

FINANCIAL STATEMENTS

AND

REPORT OF THE EXTERNAL AUDITOR

FOR THE FINANCIAL PERIOD ENDING 31 DECEMBER 2007



DOCUMENTATION
for the 37th Session of the Assembly in 2010

INTERNATIONAL CIVIL AVIATION ORGANIZATION

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INTERNATIONAL CIVIL AVIATION ORGANIZATION

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for the financial period ending 31 December 2007***

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**FINANCIAL STATEMENTS AND
AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2007**

INTERNATIONAL CIVIL AVIATION ORGANIZATION

FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2007

TABLE OF CONTENTS

PART I: REPORT OF THE SECRETARY GENERAL, CERTIFICATION, APPROBATION AND SUBMISSION OF THE FINANCIAL STATEMENTS FOR THE YEAR 2007	I-1	
PART II: AUDITOR'S REPORT/OPINION OF THE EXTERNAL AUDITOR	II -1	
PART III: FINANCIAL STATEMENTS		
Statement I	Statement of Income and Expenditure and Changes in Fund Balances	III-1
Statement II	Statement of Assets, Liabilities and Fund Balances	III-2
Statement III	Statement of Cash Flow	III-3
Statement IV	Statement of Appropriations	III-4
Statement V	Statement of Cumulative Surplus	III-5
Schedule A	Regular Programme - Assessments Receivable from Contracting States	III-6
Schedule B	Other ICAO Proprietary Funds	III-9
Schedule B.1	Funds for Technical Co-operation Support	III-10
Schedule C	Technical Co-operation Programme Funds	III-11
Schedule C.1	United Nations Development Programme - Status of Funds	III-12
Schedule C.1.1	United Nations Development Programme - Expenditure by Country and Region	III-13
Schedule C.2	Trust Funds and Management Service Agreements - Schedule of Income, Expenditure and Fund Balances	III-14
Schedule C.3	Civil Aviation Purchasing Service Funds - Schedule of Income, Expenditure and Fund Balances	III-16
Schedule D	Other Trust Funds Managed on Behalf of Third Parties - Schedule of Income, Expenditure, Assets, Liabilities and Fund Balances	III-17
Schedule D.1	Schedule of Assessments, Balances Receivable and Credits to Contracting Governments in respect of Danish & Icelandic Joint Financing Agreements	III-18
Schedule E	International Financial Facility for Aviation Safety Fund - Schedule of Income, Expenditure, Assets, Liabilities and Fund Balances	III-20
Notes to the Financial Statements		III-21
PART IV:	ANNEXES	IV-1
Annex A	Revenue-Generating and Cost Recovery Accounts/Funds	IV-3
Annex B	Other ICAO Proprietary Funds - Aviation Security Trust Funds	IV-4
Annex C	Other ICAO Proprietary Funds – Others	IV-5
Annex D	Statement of Appropriations and Expenditure at the Budget Rate for Regular Programme - 2007	IV-6
Annex E	Statement of Expenditure – Meetings 2007	IV-7
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 2007	
PART VI	SECRETARY GENERAL'S RESPONSE TO THE REPORT OF THE EXTERNAL AUDITOR	

INTERNATIONAL CIVIL AVIATION ORGANIZATION
PART I: REPORT OF THE SECRETARY GENERAL, CERTIFICATION, APPROBATION
AND SUBMISSION OF THE FINANCIAL STATEMENTS FOR THE YEAR 2007

1. The financial statements of the International Civil Aviation Organization for the year ended 31 December 2007 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 are consistent with the presentation adopted for the years 2006 and 2005. The Funds reported in the financial statements have been grouped to distinguish between those used for ICAO's own operational activities and those that are administered on behalf of third parties. Significant changes are planned in the future as the United Nations organizations move towards the adoption of the International Public Sector Accounting Standards (IPSAS). ICAO intends to implement IPSAS gradually during the triennium 2008 – 2010.

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 2007. 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)	
	<u>2007</u>	<u>2006</u>
The expenditure relating to ICAO Funds comprises:		
1) Regular Programme Funds appropriated by the Assembly or by the Council;	69 678	63 118
2) Other Proprietary Funds, including Aviation Security Plan of Action, Special Accounts for revenue-generating and cost recovery activities, and other Funds/Special Accounts;	21 272	15 390
3) The Technical Co-operation Programme comprises:		
a) Trust Funds and Management Service Agreements Funds provided by various contributors for technical co-operation projects executed by ICAO;	138 425	96 331
b) Civil Aviation Purchasing Service Funds provided by various contributors for civil aviation purchases on their behalf;	3 246	2 802
c) United Nations Development Programme Funds, mainly contributed by governments to UNDP under cost-sharing arrangements; and	5 328	4 582
d) ICAO Objectives Implementation Mechanism.	100	132
4) ICAO maintains funds for the activities managed or administered on behalf of third parties, including Joint Financing Agreements, International Registry Account, the International Financial Facility for Aviation Safety Fund (IFFAS*) and the Public Key Directory.	<u>37 843</u>	<u>40 696</u>
Total	<u>275 892</u>	<u>223 051</u>

* Excludes grants from IFFAS given to Trust Funds and Management Service Agreements included in paragraph 3 above.

3. A comparison of overall expenditure (including administrative overhead), in millions of United States dollars, for all ICAO activities during the last two years is provided in the figures below.

FIGURE 1: TOTAL EXPENDITURE - ALL FUND GROUPS

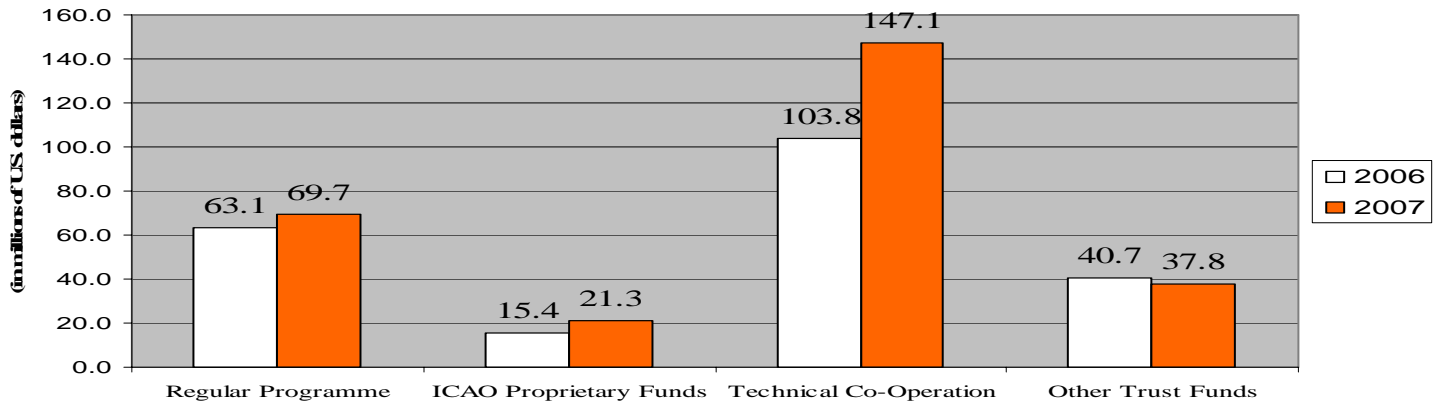


FIGURE 2: TECHNICAL CO-OPERATION PROGRAMME FUNDS

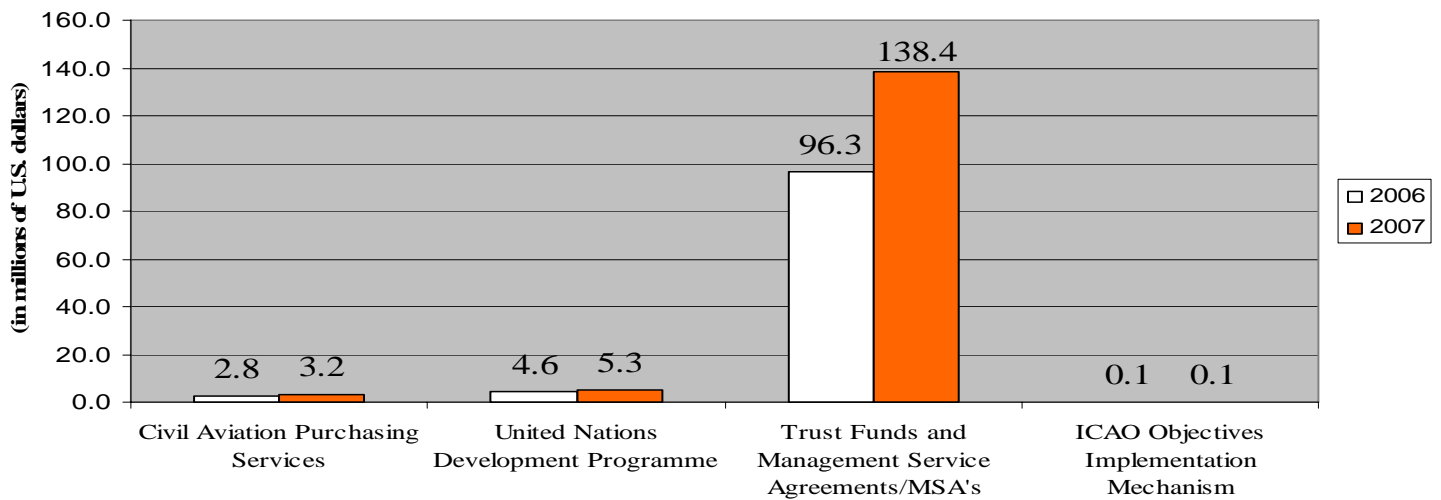
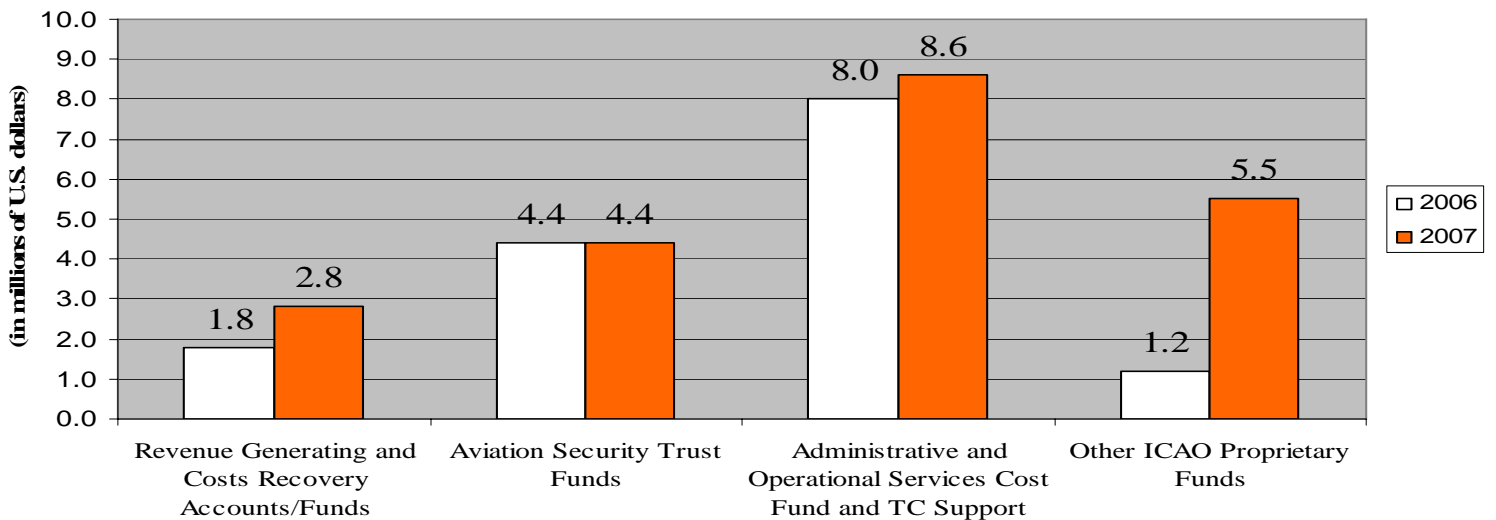


FIGURE 3: SUMMARY OF ICAO PROPRIETARY FUNDS



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 \$ 66 511 for the year 2007. 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 2007, in thousands of dollars, is summarized as follows:

Original appropriations	\$ 66 511
Carried over from 2006	9 965
Increase in appropriations	1 030
Transfer of appropriations	(1 600)
Carried over to 2008	<u>(6 080)</u>
Revised appropriations	\$ 69 826
Total expenditure	<u>69 678</u>
Unobligated balance of appropriations	\$ <u>148</u>

4.1.2 Carry over from 2006. Pursuant to Financial Regulation 5.6, the Council approved the carry-over of unobligated appropriations amounting to \$ 9 965 from financial year 2006 to financial year 2007 (C-DEC 179/17).

4.1.3 Increase in Appropriations. In 2005, in accordance with Financial Regulation 5.2 c), the Council approved additional appropriations of \$ 1 460 for 2005-2006-2007 from 2004 excess miscellaneous income, that is, the surplus of actual 2004 income over estimated 2004 income approved by the Council (C-DEC 176/14). Of this amount approved, \$ 460 is designated for the 2005 financial year, for various projects under Major Programme II: Air Navigation and Major Programme III: Air Transport. The remainder \$ 1 000 was planned to 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. In addition, the Council approved the transfer of \$ 1 060 from the reserves of the AVSEC Plan of Action to the Regular Programme to fund the integration of some elements of the AVSEC Plan of Action into the Regular Programme Budget in 2006 and 2007 (C-DEC 176/8). Pursuant to Financial Regulations 5.2 a), half of this amount, i.e. \$ 530, was added to Major Programme III: Air Transport for the year 2007.

4.1.4 Decrease in Appropriations. In 2007, a funding of \$ 1 600 was approved by Council (C-DEC 181/3) for the ICT Fund for the Enterprise Resource Planning project - the Integrated Resources Information System (IRIS) project. The appropriation for Major Programme VII: Finance, External Relations/Public Information and Programmes for Evaluation Audit and Management Review was reduced accordingly.

4.1.5 Transfers. In 2007, in compliance with Financial Regulation 5.10, the Council approved transfers of appropriations among major programmes, totalling \$ 2 713 from Major Programmes: General Policy and Direction, Air Navigation, Air Transport, Legal, and Administrative Support, to the following Major Programmes: Regional and Other Programmes - \$ 1 941 and Finance, External Relations/Public Information and Programmes Evaluation, Audit and Management Review - \$ 772 (C-DEC 182/13). In addition, based on the same Financial Regulation and within the 10 percent limitation requirement, the Secretary General approved transfers of appropriations totalling \$ 558 from Major Programme Regional and Other Programmes to the following Major Programmes: General Policy and Direction - \$ 83; Air Navigation - \$ 64; and Administrative Support - \$ 411.

4.1.6 Carry over to 2008. In compliance with Financial Regulation 5.11, the Council approved a carry-over of appropriations from 2007 to 2008 (C-DEC 182/13). This totals \$ 4 910 with regard to sub-programme elements/activities deferred to 2008, with two exceptions: \$ 200 for the Council Working Group on Regionalization's organizational review of the ICAO Regional Offices, and \$ 600 as seed money for ICAO's environmental initiatives. The remaining \$ 4 110 are for:

- Major Programme V: Regional and Other Programmes: \$ 1 400 for the Comprehensive Regional Implementation Plan for Aviation Safety in Africa (AFI Plan);
- Major Programme VI: Administrative Support - \$ 1 052 (\$ 800 for early termination indemnities due to the organizational re-alignment in 2008 and \$ 252 for language requirements at meetings and addition to the outsourcing plan for languages);
- Major Programme VII: Finance, External Relations/Public Information and Programmes Evaluation, Audit and Management Review - \$ 1 100 (\$ 1 000 for the Enterprise Resource Planning project and \$ 100 for the implementation of the International Public Sector Accounting Standards); and
- Major Programme VIII: Universal Safety Oversight Audit Programme - \$ 558 to fund audits originally planned to be conducted in the current triennium delayed due to administrative or technical reasons.

4.1.7 The Council authorized the Secretary General to make adjustments in the approved carry-over amounts to 2008 relating to deferred programme elements/activities that might be required by actual final expenditures at the end of the year (C-DEC 182/13). This additional carry-over amounts to \$ 1 170 and are for the following: Major Programme III: Air Transport \$ 550; Major Programme IV: Legal \$ 150; Major Programme VII: Finance, External Relations/Public Information and Programmes Evaluation, Audit and Management Review - \$ 230; and Major Programme VIII: Universal Safety Oversight Audit Programme \$ 240. As indicated in paragraph 4.2 below, the Secretary General will utilize these appropriations on the basis of strategic results in accordance with the Result Based Budget approach adopted for the triennium 2008-2010.

4.1.8 As a result of the increases and transfers outlined above, the final approved appropriation for the year amounted to \$ 69 826.

4.2 **Key initiatives to implement from 2008 onward**

4.2.1 **Result Based Budget.** For the first time, the Budget for Regular Programme for 2008-2009-2010 has been approved by the 36th Assembly in 2007 with a new approach – results-based budget (RBB) – in compliance with the Council Decision (C-DEC 178/14). It focuses on high-level deliverables by which the Council and the Assembly can monitor progress towards the objectives of ICAO activities. The Budget format establishes a distinction for expenditures between “Programme”, “Programme Support” and “Management and Administration”, while retaining the Bureau/Organizational structure. Thus, the carry-over of appropriations to 2008 will also make this distinction.

4.2.2 **Adoption of the Canadian dollar as base currency**

Another significant initiative is the adoption of the Canadian dollar rather than the US dollar for the budgets and the accounts of the proprietary Funds of the Organization. Assessments on Contracting States and other estimated sources of income are established in Canadian dollars for 2008. In order to ensure more consistency and comparability between the approved budgets and the accounts and Funds of the Organization, the transactions will be reflected in Canadian dollars and it is foreseen that the financial statements will be presented in Canadian dollars for 2008 onward. This change will be applicable to proprietary Funds of the Organization, while Funds administered on behalf of third parties such as those established to manage Technical Co-operation Projects will continue to be recorded in US dollars.

4.2.3 **New Enterprise Resource Planning (ERP) System**

The Organization has approved the implementation of a new Enterprise Resource Planning (ERP) system. The functionality includes the recording and presentation of financial transactions and information that will be used for the preparation of the financial statements in 2008 onward. The core functionality started operational use in January 2008 for Phase I the completion of which is planned for the end of May 2008. The scope for Phase I includes: general ledger, accounts payable and receivable, procurement and management of projects. Phase II started in April 2008 and its estimated date of completion is April 2009. The Scope of Phase II includes budget planner, fixed assets, sales, travel, human resources and payroll. Among the several benefits that the implementation of an ERP system will bring to the Organization is the capacity to record transactions on the IPSAS basis once fully implemented. It is also expected that the financial information will be produced in a more timely and efficient manner.

4.2.4 **Adoption of International Public Sector Accounting Standards**

As reported in Note 3 to the Financial Statements, the United Nations (UN) and the UN system's Chief Executive Board (CEB) have adopted International Public Sector Accounting Standards (IPSAS) to be implemented on or before 1st January 2010. IPSAS are a set of independently developed accounting standards, which require for adoption accounting on a 'full accruals' basis. Full accruals is considered best accounting practice by international organizations for the public as well as the private sector. IPSAS include detailed requirements and guidance, which provide support for financial statement's consistency and comparability. In order to be in line with other UN organizations, IPSAS will be implemented at ICAO gradually during the triennium (2008- 2010). Note 3 provides an overview of the impact of IPSAS adoption on the content and presentation of the financial statements.

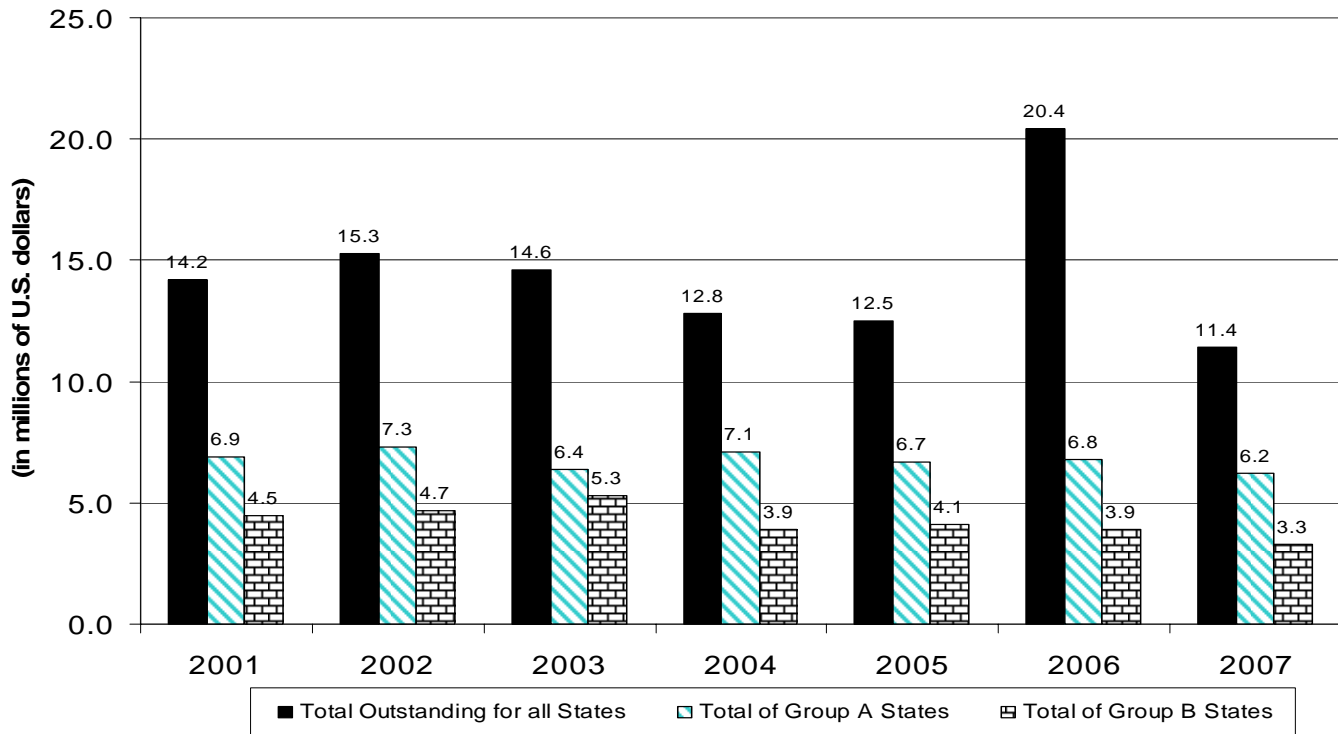
4.3 **Income**

4.3.1 The appropriations for the year 2007, approved by the 35th Session of the Assembly were to be financed by assessments on Contracting States of \$ 60 788 and miscellaneous income of \$ 5 723 for a total of \$ 66 511. The composition of actual income totalling \$ 69 803 is presented in Statement I.

4.3.2 **Assessments.** During the year 2007, assessments totalling \$ 59 432 were received and a balance of \$ 1 420 remained outstanding at the year end against the current year's assessments. At the beginning of the year, \$ 20 402 was receivable from States in respect to 2006 and prior years; payment of \$ 10 391 was received, leaving a balance outstanding of \$ 10 011. The assessments receivable for all years totalled \$ 11 431 as at 31 December 2007. Details are provided in Schedule A. The percentage of receipts of contributions for the last four years in relation to the amount assessed averaged 94 per cent. Figure 4 shows the status of the assessed contributions receivable at the end of each year since 2001.

FIGURE 4

ASSESSMENTS RECEIVABLE FROM CONTRACTING STATES AS AT 31 DECEMBER



4.3.3 Of the total outstanding contributions of \$ 11 431 as at 31 December 2007, \$ 73 pertained to States represented on the Council.

	<u>Number of States 2007</u>	<u>Amount outstanding as at 31 December 2007</u>	<u>Number of States 2006</u>	<u>Amount outstanding as at 31 December 2006</u>
Group A: States that have concluded agreements with the Council to liquidate their arrears over a period of years	28	\$ 6 210	32	\$ 6 824
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	5	\$ 3 276	7	\$ 3 879
Group C: States with contributions in arrears for less than three full years	11	\$ 901	11	\$ 738
Group D: States with contributions outstanding only for the current year	<u>16</u>	<u>\$ 533</u>	<u>23</u>	<u>\$ 8 450</u>
Sub-total	60	\$ 10 920	73	\$ 19 891
The Former Socialist Federal Republic of Yugoslavia	-	<u>\$ 511</u>	-	<u>\$ 511</u>
Total Outstanding Contributions	<u>60</u>	<u>\$ 11 431</u>	<u>73</u>	<u>\$ 20 402</u>

4.3.4 As at 31 December 2007, 28 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 2007.

4.3.5 **Miscellaneous income** budgeted for the period amounted to \$ 5 723 when compared to actual income of \$ 8 951 and comprised the following:

	Budget 2007	Actual 2007	Difference
Sales of Publications	4 000	4 931	931
Royalties from ICAO's Publications	525	532	7
Investment Income - Interest	400	1 094	694
Rental on Premises	580	718	138
Journal Advertisements	88	105	17
Other Income	130	1 571	1 441
Total	5 723	8 951	3 228

4.3.6 Major contributions (*) received for the Regular Programme and other Proprietary Funds for 2007 are summarized as follows:

Contracting State	Regular Programme		Proprietary Funds	Total
	Assessment Received	Contributions In-Kind (Premises)	Contributions In Cash and In Kind including AVSEC	
United States of America	15 197		1 724	16 921
Canada	1 508	13 079	196	14 783
Japan	8 747		725	9 472
Germany	4 286		519	4 805
France	3 076	796	383	4 255
United Kingdom	3 386		263	3 649
Italy	2 164		190	2 354
Republic of Korea	1 459		298	1 757
Thailand	346	1 307	4	1 657
China	1 228		212	1 440
Spain	1 252			1 252
Netherlands	1 131		25	1 156
Total	43 780	15 182	4 539	63 501

(*) Twelve highest contributions

4.4 Expenditure at Budget Rate Compared to Budget

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

4.5 Meetings Expenditure

4.5.1 The approved budget for meetings in 2007 amounted to \$ 1 201 and the actual expenditure on meetings in 2007, as shown in Annex E, amounted to \$ 1 036.

4.6 Surplus

4.6.1 The cumulative surplus as at 31 December 2007 reflected in Statement V amounted to \$ 19 573. Cumulative surplus less assessments receivable from Contracting States of \$ 11 431 resulted in a cash surplus of \$ 8 142 as at 31 December 2007. A decrease in the assessments receivable in 2007 compared to 2006 as presented in Statement III, contributed to the cash surplus position for 2007.

4.7 Cash Balances

4.7.1 The cash balance held in the General Fund as at 31 December 2007 amounted to \$ 31 122 (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 in 2007 under the authority granted by the Assembly under Assembly Resolution A36-34.

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 USD 1.00. In order to minimize risks and protect 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. The objective of stabilizing Canadian dollar-related expenditures and EURO expenditures to a level within the budget was achieved. Further details are provided in the Notes to the Financial Statements.

5. OTHER ICAO PROPRIETARY FUNDS

5.1 Administrative Operational Services Cost Fund (AOSC Fund)

5.1.1 The AOSC Fund is established to meet the costs of administration and operations of the Technical Co-operation 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 Schedule B.1 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 2007

	Submitted to the Assembly	Revised Budget 2007 ²	Expenditure/ Income 2007	Balance of Revised Budget
Appropriation/Expenditure				
Major Programme X	\$ 5 993 ¹	\$ 8 882	\$ 8 591	\$ 291
Income	\$ 5 445	\$ 8 993	\$ 8 379	
Excess/(Deficit) of Income over Expenditure	\$ (548)	\$ 111	\$ (212)	

¹ Approved by the Assembly in 2004 (A35-22)

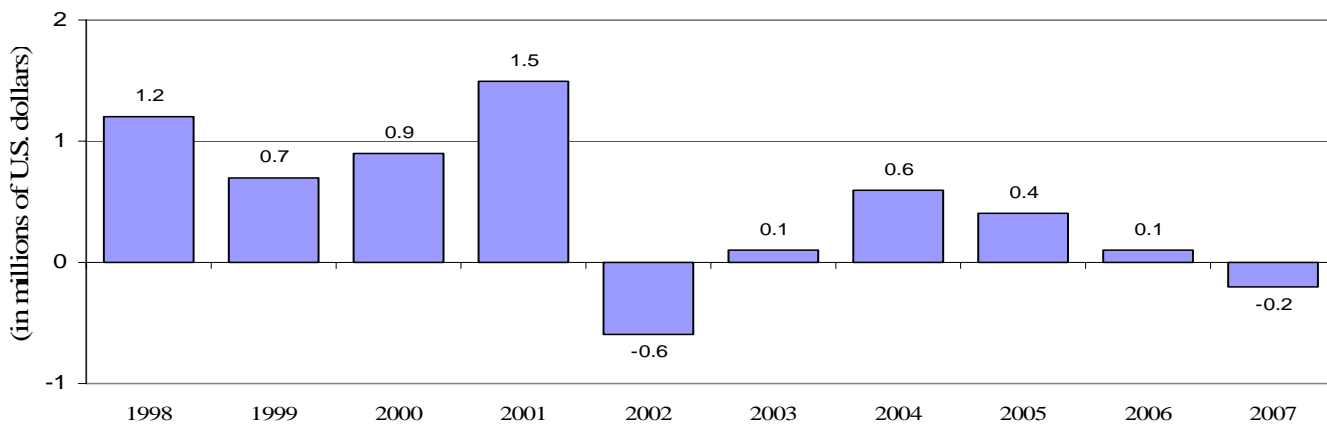
² Noted by the Council at its 182nd Session

5.1.2 As indicated in Figure 5, the Assembly approved the Indicative Budget Estimates (expenditure) of the AOSC Fund amounting to \$ 5 993 for the financial year 2007. The estimated income for the year 2007 of \$ 5 445 was also presented to the Assembly. During the year, pursuant to Financial Regulation 9.5, the Secretary General submitted to the Council an update of the 2007 Budget Estimates (expenditure) for 2007 in C-WP/13037. The revised estimated expenditures for 2007 amounted to \$ 8 882 and the estimated income to \$ 8 993.

5.1.3 Total expenditures presented in the financial statements for the Technical Co-operation Programme (TCP) excluding administrative overhead charges amounted to \$ 147 099 in 2007 compared with \$ 103 847 in 2006. During 2007, programmes expenditures for projects included a significant portion of equipment expenditures amounting to \$ 101 352 as compared to \$ 60 000 in 2006. As equipment implementation carries lower administrative overhead charges, the increase in equipment expenditures in 2007 did not result in an increase in the recovery of overhead fees. The AOSC Fund income from recovery of administrative overhead amounted to \$ 7 711 in 2007 compared to \$ 7 806 in 2006. It should also be noted that for some projects a significant portion of AOSC Fund income 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 Co-operation Programme. The AOSC Fund total income for 2007 was \$ 8 379 representing an increase of \$ 176 (2%) compared with 2006. The actual AOSC Fund expenditures, on the other hand, amounted to \$ 8 591 representing an increase of \$ 522 (6%), compared to 2006. Actual expenditures include non-budgeted gains on exchange of \$ 945 in 2007 and \$ 717 in 2006. Although the revised budget noted by Council at its 182nd Session had estimated a small surplus of \$ 111, the AOSC Fund did not fully recover its costs for the year 2007 and incurred a shortfall of \$ 212, which was deducted from the Balance of the AOSC Fund, amounting to \$ 5 733 at the end of 2007.

Figure 6 reports on the trend in the annual excess (shortfall) 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 reflected in Schedule B.1.

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 Co-operation Programme be reported to the Council for review. The Council has considered this issue 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 2007, costs of \$ 298 relating to Regular Programme support that have been funded by the AOSC Fund were charged to the Regular Programme, while an amount of \$ 583 of Technical Co-operation Programme support costs funded by Regular Programme were charged to the AOSC Fund. The net transfer of costs for 2007 amounting to \$ 285 has been recorded in the accounts of the AOSC Fund, in addition to the amount of \$ 1 703 for personnel working outside the Technical Co-operation Bureau funded by the AOSC Fund. The Council presented to the Assembly during its 36th Session, a report on the apportionment of costs between the AOSC Fund and the Regular Programme Budget. The Assembly requested the Council to consider and approve a Cost Recovery Policy and work with the Secretariat to ensure that the pilot study requested by the Council provides accurate and timely information for the Council's decision.

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 2007, the Council at its 8th and 14th meetings of the 176th Session took the following action:

- approved the transfer of \$ 1.06 million from the reserve of the AVSEC Plan of Action to the General Fund in 2006 to finance the integration of some elements of the AVSEC Plan of Action into the Regular Programme Budget during 2006 and 2007;
- appropriated under paragraph 5.2 a) of the ICAO Financial Regulations, for the financial years 2006 and 2007, an amount of \$ 0.53 million per year for the integration of part of the AVSEC Plan of Action, mainly the Universal Security Audit Programme (USAP), into the Regular Programme Budget; and
- approved the appropriation from miscellaneous income of \$ 0.5 million per year for 2006 and 2007 to facilitate the integration of the USAP into the Regular Programme.

5.2.2 The increase of appropriation for 2007 amounting to \$ 1 030 is reflected in the Statement of Appropriation (Statement IV).

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 2007 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**

7.1 **The International Financial Facility for Aviation Safety (IFFAS)**

The balance of funds in IFFAS as at 31 December 2007 amounted to \$ 2 691, compared to \$ 2 818 as at the end of 2006. Grants amounting to \$ 572, approved by the Governing Body of IFFAS, were paid during 2007. A loan of \$ 298, which was approved in 2005 remains pending acceptance. Transactions are reflected in Schedule E to the financial statements.

7.2 **The Public Key Directory Fund (PKD)**

The Fund was established by the Council in 2005 (C-DEC 174/1). ICAO supervises the development of the 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'. In 2007, three States contributed to the PKD fund. The PKD Development or "Establishment" contract was awarded to a private company, for complete design and development of the ICAO Public Key Directory. This contract (Phase 1) has now been successfully completed and accepted by ICAO and the PKD member States. ICAO has now commenced (Phase 2) the second part of the project, a PKD Operations Phase Contract. Transactions are reflected in Schedule D to the financial statements. The balance of the Fund shows a deficit of \$ 41 which was covered by further contributions received at the beginning of 2008.

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 minimum vertical separation 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 by parties involved. Transactions are reflected in Schedule D to the financial statements.

8. CERTIFICATION, APPROBATION AND SUBMISSION OF THE FINANCIAL STATEMENTS FOR THE YEAR 2007:

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.

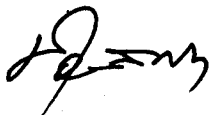
To fulfil its responsibility, the Organization maintains systems of internal controls, policies and procedures to ensure the reliability of financial information and the safeguarding of assets. The internal control systems are subject to both internal and external audit. The External Auditor has audited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

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



Carlo Reitano
Acting 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 2007.



Taïeb Chérif
Secretary General

Montreal, Canada
15 May 2008

PART II: AUDITOR'S REPORT/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 2007, 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 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 2007 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 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
15 May 2008

PART III: FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT OF INCOME AND EXPENDITURE AND CHANGES IN FUND BALANCES
FOR THE PERIOD ENDING 31 DECEMBER 2007

(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	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
INCOME														
Assessed Contributions (Schedules A and D)	60 852	60 443			60 852	60 443			550	400			61 402	60 843
Contributions			4 202	3 828	4 202	3 828	152 957	125 342	989	970			158 148	130 140
Earmarked Contributions			606	1 043	606	1 043	325	95			(325)	(95)	606	1 043
Other Income														
Sales of publications	4 931	4 228			4 931	4 228							4 931	4 228
Funds received under inter-organization arrangements							3 853	8 990					3 853	8 990
Administrative fee revenue/user charges	35	47	7 711	7 806	7 746	7 853			45 426	34 984	(7 746)	(7 853)	45 426	34 984
Interest income	1 094	828	1 133	1 013	2 227	1 841	6 465	4 587	325	372			9 017	6 800
Miscellaneous	2 891	2 028	3 553	2 725	6 444	4 753	2 532	1 059					8 976	5 812
TOTAL INCOME	69 803	67 574	17 205	16 415	87 008	83 989	166 132	140 073	47 290	36 726	(8 071)	(7 948)	292 359	252 840
EXPENDITURE														
Salaries and common staff costs	57 737	54 272	14 432	12 328	72 169	66 600			726	1 161			72 895	67 761
General operating expenses	6 827	5 787	4 470	847	11 297	6 634			154	46			11 451	6 680
Travel	2 308	2 161	1 425	1 306	3 733	3 467			34	23			3 767	3 490
Equipment	1 654	422	575	90	2 229	512	101 352	60 000					103 581	60 512
Meetings	976	289			976	289							976	289
Expert and other personnel costs							38 674	38 519					38 674	38 519
Subcontracts							3 448	2 109					3 448	2 109
Training							1 204	1 971					1 204	1 971
Administrative overhead charges			35	47	35	47	7 711	7 806			(7 746)	(7 853)		
Service costs									36 388	39 109			36 388	39 109
Grants									572	95	(325)	(95)	247	
Other	176	187	370	819	546	1 006	2 421	1 248	294	357			3 261	2 611
TOTAL EXPENDITURE	69 678	63 118	21 307	15 437	90 985	78 555	154 810	111 653	38 168	40 791	(8 071)	(7 948)	275 892	223 051
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	125	4 456	(4 102)	978	(3 977)	5 434	11 322	28 420	9 122	(4 065)			16 467	29 789
BALANCE OF FUNDS														
Adjustment of prior year's unliquidated obligation/expenditure	345	210	(12)	86	333	296			23	(54)			356	242
Transfers to/from other funds (Statement V)	(2 031)	49	2 197	(49)	166		(166)							
Refund of contributions/transfer of Fund balances			(50)		(50)		(5 779)	(6 619)	(60)				(5 889)	(6 619)
Increase in Working Capital Fund	3				3								3	
Adjustment to surplus for derivative liability	(165)				(165)								(165)	
Adjustment to reserved surplus for derivative asset	(6 106)	(4 503)			(6 106)	(4 503)							(6 106)	(4 503)
Fund balances, beginning of period	40 554	40 342	24 666	23 651	65 220	63 993	67 707	45 906	8 065	12 184			140 992	122 083
BALANCE OF FUNDS, END OF PERIOD	32 725	40 554	22 699	24 666	55 424	65 220	73 084	67 707	17 150	8 065			145 658	140 992

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

INTERNATIONAL CIVIL AVIATION ORGANIZATION
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
AS AT 31 DECEMBER 2007

(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	
		2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
		ASSETS													
Cash and term deposits	4	31 122	17 996	24 022	22 442	55 144	40 438	139 026	121 116	6 574	6 762			200 744	168 316
Accounts receivable:															
Assessed contributions receivable from Contracting States (Schedule A)	5	11 437	20 409			11 437	20 409							11 437	20 409
Inter-fund balances		1 461	1 162	6 324	2 877	7 785	4 039	12 782	9 763	230	34	(20 797)	(13 836)		
Receivables and advances	6	4 258	4 012	2 377	1 416	6 635	5 428	3 179	3 528	13 230	6 228			23 044	15 184
Recoverable from Regional Bodies : AFCAC	7	1 043	920			1 043	920							1 043	920
Other assets		71	71	1 154	2 154	1 225	2 225							1 225	2 225
Derivative asset	8		6 106				6 106								6 106
Land and Buildings, at cost		1 065	1 065			1 065	1 065							1 065	1 065
TOTAL ASSETS		50 457	51 741	33 877	28 889	84 334	80 630	154 987	134 407	20 034	13 024	(20 797)	(13 836)	238 558	214 225
LIABILITIES															
Contributions received in advance (Schedule A)		4 733	1 732			4 733	1 732							4 733	1 732
Unliquidated obligations		2 197	2 166	2 941	223	5 138	2 389	32 913	32 825	39	42			38 090	35 256
Accounts payable		8 019	3 265	2 016	1 278	10 035	4 543	36 597	24 178	117	65			46 749	28 786
Due to Regional Bodies : ECAC	7	410	1 086			410	1 086							410	1 086
Inter-fund balances		2 208	2 938	6 176	2 684	8 384	5 622	11 246	7 543	1 167	671	(20 797)	(13 836)	1 561	4 181
Credits to contracting/servicing Governments (Schedule D)										1 561	4 181				
Derivative liability	8	165				165								165	
Other credit balances and provisions				45	38	45	38	1 147	2 154					1 192	2 192
TOTAL LIABILITIES		17 732	11 187	11 178	4 223	28 910	15 410	81 903	66 700	2 884	4 959	(20 797)	(13 836)	92 900	73 233
BALANCE OF FUNDS															
Represented by:															
Contributed capital relating to land and buildings		1 065	1 065			1 065	1 065							1 065	1 065
Cumulative Surplus (Statement V)		19 573	17 414	22 494	24 401	42 067	41 815	73 084	67 707	16 653	7 658			131 804	117 180
Working Capital Fund		6 007	6 004			6 007	6 004							6 007	6 004
Reserved Surplus (Statement IV) (Statement V)		6 080	16 071	205	265	6 285	16 336			497	407			6 782	16 743
TOTAL BALANCE OF FUNDS		32 725	40 554	22 699	24 666	55 424	65 220	73 084	67 707	17 150	8 065			145 658	140 992
TOTAL LIABILITIES AND BALANCE OF FUNDS		50 457	51 741	33 877	28 889	84 334	80 630	154 987	134 407	20 034	13 024	(20 797)	(13 836)	238 558	214 225

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

INTERNATIONAL CIVIL AVIATION ORGANIZATION
STATEMENT OF CASH FLOW
FOR THE PERIOD ENDING 31 DECEMBER 2007

(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	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	CASH FLOWS FROM OPERATING ACTIVITIES:											
Net excess (shortfall) of income over expenditure (Statement I)	125	4 456	(4 102)	978	(3 977)	5 434	11 322	28 420	9 122	(4 065)	16 467	29 789
(Increase) decrease in contributions receivable	8 972	(7 868)			8 972	(7 868)					8 972	(7 868)
(Increase) decrease in other accounts receivable	(369)	(341)	(961)	345	(1 330)	4	349	(399)	(7 002)	1 484	(7 983)	1 089
(Increase) decrease in other assets		41	1 000	(841)	1 000	(800)					1 000	(800)
(Increase) decrease in inter-fund balances receivable	(299)	136	(3 447)	994	(3 746)	1 130	(3 019)	(3 382)	(196)	5	(6 961)	(2 247)
Increase (decrease) in contributions received in advance	3 001	(1 745)			3 001	(1 745)					3 001	(1 745)
Increase (decrease) in unliquidated obligations	31	814	2 718	(50)	2 749	764	88	3 700	(3)	39	2 834	4 503
Increase (decrease) in accounts payable	4 078	(1 276)	738	296	4 816	(980)	12 419	2 637	52	(9)	17 287	1 648
Increase (decrease) in inter-fund balances payable	(730)	911	3 492	(182)	2 762	729	3 703	1 206	496	312	6 961	2 247
Less : Interest income	(1 094)	(828)	(1 133)	(1 013)	(2 227)	(1 841)	(6 465)	(4 587)	(325)	(372)	(9 017)	(6 800)
Other credit balances and provisions			7	(3)	7	(3)	(1 007)	841	(2 620)	1 520	(3 620)	2 358
(Increase) decrease in derivative asset/liability	6 271	4 503			6 271	4 503					6 271	4 503
Other adjustments to reserves and fund balances	(6 271)	(4 503)			(6 271)	(4 503)					(6 271)	(4 503)
NET CASH FLOWS FROM OPERATING ACTIVITIES	13 715	(5 700)	(1 688)	524	12 027	(5 176)	17 390	28 436	(476)	(1 086)	28 941	22 174
CASH FLOWS FROM INVESTING ACTIVITIES:												
Interest income	1 094	828	1 133	1 013	2 227	1 841	6 465	4 587	325	372	9 017	6 800
NET CASH FLOWS FROM INVESTING ACTIVITIES	1 094	828	1 133	1 013	2 227	1 841	6 465	4 587	325	372	9 017	6 800
CASH FLOWS FROM FINANCING ACTIVITIES:												
Adjustment of prior periods' obligations	345	210	(12)	86	333	296			23	(54)	356	242
Transfers (to)/from other funds	(2 031)	49	2 197	(49)	166		(166)					
Increase (Decrease) in Working Capital Fund	3				3						3	
Refund of contributions			(50)		(50)		(5 779)	(6 619)	(60)		(5 889)	(6 619)
NET CASH FLOWS FROM FINANCING ACTIVITIES	(1 683)	259	2 135	37	452	296	(5 945)	(6 619)	(37)	(54)	(5 530)	(6 377)
NET INCREASE (DECREASE) IN CASH AND TERM DEPOSITS	13 126	(4 613)	1 580	1 574	14 706	(3 039)	17 910	26 404	(188)	(768)	32 428	22 597
CASH AND TERM DEPOSITS, BEGINNING OF PERIOD	17 996	22 609	22 442	20 868	40 438	43 477	121 116	94 712	6 762	7 530	168 316	145 719
CASH AND TERM DEPOSITS, END OF PERIOD	31 122	17 996	24 022	22 442	55 144	40 438	139 026	121 116	6 574	6 762	200 744	168 316

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

INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME GENERAL FUND
STATEMENT OF APPROPRIATIONS
FOR THE PERIOD ENDING 31 DECEMBER 2007

(expressed in thousands of United States dollars)

STATEMENT IV

III-4

Major Programme	Appropriations						Expenditures			Balance
	Original (A35-22 and SL 04/106)	Carried over from prior year \a	Increase(decrease) of Appropriations \b	Transfers between Major Programmes \c	Carried over to following year \d \e \f	Revised	Disbursements	Unliquidated obligations \f	Total	
I - General Policy and Direction	1 708	322		(371)		1 659	1 633	26	1 659	
II - Air Navigation	9 413	1 011		(626)		9 798	9 629	169	9 798	
III - Air Transport	5 485	745	1 030	(1 036)	(550)	5 674	5 600	51	5 651	23
IV - Legal	1 063	488		(518)	(150)	883	865		865	18
V - Regional and Other Programmes	16 240	2 126		1 384	(2 200)	17 550	17 021	481	17 502	48
VI - Administrative Support	26 029	2 088		395	(1 052)	27 460	26 053	1 362	27 415	45
VII - Finance, External Relations / Public Information and Programmes Evaluation, Audit and Management Review	3 974	1 814	(1 600)	772	(1 330)	3 630	3 540	84	3 624	6
VIII - Universal Safety Oversight Audit Programme	2 599	1 371			(798)	3 172	3 140	24	3 164	8
TOTAL	66 511	9 965	(570)		(6 080)	69 826	67 481	2 197	69 678	148

\a Approved by Council at its 179th and 181th Session (C-179/17 and C-181/14) Fin. Reg. 5.6.

\b Approved by Council at its 176th and 181th Session (C-176/8, C-176/14 and C-181/3)

\c Approved by Council at its 182th (C-182/13) Fin. Reg. 5.10.

\d Approved by Council at its 182th (C-182/13) Fin. Reg. 5.11.

\e Includes an amount of \$ 1 million to be loaned in 2008 to augment the Temporary Staff Salaries Fund as per C-182/13.

\f Refer to Note 3.

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 2007

(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	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
CUMULATIVE SURPLUS												
Cumulative Surplus, Beginning of year	17 414	16 264	24 401	21 308	41 815	37 572	67 707	45 906	7 658	11 872	117 180	95 350
Excess (shortfall) of Income over Expenditure	125	4 456	(4 102)	978	(3 977)	5 434	11 322	28 420	9 122	(4 065)	16 467	29 789
Transactions not recognized in Statement of Income /Expenditure												
Adjustment of prior year's expenditure	19	78	(12)	86	7	164			23	(54)	30	110
Write-offs	(54)	(48)			(54)	(48)					(54)	(48)
Cancellation of prior year's unliquidated obligations	380	180			380	180					380	180
Appropriations carried over from prior year	9 965	6 400			9 965	6 400					9 965	6 400
Appropriations carried over to following year	(6 080)	(9 965)			(6 080)	(9 965)					(6 080)	(9 965)
Refund of contributions			(50)		(50)		(5 779)	(6 619)	(60)		(5 889)	(6 619)
Transfers to/(from) other funds	(2 031)	49	2 197	(49)	166		(166)					
Transfers to/(from) reserved surplus:				2 000		2 000						2 000
Reserved from/to Joint Financing									(90)	(95)	(90)	(95)
To and from Incentive Scheme Reserved Surplus			60	78	60	78					60	78
Derivative liability	(165)				(165)						(165)	
Cumulative Surplus at end of year	19 573	17 414	22 494	24 401	42 067	41 815	73 084	67 707	16 653	7 658	131 804	117 180
RESERVED SURPLUS												
Reserved in Regular Programme for Derivative Asset												
Beginning balance	6 106	10 609			6 106	10 609					6 106	10 609
Transfers to/(from) Regular Programme	(6 106)	(4 503)			(6 106)	(4 503)					(6 106)	(4 503)
Balance end of year		6 106				6 106						6 106
Reserved AOSC / Joint Financing Funds Surplus												
Beginning balance				2 000		2 000			407	312	407	2 312
Transferred to/from reserve				(2 000)		(2 000)			90	95	90	(1 905)
Balance end of year									497	407	497	407
Regular Programme Appropriations Carried Forward												
Beginning balance	9 965	6 400			9 965	6 400					9 965	6 400
Transferred to Regular Programme for current year	(9 965)	(6 400)			(9 965)	(6 400)					(9 965)	(6 400)
Appropriations carried forward to future year	6 080	9 965			6 080	9 965					6 080	9 965
Balance end of year	6 080	9 965			6 080	9 965					6 080	9 965
Reserved in Incentive Scheme for Long-Outstanding Arrears												
Beginning balance			265	343	265	343					265	343
Expenditures			(60)	(78)	(60)	(78)					(60)	(78)
Balance end of year			205	265	205	265					205	265
Reserved Surplus at end of year	6 080	16 071	205	265	6 285	16 336			497	407	6 782	16 743
Contributed capital relating to land and buildings	1 065	1 065			1 065	1 065					1 065	1 065
Working Capital Fund	6 007	6 004			6 007	6 004					6 007	6 004
TOTAL BALANCE OF FUNDS	32 725	40 554	22 699	24 666	55 424	65 220	73 084	67 707	17 150	8 065	145 658	140 992

III-5

STATEMENT V

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

Schedule A

III-6

INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME
ASSESSMENTS RECEIVABLE FROM CONTRACTING STATES
AND CONTRIBUTIONS RECEIVED IN ADVANCE
AS AT 31 DECEMBER 2007

(in thousands of United States dollars)

Contracting States Assembly Resolutions A35-24 and A35-22A	General Fund			Balance of Assessments Receivable for 2007	Balance of Prior Years' Assessments Receivable	Balance of Advances due to the Working Capital Fund	Total Balances Receivable **	Contributions Received in Advance
	Scales 2007	Assessments 2007	Contributions Received for 2007					
AFGHANISTAN	0.06	36	10	27			27	
ALBANIA	0.06	36	29	7			7	
ALGERIA	0.07	43	43					
ANDORRA	0.06	36		36			36	
ANGOLA	0.06	36	36					
ANTIGUA AND BARBUDA	0.06	36		36	509	1	546	
ARGENTINA	0.71	432	432					3
ARMENIA	0.06	36	36					
AUSTRALIA	1.61	979	979					1 318
AUSTRIA	0.71	432	432					
AZERBAIJAN	0.06	36	36					
BAHAMAS	0.06	36	36					7
BAHRAIN	0.06	36	36					
BANGLADESH	0.08	49	49					
BARBADOS	0.06	36	36					
BELARUS (*)	0.06	36		36	165		201	
BELGIUM	0.81	492	492					
BELIZE	0.06	36	36					
BENIN	0.06	36	36		55		55	
BHUTAN	0.06	36	36					
BOLIVIA	0.06	36	36					
BOSNIA AND HERZEGOVINA	0.06	36	36					
BOTSWANA	0.06	36	36					
BRAZIL	1.36	827	827					
BRUNEI DARUSSALAM	0.06	36		36			36	
BULGARIA	0.06	36	36					
BURKINA FASO	0.06	36	36		158		158	
BURUNDI	0.06	36	36					
CAMBODIA	0.06	36	36		190		190	
CAMEROON	0.06	36	36					
CANADA	2.48	1 508	1 508					1 847
CAPE VERDE	0.06	36	36					
CENTRAL AFRICAN REPUBLIC (*)	0.06	36	36		321		321	
CHAD	0.06	36	36		218		218	
CHILE	0.30	182	182					
CHINA	2.02	1 228	1 228					
COLOMBIA	0.23	140	140					
COMOROS	0.06	36	36		414		414	
CONGO	0.06	36	36		286		286	
COOK ISLANDS	0.06	36	36		95		95	
COSTA RICA	0.06	36	36					
COTE D'IVOIRE	0.06	36	36		95		95	
CROATIA	0.06	36	36					
CUBA	0.06	36	36					
CYPRUS	0.06	36	36					
CZECH REPUBLIC	0.15	91	91					
DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA	0.06	36	36					
DEMOCRATIC REPUBLIC OF THE CONGO (*)	0.06	36		36	351		388	
DENMARK	0.55	334	334					
DJIBOUTI	0.06	36		36	526		562	
DOMINICAN REPUBLIC	0.06	36	36					
ECUADOR	0.06	36	36					
EGYPT	0.18	109	109					
EL SALVADOR	0.06	36	36					
EQUATORIAL GUINEA	0.06	36	36					
ERITREA	0.06	36	36					
ESTONIA	0.06	36	36					45
ETHIOPIA	0.06	36	36					
FIJI	0.06	36	36					
FINLAND	0.44	267	267					358
FRANCE	5.06	3 076	3 076					
GABON	0.06	36	36		80		80	
GAMBIA	0.06	36		36	251		287	
GEORGIA	0.06	36	36		374		374	
GERMANY	7.05	4 286	4 286					

INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME
ASSESSMENTS RECEIVABLE FROM CONTRACTING STATES
AND CONTRIBUTIONS RECEIVED IN ADVANCE
AS AT 31 DECEMBER 2007

(in thousands of United States dollars)

Contracting States Assembly Resolutions A35-24 and A35-22A	General Fund					Balance of Advances due to the Working Capital Fund	Total Balances Receivable**	Contributions Received in Advance
	Scales 2007	Assessments 2007	Contributions Received for 2007	Balance of Assessments Receivable for 2007	Balance of Prior Years' Assessments Receivable			
GHANA	0.06	36	36					
GREECE	0.43	261	261					
GRENADA	0.06	36		36	217		253	
GUATEMALA	0.06	36	36					
GUINEA	0.06	36	36		177		177	
GUINEA-BISSAU	0.06	36	36		583		583	
GUYANA	0.06	36	33	4			4	
HAITI	0.06	36		36	71		108	
HONDURAS	0.06	36		36			36	
HUNGARY	0.12	73	73					
ICELAND	0.06	36	36					
INDIA	0.45	274	274					
INDONESIA	0.24	146	146					
IRAN (ISLAMIC REPUBLIC OF)	0.15	91		91			91	
IRAQ	0.06	36		36	1 115		1 151	
IRELAND	0.35	213	213					
ISRAEL	0.51	310	310					
ITALY	3.56	2 164	2 164					
JAMAICA	0.06	36	36					
JAPAN	14.39	8 747	8 747					
JORDAN	0.06	36		36			36	
KAZAKHSTAN	0.06	36	36					9
KENYA	0.06	36	36					9
KIRIBATI	0.06	36		36	40		76	
KUWAIT	0.18	109	109					
KYRGYZSTAN	0.06	36		36	161		197	
LAO PEOPLE'S DEMOCRATIC REPUBLIC	0.06	36	36					
LATVIA	0.06	36	36					
LEBANON	0.06	36		36			36	
LESOTHO	0.06	36	36					
LIBERIA	0.06	36	36		243		243	
LIBYAN ARAB JAMAHIRIYA	0.09	55	6	49			49	
LITHUANIA	0.06	36	36					
LUXEMBOURG	0.34	207	207					
MADAGASCAR	0.06	36	36					
MALAWI (*)	0.06	36		36	204		240	
MALAYSIA	0.5	304	304					
MALDIVES	0.06	36	36					
MALI	0.06	36	36		28		28	
MALTA	0.06	36	36					
MARSHALL ISLANDS	0.06	36		36	70		107	
MAURITANIA	0.06	36	36					
MAURITIUS	0.06	36	36					
MEXICO	1.22	742	742					
MICRONESIA (FEDERATED STATES OF)	0.06	36		36	51		88	
MONACO	0.06	36	36					
MONGOLIA	0.06	36	36					
MONTENEGRO (1)	0.06	27		27		4	31	
MOROCCO	0.08	49	49					
MOZAMBIQUE	0.06	36	36					
MYANMAR	0.06	36		36	2		38	
NAMIBIA	0.06	36	36					
NAURU	0.06	36		36	366		402	
NEPAL	0.06	36	36					
NETHERLANDS	1.86	1 131	1 131					
NEW ZEALAND	0.34	207	207					
NICARAGUA	0.06	36	36					
NIGER	0.06	36	36					
NIGERIA	0.06	36	36					
NORWAY	0.53	322	322					
OMAN	0.09	55	55					
PAKISTAN	0.14	85	85					
PALAU	0.06	36		36	97		133	
PANAMA	0.06	36	36					
PAPUA NEW GUINEA	0.06	36		36	36		73	

Schedule A
(continued)

III-8

INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME
ASSESSMENTS RECEIVABLE FROM CONTRACTING STATES
AND CONTRIBUTIONS RECEIVED IN ADVANCE
AS AT 31 DECEMBER 2007

(in thousands of United States dollars)

Contracting States Assembly Resolutions A35-24 and A35-22A	General Fund			Balance of Assessments Receivable for 2007	Balance of Prior Years' Assessments Receivable	Balance of Advances due to the Working Capital Fund	Total Balances Receivable **	Contributions Received in Advance
	Scales 2007	Assessments 2007	Contributions Received for 2007					
PARAGUAY	0.06	36	36					
PERU	0.09	55	55					
PHILIPPINES	0.18	109	109					
POLAND	0.35	213	213					
PORTUGAL	0.42	255	255					
QATAR	0.13	79	79					
REPUBLIC OF KOREA	2.40	1 459	1 459					
REPUBLIC OF MOLDOVA	0.06	36	36		130		130	
ROMANIA	0.06	36	36					
RUSSIAN FEDERATION	0.61	371	371					
RWANDA	0.06	36	36		36		36	
SAINT KITTS & NEVIS	0.06	36	36	36	39		75	
SAINT LUCIA	0.06	36	36					
SAINT VINCENT AND THE GRENADINES	0.06	36	36	36			36	
SAMOA	0.06	36	36					
SAN MARINO	0.06	36	36					
SAO TOME AND PRINCIPE (*)	0.06	36	36	36	460		496	
SAUDI ARABIA	0.69	419	419					
SENEGAL	0.06	36	36					23
SERBIA AND MONTENEGRO	0.06	36	36					
SEYCHELLES	0.06	36	25	11	61		73	
SIERRA LEONE	0.06	36	36		265		265	
SINGAPORE	1.25	760	760					924
SLOVAKIA	0.06	36	36					
SLOVENIA	0.06	36	36					
SOLOMON ISLANDS	0.06	36	36		128		128	
SOMALIA	0.06	36	36	36	579	1	617	
SOUTH AFRICA	0.43	261	261					
SPAIN	2.06	1 252	1 252					
SRI LANKA	0.07	43	43					
SUDAN	0.06	36	36	36	72		108	
SURINAME (*)	0.06	36	36	36	161		198	
SWAZILAND	0.06	36	36	36			36	
SWEDEN	0.75	456	456					
SWITZERLAND	1.12	681	681					
SYRIAN ARAB REPUBLIC	0.06	36	36	36			37	
TAJKISTAN	0.06	36	36	36	23		59	
THAILAND	0.57	346	346					
the former Socialist Federal Republic of Yugoslavia (2)	0.00				511		511	
THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA	0.06	36	36					
TIMOR-LESTE (3)	0.06	36	36					
TOGO	0.06	36	36					
TONGA	0.06	36	36					
TRINIDAD AND TOBAGO	0.06	36	36					
TUNISIA	0.06	36	36					
TURKEY	0.40	243	243					
TURKMENISTAN	0.06	36	36					
UGANDA	0.06	36	36	36			36	
UKRAINE	0.06	36	36					
UNITED ARAB EMIRATES	0.53	322	322					
UNITED KINGDOM	5.57	3 386	3 386					
UNITED REPUBLIC OF TANZANIA	0.06	36	36					45
UNITED STATES OF AMERICA	25.00	15 197	15 197					
URUGUAY	0.06	36	36					61
UZBEKISTAN	0.06	36	36					
VANUATU	0.06	36	36					
VENEZUELA	0.14	85	85					
VIET NAM	0.06	36	36	36			36	
YEMEN	0.06	36	36					
ZAMBIA	0.06	36	36					11
ZIMBABWE	0.06	36	36					73
TOTAL **	100.12	60 852	59 432	1 420	10 011	6	11 437	4 733

Note 1 : New Contracting State (C-DEC 180/11)

Note 2 : The devolution of the amount owing by the former Socialist Federal Republic of Yugoslavia is to be ascertained.

Note 3 : 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 2007.

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

INTERNATIONAL CIVIL AVIATION ORGANIZATION
OTHER ICAO PROPRIETARY FUNDS
INCOME, EXPENDITURE, ASSETS, LIABILITIES AND FUND BALANCES
FOR THE PERIOD ENDING 31 DECEMBER 2007

(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 Schedule B.1)	Others (Refer Annex C)	TOTAL	
						2007	2006
INCOME AND EXPENDITURE							
INCOME							
Contributions		2 979	977		246	4 202	3 828
Earmarked Contributions		606				606	1 043
Other Income							
Administrative fee revenue				7 711		7 711	7 806
Interest income	133	339	7	272	382	1 133	1 013
Revenue-generating and cost recovery activities	2 800					2 800	2 238
Miscellaneous		357		396		753	487
TOTAL INCOME	2 933	4 281	984	8 379	628	17 205	16 415
EXPENDITURE							
Salaries and common staff costs	1 224	2 983	991	8 037	1 197	14 432	12 328
General operating expenses*	1 006			258	3 206	4 470	847
Travel	27	1 263		133	2	1 425	1 306
Equipment	409	16		66	84	575	90
Administrative overhead charges		1			34	35	47
Other	119	152		98	1	370	819
TOTAL EXPENDITURE	2 785	4 415	991	8 592	4 524	21 307	15 437
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	148	(134)	(7)	(213)	(3 896)	(4 102)	978
BALANCE OF FUNDS							
Adjustment of prior year's unliquidated obligations/ expenditure		(62)		50		(12)	86
Transfers to/from other funds		(530)			2 727	2 197	(49)
Refund of contributions		(44)			(6)	(50)	
Fund balances, beginning of period	2 650	8 049	314	6 148	7 505	24 666	23 651
BALANCE OF FUNDS, END OF PERIOD	2 798	7 279	307	5 985	6 330	22 699	24 666
ASSETS, LIABILITIES AND FUND BALANCES							
ASSETS							
Cash and term deposits	2 571	7 183	340	5 770	8 158	24 022	22 442
Accounts receivable							
Inter-fund balances	146	46		1 372	4 760	6 324	2 877
Receivables and advances	864	839	236	416	22	2 377	1 416
Other assets	7			1 147		1 154	2 154
TOTAL ASSETS	3 588	8 068	576	8 705	12 940	33 877	28 889
LIABILITIES							
Unliquidated obligations	57	83	4	229	2 568	2 941	223
Accounts payable	457	133	182	1 201	43	2 016	1 278
Inter-fund balances	276	573	83	1 245	3 999	6 176	2 684
Other credit balances and provisions				45		45	38
TOTAL LIABILITIES	790	789	269	2 720	6 610	11 178	4 223
BALANCE OF FUNDS							
Represented by:							
Cumulative surplus	2 798	7 279	307	5 985	6 125	22 494	24 401
Reserved surplus					205	205	265
TOTAL BALANCE OF FUNDS	2 798	7 279	307	5 985	6 330	22 699	24 666
TOTAL LIABILITIES AND BALANCE OF FUNDS	3 588	8 068	576	8 705	12 940	33 877	28 889

*including software acquisition

INTERNATIONAL CIVIL AVIATION ORGANIZATION

OTHER ICAO PROPRIETARY FUNDS
INCOME, EXPENDITURE, ASSETS, LIABILITIES AND FUND BALANCES
FOR THE PERIOD ENDING 31 DECEMBER 2007

(in thousands of United States dollars)

	TECHNICAL CO-OPERATION SUPPORT		TOTAL	
	TCB Efficiency / Effectiveness Fund	Administrative and Operational Services Cost Fund	2007	2006
INCOME AND EXPENDITURE				
INCOME				
Other income				
Administrative fee revenue		7 711	7 711	7 806
Interest income		272	272	251
Miscellaneous		396	396	146
TOTAL INCOME		8 379	8 379	8 203
EXPENDITURE				
Salaries and common staff costs		8 037	8 037	7 045
General operating expenses		258	258	345
Travel		133	133	112
Equipment		66	66	27
Other	1	97	98	545
TOTAL EXPENDITURE	1	8 591	8 592	8 074
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	(1)	(212)	(213)	129
BALANCE OF FUNDS				
Adjustment of prior year's unliquidated obligations/ expenditure		50	50	(51)
Transfers to/from other funds	34	(34)		(2 000)
Fund balances, beginning of period	219	5 929	6 148	8 070
BALANCE OF FUNDS, END OF PERIOD	252	5 733	5 985	6 148
ASSETS, LIABILITIES AND FUND BALANCES				
ASSETS				
Cash and term deposits		5 770	5 770	4 146
Accounts receivable				
Inter-fund balances	252	1 120	1 372	1 822
Receivables and advances		416	416	609
Other assets		1 147	1 147	2 154
TOTAL ASSETS	252	8 453	8 705	8 731
LIABILITIES				
Unliquidated obligations		229	229	62
Accounts payable		1 201	1 201	704
Inter-fund balances		1 245	1 245	1 779
Other credit balances and provisions		45	45	38
TOTAL LIABILITIES		2 720	2 720	2 583
BALANCE OF FUNDS				
Represented by:				
Cumulative surplus	252	5 733	5 985	6 148
TOTAL BALANCE OF FUNDS	252	5 733	5 985	6 148
TOTAL LIABILITIES AND BALANCE OF FUNDS	252	8 453	8 705	8 731

SCHEDULE C

III-11

INTERNATIONAL CIVIL AVIATION ORGANIZATION

TECHNICAL CO-OPERATION PROGRAMME FUNDS
INCOME, EXPENDITURE, ASSETS, LIABILITIES AND FUND BALANCE:
FOR THE PERIOD ENDING 31 DECEMBER 2007

(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 Mechanism Fund	Civil Aviation Purchasing Services Funds (Refer to Schedule C.3)	TOTAL	
					2007	2006
INCOME AND EXPENDITURE						
INCOME						
Contributions		139 110	124	13 723	152 957	125 342
Earmarked Contributions		325			325	95
Other Income						
Funds received under inter-organization arrangements	3 853				3 853	8 990
Interest income		5 979	6	480	6 465	4 587
Miscellaneous		2 490		42	2 532	1 059
TOTAL INCOME	3 853	147 904	130	14 245	166 132	140 073
EXPENDITURE						
Equipment	549	97 729	1	3 073	101 352	60 000
Expert and other personnel costs	4 128	34 496	50		38 674	38 519
Subcontracts	204	3 244			3 448	2 109
Training	126	1 034	44		1 204	1 971
Administrative overhead charges	442	7 124	7	138	7 711	7 806
Other	321	1 922	5	173	2 421	1 248
TOTAL EXPENDITURE	5 770	145 549	107	3 384	154 810	111 653
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	(1 917)	2 355	23	10 861	11 322	28 420
BALANCE OF FUNDS						
Transfers to/from other funds		(136)		(30)	(166)	
Refund of contributions		(5 672)		(107)	(5 779)	(6 619)
Fund balances, beginning of period	(23)	66 598	71	1 061	67 707	45 906
BALANCE OF FUNDS, END OF PERIOD	(1 940)	63 145	94	11 785	73 084	67 707
ASSETS, LIABILITIES AND FUND BALANCES						
ASSETS						
Cash and term deposits	10 408	113 913	131	14 574	139 026	121 116
Accounts receivable						
Inter-fund balances	11 233	1 516		33	12 782	9 763
Receivables and advances	2 785	392	2		3 179	3 528
TOTAL ASSETS	24 426	115 821	133	14 607	154 987	134 407
LIABILITIES						
Unliquidated obligations	442	31 189	3	1 279	32 913	32 825
Accounts payable	25 228	9 860	12	1 497	36 597	24 178
Inter-fund balances	696	10 480	24	46	11 246	7 543
Other credit balances and provisions		1 147			1 147	2 154
TOTAL LIABILITIES	26 366	52 676	39	2 822	81 903	66 700
BALANCE OF FUNDS						
Represented by:						
Cumulative surplus (deficit)	(1 940)	63 145	94	11 785	73 084	67 707
TOTAL BALANCE OF FUNDS	(1 940)	63 145	94	11 785	73 084	67 707
TOTAL LIABILITIES AND BALANCE OF FUNDS	24 426	115 821	133	14 607	154 987	134 407

INTERNATIONAL CIVIL AVIATION ORGANIZATION

UNITED NATIONS DEVELOPMENT PROGRAMME
SCHEDULE OF THE STATUS OF FUNDS
FOR THE PERIOD ENDING 31 DECEMBER 2007

(in thousands of United States dollars)

	<u>2007</u>	<u>2006</u>
OPERATING FUND		
Fund balance at beginning of year	(23)	(3 993)
Add:		
Cash drawings from UNDP	8 511	9 259
Project Clearing Account	(3 756)	
Miscellaneous income and exchange adjustments	(809)	(261)
Miscellaneous items charged/refunded to UNDP	(93)	(8)
	<u>3 853</u>	<u>8 990</u>
	<u>3 830</u>	<u>4 997</u>
Deduct:		
Expenditure during the year (Schedule C.1.1)		
For projects		
Disbursements	4 886	4 200
Unliquidated obligations	442	382
Support costs	442	438
	<u>5 770</u>	<u>5 020</u>
	<u>5 770</u>	<u>5 020</u>
Total expenditure	<u>5 770</u>	<u>5 020</u>
Fund balance at end of year	<u>(1 940)</u>	<u>(23)</u>
REPRESENTED BY:		
Cash in banks, on hand and in transit	10 408	3 544
Due from other Funds	11 233	7 285
Accounts receivable and sundry debit balances	2 785	3 419
	<u>24 426</u>	<u>14 248</u>
Less:		
Due to other Funds	696	262
Accounts payable and sundry credits balances	25 228	13 627
Unliquidated obligations - current year	442	382
	<u>26 366</u>	<u>14 271</u>
Fund balance at end of year	<u>(1 940)</u>	<u>(23)</u>

Certified:


Carlo Reitano
Acting 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 2007

(in thousands of United States dollars)

<u>COUNTRY</u>	<u>2007</u>	<u>2006</u>
Botswana	2	1
Colombia	-	(248)
Ecuador	461	457
Equatorial Guinea	1 018	747
Ethiopia	-	3
Indonesia	-	3
Republic of Korea	18	-
Somalia	3 733	3 449
	<hr/>	<hr/>
Country Total	5 232	4 412
 <u>REGION</u>		
Latin American and the Caribbean	96	170
	<hr/>	<hr/>
SUB-TOTAL	5 328	4 582
Support costs	442	438
	<hr/>	<hr/>
GRAND TOTAL	5 770	5 020
	<hr/> <hr/>	<hr/> <hr/>

INTERNATIONAL CIVIL AVIATION ORGANIZATION

TRUST FUNDS AND MANAGEMENT SERVICE AGREEMENTS
SCHEDULE OF INCOME, EXPENDITURE AND FUND BALANCES
FOR THE PERIOD ENDING 31 DECEMBER 2007

(in thousands of United States dollars)

Fund	Balance as at 01.01.2007	Income		Expenditure		Transfer from or to Other Funds	Refund of Contributions	Balance as at 31.12.2007
		Contributions	Interest and Other Income	Project Costs	Administrative Overhead			
AFGANISTAN MSA*	143	2 379	49	616	54			1 901
ANDORRA MSA*		20		18	1			1
ARGENTINA MSA *	1 295	37 008	737	33 764	1 220		(174)	3 882
ARGENTINA (DA)	222		12					234
BAHAMAS (DCA)	49		2	14	2			35
BANGLADESH	17							17
BARBADOS	61		3					64
BOLIVIA	272	1 818	14	1 584	137	(27)	(39)	317
BOSNIA AND HERZEGOVINA	17		6	(7)	(1)			31
BOTSWANA	906	39	37	395	39			548
BRAZIL (CART) MSA *	14		1			4		19
BRAZIL (SSA) MSA *	319		16	3				332
BRAZIL (DAC) MSA *	2 695	10 488	2 356	5 784	279			9 476
BRAZIL (DECEA) MSA *	1 529	4 334	530	4 676	222	(67)		1 428
BRAZIL (ITCM) MSA *	(60)			2		62		
BRAZIL (INFRAERO) MSA *	63	14	7	11	1			72
CAMBODIA MSA*		16						16
CHINA	35		2	1				36
COLOMBIA MSA*	2	77	1	78	4			(2)
COSCAP (BAG) BANJUL ACCORD GROUP MSA*	715	804	35	605	60		(39)	850
COSCAP (BAG) IFFAS GRANT MSA*	0		1	(52)	(3)			56
COSCAP (CEMAC) REG. CENTRAL AFRICA MSA*	1 154	556	84	13	1			1 780
COSCAP (LAM) EC GRA MSA*	8			13	1			(6)
COSCAP (NA) EC GRA MSA*	(36)	123	1	82	6			0
COSCAP (NA) IFFAS GRANT MSA*		55	1	10	1			45
COSCAP (SA) EC GRA MSA*	(77)			81	5			(163)
COSCAP (SA) IFFAS GRANT MSA*	22	75	2	23	1			75
COSCAP (SADC) MSA*		627	23					650
COSCAP (SEA) IFFAS GRANT MSA*	40	100	2	137	7	2		0
COSCAP (UEMOA) MSA*	233	800	23	689	48			319
COSCAP (UEMOA) IFFAS GRANT MSA*	42			67	3			(28)
COSTA RICA	10		1	6	1			4
COSTA RICA MSA*	149	735	9	23	3			867
CUBA		98	3	20	2			79
CUBA MSA*	(26)			1			27	
CYPRUS MSA*	41	4	1	35	3	7		15
CZECH REPUBLIC MSA *	30		7	1				36
DEM. REPUBLIC OF CONGO MSA*	1 101		42	760	76	(37)		270
DOMINICAN REPUBLIC MSA *	206	69	5	57	5			218
EGYPT MSA*	429	200	21	402	41			207
FIJI MSA*		129	1	38	4			88
FINLAND MSA*		46		41	4			1
GERMANY (ASSOCIATE EXPERTS SCHEME)	54		3	11	1			45
GREECE MSA *	132	469	16	511	55			51
GUATEMALA MSA *	31 239	38 345	1 788	59 518	2 083	(5)	(2 741)	7 025
HAITI	53		5	(4)	(1)			63
INDIA MSA*	480	445	40	364	36			565
IRAQ MSA *	40		2					42
IRAQ	39							39
ITALY (ASSOCIATE EXPERTS SCHEME)	25		3	1				27
INTER-REGIONAL (A.KOTAITE FUND)	34	21	2					57
LAOS PEOPLE'S DEMOCRATIC REPUBLIC MSA*	27		1	14	2			12
LATVIA	18		1	3	1			15
LEBANON MSA *	928	9	47	92	9			883
LESOTHO (CAD)	121		6					127
LIBYAN ARAB JAMAHIRIYA MSA*	47		3					50
MACAU	82		4			(47)		39
MEXICO	30		2					32
MEXICO MSA*	(2)	290		59	3			226
MOROCCO (ONDA)	65		3					68
MOZAMBIQUE MSA*	61		3					64
NIGERIA MSA*	320		17	106	11	66		286

(continued)

INTERNATIONAL CIVIL AVIATION ORGANIZATION

TRUST FUNDS AND MANAGEMENT SERVICE AGREEMENTS
SCHEDULE OF INCOME, EXPENDITURE AND FUND BALANCES
FOR THE PERIOD ENDING 31 DECEMBER 2007

(in thousands of United States dollars)

Fund	Balance as at 01.01.2007	Income		Expenditure		Transfer from or to Other Funds	Refund of Contributions	Balance as at 31.12.2007
		Contributions	Interest and Other Income	Project Costs	Administrative Overhead			
NIGERIA (FAAN) MSA *	101		3			(66)		38
NIGERIA (NAMA) MSA *	27	174	5	80	10			116
OMAN	192	49	10	150	14			87
PANAMA	3 689	14 073	761	11 438	459			6 626
PANAMA MSA*	102		5	4	1			102
PANAMA (DGAC) MSA *	1 065	5 212	127	1 479	95			4 830
PERU MSA*	1 021	2 357		2 705	208			465
PHILIPPINES	1 489	398	77	544	71			1 349
PHILIPPINES (TRAINAIR) MSA *	21		1					22
REGIONAL (AFRICA) MSA*	539		16	66	7	(122)		360
REGIONAL (ASIA) MSA*	63	575	18	105	8	(150)		393
REGIONAL (ASIA) IFFAS GRANT MSA*		95	1	1				95
REGIONAL (ASIA)	622	200	27	346	33	30		500
REGIONAL (BOEING)	22	50	2	39	4	36		67
REGIONAL (BOEING) MSA*	49		7	(40)	(4)			100
REGIONAL (CAFAC) MSA*	344		17	243	32	106		192
REGIONAL (CASP-ASIA/PACIFIC)	421	256	24	227	22	46		498
REGIONAL (EGNOS)	160	22	27	178	13			18
REGIONAL (EUR) MSA*	33		2	7	0	(28)		
REGIONAL (LACAC) MSA*		410	7	300	10			107
REGIONAL (LATIN AMERICA)	719	555	44	553	55	34		744
REGIONAL (MID) MSA*	599	317	25	456	45			440
REGIONAL (MID RMA) MSA*	214	173	7	212	21			161
REGIONAL (REDDIG)	443	392	18	578	35			240
REGIONAL (SOUTH ASIA) (COSCAP)	840	264	41	353	46			746
REGIONAL (SOUTH EAST ASIA) (COSCAP)	327	298	19	182	23	(2)		437
REGIONAL SPAIN	28	222	7	170	13			74
REPUBLIC OF KOREA MSA*		37	1	11	1			26
ROMANIA MSA*	42		2	3				41
RUSSIA MSA*	20		1	16	2			3
RWANDA MSA*	46	166	6	126	13			79
SAUDI ARABIA (GCCC)	61			1 964	30	2 121		188
SAUDI ARABIA MSA *	3 440	3 627	702	3 656	365	(2 121)	(111)	1 516
SEYCHELLES MSA*		129	2	19	2			110
SINGAPORE MSA*		32		23	2			7
SINGAPORE	176	98	7	97	9			175
SOMALIA	3 104	4 490	243				(2 500)	5 337
SOUTH AFRICA MSA*		668	13	273	27		(83)	298
SRI LANKA	11			1				10
SRI LANKA MSA*	315		13	113	11			204
SUDAN MSA*	36		2					38
SUDAN (PEACE KEEPING) MSA*	(16)			14	1	37		6
SYRIAN ARAB REP. (AL-MEZZAH AIRPORT) MSA *	16		1					17
SYRIAN ARAB REPUBLIC (DGCA) MSA *	122		7	(6)	(1)			136
THAILAND (MTC)	17		2	13	2			4
THAILAND MSA*	564	1 071	59	(26)	(2)	(9)		1 713
UNITED REPUBLIC OF TANZANIA MSA*	11			(4)	(1)			16
UNMIK-KOSOVO MSA*	378	712	33	680	68			375
URUGUAY		14		7	1			6
VENEZUELA MSA*	(899)	1 908	65	112	915			47
VIETNAM	14		1		1			14
LUMP-SUM CONTRACTS	437	198	19	277	28			349
OTHER MSA AND TRUST FUNDS **	160		11	14	2	(6)	(12)	137
TOTAL	66 598	139 435	8 469	138 425	7 124	(136)	(5 672)	63 145

* Management Service Agreements

** Summary of fifty-four funds with fund balances and 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 2007

(in thousands of United States dollars)

Fund	Balance as at 01.01.2007	Income		Expenditure		Transfer from or to Other Funds	Refund of Contributions	Balance as at 31.12.2007
		Contributions	Interest and Other Income	Project Costs	Administrative Overhead			
AFGHANISTAN	31	5 000	202	600	28			4 605
BANGLADESH	230		12					242
BRAZIL	(2 122)	2 124	12					14
CAPE VERDE	53		2	16	1			38
COSTA RICA		3 376						3 376
CUBA	9		1					10
DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA	71		2			(30)	(36)	7
ETHIOPIA	145	2 238	83	2 098	74			294
INDIA	22		2					24
LESOTHO	150		8	8	1			149
LIBYAN ARAB JAMAHIRIYA	12		1					13
LIBYAN ARAB JAMAHIRIYA (CAD)	17		1					18
LIBYAN ARAB JAMAHIRIYA (CAHI)	12		1					13
LIBYAN ARAB JAMAHIRIYA (LAA)	20		1					21
MACAU	4	954	2					960
MOLDOVA		21		17	2			2
MOZAMBIQUE	18		1	(1)				20
MYANMAR	632		33					665
NIGERIA	20		1	2				19
NIGERIA (NAMA)	44		2					46
PAKISTAN	22		1	15	2			6
PERU	70		1				(71)	
REGIONAL CAEP ET STUDY	36		1					37
SEYCHELLES		10		2				8
SUDAN	91		5					96
SURINAME	6							6
SYRIAN ARAB REPUBLIC	459		70	35	4			490
TRINIDAD AND TOBAGO	(38)		9	1				(30)
UNMIK KOSOVO	455		38	444	26			23
URUGUAY	567		29	8				588
YEMEN	23		1					24
OTHER CAPS FUNDS *	2			1				1
TOTAL	1 061	13 723	522	3 246	138	(30)	(107)	11 785

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

SCHEDULE D

III-17

INTERNATIONAL CIVIL AVIATION ORGANIZATION
OTHER TRUST FUNDS MANAGED ON BEHALF OF THIRD PARTIES
SCHEDULE OF INCOME, EXPENDITURE, ASSETS, LIABILITIES AND FUND BALANCES
FOR THE PERIOD ENDING 31 DECEMBER 2007

(in thousands of United States dollars)

	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	
							2007	2006
INCOME AND EXPENDITURE								
INCOME								
Assessed contributions				446	104		550	400
Contributions	314	256					570	285
Other Income								
Administrative fee revenue			800				800	479
Interest income		15	24	42	48	58	187	250
User charges				7 939	36 213	474	44 626	34 505
TOTAL INCOME	314	271	824	8 427	36 365	532	46 733	35 919
EXPENDITURE								
Salaries and common staff costs (including expert fees)	228	294	195				717	1 130
General operating expenses	7	111					118	6
Travel	8	11	14			1	34	23
Service Costs								
Estimated service costs for current year				7 922	29 640	1 435	38 997	36 622
Settlement of service costs for prior year				(299)	(2 140)	(170)	(2 609)	2 487
Other	3	7	236	41			287	349
TOTAL EXPENDITURE	246	423	445	7 664	27 500	1 266	37 544	40 617
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	68	(152)	379	763	8 865	(734)	9 189	(4 698)
BALANCE OF FUNDS								
Adjustment of prior year's unliquidated obligations/ expenditure		23					23	(54)
Fund balances, beginning of period	75	88	(93)	1 270	2 726	1 181	5 247	9 999
BALANCE OF FUNDS, END OF PERIOD	143	(41)	286	2 033	11 591	447	14 459	5 247
ASSETS, LIABILITIES AND FUND BALANCES								
ASSETS								
Cash and term deposits	269	196	1 000	966	839	571	3 841	3 904
Accounts receivable								
Assessments receivable				37			37	17
Advances to servicing Governments					6 181		6 181	
Inter-fund balances			52	47	57	74	230	34
Accounts receivable and advances	25	1	125	1 233	5 555	73	7 012	6 211
TOTAL ASSETS	294	197	1 177	2 283	12 632	718	17 301	10 166
LIABILITIES								
Unliquidated obligations	7	32					39	42
Accounts payable	3	20	94				117	65
Inter-fund balances	141	186	797			1	1 125	631
Credits to contracting Governments (Schedule D.1)				32	1 041		1 073	1 544
Credits to servicing Governments				218		270	488	2 637
TOTAL LIABILITIES	151	238	891	250	1 041	271	2 842	4 919
BALANCE OF FUNDS								
Represented by:								
Cumulative surplus	143	(41)	286	1 858	11 269	447	13 962	4 840
Reserved surplus				175	322		497	407
TOTAL BALANCE OF FUNDS	143	(41)	286	2 033	11 591	447	14 459	5 247
TOTAL LIABILITIES AND BALANCE OF FUNDS	294	197	1 177	2 283	12 632	718	17 301	10 166

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 2007

(in thousands of Danish Kroner)

	Balances at beginning of period (Credits)	Assessments for 2007	Contributions received	Transfer from (to) Icelandic Joint Financing Agreement	Balances at end of period Receivable	(Credits)
BELGIUM	(92)	6		(8)		(78)
CANADA	2	139	58	27	56	
CUBA	(4)	1				(3)
DENMARK		26		23	3	
EGYPT		4		4		
FINLAND	(17)	6				(11)
FRANCE		163		116	47	
GERMANY		222		222		
GREECE	(23)	7				(16)
ICELAND		32		32		
IRELAND		41		41		
ITALY		54	31	23		
JAPAN	(22)	16				(6)
KUWAIT		5		5		
NETHERLANDS	80	97	177			
NORWAY		19		19		
RUSSIAN FEDERATION	(69)	20				(49)
SINGAPORE	(11)	16		5		
SLOVAKIA						
SPAIN		7		7		
SWEDEN		26		26		
SWITZERLAND		85			85	
UNITED KINGDOM		425		425		
UNITED STATES		1 022		1 022		
	<u>(156)</u>	<u>2 439</u>	<u>266</u>	<u>1 989</u>	<u>191</u>	<u>(163)</u>
Equivalent in U.S. dollars	<u>(27)</u>	<u>447</u>	<u>49</u>	<u>365</u>	<u>37</u>	<u>(32)</u>

Details may not add to totals due to rounding.

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 2007

(in thousands of United States dollars)

	Balances at beginning of period (Credits)	Assessments for 2007	Contributions received	Transfer to (from) Danish Joint Financing Agreement	Balances at end of period Receivable (Credits)
BELGIUM		1		(1)	
CANADA		(5)		5	
CUBA	(3)				(3)
DENMARK	(9)	5		4	
EGYPT	(4)			1	(3)
FINLAND	(18)				(18)
FRANCE	(32)	11		21	
GERMANY	(130)	11		40	(79)
GREECE	(23)				(23)
ICELAND	(35)	(3)		6	(32)
IRELAND	(17)	4		7	(6)
ITALY	(4)			4	
JAPAN	(23)	1			(22)
KUWAIT	(8)			1	(7)
NETHERLANDS		4	4		
NORWAY	(8)	4		3	(1)
PAKISTAN	2	(6)			(4)
RUSSIAN FEDERATION	(30)	2			(28)
SINGAPORE	(4)	1		1	(2)
SLOVAKIA					
SPAIN	(13)	(2)		1	(14)
SWEDEN	(20)	5		5	(10)
SWITZERLAND	(15)	14			(1)
UNITED KINGDOM	(414)	29		77	(308)
UNITED STATES	(692)	28		185	(479)
	<u>(1 500)</u>	<u>104</u>	<u>4</u>	<u>360</u>	<u>(1 040)</u>

III-19

SCHEDULE D.1
(continued)


Details may not add to totals due to rounding.

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 2007

(in thousands United States dollars)

INCOME AND EXPENDITURE	GENERAL FUND	ASSOCIATE EXPERT SCHEME	TOTAL	
			2007	2006
INCOME				
Contributions	419		419	685
Other income				
Interest income	135	3	138	122
TOTAL INCOME	554	3	557	807
EXPENDITURE				
Salaries and common staff costs		9	9	31
General operating expenses	36		36	40
Grants	572		572	95
Other	7		7	8
TOTAL EXPENDITURE	615	9	624	174
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	(61)	(6)	(67)	633
BALANCE OF FUNDS				
Refund of Contributions		(60)	(60)	
Fund balances, beginning of period	2 752	66	2 818	2 185
BALANCE OF FUNDS, END OF PERIOD	2 691		2 691	2 818
ASSETS, LIABILITIES AND FUND BALANCES				
ASSETS				
Cash and term deposits	2 733		2 733	2 858
TOTAL ASSETS	2 733		2 733	2 858
LIABILITIES				
Inter-fund balances	42		42	40
TOTAL LIABILITIES	42		42	40
BALANCE OF FUNDS				
Represented by:				
Cumulative surplus	2 691		2 691	2 818
TOTAL BALANCE OF FUNDS	2 691		2 691	2 818
TOTAL LIABILITIES AND BALANCE OF FUNDS	2 733		2 733	2 858

Certified


 Carlo Reitano
 Acting Chief, Finance Branch

Approved:


 Ruwantissa Abeyratne
 Acting Secretary, IFFAS Governing Body

INTERNATIONAL CIVIL AVIATION ORGANIZATION**NOTES TO THE FINANCIAL STATEMENTS**

31 December 2007

(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**

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 and/or monitoring 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 Proprietary 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 to finance budgetary appropriations pending receipt of contributions from Contracting States and other Funds in specific cases.

Other proprietary Funds include Funds for supporting the Technical Co-operation Programme comprising the Administrative and Operational Services Cost Fund (AOSC Fund), which was established under the provisions of Article IX of the ICAO Financial Regulations. The AOSC Fund is utilized to meet the full cost of administration, operation and support 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. Also, included is the TCB Efficiency/Effectiveness Fund established for the use of a portion of the AOSC Fund annual surplus of the preceding year to improve the Technical Co-operation Bureau's efficiency and effectiveness.

Non-proprietary Funds include the **Technical Co-operation Programme (TCP)** Funds that reflect the technical co-operation projects administered by ICAO on behalf of third parties and financed by governments and other contributors. They include United Nations Development Programme (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 MSAs are designed to cover a broad range of technical co-operation services and the CAPS agreements are designed to provide procurement services. ICAO also enters into Technical Co-operation agreements referred to as Lump Sum Contracts with 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. Under or over recovery of actual expenditure is reflected in the Administrative and Operational Services Cost (AOSC) Fund.

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

- i) The **International Registry Account** which was previously called the Preparatory Commission of the International Registry Account was established by the Council in 2001. The International Registry Protocol took effect on 1 March 2006 and is a self-funding mechanism through user fees on a cost recovery basis. Funding for the work of the International Registry is provided by voluntary contributions from States and from other interested private parties. ICAO's role is to monitor the ongoing operations of the Registry.
- 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**

Income from user charges is recognized on an accrual basis.

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 an adjustment of prior year's unliquidated obligations.

Under joint financing agreements, 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.

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 fair 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. The Organization does not recognize 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 on a funding basis 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) **Non-Expendable Property (NEP)**

The cost of NEP, which includes furniture, vehicles, computers and other office equipment, is charged to expenditure in the year the items are ordered. NEP is defined as any item having a cost of five thousand dollars or more and whose life expectancy exceeds one financial year. The cost of non-expendable property includes items held at the ICAO Headquarters in Montreal as well as those held at the seven Regional Offices. These items and other items are owned by the Organization, which exercises full control over their acquisition, physical location, use and disposal.

3. **ADOPTION OF INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS)**

The United Nations (UN) and the UN System's Chief Executive Board (CEB) have approved the replacement of the United Nations System Accounting Standards (UNSAS) with the International Public Sector Accounting Standards (IPSAS) to be applied to the accounts and the financial statements on or before 1 January 2010. In the Assembly Working Paper A36-WP/45, the Council of ICAO reported to the Assembly that IPSAS would be implemented by the Organization gradually during the next triennium (2008-2010) in order to be in line with other United Nations organizations.

The implementation of IPSAS will have a significant impact on the content and presentation of the Organization's financial statements. The accounting principles will change from the cash basis and obligation concepts to the full accrual basis of accounting.

With the adoption of IPSAS, major changes will be made to the financial statements and the accounts. These changes will include: i) how the Organization reports its own financial activities and those performed on behalf of third parties; ii) the recognition of additional assets, such as equipment; and iii) additional liabilities such as after service benefits payable to employees. Also, the concept of services rendered and goods received (delivery principle) will be applied for the recognition of revenue and expenditures. All revenue will be recorded on an accrual basis. A major difference on expenditures will be that the obligation concept, including unliquidated obligations (ULOs), will no longer be applied in the financial statements.

At the time of the preparation of these financial statements, certain balances as at 31 December 2007 that will become opening balances for 2008 were being reviewed in order to determine if they needed to be revised to comply with IPSAS.

Compliance with UNSAS requires that obligations once issued be recorded as expenditures. For example, ULOs total \$ 38 090 for all Funds as at 31 December 2007. With IPSAS adoption, ULOs recorded under UNSAS will have to be reviewed and recorded as expenditures only in the year services and goods are received. Compliance with IPSAS in a given year requires: i) ULOs to be cancelled if no liabilities were accrued; ii) opening balances to be amended to reflect the cancellation of these ULOs in the balance of the Fund; and iii) ULOs cancelled in the year of adoption to become expenditures as services and goods are received. Since the authorization to incur these expenditures and the related funding has already been obtained when the obligations were issued, no additional authorization and funding will be required in the year of IPSAS adoption.

Another example is the inventory of publications including printing supplies estimated at \$ 620 at the lower of cost and replacement value as at 31 December 2007 that is not recorded as at that date but that will be recorded as an asset in addition to other assets such as equipment which is subject to depreciation as per IPSAS. Important additions to liabilities are the provisions for end of service benefits and for after service health insurance benefits estimated at \$ 73 730 for the General Fund and the AOSC Fund that are currently presented in Note 10 to the financial statements. IPSAS requires that these liabilities be recorded and directly presented on the face of the financial statements. The financial impact on those Funds will be significant since these liabilities are not currently funded.

It is important to note that further amendments are planned in other areas and in most of the Funds of the Organization and those managed on behalf of third parties, and these amendments will be reflected in the records once available and established. For example, the impact of IPSAS implementation on the accounts and financial statements of ICAO and other UN organizations' participation in the United Nations System Joint Staff Pension Plan is still under review at the UN level.

UNSAS allow organizations to gradually adopt IPSAS by 2010. An organization is deemed to comply with UNSAS, so long as the organization complies with the IPSAS individual standard(s) in its entirety and all remaining UNSAS requirements. This means that ICAO can gradually implement specific IPSAS standards and still comply with UNSAS until 1 January 2010.

For efficiency purposes, the adoption of IPSAS is scheduled with the functionality available in the new ERP system, which is being implemented in two phases, Phase I in 2008 and Phase II in 2009, and also on the pace of development and guidance provided to UN organizations by the CEB Task Force on accounting standards.

4. CASH AND TERM DEPOSITS

As at 31 December 2007, the term deposits had an average interest rate of 4.93% (5.24% in 2006) and an average term maturity of 51 days (58 days in 2006).

	<u>2007</u>	<u>2006</u>
Cash in banks	\$ 132 675	\$ 79 516
Term deposits	<u>68 069</u>	<u>88 800</u>
Total	\$ <u>200 744</u>	\$ <u>168 316</u>

Funds are deposited in banks on a pooled investment basis and funds not needed for immediate requirements are invested in term deposits.

5. GENERAL FUND ASSESSED CONTRIBUTIONS RECEIVABLE FROM CONTRACTING STATES

The aging of assessed contributions receivable as at 31 December 2007 and 2006 is summarized as follows:

	<u>Years</u>	<u>2007</u>	<u>2006</u>
1982-2001		\$ 7 440	\$ 8 468
2002		501	544
2003		468	604
2004		344	508
2005		581	779
2006		<u>677</u>	<u>-</u>
Total previous years		\$ 10 011	\$ 10 903
Current year		<u>1 420</u>	<u>9 499</u>
Total Assessed Contributions Receivable		\$ 11 431	\$ 20 402
Working Capital Advances Receivable		<u>6</u>	<u>7</u>
Total		<u>\$ 11 437</u>	<u>\$ 20 409</u>

6. ACCOUNTS RECEIVABLE AND ADVANCES

The balance of accounts receivable and advances comprises:

	<u>2007</u>	<u>2006</u>
Employees	\$ 2 230	\$ 2 187
UN Agencies	2 599	3 420
User Charges	6 986	6 198
Advances to Servicing Governments	6 181	-
Others	<u>5 048</u>	<u>3 379</u>
Total	<u>\$ 23 044</u>	<u>\$ 15 184</u>

7. RECOVERABLE FROM AND DUE TO THE REGIONAL BODIES

a) An agreement was signed on 5 February 2007 between ICAO and African Civil Aviation Commission (AFCAC) for the settlement of outstanding advances owed by AFCAC over a period of 20 years commencing in January 2008. Effective 1 January 2007, AFCAC has assumed full responsibility for financial transactions and operations previously performed by ICAO on its behalf. In order to settle certain amounts outstanding and to commence operations, a net amount of \$ 123 was provided to AFCAC during 2007 from their Working Capital Fund held at ICAO, bringing the balance receivable from \$ 920 as at 31 December 2006 to \$ 1 043 as at 31 December 2007.

b) ICAO provides certain secretariat services for the European Civil Aviation Conference (ECAC). The costs are met initially from the General Fund and the expenses are recoverable from ECAC.

The net amount due to ECAC for all transactions effected on their behalf by ICAO are shown below:

	<u>2007</u>	<u>2006</u>
Balance due at the beginning of the year	(\$ 1 017)	(\$ 950)
Add: Payments made during the year	3 554	2 935
Less: Amounts received during the year	(2 947)	(3 002)
Balance as at end of year	<u>(\$ 410)</u>	<u>(\$ 1 017)</u>

c) The Latin American Civil Aviation Commission (**LACAC**) is now handled under the Technical Co-operation project signed with ICAO and is no longer shown in the Regular Programme accounts, but reflected in (Schedule C.2) Trust Funds and Management Service Agreements. The balance of \$ 69 as at 31 December 2006 due to LACAC was transferred to the project in 2007.

8. 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 USD 1.00. In 2007, CAD 56 007 were received at an actual cost of USD 42 445. As at 31 December 2007, the UNORE for the Canadian dollar was 0.981 (1.16 in 2006).

In 2007, EURO 3 239 were received at an actual cost of USD 3 994, 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.

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 USD 9 448 in 2007 (a credit of USD 7 171 in 2006). Of the total amount, a credit of USD 8 503 (credit of USD 6 454 in 2006) is reflected in the expenditure of the Regular Programme and a credit of USD 945 (credit of USD 717 in 2006) is reflected in the AOSC Fund on the same basis, prorated on the basis of utilization of Canadian dollars and Euro forward purchased.

In 2007, ICAO entered into forward purchase contracts for the purchase of USD 18 000 and EURO 2 500 for delivery in 2008.

The notional amount of EURO forward contracts purchased in 2007 for delivery during the period 3 January 2008 to 1 December 2008 are as follows:

Year	EURO	U.S. Equivalent	Average Rate
2008	2 500	3 809	0.656

As at 31 December 2007, the UNORE for the EURO was 0.686 (0.760 in 2006). Applying this rate on the notional amounts of forward contracts held and not exercised resulted in an unrealized loss of \$ 165 (\$ 6 106 gain in 2006 for Canadian dollars and EURO), which is recorded as a derivative liability.

b) Currency held for Hedging of TCP Procurement

During 2007, the amount of EURO 18 166 was purchased to hedge Purchase Orders for the Technical Co-operation Programme. Currency balances pertaining to hedges of 2007, amounting to EURO 8 265 and CAD 146, were held in banks as at 31 December 2007.

9. 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. Contributions in kind are not recorded in the accounts but presented for information purposes below.

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

	<u>2007</u>	<u>2006</u>
Canada	\$ 13 079	\$ 12 493
Egypt	120	120
France	796	626
Peru	251	49
Senegal	47	42
Thailand	<u>1 307</u>	<u>906</u>
	<u>\$ 15 600</u>	<u>\$ 14 236</u>

The Government of Mexico provides a contribution in cash towards the rental of the Regional Office in Mexico City. The contribution in 2007 amounted to USD 95 (\$ 98 in 2006). Included in the contribution from Canada is an amount equivalent to USD 1 818 (USD 1 467 in 2006) 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 (mainly composed of services and travel) provided by States for each of the following group of Funds:

	<u>2007</u>	<u>2006</u>
Aviation Security Plan of Action	\$ 303	\$ 545
ICAO Universal Safety Oversight Audit Programme Fund	\$ 1 156	\$ 870

10. **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 \$ 13 800 as at 31 December 2007 (\$ 13 700 as at 31 December 2006). 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 2007, valued at the average historical cost of the benefit. The actual amount paid in the current year amounted to \$ 1 998 (\$ 1 500 in 2006).

End of service benefit entitlements accrued to AOSC Fund staff are estimated at \$ 4 700 as at 31 December 2007 (\$ 4 000 as at 31 December 2006). The actual amount paid for the year ended 31 December 2007 was \$ 365 (\$ 221 for 2006).

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 in April 2007. The actuarial valuation of the contingent liability for health benefits in future years (including both medical and dental care) is estimated at \$ 55 230 (\$ 44 300 in 2006). The liability as at 31 December 2007 is broken down between the Regular Programme for an amount of \$ 48 060 (\$ 38 500 for 2006) and the AOSC Fund for \$ 7 170 (\$ 5 800 for 2006).

Health insurance coverage is available to qualified retired employees. The total payment made in 2007 was \$ 790 for health care benefits in respect of all eligible retirees (\$ 717 in 2006). The cost is shared between the Regular Programme Budget and the AOSC Fund with a pro-rata share of \$ 665 and \$ 125 respectively for 2007 (\$ 603 and \$ 114 respectively for 2006).

11. 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 2007 amounted to \$ 17 162 (\$ 16 456 in 2006).

12. LONG-TERM LEASE COMMITMENTS

As at 31 December 2007, the Organization had an average commitment of approximately \$ 4 464 (equivalent to CAD 4 379) per annum for 9 years, for a total commitment of \$ 39 411 (equivalent to CAD 40 174), relating to its share of the basic rent and operating and maintenance costs of the Headquarters premises.

As at 31 December 2007, the Organization had outstanding purchases and long term lease agreements for the supply of equipment and rental of facilities which are due between 2008 and 2014. The total commitment amounts to \$ 825. The committed payments under leases for telephone systems, equipment and photocopier will be as follows:

2008	2009	2010	2011	2012	2013	2014	TOTAL
\$ 171	\$ 154	\$ 130	\$ 127	\$ 108	\$ 101	\$ 34	\$ 825

13. COMMITMENTS AGAINST FUTURE FINANCIAL PERIODS

Commitments that were not accrued in the accounts of the current period, as at 31 December 2007 for the UNDP Fund amounted to \$ 937 for internationally recruited staff contracts.

Commitments relating to international and national staff contracts as at 31 December 2007 for the Trust Funds and MSAs amounted to \$ 9 747, mainly for projects in South America, Europe and the Middle East.

14. CONTINGENT LIABILITIES

A number of legal actions and claims have been brought against the Organization in relation to Technical Co-operation Projects. 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.

15. **NON-EXPENDABLE PROPERTY**

The cost of non-expendable property owned by the Organization as at 31 December 2007 is composed of the following:

	<u>Opening Balance</u> <u>1 January 2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>Closing Balance</u> <u>31 December 2007</u>
Furniture	\$ 42	\$ -	\$ (14)	\$ 28
Equipment	1 875	226	(150)	1 951
Vehicles	<u>339</u>	<u>29</u>	<u>(20)</u>	<u>348</u>
Total	\$ <u>2 256</u>	\$ <u>255</u>	\$ <u>(184)</u>	\$ <u>2 327</u>

No depreciation is calculated on NEP since the cost of these items is directly charged to expenditure.

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PART IV: ANNEXES (UNAUDITED)

Annexes A to D: Related to 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 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 12 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 Others

1. The **Comprehensive Regional Implementation Plan for Aviation Safety in Africa (AFI Plan)** was approved in 2007. The objectives of the plan are to increase ICAO leadership and accountability in programme coordination and management across the AFI Region and to ensure effective implementation to rectify safety and infrastructure deficiencies. A Fund was established in 2007 for this purpose.
2. 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.
3. 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.
4. 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.
5. 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.
6. The **France Junior Professional Officers Fund** was established in 2006. France provides and funds a Junior Professional Officer for appointment with ICAO.
7. The **Germany Associate Experts Scheme** was established in 2007 as the extension to an agreement initially entered into with the Government of Germany under the Associate Expert Scheme Programme of Technical Co-operation. Germany provides and funds an Associate Expert for appointment with ICAO.
8. 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.
9. 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.
10. 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.
11. 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 unforeseen 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.
12. 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 2007

(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	
										2007	2006
INCOME AND EXPENDITURE											
INCOME											
Contributions											73
Other Income											
Interest income	4	40	38	5	38	1	2	1	4	133	95
Other			678							678	546
Rental of facilities											
Revenue - generating activities and other	120	604		50	567	47	718	16		2 122	1 692
TOTAL INCOME	124	644	716	55	605	48	720	17	4	2 933	2 406
EXPENDITURE											
Salaries and common staff costs		239	442	6	404		133			1 224	1 090
General operating expenses	30	87	138		267		484			1 006	502
Travel		5		9	7	3		3		27	65
Equipment			24		226		159			409	25
Other		37	55	1	14	12				119	114
TOTAL EXPENDITURE	30	368	659	16	918	15	776	3		2 785	1 796
Net excess (shortfall) of income over expenditure	94	276	57	39	(313)	33	(56)	14	4	148	610
BALANCE OF FUNDS											
Adjustment of prior year's unliquidated obligation/expenditure											1
Fund balance, beginning of period	11	773	800	2	862	2	117	1	82	2 650	2 039
BALANCE OF FUNDS, END OF PERIOD	105	1 049	857	41	549	35	61	15	86	2 798	2 650
ASSETS, LIABILITIES AND FUND BALANCES											
ASSETS											
Cash and term deposits	125	933	690	137	548	35		17	86	2 571	2 298
Accounts receivable											
Inter-fund balances		5	35		104		2			146	237
Receivables		202	257		89		316			864	430
Other assets							7			7	
TOTAL ASSETS	125	1 140	982	137	741	35	325	17	86	3 588	2 965
LIABILITIES											
Unliquidated obligations		25	4		20		6	2		57	44
Accounts payable		33	64	96	86		178			457	159
Inter-fund balances	20	33	57		86		80			276	112
TOTAL LIABILITIES	20	91	125	96	192		264	2		790	315
BALANCE OF FUNDS											
Represented by:											
Cumulative Surplus	105	1 049	857	41	549	35	61	15	86	2 798	2 650
TOTAL BALANCE OF FUNDS	105	1 049	857	41	549	35	61	15	86	2 798	2 650
TOTAL LIABILITIES AND FUND BALANCES	125	1 140	982	137	741	35	325	17	86	3 588	2 965

INTERNATIONAL CIVIL AVIATION ORGANIZATION
OTHER ICAO PROPRIETARY FUNDS
INCOME, EXPENDITURE, ASSETS, LIABILITIES AND FUND BALANCES
FOR THE PERIOD ENDING 31 DECEMBER 2007

(in thousands of United States dollars)

	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	2007	2006
	INCOME AND EXPENDITURE														
INCOME															
Contributions		2 979							2 979					2 979	2 612
Earmarked Contributions					73		157	216	446	160				606	1 043
Other Income															
Interest income	47	235	1	6	9			3	301	7	2	11	18	339	398
Miscellaneous	58	299							357					357	341
TOTAL INCOME	105	3 513	1	6	82		157	219	4 083	167	2	11	18	4 281	4 394
EXPENDITURE															
Salaries and common staff costs	22	2 243	9	70	149		157	216	2 866		9		108	2 983	3 004
Travel	49	1 071							1 120	100	43			1 263	1 113
Administrative overhead charges			1						1					1	37
Equipment		16							16					16	32
Other		143							143		6		3	152	158
TOTAL EXPENDITURE	71	3 473	10	70	149		157	216	4 146	100	58		111	4 415	4 344
Net excess (shortfall) of income over expenditure	34	40	(9)	(64)	(67)			3	(63)	67	(56)	11	(93)	(134)	50
BALANCE OF FUNDS															
Adjustment to prior year's unliquidated obligation/expenditure	1	(63)							(62)					(62)	134
Transfers to/from other funds		(530)				(44)			(574)					(574)	(530)
Fund balances, beginning of period	856	5 749	23	151	275	44		155	7 253	86	59	215	436	8 049	8 395
BALANCE OF FUNDS, END OF PERIOD	891	5 196	14	87	208			158	6 554	153	3	226	343	7 279	8 049
ASSETS, LIABILITIES AND BALANCE OF FUNDS															
ASSETS															
Cash and term deposits	881	5 013	14	87	316			127	6 438	168	10	224	343	7 183	8 508
Accounts receivable															
Inter-fund balances	21	13			10		1		45			1		46	342
Receivables and advances	3	752					18	65	838			1		839	276
TOTAL ASSETS	905	5 778	14	87	326		19	192	7 321	168	10	226	343	8 068	9 126
LIABILITIES															
Unliquidated obligations	9	71							80	2	1			83	107
Accounts payable		69			59		5		133					133	290
Inter-fund balances	5	442			59		14	34	554	13	6			573	680
TOTAL LIABILITIES	14	582			118		19	34	767	15	7			789	1 077
BALANCE OF FUNDS															
Represented by:															
Cumulative Surplus	891	5 196	14	87	208			158	6 554	153	3	226	343	7 279	8 049
TOTAL BALANCE OF FUNDS	891	5 196	14	87	208			158	6 554	153	3	226	343	7 279	8 049
TOTAL LIABILITIES AND BALANCE OF FUNDS	905	5 778	14	87	326		19	192	7 321	168	10	226	343	8 068	9 126

IV-4

ANNEX B
(unaudited)

INTERNATIONAL CIVIL AVIATION ORGANIZATION

OTHER ICAO PROPRIETARY FUNDS
INCOME, EXPENDITURE, ASSETS, LIABILITIES AND FUND BALANCES
FOR THE PERIOD ENDING 31 DECEMBER 2007

(in thousands of United States dollars)

	AFI Plan Fund	Arabic Language Services Fund	Chinese Language Services Fund	Edward Warner Award Fund	France Associate Experts Scheme	Germany Associate Experts Scheme	France Junior Professional Officers Fund Groupe de L'Environnement	ICAO ANC Laurel Award Fund	Italy Junior Professional Officers Fund	Netherlands Associate Experts Scheme	Incentive for Settlement of Arrears Account	Information and Communication Technology (ICT) Fund	TOTAL		
													2007	2006	
INCOME AND EXPENDITURE															
INCOME															
Contributions						126	120							246	503
Earmarked contributions															
Other Income															
Interest income			1	1	17	3	5				154	201		382	257
TOTAL INCOME			1	1	17	129	125				154	201		628	760
EXPENDITURE															
Salaries and common staff costs			5		266	77	95		6		45	703		1 197	742
General operating expenses*				6								3 200		3 206	
Travel						2								2	16
Administrative overhead charges					13	10	11							34	10
Equipment											15	69		84	6
Other									1					1	2
TOTAL EXPENDITURE			5	6	279	89	106		7		60	3 972		4 524	776
Net excess (shortfall) of income over expenditure			(4)	(5)	(262)	40	19		(7)		94	(3 771)		(3 896)	(16)
BALANCE OF FUNDS															
Transfers to/from other funds	3 800				166								(2 839)	1 600	2 481
Adjustment of prior year's unliquidated obligation/expenditure															2
Refund of Contributions														(6)	
Fund balances, beginning of period		15	4	14	319		112	5	7	(6)	3 107	3 916		7 505	5 038
BALANCE OF FUNDS, END OF PERIOD	3 800	15		9	223	40	131	5			362	1 745		6 330	7 505
ASSETS, LIABILITIES AND FUND BALANCES															
ASSETS															
Cash and term deposits		15	10	9	266	59	169	5	7		3 232	4 386		8 158	7 133
Accounts receivable															
Inter-fund balances	3 800										960			4 760	476
Receivables and advances					1						9	12		22	17
TOTAL ASSETS	3 800	15	10	9	267	59	169	5	7		4 201	4 398		12 940	7 626
LIABILITIES															
Unliquidated obligations											18	2 550		2 568	10
Accounts payable											5	38		43	50
Inter-fund balances			10		44	19	38		7		3 816	65		3 999	61
TOTAL LIABILITIES			10		44	19	38		7		3 839	2 653		6 610	121
BALANCE OF FUNDS															
Represented by:															
Cumulative Surplus	3 800	15		9	223	40	131	5			157	1 745		6 125	7 240
Reserved Surplus											205			205	265
TOTAL BALANCE OF FUNDS	3 800	15		9	223	40	131	5			362	1 745		6 330	7 505
TOTAL LIABILITIES AND BALANCE OF FUNDS	3 800	15	10	9	267	59	169	5	7		4 201	4 398		12 940	7 626

*including software acquisition

REGULAR PROGRAMME GENERAL FUND
STATEMENT OF APPROPRIATION AND EXPENDITURE
AT BUDGET RATE BY MAJOR PROGRAMME - 2007
(in thousands of United States dollars)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Approved Appropriations (Res. A35-22 and SL 04/106)	Carried-over from prior year Fin. Reg. 5.6 (C 179/17, C 181/14)	Increase/Decrease in Appropriations (C 176/8, C 176/14, C 181/3)	Transfers among Major Programmes (Fin.Reg.5.10) (C 182/13)	Carry-over to 2008 (Fin.Reg.5.11) (C 182/13)	Total Adjusted Appropriations	Expenditure at Budget Rate	Unobligated Balance at 31 December 2007
	(1)+(2)+(3)+(4)+(5)						(6)-(7)	
MAJOR PROGRAMMES								
I. General Policy and Direction	1 708	322		(371)		1 659	1 636	23
II. Air Navigation	9 413	1 011		(626)		9 798	9 726	72
III. Air Transport	5 485	745	1 030	(1 036)	(550)	5 674	5 619	55
IV. Legal	1 063	488		(518)	(150)	883	857	26
V. Regional and Other Programmes	16 240	2 126		1 384	(2 200)	17 550	17 467	83
VI. Administrative Support	26 029	2 088		395	(1 052)	27 460	26 824	636
VII. Finance, External Relations/ Public Information and Programmes Evaluation, Audit and Management Review	3 974	1 814	(1 600)	772	(1 330)	3 630	3 546	84
VIII. Universal Safety Oversight Audit Programme	2 599	1 371			(798)	3 172	3 144	28
	66 511	9 965	(570)		(6 080)	69 826	68 819	1 007
Miscellaneous Income	Approved Estimate 5 723						Actual Receipts 8 775	

NOTE:

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

MEETINGS 2007
STATEMENT OF EXPENDITURES (*)
(in thousands of United States Dollars)

	(1) <u>Site</u>	(2) <u>Budget</u>	(3) <u>Expenditures</u>
MAJOR PROGRAMME: GENERAL POLICY AND DIRECTION			
Assembly - A36	Montreal	579	664
MAJOR PROGRAMME: AIR NAVIGATION			
CAEP/7	Montreal	58	33
Panel Meetings: - ACP/1	Montreal		4
- DGP/21	Montreal		5
	Montreal		
MAJOR PROGRAMME: AIR TRANSPORT			
Panel Meetings: - AEP-ANSEP/1	Montreal	119	8
TAG MRTD - TAG-MRTD/17**			0
MAJOR PROGRAMME: LEGAL			
Legal Seminar	Lima		14
Legal Committee - SG MR/6	Montreal	31	5
MAJOR PROGRAMME: REGIONAL AND OTHER PROGRAMMES			
High Level Meeting on a Comprehensive Regional Implementation Plan for Africa	Montreal		8
APIRG - APIRG/16	Kigali		48
EANPG - EANPG/49	Paris		16
APANPIRG - APANPIRG/18	Bangkok		10
GREPECAS - AIS/MAP SG/10	Caracas		5
- ASB and GREPECAS/14	San Jose		27
- ATFM/TF/3	San Andres		5
- ATM/CNS SG	Port of Spain		3
- AP/ATM/13	Bogota		9
NAT Systems - NAT ATMG/29	Washington		8
- NAT SPG/43	Paris		5
- NAT IMG/30	Reykjavik		5
- NAT EFG/14	London		3
- NAT EFG/15	Atlantic City		10
- NAT SPG Special 2007 Prep	Paris		8
OTHER RPGs/SGs, IMPLEMENTATION MEETINGS AND SEMINARS/WORKSHOPS			
CNS/SG/2	Dakar		10
AFI Region AIS/MAP TF/4**	Dakar		0
2nd AFI CAD	Nairobi		4
RVSM TF/13	Nairobi		4
ATMGE/6**	Paris		0
RDGE/6**	Paris		0
ATMGE/7**	Paris		0

(*) Expenditures in Canadian dollars are reflected at the budget rate of CAD1.32 to USD1.00

(**) The total expenditure of meetings with expenditures under \$1,000 is shown under one line at the bottom of the table

	(1) Site	(2) Budget	(3) Total Expenditures
RDGE/7**	Paris		0
Special North Atlantic Systems Planning Group 2007	Paris		3
NAT SMG/6	Ottawa		8
NAT FANS/16	Reykjavik		3
AIDC/TF**	Bangkok		0
AITF/2**	Bangkok		0
IAVWOPSG/3	Bangkok		10
RASMAG/7**	Bangkok		0
FIT-SEA/5**	Ho Chi Minh City		0
Combined FIT-BOB/8, ATFM/TF/9 & BBACG/18**	Bangkok		0
RVSM/TF/30**	Bangkok		0
FIT/SEA/6 & SEACG/14	Hanoi		1
RVSM/TF/32	Beijing		2
ATM/AIS/SAR/SG/17**	Bangkok		0
CNS/MET SG/11**	Bangkok		0
ADS-B SITF/6	Seoul		2
SIGMET/SEMINAR**	Bangkok		0
MIDANPIRG/10	Doha		10
ANS WG/2**	Cairo		0
CNS/ATM/IC SG/3**	Cairo		0
MID BOARD/4**	Cairo		0
SG Allocation of SSR Codes**	Cairo		0
ETOD WG/1	Amman		1
GNSS TF/6**	Cairo		0
AOP SG/6**	Cairo		0
Communication Infrastructure Seminar**	Jeddah		0
MID BOARD/5**	Jeddah		0
CNS SG/1**	Cairo		0
ATM/SAR/AIS SG/9**	Cairo		0
NAT/CAR WG/2 (WATRS)	Miami		1
CNS/SUR/TF / CAR/WG/1	Trinidad & Tobago		5
C/CAR/DCA/9	Orenjestad		10
MR/TF/3 & MR/5	Mexico		2
149 COCESNA**	El Salvador		0
10th SAM Civil Aviation Authorities	Caracas		5
Coord. On Procedure & Classification of Deficiencies	Lima		4
5th Int'l Conf. on Bird and Wildlife Hazard	Guayaquil		4
ATS Contingency Plans Meeting	Lima		2
Workshop on the Dev. of Implementation Plans for Language Proficiencies Req.	Lima		3
5th SAR Implementation Meeting	Santa Cruz		1
MET/SG/8	Nairobi		11
AOP/SG/7	Dakar		8
RVSM/PMT AN/ATS Red Carpet Routes**	Dakar		0
ATS/AIS/SAR SG/9	Dakar		5
RVSM TF/12**	Dakar		0
AIS/MAP TF/4	Dakar		3
Total expenditure of the above meetings marked with ** which have expenditures under \$ 1 000			11
		1 201	1 036

(*) Expenditures in Canadian dollars are reflected at the budget rate of CAD1.32 to USD1.00

(**) The total expenditure of meetings with expenditures under \$1,000 is shown under one line at the bottom of the table

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 2007

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 2007

Table of Contents

MAIN POINTS..... 3

INTRODUCTION..... 5

SCOPE OF THE AUDIT 5

ATTEST AUDIT RESULTS 5

UPDATE ON THE MODERNIZATION OF THE FINANCIAL INFORMATION SYSTEMS..... 7

2007 PERFORMANCE AUDIT: MOVING TO RESULTS-BASED MANAGEMENT..... 9

INTRODUCTION 9

OBSERVATIONS AND RECOMMENDATIONS 10

 Results-based organization needs long-term effort and an overall implementation plan 10

 The Business Plan for 2008–10 has not been finalized and approved 11

 Intermediate outcomes are needed..... 12

 Further work is needed before the operational plans can fully support the Business Plan 13

 The results-based budgeting process needs improvement 14

 Use of human resources is reported based on initial estimates without validation 15

 ICAO Knowledge Sharing Network is at an early stage of development..... 15

ACKNOWLEDGEMENT 18

APPENDIX A—CRITERIA FOR EXTERNAL AUDIT 19

APPENDIX B— SUMMARY OF RECOMMENDATIONS..... 20

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MAIN POINTS

Audit of the Financial Statements

The audit opinion on the 2007 financial statements will be issued without reservation.

Assembly Resolution A35-32 requires that we examine the Information and Communications Technology Fund to ensure that the expenditures incurred were related to the modernization of financial and related systems. We determined that the expenditures incurred for this purpose in 2007 were appropriately charged to the Information and Communications Technology Fund.

Update on Modernization of Financial Information Systems

Progress was made during the year toward implementing the new financial systems. The Organization has also made progress in responding to unforeseen events that led to an increase in the scope of the IRIS project, delayed phase one of the project, and increased the project’s estimated costs from USD 4.5 million to USD 6.2 million. It will take a significant effort to resolve the problems associated with implementing phase one of the project and to complete phase two by April 2009. Close monitoring of the project will be required in the upcoming year to ensure that corrective action is taken where needed to keep the project on schedule and within the revised budget.

2007 Performance Audit: Moving to Results-based Management

What we examined

The Assembly has requested that a Strategic Action Plan be developed, with a systematic planning process that would drive the evolution of the program budget. Since then, ICAO has said that it is working to implement a results-based management framework in order to become a more modern and efficient organization. It calls its draft 2008–2010 Business Plan and Budget “the basis for a reporting framework that unites strategies, activities, funds, human resources and timeframes into a coherent and effective means of monitoring and evaluating outcomes.”

Our audit assessed ICAO’s progress toward becoming a results-based organization. We reviewed the content of the Business Plan and the Budget as well as the approach used to develop and implement them. We also assessed the extent to which the integrated resources information system (IRIS) and the ICAO knowledge system network (IKSN) support a results-based management approach.

Why it’s important

Results-based management focuses on what needs to be done to achieve the expected results. Its success requires strong leadership and a clear vision of how to channel the organization’s activities toward that focus. Moving to results-based management is a complex, resource-intensive undertaking that involves changing the management culture of the organization; developing, testing, and implementing new management systems and practices; and training staff at all levels. In 2004, the Joint Inspection Unit noted that the United Nations organizations making this change most efficiently and effectively are those that approach it as a broad strategy, aimed at changing the way the organizations operate.

What we found

Longer-term view of planning is needed. ICAO has introduced key elements of a results-based management framework. Its draft Business Plan for 2008–10 sets out its strategic objectives and expected results. However, we did not see a strategic approach or comprehensive plan for transforming ICAO into a results-based organization. Such a plan would include an overall view of all projects envisioned to implement the change in management culture, along with their milestones and timelines. It would provide for completing the projects already started and estimate the additional activities and resources needed to fully implement the change.

Business planning and budgeting need to be better co-ordinated. A results-based management framework calls for business plans and budgets to be developed and approved concurrently so a clear link is formed between the results to be achieved and the resources allocated to them. The ICAO Budget for the new triennium—the first to use a results-based approach—was developed based on the initial draft of the 2008–2010 Business Plan, but was approved with 10 percent less funding than the draft Business Plan had envisioned. Since then, several successive drafts of the Business Plan have been prepared to reflect the reduced budget envelope, certain supplementary tasks requested by the Assembly, and the resulting need to delete or postpone other tasks. Each new version moves further from the version on which the Budget was based, losing some linkages between expected results and allocation of resources. How changes to either the Budget or the Business Plan will affect the achievement of strategic objectives needs to be demonstrated, and both the Budget and the Business Plan need to be approved and finalized, before the start of the triennium.

Indicators are needed to measure medium-term progress. Given that ICAO does not have the mandate or the authority to impose or enforce aviation standards, ICAO's strategic objectives and the related expected results are necessarily expressed as desired changes in international civil aviation. Therefore, while it has identified 12 “high-level indicators” of progress toward expected strategic results, there are long timelags before any impact of its actions on those indicators are apparent—usually beyond the length of a triennium. This makes it difficult to demonstrate the link between expected strategic results and the resources that were allocated to achieving them. In addition, while expected outputs are included in the draft Business Plan, outputs are only immediate results and do not provide an adequate basis for assessing progress toward strategic results expected in the longer term. For example, developing security standards—an output—does not guarantee that security itself will improve as a result. Intermediate indicators—say, the number of civil aviation authorities that have adopted the security standards—are needed to provide more timely information on the impact of its actions in the medium term. ICAO could use that information to adjust its actions, where necessary, to achieve the longer-term strategic results.

More accurate information needed on use of human resources. Given that payroll costs represent around 80 percent of ICAO's budget, a reasonable estimate of how much time employees spend on each of their activities is important information for results-based planning and budgeting, and for management of human resources. Cost centre managers were asked to identify the number of strategic results each employee would be working on in the new triennium, up to a maximum of four per employee. Based on that information, the budget allocated estimated payroll expenditures to each strategic result. These budget estimates are made based on activities planned for the employees before the start of the year, although the amounts may bear little resemblance to what employees have actually worked on and for how many hours. ICAO needs to find a practical means, appropriate to its situation, of validating that payroll costs charged to key activities do approximate the actual use of human resources in those activities.

INTRODUCTION

1. This report contains the results of our audits of the International Civil Aviation Organization (ICAO). It includes observations and recommendations arising from our audit of the Organization's 2007 financial statements, our compliance audit of the Organization's transactions, and our performance audit of certain of the Organization's activities.
2. We have prepared this report and the audit opinion in English, because we audited ICAO's financial statements in their English version.

SCOPE OF THE AUDIT

3. 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.
4. We conducted the audit in accordance with the International Standards on Auditing. These 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 assesses the accounting principles used and the significant estimates made by management, and evaluates the overall presentation of financial statements.
5. No restrictions were placed on the scope of our audit, and we obtained all the information and explanations we considered necessary.
6. 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 those governance matters that came to our attention in the course of the audit.
7. We updated the information on the modernization of ICAO's financial information systems and reviewed management action to address our previous recommendations.
8. This year's performance audit assessed the progress that ICAO has made toward becoming a results-oriented, performance-based organization.

ATTEST AUDIT RESULTS

9. We will issue an audit opinion without reservation on the 2007 financial statements, following the Council's recommendation for the Assembly's final approval of the Organization's financial statements.
10. In the normal course of an audit, adjustments arise that in our judgment could, either individually or in aggregate, affect the entity's financial reporting process. In this year's audit, unadjusted audit differences were not significant and were discussed with management. There were therefore no such matters to report.

11. However, we would like to draw your attention to a transaction involving a lease agreement. Assembly Resolution A35-28, paragraph 2 d) requires that the prior approval of the Finance Committee be obtained before amounts needed to meet immediate obligations are borrowed externally. In September 2007, this Assembly Resolution was superseded and replaced by A36-34, with the same requirement in its paragraph 2.d). We noted that, in June 2007, ICAO entered into a lease agreement with a bank, in the amount of CAD570,000, for a piece of equipment. This lease agreement is for a period of 84 months and the payment schedule is calculated using an interest rate of 5.75%. The Secretariat has not sought approval from the Finance Committee for this transaction as it did not consider this to be borrowing. While this agreement might not constitute borrowing from a legal perspective, the transaction has the characteristics of a finance lease. The Secretary General and the Council may wish to clarify if and when such transactions are subject to the approval process stipulated in the Resolution.

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

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.

14. Preparing 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 other such tests and procedures as we considered necessary in the circumstances. We accept management's judgments and find them consistent with the corroborating evidence.

15. As is our normal practice, we report our most significant observations and recommendations regarding weaknesses in internal controls in the Long Form Report. For 2007, there are no significant weaknesses to report.

16. Assembly Resolution A35-32 requires that we examine the Information and Communications Technology Fund to ensure that the expenditures incurred were related to the modernization of financial and related systems. We determined that the expenditures incurred in 2007, USD 4 million (of which USD 2.6 million are unliquidated obligations) were appropriately charged to the Information and Communication Technology Fund.

UPDATE ON THE MODERNIZATION OF THE FINANCIAL INFORMATION SYSTEMS

INTRODUCTION

17. In previous years, we reported on ICAO's need to modernize its financial information systems. This year, we reviewed the actions taken in ICAO's integrated resource information system (IRIS) project to renew ICAO's financial systems.

18. In conducting our work, we met with various directors, managers, and staff. We reviewed reports, minutes, financial transactions, and documents relevant to the project.

19. In our 2006 report, we noted that an IRIS project team had been set up. We reported that Agresso, a supplier of mid-size (Tier 2) enterprise resource planning software, was selected as the best overall choice for ICAO. In February 2007, a contract was awarded to Agresso for both phases of the IRIS project.

20. The implementation of Agresso software began in March 2007. The software was to be implemented in two phases. The first phase, with expected completion by the end of 2007, included the general ledger, budgeting, accounts payable, procurement, accounts receivable, and project management. The second phase, scheduled for completion in 2008, included payroll, human resources, travel, fixed assets, and publication sales. The fixed-price cost of implementing this software was expected to be USD 2.7 million for phase one and USD 1.8 million for phase two.

21. As noted in our 2006 report, an IRIS project team had been set up and was headed by a project manager. The Sponsors' Group, made up of the directors, deputy directors, and chiefs affected by the IRIS project, was also in place to monitor progress and had the authority to resolve any problems that might arise during implementation. A project plan and schedule for implementation had been developed, including deliverables, responsibilities, and an anticipated time frame for delivery.

OBSERVATIONS AND RECOMMENDATIONS

22. In 2007, ICAO adopted the Canadian currency for budgeting and accounting for the Regular Programme while retaining the U.S. dollar currency for the Technical Co-operation Bureau and non-proprietary programs. As a result, Agresso had to be configured to operate in two currencies. This delayed the implementation of the IRIS design work that had been substantially completed before the decision was reached to have two currencies, and changes had to be made in the Agresso configuration. Additional unforeseen work was necessary to meet the new requirements. Agresso and ICAO provided additional resources because several tasks, which were initially planned to occur sequentially, had to be carried out simultaneously in order for the financial system to be operational by the beginning of January 2008.

23. In order to meet this deadline, the IRIS project team reassessed its priorities for Agresso configuration requirements. The phase one functionality that was not critical for the processing of transactions at the start of January 2008 was delayed for implementation during the first quarter of 2008. As a result, the functionality pertaining to budget preparation was delayed until phase two of the project.

24. Initially, the IRIS system's total cost was estimated at USD 4.5 million, with phase one estimated at USD 2.8 million and phase two at USD 1.7 million. The additional effort necessary to configure the system for dual currency accounting and budgeting increased the amount paid to Agresso by USD 0.5 million. An increase in IRIS project staff requirements resulted in additional costs of USD 1.2 million. Therefore, the total cost for the IRIS project is now estimated at USD 6.2 million.

25. Since January 2008, Agresso's general ledger, accounts payable, procurement, accounts receivable, and project cost and billing functionality have been operating to record financial transactions incurred at ICAO's headquarters. Opening financial balances have not been entered into Agresso. They will be entered when the Organization's accounts are closed later in 2008.

26. At the time of our review, Technical Co-operation Bureau and Finance staff were dealing with changes in the procedures required by the new system. As well, delays have occurred in processing transactions, and suppliers have lodged complaints about delays in receiving their payments. The IRIS project team is still developing Agresso's reporting functionality and is resolving other problems with the implementation of phase one of the IRIS project.

27. The scheduled deadline for implementing the project's first phase has been postponed from the end of March 2008 to the end of May 2008.

28. The second phase of the IRIS project started at the end of April 2008. It will include payroll, human resources, travel, fixed assets, budget preparation, and publication sales. Originally, ICAO expected to complete the second phase before the end of 2008. ICAO now expects to complete the entire project by April 2009.

29. At the end of our audit, the Organization indicated that sufficient funds are available to meet the expected costs to complete the IRIS project, provided that there are no further changes in the scope and no other unforeseen events. Given the situation, it is important that there be appropriate project management and oversight to ensure that the project remains on time and on budget.

30. The IRIS project mandate is to implement the new financial system at ICAO's headquarters. Once the system is fully operational there, a decision will need to be made on how to deploy the financial system at ICAO's regional offices.

CONCLUSION

31. Progress has been made during the year to implement the new IRIS financial system and to react to unforeseen events that led to an increase in the project's scope, delays in the implementation of phase one, and increased estimated project costs. Costs are now expected to increase from USD 4.5 million to USD 6.2 million. Significant efforts are still required to resolve problems associated with completing phase one of the project, and to complete phase two by April 2009. Close monitoring of the project will be required in the upcoming year to review progress and costs, and to assist in resolving problems.

2007 PERFORMANCE AUDIT: MOVING TO RESULTS-BASED MANAGEMENT

INTRODUCTION

32. Since 1995, the Assembly has adopted three resolutions that aim to improve the efficiency and effectiveness of ICAO in discharging its mandate. Among the many actions it expected to be undertaken, the Assembly directed that a Strategic Action Plan be developed “on a continuing basis in association with systematic planning process which improves effectiveness, transparency and accountability and which drives the evolution of the program budget...” The Assembly requested that appropriate attention be given to the following non-exhaustive list of considerations:

- “establish a transparent linkage between the Strategic Action Plan and the Program Budget;
- establish procedures for the development of the Program Budget, which focus on the allocation of resources at a strategic level rather than on administrative detail;
- establish procedures for setting objectives, expected results, priorities and targets, together with the application of performance indicators;
- develop, within the framework of the Strategic Action Plan, more specific plans by the relevant subsidiary bodies and by the various offices of the Secretariat;
- undertake reviews of progress on implementation of Strategic Action Plan on an ongoing basis within the Secretariat and on a periodic basis by the Council and subsidiary bodies; and
- update and roll forward the Strategic Action Plan itself at least triennially.”

33. Since 1995, numerous initiatives have been undertaken to address the subject matter in the resolutions, including

- development and subsequent review of a Strategic Action Plan;
- approval of the Consolidated Vision and Mission Statement;
- approval by Council of the six strategic objectives for the 2005–2010 period;
- subsequent review of the strategic objectives;
- development of Business Plans for the 2005–07 and 2008–10 triennia;
- development of a results-based budget for the 2008–10 triennium;
- improvement of certain elements of the management systems and practices, including
 - modernization of the financial system (IRIS) and
 - development and implementation of the performance and competency enhancement (PACE) system, and
- development of a new planning and coordination system, the ICAO Knowledge Sharing Network (IKSN).

34. As seen in the introduction to its 2008–10 draft Business Plan, ICAO has declared its intention to become a more modern, efficient organization by implementing a results-based framework for its management.

35. ICAO also intends to implement working methods that efficiently use its limited resources, and that are results-oriented and performance-based. Its Business Plan and Budget are expected to provide the basis for a reporting framework that monitors and evaluates outcomes effectively and coherently. ICAO plans to engage all staff in improving its

accountability and its strategic and operational performance.

36. The objective of this performance audit is to assess the progress that has been made by ICAO in becoming a results-oriented, performance-based organization.

37. During our audit, we reviewed the structure and content of the Business Plan and Results-Based Budget, and assessed the approach used to develop and implement them. We assessed the extent to which the integrated resources information system (IRIS) and the ICAO Knowledge Sharing Network (IKSN) support a results-based management approach. These two systems are important because they are being developed to support the monitoring, performance management, and evaluation of ICAO's financial and operational results.

38. We reviewed the major working papers and progress reports that have been submitted on the above topics to Council and the Assembly. We also reviewed related Assembly resolutions, Council decisions, and other documents, and interviewed senior managers, as we considered necessary under the circumstances.

OBSERVATIONS AND RECOMMENDATIONS

Results-based organization needs long-term effort and an overall implementation plan

39. In its 2004 series of reports on managing for results in the United Nations system, the Joint Inspection Unit commented how the organizations that are proving to be the most effective and efficient in conducting this change are those that approach results-based management as a broad strategy. Such a strategy is aimed at achieving changes in the way these organizations operate. It brings management systems and practices together in a coherently planned, albeit gradual, manner to build an effective and solid system of management. Along with the Joint Inspection Unit, we have observed how difficult it is for organizations to move from results-based planning to results-based management. ICAO is now starting to implement results-based management. In order to succeed, it will need both strong leadership and a clear vision of how to channel the Organization's energies toward that goal.

40. During our audit, we noted that ICAO does not have a strategy and a corresponding plan to transform ICAO into a results-based organization that includes an overall view of all projects, complete with assigned responsibilities, milestones, and timelines. Such a plan would provide for completing the projects already started, and would envision what other changes are required for the Organization to manage based on results. Having such a plan in place would help ICAO estimate the financial, human, and physical resources required for complete implementation of this fundamental cultural change in its management.

41. **Recommendation.** ICAO should develop and carry out a strategy and an overall implementation plan to ensure the timely, orderly, and coherent execution of all major initiatives that are needed to become a results-oriented, performance-based organization.

The Secretariat's response: The Secretariat agrees that at ICAO, Results Based Management (RBM) is its early stages of development and that a comprehensive implementation plan would facilitate coordination in respect to setting into place the building blocks that are required for the Organization's full transition to RBM.

The Business Plan for 2008–10 has not been finalized and approved

42. In implementing its results-based management framework, ICAO developed a Business Plan for the 2005–07 and the 2008–10 triennia that focused on what needs to be done to achieve ICAO’s strategic objectives, accomplish its Vision and Mission, and discharge its mandate.
43. ICAO has translated its six strategic objectives into action plans that link planned activities and outputs.
44. In a results-based management framework, the Business Plan needs to be coherent with the Budget so that the link is clearly established between the business plan’s strategic objectives and the funding for the activities necessary to reach those objectives. When the ICAO Budget is approved, this becomes an agreement among the Assembly, the Council, and the Secretariat on the results to be achieved and the resources needed to achieve them.
45. In order to conform to the approved budget envelope, the 2008–10 Business Plan required modifications to reflect the Assembly’s decisions. Nevertheless, we would have expected the Business Plan to be finalized and approved soon after the Budget was approved.
46. At the time of our audit, the most current version of the Business Plan was version four. We were told by management that a fifth version would be issued sometime in June 2008, and that work had already started to develop a sixth version of the Business Plan, which is expected to be the final version for the current triennium. Thus, our observations are based on the fourth version of the draft Business Plan.
47. Our review of the fourth version of the draft Business Plan included a comparison with previous drafts. We found that the Business Plan changed significantly with each version. The most important changes accounted for the approved budget envelope, which is 10 percent lower than the amount envisioned in the original Business Plan (from USD 236 million to USD 213 million). Further changes were included to incorporate certain supplementary tasks requested by the Assembly at its 36th session. Other tasks were deleted or postponed to allow for new tasks within the approved Budget. Some other changes were made in an effort by the Secretariat to improve the draft Business Plan. We noted that previous drafts included a table showing the type and number of human resources needed for each strategic result for each of the three years of the 2008–10 triennium. In the latest draft of the Business Plan, this information is no longer available.
48. We also noted that with each set of changes, the Business Plan moves farther away from the version that served as the basis for the Budget. In the first version of the Business Plan of 2008–10, the expected outputs were exactly the same as in the approved Budget. While the Budget gave three outputs for the above strategic result on safety management, there were 16 outputs for that same strategic objective in the fourth version of the Business Plan.
49. Although changes to the Business Plan are made from time to time, it is important to demonstrate the impact that a change in the Business Plan has on the Budget, and vice versa. It is of foremost importance to demonstrate the impact that changes in either the Budget or the Plan are having on the achievement of strategic objectives. We also found that the

Business Plan shows adjustments to the planned outputs and the related key performance indicators. The Business Plan ought to be completed prior to the start of the triennium. Any subsequently significant change needs to be formally acknowledged by all stakeholders, including the Council.

50. **Recommendation.** ICAO should ensure that both the Budget and the Business Plan are finalized and approved prior to the beginning of each triennium and that the two documents remain coherent at all times.

The Secretariat's response: Any Budget is intended to provide the financial resources required to implement a Business Plan. Accordingly, the planning-budgeting cycle for ICAO stipulates that Business Plans for future triennia will have to be completed and approved early enough to allow sufficient time for the corresponding budget estimates to be prepared.

Intermediate outcomes are needed

51. In the draft Business Plan, each strategic objective is supported by a short set of strategic results. Together, ICAO's strategic objectives and strategic results define the Organization's ultimate goals. In this context, they are clearly expressed as changes in international civil aviation as a whole. ICAO is but one organization among many that promote improvements to civil aviation. Effecting those changes is not fully within its control. However, the Organization can make a difference through its results

52. We found that the six strategic objectives are clear, and that progress toward achieving strategic results provides an indirect measure for them. ICAO has identified 12 high-level indicators to measure progress toward the achievement of its strategic results. It has identified one indicator to measure the evolution of aviation in terms of capacity, traffic, and departures. Although changes in these high-level indicators cannot be attributed to ICAO alone, it is important for ICAO to monitor them because they would help confirm whether its initiatives are contributing to moving these indicators in the right direction.

53. ICAO currently measures results using eight of its 12 high-level indicators. Measurement methods are under development for the other four. A working group has been established to identify alternative measurement methods or indicators that could be used if the current indicators cannot be adequately measured.

54. Monitoring high-level indicators alone will not produce timely evidence on the effectiveness of ICAO's actions. The nature of ICAO's business is such that there are long timelags between ICAO's actions and their impact on the identified high-level indicators. These timelags usually exceed the length of a triennium, making the link between available resources and results difficult to demonstrate. Therefore, for ICAO to adjust its action plans in order to achieve the expected results, it needs other intermediate indicators that can provide more timely information on its programs' effectiveness.

55. We noted that ICAO has outputs in its Business Plan. We expected the Secretariat to have defined and measured a number of intermediate outcomes that, when reached, would provide assurance that the strategic objectives and strategic results would be reached, or that would provide a warning that modifications to the action plans were needed.

56. The Business Plan states that producing the expected outputs will necessarily bring about

the achievement of ICAO's strategic results. Outputs are only immediate results for activities, and do not provide sufficient information to adequately assess the longer-term achievement of expected results. For example, developing security standards—an output—does not guarantee that security itself will improve as a result. Intermediate indicators—say, the number of civil aviation authorities that have adopted the security standards—are needed to provide more timely information on the impact of its actions in the medium term. ICAO could use that information to adjust its actions, where necessary, to achieve the longer-term strategic results.

57. **Recommendation.** ICAO should complete its development of measurement methods for the remaining high-level indicators. ICAO should also establish an appropriate number of intermediate outcomes, together with corresponding performance indicators to measure and manage its performance.

The Secretariat's response: The Secretariat agrees. Metrics are under development for the remaining four of the twelve high-level indicators and a working group has been established to drill down into subordinate metrics which will better identify whether ICAO programs have met the intended objectives. The Air Navigation Commission is working with the Secretariat to develop specific measures for Strategic Objectives A and D. A similar approach will be extended to the remaining Strategic Objectives in order to assess the effectiveness of its strategies.

The Secretariat recognises that it would be beneficial to identify to the extent possible "outcome" KPIs. However, it notes that KPIs need to be specific, measurable, achievable, relevant and time-bound, where "achievable" means within the area of accountability of the Organization. This implies, for instance, that while the Organization is accountable for developing safety and security standards, their adoption by civil aviation authorities falls under the responsibility of States.

Further work is needed before the operational plans can fully support the Business Plan

58. ICAO's objective in producing the operational plans is to provide bureau and office management with a tool for planning and managing their operations and for optimizing the use of their resources during each triennium. We therefore expected each bureau and office to have developed an operational plan to carry out the action plans within the Business Plan with the resources allocated from the Budget.

59. The operational plans are intended to articulate the action plans' strategic approaches, and to turn the critical tasks into contributing tasks. Contributing tasks are steps that lead to one or more elements that are needed to complete the related critical task. For each contributing task, an output to be delivered by a specific target date is identified. The operational plans are expected to include an estimate of the resources required and to identify the project leader and participant staff.

60. . In carrying out our audit, we noted that all bureaus and offices have some form of operational plans. However, management acknowledged that current operational plans do not sufficiently link activities, outputs, required human resources, and financial resources. Moreover, management indicated that the mechanism for producing and coordinating operational plans throughout the Organization, as defined in the Business Plan, was still under development. The Business Plan is thus not fully supported by operational plans to

carry out the action plans.

61. **Recommendation.** ICAO should complete all operational plans for each bureau, office, and section of the Organization, to support the Business Plan and the related action plans.

The Secretariat's response: The Secretariat agrees. It is expected that the operational plans related to all Strategic Objectives are planned to be completed by the end of 2008.

The results-based budgeting process needs improvement

62. A results-based budget is designed to be strategic in focus, allowing an organization to report on its activities and expenditures in relation to its expected results.

63. To comply with the decisions of the governing bodies, the Budget must be results-based, and must include high-level deliverables. The Council and Assembly will then be able to monitor the objectives and results of all ICAO activities. The 2008–10 Budget is the first that the Secretariat has prepared using a results-based approach. However, it was prepared using a draft business plan that has yet to be finalized.

64. Following our review of ICAO's Budget, we found that ICAO's 2008–10 Budget links budgeting and results only at the level of strategic results. For example, the first strategic result in the Budget is "enhanced resolution of safety issues by ICAO through implementation of a safety management process in ICAO." The Budget presents the financial resources available for this result, both in total and for each of the three years of the triennium.

65. We found that resources are allocated against strategic results. However the information on resource allocation in the Budget is not specific enough to support performance management and reporting. For example, the Budget indicates that the above strategic result on safety management requires the production of three separate outputs. However, the Budget does not present the financial resources needed for each output.

66. ICAO is in the process of modernizing its financial accounting and reporting system. To this end, it is developing and implementing IRIS, a system designed to provide management with financial information and to automate accounting and financial reporting.

67. To implement results-based budgeting, the Budget assigns resources to strategic results. Hence, a "Champion" (person responsible for achieving a particular strategic objective) ought to have responsibility for achieving each strategic result using the resources assigned to that result. We noted that, during the elaboration of the Budget, a decision was made that the internal budget allocation and control process would remain at the bureau/office level. The Budget presents a table in its Annex 3 showing budget allocation among the Organization's various cost centres in accordance with this decision. The financial controls in place and those that are scheduled to be implemented within the new IRIS system are consequently based on the distribution of the budget by the cost centres shown in Annex 3 to the Budget.

68. The effective accountability of Champions for achieving their respective strategic results is limited, under such circumstances, by their level of control over the resources nominally assigned to their strategic results. We are concerned that this practice may not support a

results-based management culture in its day-to-day operations..

69. **Recommendation.** ICAO should define the different roles and responsibilities of Champions versus managers of bureaus and offices for achieving results, and should ensure that its reporting and accountability properly reflect this management structure.

The Secretariat's response: The duality between "Strategic Objectives" and the organizational structure by "Bureau" is mandated by C-DEC 178/14. The Secretariat is aware that matrix management represents an inherent element of risk and envisages its elimination in the medium term, with a more prominent role and clear accountability being assigned to Champions.

Use of human resources is reported based on initial estimates without validation

70. Payroll expenditures represent approximately 80 percent of ICAO's budget. Therefore, recording and reporting on payroll expenditures has considerable impact on how use of overall resources is reported.

71. To determine the estimate of payroll expenditure allocated to each strategic result, cost centre managers were asked to identify the strategic results that each employee would be working on in the new triennium, up to a maximum of four strategic results per employee.

72. Payroll costs for each position are currently being recorded and reported against each strategic result based on these budgetary estimates. The amount recorded may bear little resemblance to time spent by employees on that strategic result during the period. Hence neither the Secretariat nor the Council has the information necessary to adequately monitor and manage the use of this important resource.

73. We noted that there is no validation of the use of human resources involved in key activities leading to the achievement of strategic results. This could vary from a periodic report filed by employees to the implementation of a time reporting system. The Organization needs to analyze its own situation and decide what the best system would be, taking into consideration the level of precision required, the cost of implementation, and how practical the system would be for the Organization's day-to-day operations.

74. **Recommendation.** Given the significance of costs related to human resources, ICAO should validate the use of payroll costs charged to activities that are key to achieving strategic results.

The Secretariat's response: ICAO's first Results-Based Budget (RBB) was developed in Excel, as no more advanced software was in place at the time of budget preparation. As noted in paragraph 23 of this report, the Secretariat is presently involved in the design of the functionality for budget preparation, one of the Agresso modules planned for Phase 2. It is foreseen that such functionality will improve the level of precision in tracking budget expenditures by result included in respect to human resources.

ICAO Knowledge Sharing Network is at an early stage of development

75. Monitoring and reporting on performance is at the heart of results-based management.

While an input-driven organization closely watches its spending, a results-based organization also constantly monitors its results and in response, adjusts the resources allocated to its various objectives.

76. In its report to the 35th Assembly (A35-WP/35 para 2.2), the Executive Committee has confirmed that there is a need for monitoring and reporting of program performance, and agrees that such a plan would improve accountability, efficiency, and integration of work processes throughout the Organization.

77. Information technology professionals develop systems for monitoring and reporting on performance, based on the information needs of stakeholders. Once those needs are established, usable and reliable indicators and methods of measurement must be selected. It must be decided how often to measure, and who will be responsible for measurement. Activities must be adjusted according to progress toward stated objectives, as seen in the monitoring and measurement of performance.

78. ICAO has worked, over the last two and half years, on developing a management system that would help plan, monitor, and manage all the projects in its Air Navigation Bureau. This system, the Air Navigation Integrated Programme (ANIP), was also expected to include performance reporting mechanisms. It was needed to help the Air Navigation Bureau monitor the participation and contribution of every bureau, office, branch, and section involved in the projects. The system was also expected to provide electronic access to information to everyone involved in the projects. The development of ANIP was suspended in 2007 when management decided that the risk associated with custom-developed software was excessive. ANIP was to be replaced with the ICAO Knowledge Sharing Network (IKSN).

79. IKSN's overall objective is to provide ICAO with a Web-based application that manages all ICAO programs and projects, and that allows all stakeholders involved to share information, initiate and endorse projects, and monitor progress toward achieving the Organization's results. The system is also expected to help monitor the implementation of the Business Plan.

80. Recently a steering committee has been formed to facilitate the development of IKSN so that it will meet the requirements of all ICAO sections and bureaus.

81. It is too early to assess IKSN's capacity to fulfill the Organization's performance monitoring and reporting needs.

82. **Recommendation.** Given that IKSN is critical to managing capacity in a results-based environment, ICAO should develop a project plan with specific schedules and deadlines for the implementation of IKSN.

The Secretariat's response: The Secretariat agrees. However, due to budgetary constraints, funds for IKSN were not appropriated for in the 2008-2010 budget. As a result, IKSN is being implemented with existing staffing, which is being diverted from other projects, slowing down the desired implementation timeline.

CONCLUSION

83. During this audit, we reviewed the progress that ICAO has made toward becoming a results-based organization.

84. Overall, we found that ICAO has taken the first steps toward building the foundation of a results-based management framework, and has begun delivering its activities accordingly. ICAO has established strategic objectives and strategic results, and these are articulated in the draft Business Plan. The Budget for the new triennium was approved according to a results-based approach. ICAO is pursuing the modernization of its financial systems and is also starting to implement a management information system. For the present triennium, we find that the Organization has moved from an input-driven model to an output-driven model.

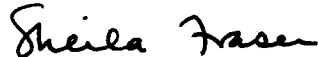
85. However, much remains to be done before ICAO can transform itself into a performance-based organization. After the Budget was approved, the Business Plan continued to evolve and is no longer in step with the Budget. The strategic objectives and strategic results that the Organization has set for itself are not quantified and could only be reached in the long term. In the shorter term, several outputs have been defined that represent immediate results.

86. ICAO needs to define intermediate outcomes to provide timely information on the level of achievement of its strategic results. Since intermediate outcomes have not been defined, the actual performance monitoring mechanisms can only refer to the production of outputs and to high-level indicators, neither of which can provide timely signals on progress toward strategic objectives and results. Although the Budget was prepared and approved using a results-based approach, we found that it is managed and controlled as if it were a traditional line item budget structured through cost centres.

87. The foundation of the performance monitoring will have to be reviewed to consider management's need for information and oversight at various levels, as well as requirements for reporting on effectiveness. Only when this has been accomplished will it be possible to develop a more complete performance monitoring and reporting system adapted to the needs of a results-based organization.

ACKNOWLEDGEMENT

As you are aware, the Auditor General of Canada has been appointed the external auditor of the International Civil Aviation Organization since the 1950s. This report represents our final audit of the Organization. We are privileged to have provided our services to your organization and to have contributed to many management reform initiatives over time. We would like to express our appreciation for the excellent cooperation and assistance extended to us by the Secretary General and his staff. We would also like to thank the governing bodies for your ongoing support.



Sheila Fraser, FCA
Auditor General of Canada
External Auditor

Montréal, Canada
15 May 2008

APPENDIX A—CRITERIA FOR EXTERNAL AUDIT

The general criterion for this performance audit is as follows:

ICAO has made adequate progress in implementing systems and practices that allow managers and senior management to manage for results and exercise their stewardship toward achieving the expected results.

In particular, ICAO should

- have a strategy to move the Organization toward a result-based management approach and an overall plan to implement it;
- have strong links established between the Business Plan and the Budget with regard to
 - the Mission, Vision, and the strategic objectives;
 - the strategic objectives and the strategic results; and
 - the strategic results, outputs, and outcomes (outputs are results that managers can control, while outcomes are influenced by factors beyond the control of managers);
- have mechanisms to measure results at the strategic level as well as at lower operational levels; and
- have started to put in place appropriate systems and practices to measure operational performance, and to monitor and manage the use of the Organization's financial and human resources. These systems and practices should also allow ICAO to take advantage of opportunities to improve the economy, efficiency, and effectiveness of its operations.

APPENDIX B— SUMMARY OF RECOMMENDATIONS

RECOMMENDATIONS	ICAO'S RESPONSE
RESULTS-BASED MANAGEMENT FRAMEWORK AND RESULTS-BASED BUDGETING	
<p>41. Recommendation. ICAO should develop and carry out a strategy and an overall implementation plan to ensure the timely, orderly, and coherent execution of all major initiatives that are needed to become a results-oriented, performance-based organization.</p>	<p>The Secretariat agrees that at ICAO, Results Based Management (RBM) is in its early stages of development and that a comprehensive implementation plan would facilitate coordination in respect to setting into place the building blocks that are required for the Organization's full transition to RBM.</p>
<p>50. Recommendation. ICAO should ensure that both the Budget and the Business Plan are finalized and approved prior to the beginning of each triennium and that the two documents remain coherent at all times.</p>	<p>Any Budget is intended to provide the financial resources required to implement a Business Plan. Accordingly, the planning-budgeting cycle for ICAO stipulates that Business Plans for future triennia will have to be completed and approved early enough to allow sufficient time for the corresponding budget estimates to be prepared.</p>
<p>57. Recommendation. ICAO should complete its development of measurement methods for the remaining high-level indicators. ICAO should also establish an appropriate number of intermediate outcomes, together with corresponding performance indicators to measure and manage its performance.</p>	<p>The Secretariat agrees. Metrics are under development for the remaining four of the twelve high-level indicators and a working group has been established to drill down into subordinate metrics which will better identify whether ICAO programs have met the intended objectives. The Air Navigation Commission is working with the Secretariat to develop specific measures for Strategic Objectives A and D. A similar approach will be extended to the remaining Strategic Objectives in order to assess the effectiveness of its strategies.</p> <p>The Secretariat recognises that it would be beneficial to identify to the extent possible "outcome" KPIs. However, it notes that KPIs need to be specific, measurable, achievable, relevant and time-bound, where "achievable" means within the area of accountability of the Organization. This implies, for instance, that while the Organization is accountable for developing safety and security standards, their adoption by civil aviation authorities falls under the responsibility of States.</p>

<p>61. Recommendation. ICAO should complete all operational plans for each bureau, office, and section of the Organization, to support the Business Plan and the related action plans.</p>	<p>The Secretariat agrees. It is expected that the operational plans related to all Strategic Objectives are planned to be completed by the end of 2008.</p>
<p>69. Recommendation. ICAO should define the different roles and responsibilities of Champions versus managers of bureaus and offices for achieving results, and should ensure that its reporting and accountability properly reflect this management structure.</p>	<p>The duality between "Strategic Objectives" and the organizational structure by "Bureau" is mandated by C-DEC 178/14. The Secretariat is aware that matrix management represents an inherent element of risk and envisages its elimination in the medium term, with a more prominent role and clear accountability being assigned to Champions.</p>
<p>74. Recommendation. Given the significance of costs related to human resources, ICAO should validate the use of payroll costs charged to activities that are key to achieving strategic results.</p>	<p>ICAO's first Results-Based Budget (RBB) was developed in Excel, as no more advanced software was in place at the time of budget preparation. As noted in paragraph 23 of this report, the Secretariat is presently involved in the design of the functionality for budget preparation, one of the Agresso modules planned for Phase 2. It is foreseen that such functionality will improve the level of precision in tracking budget expenditures by result included in respect to human resources.</p>
<p>82. Recommendation. Given that IKSNI is critical to managing capacity in a results-based environment, ICAO should develop a project plan with specific schedules and deadlines for the implementation of IKSNI</p>	<p>The Secretariat agrees. However, due to budgetary constraints, funds for IKSNI were not appropriated for in the 2008-2010 budget. As a result, IKSNI is being implemented with existing staffing, which is being diverted from other projects, slowing down the desired implementation timeline.</p>

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

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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 2007 contained in Addendum No. 2.

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

ATTEST AUDIT RESULTS

3.1 The Secretary General agrees with the comments of the External Auditor. This transaction is to be qualified as a lease in terms of Article 1842 *et seq.* of the Quebec Civil Code and can be considered as different from a "borrowing" (loan) in terms of Assembly Resolutions stated in the External Auditor's report. Nonetheless, in order to further increase accountability, and considering IPSAS presentation requirements for a finance lease, the process for such transactions will be reviewed and a proposal will be submitted to the Council in due course.

OBSERVATIONS ARISING FROM THE 2007 PERFORMANCE AUDIT

4. Update on the Modernization of the Financial Information Systems

4.1 The Secretariat agrees that significant efforts are required to complete both phases of the project and that close monitoring of project activities is needed to review progress and control costs. Monitoring of project activities has been carried out by the project's Sponsors' Group, which was formed at the onset of the project. It comprises ICAO senior managers and meets on a regular basis with the project team to review progress made and address any urgent priorities.

5. 2007 Performance Audit: Moving to Results-Based Management

5.1 Results-based organization needs long-term effort and an overall implementation plan

5.1.1 The transition from an input oriented approach to a results driven one is a defining moment in the evolution of any Organization. Whilst establishing a Business Plan (BP) and a Results-Based Budget (RBB) are fundamental milestones, several other "building blocks" are required for the transition to Results-Based Management (RBM) to be completed. These include: setting in place the required systems; embracing performance management and dashboarding; establishing the required accountability framework for Managers; and investing in change management. The latter process must be extended not only to the Secretariat but also to governing bodies. The Secretariat emphasises that at ICAO, RBM is at its early stages of development and agrees that a comprehensive implementation plan would facilitate coordination in respect to setting into place the above mentioned building blocks. The Secretariat notes that time and adequate resources are required for such an extensive reform process to be completed.

5.2 **The Business Plan for 2008–10 has not been finalized and approved**

5.2.1 The Business Plan (BP) for 2008-2010 was in fact finalized and presented to the Council on 26 November 2007. However, in view of additional tasks arising from the 36th Session of the ICAO Assembly, an updated version was developed and released. Furthermore, to reflect the need to fully capture the implications of the capping of budget resources for 2008-2010, a new version is under preparation and will be released in June.

5.3 **Intermediate outcomes are needed**

5.3.1 The Secretariat recognises that it would be beneficial to identify to the extent possible "outcome" Key Performance Indicators (KPIs). However, it notes that indicators need to be specific, measurable, achievable, relevant and time-bound, where "achievable" means that results must fall within the area of accountability of the Organization. How to best identify a suitable compromise between an indicator capable of capturing "macro level" trends and the circumstance that the UN has a limited enforcing role is an issue that has been extensively debated within the UN's community of results-based practitioners. The conclusion is that it is widely recognised that UN agencies and organizations have an "enabling" or "facilitating" role but also that, ultimately, accountability rests with clients and States. This implies, for instance, that while ICAO is accountable for developing safety and security standards, their adoption by civil aviation authorities is beyond the control of the Organization.

5.4 **Further work is needed before the operational plans can fully support the Business Plan**

5.4.1 The Secretariat agrees with the recommendation. As observed by the External Auditor, the operational plans developed by each bureau and regional offices are available in manual format but have not been uploaded into the ICAO online planning system, ICAO Knowledge Sharing Network (IKSN). In respect to the latter, an Air Navigation Bureau (ANB) pilot project, hosted by two ANB sections, namely Meteorology/Aeronautical Information Management and Aviation Medicine, is underway. It is expected that the operational plans related to all Strategic Objectives will be completed by the end of 2008.

5.5 **The results-based budgeting process needs improvement**

5.5.1 The present coexistence of "Strategic Objectives" and organizational structure by "Bureau" is mandated by C-DEC 178/14. Whilst matrix management is one of many possible business structures, in practice it is one that is difficult to implement because of administrative constraints and the somewhat limited flexibility typical of UN organizations. The Secretariat is aware that matrix management carries an inherent element of risk in respect to RBB's full deployment. Accordingly, it envisages its elimination in the medium term, with clear supervisory roles, resources and accountability to be assigned to Champions.

5.5.2 The budget estimates for the Safety Management Systems (SMS) programme, as is with other programmes, was derived from the estimated man power committed to it. This was achieved by mapping each established post to at most, four strategic results. ICAO did not have the capacity to generate more accurate budget estimates for strategic results.

5.6 Use of human resources is reported based on initial estimates without validation

5.6.1 ICAO's first RBB was developed using Excel software programme. A more advanced dedicated budgeting software was not in place at the time of budget preparation. As noted in paragraph 23 of the External Auditor's report, the Secretariat is presently engaged in the design of the functionality for budget preparation, "Budget Planner" being one of the Agresso modules envisaged under Phase 2 of the ERP. It is foreseen that such functionality will improve the level of precision in tracking budget expenditures by result, included with respect to human resources.

5.7 ICAO Knowledge Sharing Network is at an early stage of development

5.7.1 The Secretary General agrees with the observation of the External Auditor. An IKSAN project is underway for the implementation of CorasWorks software to replace the Air Navigation Integrated Programme (ANIP), and to transition it into a single "ICAO interface". It will offer an integrated off-the-shelf online environment for all ICAO's activities. IKSAN will be the platform where all ICAO programmes and projects will be managed, and where all stakeholders will be able to monitor progress towards objectives through real-time dashboards. However, it should be noted that, due to budgetary constraints, funds for IKSAN were not appropriated for in the 2008-2010 budget. As a result, IKSAN is being implemented with existing staffing which is being diverted from other projects, affecting the desired implementation timeline.

— END —