489	387			59 005	50 917
Contributions			3 713	3 381	3 713	3 381	88 536	85 029	1 579	479			93 828	88 889
Earmarked Contributions			1 105	1 206	1 105	1 206	516		128	106	(516)		1 233	1 312
Other Income														
Sales of publications	4 494	4 143			4 494	4 143							4 494	4 143
Funds received under inter-organization arrangements							13 433	14 646					13 433	14 646
Administrative fee revenue/user charges	4	8	6 196	5 940	6 200	5 948			36 156	33 567	(6 200)	(5 948)	36 156	33 567
Interest income	335	137	639	307	974	444	3 208	1 665	197	75			4 379	2 184
Miscellaneous	1 473	1 499	2 914	1 922	4 387	3 421	1 673	1 201	150				6 210	4 622
TOTAL INCOME	64 822	56 317	14 567	12 756	79 389	69 073	107 366	102 541	38 699	34 614	(6 716)	(5 948)	218 738	200 280
EXPENDITURE														
Salaries and common staff costs	52 651	52 284	11 206	9 026	63 857	61 310			574	407			64 431	61 717
General operating expenses	5 556	5 942	876	351	6 432	6 293			34	84			6 466	6 377
Travel	1 394	929	1 762	1 790	3 156	2 719			44	48			3 200	2 767
Equipment	330	382	62	428	392	810	38 809	44 721					39 201	45 531
Meetings	350	770			350	770							350	770
Expert and other personnel costs							32 599	28 982					32 599	28 982
Subcontracts							2 121	2 303					2 121	2 303
Training							1 472	1 520					1 472	1 520
Administrative overhead charges			4	8	4	8	6 196	5 940			(6 200)	(5 948)		
Service costs									33 984	32 614			33 984	32 614
Grants									516		(516)			
Other	177	137	212	678	389	815	1 026	1 193	428	351			1 843	2 359
TOTAL EXPENDITURE	60 458	60 444	14 122	12 281	74 580	72 725	82 223	84 659	35 580	33 504	(6 716)	(5 948)	185 667	184 940
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	4 364	(4 127)	445	475	4 809	(3 652)	25 143	17 882	3 119	1 110			33 071	15 340
BALANCE OF FUNDS														
Adjustment of prior year's unliquidated obligation/expenditure	172	250	16	63	188	313							188	313
Transfers to/from other funds (Statement V)	377	(914)	(377)	904		(10)		10						
Refund of contributions/transfer of Fund balances			(11)	(308)	(11)	(308)	(3 963)	(4 260)					(3 974)	(4 568)
Adjustment to reserved surplus for derivative asset	(367)	10 976			(367)	10 976							(367)	10 976
Fund balances, beginning of period	35 796	29 611	23 578	22 444	59 374	52 055	24 726	11 094	9 065	7 955			93 165	71 104
BALANCE OF FUNDS, END OF PERIOD	40 342	35 796	23 651	23 578	63 993	59 374	45 906	24 726	12 184	9 065			122 083	93 165

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

* Restated - refer to Note 3

INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
AS AT 31 DECEMBER 2005

(expressed in thousands of United States dollars)

	Note	Regular Programme General Fund and Working Capital Fund		Other ICAO Proprietary Funds (Refer to Schedule B)		Sub-total ICAO Funds		Technical Co-operation Programme Funds (Refer to Schedule C)		Other Trust Funds (Refer to Schedules D and E)		Eliminations		Total	
		2005	2004	2005	2004	2005	2004	2005	2004	2005	2004*	2005	2004	2005	2004*
ASSETS															
Cash and term deposits	4	22 609	18 521	20 868	22 318	43 477	40 839	94 712	76 789	7 530	4 920			145 719	122 548
Accounts receivable:															
Assessed contributions receivable from Contracting States (Schedule A)	5	12 541	12 800			12 541	12 800							12 541	12 800
Inter-fund balances		1 298	804	3 871	1 513	5 169	2 317	6 381	7 432	39	101	(11 589)	(9 850)		
Receivables and advances	6	3 481	4 430	1 761	741	5 242	5 171	3 129	2 561	7 712	8 362			16 083	16 094
Recoverable from Regional Bodies : AFCAC and LACAC	7	1 110	1 418			1 110	1 418							1 110	1 418
Other assets		112	53	1 313	1 542	1 425	1 595							1 425	1 595
Derivative asset	9	10 609	10 976			10 609	10 976							10 609	10 976
Land and Buildings, at cost		1 065	1 065			1 065	1 065							1 065	1 065
TOTAL ASSETS		52 825	50 067	27 813	26 114	80 638	76 181	104 222	86 782	15 281	13 383	(11 589)	(9 850)	188 552	166 496
LIABILITIES															
Contributions received in advance (Schedule A)		3 477	2 995			3 477	2 995							3 477	2 995
Unliquidated obligations		1 352	2 054	273	690	1 625	2 744	29 125	23 945	3				30 753	26 689
Accounts payable		4 677	2 971	982	305	5 659	3 276	21 541	33 664	74	60			27 274	37 000
Due to Regional Bodies : ECAC	7	950	1 026			950	1 026							950	1 026
Inter-fund balances		2 027	5 225	2 866	1 513	4 893	6 738	6 337	2 905	359	207	(11 589)	(9 850)		
Credits to contracting\servicing Governments (Schedule D)										2 661	4 051			2 661	4 051
Other credit balances and provisions				41	28	41	28	1 313	1 542					1 354	1 570
TOTAL LIABILITIES		12 483	14 271	4 162	2 536	16 645	16 807	58 316	62 056	3 097	4 318	(11 589)	(9 850)	66 469	73 331
BALANCE OF FUNDS															
Represented by:															
Contributed capital relating to land and buildings		1 065	1 065			1 065	1 065							1 065	1 065
Appropriations carried forward (Statement IV)		6 400	1 978			6 400	1 978							6 400	1 978
Cumulative Surplus (Statement V)		16 264	15 773	21 308	19 775	37 572	35 548	45 906	24 726	11 872	8 728			95 350	69 002
Working Capital Fund		6 004	6 004			6 004	6 004							6 004	6 004
Reserved Surplus	9	10 609	10 976	2 343	3 803	12 952	14 779			312	337			13 264	15 116
TOTAL BALANCE OF FUNDS		40 342	35 796	23 651	23 578	63 993	59 374	45 906	24 726	12 184	9 065			122 083	93 165
TOTAL LIABILITIES AND BALANCE OF FUNDS		52 825	50 067	27 813	26 114	80 638	76 181	104 222	86 782	15 281	13 383	(11 589)	(9 850)	188 552	166 496

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

* Restated - refer to Note 3

INTERNATIONAL CIVIL AVIATION ORGANIZATION
STATEMENT OF CASH FLOW
FOR THE PERIOD ENDING 31 DECEMBER 2005

(expressed in thousands of United States dollars)

	Regular Programme General Fund and Working Capital Fund		Other ICAO Proprietary Funds		Sub-total ICAO Funds		Technical Co-operation Programme Funds		Other Trust Funds		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004*	2005	2004*
CASH FLOWS FROM OPERATING ACTIVITIES:												
Net excess (shortfall) of income over expenditure (Statement I)	4 364	(4 127)	445	475	4 809	(3 652)	25 143	17 882	3 119	1 110	33 071	15 340
(Increase) decrease in contributions receivable	259	1 834			259	1 834					259	1 834
(Increase) decrease in other accounts receivable	1 257	(248)	(1 020)	365	237	117	(568)	154	650	(1 782)	319	(1 511)
(Increase) decrease in other assets	(59)	54	229	(1 542)	170	(1 488)					170	(1 488)
(Increase) decrease in inter-fund balances receivable	(494)	(139)	(2 358)	2 229	(2 852)	2 090	1 051	(293)	62	5	(1 739)	1 802
Increase (decrease) in contributions received in advance	482	979		(14)	482	965					482	965
Increase (decrease) in unliquidated obligations	(702)	492	(417)	319	(1 119)	811	5 180	(22 307)	3		4 064	(21 496)
Increase (decrease) in accounts payable	1 630	1 092	677	58	2 307	1 150	(12 123)	5 926	14	16	(9 802)	7 092
Increase (decrease) in inter-fund balances payable	(3 198)	2 928	1 353	(703)	(1 845)	2 225	3 432	(3 469)	152	(558)	1 739	(1 802)
Less : Interest income	(335)	(137)	(639)	(307)	(974)	(444)	(3 208)	(1 665)	(197)	(75)	(4 379)	(2 184)
Other credit balances and provisions			13	8	13	8	(229)	1 542	(1 390)	(819)	(1 606)	731
(Increase) decrease in derivative asset	367	(10 976)			367	(10 976)					367	(10 976)
Other adjustments to reserves and fund balances	(367)	10 976			(367)	10 976					(367)	10 976
NET CASH FLOWS FROM OPERATING ACTIVITIES	3 204	2 728	(1 717)	888	1 487	3 616	18 678	(2 230)	2 413	(2 103)	22 578	(717)
CASH FLOWS FROM INVESTING ACTIVITIES:												
Interest income	335	137	639	307	974	444	3 208	1 665	197	75	4 379	2 184
NET CASH FLOWS FROM INVESTING ACTIVITIES	335	137	639	307	974	444	3 208	1 665	197	75	4 379	2 184
CASH FLOWS FROM FINANCING ACTIVITIES:												
Savings on or cancellation of prior periods' obligations	172	250	16	63	188	313					188	313
Transfers (to)/from other funds	377	(914)	(377)	904		(10)		10				
Refund of contributions			(11)	(308)	(11)	(308)	(3 963)	(4 260)			(3 974)	(4 568)
NET CASH FLOWS FROM FINANCING ACTIVITIES	549	(664)	(372)	659	177	(5)	(3 963)	(4 250)			(3 786)	(4 255)
NET INCREASE (DECREASE) IN CASH AND TERM DEPOSITS	4 088	2 201	(1 450)	1 854	2 638	4 055	17 923	(4 815)	2 610	(2 028)	23 171	(2 788)
CASH AND TERM DEPOSITS, BEGINNING OF PERIOD	18 521	16 320	22 318	20 464	40 839	36 784	76 789	81 604	4 920	6 948	122 548	125 336
CASH AND TERM DEPOSITS, END OF PERIOD	22 609	18 521	20 868	22 318	43 477	40 839	94 712	76 789	7 530	4 920	145 719	122 548

The accompanying notes and schedules are an integral part of the financial statements.
* Restated - Refer Note 3

INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME GENERAL FUND
STATEMENT OF APPROPRIATIONS
FOR THE PERIOD ENDING 31 DECEMBER 2005

(expressed in thousands of United States dollars)

	Appropriations						Expenditure			Balance
	Original (A35-22 and SL 04/106)	Carried over from prior year \a	Increase of Appropriations \b	Transfers between Major Programmes \c	Carried over to following year \d	Revised	Disbursements	Unliquidated obligations	Total	
General Policy and Direction	1 082	50			(145)	987	970	7	977	10
Air Navigation	9 024	53	400	200	(707)	8 970	8 639	250	8 889	81
Air Transport	5 325	46	60	(50)	(535)	4 846	4 778	23	4 801	45
Legal	1 163			60	(260)	963	952	2	954	9
Regional and Other Programmes	16 966	12			(1 937)	15 041	14 616	407	15 023	18
Administrative Support	25 262			(130)	(1 229)	23 903	23 438	391	23 829	74
Finance, External Relations / Public Information and Programmes Evaluation, Audit and Management Review	3 840	140		(80)	(457)	3 443	3 253	190	3 443	
Universal Safety Oversight Audit Programme	2 007	1 677			(1 130)	2 554	2 460	82	2 542	12
TOTAL	64 669	1 978	460		(6 400)	60 707	59 106	1 352	60 458	249

\a Approved by Council at its 173rd and 175th Session (C-173/9 and C-175/13) Fin. Reg. 5.11.
\b Approved by Council at its 176th Session (C-176/14).
\c Fin.Reg.5.10
\d Approved by Council at its 176th Session (C-176/14). Fin.Reg.5.6 C-WP/12567

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

INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT OF CUMULATIVE SURPLUS
AS AT 31 DECEMBER 2005

(expressed in thousands of United States dollars)

	Regular Programme General Fund and Working Capital Fund		Other ICAO Proprietary Funds (Refer Schedule B)		Sub-total ICAO Funds		Technical Co-operation Programme Funds (Refer Schedule C)		Other Trust Funds (Refer Schedules D and E)		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004*	2005	2004*
CUMULATIVE SURPLUS												
Cumulative Surplus, Beginning of year	15 773	14 389	19 775	21 389	35 548	35 778	24 726	11 094	8 728	2 858	69 002	49 730
Changes in accounting policy										5 097		5 097
Restated Cumulative Surplus	15 773	14 389	19 775	21 389	35 548	35 778	24 726	11 094	8 728	7 955	69 002	54 827
Excess (shortfall) of Income over Expenditure	4 364	(4 127)	445	475	4 809	(3 652)	25 143	17 882	3 119	1 110	33 071	15 340
Transactions not recognized in Statement of Income /Expenditure												
Adjustment of prior year's expenditure	28	(74)	16	63	44	(11)					44	(11)
Write-offs	(74)	(5)			(74)	(5)					(74)	(5)
Cancellation of prior year's unliquidated obligations	218	329			218	329					218	329
Appropriations carried over from prior year	1 978	2 524			1 978	2 524					1 978	2 524
Appropriations carried over to following year	(6 400)	(1 978)			(6 400)	(1 978)					(6 400)	(1 978)
Refund of contributions			(11)	(308)	(11)	(308)	(3 963)	(4 260)			(3 974)	(4 568)
Transfers to/(from) other funds	377	(914)	(377)	904		(10)		10				
Transfers to/(from) reserved surplus:												
Reserved from/to AOSC / Joint Financing				(2 000)		(2 000)			25	(337)	25	(2 337)
Reserved Cash Surplus		5 629				5 629						5 629
To and from Incentive Scheme Reserved Surplus			1 460	(748)	1 460	(748)					1 460	(748)
Cumulative Surplus at end of year	16 264	15 773	21 308	19 775	37 572	35 548	45 906	24 726	11 872	8 728	95 350	69 002
RESERVED SURPLUS												
Reserved in Regular Programme for Derivative Asset												
Beginning balance	10 976				10 976						10 976	
Transfers to/(from) Regular Programme	(367)	10 976			(367)	10 976					(367)	10 976
Balance end of year	10 609	10 976			10 609	10 976					10 609	10 976
Reserved Regular Programme Cash Surplus (A33-23)												
Beginning balance		5 629				5 629						5 629
Allocated to Universal Safety Oversight Programme		(2 062)				(2 062)						(2 062)
Utilized to minimize assessments for the year		(3 567)				(3 567)						(3 567)
Balance end of year												
Reserved AOSC / Joint Financing Funds Surplus												
Beginning balance			2 000		2 000				337		2 337	
Transferred to/from reserve				2 000		2 000			(25)	337	(25)	2 337
Balance end of year			2 000	2 000	2 000	2 000			312	337	2 312	2 337
Regular Programme Appropriations Carried Forward												
Beginning balance	1 978	2 524			1 978	2 524					1 978	2 524
Transferred to Regular Programme for current year	(1 978)	(2 524)			(1 978)	(2 524)					(1 978)	(2 524)
Appropriations carried forward to future year	6 400	1 978			6 400	1 978					6 400	1 978
Balance end of year	6 400	1 978			6 400	1 978					6 400	1 978
Reserved in Incentive Scheme for Long-Outstanding Arrears												
Beginning balance			1 803	1 055	1 803	1 055					1 803	1 055
Transferred to/from reserve (note 8)			(1 000)	1 279	(1 000)	1 279					(1 000)	1 279
Expenditures			(460)	(531)	(460)	(531)					(460)	(531)
Balance end of year			343	1 803	343	1 803					343	1 803
Reserved Surplus at end of year	17 009	12 954	2 343	3 803	19 352	16 757			312	337	19 664	17 094
Contributed capital relating to land and buildings	1 065	1 065			1 065	1 065					1 065	1 065
Working Capital Fund	6 004	6 004			6 004	6 004					6 004	6 004
TOTAL BALANCE OF FUNDS	40 342	35 796	23 651	23 578	63 993	59 374	45 906	24 726	12 184	9 065	122 083	93 165

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

* Restated - refer Note 3

INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME
ASSESSMENTS RECEIVABLE FROM CONTRACTING STATES
AND CONTRIBUTIONS RECEIVED IN ADVANCE
AS AT 31 DECEMBER 2005

(in thousands of United States dollars)

	General Fund							
Contracting States Assembly Resolutions A35-24 and A35-22A	Scales 2005	Assessments 2005	Contributions Received for 2005	Balance of Assessments Receivable for 2005	Balance of Prior Years' Assessments Receivable	Balance of Advances due to the Working Capital Fund	Total Balances Receivable	Contributions Received in Advance
AFGHANISTAN	0.06	35		35	27		62	
ALBANIA	0.06	35	35					
ALGERIA	0.07	41	41					
ANDORRA	0.06	35	35					
ANGOLA	0.06	35	35					
ANTIGUA AND BARBUDA	0.06	35		35	437	1	473	
ARGENTINA	0.72	421	421					
ARMENIA	0.06	35		35			35	
AUSTRALIA	1.63	954	954					973
AUSTRIA	0.72	421	421					
AZERBAIJAN	0.06	35	35					
BAHAMAS	0.06	35	35					16
BAHRAIN	0.06	35	35					
BANGLADESH	0.08	47	47					
BARBADOS	0.06	35	35					
BELARUS (*)	0.06	35		35	94		129	
BELGIUM	0.82	480	480					
BELIZE	0.06	35	35					
BENIN (*)	0.06	35	35		152		152	
BHUTAN	0.06	35	35					
BOLIVIA	0.06	35	35					
BOSNIA AND HERZEGOVINA	0.06	35	35					
BOTSWANA	0.06	35	35					
BRAZIL	1.38	808	808					
BRUNEI DARUSSALAM	0.06	35		35			35	
BULGARIA	0.06	35	35					
BURKINA FASO	0.06	35	35		158		158	
BURUNDI	0.06	35	35		20		20	
CAMBODIA	0.06	35		35	228		263	
CAMEROON	0.06	35	35					
CANADA	2.46	1 439	1 439					1 504
CAPE VERDE	0.06	35		35	25		60	
CENTRAL AFRICAN REPUBLIC (*)	0.06	35	35		321		321	
CHAD	0.06	35	35		257		257	
CHILE	0.30	176	176					
CHINA	1.67	977	977					
COLOMBIA	0.23	135	135					
COMOROS	0.06	35	35		463		463	
CONGO (*)	0.06	35	35		364		364	
COOK ISLANDS	0.06	35	35		111		111	43
COSTA RICA	0.06	35	35					
COTE D'IVOIRE (*)	0.06	35	35		122		122	
CROATIA	0.06	35	35					
CUBA	0.06	35	34	1			1	
CYPRUS	0.06	35	35					
CZECH REPUBLIC	0.16	94	94					
DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA	0.06	35	35					
DEMOCRATIC REPUBLIC OF THE CONGO	0.06	35		35	280		315	
DENMARK	0.56	328	328					
DJIBOUTI	0.06	35		35	490	1	526	
DOMINICAN REPUBLIC	0.06	35	35					
ECUADOR	0.06	35	35					
EGYPT	0.19	111	111					
EL SALVADOR (*)	0.06	35		35	164		199	
EQUATORIAL GUINEA	0.06	35	35					
ERITREA	0.06	35	35					
ESTONIA	0.06	35	35					
ETHIOPIA	0.06	35	35					
FIJI	0.06	35	35					
FINLAND	0.45	264	264					
FRANCE	5.12	2 996	2 996					
GABON	0.06	35	35		95		95	
GAMBIA	0.06	35	29	6	272		278	
GEORGIA	0.06	35		35	372	4	411	
GERMANY	7.14	4 178	4 178					

Schedule A
(continued)

INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME
ASSESSMENTS RECEIVABLE FROM CONTRACTING STATES
AND CONTRIBUTIONS RECEIVED IN ADVANCE
AS AT 31 DECEMBER 2005

(in thousands of United States dollars)

Contracting States Assembly Resolutions A35-24 and A35-22A	General Fund							
	Scales 2005	Assessments 2005	Contributions Received for 2005	Balance of Assessments Receivable for 2005	Balance of Prior Years' Assessments Receivable	Balance of Advances due to the Working Capital Fund	Total Balances Receivable	Contributions Received in Advance
GHANA	0.06	35	35					
GREECE	0.43	252	252					
GRENADA	0.06	35		35	260		295	
GUATEMALA	0.06	35	35					
GUINEA (*)	0.06	35	35		201		201	
GUINEA-BISSAU	0.06	35		35	550	1	586	
GUYANA	0.06	35	31	4			4	
HAITI	0.06	35		35	30		65	
HONDURAS	0.06	35	24	11			11	
HUNGARY	0.12	70	70					
ICELAND	0.06	35	35					
INDIA	0.46	269	269					
INDONESIA	0.24	141	78	63			63	
IRAN (ISLAMIC REPUBLIC OF)	0.16	94	4	90			90	
IRAQ	0.06	35		35	1 082		1 117	
IRELAND	0.35	205	205					
ISRAEL	0.52	304	301	3			3	
ITALY	3.60	2 106	2 106					
JAMAICA	0.06	35		35			35	
JAPAN	14.57	8 525	8 525					
JORDAN	0.06	35	35					
KAZAKHSTAN	0.06	35	35					21
KENYA	0.06	35	35					27
KIRIBATI	0.06	35	31	4			4	
KUWAIT	0.18	106	106					
KYRGYZSTAN (*)	0.06	35		35	225		260	
LAO PEOPLE'S DEMOCRACTIC REPUBLIC	0.06	35	35					
LATVIA	0.06	35	35					
LEBANON	0.06	35		35			35	
LESOTHO	0.06	35	24	11			11	
LIBERIA (*)	0.06	35	35		273		273	
LIBYAN ARAB JAMAHIRIYA	0.09	53	53					11
LITHUANIA	0.06	35	14	21			21	
LUXEMBOURG	0.31	182	182					
MADAGASCAR (*)	0.06	35	35		23		23	
MALAWI (*)	0.06	35		35	132		167	
MALAYSIA	0.51	299	299					
MALDIVES	0.06	35	35					
MALI	0.06	35	35		185		185	
MALTA	0.06	35	35					
MARSHALL ISLANDS	0.06	35	1	34			34	
MAURITANIA (*)	0.06	35	35		244		244	
MAURITIUS	0.07	41	41					36
MEXICO	1.01	591	591					
MICRONESIA (FEDERATED STATES OF)	0.06	35		35	36		71	
MONACO	0.06	35	35					
MONGOLIA	0.06	35	35					
MOROCCO	0.08	47	47					5
MOZAMBIQUE	0.06	35	35					
MYANMAR	0.06	35	32	3			3	
NAMIBIA	0.06	35	35					
NAURU	0.06	35		35	294		329	
NEPAL	0.06	35	35					
NETHERLANDS	1.88	1 100	1 100					6
NEW ZEALAND	0.34	199	199					
NICARAGUA	0.06	35	35					
NIGER	0.06	35	35		57		57	
NIGERIA	0.06	35	35					
NORWAY	0.53	310	310					
OMAN	0.09	53	53					
PAKISTAN	0.14	82	82					
PALAU	0.06	35		35	30		65	
PANAMA	0.06	35	35					
PAPUA NEW GUINEA	0.06	35	35					
PARAGUAY	0.06	35	35		14		14	

INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME
ASSESSMENTS RECEIVABLE FROM CONTRACTING STATES
AND CONTRIBUTIONS RECEIVED IN ADVANCE
AS AT 31 DECEMBER 2005

(in thousands of United States dollars)

	General Fund							
Contracting States Assembly Resolutions A35-24 and A35-22A	Scales 2005	Assessments 2005	Contributions Received for 2005	Balance of Assessments Receivable for 2005	Balance of Prior Years' Assessments Receivable	Balance of Advances due to the Working Capital Fund	Total Balances Receivable	Contributions Received in Advance
PERU	0.09	53	53					
PHILIPPINES	0.18	106	17	89			89	
POLAND	0.36	211	211					
PORTUGAL	0.42	246	246					
QATAR	0.13	76	76					
REPUBLIC OF KOREA	2.43	1 422	1 422					
REPUBLIC OF MOLDOVA	0.06	35	35		148		148	
ROMANIA	0.06	35	35					
RUSSIAN FEDERATION	0.62	363	363					13
RWANDA	0.06	35	10	25	85		110	
SAINT KITTS & NEVIS	0.06	35		35	60		95	
SAINT LUCIA	0.06	35	35					
SAINT VINCENT AND THE GRENADINES	0.06	35	35					
SAMOA	0.06	35	35					
SAN MARINO	0.06	35		35			35	
SAO TOME AND PRINCIPE (*)	0.06	35		35	426		461	
SAUDI ARABIA	0.68	398	398					
SENEGAL	0.06	35	35					23
SERBIA AND MONTENEGRO	0.06	35		35	30		65	
SEYCHELLES (*)	0.06	35		35	121		156	
SIERRA LEONE (*)	0.06	35	35		296		296	
SINGAPORE	1.25	732	732					761
SLOVAKIA	0.06	35	35					
SLOVENIA	0.06	35	35					
SOLOMON ISLANDS	0.06	35	30	5	160		165	
SOMALIA	0.06	35		35	508	1	544	
SOUTH AFRICA	0.43	252	252					
SPAIN	2.08	1 217	1 217					
SRI LANKA	0.07	41	41					
SUDAN	0.06	35		35			35	
SURINAME	0.06	35		35	90		125	
SWAZILAND	0.06	35	35					
SWEDEN	0.76	445	445					
SWITZERLAND	1.13	661	661					
SYRIAN ARAB REPUBLIC	0.06	35	35					
TAJIKISTAN	0.06	35		35	90		125	
THAILAND	0.58	340	340					
the former Socialist Federal Republic of Yugoslavia (1)	0.00				511		511	
THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA	0.06	35	35					
TIMOR-LESTE (2)	0.06	9		9		3	12	
TOGO	0.06	35	35					
TONGA	0.06	35	35					36
TRINIDAD AND TOBAGO	0.06	35	35					
TUNISIA	0.06	35	35					
TURKEY	0.40	234	234					
TURKMENISTAN	0.06	35		35			35	
UGANDA	0.06	35	35					
UKRAINE	0.06	35	35					
UNITED ARAB EMIRATES	0.43	252	252					
UNITED KINGDOM	5.64	3 300	3 300					
UNITED REPUBLIC OF TANZANIA	0.06	35	35					2
UNITED STATES OF AMERICA	25.00	14 627	14 627					
URUGUAY	0.06	35		35	114		149	
UZBEKISTAN	0.06	35	5	30			30	
VANUATU	0.06	35		35	25		60	
VENEZUELA	0.14	82	82					
VIET NAM	0.06	35		35			35	
YEMEN	0.06	35	35					
ZAMBIA	0.06	35		35	109		144	
ZIMBABWE	0.06	35	35					
	100.06	58 516	56 847	1 669	10 861	11	12 541	3 477

Note 1 : The devolution of the amount owing by the former Socialist Federal Republic of Yugoslavia is to be ascertained.
Note 2 : New Contracting State (C-DEC 176/2)
* States which had not met their obligations according to the terms of their agreements as at 31 December 2005.

Schedule B

INTERNATIONAL CIVIL AVIATION ORGANIZATION

OTHER ICAO PROPRIETARY FUNDS
INCOME, EXPENDITURE, ASSETS, LIABILITIES AND FUND BALANCES
FOR THE PERIOD ENDING 31 DECEMBER 2005

(in thousands of United States dollars)

	Revenue Generating and Cost Recovery Special Accounts/Funds (Refer Annex A)	Aviation Security Plan of Action (Refer Annex B)	Universal Safety Oversight Audit Programme Fund	Funds for Support of Technical Co-operation (Refer Annex C)	Others (Refer Annex D)	TOTAL 2005	TOTAL 2004
INCOME AND EXPENDITURE							
INCOME							
Contributions	35	3 432	135		111	3 713	3 381
Earmarked Contributions		956			149	1 105	1 206
Other Income							
Administrative fee revenue				6 196		6 196	5 940
Interest income	46	285	3	142	163	639	307
Revenue-generating and cost recovery activities	1 903					1 903	1 164
Miscellaneous	2	194		815		1 011	758
TOTAL INCOME	1 986	4 867	138	7 153	423	14 567	12 756
EXPENDITURE							
Salaries and common staff costs	905	3451	140	6 276	434	11 206	9 026
General operating expenses	349			261	266	876	351
Travel	40	1462		208	52	1 762	1 790
Equipment	16	20			26	62	428
Administrative overhead charges					4	4	8
Other	63	119		28	2	212	678
TOTAL EXPENDITURE	1 373	5 052	140	6 773	784	14 122	12 281
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	613	(185)	(2)	380	(361)	445	475
BALANCE OF FUNDS							
Adjustment of prior year's unliquidated obligations/ expenditure	(18)	22		12		16	63
Transfers to/from other funds					(377)	(377)	904
Refund of contributions					(11)	(11)	(308)
Fund balances, beginning of period	1 444	8 558	111	7 678	5 787	23 578	22 444
BALANCE OF FUNDS, END OF PERIOD	2 039	8 395	109	8 070	5 038	23 651	23 578
ASSETS, LIABILITIES AND FUND BALANCES							
ASSETS							
Cash and term deposits	1 575	9065	122	4 913	5 193	20 868	22 318
Accounts receivable							
Inter-fund balances	61	199		3 526	85	3 871	1 513
Receivables and advances	715	206	43	785	12	1 761	741
Other assets				1 313		1 313	1 542
TOTAL ASSETS	2 351	9 470	165	10 537	5 290	27 813	26 114
LIABILITIES							
Unliquidated obligations	34	174		50	15	273	690
Accounts payable	100	269	17	447	149	982	305
Inter-fund balances	178	632	39	1 929	88	2 866	1 513
Other credit balances and provisions				41		41	28
TOTAL LIABILITIES	312	1 075	56	2 467	252	4 162	2 536
BALANCE OF FUNDS Represented by:							
Cumulative surplus	2 039	8395	109	6 070	4 695	21 308	19 775
Reserved surplus				2 000	343	2 343	3 803
TOTAL BALANCE OF FUNDS	2 039	8 395	109	8 070	5 038	23 651	23 578
TOTAL LIABILITIES AND BALANCE OF FUNDS	2 351	9 470	165	10 537	5 290	27 813	26 114

SCHEDULE C

INTERNATIONAL CIVIL AVIATION ORGANIZATION

TECHNICAL CO-OPERATION PROGRAMME FUNDS
INCOME, EXPENDITURE, ASSETS, LIABILITIES AND FUND BALANCES
FOR THE PERIOD ENDING 31 DECEMBER 2005

(in thousands of United States dollars)

	United Nations Development Programme Refer to Schedule C.1	Trust Funds and Management Service Agreements Refer to Schedule C.2	ICAO Objectives Implementation Mechanisms Fund	Civil Aviation Purchasing Services Funds Refer to Schedule C.3	TOTAL 2005	TOTAL 2004
INCOME AND EXPENDITURE						
INCOME						
Contributions		81 332	180	7 024	88 536	85 029
Earmarked Contributions		516			516	
Other Income						
Funds received under inter-organization arrangements	13 433				13 433	14 646
Interest income		2 907	5	296	3 208	1 665
Miscellaneous		1 661		12	1 673	1 201
TOTAL INCOME	13 433	86 416	185	7 332	107 366	102 541
EXPENDITURE						
Salaries and common staff costs						
Travel						
Equipment	579	31 362	2	6 866	38 809	44 721
Expert and other personnel costs	3 900	28 661	38		32 599	28 982
Subcontracts	94	2 027			2 121	2 303
Training	281	1 102	89		1 472	1 520
Administrative overhead charges	409	5 602	9	176	6 196	5 940
Other	327	413	11	275	1 026	1 193
TOTAL EXPENDITURE	5 590	69 167	149	7 317	82 223	84 659
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	7 843	17 249	36	15	25 143	17 882
BALANCE OF FUNDS						
Transfers to/from other funds		(3)	4	(1)		10
Refund of contributions		(3 346)		(617)	(3 963)	(4 260)
Fund balances, beginning of period	(11 836)	33 376	43	3 143	24 726	11 094
BALANCE OF FUNDS, END OF PERIOD	(3 993)	47 276	83	2 540	45 906	24 726
ASSETS, LIABILITIES AND FUND BALANCES						
ASSETS						
Cash and term deposits	1 482	84 814	162	8 254	94 712	76 789
Accounts receivable						
Inter-fund balances	4 392	1 883		106	6 381	7 432
Receivables and advances	3 010	116	3		3 129	2 561
TOTAL ASSETS	8 884	86 813	165	8 360	104 222	86 782
LIABILITIES						
Unliquidated obligations	432	26 813	8	1 872	29 125	23 945
Accounts payable	11 926	6 173	26	3 416	21 541	33 664
Inter-fund balances	519	5 238	48	532	6 337	2 905
Other credit balances and provisions		1 313			1 313	1 542
TOTAL LIABILITIES	12 877	39 537	82	5 820	58 316	62 056
BALANCE OF FUNDS Represented by:						
Cumulative surplus (deficit)	(3 993)	47 276	83	2 540	45 906	24 726
TOTAL BALANCE OF FUNDS	(3 993)	47 276	83	2 540	45 906	24 726
TOTAL LIABILITIES AND BALANCE OF FUNDS	8 884	86 813	165	8 360	104 222	86 782

INTERNATIONAL CIVIL AVIATION ORGANIZATION

UNITED NATIONS DEVELOPMENT PROGRAMME
SCHEDULE OF THE STATUS OF FUNDS
FOR THE PERIOD ENDING 31 DECEMBER 2005

(in thousands of United States dollars)

	2005		2004	
OPERATING FUND				
Fund balance at beginning of year		(11 836)		(16 021)
Add:				
Cash drawings from UNDP	14 300		16 600	
Inter-office vouchers, on hand				
Project Clearing Account	(444)		(2 028)	
Other charges/credits (net)				
Miscellaneous income and exchange adjustments	(402)		74	
Miscellaneous items charged/refunded to UNDP	(21)	13 433		14 646
		1 597		(1 375)
Deduct:				
Expenditure during the year (Schedule C.1.1)				
For projects				
Disbursements	4 749		6 569	
Unliquidated obligations	432		3 170	
Support costs	409	5 590	722	10 461
Total expenditure		5 590		10 461
Fund balance at end of year		**(3 993)**		**(11 836)**
REPRESENTED BY:				
Cash in banks, on hand and in transit		1 482		232
Due from other Funds		4 392		5 740
Accounts receivable and sundry debit balances		3 010		2 394
		8 884		8 366
Less:				
Due to other Funds		519		89
Accounts payable and sundry credits balances		11 926		16 943
Unliquidated obligations - current year		432		3 170
		12 877		20 202
Fund balance at end of year		**(3 993)**		**(11 836)**

Certified:

Richard J. Barr
Chief, Finance Branch

Approved:

Taïeb Chérif
Secretary General

INTERNATIONAL CIVIL AVIATION ORGANIZATION

UNITED NATIONS DEVELOPMENT PROGRAMME
EXPENDITURE BY COUNTRY AND REGION
FOR THE PERIOD ENDING 31 DECEMBER 2005

(in thousands of United States dollars)

COUNTRY	
Botswana	(41)
Colombia	1
Ecuador	1 433
Equatorial Guinea	423
Ethiopia	(1)
Indonesia	15
Lebanon	(5)
Peru	(2)
Somalia	3 187
Country Total	5 010
REGION	
Latin American and the Caribbean	171
SUB-TOTAL	5 181
Support costs	409
GRAND TOTAL	5 590

INTERNATIONAL CIVIL AVIATION ORGANIZATION

TRUST FUNDS AND MANAGEMENT SERVICE AGREEMENTS
SCHEDULE OF INCOME, EXPENDITURE AND FUND BALANCES
FOR THE PERIOD ENDING 31 DECEMBER 2005

(in thousands of United States dollars)

Fund	Balance as at 01.01.2005	Income		Expenditure		Transfer from or to Other Funds	Refund of Contributions	Balance as at 31.12.2005
		Contributions	Interest and Other Income	Project Costs	Administrative Overhead			
AFGHANISTAN MSA*	(68)	657	10	514	41			44
ARGENTINA MSA *	1 304	5 717	139	4 422	314		(172)	2 252
ARGENTINA (DA)	205		7					212
BAHAMAS (DCA)	73	2					(13)	62
BANGLADESH	15		1					16
BARBADOS	69		2	7	1			63
BOLIVIA	465	1 072	1	1 282	109		(41)	106
BOSNIA AND HERZEGOVINA	459		15	319	22	(118)		15
BRAZIL (CART) MSA *	123		8	(53)	(6)			190
BRAZIL (SSA) MSA *	146	(99)	44	(207)	(18)			316
BRAZIL (DAC) MSA *	2 852	1 631	1 370	4 172	209	10		1 482
BRAZIL (DECEA) MSA *	3 094	1 644	1 105	2 704	127	(9)		3 003
BRAZIL (ITCM) MSA *	(55)		1	3				(57)
BRAZIL (INFRAERO) MSA *	(2)	101	34					133
CHINA	32		1					33
COLOMBIA MSA*	37		1	31	2			5
COSCAP (BAG) BANJUL ACCORD GROUP MSA*		930	6	80	8			848
COSCAP (BAG) IFFAS GRANT MSA*		123	3					126
COSCAP (LAM) EC GRA MSA*		75		19	1			55
COSCAP (NA) EC GRA MSA*	3			203	14			(214)
COSCAP (NA) IFFAS GRANT MSA*		95	1	90	5			1
COSCAP (SA) EC GRA MSA*	17	100		74	4	(17)		22
COSCAP (SA) IFFAS GRANT MSA*		95	2	10	1			86
COSCAP (SEA) EC GRA MSA*	35	30	2	59	8			
COSCAP (SEA) IFFAS GRANT MSA*		100	2	16	1			85
COSCAP (UEMOA) MSA*	317	659	7	352	35			596
COSCAP (UEMOA) IFFAS GRANT MSA*		103						103
CUBA		138			138			
CUBA MSA*					116			(116)
CZECH REPUBLIC MSA *	165			134	6			25
DEM. REPUBLIC OF CONGO MSA*	968	207	25	875	139	44		230
DOMINICAN REPUBLIC MSA *	350		5	112	8			235
EAST AFRICAN COMMUNITIES (REG.EIB) MSA*	712		23					735
EAST AFRICAN COMMUNITIES (KENYA) MSA*	108		1				(109)	
EAST TIMOR		40		30	3			7
EGYPT MSA*		733	11	55	6			683
EQUATORIAL GUINEA MSA*	412		6				(418)	
FINLAND MSA*		51		35	4	7		19
GERMANY (ASSOCIATE EXPERTS SCHEME)	76	66	3	67	8			70
GREECE MSA *	297	332	11	467	51			122
GUATEMALA MSA *	5	18 345	96	8 636	317			9 493
GUYANA (EC)	17						(17)	
GUYANA (GTV)	11							11
HAITI	7	135	3	85	11			49
INDIA MSA*	646	758	18	769	75		(79)	499
IRAQ MSA *	37		1					38
IRAQ	39							39
ITALY (ASSOCIATE EXPERTS SCHEME)	119	14	3	103	10			23
KENYA		23	1	15	2			7
LAOS PEOPLE'S DEMOCRATIC REPUBLIC MSA*	19	42	1	28	4	(19)		11
LATVIA	35		1	11	2			23
LEBANON MSA *	610	727	25	830	83			449
LESOTHO	12					(12)		
LESOTHO (CAD)	100		3			12		115
LIBYAN ARAB JAMAHIRIYA MSA*	44		1					45
MACAU	238		5	134	17			92
MALDIVES MSA*	15					(15)		
MEXICO	62		1	33	3			27
MEXICO MSA*		62		59	3			
MONGOLIA	16					(16)		
MOROCCO (ONDA)	60		1					61
NEPAL MSA*	65		1	3			(63)	
NIGERIA MSA*	234	590	18	278	28	15		551

INTERNATIONAL CIVIL AVIATION ORGANIZATION

TRUST FUNDS AND MANAGEMENT SERVICE AGREEMENTS
SCHEDULE OF INCOME, EXPENDITURE AND FUND BALANCES
FOR THE PERIOD ENDING 31 DECEMBER 2005

(in thousands of United States dollars)

Fund	Balance as at 01.01.2005	Income		Expenditure		Transfer from or to Other Funds	Refund of Contributions	Balance as at 31.12.2005
		Contributions	Interest and Other Income	Project Costs	Administrative Overhead			
NIGERIA (FAAN) MSA *	183		6					189
NIGERIA (NAMA) MSA *	77	60	1	99	13			26
NIGERIA (NCAT)	14					(14)		
NORWAY (ASSOCIATE EXPERTS SCHEME)	27						(27)	
OMAN	88	540	10	428	41			169
PANAMA	1 603	22 711	493	19 952	701			4 154
PANAMA MSA*	45		64	11	1			97
PANAMA (DGAC) MSA *	123	460	3	351	30			205
PERU MSA*	1 269	5 227		4 586	375			1 535
PHILIPPINES	78	701	7	(1)		(95)		692
PHILIPPINES MSA *	16			(3)	(1)		(20)	
PHILIPPINES (TRAINAIR) MSA *	32		2	1				33
QATAR MSA*		131						131
REGIONAL (AFRICA) MSA*	343	465	19	188	20	29		648
REGIONAL (AIRBUS) MSA*	61		1	39	4			19
REGIONAL (ASIA) MSA*	32	33	3	91	6	108		79
REGIONAL (ASIA)	326	414	13	212	21			520
REGIONAL (BOEING)	71		2	54	6			13
REGIONAL (BOEING) MSA*	94	50	5	46	4			99
REGIONAL (CAFAC) MSA*	676		20	157	20			519
REGIONAL (CASP-ASIA/PACIFIC)	129	101	6	80	8	91		239
REGIONAL (DPKO)	41		1	(2)	(1)	(45)		
REGIONAL (EC GRANT) MSA*						118		118
REGIONAL (EGNOS)	65	523	15	18	1			584
REGIONAL (LATIN AMERICA)	970	523	29	759	76			687
REGIONAL (REDDIG)	407	619	10	499	36			501
REGIONAL (SOUTH ASIA) (COSCAP)	561	464	24	318	42	(42)		647
REGIONAL (SOUTH EAST ASIA) (COSCAP)	272	240	14	168	22	79		415
REGIONAL (WFP) MSA *	30			1		(29)		
REPULIC OF KOREA (CAB)	15			9	1			5
ROMANIA MSA*	40		2	3				39
SAUDI ARABIA (GCCC)	292			1 590	24	1 547		225
SAUDI ARABIA MSA *	4 914	3 642	542	2 836	284	(1 547)	(26)	4 405
SINGAPORE	136	194	5	162	16			157
SOMALIA	2 208	3 859	111				(2 000)	4 178
SRI LANKA	145		3	1		(69)	(41)	37
SUDAN MSA*	34		1					35
SYRIAN ARAB REP. (AL-MEZZAH AIRPORT) MSA *	12		1	(2)				15
SYRIAN ARAB REPUBLIC (DGCA) MSA *	110		4	(2)				116
THAILAND (MTC)	29		1	11	1			18
THAILAND MSA*	3 284	2 172	68	2 503	250		(227)	2 544
THAILAND (THAI AIRWAYS) MSA*	15						(15)	
UNITED ARAB EMIRATES MSA *	205	147	9	281	28			52
UNITED REPUBLIC OF TANZANIA MSA*		210	4	127	12			75
UNMIK-KOSOVO MSA*	773	964	25	791	79			892
VENEZUELA MSA*	(1 512)	1 766	5		1 537		(30)	(1 308)
VIETNAM	13							13
VIETNAM MSA *	13		1	10	1			3
YEMEN	15			4			(11)	
LUMP-SUM CONTRACTS	255	319	8	309	31	(9)	(26)	207
OTHER MSA AND TRUST FUNDS **	147	15	4	24	1	(7)	(11)	123
TOTAL	33 376	81 848	4 568	63 565	5 602	(3)	(3 346)	47 276

* Management Service Agreements

** Summary of forty-nine funds with either year end balances or transactions during the year of less than ten thousands dollars.

INTERNATIONAL CIVIL AVIATION ORGANIZATION

CIVIL AVIATION PURCHASING SERVICE FUNDS
SCHEDULE OF INCOME, EXPENDITURE AND FUND BALANCES
FOR THE PERIOD ENDING 31 DECEMBER 2005

(in thousands of United States dollars)

Fund	Balance as at 01.01.2005	Income		Expenditure		Transfer from or to Other Funds	Refund of Contributions	Balance as at 31.12.2005
		Contributions	Interest and Other Income	Project Costs	Administrative Overhead			
AFGHANISTAN	32		1					33
ALGERIA		10		9	1			
BANGLADESH	211	2	6					219
BOLIVIA	3	843	3	822	25			2
BRAZIL	4	2 486	1	2 461	25			5
CAPE VERDE	276		8	79	5			200
CUBA	4	56	2	44	3			15
DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA	66		2					68
ETHOPIA		2 199	36	2 106	80			49
INDIA	11	31	1	20	2			21
LESOTHO	140	4		1				143
LIBYAN ARAB JAMAHIRIYA	33		1	23				11
LIBYAN ARAB JAMAHIRIYA (CAD)	16		1					17
LIBYAN ARAB JAMAHIRIYA (CAHI)	11		1					12
LIBYAN ARAB JAMAHIRIYA (LAA)	19							19
MACAU		25	1	17	2			7
MOZAMBIQUE	16		1					17
MYANMAR	583		19					602
NIGERIA (NAMA)	41		1					42
PAKISTAN	20		1					21
PERU	88	54	5	77	3			67
REGIONAL CAEP ET STUDY	33		1					34
SIERRA LEONE	15						(15)	
SUDAN	94		11	20	2			83
SURINAME	(2)			(8)				6
SYRIAN ARAB REPUBLIC	334		127	40	4			417
TRINIDAD AND TOBAGO	(48)	572	53	547	22			8
UGANDA	7						(7)	
UNMIK KOSOVO	1 103	742	24	883	3		(582)	401
UNITED REPUBLIC OF TANZANIA	13						(13)	
YEMEN	21		1					22
OTHER CAPS FUNDS *	(1)				(1)	(1)		(1)
TOTAL	3 143	7 024	308	7 141	176	(1)	(617)	2 540

* Summary of five funds with year end balances and transactions during the year of less than five thousands dollars

INTERNATIONAL CIVIL AVIATION ORGANIZATIO

OTHER TRUST FUNDS MANAGED ON BEHALF OF THIRD PARTIES
SCHEDULE OF INCOME, EXPENDITURE, ASSETS, LIABILITIES AND FUND BALANCES
FOR THE PERIOD ENDING 31 DECEMBER 2005

(in thousands of United States dollars)

	Preparatory Commission of the International Registry	Public Key Directory	Administrative Fee for Joint Financing Agreements	Danish Joint Financing Agreement Fund	Icelandic Joint Financing Agreement Fund	North Atlantic Height Monitoring System Fund	TOTAL 2005	TOTAL 2004*
INCOME AND EXPENDITURE								
INCOME								
Assessed contributions				394	95		489	387
Contributions		800					800	125
Other Income								
Administrative fee revenue			480				480	526
Interest income	4	19	14	9	20	61	127	53
User charges				8 095	27 151	430	35 676	33 041
Miscellaneous				150			150	
TOTAL INCOME	4	819	494	8 648	27 266	491	37 722	34 132
EXPENDITURE								
Salaries and common staff costs	96	29	373				498	335
General operating expenses								28
Travel	14		25			5	44	48
Service Costs								
Estimated service costs for current year				7 219	25 427	273	32 919	30 677
Settlement of service costs for prior year				(283)	1 347	1	1 065	1 937
Other	25	81	260		54		420	347
TOTAL EXPENDITURE	135	110	658	6 936	26 828	279	34 946	33 372
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	(131)	709	(164)	1 712	438	212	2 776	760
BALANCE OF FUNDS								
Fund balances, beginning of period	178		179	(246)	5 383	1 729	7 223	6 463
BALANCE OF FUNDS, END OF PERIOD	47	709	15	1 466	5 821	1 941	9 999	7 223
ASSETS, LIABILITIES AND FUND BALANCES								
ASSETS								
Cash and term deposits	81	714	241	546	1 614	2 111	5 307	3 120
Accounts receivable								
Advances to servicing Governments					2 065		2 065	2 586
Inter-fund balances			24	3		12	39	49
Accounts receivable and advances		2	86	1 270	4 211	78	5 647	5 776
TOTAL ASSETS	81	716	351	1 819	7 890	2 201	13 058	11 531
LIABILITIES								
Unliquidated obligations	3						3	
Accounts payable		7	67				74	60
Inter-fund balances	31		269		21		321	197
Credits to contracting Governments (Schedule D.1)				62	2 048		2 110	2 604
Credits to servicing Governments				291		260	551	1 447
TOTAL LIABILITIES	34	7	336	353	2 069	260	3 059	4 308
BALANCE OF FUNDS								
Represented by:								
Cumulative surplus	47	709	15	1 364	5 611	1 941	9 687	6 886
Reserved surplus				102	210		312	337
TOTAL BALANCE OF FUNDS	47	709	15	1 466	5 821	1 941	9 999	7 223
TOTAL LIABILITIES AND BALANCE OF FUNDS	81	716	351	1 819	7 890	2 201	13 058	11 531

* Restated - Refer to Note 3

INTERNATIONAL CIVIL AVIATION ORGANIZATION

SCHEDULE OF ASSESSMENTS, BALANCES RECEIVABLE AND CREDITS TO CONTRACTING GOVERNMENTS
IN RESPECT OF DANISH JOINT FINANCING AGREEMENT
FOR THE PERIOD ENDING 31 DECEMBER 2005

(in thousands of Danish Kroner)

	Balances at beginning of period (Credits)	Assessments for 2005	Contributions received	Transfer from (to) Icelandic Joint Financing Agreement	Balances at end of period (Credits)
BELGIUM	(171)	17		(52)	(102)
CANADA	(235)	170			(65)
CUBA	(5)	1			(4)
DENMARK	(4)	17		13	
EGYPT	(6)	4		(2)	
FINLAND	(27)	6			(21)
FRANCE		149		149	
GERMANY		204		204	
GREECE	(38)	9			(29)
ICELAND	(12)	44		32	
IRELAND		38		38	
ITALY		58		58	
JAPAN	(44)	13			(31)
KUWAIT	(8)	5			(3)
NETHERLANDS		96	96		
NORWAY		12		12	
RUSSIAN FEDERATION	(103)	18			(85)
SINGAPORE		(40)			(40)
SLOVAKIA					
SPAIN	(25)	14			(11)
SWEDEN		19		19	
SWITZERLAND	(35)	70		35	
UNITED KINGDOM	(299)	384		85	
UNITED STATES		1 042		1 042	
	(1 012)	2 350	96	1 633	(391)
Equivalent in U.S. dollars	(185)	394	15	256	(62)

INTERNATIONAL CIVIL AVIATION ORGANIZATION

SCHEDULE OF ASSESSMENTS, BALANCES RECEIVABLE AND CREDITS TO CONTRACTING GOVERNMENTS
IN RESPECT OF ICELANDIC JOINT FINANCING AGREEMENT
FOR THE PERIOD ENDING 31 DECEMBER 2005

(in thousands of United States dollars)

	Balances at beginning of period (Credits)	Assessments for 2005	Contributions received	Transfer to (from) Danish Joint Financing Agreement	Balances at end of period (Credits)
BELGIUM	(1)	10		(9)	
CANADA	(224)	13			(211)
CUBA	(3)				(3)
DENMARK	(14)			2	(12)
EGYPT	(5)				(5)
FINLAND	(19)				(19)
FRANCE	(87)	3		26	(58)
GERMANY	(195)	1		35	(159)
GREECE	(24)	1			(23)
ICELAND	(50)	3		5	(42)
IRELAND	(31)	3		7	(21)
ITALY	(27)	4		10	(13)
JAPAN	(24)				(24)
KUWAIT	(8)				(8)
NETHERLANDS		4	4		
NORWAY	(13)			2	(11)
RUSSIAN FEDERATION	(31)	1			(30)
SINGAPORE		(13)			(13)
SLOVAKIA					
SPAIN	(16)	3			(13)
SWEDEN	(27)	1		3	(23)
SWITZERLAND	(41)	9		6	(26)
UNITED KINGDOM	(496)	9		14	(473)
UNITED STATES	(1 083)	43		179	(861)
	(2 419)	95	4	280	(2 048)

INTERNATIONAL CIVIL AVIATION ORGANIZATION

INTERNATIONAL FINANCIAL FACILITY FOR AVIATION SAFETY FUND
SCHEDULE OF INCOME, EXPENDITURE, ASSETS, LIABILITIES AND FUND BALANCES
FOR THE PERIOD ENDING 31 DECEMBER 2005

(in thousands United States dollars)

INCOME AND EXPENDITURE	GENERAL FUND	ASSOCIATE EXPERT SCHEME	TOTAL 2005	TOTAL 2004
INCOME				
Contributions	779		779	354
Earmarked contributions		128	128	106
Other income				
Interest income	66	4	70	22
TOTAL INCOME	845	132	977	482
EXPENDITURE				
Salaries and common staff costs		76	76	72
General operating expenses	34		34	56
Grants	516		516	
Other	8		8	4
TOTAL EXPENDITURE	558	76	634	132
NET EXCESS OF INCOME OVER EXPENDITURE	287	56	343	350
BALANCE OF FUNDS				
Fund balances, beginning of period	1 804	38	1 842	1 492
BALANCE OF FUNDS, END OF PERIOD	2 091	94	2 185	1 842
ASSETS, LIABILITIES AND FUND BALANCES				
ASSETS				
Cash and term deposits	2 122	101	2 223	1 800
Inter-fund balances				52
TOTAL ASSETS	2 122	101	2 223	1 852
LIABILITIES				
Inter-fund balances	31	7	38	10
TOTAL LIABILITIES	31	7	38	10
BALANCE OF FUNDS				
Represented by:				
Cumulative surplus	2 091	94	2 185	1 842
TOTAL BALANCE OF FUNDS	2 091	94	2 185	1 842
TOTAL LIABILITIES AND BALANCE OF FUNDS	2 122	101	2 223	1 852

Certified

Richard J. Barr
Chief, Finance Branch

Approved

Ruwantissa Abeyratne
Acting Secretary, IFFAS Governing Body

INTERNATIONAL CIVIL AVIATION ORGANIZATION

NOTES TO THE FINANCIAL STATEMENTS

(in thousands of United States dollars)

1. The Organization's Mandate

The International Civil Aviation Organization (ICAO) is a specialized agency of the United Nations system established by the Convention on International Civil Aviation signed on 7 December 1944. Its aims and objectives are to develop the principles and techniques of international air navigation and to foster the planning and development of international air transport.

2. SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES

a) Basis of Presentation

Unless otherwise indicated, the financial statements are presented in compliance with the United Nations System Accounting Standards (UNSAS), which provide a framework for accounting and financial reporting in the United Nations system.

The financial statements are presented in thousands of United States (U.S.) dollars unless otherwise indicated, and are in accordance with the provisions of the ICAO Financial Regulations.

b) Fund Grouping

The accounts of the Organization are maintained on a 'fund accounting' basis, with separate funds established for general and specific activities under the governance of the Council of ICAO. The Funds are established and administered in accordance with the Financial Regulations adopted by the Council and the Assembly.

The Funds have been grouped for presentation purposes, and the financial statements are shown on a combined basis after the elimination of all interfund balances, income and charges. Their presentation on a combined basis does not imply that the various separate Funds can be intermingled in any way, since resources of one Fund may not be utilized for the purposes of another Fund.

The **ICAO Funds** comprise the Regular Programme General Fund, the Working Capital Fund, as well as Other Proprietary Funds, which include the funds established for supporting the Technical Co-operation Programme, Special Accounts/Funds for cost-recovery and revenue-generating activities, and activities funded by voluntary contributions. The General Fund is financed by contributions from Contracting States according to the scale of assessment determined by the Assembly, by miscellaneous income, and by any advances made from the Working Capital Fund. The Working Capital Fund was established by the Assembly for purposes of making advances as necessary to the General Fund and other Funds to finance budgetary appropriations pending receipt of contributions from Contracting States.

The **Technical Co-operation Programme** (TCP) Funds reflect the technical co-operation projects administered by ICAO on behalf of third parties and financed by governments and other donors. They 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 programme comply with both ICAO and UNDP directives. Trust Fund and Management Service Agreements 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 Cooperation agreements referred to as Lump Sum Contracts with Contracting States. These contracts differ from MSA and Trust Fund agreements in that they are for a short duration and for a fixed contract amount. And under or over recovery of actual expenditure is charged to the AOSC Fund.

Other Trust Funds comprise funds for special activities managed by ICAO on behalf of third parties, including:

i) The **Preparatory Commission of the International Registry Account** was established by the Council in 2001. At the 161st Session of the Council (C-DEC 161/9), the Council accepted the responsibility of guiding and supervising the work of the Preparatory Commission of experts to perform the preliminary work regarding the establishment of the Authority of the International Registry and to administer the funds to be made available for the Preparatory Commission. The International Registry is a self-funding mechanism through user fees on a cost recovery basis in accordance with Article XX(3) of the Aircraft Protocol. Funding for the work of the Preparatory Commission is provided by voluntary contributions from States and from other interested private parties.

ii) The **Public Key Directory Fund (PKD**) is a cost-recovery fund established by the Council (C-DEC 174/1) in 2005 to report on the activities of a project to support interoperability of electronic-enhanced machine readable passports. It includes the establishment of a public key directory under the aegis of ICAO to manage exchange of electronic keys for decryption of the digital signatures imbedded in the 'e-passports'.

iii) The **Administrative Fee for Joint Financing Agreements** was established by the Council (C-DEC 136/22) to recover, through an administrative fee, the full costs incurred by ICAO for facilities and services provided for the administration of the Danish and Icelandic Joint Financing Agreements. It is also used to recover costs of administering the North Atlantic Height Monitoring System Fund.

iv) The **Danish and Icelandic Joint Financing Agreements** 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 user charges and assessments on Contracting governments.

v) the **North Atlantic Height Monitoring System Fund** was established in 1995 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 through user charges on all civil aircraft making crossings of the North Atlantic.

vi) The **International Financial Facility for Aviation Safety (IFFAS) Fund** was established by the Council in 2002, in accordance with the principles and guidelines contained in Assembly Resolution A33-10, with the objective of financing safety-related projects for which States cannot otherwise provide or obtain the necessary financial resources.

c) **Income Recognition**

i) **Assessed Contributions**

Income from assessed contributions represents a legal obligation of Contracting States, which is recognized as income in the year for which the assessment is levied. No provision is made for delays in the collection of assessed contributions.

ii) **Contributions and Earmarked Contributions**

Income from such contributions are recognized when cash is received, except when otherwise specified by agreement.

iii) **User Charges**

User charges are billed to commercial or private aircraft, when flying in the service area, by the United Kingdom on behalf of servicing governments.

iv) **Sales of Publications**

Income from sale of publications is recognized when cash is received.

d) **Expenditure Recognition**

Expenditure includes the amounts for goods supplied and services rendered, as well as amounts of legal obligations arising from orders placed and contracts awarded during the financial period for which funds have been provided in approved budgets of the current year. The amount pertaining to the outstanding legal obligation for goods and services not yet received are reflected as liabilities for unliquidated obligations. Any unliquidated obligation remains from twelve to twenty four months after the end of the financial period of its establishment, and when no longer valid, is cancelled and credited to surplus and is reflected as a cancellation of prior year's obligations.

Service Costs for the current year are estimated by the Governments providing the services and approved by the Council. Adjustments to estimated service costs are approved by Council for a given year and are accounted for in the year of settlement.

A forward commitment is an engagement entered into in the current year that commits resources of future periods; these are not reflected in the current year expenditure.

e) **Foreign Currencies**

Transactions are carried out in a number of currencies. With the exception of those pertaining to Other Trust Funds, transactions during the year are recorded in U.S. dollars at the United Nations operational rate of exchange (UNORE) effective at the time of the transactions and monetary balances at the end of the year are expressed in U.S. dollars at the UNORE effective 31 December. The transactions in the Other Trust Funds are translated in conformity with arrangements agreed by the parties.

The Organization enters into derivative financial instruments in the form of forward currency contracts to manage the foreign exchange rate exposure of the Canadian dollars and the Euros so as to stabilize costs at the budgeted rate of exchange. The difference between the UNORE and the forward purchase contract rate is charged to expenditure when the contract is exercised. At the end of the year, any unrealized gain and loss resulting from the difference between the UNORE and the rate of exchange negotiated in forward contracts held for hedging purposes and not yet exercised, sold or terminated at the end of the year is recorded as an asset or liability relating to derivatives and the corresponding amount is reported as reserved Surplus.

Purchase Orders pertaining to CAPS and MSA agreements are sometimes denominated in currencies other than US dollars. In order to limit exposure to currency fluctuations, a policy on hedging was adopted in 2003, whereby funds are purchased in the currency of the commitment at the time that the Purchase Order is issued, in those cases where currency fluctuation could have a material impact on the financial position. An exchange gain or loss is recognized equivalent to the difference between the UN rate of exchange and the spot rate in effect on the date that the funds are purchased.

f) **Contributions in Kind**

The Organization does not record contributions in kind in the accounts. The estimated value of contributions in kind are disclosed in the notes to the financial statements.

g) **Employee End of Service and Post-retirement Benefits**

The Organization's employees are entitled, under their conditions of employment, to payment for unused annual leave, as well as termination and repatriation benefits based on the number of years of service. In addition, the Organization provides certain health care benefits to eligible retirees. In accordance with United Nations common system practice, ICAO has not recognized in its financial accounts the liabilities for after-service health insurance costs or for other types of end-of-service payments payable to staff members when they leave the Organization. Therefore, ICAO has not created any reserve to fund these liabilities. Such expenses are budgeted for in the annual budget and the actual costs incurred in each financial period are reported as current year expenditure when staff members separate and payments become due.

h) **Appropriations**

Appropriations carried over to the following year are presented in the reserved surplus.

i) **Acquisitions of Non-Expendable Property**

The cost of non-expendable property, which includes furniture, vehicles, computers and other office equipment, is charged to expenditure in the year that the expenditure is incurred. Non-expendable property is defined as any item having a cost of one thousand five hundred dollars or more and whose life expectancy is five years or longer. Special Items that are considered sensitive with an original cost of five hundred dollars or more are also classified as non-expendable property irrespective of their serviceable life.

3. CHANGE IN ACCOUNTING POLICY

In 2005, ICAO changed its accounting policy for user charge income from cash to accrual accounting to result in a more appropriate presentation of the financial statements and to be in line with UNSAS. The policy was retroactively applied to 2004 causing a restatement of the 2004 financial statements. The impact on Statement I, Statement II and Statement V are presented below:

Increase in:	2005	2004
Income from User Charges	553	661
Cumulative Surplus	553	5 097
Accounts Receivable and Advances	553	5 758

4. CASH AND TERM DEPOSITS

As at 31 December 2005, the term deposits had an average interest rate of 4.26% (2.26% in 2004) and an average term maturity of 39 days (35 days in 2004).

5. GENERAL FUND ASSESSED CONTRIBUTIONS RECEIVABLE FROM CONTRACTING STATES

The aging of assessed contributions receivable as at 31 December 2005 and 2004 is summarized as follows:

Years	2005	2004
1982-99	$ 7 901	$ 8 620
2000	490	490
2001	517	538
2002	621	640
2003	655	866
2004	677	
Total previous years	10 861	11 154
Current year	1 669	1 636
Total Assessed Contributions Receivable	12 530	12 790
Working Capital Advances Receivable	11	10
Total	$ 12 541	$ 12 800

6. ACCOUNTS RECEIVABLE AND ADVANCES

The balance of accounts receivable comprises:

	2005	2004*
Employees	1 817	1 724
UN Agencies	3 178	2 789
User Charges	5 629	5 758
Others	5 459	5 823
Total	16 083	16 094

* Restated – Refer to Note 3

7. EXPENSES RECOVERABLE FROM AND DUE TO THE REGIONAL BODIES OF AFCAC, ECAC AND LACAC

ICAO provides secretariat services for the African Civil Aviation Commission (AFCAC), the European Civil Aviation Conference (ECAC) and the Latin American Civil Aviation Commission (LACAC). The costs are met initially from the General Fund and the expenses are recoverable from the respective Regional Bodies.

The net amounts recoverable from or due to the Regional Bodies for all transactions effected on their behalf by ICAO are shown below:

	RECOVERABLE FROM			DUE TO
	AFCAC	**LACAC**	**TOTAL**	**ECAC**
Balance due from (to) at 31 December 2004	$ 1 384	$ 34	$ 1 418	$ (1 026)
Add: Payments made in 2005	228	150	378	3 086
Less: Amounts received in 2005	(524)	(162)	(686)	(3 010)
Balance due from (to) at 31 December 2005	$ 1 088	$ 22	$ 1 110	$ (950)

8. SURPLUS - Regular Programme

In order to minimize the assessments on Contracting States, Assembly Resolution A35-22C(2) approved a transfer from the Incentive for Settlement of Arrears Account of an amount of $ 1 000 to finance part of the Regular Programme budget for the year 2005.

9. DERIVATIVES FOR EXCHANGE RISK HEDGING

a) Forward Purchase of Currency

In 2004, ICAO entered into forward purchase contracts for the purchase of CAD$ 170 163 for the 2005 to 2007 triennium at an average exchange rate of CAD$ 1.32 to U.S.$ 1.00. In 2005, CAD$ 57 180 were received at an actual cost of U.S.$ 43 327. The objective of stabilizing Canadian dollar-related expenditures to a level within the budget was achieved.

In 2005, EURO € 3 975 were received at an actual cost of U.S.$ 5 010, to protect the budget of two Regional Offices that are being affected by the variation of the U.S. dollar vis-à-vis the Euro. The objective of stabilizing the Euro expenditures to a level within the budget was achieved.

When covered by forward purchase contracts, disbursements are reflected at the forward rate rather than at the UNORE. Differences between the forward rate and the UNORE in respect of Canadian dollars forward purchased amounted to a credit of $ 3 839 in 2005 (a credit of $ 6 317 in 2004). Of the total amount, a credit of $ 3 455 (credit of $ 5 451 in 2004) is reflected in the expenditure of the Regular Programme and a credit of $ 384 (credit of $ 606 in 2004) is reflected in the AOSC Fund on the same basis, prorated on the basis of utilization of Canadian dollars and Euro forward purchased.

The notional amount of Canadian dollar and EURO forward contracts purchased in 2004 and 2005 for delivery during the period 1 January 2006 to 3 December 2007 are as follows:

Year	Canadian Dollars	U.S. Dollars	Average Rate	EURO	U.S. Dollars	Average Rate
2006	56 976	43 191	1.32	3 380	4 302	.785
2007	56 007	42 445	1.32	902	1 088	.829
	$ 112 983	$ 85 636	1.32	€ 4 282	$ 5 390	.794

As at 31 December 2005, the UNORE for the Canadian dollar and Euro were respectively 1.17 (1.22 in 2004) and 0.845 (0.7370 in 2004). Applying these rates on the notional amounts of forward contracts held and not exercised resulted in an unrealized gain of $ 10 609 ($ 10 976 in 2004), which is recorded as a derivative asset and the corresponding amount as reserved surplus.

b) Currency held for Hedging of TCP Procurement

During 2005, a total of EURO € 207 was purchased to hedge certain Purchase Orders; of this amount, the full balance remained hedged as at 31 December 2005. Additional currency balances pertaining to hedges of prior years, amounting to EURO € 411 and CAD$ 368, were held as at 31 December 2005. Due to the hedges, related commitments will not be subject to further gains or losses caused by currency fluctuation.

10. CONTRIBUTIONS IN KIND

a) Regular Programme

Under separate agreements between the Governments of Canada, Egypt, France, Peru, Senegal, Thailand and Mexico and the Organization, these Governments undertake to bear all or part of the costs of the rental of the premises located in their respective countries. The Government of Canada also bears the major part of the cost of operations and maintenance of the Headquarters premises. These are treated as contributions in kind.

The estimated value of the contributions in kind, based on the lease contracts or on the estimated market value when there is no lease, is shown below:

	2005	2004
Canada	$ 11 413	$ 10 648
Egypt	120	113
France	554	594
Peru	41	41
Senegal	37	21
Thailand	1 082	1 082
	$ 13 247	$12 499

The Government of Mexico provides a cash contribution towards the rental and utilities costs of the Regional Office in Mexico City. The contribution in 2005 amounted to U.S.$ 92 ($ 86 in 2004). Included in the contribution from Canada is an amount equivalent to U.S.$ 1 353 from the Government of Quebec towards provision of premises in the Bell Tower office for the Headquarters in Montreal.

b) Other ICAO Proprietary Funds

Below is the value of contributions in kind provided by States for each of the following group of funds:

	2005	2004
Aviation Security Plan of Action	$ 719	$ 889
ICAO Universal Safety Oversight Audit Programme Fund	$ 367	$ 162

11. END OF SERVICE AND POST-RETIREMENT BENEFITS

a) End of service benefits

End of service benefits comprise termination indemnity, repatriation grant, removal of personal effects, travel on separation and accrued leave. The liability in respect of the Regular Programme staff are estimated at U.S.$ 13 400 as at 31 December 2005 ($ 13 700 as at 31 December 2004). The estimate for leave and termination indemnity is based on historical experience over the last 6 years. The other estimates for separation payments are based on the actual entitlements for professional staff at 31 December 2005, valued at the average historical cost of the benefit. The actual amount paid in the current year amounted to $ 1 391 ($ 1 433 in 2004).

End of service benefit entitlements accrued to AOSC Fund staff are estimated at U.S.$ 4 300 as at 31 December 2005 ($ 4 000 as at 31 December 2004). The actual amount paid for the year ended 31 December 2005 was $ 40 ($ 70 for 2004).

b) **Post-retirement benefits**

The contingent liability resulting from the after-service health insurance that the Organization may have to pay to its staff members in future years has been determined by actuarial valuation. The actuarial valuation of the contingent liability for health benefits in future years (including both health and dental care) is estimated at $ 36 200 ($ 32 400 in 2004). The liability covers all ICAO staff.

Health insurance coverage is available to qualified retired employees. The Regular Programme paid $ 663 in the current year for health care benefits in respect of all eligible retirees ($ 628 in 2004).

12. PARTICIPATION IN THE UNITED NATIONS JOINT STAFF PENSION FUND (UNJSPF)

ICAO is a member organization participating in the United Nations Joint Staff Pension Fund which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded defined benefit plan. The financial obligation of the organization to the UNJSPF consists of its mandated contribution at the rate established by the United Nations General Assembly 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. At the time of this report the United Nations General Assembly has not invoked this provision.

The payments made to UNJSPF relating to the contributions of the participants and the Organization for 2005 amounted to $ 15 765 ($ 15 310 in 2004).

13. LONG-TERM LEASE COMMITMENTS

As at 31 December 2005, the Organization had an average commitment of approximately $ 3 675 (equivalent to CAD$ 4 300) per annum for 11 years, for a total commitment of $ 40 425 (equivalent to CAD$ 47 300), relating to its share of the basic rent and operating and maintenance costs of the Headquarters premises.

As at 31 December 2005, the Organization had outstanding purchases and long term lease agreements for the supply of equipment and rental of facilities which are due between 2006 and 2009. The total commitment amounts to $ 231. The committed payments under leases for telephone systems, equipment and photocopier will be as follows:

2006	2007	2008	2009	TOTAL
$ 92	$ 84	$ 35	$ 20	$ 231

14. COMMITMENTS AGAINST FUTURE FINANCIAL PERIODS

The future or forward commitments that were not accrued in the accounts of the current period, as at 31 December 2005 for the United Nations Development Programme (UNDP) Fund comprise:

a) internationally recruited and national staff contracts: $ 2 344; and
b) equipment for an Ecuador project: $ 1 349.

During the year, commitments pertaining to other TCP project funds were entered into against future financial periods for the following:

a) Brazil CAPS: $ 1 842;
b) Regional (REDDIG) MSA: $ 694;
c) Regional (EGNOS) MSA: $ 268; and
d) Thailand MSA: $ 47.

Commitments relating to international and national staff contracts as at 31 December 2005 for the Trust Funds and MSAs amounted to $ 7 123.

15. CONTINGENT LIABILITIES

A number of labour-law related legal actions have been brought against the Organization in relation to a Technical Co-operation Project. The claims amount to approximately $0.5 million. In the opinion of management, the final outcome of these claims is not determinable and, accordingly, these items are not recorded in the accounts. Settlements, if any resulting from the resolution of these claims will be accounted for in the year in which the liability is determined.

16. RECLASSIFICATION

During the financial period, the Organization implemented a new format for the presentation of the accounts in the financial statements. As a result, certain transactions and balances are no longer grouped or classified in the same way as in the past. The 2004 comparative amounts have been reclassified to be consistent with the reporting format adopted for 2005.

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PART IV: ANNEXES (UNAUDITED)

Annexes A to D: Relates ICAO Proprietary Funds

Annex A Revenue-Generating and Cost Recovery Accounts

1. The **Air Navigation Cost Recovery Account** was established in 2002 by the Secretary General of ICAO in accordance with Regulation 7.2 for the sale of services and publications relating to Air Navigation.

2. The **Air Transport Cost Recovery Account** was established by the Council in 2001 to finance income and expenditures relating to specific services provided by the Air Transport Bureau to Contracting States and others.

3. The **Conference and Other Facilities Fund** was established by the Council (C-DEC 157/2) in 1999 to account for the income and the costs of administration, operation and refurbishment relating to the rental of the conference, garage and cafeteria facilities.

4. **Dangerous Goods Activities (DAGWOODS).** In order to achieve intermodal harmonization in the transport of dangerous goods, whilst recognizing the work involved in maintaining complex and voluminous documents, Council approved the use of excess miscellaneous income (C-DEC 166/2) to fund the development of a dangerous goods document database. A special account was created for revenue generating activities relating to dangerous goods, including costs and revenues relating to the enhancement of DAGWOODS and any costs and revenues from recoveries for seminars, workshops or support of USOAP.

5. The **Electronic Publishing Account** was established in 2002 by the Secretary General of ICAO in accordance with Financial Regulation 7.2 for the production and sale of electronic publications.

6. The **Language Proficiency Fund** was established in 2004 by the Secretary General under Financial Regulation 7.2, to finance expenditure and collect revenues relating to specific aviation language proficiency products and services provided by the Air Navigation Bureau (ANB) to Contracting States and others.

7. The **Language Services Account** for the provision of interpretation, translation and printing services was established by the Council (C-DEC 162/2) in 2001 to administer the income and the expenditure related to the provision of such services to other international organizations, government agencies and national delegations.

8. The **Special ICAO Safety Oversight Audit Account** was established in 2004 by the Secretary General under Financial Regulation 7.2 to finance expenditure and collect revenue from provision of oversight audit services to Contracting States on a user-pays basis.

9. The **Special Public Information Projects Account** was established in 2002 by the Secretary General of ICAO in accordance with Financial Regulation 7.2, to record transactions relating to self-financing activities of the External Relations and Public Information Office of ICAO.

Annex B Aviation Security Trust Funds

These comprise earmarked funds as well as Special Accounts/Funds established in 2002 to reflect Council approval of the Aviation Security Plan of Action (ASPA), comprising 13 projects to be financed from funds within the Aviation Security Trust Funds. Activities relating to the ASPA projects are funded from general as well as earmarked contributions.

Annex C Funds for Technical Co-operation Support

1. The **TCB Efficiency/Effectiveness Fund** (previously reported as **TCB Reserve Fund**) was established in the 155th Session of the Council, for the use of a portion of the AOSC Fund annual surplus of the preceding year on improving Technical Co-operation Bureau's efficiency and effectiveness.

2. The **Administrative and Operational Services Cost Fund (AOSC Fund)** was established under the provisions of Article IX of the ICAO Financial Regulations. The AOSC Fund is utilized to meet the costs of administration and operation of technical co-operation programmes. This Fund is primarily financed from administrative overhead charges to the United Nations Development Programme (UNDP), Trust Funds and Management Service Agreements, and Civil Aviation Purchasing Service Funds.

Annex D Others

1. The **Arabic Language Services Fund** reflects the financial contributions received from certain Contracting States towards the cost of extension of Arabic language services in ICAO.

2. The **Chinese Language Services Fund** reflects the balance of funds remaining from the financial contribution made by the Government of the People's Republic of China to assist in the financing of the Chinese language unit in ICAO.

3. The **Edward Warner Award Fund** was established to defray the cost of awards to individuals or institutions who have made an outstanding contribution to the development of international civil aviation.

4. The **France Associate Experts Scheme** was established in 1979 under the Expert Scheme Programme of Technical Co-operation as a result of an agreement signed with the Government of France to provide and fund Associate Experts.

5. The **ICAO Air Navigation Commission (ANC) Laurel Award Fund** was approved by the Council in 1999 for the ANC Laurel Award established by the ANC. The award is to be given every two years to an individual or group having significantly contributed to the work of the ANC, through its panels, study groups, worldwide meetings or any other appropriate manner.

6. The **Italy Junior Professional Officers Fund** was established in 2005 as the extension to an agreement initially entered into with the Government of Italy under the Associate Expert Scheme Programme of Technical Co-operation. Italy provides and funds a Junior Professional Officer for appointment with ICAO.

7. The **Netherlands Associate Experts Scheme** was established in 1999 under the Expert Scheme Programme of Technical Co-operation as a result of an agreement signed with the Government of Netherlands to provide and fund Associate Experts.

8. The **Republic of Korea Junior Professional Officers Fund** was established in 1991 as a result of an agreement by which the Government of the Republic of Korea provides and funds Junior Professional Officers for appointment with ICAO.

9. The **Incentive for Settlement of Arrears Account** was established in 1999 by Resolving Clause 2 of Assembly Resolution A32-27, and the continuation of the scheme was confirmed by the 35th Session of the Assembly in Resolution A35-27. Resolving Clause 3 of Resolution A35-27, which became effective on 1 January 2005, provides that part of payments from Contracting States with arrears of three full years or more will be retained in a separate account to finance expenditure on aviation security activities, and new and unforseen projects related to aviation safety, and/or to the enhancement of the efficient delivery of ICAO programmes. Funds are provided from transfers of the Regular Programme surplus.

10. The **Information and Communication Technology (ICT) Fund** was established in 2001 by Assembly Resolution A33-24 to facilitate the modernization of ICAO's financial systems, the enhancement of ICAO's Web sites and consolidation of file servers.

INTERNATIONAL CIVIL AVIATION ORGANIZATION
REVENUE GENERATING AND COST RECOVERY SPECIAL ACCOUNTS/ FUNDS
SCHEDULE OF INCOME, EXPENDITURE, ASSETS, LIABILITIES AND FUND BALANCES
FOR THE PERIOD ENDING 31 DECEMBER 2005

(in thousands of United States dollars)

	Air Navigation Cost Recovery Account	Air Transport Cost Recovery Account	Conference and Other Facilities Fund	Dangerous Goods Activities	Electronic Publishing Account	Language Proficiency Fund	Language Services Account	Special ICAO Safety Oversight Audit (SOA) Account	Special Public Information Projects Account	TOTAL 2005	TOTAL 2004
INCOME AND EXPENDITURE											
INCOME											
Contributions	1							34		35	
Other income											
Interest income		6	15	1	19		1	1	3	46	16
Other			2							2	
Rental of facilities			827							827	327
Revenue - generating activities		288		27	488		273			1 076	837
TOTAL INCOME	1	294	844	28	507		274	35	3	1 986	1 180
EXPENDITURE											
Salaries and common staff costs	13	33	428	31	291		101	8		905	554
General operating expenses			215				134			349	174
Travel					8	10	1	21		40	67
Equipment			10		6					16	24
Other			17		45		1			63	49
TOTAL EXPENDITURE	13	33	670	31	350	10	237	29		1 373	868
Net excess (shortfall) of income over expenditure	(12)	261	174	(3)	157	(10)	37	6	3	613	312
BALANCE OF FUNDS											
Adjustment of prior year's unliquidated obligation/expenditure			(18)							(18)	8
Fund balance, beginning of period	17	160	550		557	18	44	15	83	1 444	1 123
BALANCE OF FUNDS, END OF PERIOD	5	421	706	(3)	714	8	81	21	86	2 039	1 443
ASSETS, LIABILITIES AND FUND BALANCES											
ASSETS											
Cash and term deposits	5	251	495	88	619	10		21	86	1 575	1 424
Accounts receivable											
Inter-fund balances		4			53		4			61	86
Receivables		175	282	27	89		142			715	120
TOTAL ASSETS	5	430	777	115	761	10	146	21	86	2 351	1 630
LIABILITIES											
Unliquidated obligations		9	2	20	2		1			34	1
Accounts payable			7	87	2		4			100	17
Inter-fund balances			62	11	43	2	60			178	169
TOTAL LIABILITIES		9	71	118	47	2	65			312	187
BALANCE OF FUNDS Represented by:											
Cumulative surplus	5	421	706	(3)	714	8	81	21	86	2 039	1 443
TOTAL BALANCE OF FUNDS	5	421	706	(3)	714	8	81	21	86	2 039	1 443
TOTAL LIABILITIES AND FUND BALANCES	5	430	777	115	761	10	146	21	86	2 351	1 630

ANNEX A
(unaudited)

INTERNATIONAL CIVIL AVIATION ORGANIZATION

OTHER ICAO PROPRIETARY FUNDS
INCOME, EXPENDITURE, ASSETS, LIABILITIES AND FUND BALANCES
FOR THE PERIOD ENDING 31 DECEMBER 2005

(in thousands of United States dollars)

AVIATION SECURITY TRUST FUND

	AVIATION SECURITY PLAN OF ACTION									OTHER EARMARKED AVSEC FUNDS				SUB-TOTAL	
	EARMARKED TRAINING PROGRAMME	ENHANCED MECHANISM	FRANCE JPO	FRANCE PROTOCOLE EXPERT	KOREA EXPERT	NETHERLANDS	UNITED KINGDOM	UNITED STATES	SUB-TOTAL	AWARENESS TRAINING PROGRAMME	FRANCE PROTOCOLE COOPERATION	NATIONAL PROJECTS	STANDARDIZED TRAINING PROGRAMME	2005	2004
INCOME AND EXPENDITURE															
INCOME															
Contributions		3 432							3 432					3 432	3 381
Earmarked contributions			120	107			121	360	708	7	241			956	923
Other income															
Interest income	22	222	4	3	3	1			255		10	7	13	285	126
Miscellaneous	90	104							194					194	472
TOTAL INCOME	112	3 758	124	110	3	1	121	360	4 589	7	251	7	13	4 867	4 902
EXPENDITURE															
Salaries and common staff costs	10	2 589	99	248	98		134	223	3 401		50			3 451	2 551
Travel	12	1 216							1 228	42	192			1 462	1 582
Equipment		20							20					20	61
Other	35	53						2	90		29			119	233
TOTAL EXPENDITURE	57	3 878	99	248	98		134	225	4 739	42	271			5 052	4 427
Net excess (shortfall) of income over expenditure	55	(120)	25	(138)	(95)	1	(13)	135	(150)	(35)	(20)	7	13	(185)	475
BALANCE OF FUNDS															
Adjustment to prior year's unliquidated obligation/expenditure	(23)	38							15	7				22	47
Transfers to/from other funds															(10)
Fund balances, beginning of period	703	6 449	103	194	162	41	12	20	7 684	26	234	198	416	8 558	8 046
BALANCE OF FUNDS, END OF PERIOD	735	6 367	128	56	67	42	(1)	155	7 549	(2)	214	205	429	8 395	8 558
ASSETS, LIABILITIES AND BALANCE OF FUNDS															
ASSETS															
Cash and term deposits	656	7 078	138	76	76	42	19		8 085	4	343	205	428	9 065	9 342
Accounts receivable															
Inter-fund balances	84	86						25	195	3	1			199	70
Receivables and advances	2	16						186	204		1		1	206	46
TOTAL ASSETS	742	7 180	138	76	76	42	19	211	8 484	7	345	205	429	9 470	9 458
LIABILITIES															
Unliquidated obligations	4	161							165	1	8			174	227
Accounts payable	2	257						10	269					269	10
Inter-fund balances	1	395	10	20	9		20	46	501	8	123			632	663
TOTAL LIABILITIES	7	813	10	20	9		20	56	935	9	131			1 075	900
BALANCE OF FUNDS															
Represented by:															
Cumulative surplus	735	6 367	128	56	67	42	(1)	155	7 549	(2)	214	205	429	8 395	8 558
TOTAL BALANCE OF FUNDS	735	6 367	128	56	67	42	(1)	155	7 549	(2)	214	205	429	8 395	8 558
TOTAL LIABILITIES AND BALANCE OF FUNDS	742	7 180	138	76	76	42	19	211	8 484	7	345	205	429	9 470	9 458

ANNEX B
(unaudited)

ANNEX C
(unaudited)

INTERNATIONAL CIVIL AVIATION ORGANIZATION

OTHER ICAO PROPRIETARY FUNDS
INCOME, EXPENDITURE, ASSETS, LIABILITIES AND FUND BALANCES
FOR THE PERIOD ENDING 31 DECEMBER 2005

(in thousands of United States dollars)

	TECHNICAL CO-OPERATION SUPPORT		TOTAL	
	TCB Efficiency / Efectiveness Fund	Administrative and Operational Services Cost Fund	2005	2004
INCOME AND EXPENDITURE				
INCOME				
Other income				
Administrative fee revenue		6 196	6 196	5 940
Interest income		142	142	84
Miscellaneous		815	815	286
TOTAL INCOME		7 153	7 153	6 310
EXPENDITURE				
Salaries and common staff costs		6 276	6 276	5 317
General operating expenses		261	261	45
Travel		208	208	91
Equipment				14
Other	26	2	28	382
TOTAL EXPENDITURE	26	6 747	6 773	5 849
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	(26)	406	380	461
BALANCE OF FUNDS				
Adjustment of prior year's unliquidated obligations/ expenditure		12	12	8
Transfers to/from other funds	139	(139)		
Fund balances, beginning of period	9	7 669	7 678	7 209
BALANCE OF FUNDS, END OF PERIOD	122	7 948	8 070	7 678
ASSETS, LIABILITIES AND FUND BALANCES				
ASSETS				
Cash and term deposits		4 913	4 913	5 123
Accounts receivable				
Inter-fund balances	122	3 404	3 526	1 324
Receivables and advances		785	785	533
Other assets		1 313	1 313	1 542
TOTAL ASSETS	122	10 415	10 537	8 522
LIABILITIES				
Unliquidated obligations		50	50	46
Accounts payable		447	447	260
Inter-fund balances		1 929	1 929	510
Other credit balances and provisions		41	41	28
TOTAL LIABILITIES		2 467	2 467	844
BALANCE OF FUNDS Represented by:				
Cumulative surplus	122	5 948	6 070	5 678
Reserved surplus		2 000	2 000	2 000
TOTAL BALANCE OF FUNDS	122	7 948	8 070	7 678
TOTAL LIABILITIES AND BALANCE OF FUNDS	122	10 415	10 537	8 522

INTERNATIONAL CIVIL AVIATION ORGANIZATION

OTHER ICAO PROPRIETARY FUNDS - OTHERS
INCOME, EXPENDITURE, ASSETS, LIABILITIES AND FUND BALANCES
FOR THE PERIOD ENDING 31 DECEMBER 2005

(in thousands of United States dollars)

	Arabic Language Services Fund	Chinese Language Services Fund	Edward Warner Award Fund	France Associate Experts Scheme	ICAO ANC Laurel Award Fund	Italy Junior Professional Officers Fund	Netherlands Associate Experts Scheme	Republic of Korea Junior Professional Officers Fund	Incentive for Settlement of Arrears Account	Information and Communication Technology (ICT) Fund	TOTAL 2005	TOTAL 2004
INCOME AND EXPENDITURE												
INCOME												
Contributions						111					111	
Earmarked contributions			4	143	2						149	283
Other income												
Interest income	1	2	1				1		86	72	163	80
TOTAL INCOME	1	2	5	143	2	111	1		86	72	423	363
EXPENDITURE												
Salaries and common staff costs		12		100		11	24		173	114	434	604
General operating expenses									263	3	266	132
Travel										52	52	50
Administrative overhead charges						1	3				4	8
Equipment									24	2	26	329
Other				1			1				2	14
TOTAL EXPENDITURE		12		101		12	28		460	171	784	1 137
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	1	(10)	5	42	2	99	(27)		(374)	(99)	(361)	(774)
BALANCE OF FUNDS												
Transfers to/from other funds									(377)		(377)	914
Refund of Contributions								(11)			(11)	(308)
Fund balances, beginning of period	13	41	8	19	3		33	6	3 322	2 342	5 787	5 955
BALANCE OF FUNDS, END OF PERIOD	14	31	13	61	5	99	6	(5)	2 571	2 243	5 038	5 787
ASSETS, LIABILITIES AND FUND BALANCES												
ASSETS												
Cash and term deposits	14	60	13	70	5	111	9		2 679	2 232	5 193	6 327
Accounts receivable												
Inter-fund balances									72	13	85	33
Receivables and advances									7	5	12	15
TOTAL ASSETS	14	60	13	70	5	111	9		2 758	2 250	5 290	6 375
LIABILITIES												
Unliquidated obligations									12	3	15	416
Accounts payable		7						5	137		149	1
Inter-fund balances		22		9		12	3		38	4	88	171
TOTAL LIABILITIES		29		9		12	3	5	187	7	252	588
BALANCE OF FUNDS												
Represented by:												
Cumulative surplus	14	31	13	61	5	99	6	(5)	2 228	2 243	4 695	3 984
Reserved surplus									343		343	1 803
TOTAL BALANCE OF FUNDS	14	31	13	61	5	99	6	(5)	2 571	2 243	5 038	5 787
TOTAL LIABILITIES AND BALANCE OF FUNDS	14	60	13	70	5	111	9		2 758	2 250	5 290	6 375

ANNEX D
(unaudited)

REGULAR PROGRAMME GENERAL FUND
STATEMENT OF APPROPRIATION AND EXPENDITURE
AT BUDGET RATE BY MAJOR PROGRAMME - 2005
(in thousands of United States dollars)

Major Programmes	(1) Approved Appropriations (Res. A35-22 and SL 04/106)	(2) Carried-over from prior year (C 173/9, C175/13)	(3) Increase in Appropriations (C 176/14)	(4) Transfers among Major Programmes (Fin. Reg. 5.10)	(5) Defer to 2006 (Fin. Reg. 5.6) (C 176/14)	(6) Total Adjusted Appropriations (1)+(2)+(3)+(4)+(5)	(7) Expenditure at Budget Rate	(8) Unobligated Balance at 31 December 2005 (6) - (7)
I. General Policy and Direction	1 082	50			(145)	987	986	1
II. Air Navigation	9 024	53	400	200	(707)	8 970	8 955	15
III. Air Transport	5 325	46	60	(50)	(535)	4 846	4 846	
IV. Legal	1 163			60	(260)	963	963	
V. Regional and Other Programmes	16 966	12			(1 937)	15 041	15 029	12
VI. Administrative Support	25 262			(130)	(1 229)	23 903	23 903	
VII. Finance, External Relations/Public Information and Programmes Evaluation, Audit and Management Review	3 840	140		(80)	(457)	3 443	3 439	4
VIII. Universal Safety Oversight Audit Programme	2 007	1 677			(1 130)	2 554	2 554	
	64 669	1 978	460		(6 400)	60 707	60 675	32

	Approved Estimate	Actual Receipts
Miscellaneous Income	5 162	6 306

NOTE:

Expenditure in Canadian dollars is reflected at the budget rate of CAN$ 1.32 to US$ 1.00.

ANNEX F
(unaudited)

MEETINGS 2005
STATEMENT OF EXPENDITURES (*)
(in thousands of United States Dollars)

		(1) Site	(2) Budget	(3) Expenditures
MAJOR PROGRAMME I - GENERAL POLICY AND DIRECTION				
35th Session of the Assembly				1
MAJOR PROGRAMME II - AIR NAVIGATION			71	
Panel Meetings:	- FCLTP/2	Montreal		5
	- OCP/14	Montreal		1
	- OPLINKP/1	Montreal		5
	- DGP/20	Montreal		4
MAJOR PROGRAMME III - AIR TRANSPORT			147	
AVSEC Panel:	- AVSECP/17	Montreal		6
TAG MRTD/16**		Montreal		
Workshops/Seminars:	- WARFM, Bangkok	Bangkok		8
	- FEPW, Lima	Lima		10
	- WARFM, Trinidad	Trinidad&Tobago		9
	- Joint AT Workshop	Montreal		1
	- WARFM, Cairo	Cairo		8
	- STAW/45	Paris		5
REG TFG:	- CAR/SAM TFG	Lima		4
MAJOR PROGRAMME IV - LEGAL			178	
SG-MR/1		Montreal		9
SG-MR/2**		Montreal		0
CSG-LAEC/1		Montreal		6
MAJOR PROGRAMME V - REGIONAL AND OTHER PROGRAMMES			413	
APIRG	- APIRG/15	Nairobi		38
EANPG	- EANPG/47	Paris		7
	- METG/15**	Paris		0
APANPIRG	- APANPIRG/16	Bangkok		8
GREPECAS	- ACG/5	Mexico		5
	- AVSEC/COMM/4	Montego Bay		6
	- ATM/CNS/SG/4 & CNS/COM/4	Mexico		7
	- GREPECAS/13 & ASB/6	Santiago de Chile		24
	- AIS/MAP/SG/9	Dominican Republic		3
	- AERMETSG/7	Mexico		5
MIDANPIRG	- MIDANPIRG CNS/MET SG/7	Cairo		9
NAT Systems	- NAT SPG/41	Paris		1
	- NAT ATMG/25	Brest		1
	- NAT SMW	Brest		1
	- NAT EFG/10	Shannon		1
	- NAT IMG/26	Frankfurt		3
	- ANP TF/3	Prestwick		1
	- NAT/FIG/12	Bodo		4
	- COG/32	Lisbon		5
	- NAT FIG/13	Santa Maria		3
	- COG/33**	Paris		0
	- NAT IMG/27 EFG/11	Ottawa		4

(*) Expenditures in Canadian dollars are reflected at the budget rate of Can.$1.32 to U.S. $1.00
(**) The meetings with total expenditures under $1 000 are shown as zero and under one line at the bottom of the table.

	(1) Site	(2) Budget	(3) Total Expenditures
OTHER RPGs/SGs, IMPLEMENTATION MEETINGS AND SEMINARS/WORKSHOPS			
Seminar on Introduction to Quality Assurance for MET Services in Aviation	Dakar		1
MET/SG/7	Dakar		9
AIS Automation TF3**	Dakar		0
AIS/MAP SIP	Dakar		3
Haj 2006 Informal Coordination Meeting**	Dakar		0
PISC MID Project Meeting	Johannesbourg		3
RDGE/2**	Paris		0
ATMG/2**	Paris		0
SADISOPSG/10	Paris		5
DLSG/2	Paris		5
RDGE/3**	Paris		0
ATMG/3**	Paris		0
WAFSOPSG	Bangkok		8
ATNTTF/7	Shanghai		1
CNS/MET SG/9**	Bangkok		0
			0
			0
			0
RVSM S/6 & RVSM/TF/25	Incheon		3
ARNR/TF/3 & SEACG/12**	Bangkok		0
FIT-BOB/5, FIT-SEA/2, ATFM/TF/1 & ADS/CPDLC Seminar**	Bangkok		0
RVSM/TF/26	Tokyo		3
ATFM/TF/4 & BOBCAT**	Bangkok		0
FIT-BOB/6 & FIT-SEA/3**	Bangkok		0
Regional Seminar on ICAO Requirements for the Operation of the New Larger Aircraft	Bangkok		1
Regional Seminar on Aviation Medicine and Personnel Licensing	Bangkok		9
Safety Oversight Coordinators Seminar/Workshop**	Cairo		0
AFS/ATN TF10**	Cairo		0
Air Navigation Safety Working Group**	Cairo		0
CNS/ATM/IC SG/2**	Cairo		0
GNSS TF/5**	Cairo		0
CNS/ATM/ HR P&T TF/1**	Cairo		0
MID RMA BOARD/1**	Cairo		0
AOP SG/5**	Cairo		0
MID RMA/1**	Cairo		0
C/CAR/WG/5	Mexico		2
29 E/CAR/WG	Saint Vincent/Grenadines		5
NACC/DCA/2	Tegucigalpa		8
RNAV/RNP Seminar	Mexico		2
9th SAM CAA	Santiago		7
Workshop Safety Management System NAM/CAR/SAM	Buenos Aires		3
CAR/SAM SAR Implementation	Santiago		3
ICAO/FAA Workshop on Inspector for Airport Certification	Montevideo		1
IAVWOPSG/2	Lima		4
SAT/12 ATM & CNS WG	Rio De Janeiro		2
AP/ATM/11	Lima		4
GNSS	Rio De Janeiro		2
3rd International Conference on Bird/Wildlife Hazard Prevention	Rio De Janeiro		2
ICAO ALACPA/FAA/ACI-LAC Seminar	Bogota		2
Regional Seminar/Workshop for National Safety Oversight Coordinators	Nairobi		1
AFI RVSM	Johannesburg		2
AFI RVSM Functional Hazard Assessment	Johannesburg		2
AFI ATN TF/2**	Dakar		0
AFI CNS SG/1	Dakar		3
NLA/TF/2**	Nairobi		0
RVSM/RNA V/RNP/TF/6	Nairobi		1
AOP Sub-group 6	Nairobi		10
GNSS/TF COM WG/I & AFI GNSS/1/TF/3	Lagos		1
RVSM/RNA V/RNP/TF/7 & ATS/AIS/SAR/SG/8	Dakar		10
RVSM/RNAV/RNP	Lagos		2
Total expenditure of the above meetings marked with ** have expenditures under $1 000			6
		809	359

(*) Expenditures in Canadian dollars are reflected at the budget rate of Can.$1.32 to U.S. $1.00
(**) The meetings with total expenditures under $1 000 are shown as zero and under one line at the bottom of the table.

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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 2005

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
2005

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MAIN POINTS

Financial statements and audit opinion

1. The audit opinion on the 2005 financial statements was issued without reservation.

2. In November 2005, a United Nations working group on accounting standards decided to adopt the *International Public Sector Accounting Standards (IPSAS)* as the official accounting standards of the UN system. These standards are to be implemented by 2010. ICAO has decided to apply the standards by 2008. It also plans to implement a new financial system during the same period. Implementing two such demanding goals simultaneously could increase the risk that the expected results of both initiatives will not be achieved.

ICT operations

3. This year's audit found that although the operations of the Information and Communication Technology (ICT) Section are essential to the entire Organization, over the years ICAO has been unable to demonstrate a firm commitment to improving the governance of information technology. We are concerned that without proper intervention, ICT operations are not efficient enough to support either the current financial system or the proposed new systems. Moreover, we noted that the decentralized operations of ICT do not allow ICAO to adequately reinforce the management of ICT and make proper use of its resources.

Non- compliance with UNSAS

4. In January 2006, the Organization's Conference and Office Services section (COS) conducted an inventory count at ICAO headquarters. Following the count, COS and the Finance Branch made an effort to adjust the database and correct the errors identified. Therefore, we were able to obtain assurance that the database information on the quantity and location of items was reliable. However, our audit of the value of inventory items found discrepancies between their actual costs and the information in the database. Overall, the number of discrepancies we found leads us to conclude that in the present situation no assurance can be obtained on the value of items. Consequently, the Organization is still unable to comply with the UNSAS requirements on disclosure.

Performance Appraisal Report process

5. During this audit, we found that the information in the individual performance appraisal reports we reviewed was poor. In addition, we noted that ICAO's performance appraisal process is not viewed as a serious management tool for recognizing employees' contribution to the work of the organization, motivating employees to improve performance, or dealing with performance problems. Nor is it linked with achieving ICAO's objectives.

6. ICAO management recognized the need to revise the performance appraisal process in response to both the Employee Survey and the changes being introduced by the new business planning process. It established a Performance Management Committee to review the present situation and recommend changes.

7. In the light of our findings, we strongly urge Council and ICAO management to support the initiative to revitalize the performance appraisal system and make it a useful means of maintaining a dialogue with employees and a focus on achieving organizational results.

Modernization of financial information systems

8. In 2005, the Steering Group for the Modernization of the Financial Systems project was given the mandate to seek an alliance with another UN organization to share experience and competencies in implementing systems. The Project Team visited various UN organizations but in April 2006, ICAO decided that the development of such an alliance had to be delayed for various reasons. The proposed support of two UN organizations was less than anticipated. In the light of these developments, the Secretariat has decided to build a business case using the lessons learned during the project missions and to present several options to the Council. Management informed us that the business case would, among other things, determine the project's scope and appropriate governance structure and request the necessary funding.

9. In accordance with Assembly Resolution A35-32, we determined that the Organization appropriately charged to the Information and Communication Technology Fund the $171,256 of expenditures it incurred in 2005 to modernize its financial and related systems.

INTRODUCTION

1. This report contains the results of the audit of the International Civil Aviation Organization (ICAO) conducted by the External Auditor of the Organization.

2. The report includes observations and recommendations arising from our audit of the Organization's financial statements, our compliance audit of its transactions, and our performance audits of certain programmes and activities.

3. We prepared this report and the audit opinion in English. We audited the English version of ICAO's financial statements.

SCOPE OF THE AUDIT

Scope of this year's attest audit

4. The scope of the audit was determined in compliance with Article XIII of the ICAO Financial Regulations and in accordance with the additional terms of reference governing the external audit. The Annex to those regulations lists the additional terms.

5. We conducted the audit in accordance with common auditing standards adopted by the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency, and international auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

6. No restrictions were placed on the scope of our audit, and we obtained all of the information and explanations we considered necessary.

7. The audit is not designed to, and normally does not, identify all matters that may be relevant to those charged with governance. Accordingly, this report includes only the governance matters that came to our attention in the course of the audit.

Scope of this year's performance audits

8. This year's performance audits included assessing the performance appraisal system to determine whether it met its objectives and supported the Organization's strategic goals and business plans. We also followed up on our previous audit of the modernization of financial information systems.

ATTEST AUDIT RESULTS

The audit opinion on the 2005 financial statements is without reservation.

9. The Secretary General submitted the financial statements for the year ending 31 December 2005 to us for audit, in accordance with ICAO Financial Regulation 12.4. We issued the audit opinion on the 2005 financial statements without reservation. The Auditor's Report will be issued following the Council's recommendation for the Assembly's final approval of the Organization's financial statements.

10. In this report we communicate our judgments about the accounting principles used with respect to the application of UNSAS, the consistency of their application, and the completeness of the financial statements, including related disclosures. In summary, we observed the following:

Disclosure of non expendable items does not meet UNSAS requirements

a) The Organization does not comply with UNSAS requirements that the value of non-expendable items be disclosed in the notes to the financial statements. Our audit found that because of weaknesses in the process used to establish the value of non-expendable items, assurance on the overall value of items cannot be obtained. These weaknesses are described below under "Significant weaknesses in internal control."

ICAO has started to simplify its financial statements.

b) In 2004, we recommended that ICAO conduct a review and implement changes to simplify its financial statements, notes, and accounting principles. The review's objective is to provide clear, concise disclosure and material information to meet the common needs of most users. We are satisfied with the work plan the Organization produced and with management's commitment to achieve this goal. As part of its work plan, ICAO made significant changes to the presentation of the financial statements. Its accounting principle on user charges was also changed retroactively, as explained in note 3 to the financial statements. Overall, we are satisfied with the improvements made to the financial statements.

Unadjusted audit differences are not significant on a net basis

11. In the normal course of an audit, adjustments arise that in our judgment could, either individually or in the aggregate, affect the entity's financial reporting process. In this year's audit, unadjusted audit differences were not significant on a net basis and were discussed with management.

There are no disagreements with management

12. We are charged with reporting any disagreements with management over auditing, accounting, or disclosure matters that could, individually or in the aggregate, significantly affect the financial statements or our auditor's report. We are also obligated to report whether we resolved any disagreements satisfactorily. There were no such matters to report.

We have not identified any matters related to fraud and illegal acts

13. We are required to report on fraud and illegal acts involving senior management, as well as fraud and illegal acts (whether by senior management or other employees) that cause a more-than-trivial misstatement of the financial statements. We emphasize that it is management's responsibility to establish a control environment and maintain policies and procedures to help ensure the orderly and efficient conduct of the Organization's business. In determining which internal controls it will implement to prevent and detect fraud, management should consider the risk that the financial statements may be materially misstated as a result of fraud. Consistent with International Standard on Auditing #240, during the audit we considered the possibility that fraud or error, if sufficiently material, might affect our opinion on the financial statements. Our audit procedures did not identify any matters related to fraud and/or error that should be brought to the attention of those charged with governance.

We concur with management's judgments and accounting estimates

14. The preparation of the financial statements requires the use of accounting estimates. Certain estimates are particularly sensitive due to their significance to the financial statements and the possibility that future events may differ significantly from management's expectations. The most significant estimates involve the unliquidated obligations, the estimated service costs for the current year, and end-of-service and post-retirement benefits. When considering the reasonableness of these estimates, we reviewed supporting working papers and documentation, performed recalculations, consulted with external parties as appropriate, and performed such other tests and procedures as considered necessary in the circumstances. We concur with management's judgments and find them consistent with the corroborating evidence.

Significant weaknesses in internal control

15. We may provide management with written recommendations for other changes to improve existing internal accounting controls or financial and reporting practices. However, as is our normal practice, we report our most significant observations and recommendations in the following paragraphs.

16. In November 2005, the United Nations working group on accounting standards decided to adopt the *International Public Sector Accounting Standards (IPSAS)* as the official accounting standards of the UN system. These standards are to be implemented by 2010. ICAO has decided to apply the standards early, and wants to adopt them by 2008. During the same period, the Organization plans to implement a new financial system. Implementing two such demanding goals simultaneously could increase the risk that the expected results of both initiatives will not be achieved.

17. Adopting the new financial system and applying new accounting standards represent fundamental changes to the Finance Branch's operations. The Finance Branch is already challenged by its heavy workload, and we are concerned that these changes might cause the situation to deteriorate.

18. ICAO has already issued a working paper (C-WP 12657) describing the major accounting and cost impacts of these changes. If the IPSAS project is approved by Council, we recommend that the Secretariat submit a study report to the Finance Committee on the human resources factors (for example, new competencies required, training needs, expected workload, and employees' buy-in). The Organization should also consult the people involved and establish a detailed action plan that identifies the major risks related to the implementation of these changes and the steps that will address the risks. Furthermore, ICAO should allocate appropriate resources to ensure that the new accounting standards and the financial system are implemented as seamlessly as possible.

ICAO should improve controls on inventory of non-expendable items.

19. In 2004, we recommended that the Organization produce an accurate inventory of non-expendable items in order to improve their management and comply with UNSAS. ICAO did not produce an accurate inventory of non-expendable items in 2005 and consequently still is not in compliance with UNSAS.

20. The following are our main observations this year on inventory controls for non-expendable items :

a) In March 2006, the Secretary General approved the release of new guidelines for the management of non-expendable items (NEP). ICAO's next step is to ensure that staff in all its bureaus and regional offices receive appropriate training so they can apply the new procedures uniformly and maintain a database of items.

b) The Organization's Conference and Office Services section (COS) conducted an inventory count at ICAO headquarters. At our suggestion, an outside party performed the count in January 2006. The inventory was accomplished in a short time, which reduced any errors related to movement of items. From January to April, COS adjusted the NEP database and followed up on any identified discrepancies. COS and the Finance Branch made an effort to correct the errors they identified. We were able to obtain assurance that the database information on the quantity and location of items was reliable.

c) In last year's audit report, we commented on items that were entered without a value and/or without complete information. COS and Finance put effort into completing the missing information. However, the information entered in previous years was not reviewed or entered in this year's updated database. Our audit of the value of inventory items found discrepancies between their actual costs and the information in the database. Moreover, an historical UN operational rate of exchange for translating Canadian dollars to US dollars was not used, which resulted in an overestimation of the value of non-expendable items. Overall, the number of discrepancies we found leads us to conclude that in the present situation no assurance can be obtained on the value of items.

d) Last year we recommended that COS put processes in place to validate the information entered, reconcile movements of items, and update information on a timely basis in order to maintain an accurate database. COS did put in place processes to reconcile the movement of items, write-offs, and acquisitions. We are satisfied with the work the Organization did on those issues.

21. We acknowledge COS's efforts to put appropriate internal controls in place and the continuous effort of staff to maintain an accurate database of items. We recommend that the Organization review the values entered in the database and adopt a validation process to detect any errors. Such procedures will eventually allow ICAO to comply with UNSAS and will provide the basis for applying the new accounting standards.

ICAO should reinforce controls over ICT operations.

22. Information system management is an important component of internal control because it has a direct impact on the quality of the financial information produced. We therefore evaluated the appropriateness of the Information and Communication Technology (ICT) framework used by ICAO to support its financial operations. We particularly looked at the strategy and planning of IT resources, change management, information security, business continuity, and monitoring of operations.

The Organization has made limited progress toward establishing and communicating appropriate procedures and practices.

a) In previous audits, ICAO's Evaluation and Audit Office reported that internal controls in the Organization's ICT framework had significant weaknesses. This year, our audit found that the Organization has made limited progress toward putting appropriate procedures and practices in place to safeguard assets and ensure the integrity of data.

A firm commitment is needed by senior management to improve the information technology's governance.

b) Although management has been aware of the internal control problem, over the years ICAO has been unable to demonstrate a firm commitment to improving the governance of information technology. We are concerned that ICT operations are not efficient enough to support the current financial system and that without proper intervention, they will not be able to support the proposed new systems. Moreover, we noted that with its decentralized ICT operations, ICAO has a tendency to seek outsourced solutions instead of reinforcing ICT management and making proper use of its own resources.

c) One of the challenges in decentralized ICT operations is retaining a global view of all IT operations and systems. By doing so, an organization is able to maximize the benefits of its investments in IT and better coordinate its resource needs.

The ICT master plan does not cover risks related to security and potential malicious attacks.

d) We expected that ICAO would have an organization-wide strategic plan for its ICT operations based on architecture, technology available on the market, needed resources, priorities, and an assessment of risks and vulnerabilities. Our audit found that ICAO has developed a strategic plan for its IT operations. For the first time, ICT stakeholders were brought together to establish global strategies and an action plan. We found that an effort was made for the first time to obtain an inventory of all the systems in place. It was a lengthy process, and ICT sections realized that they had been unaware of many applications being used. However, the ICT master plan does not cover risks related to security and potential malicious attacks. Consequently, ICAO's expected results are exposed to unforeseen consequences.

e) Another challenge to decentralized ICT operations is the difficulty of communicating and applying common standards. One of the most important difficulties is how to manage program changes in order to minimize disruption, unauthorized alterations, and errors.

No common standard and no segregation of duties.

f) We noted that the ICT Section and bureaus' system analysts both manage program changes. Our audit found no segregation of their duties and no common standard in use. Consequently, the level of documentation and testing varies from one programmer to another, raising the risks of unauthorized alterations and loss of corporate knowledge.

g) Our interviews also revealed a lack of coordinated intervention between the ICT Section and the bureaus, which caused delays in implementing some projects. Since each program change can affect the entire network's performance and the capacity of its hardware, and can require support from the ICT Section, it is imperative that the Organization co-ordinate any changes to the system.

h) An appropriate security framework is the main tool for safeguarding information against unauthorized use, disclosure, modification, damage, or loss. ICAO is an international organization, uses many consultants and partners to achieve its goals, and relies on the Internet to communicate and to do business.We therefore expected ICAO to have a strong security framework composed of an awareness program, a security officer, and appropriate standards and policies.

ICAO should establish a proper security framework.

i) We noted that ICAO has no security officer; a number of employees assume security tasks. As for policies and standards, the ICT Section advertises on the intranet that it applies the recommended UN security practices. However, we found those practices only partly implemented and no one monitors compliance with them.

j) Furthermore, ICAO's employees and partners appear to lack awareness of security practices. An awareness program is vital in an organization where consultants are employed and where protecting information is critical. We are concerned that an improper security framework increases the risk of unauthorized access to information. Ultimately, unauthorized access could lead to a loss of information or assets or the release of sensitive information.

ICAO should have a proper recovery plan for its ICT operations to support its emergency plan.

k) In 2005, the Organization adopted an emergency response plan. However, there is no business continuity plan or recovery plan for ICT operations to support the emergency response plan. As a result, the Organization's operations are vulnerable and could be severely affected by any disruption.

l) Finally, we expected ICAO to have a strong monitoring program, since ICT operations are scattered throughout the Organization. Our audit found that there is little monitoring because all ICT employees are occupied by daily operations. Management indicates that resources are limited and that most of the controls discussed here would require more manpower and investment.

m) ICAO has not established any performance standards such as capacity level, uptime, and response time for its ICT operations. There is little commitment to monitor internal controls, assess their effectiveness, and report on them regularly. Improper monitoring of ICT operations can lead to a backlog of demands, irritated users, lack of trust and confidence in the systems, and incidents that go unnoticed and could damage the system.

ICAO should obtain a firm commitment from senior managers to apply industry's best practices and achieve a better use of resources.

23. Overall, we are concerned that the ICT operations do not support the Organization's needs adequately. ICAO should adapt its ICT operations to a changing environment by applying industry best practices.

a) As a starting point, ICT stakeholders should obtain Council's firm commitment to renew the ICT operations and view them as an essential element of the entire organization, not just a section or bureau issue.

b) ICAO should refer to the Joint Inspection Unit's report, *Management information in the United Nations System Organizations: Management information systems*, to help it implement appropriate information technology governance. The report explains the basis of good IT governance.

c) Furthermore, ICAO should make a better use of its ICT committee to establish a common understanding of what standards the Organization should be applying and how to comply with them. The ICT committee should discuss and approve all practices ICAO decides to apply in the near future. The changes should also go to the Secretary General for final approval. This would establish an accountability structure and reinforce the Organization's governance structure.

d) Finally, ICAO would profit from reviewing various UN Secretariat publications on the use of information technology. Over the years, the UN Secretariat has published good practice guidelines and administrative instructions that ICAO should apply.

OBSERVATIONS ARISING FROM THE 2005 PERFORMANCE AUDIT

Human Resources Management
Performance Appraisal Report Process

24. The objective of this audit was to assess the extent to which the performance appraisal system at ICAO meets its stated objectives (see Exhibit 1) and the extent to which the system is linked with and supports the Organization's strategic goals and business plan.

25. As part of our audit, we reviewed employee survey data and commentaries on the performance appraisal process, including merit awards. We audited the Personnel Branch information system on Performance Appraisal Reports (PARs) for reliability and reviewed a sample of 14% of employee files representing all levels, bureaus, and reasons for completing the PARs. We interviewed members of the Organization's Performance Management Committee, which has a mandate to revise the current process. We also interviewed some line managers and employees about their experience with the performance appraisal process.

26. We reviewed a document published by the UN's Joint Inspection Unit, called *Managing for Results in the United Nations System.* The publication includes a section on performance management and proposes a series of benchmarks for UN organizations to follow. We reviewed information from the International Civil Service Commission (ICSC) about a pilot project concerning pay-for-performance and broad-banding of employees ranked as professionals or higher, and we looked at the recently released annual report of the ICSC.

27. Finally, we observed the progress the Organization achieved in applying the recommendations from our 2003 audit of human resources management, specifically those on human resources planning.

Observations

Work on longer-range human resource planning is progressing

28. In 2003, we noted that a lack of information on staff competencies was a major impediment to sound human resources planning. We recommended that the Secretariat develop a shared understanding of staff competencies to assess whether ICAO had the right knowledge and skills needed to achieve its objectives.

Personnel Branch requested all Bureau Directors, Regional Directors and Chiefs to forecast staffing requirements to 2013

29. In the summer of 2005, following the tabling of the Human Resources Management Framework (C-WP 12418), the Secretary General asked all employees to update their information on language, education, and employment by completing an Employee Skills profile. According to information provided by the Personnel Branch, a follow-up was undertaken and the remaining files updated through conversation or reviews of employee files. Preliminary analyses of the profiles are underway.

Personnel has engaged the services of a contractor to assist the organization in developing a competency profile

30. As outlined in Human Resources Strategies (C-WP 12557), as a second step the Chief of Personnel requested all Bureau Directors, Regional Directors, and Chiefs to forecast the numbers of staff and levels of skills and competencies required to 2013 (two further triennia). As this proved to be a challenge for Bureau Directors, Personnel has engaged the services of a contractor to assist in developing a skill/competency profile and to work with individual Directors and Chiefs to finish the task.

After 10 years, a review of the performance appraisal process is timely. A Performance Management Committee has been established to review the existing system.

31. ICAO introduced the current performance appraisal process in 1996 and reviewed it in 1999. Both headquarters and the regional offices undertook a significant training effort when the system was introduced. Over time, however, new employees and new supervisors have arrived and have not been trainned on the purpose of the system or the use of the form. Following the recent employee survey, a Performance Management Committee was established to review the existing system and recommend changes.

To date, the performance appraisal process is not linked with ICAO's Business Plan.

32. In addition, ICAO is currently finalizing a more structured Strategic and business plans with defined performance indicators and expected outputs and outcomes. In most organizations the performance management system is linked with the Business Plan, as addressed by several of the Joint Inspection Unit's benchmarks for effective results-based management in UN organizations. To date, this is not the case at ICAO.

The performance appraisal is based on the anniversary date of the employee's appointment

33. The current performance appraisal process at ICAO is based on the anniversary date of the employee's appointment to his or her position, and the Performance Appraisal Report (PAR) is to be completed annually by that date. The system proposes that the employee and the supervisor establish goals at the beginning of the review period. Each employee is assessed against a list of nine core competencies.

34. Three months prior to the employee's anniversary date, Personnel sends the PAR to the employee's supervisor. The employee assesses his or her performance against the established goals, and the first-level supervisor provides comments, a rating for each goal and each competency, and an overall rating. The report also includes a section for training recommendations. Reports are reviewed by a second-level supervisor, with whom the employee may request a meeting. Although these reports are not a formal requirement, Personnel makes an effort to obtain an up-to-date PAR when an employee is being considered for a promotion.

35. The PAR reports at ICAO serve a number of purposes, as outlined in Personnel Instruction PI/12.4: "*The purpose of performance evaluation is to assist the staff member to improve or maintain his/her own performance through feedback from supervisors, as well as through self-analysis, and thus to make the most effective contribution to the work of the Organization. It is also a basis for decisions concerning the staff member's status in the Organization.*" The PAR's purposes are outlined in Exhibit 1.

Exhibit 1 Purposes of the PAR

- Provide an objective and comprehensive analysis of the staff member`s services and a realistic evaluation of his/her competence and potential abilities
- Obtain recommendations on approving, delaying or withholding in-grade increments; granting of merit awards
- Renew or convert appointments
- Ascertain whether probationary periods have been completed satisfactorily.

Source: ICAO Staff Rules

A majority of employees are dissatisfied with the current performance appraisal process

36. ICAO undertook an employee survey in 2005. As outlined in C-WP 12557, Human Resources Strategies, many of the areas covered by the survey received a positive rating, with 65% of respondents indicating they were satisfied with their job, 90% indicating that ICAO was a good place to work, and 97% committed to contributing to the success of ICAO. However, the performance appraisal process and the associated recognition of merit were areas of strong discontent for employees of ICAO. Only 26% of employees who responded were satisfied with the current system. Fewer than half (45%) said their performance was assessed against identified goals and objectives. Half felt their performance ratings reflected a fair and accurate picture of their actual performance. And only 38% felt there were adequate procedures in place to have performance ratings reconsidered if necessary. It is important to note that almost a third of the respondents to the questionnaire were neutral on all of these points.

37. Employees were also provided with the opportunity to provide additional comments on each area covered by the survey. We analyzed the responses by group (Professional or General Service) and by length of service of the 126 employees who provided additional comments.

A major concern is that some employees did not see the value of participating in the performance appraisal process.

38. A major concern is that a quarter of employees commenting did not see the value of participating in the performance appraisal process. They described it as a waste of time, with no real feedback on how they were doing and no consequences if they did not complete the PAR. A second concern was the perception that supervisors showed a bias in the PARs, that the PARs were unfair, or that they were not reviewed. Third, 14% of the 126 employees who made additional comments on the performance appraisal process noted that they had rarely or never had a performance appraisal report completed. General Service staff specifically complained of a lack of rewards (no salary increases and no possibility of promotion) and found difficulty in setting or having goals. We note that longer-service employees (those with more than 11 years of service) showed more discontent with the system.

39. As part of our review, we assessed whether the information in the database on the system was valid by testing it against information in employee files. We found the data provided by Personnel’s system to be valid and reliable.

The completion rate and timeliness of performance appraisal reports are poor.

40. The PAR completion rate has dropped continually over the past three years. At the end of February 2006 when we were doing our audit work, the return rate at headquarters for 2005 was only 38%, compared with 45% in 2004 and 49% in 2003. We note that the 2005 return rate was raised to 45% by the late return of PARs in April 2006. The regional offices' completion rates are much higher, so including them with that of headquarters improves the Organization's overall completion rate.

Bureau Directors and managers do not get regular reports on completion rates in their areas of responsibility.

41. Our interviews revealed that Bureau Directors and managers do not get regular reports on completion rates in their areas of responsibility. While Personnel provides senior management with an overall yearly report on completion rates by reason for appraisal and timeliness of return, it does not break down this report by bureau and section. However, Personnel advised us that such information is available and could be provided to Directors on request.

Having PARs due on different dates makes completion more difficult to track and report on.

42. Having PARs due on different dates (the employees' various appointment anniversaries) makes their completion more difficult to track and report. However, in our opinion, more regular reports to Bureau Directors and to senior management for discussion might provoke more follow-up by management.

Only 25% of employees coming to the end of their probationary period had completed PARs on file for 2005.

43. Of particular concern is the poor rate of return for those coming to the end of their probationary periods—completed PARs were in the files of only 25% for 2005 (70% for 2004 and 80% for 2003). The rate of return for those whose appointments were due for renewal (with or without a salary increment) was slightly over half (52% for 2005, 61% for 2004, and 61.5% for 2003).

Timeliness of returns is also extremely poor, with fewer than 6% returned by the expected date for completion.

44. The timeliness of returns is also extremely poor, with fewer than 6% returned by the employee's anniversary date, the expected date of completion. We note that when a PAR has not been returned on time, Personnel sends an e-mail to the responsible supervisor, seeking confirmation by e-mail that the employee should receive a salary increment or that his or her contract should be renewed.

45. A manager who wishes to withhold a salary increment, release an employee who is on probation, or not renew a contract is required to give advance notice of such action. If the notice is not sufficient, Personnel has little choice but to go ahead with the increment and/or renewal. We observed a case in our file review where the manager wished to withhold a salary increment but was advised that insufficient notice had been given, according to Staff Rule 103.2(3).

There seem to be no consequences either for employees or for supervisors if the PARs are not done.

46. Based on the results of our file review, interviews, and employee survey, we are concerned that there seem to be limited consequences for either employees or supervisors if the PARs are not done.

Principal Officer and Director levels are not included in the performance appraisal process.

47. We noted that according to ICAO policy and an ad hoc decision by a former Secretary General, employees at the levels of Principal Officer and Director are not included in the performance appraisal process. Since employees tend to follow the lead of senior management, we are concerned that excluding senior management from the performance appraisal process sends a strong signal to the rest of the organization that the process is not important.

A review of PARs revealed a number of significant problems

48. We reviewed some 103 employee files (14% of PARs issued in 2005) in order to assess the quality of information in the performance appraisal reports. We reviewed the files of all employees whose probationary periods were completed in 2005, and then a random sample of PARs selected by reason for completing a PAR. This sample cut across all bureaus and all groups and levels.

The information provided on individual performance appraisals was poor

49. We found that the information provided on individual performance appraisals was poor. As the JIU report on results-based management outlines, effective goals are goals that are SMART; that is, **S**pecific—what is to be achieved is clear; **M**easurable—has performance indicators as to what is acceptable achievement; **A**chievable—able to be completed; **R**ealistic—able to be completed within the resources allocated; and **T**ime-bound—have an end date for completion.

Goals were not S.M.A.R.T

50. We found that most of the goal statements in the files we reviewed were quite vague. Examples of goal statements are found in Exhibit 2.

Exhibit 2 Goal statements for Professional (P) and General Service (GS) employees

Employee Level	Goal Statements
P	To continue to improve the level of production; to continue to help with exams, training and providing advice
P	Provide guidance; participate in meetings
P	To improve use of e-mail
P	Abide by ICAO rules on professional conduct; accomplish all tasks with higher standards; further improve quality of services
P	Maintain quality of work; maintain output on X*; maintain team spirit
GS	To produce high quality of work; to meet deadlines; to advance work as much as possible
GS	Provide assistance; provide support; keep files and contact list up-dated

(**Note: specific item deleted to protect identity of individual**)

There was little or no link with any organizational goals or activities.

51. While more specific reference was made to the actual work of some of the Professional staff, in most of the PARs we read we could not determine where in the Organization the employee was working without looking at the cover page, which identified the employee's bureau or specific activities. We would expect to find some specific details of work produced, with comments on its quality and on the individual's contribution to the effectiveness of the Organization. However, there was little or no linking with organizational goals or activities. This was particularly noticeable for General Service staff. Their comments on the Employee Survey and in some of our interviews noted the difficulty of setting new goals every year. However, Personnel informed us that implementing ICAO's Business Plan should address this.

52. Measurable indicators of performance were also lacking. Wording such as "to improve" begs the question, improve from what to what? And is it realistic to consider that performance in specific areas can be improved every year? Without reference to minimum acceptable standards and the highest achievable standards expected, any assessment is purely subjective and judgmental. Since so little detail or specificity was provided, we could not judge whether goals were realistic or achievable.

53. Finally, most objectives were not time-bound. Few specific dates were given by which goals were to be achieved. In most cases, the time was stated as "ongoing" or "continuous," which relates more to job tasks.

Competency assessment was also limited

54. The Organization's PARs also rate employees on a set of nine core competencies: job knowledge; quality of work; quantity of work; work habits; human relations; communication skills; language skills; international outlook; organization and leadership (if applicable). The ICSC defines competencies as "a combination of skills, attributes, and behaviors that are directly related to successful performance on the job. Core competencies are the skills, attributes and behaviors which are considered important for all staff of an organization, regardless of their function or level. For specific occupations, core competencies are supplemented by functional competencies related to respective areas of work."

ICAO has recognized that a full assessment of competencies of current staff and an identification of competencies needed for the future is a critical step in Human Resource Planning

55. As we noted above, ICAO has recognized that fully assessing the competencies of present staff and identifying competencies needed for the future is a critical step in human resources planning--namely, identifying the gaps between what exists and what is needed. However, most competency models define different levels of performance expected of different levels in the organization and also define what constitutes low, medium, and high levels of performance. For example, the type of communications skills expected of a P-4—which might include writing complex papers for Council or developing guidance manuals—would be considerably different from those of a GS-6, who might be expected to draft precise and correct memos or letters.

56. When the PAR was introduced there was some definition of what was to be covered under the various competencies, although not differentiated by level. On the current form, however, there is little explanation of what these categories mean. There is no differentiation by level, and no guidance on what constitutes strong, acceptable, and weak performance in any of these areas. Improved statements about levels of expected observable behaviours would assist supervisors in rating more appropriately and consistently and with less bias. A more effective assessment of competencies of present staff through the performance appraisal process would also help Bureau Directors identify gaps and staff vacancies to close them.

Ratings are strongly skewed to the highest assessment category

57. Employees' comments on their achievement of goals and their competencies varied but was usually very brief—such as "achieved." Comments by supervisors were equally brief—usually words such as "agree," "good," or "very good." Achievement levels for most goals and competencies were rated 4 (very good, the top rating) with a few 3s, but with no information by which to assess how the rating was decided. We would expect that "good" performance is the norm, the performance expected of employees. For a rating higher than good, we would expect to see a specific justification. But we found no justification for any ratings in the PARs we reviewed.

58. We note that a major complaint raised in the employee survey was the bias of supervisors and a perception that some supervisors marked harder than others. However, we did not see much evidence of this in the file review, given that the most frequent rating was a 4 overall. The few ratings of 3 (good) that we saw seemed to provoke a strong negative reaction from the employee. Interviews with employees and supervisors indicated that any rating lower than 4 was considered negative. Most supervisors indicated that they gave 4 ratings because giving 3s caused too much grief and very unhappy employees. Exhibit 3 shows the breakdown of ratings over the past three years.

59. Again, we saw no overall reporting to senior management or to individual bureaus on the distribution of ratings among staff. Nor did we find any evidence of discussion within sections or bureaus about the rating scheme and how it was being applied to ensure consistent interpretation.

Exhibit 3. Distribution of PARs ratings

Performance year	% rated as 1 (unsatisfactory)	% rated as 2 (needs improvement)	% rated as 3 (good)	% rated as 4 (very good)
2003	0	0.70	28.80	70.50
2004	0	1.25	19.00	76.00
2005	0	0.80	23.80	75.40

Source: ICAO database and external auditor summary

60. We were particularly concerned that probationary employees had no documented goals.

61. At ICAO and throughout the UN system, managers and employees clearly state that it is very difficult to deal with poor performers and to get rid of people who are not suited to the position, particularly when they are permanent or career employees. Therefore, the probationary period or the use of fixed terms is important to properly assessing employees and ensuring that only suitable candidates are accepted for renewal or in a permanent position (Exhibit 4 outlines some characteristics of term and probationary appointments). Because of the nature of its employment, ICAO has a greater opportunity to use these periods to advantage.

Probationary periods and term employees need to be managed with rigor as this is the easiest time to release someone who has not proved to have the skills needed.

62. The purpose of probation is to assess whether the staffing decision has been a good one and whether the employee is a good "fit" in the organization. Probationary employees and term employees need to be managed with rigour, as this is the easiest time to release someone who has not proved to have the needed skills. Therefore, a greater focus on those who are in a probationary period or who are on renewal terms would serve the Organization better. Managing those whose performance is not fully satisfactory is still not easy, as the Organization must identify problems to the employee and give him or her an opportunity to improve. If it does not, the Organization leaves itself open to complaints to the Advisory Joint Appeals Board in ICAO and potential reference to the United Nations Administrative Tribunal.

Exhibit 4 Some characteristics of term and probationary appointments

Group	Initial Appointment period	Probationary period	Progression to permanent contract
GS	One-year career term appointment	Six months	After three years, eligible for consideration for a permanent contract, but may continue to remain on renewable term basis. In order to move to permanent status, must be reviewed by the Advisory Board for Permanent Appointment and approved by the Secretary General.
	One year or less temporary appointment	Six months	Eligible for renewal for a fixed term
Professional	Three-year non-career fixed term	One year	Renewal of initial contract on a two-year fixed-term contract; then may receive a two year fixed term career contract; finally, eligible for a permanent appointment. To move from non-career to career term, and from career term to permanent status, employee must be reviewed by the Advisory Board for Career and Permanent Appointments and approved by the Secretary General.

Source: Staff Rules

Performance problems appear to be addressed outside the PAR process

63. During our file review, we saw cases where performance problems did appear to be addressed, but outside the PAR process. In one case, the initial performance rating employee was a 2 (needs improvement) but, because the PAR was late, the probationary period was extended. There were several memos on file that had been given to the employee, detailing specific performance problems, but two subsequent performance reports rated the employee as 3 (good) with a comment by the supervisor of "good" on all goals and competencies, despite the memos indicating problems. This suggests that the PAR process was really a paper exercise and not seen as a tool to manage performance. The employee resigned rather than be dismissed or not have the term extended.

64. We noted two other cases where inter-office memos on file indicated that an employee had performance problems and should not be retained, but in one case there were no PARs on file and, in the other, the employee was rated as 3. Both remained on staff. Finally, in another case that came to our attention, the performance appraisal was relatively good with an overall rating of 3, but correspondence indicating that the employee's contract should not be renewed contained comments that negated the performance appraisal. It was not clear whether the employee knew about the negative comments. A good performance management system makes employees aware of any problem and provides them with an opportunity to improve before being released.

Training needs are not documented in the PARs.

65. Finally, while there is a place on the PAR to indicate training needs, we found this was rarely used. Perhaps this is because employees and supervisors are well aware that ICAO has few funds for training and believe there is thus no point in filling out this section. We were advised that previously, information in this section would be compiled and transferred to the officer responsible for training However, since so few funds were allocated for training. little action could be taken. If the plan to revitalize the performance appraisal process is to be effective, an appropriate budget for training will be required.

New developments emerging from the ICSC may put ICAO under extreme salary pressure if a more rigorous performance management system is not established

66. The International Civil Service Commission is currently conducting a pilot program for performance-related pay using broad-banding for professional-level staff. The ICSC defines performance-related pay as "a generic concept involving a financial or financially measurable reward linked directly to individual, team or organizational performance, in the form of either base pay or a cash bonus system…these tools are tailored to relate individual base pay increases to individual results, usually through a performance appraisal scheme and a performance rating." It defines broad-banding as "a method of providing greater flexibility to reward individual performance and contribution. The term describes the action of combining and replacing several classification levels by a single, broader classification level (called a 'band'). A broad-banded system is characterized by a limited number of wider bands or ranges, and a bigger salary overlap between bands."

67. The ICSC has established a number of basic parameters that must exist before introducing performance pay systems. Two principles are of prime importance:

- The organization must have a credible and reliable performance appraisal system that is acceptable to administration and staff.
- A credible system is one that provides quantitative and qualitative data and can evaluate varying performance, particularly when linked to pay.

68. Under the pilot project, a number of factors are being taken into account for performance appraisals. First and foremost, goals are to be linked to the organization's business plan. Second, competency assessment is important because employees' pay would increase on acquiring new competencies and demonstrating their use on the job. Third, client feedback is one of the inputs for determining pay. Sometimes this includes a peer review component, usually in the form of a 360-degree peer review. A 360-degree review usually involves getting superiors, peer colleagues, and subordinate staff to anonymously rate the individual on set questions. However, deciding who the clients are is a challenge for many of the pilot organizations.

ICAO does not meet the basic parameters and requirements of an ICSC pilot project.

69. Currently ICAO does not meet the basic parameters and requirements of a pilot projects. First, it is clear from the employee survey data, the low completion rate of PARs, a review of the files, and our interviews that the current system is not seen as credible. Second, quantitative and qualitative data are missing. Third, goals are not currently linked to the organization's business plan. Fourth, while competencies are currently rated, information on how the competency is demonstrated and specific details on the level of performance are missing. Finally, the current ICAO system has no form of client feedback, including internal peer review.

70. At present, the ICSC pilot proposal is to broad-band Directors and Professional Officers in one band, P3 to P5 in another band, and P1 and P2 in a third band. While this is only a pilot project that will run for three years before any decisions are taken, the implications for ICAO could be significant.

Without a strong and credible performance management system in place, ICAO will not be in a good position to allocate varying pay increases to different employees and to defend those decisions.

71. Without a strong and credible performance management system in place, ICAO will not be in a good position to allocate varying pay increases to different employees and to defend those decisions. Without a strong system, the pressures of the salary budget—already 84% of ICAO's total budget—could get considerably worse. ICAO has 5 Director and some 17 Principal Officer. It has 55 P3s, 149 P4s, and 47 P5s. If all of the lower levels were to have access to the highest of the new, broader bands, the impact on the salary budget could be considerable.

A comparison of ICAO with relevant JIU benchmarks

72. In its reports on managing for results in the United Nations system, the Joint Inspection Unit established a number of benchmarks for UN organizations. The full set of benchmarks, which are linked to performance management systems, was presented to Council in the working paper C-WP 12514. We reviewed those benchmarks against current ICAO practices and noted that ICAO has some significant gaps, such as the following:

- The current performance appraisal process is not linked to the business plan; the performance management system does not clarify and communicate organizational goals to staff and align them with individual performance expectations.
- Competencies of managers are not assessed, as senior managers do not participate in the process at all; the low completion rate for other staff and the cursory documentation in assessments does not provide assurance for other supervisory staff.
- Consistency of assessment methods among supervisors is a concern.
- The results of the performance appraisal are not used as a basis for appropriate personnel actions and, in particular, for career development.
- The system does not identify and address staff development needs or identify and address chronic underperformance.

73. An organization that uses results-based management has to rely on an integrated monitoring and reporting structure to provide the information it needs to manage its activities and measure the achievement of stated results expectations.

A new business planning process with clear goals and key performance indicators is being undertaken.

74. The Working Paper C-WP 12573 indicates that in 2004, ICAO initiated the development of a Business Plan to help the Organization become more results-oriented and performance-based. The Business Plan would also introduce new working methods to ensure an efficient and prudent use of ICAO's limited resources. Along with the strategic objectives, the Business Plan should provide the basis for a reporting framework that will integrate strategies, activities, funds, and time frames in order to improve monitoring and evaluate outcomes. Further, in October 2005 all Bureaus and Regional Offices initiated the development of their own Operational Plans. These are intended to flow from and support the overall Business Plan of the Organization to achieve a performance-based accountability framework for all Bureaus and Regional Offices.

ICAO plans to use the Business Plan in an integrated way with its strategic objectives to link all areas of the Organization and will encompass the objectives and

75. Moreover, C-WP 12573 also states, "*ICAO plans to use the Business Plan in an integrated way with its Strategic Objectives to link all areas of the organization and will encompass the objectives and performance plans of individual staff. In this way, all staff will be* able *to see how their efforts contribute to the fulfillment of the objectives of the Organization. To achieve*

performance plans of individual staff.

this, the Strategic Objectives need to become part of ongoing staff management and the objectives in staff performance plans need to clearly show how individual efforts and performance correspond to the Business Plan and overall Strategic Objectives."

76. The Business Plan is an on-going initiative that is scheduled to be fully implemented for the beginning of the next triennium. At the time of our audit, the Secretariat was in the process of completing the key performance indicators for each of the strategic objectives included in the Business Plan.

77. Managers we met during this audit mentioned that implementing the Business Plan will be a major shift in ICAO's business practices. In light of the efforts invested in this project and the comments made to us during our interviews, we acknowledge the will to make these changes in the Organization. However, doing so will require a change in the organizational culture.

ICAO will have to provide employees with appropriate training and information sessions on the Business Plan.

78. To ensure that the new structure is well understood and integrated in the day-to-day worklife of its employees, ICAO will have to provide appropriate training and information sessions. Also, the performance appraisal process will have to be adjusted to support the new way of operating. We expect it will take some time to link individual goals with organizational goals.

79. ICAO management recognized the need to revise the performance appraisal process, in response to both the Employee Survey and the changes being introduced by the new business planning process.

Performance Management Committee is working to improve the performance appraisal process

80. ICAO management established a Performance Management Committee, consisting of employees named by management and by the Staff Association, to review the current situation and recommend changes.

We were impressed with all the members' commitment to making changes and improving the system.

81. We interviewed all members of the Committee. We were impressed with their commitment to making changes and improving the system. They researched what was happening in other UN organizations and were proposing to adapt it to ICAO's culture.

We strongly urge Council and ICAO management to support the initiative to revitalize the performance appraisal process.

82. The Committee had not finished its work at the time of this writing. It had drafted the main features of the proposed Performance and Competence Enhancement (PACE) Report (to replace the current PARs). We agree with most of the recommendations. We strongly urge Council and ICAO management to support the initiative to revitalize the performance appraisal process, and make it a useful means of maintaining a dialogue with employees and a focus on achieving organizational results. We note that the Committee has placed great emphasis on using this as a tool to help employees develop their competencies and link their goals with the Business Plan. We note, however, that developing competencies will also require funding. The ICAO training budget still remains far below the 2% of salary budget recommended in the United Nations system. It will be important that expectations for training not be raised unless the training budget is sufficiently increased.

83. Leadership in this area needs to come from senior management. Its members should be participants in the process. They need to model the behaviours they expect from their staff by demonstrating a concrete commitment to this process.

Conclusion

84. At present, the ICAO performance appraisal process is not viewed as a serious management tool for recognizing employees' contribution to the work of the Organization, motivating employees to improve their performance, or dealing with performance problems. Nor is it linked with achieving ICAO's strategic objectives.

85. This situation is reflected in the low returns of PARs, the lack of consequences for not completing them, the paucity of real performance information in the reports that are completed, and the lack of conviction among many of the people we interviewed that these problems can be fixed.

86. As 84% of ICAO's budget is allocated to salaries, it is evident that the Organization's key resource is its people. If ICAO wishes to maximize its return on investment, it needs to manage the performance of its employees seriously.

Recommendations

87. We have recommended the following to the Secretariat:

a. Shift the culture so performance management is seen as a way to motivate staff, by recognizing good performance and by dealing with areas that need improvement. Make the manager/supervisor responsible for performance management. Seek employees' input in their appraisal but make it management's responsibility to ensure that is completed.

- Make performance reviews mandatory for all employees, including senior managers—also recommended by the Performance Management Committee. This will require a change to the ICAO Service Code and the approval of the ICAO Council.

- Provide present employees with training on both the Business Plan and the new performance management system, and develop guidance for new employees and supervisors.

- Provide an appropriate budget to develop competencies and training if they are to receive increased focus.

- Provide regular reports to Bureau Directors on PAR completion rates and overall ratings so they can manage the process. Provide regular reports to senior management on overall performance.

- Require that Bureau Directors ensure consistency in methods of performance appraisals within their bureaus.

b. Revise the performance appraisal report form.

- Require specific details on employees' contributions, linked with the Business Plan and ICAO's Strategic Objectives.

- Redesign and redefine the rating scale. Require a clear explanation for performance ratings above or below the norm.

- Refine definitions of core competencies to specify the level of behaviour expected for each level in the organization, and identify behaviours that "meet" and that "exceed" expectations.

- Change the performance appraisal cycle from the employee's anniversary date to one date for all, coinciding with the the fiscal year when the Business Plan is updated and reviewed. This was a main feature of the proposed Performance and Competence Enhancement (PACE) Report drafted by the Performance Management Committee

c. Focus on probationary and term renewals. It is critical that this period be managed well. If performance is not acceptable the employee must be informed and given a chance to improve, but if little or no improvement is shown, the employee's contract should be terminated.

d. Continue to work on developing competency profiles to support both sound human resources planning and behavior-based assessment of competencies in the performance appraisal process

Follow-up on the Modernization of Financial Information Systems

Introduction

In this year's audit, we assessed the extent to which the Organization has progressed on this initiative.

88. In April 2001 and 2003, we reported and followed up respectively on ICAO's need to modernize its financial information systems. In this year's audit, we followed up on our previous recommendations and assessed the extent to which the Organization has progressed on this initiative.

89. In accordance with Assembly Resolution A35-32, we also audited the appropriateness of expenditures the Organization incurred in 2005 for modernizing its financial and related systems, as we had in 2004.

90. In conducting our audit, we met various directors, managers, and staff involved in the modernization project. We reviewed reports, minutes, financial transactions, and documents relevant to the project.

Observations

The $171,256 of expenditures were appropriately charged to the Information and Communication Technology Fund.

91. In accordance with Assembly Resolution A35-32, we determined that the Organization appropriately charged to the Information and Communication Technology Fund the $171,256 of expenditures it incurred in 2005 to modernize its financial and related systems.

92. In our 2004 report, we encouraged the Organization to complete consultations with other UN organizations, determine an appropriate solution, and ensure that it had the resources needed to successfully implement its financial information systems.

The Secretariat has decided to build a business case using the lessons learned during the missions, and to present various options to the Council.

93. In 2005, the project's Steering Group was given the mandate to seek an alliance with another UN organization to share experience and competencies in implementing systems. In April 2006, ICAO decided that such an alliance had to be delayed for various reasons. Further, the proposed support of the two UN organizations was less than anticipated. In the light of these developments, the Secretariat has decided to build a business case using the lessons learned during its missions and to present several options to the Council. Management informed us that the business case would, among other things, determine the project's scope and appropriate governance structure and request the necessary funding.

94. The following are the main actions the Organization took during the year that led managers to conclude they needed to make a business case:

- The Steering Group that oversees and provides advice about the project met five times.
- The Project Team completed its consultations with various UN organizations (including UNICEF and IMO) and evaluated different options. During its missions, the Project Team used an evaluation grid with criteria covering various topics such as the appropriateness of the software and its scope, ease of the application's maintenance, IT support and maintenance, risk assessment, and ability to meet essential functional requirements.
- The Project Team presented the results of its evaluation to senior management.
- During 2005, a Secretariat team carried out three missions to UNICEF to discuss and evaluate whether ICAO's system needs could be met through a partnership with UNICEF.
- The Secretary General approved the Steering Group's recommendation to explore a partnership with UNICEF.
- In February 2006, UNICEF visited ICAO. At the time of our audit, no partnership with UNICEF had been defined.
- ICAO continues to seek a possible partnership with another UN organization and returned to IMO in April 2006.

Conclusion

95. In our opinion, ICAO should benefit from the lessons learned during the exploratory missions. However, we emphasize the importance of addressing the weaknesses and challenges mentioned in the attest audit section of this report. Those matters regarding both the Finance Branch (par. 16-18) and the ICT Section (par. 22-23) could have potentially negative impacts on each phase of the financial systems project, including cost overruns, schedule delays, and inappropriate assessment of needs and requirements. All these elements have to be considered not only during the purchasing and implementation phases but also in the ongoing maintenance of the systems.

96. Nonetheless, the Secretariat should ensure that the business case it is building includes a detailed description of the project phases and costs, including the following:

- The choice of the appropriate information system development framework and standards that are to be used throughout the project.
- The accountability and reporting structure for the project.
- The decision-making process and key milestones for each project phase.
- Criteria for evaluating potential candidates for outsourcing, if that is still an option, and the structure proposed for managing and controlling the selected candidate's activities.

ACKNOWLEDGEMENT

97. We wish to express our appreciation for the co-operation and assistance extended by the Secretary General and his officers and their staff members.

Sheila Fraser

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Montréal, Canada
12 May 2006

PART VI: SECRETARY GENERAL'S RESPONSE TO THE REPORT OF THE EXTERNAL AUDITOR

1. In accordance with the decision taken at the 28th Session of the Assembly, the Council has included, in its report, the action that the Secretary General intends to take in response to substantive recommendations in the Report of the External Auditor. This part presents the comments and the action contemplated by the Secretary General in response to the External Auditor's Report for 2005 contained in Addendum No. 2.

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

3. **ATTEST AUDIT RESULTS** (Paragraphs 9 to 23)

3.1 Paragraph 9 – It is noted with appreciation that the External Auditor has issued an opinion on the financial statements without reservation.

3.2 Paragraph 10 a) – The issue of disclosure of non-expendable property (NEP) items as a note to the financial statements to comply with the United Nations System Accounting Standards (UNSAS) was reported in previous years by the External Auditor. With the introduction of the International Public Sector Accounting Standards (IPSAS), the accounting treatment of NEP will differ in the future. NEP will be subject to capitalization (presented as fixed assets on the balance sheet) and to depreciation recorded in the accounts. The implementation of a new integrated financial system, including a fixed asset module by the end of 2007 would also facilitate the recording and the valuation of NEP.

3.2.1 The issue of disclosure of NEP is further elaborated in paragraphs 19 to 21 in the Report of the External Auditor and the Secretary General's comments thereon are presented in paragraph 3.6 below.

3.3 Paragraph 10 b) – The positive comments of the External Auditor toward the production of a work plan and the changes made in the presentation of the financial statements were noted.

3.4 Paragraphs 11 to 14 – The External Auditor audit results with regard to non-significant audit differences, absence of disagreements with management, non-identification of any matters related to fraud and errors and the concurrence with management's judgment on the use of accounting estimates are noted with satisfaction.

3.5 Paragraphs 16 to 18 – The observations of the External Auditor are relevant and factual. IPSAS standards have to be implemented by UN organizations on or before 2010. Since ICAO's next budget cycles will start in 2008 and in 2011 respectively, adopting IPSAS in 2010, in the middle of a triennium for ICAO, would create difficulties considering the need to harmonize actual results with budgeted resources. Adopting IPSAS only in 2011 would not comply with the recommendation of the Chief Executive Board of the United Nations organizations.

3.5.1 With the implementation of a new financial system by the end of 2007, for more efficiency, IPSAS requirements would be incorporated in the new applications. The three main initiatives (i.e. the introduction of the Results-based Budgeting practice, the adoption of IPSAS, and the implementation of a new financial system) are interrelated and would all need to be effective on 1 January 2008 to ensure appropriate and effective integration.

3.5.2 As regards paragraph 17, the Finance Branch recognizes that it is already challenged by its heavy workload and that these additional initiatives will require more appropriate resources. The Secretary General agrees with the External Auditor's recommendations in paragraph 18.

3.6 Paragraphs 19 to 21 – A number of actions, such as physical count and bar coding of all inventory items have been taken during 2005. The Organization has also published and circulated a new Procedures Manual for inventory control (Management of Non-expendable Property).

3.6.1 Paragraph 20 a) – A new Procedures Manual (Management of Non-expendable Property) has been published and distributed within HQ and the Regional Offices. The General Service staff in charge of inventory at HQ was sent on a specialized course.

3.6.2 Paragraph 20 b) – Agreed.

3.6.3 Paragraph 20 c) – Agreed that work needs to be done to review and update latest version of the database. Discrepancies between cost and data entered in the database will be corrected, and the UN operational rate of exchange will be used in future estimation of value of non-expendable items.

3.6.4 Paragraph 20 d) – Agreed.

3.6.5 Paragraph 21 – Agreed. Measures will be put in place to review values entered in the database and adopt a validation process to detect any potential errors.

3.7 Paragraphs 22 and 23 – It is agreed that ICT in ICAO functions in a decentralized environment. It has been possible to coordinate the ICT activities of the Organization through informal meetings of the ICT Technical Group. Under the guidance of the ICT Management Committee (ICT/MC), a master plan for ICT for the Organization has been prepared during 2004. Standardization of hardware and software was achieved for the most part in 2005 and will be completed during 2006. However, in view of budgetary pressure, it is necessary that IT resources be utilized in a more consolidated manner to gain optimum efficiency.

3.7.1 It has been decided to align all our resources, including ICT priorities, to achieve the Strategic Objectives of the Organization through the implementation of results-based budgeting (RBB) as provided for in the Business Plan. In this regard, it is necessary that ICT functions as one unified body to avoid proliferation in the Organization of stand-alone systems. It has been decided that ICT management, governance and support should function as one unit. Work to achieve consolidation of ICT has already commenced.

3.7.2 Paragraph 22 a) – Safeguarding ICAO assets and ensuring integrity of data is of utmost importance to ICAO. Every effort is being made within the available resources to establish and communicate appropriate procedures and practices.

3.7.3 Paragraph 22 b) and c) – Agreed. Members of the Senior Management Group (SMG) will be discussing and suggesting ways to consolidate management and governance of ICT operations in the Organization.

3.7.4 Paragraph 22 d) – Agreed. A risk assessment plan will be formulated to overcome vulnerabilities within IT operations.

3.7.5 Paragraph 22 e) and f) – Common standards are being formulated and progress has been advanced through the lessons learned as a result of the new standard workstations and the ICT Master Plan.

3.7.6 Paragraph 22 g) – Agreed. Changes in the system are coordinated through the ICT Technical Group. However, a more centralized approach to coordinate IT is under consideration of Senior Management.

3.7.7 Paragraph 22 h) – Appropriate security framework is being formulated within the existing resources available. It is recognized that a full-time security officer in the IT Section is required.

3.7.8 Paragraph 22 i) – Agreed. See h) above.

3.7.9 Paragraph 22 j) and k) – Agreed. ICT has implemented new protections, including improved uninterrupted power supply (UPS), powerful AC units, as well as installing a diesel generator in case of electric malfunctions or shortages affecting the computer room. It is agreed that a recovery plan for ICT operations to support the emergency response plan needs to be prepared.

3.7.10 Paragraph 22 l) and m) – Agreed. Performance standards for ICT operations will be established. More resources need to be devoted to monitoring programme.

3.7.11 Paragraph 23 – New methods of IT governance as recommended by the JIU will be considered. ICT/MC will discuss and approve all practices ICAO needs to apply in the near future.

3.7.12 Paragraph 23 d) – UN Secretariat publications on the use of information technology are reviewed regularly. Furthermore, C/ICT attends UN system IT meetings held on a regular basis.

4. OBSERVATIONS ARISING FROM THE 2005 PERFORMANCE AUDIT

4.1 Human Resources Management Performance Appraisal Report System (Paragraphs 24 to 87)

4.1.1 The report is factual and reflects the current situation with regard to performance management practices in ICAO. It is pertinent to note that there is a high degree of dissatisfaction with performance management throughout the United Nations Common System. In fact, performance management is considered to be the weakest link in the UN Human Resources Management (HRM) Framework. As a result, a pilot project is presently being conducted by some UN Organizations to test a new performance management system. ICAO is closely monitoring these developments and will keep the ICAO Council apprised of any consequential changes needed to support these developments.

4.1.2 Notwithstanding the action which is being taken at the inter-agency level, ICAO is taking the current state of the performance management system very seriously and recognizes the importance of revamping it pending the results of the pilot project. This matter has therefore been accorded the highest priority.

4.1.3 Prior to the External Auditor's review, steps had already been initiated by ICAO to review its performance management system. The Confidential Employee Survey which was conducted in 2005 has been very useful in shedding light on the components of the performance management system which need to be addressed urgently. A Performance Management Committee (PMC), composed of administrative and staff representatives, was established and is in the process of actively examining the current performance management system with a view to making recommendations for its improvement. The timing of the External Auditor's review of performance management in ICAO is therefore very fortuitous as the recommendations made, which help to re-emphasize the findings of the survey, can be immediately shared with the PMC for consideration and necessary action.

4.1.4 One element which is missing in the External Auditor's report is a reference to the need to upgrade the existing human resources information system and to provide the necessary staffing support in order to improve the management of the performance appraisal system and to introduce the improvements recommended by the External Auditor and the PMC.

4.1.5 Paragraph 41 – A detailed report of the return rates, by Section/Bureau, can be produced from the Personnel database, on request. With a view to improving the return rates, and to assist with the follow-up of outstanding performance appraisal reports (PARs), arrangements are currently being made to submit these reports on a regular basis to the managers responsible for completing the PARs, beginning in May 2006.

4.1.5.1 It should also be noted that an effective Human Resources (HR) information system is required in order to maximize the use of information technology to issue requests for performance appraisal reports, to monitor return rates and distribution of ratings, etc. The current Personnel database only allows for basic reporting, such as issuance date, due date, date received, ratings assigned, distribution of ratings by Office/Bureau, etc. An upgrade of the HR information system will be required to achieve further improvements in this area. It is also important to note that the PMC is recommending that the performance appraisal report be automated so that it can be completed online by managers and staff. An automated link to the competency framework (core and managerial competencies, as well as functional competencies for specific occupations) is also foreseen. In order to implement these recommendations, it will be necessary to modernize and enhance the current HR information system and to ensure that IT-support is available to the Human Resources Branch on a full-time basis.

4.1.6 Paragraph 42 – The difficulty of following up with PARs which are due on different anniversary dates (linked to appointment or promotion anniversary date) is fully recognized. The PMC has addressed this issue and is making a recommendation to establish an annual cycle based on the calendar year for the completion and review of PARs, similar to the recommendation of the External Auditor.

4.1.7 Paragraph 43 – With regard to renewal of contracts, although there may have been some exceptions, the current practice is to proceed with renewal of contracts only after the PAR has been received. Therefore, stricter measures are in place for renewal of contracts as opposed to salary increments.

4.1.8 Paragraph 46 – There are consequences for both employees and supervisors if PARs are not completed. For example, renewals of appointments are no longer processed if a PAR is not provided. Staff being considered by the Appointment and Promotion Board should also have up-to-date PARs on their confidential file.

4.1.9 Paragraph 51 – The need to assist managers and staff to write specific and measurable goals is fully recognized and this issue is currently being addressed in ICAO's internal review of the performance management system. The Organization is planning to hold workshops on performance management and the writing of specific and measurable goals will be covered in this workshop. The Organization is also planning to develop CD-Rom or web-based training tools to assist managers and staff in completing PARs and in writing goals. This will ensure that ongoing assistance and guidance will be available to staff and managers, and not limited to a one-time training event in the form of a workshop.

4.1.10 Paragraph 52 – With regard to the lack of measurement indicators, once all the details of the Business Plan are finalized, including the critical tasks to be performed by sections/staff in support of the achievement of the Strategic Objectives, the Key Performance Indicators, the measurement indicators will emerge. The PMC is also exploring ways of incorporating measurement indicators in the performance appraisal system.

4.1.11 Paragraphs 54 to 56 – The information provided in these paragraphs on competency is very timely as the Organization, in conjunction with the work of the PMC, is currently researching the use of competency frameworks within the UN Organization with a view to establishing core, managerial and functional competencies and linking these to the performance appraisal system. The aim is to adopt a competency framework which will be meaningful for the Organization and which will provide objective criteria for the assessment and further development of staff competencies. Various competency models are presently being examined, in conjunction with the PMC, to determine what will be the best approach for ICAO.

4.1.12 Paragraphs 57 to 59 – The lack of justification for the ratings assigned, as well as the issue of possible bias on the part of supervisors, described in these paragraphs is noted. The implementation of a competency framework with definitions and examples of target behaviour will help to address these issues.

4.1.12.1 Also, in order to obtain more meaningful assessments, the Organization is presently considering changing the ratings to a simpler form. With this change of rating, managers would be required to provide a detailed justification to explain why staff have been rated as unsatisfactory. Similarly, a detailed justification would be required if managers indicate that staff have exceeded satisfactory performance.

4.1.13 Paragraphs 61 and 62 – The Organization does use the probationary period to assess whether the staffing decision has been a good one, and to assess the "fit" of the new employee with the Organization. Although termination of contract during the probationary period is rare in ICAO, it does take place and the appropriate measures are taken by the necessary deadlines when the situation warrants it.

4.1.14 Paragraph 63 – The timely and appropriate management of employee performance is fully recognized. While most cases of performance problems are handled through the PAR, it is true that a few cases were handled outside the PAR. This is being addressed to ensure that performance issues are correctly and consistently managed through the performance appraisal system.

4.1.15 Paragraph 65 – The need for adequate funds for competency development/enhancement is key to revitalizing the performance appraisal system and making it a credible and reliable system.

4.1.16 Paragraphs 66 to 71 – As mentioned previously, ICAO is closely monitoring the developments in the UN Common System with regard to performance management and the possibility of implementing performance-related pay and broad-banding. It is pertinent to note that the UN General Assembly, in its instructions to the ICSC Secretariat, has stated that any reform in HR management should be on a cost-neutral basis. It is also relevant to add that due to delays in recruiting a Project Leader to support the volunteer organizations which are participating in the pilot project, the results of the tests will not be available before 2008. It is therefore too early to anticipate the results of the pilot projects and the direction which will be taken by the UN Common System. Any change in the compensation system recommended by the ICSC Secretariat and UN General Assembly, will be forwarded to the ICAO Council for review and decision.

4.1.17 Paragraph 82 – It is important to note the emphasis being placed on the development of competencies, at the UN Common System level and the pilot tests presently underway on HR reform, as well as in ICAO with the PMC. The importance of having an adequate training budget, which should include general/administrative training, executive management training and technical training, is very important. Therefore, the statement in the External Auditor's report that the increased emphasis on developing competencies will require funding is fully endorsed.

4.1.18 Paragraph 87, *Recommendations of the External Auditor* – The recommendations of the External Auditor are endorsed, with the proviso that, where required, the necessary funding be provided.

4.1.18.1 The need to upgrade the current HR information system and to have dedicated full-time IT-support for this system is also reiterated.

4.2 Follow-up of our Reports on the Modernization of Financial Information Systems (Paragraphs 88 to 96)

4.2.1 The Secretary General agrees with the External Auditor's observations in paragraphs 91 to 94.

4.2.2 Paragraph 95 – This paragraph refers to weaknesses and challenges already reported by the External Auditor and commented in paragraphs 3.5 and 3.7 above.

4.2.2.1 The missions to explore leveraging opportunities with other UN agencies have indeed provided management with insight on lessons learnt by other agencies, which are proving valuable as we advance with the project. The results of the discussions have established that very limited savings can be expected from adopting the system configuration of another UN agency; however, advice and use of documentation could reduce the risk associated with implementing an Enterprise Resource Planning (ERP) solution.

4.2.3 Paragraph 96 – The purpose of the Business Case was to evaluate possible options and recommend a strategy for the implementation of a system that is most cost-effective for the Organization, fully supported by a cost-benefit study. The Business Case report, issued on 9 May 2006, outlines the strategy or framework for moving ahead with the project, including the phasing for the main activities and a high-level project structure and definition of roles. It should be noted that the Integrated Resource Information System (IRIS) project is not a development project, but rather an implementation of an off-the-shelf software package on a turn-key basis by a third-party integrator. Since ICAO does not have a system development framework and standards established that could to be used for any eventual development that may be required, particularly to interface with legacy applications, one will be adopted in consultation with both ICT and the Integrator prior to the start of the implementation. The supporting IT infrastructure will be included in the requirements and specifications tender document. The items referred to in this paragraph are mentioned in the Business Case report as items to be further developed in the Pre-planning and the Transformation phases and documented in the project charter.

— END —

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