



ICAO

Doc 10128

Financial Statements and Reports of the External Auditor for the Financial Year Ended 31 December 2017



Documentation for the 40th Session of the Assembly in 2019

INTERNATIONAL CIVIL AVIATION ORGANIZATION



| ICAO

Doc 10128

Financial Statements and Reports of the External Auditor for the Financial Year Ended 31 December 2017

Documentation for the 40th Session of the Assembly in 2019

INTERNATIONAL CIVIL AVIATION ORGANIZATION

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

For ordering information and for a complete listing of sales agents and
booksellers, please go to the ICAO website at www.icao.int

**Doc 10128, *Financial Statements and Reports of the External Auditor for the
financial year ended 31 December 2017***

Order Number: 10128

NOT FOR SALE

© ICAO 2019

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

**FINANCIAL STATEMENTS AND
REPORTS OF THE EXTERNAL AUDITOR
FOR THE YEAR ENDED 31 DECEMBER 2017**

INTERNATIONAL CIVIL AVIATION ORGANIZATION
FINANCIAL STATEMENTS AND REPORTS OF THE EXTERNAL AUDITOR
FOR THE YEAR ENDED 31 DECEMBER 2017

TABLE OF CONTENTS

		PAGE
PART I	REPORTS BY THE SECRETARY GENERAL	
	Presentation	I - 1
	Statement on Internal Control	I - 14
PART II	OPINION OF THE EXTERNAL AUDITOR	II - 1
PART III	FINANCIAL STATEMENTS	
Statement I	Statement of Financial Position	III - 1
Statement II	Statement of Financial Performance	III - 2
Statement III	Statement of Changes in Net Assets	III - 3
Statement IV	Statement of Cash Flow	III - 4
Statement V/V-A	Statement of Comparison of Budget and Actual Amounts	III - 5
	Notes to the Financial Statements	III - 7
PART IV	TABLES	
Table A	Regular Activities by Fund	IV - 1
Table B	Regular Programme – Assessments Receivable from Member States	IV - 3
Table C	Technical Co-operation Project Activities by Group of Funds	IV - 6
Table D	Technical Co-operation Project Activities - Trust Funds and Management Service Agreements	IV - 7
Table E	Technical Co-operation Project Activities - Civil Aviation Purchasing Service Funds	IV - 9
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 YEAR ENDED 31 DECEMBER 2017 AND THE SECRETARY GENERAL’S COMMENTS IN RESPONSE TO THE REPORTS OF THE EXTERNAL AUDITOR	

PART I: REPORTS BY THE SECRETARY GENERAL

INTERNATIONAL CIVIL AVIATION ORGANIZATION**PART I: REPORTS BY THE SECRETARY GENERAL****PRESENTATION****1. INTRODUCTION**

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

1.2 ICAO's membership comprises 192 Member States. Its Headquarters are in Montreal and it has regional offices in Bangkok, Cairo, Dakar, Lima, Mexico City, Nairobi and Paris as well as a regional sub-office in Beijing.

1.3 ICAO has a sovereign body, the Assembly, and a governing body, the Council. The Assembly, composed of representatives from all Member States, meets every three years, reviews in detail the complete work of the Organization, sets policy for the coming years and approves financial statements issued since the last Assembly. It also decides on the triennial budget. The Assembly last met in September 2016.

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

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

1.6 In accordance with Article 12.4 of the Financial Regulations, I have the honour to submit to the Council for consideration and recommendation to the Assembly for approval of the financial statements of ICAO for the year ended 31 December 2017. As required by Article XIII to the Financial Regulations, the External Auditor's opinion and his report on the 2017 financial statements are also submitted to the Council and Assembly as well as my comments (reflected in the Secretary General's Comments) thereon.

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

2. FINANCIAL REPORTING AND BUDGET PERFORMANCE HIGHLIGHTS

Overview and Highlights of the Financial Statements

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

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

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

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

2.4 The following paragraphs summarize the key information on the financial situation and performance of the Organization for 2017.

2.5 **Statement I** presents the financial position of the Organization. Assets totalling CAD 490.5 million at 31 December 2017 are mainly composed of cash and cash equivalents amounting to CAD 436.5 million and of assessments and other amounts receivable totalling CAD 48.5 million. Total liabilities amounts to CAD 556.1 million, of which an amount of CAD 372.0 million represents advance receipts mostly for technical co-operation projects, and a long-term liability of CAD 146.7 million for employee benefits recognized on this statement since 2010 with the application of IPSAS.

2.6 This statement also shows an accumulated deficit of CAD 65.7 million, caused by the need to record the employee benefit liabilities under IPSAS. Nonetheless, since current assets exceed current liabilities by an amount of CAD 72.0 million, it is not foreseen that additional funding will be necessary on a short term basis to cover the accumulated deficit.

2.7 **Statement II** presents the financial performance for the year 2017. Revenue from project agreement is recognized on the basis of services rendered and goods delivered to Technical Co-operation Projects (TCP). Sales of publications are also recorded on the accrual basis of accounting, when publications are delivered. There is also a temporary adjustment made to assessed contributions revenue for an amount of CAD 301 thousand during 2017 to take into account the impact of the recognition of long-term receivables at fair value as required by IPSAS. Total 2017 surplus amounts to CAD 1.3 million net of inter-fund eliminations. Table A shows the result by Fund or Group of Funds for regular activities. Expenses include an amount of CAD 8.7 million recorded in the Revolving Fund to recognize employee benefits expense (ASHI, annual leave and repatriation benefits) on an accrual basis. In 2017, CAD 3.6 million was paid for those benefits and this amount is presented in the Revolving Fund as a funding source from other Funds. The difference of CAD 5.0 million between benefits accrued and benefits paid is included in the deficit for the year for that Fund. Explanations on the financial results and surplus of the General Fund of the Regular Programme (CAD 2.2 million) and surplus of the AOSC Fund

(CAD 3.9 million) are provided in the following paragraphs.

2.8 With regard to the net surplus of other Funds, it is explained, among others, by surplus of CAD 2.5 million in Resource Mobilization Fund, CAD 2.4 million in Environment Funds and a surplus of CAD 1.3 million in Ancillary Revenue Generation Fund.

2.9 With regard to the Technical Co-operation Projects segment, there is no annual surplus or deficit for the year 2017 because revenue is recognized based on the stage of completion of projects, which is generally determined based on the costs incurred in each project. The cost of administration, operation and support to these projects is recognized in each project and the recovery of these administrative fees is recognized as revenue in the AOSC Fund.

2.10 **Statement III** provides changes in net assets during the year. The balance of Net Assets including reserves at the beginning of the year amounted to a net accumulated deficit of CAD 67.5 million. The balance of the net accumulated deficit at the end of 2017 was CAD 65.7 million. The decrease to the accumulated deficit for 2017 is mainly caused by the surplus of the year of CAD 1.3 million and the actuarial gain of CAD 0.9 million on After-Service Health Insurance (ASHI).

2.11 **Statement IV** gives the breakdown of the variation of cash flow from CAD 392.2 million at 31 December 2016 to CAD 436.5 million at 31 December 2017. The increase is due to additional cash received in advance for TC Projects. As permitted by IPSAS, the indirect method is used which is also the method adopted by ICAO in previous years.

2.12 **Statement V** shows a comparison between the budget (Regular Programme) and actual amounts. This statement is required under IPSAS because the approved budget and the financial statements are not prepared on the same basis as explained in Note 4 to the financial statements. This Statement also reflects the status of appropriations required by Financial Regulation 12.1. **Statement V-A** includes all funds of the Organization and shows the comparison between the budget and the actual amounts for funds for which the budgets are publicly available. This statement reconciles with the other financial statements and tables.

3. BUDGET PERFORMANCE AND FINANCIAL HIGHLIGHTS

Appropriations for Regular Programme

3.1 The 39th Session of the Assembly in 2016, under Clause C of Resolution A39-37, voted appropriations in the amount of CAD 97 642 thousand for the year 2017. Details of appropriations, transfers, actual expenditure and unobligated balances of appropriations by Strategic Objective and Supporting Strategies are given in Statement V.

3.2 The budgetary result for 2017, in thousands of Canadian dollars, is summarized as follows:

Original Appropriations	97 642
2016 Outstanding Commitments	12 247
Carry-over from 2016	<u>9 088</u>
Approved Revised Appropriations	118 977
2017 Outstanding Commitments	(16 364)
Carry-over to following year	<u>(7 535)</u>
Final Revised 2017 Appropriations	<u>95 078</u>

3.3 **2016 Outstanding Commitments.** In accordance with Financial Regulation 5.7, an amount of CAD 12 247 thousand was approved by the Secretary General to supplement the 2017 appropriations, primarily for payment of outstanding commitments for the year ending as of 31 December 2016.

3.4 **Carry-over from 2016.** In accordance with the Financial Regulation 5.6, an amount of CAD 9 088 thousand was approved by the Secretary General to supplement the 2017 appropriations, financed by savings from 2016, for mandatory and other mission-critical activities that were not budgeted for in 2017.

3.5 **2017 Outstanding Commitments.** The value of obligations entered into in 2017, but delivery against which is only expected in 2018, is CAD 15 359 thousand. Employee entitlements in an amount of CAD 1 005 thousand consisting primarily of accrued leave and repatriation grants foreseen to be paid to staff separating from ICAO in 2018. Therefore, an amount of CAD 16 364 thousand (also see Figure 1, column (e)), has been reserved and carried forward to 2018, pursuant to Financial Regulation 5.7 to clear legal obligations incurred during 2017.

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

3.7 **Carry-over to Following Year.** Under Financial Regulation 5.6, the Secretary General is authorized to carry over unspent appropriations, not exceeding 10 per cent per appropriation for each SO or SIS. The amount of CAD 7 535 thousand is within this limit. The amount being carried over will be used to fund activities that did not get funded by the 2018 budget and those 2017 activities that were deferred to 2018. Mission-critical activities and activities that are considered mandatory in nature were given priority. Mission-critical activities and mandatory activities being funded by unspent 2017 appropriations include activities related to the No Country Left Behind (NCLB) initiative such as Combined Action Team missions, Hand-On Technical Assistance and other technical assistance activities; activities related to Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA); further assistance for Regional Office Air Traffic Management; activities related to Machine Readable Travel Documents (MRTD); activities aimed at resolving Air Traffic Services/Flight Information Regions (ATS/FIR) issues; the further support to enhancing cyber security and information security; the upgrading of the Enterprise Resource Planning (ERP) system; implementation of the Language Services Management System (LSMS); the Paperless Meeting project and other related activities aimed at increasing efficiency for meetings; further enhancement of the Corporate Performance Management reporting; provision of Assessment Centres; and other activities that will further enhance programme delivery. Deferred activities include postponed Universal Safety Oversight Audit Programme (USOAP) audits; activities related to aviation medicine; translation of MRTD Training Package; and activities related to legal meetings and related documentation.

3.8 As a result of the increases and transfers outlined in the preceding paragraphs, the final revised appropriation for the year amounted to CAD 95 078 thousand.

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

I-5
FIGURE 1

	<u>2017</u> <u>Budget</u> ¹	<u>Actual</u> ²	<u>Exchange</u> <u>Differences</u>	<u>Actual</u> <u>at Budget Rate</u> ³	<u>2017</u> <u>Outstanding</u> <u>Commitments</u>	<u>Total</u>	<u>Difference</u>
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
				= (b)+(c)		= (d)+(e)	= (f) - (a)
							\$
REVENUE							
Assessed Contributions	89 344	101 031	(11 386)	89 645		89 645	301
Other Revenue						0	
ARGF	6 415	6 415		6 415		6 415	0
Miscellaneous	348	677		677		677	329
Reimbursement from AOSC	1 202	1 202		1 202		1 202	0
Transfer from Incentive Scheme Account	333	333		333		333	0
	97 642	109 658	(11 386)	98 272	0	98 272	630
EXPENSES							
Staff salaries and employment benefits	93 311	84 893	(7 465)	77 428	10 673	88 101	(5 210)
Supplies, consumables and others	1 194	450	(57)	393	465	858	(336)
General operating expenses	16 503	11 133	(662)	10 472	5 197	15 668	(835)
Travel	6 212	5 853	(340)	5 513	22	5 535	(678)
Meetings	1 306	1 172	(145)	1 027	8	1 035	(271)
Other expenses	451	314	(68)	246	0	246	(205)
	118 977	103 816	(8 738)	95 078	16 364	111 443	(7 535)

¹ 2017 Budget-Expenses include carry over (and commitments) from prior year of CAD 21 335 thousand.

² From Table A, Financial Statements, excluding Working Capital Fund and exchange differences

³ Includes (1) net budget exchange gain of CAD 9 728 thousand (CAD11 386 thousand total gain due to impact of US dollar transactions budgeted at USD1.00=CAD1.00 less CAD1 658 thousand unrecognized gain pertaining to outstanding 2017 assessments), and (2) net currency exchange (realized) loss of CAD 990 thousand such as revaluation of balance sheet items.

3.10 **Explanation of Differences – Revenues.** The overall budget of CAD 97 642 thousand (Figure 1, column (a)) refers to the five main funding sources of the Regular Programme Budget for 2017: Assessed Contributions, ARGF Surplus, Miscellaneous Income, Reimbursement from AOSC Fund, and Transfer from Incentive Scheme Account. For the *Assessed Contributions*, the difference of CAD 301 thousand (CAD 1 360 thousand in 2016) pertains to the discounted amount of the long-term contributions receivable.

3.11 **Explanation of Differences – Expenses.** The overall budget of CAD 118 977 thousand (Figure 1, column (a)) includes the 2017 original appropriations of CAD 97 642 thousand, the carry-over from 2016 along with 2016 Outstanding Commitments of CAD 21 335 thousand. Savings (unutilized appropriations) from 2017 of CAD 7 535 thousand will be carried over to 2018.

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

- a) Budget exchange gain of CAD 11 386 thousand. Since 2010, Member States are being invoiced partly in USD and partly in CAD. The USD/CAD exchange rate on 1 January 2017 (the date when invoices were raised in USD) was higher than the rate used in developing the 2017 budget causing an addition to total assessed contributions of CAD 11 386 thousand of which CAD 1 658 thousand pertains to outstanding 2017 assessments in USD; and
- b) The net currency realized exchange loss of CAD 990 thousand from the revaluation of balance sheet items.

The net exchange difference (gain of CAD 8 738 thousand) has been allocated to actual expenditure in order to restate it to the budget exchange rate. The total expenditure restated at the budget rate is shown in Figure 1, column (d). In this manner, the budgetary savings i.e. difference between budget and actual expenses, have been appropriately adjusted, as shown in Figure 1, column (g).

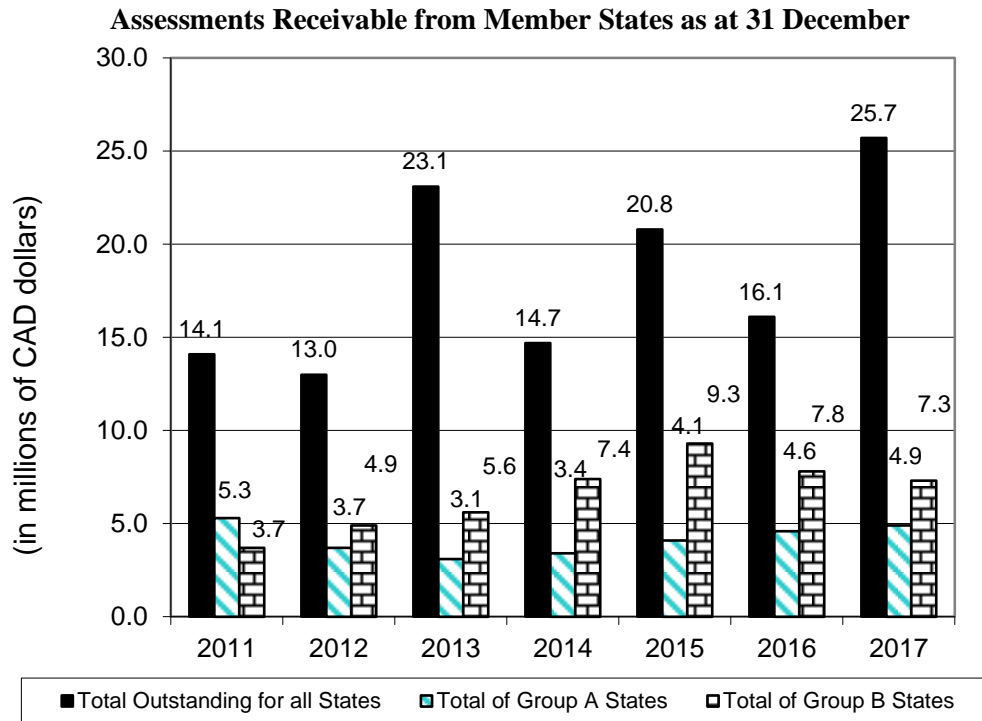
Assessment and Reporting Currencies

3.13 Assessments on Member States and other estimated sources of revenue were established in Canadian dollars for 2008 and for 2009. In 2010 a split assessment was introduced with about three quarters payable in Canadian dollars and one quarter payable in U.S. dollars. To ensure consistency and comparability between the approved budgets and the Accounts and Funds of the Organization, transactions are reflected in Canadian dollars and the financial statements are presented in Canadian dollars from 2008 onwards. This change is applicable to most of the Funds of the Organization for regular activities presented in Segment 1, while Funds presented in Segment 2 related to Technical Co-operation Projects are recorded in U.S. dollars, but presented in Canadian dollars in the financial statements. During 2017, the fluctuation of the Canadian dollar against the U.S. dollar was CAD 1.354 at the beginning of the year and CAD 1.26 at the end of the year.

Assessments and Other Voluntary Contributions

3.14 During the year 2017 assessments totalling CAD 86 172 thousand were received and a balance of CAD 14 558 thousand remained outstanding at the year-end against the current year's assessments. At the beginning of the year, CAD 14 240 thousand was receivable from States in respect to 2016 and prior years; payment of CAD 3 860 thousand was received, leaving a balance outstanding of CAD 10 380 thousand. The assessments receivable for all years totalled CAD 24 938 thousand as at 31 December 2017 (including the Working Capital Fund). CAD 24 938 thousand includes a USD assessment component converted at CAD 1.26 yielding a re-valued assessment receivable balance of CAD 25 685 thousand. Details are provided in Table B of Part IV to this document. The percentage of receipts of contributions for the last four years in relation to the amount assessed averaged 92.65 per cent. Figure 2 shows the status of the assessed contributions receivable at the end of each year since 2011.

I-7
FIGURE 2



3.15 Of the total outstanding contributions of CAD 25 685 thousand at 31 December 2017, CAD 11 038 thousand pertained to States represented on the Council. The following figure provides detail of the assessments receivable in thousands of CAD, by group of States.

FIGURE 3

	Number of States 2017	Amount Outstanding as at 31 December 2017	Number of States 2016	Amount Outstanding as at 31 December 2016
Group A: States that have concluded agreements with the Council to liquidate their arrears over a period of years	12	4 863	12	4 623
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	14	7 284	15	7 779
Group C: States with contributions in arrears for less than three full years	9	1 317	8	1 031
Group D: States with contributions outstanding only for the current year	21	11 577	16	1 987
Sub-total	56	25 041	51	15 420
The Former Socialist Federal Republic of Yugoslavia	-	644	-	691
Total Outstanding Contributions	56	25 685	51	16 111

3.16 As at 31 December 2017, 12 States had concluded agreements to liquidate their arrears over a period of years. The agreements provide for these States to effect payment of the current year's contribution as well as an annual instalment payment towards the prior year's arrears. The note on

Table B of Part IV to this document, indicates the States that had not complied with the terms of their agreements at 31 December 2017.

3.17 Major contributions (*) received for the Regular Programme and other Funds in Segment 1 for 2017 are summarized in thousands of CAD below:

FIGURE 4

Member State	Assessment Received	Contributions In-Kind (Premises)	Contributions in Cash and In-Kind	Total
Canada	2 632	23 433	1 718	27 783
China	8 238		8 765	17 003
United States	10 194		2 048	12 242
Japan	7 493		193	7 686
France	4 110	754	880	5 744
Germany	5 457		42	5 499
United Kingdom	4 247		203	4 450
Republic Korea	2 196		1 424	3 620
Brazil	3 030		195	3 225
Italy	2 719		207	2 926
Thailand	599	1 847	9	2 455
United Arab Emirates	2 315		100	2 415
	53 230	26 034	15 784	95 048

(*) Twelve highest contributions

3.18 Total expenses in 2017, including those for seconded staff, gratis personnel, missions and premises provided without charge, by Strategic Objective and Supporting Implementation Strategies (SIS) and for other activities are shown in thousands of CAD below:

FIGURE 5

	Safety	Air Navigation Capacity and Efficiency	Security and Facilitation	Economic Development of Air Transport	Environmental Protection	Supporting Strategy	Others	Total
Regular Budget	25 712	15 760	8 271	3 267	3 810	46 996		103 816
Voluntary Funds and other Regular Activity funds	3 662	591	4 149	113	1 203	1 221	33 538	44 477
Premises						27 161		27 161
Gratis Staff and Missions (In-Kind) (1)								
China	1 281	837	323	1 128	213	837		4 619
Singapore	358	330	39	9	15	202		953
France	512	96	259	5	8			880
Turkey	442	310	31	74	11			868
Nigeria	240	60	360	5	34		7	706
Korea	175	1	128				207	511
Malaysia	207		8		15			230
Netherlands	207		18			1		226
Italy	207							207
United Kingdom	203							203
Others	1 151	747	1 571	32	339	175	90	4 105
Sub-total Gratis Staff and Missions	4 983	2 381	2 737	1 253	635	1 215	304	13 508
Total Expenses	34 357	18 732	15 157	4 633	5 648	76 593	33 842	188 962

(1): Ten highest contributions

I-9
Cash Surplus

3.19 The cumulative surplus excluding reserves in Net Assets for the Regular Programme Budget at 31 December 2017 reflected in Table A of Part IV to this document amounted to CAD 17.6 million. Cumulative surplus less the Working Capital Fund balance of CAD 10.1 million and assessments receivable from Member States of CAD 24.9 million resulted in a cash deficit of CAD 17.4 million at 31 December 2017. Reserved surplus totalling CAD 18.7 million includes an amount of CAD 23.9 million to finance 2017 outstanding commitments and appropriations carried over to 2018, plus unrealized exchange gain of CAD 2.1 million, offset by an unrealized discount and provision on assessments receivable of CAD 7.3 million.

Ancillary Revenue Generation Fund (ARGF)

3.20 ARGF reported an operating surplus of CAD 11 037 thousand in 2017. This is before payment of the required contribution of CAD 6 415 thousand to the Regular Programme Budget and further costs contribution of CAD 2 298 thousand to ICAO Work Programme. Charges of CAD 993 thousand was made to the cumulated surplus.

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

FIGURE 6

	Revenue	Expense	Surplus
Publications, Distribution & Printing	8 504	3 185	5 319
Training	4 768	3 835	933
Licensing	3 086	328	2 758
Events	2 799	2 180	619
Delegation and Conference Services	2 731	1 201	1 530
New Products	923	810	113
Commissariat	527	507	20
ARGF Operations and Admin. Fee & Admin. Support Costs	372	533	(161)
Periodicals	340	434	(94)
Operating Results	24 050	13 013	11 037
ARGF Inter-billing Elimination	(393)	(393)	-
	23 657	12 620	11 037
Amount Transferred to Regular Programme Budget		6 415	(6 415)
Further Contribution to ICAO Work Programmes		2 298	(2 298)
Net before payments made from the Cumulative Surplus	23 657	21 333	2 324
Payments made from the Cumulative Surplus	(163)	830	(993)
Net	23 494	22 163	1 331

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

FIGURE 7

	Actual	Budget	Variance
Revenue	24 050	23 824	226
Expense	13 013	14 700	1 687
Surplus	11 037	9 124	1 913

3.23 For the year 2017, ARGF surpassed its operating surplus budget by CAD 1 913 thousand. This was made possible by a combination of the continued favourable USD/CAD exchange rate and the overall unspent budgeted expenses. In total, 76% of the overall ARGF products in 2017 were priced in US dollars.

Administrative and Operational Services Cost Fund (AOSC)

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

FIGURE 8

AOSC Fund Budget and Expenditures for 2017¹

	Submitted to the Assembly ²	Revised Budget 2017 ³	Actual Expenditure/ Income 2017 ⁴	Balance of Revised Budget
Appropriation/Expenditure				
Major Programme	9 560	9 760	10 978	(1 218)
Income		12 480	14 355	
Excess/(Deficit) of Income over Expenditure		2 720	3 377	

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

² Approved by the Assembly in 2016 (A39).

³ Noted by the Council at its 212th Session (C-WP/14654).

⁴ Expenditure includes CAD 787 thousand transferred to a Special Reserve Fund as per C-DEC 200/2 on the mechanism for adjusting the cost apportionment between the Regular Programme Budget and the AOSC Fund.

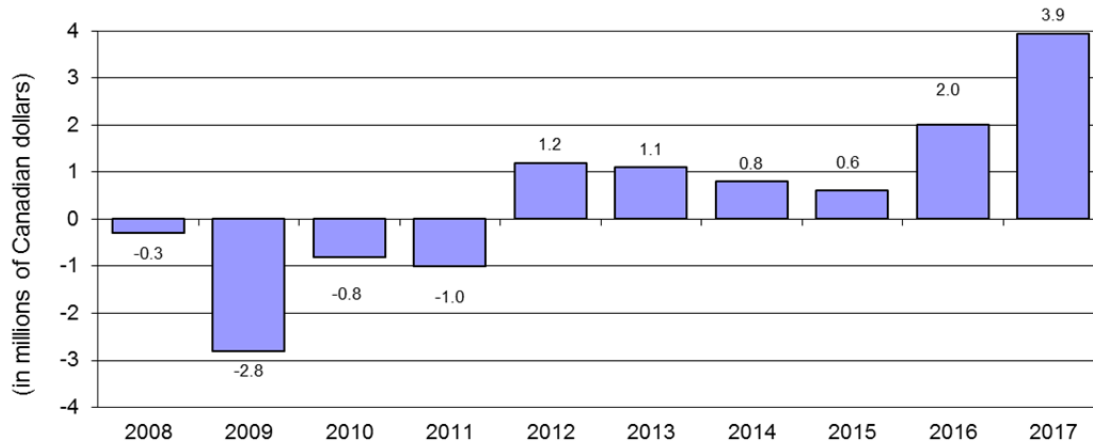
3.25 As indicated above, the Assembly approved the Indicative Budget Estimates (expenditure) of the AOSC Fund amounting to CAD 9 560 thousand for the financial year 2017. During the year, pursuant to Financial Regulation 9.5, the Secretary General submitted to the Council an update of the 2017 Budget Estimates (expenditure) in C-WP/14654. The revised estimated expenditures for 2017 amounted to CAD 9 760 thousand and the estimated income to CAD 12 480 thousand.

3.26 There is an excess of CAD 1 875 thousand in AOSC income versus budget mainly as the result from the continued strength of the US Dollar in which the AOSC income is earned and an increase in income from technical cooperation purchasing services. On the expenditure side, staff costs exceeded the budgeted amount by CAD 1 218 thousand though the overall result was a total positive variance of CAD 3 377 thousand between income and expenditures.

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

I-11
FIGURE 9

AOSC Funds Surplus and Shortfall as at 31 December



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

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

3.30 ICAO took steps aimed at increasing TCB's efficiency and quality of services, operational and financial controls and to continually improve the Bureau's working processes through the implementation of a Quality Management System based on the ISO 9001:2008 quality standard. Commencing in 2012, TCB now fully conforms to the ISO 9001:2008 Standard and was re-certified in early 2015 and underwent a surveillance audit in early 2016 and 2017. The improved processes have contributed to the considerable progress in the Technical Co-operation Programme Performance and the AOSC fund's continued positive results.

3.31 A rolling three year Management Plan for TCB is prepared in close coordination with the Technical Co-operation Committee, setting the goals and strategies to be followed during the current period with the aim at improving the governance, efficiency and quality of ICAO Technical Co-operation Programme activities. Consequently, continued efforts are being undertaken to ensure the sustained improvement of the AOSC financial situation through a review of the TCB organizational structure, staffing levels, cost savings and efficiency measures.

3.32 Technical Co-operation Projects represent one of the main activities of the Organization.

Projects are financed by governments and other donors and the inflows and outflows of financial resources totalled CAD 131.4 million in 2017. Tables C to E in Part IV of this document provide more detail on these projects, summarized by the following figures in millions of CAD.

FIGURE 10

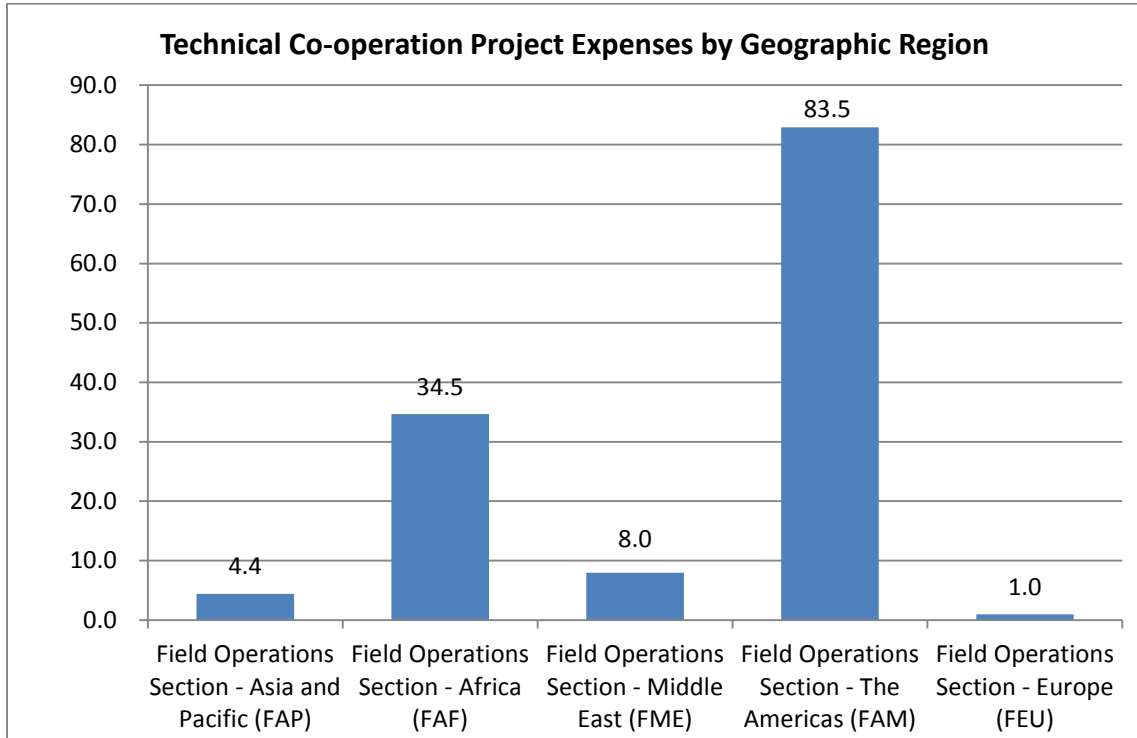
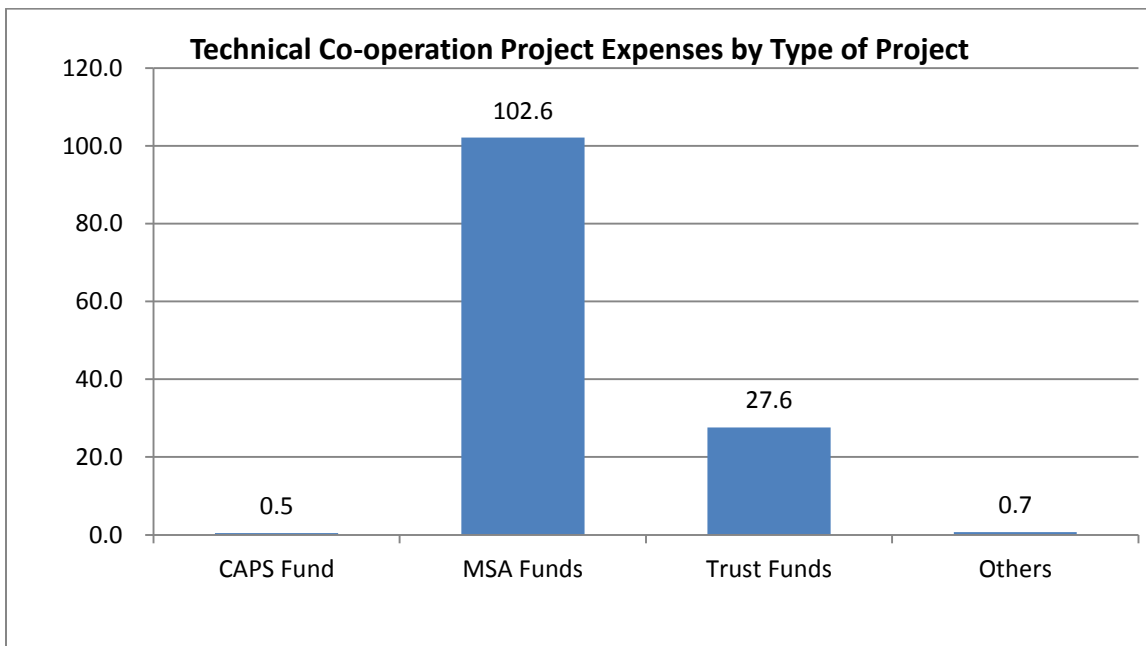


FIGURE 11



4. RESPONSIBILITY OF MANAGEMENT

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

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

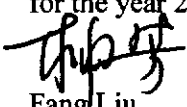
To fulfill its responsibility, the Organization maintains systems of internal controls, policies and procedures to ensure the reliability of financial information and the safeguarding of assets. The internal control systems are subject to both internal and external audit. The External Auditor has audited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

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

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


Lynette Lim
Acting Chief, Finance Branch

As the Secretary General of the International Civil Aviation Organization, I hereby approve and submit this financial report of ICAO, accompanied by the Financial Statements and Tables for the year 2017.


Fang Liu
Secretary General

I-14
Statement on Internal Control
2017

Scope of responsibility

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

Purpose of the system of internal control

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

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

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

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

Capacity to handle risk

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

6. In 2017, a new Strategic Planning, Coordination and Partnerships Office (SPCP) was established under the Office of the Secretary General (OSG). SPCP is responsible for the coordination of high-level and cross-cutting strategies and priorities among the different Bureaus and Offices of the Organization as well as the coordination activities between Headquarters and the Regional Offices. In particular, the SPCP is responsible for the development and maintenance of the ICAO Business Plan and Operating Plan, the Corporate Performance Management Framework, the Corporate Key Performance Indicators and the Risk Registry, which form the basis for resource allocation and assist me to monitor its accountability and performance with respect to the implementation of Assembly Resolutions and Council Decisions.

7. As the Secretary General of the Organization, in collaboration with the senior management group (SMG), composed of my key managers, I am responsible for establishing the control environment and providing the discipline and structure for the achievement of the primary objectives of the system of internal control. The Secretariat is committed to address the adequacy of the ICAO Corporate Risks Register and to ensure that the process of identifying, assessing and monitoring risks associated with the implementation of programmes and projects as well as the overall operations of the Organization, exists and is functioning as intended.

Risk and internal control framework

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

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

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

Review of effectiveness

11. My review of the effectiveness of the system of internal controls is mainly informed by:
- a) my senior managers, in particular Directors of Bureaus and Chiefs of Offices who play important roles and are accountable for expected results, performance, controlling their Bureaus/Office activities and the resources entrusted to them. The information channels rely mainly on periodic meetings held by the Senior Management Group (SMG) and the full SMG of the Secretariat. For the year ended 31 December 2017, control issues, together with remedial actions, have been identified through a self-assessment process and also the application of best practices, as confirmed by my senior managers' personal written attestation;
 - b) the Evaluation and Internal Audit Office (EAO) of whose reports on internal audits, evaluations and advisory services I rely also are provided to me. These include independent and objective information on compliance and programme effectiveness, together with recommendations for improvement;
 - c) the Ethics Officer, who provides advice and counsel to me, the Organization and its staff on ethics and standards of conduct, and promotes ethical awareness and responsible behavior in handling referrals concerning allegations of unethical behavior, including conflict of interest;
 - d) the Evaluation and Audit Advisory Committee (EAAC), whose purpose is to advise me and the Council on risk management, financial and internal controls and the related functions of oversight;
 - e) the reports of the Joint Inspection Unit of the United Nations system on matters applicable to ICAO; and
 - f) Council's observations and decisions.

Significant control issues

12. The 2017 statements of assurance on the effectiveness of internal control, reported by senior management, have identified an internal control issue, previously reported, related to the risk

assessment in the ROs. Although some improvements were recognized in terms of reporting the ROs' risks through their annual operating plans with the implementation of the Corporate Management and Reporting Tool (CMRT) in 2017, the ROs do not log their risks in the CMRT and they do not participate in the identification of risks at their level in the risk registers. Thus, they do not manage, monitor and keep their own risk registers up to date twice a year as the current process in the HQ. This needs to be improved in the future to allow the ROs to log their risks in the CMRT. As recommended by EAAC, there is a need that the total risk exposure over all the ICAO activities be considered and management must be held accountable. Comprehensive risk assessments should be undertaken in all regions and for all ICAO's operations.

13. EAO has submitted to Council its 2017 Report on the Activities of the Office (C-WP/14711). The report contains several observations and recommendations aimed at improving internal controls, namely in the following areas:

13.1 Audit of the Middle East (MID) Regional Office. A number of issues regarding the functioning of MID Regional Office were raised. There is a need of a cost-benefit analysis to be conducted by the RO of official missions and meetings to ensure a balance between support of meetings and assistance visits to the States. The operational effectiveness and efficiency of the Office can be further enhanced through the regular training of Regional Officers by HQ in particular ANB and ATB on any new programmes, concepts, new or revised SARPs and on any outcome of Panel or technical group meetings. It was recommended that ANB and ATB should establish a procedure to ensure such trainings are conducted at regular intervals. Furthermore, establishing a contingency plan, in close coordination with Human Resources, for vacancies in key areas would enable the RO to effectively deliver on its mandate. The 2017 updated Regional Office Manual (ROM) will help to clarify the roles and responsibilities of Bureaus and ROs in the provision of technical assistance and cooperation.

13.2 Audit on the use of interns and secondees. Two internal audits were conducted as well for the use of interns and secondees, as gratis personnel, which account for over 70 per cent of all secondees. Both audits address key risks including: a) the lack of compliance with applicable rules, regulations and policies; b) inconsistencies in the method used to determine internship and secondment needs; c) the capacity of the Organization to accommodate an increasing number of interns and secondees; d) lack of standardization and implementation of recruitment procedures; and e) dependency on interns and secondees to achieve operational objectives. Taking into account recommendations made by EAO in its Audit Report on the Use of Interns as well as experience to date with internships at ICAO, the Administrative Instructions for the ICAO Internship Programme have been revised and approved by the Secretary General in February 2018 to include the educational requirements, the mandatory training and the new standardized documentation of the selection process. With regard to the administrative instructions on Secondment, they have been also revised in December 2017 and aligned with the aforementioned recommendations. Supplementary procedural and administrative details have also been incorporated in these administrative instructions for harmonization purposes.

13.3 Evaluation of ICAO's partnerships with UN Organizations and Agencies. The evaluation of ICAO's partnership with UN Organizations and Agencies urges the ICAO Secretariat to establish partnership agreements based on well-defined criteria and to take measures so that all partnership agreements are linked to ICAO's Business Plan and Strategic Objectives to collect the expected benefits. The Strategic Planning, Coordination and Partnerships Office (SPCP) should ensure that the developing organization-wide database on partnerships is actively used for its intended purpose of enhancing internal coordination and the database should be updated periodically with respect to the partners focal points. There is also a need to develop a partnership framework that will provide guidance on when cooperative arrangements are needed and situations in which planned collaborations can be exempt from formal arrangements. ICAO's approach with respect to partnerships in the UN system can be improved to provide more clarity and more coherence at all stages of the partnership process. A single database across the Organization on partnerships with UN, financial institutions and foundations is in the process of being built and updated to reflect where cooperative arrangements exist (including their duration, funding levels,

focal point) and current key activities. Improvements to accountability aspects of partnerships are expected to bring more leverage to ICAO from these partnerships.

14. Concerning the area of Information Technology (IT), EAAC disclosed in their 2017 Annual Report (C-WP-/14679) that the IT audits were barely done in the last few years. EAAC was concerned by this gap and recommended that high priority must be given to this subject, knowing that the risks in the IT sector are profoundly increasing. EAO conducted an audit on Cyber Security Management which started in November 2017 and a final report was issued in March 2018. The report included many critical and important control weaknesses in the planning, execution and governance in the Information Technology area. The security document management, the staffing, the process and the overall technology were evaluated among others. All recommendations made in the report were accepted by the ICAO Secretariat. Management comments and proposed actions to implement the recommendations are detailed in a Secretariat Action Plan, which was also completed in March 2018. Actions to address the critical and important observations will be undertaken in 2018 through 2020.

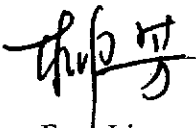
15. Concerning the issues reported in the previous year's MAS, the new Corporate Management and Reporting Tool (CMRT) has gone live in June 2017 while the funding still remains an issue for the following areas:

- a) Setting apart funds to mitigate the identified risks in risk registers. Funds are not available to address any unforeseen events or emerging priorities;
- b) Staff training identified in PACE and which is needed to raise the competency level of staff to allow them to better perform their duties. Funding is not always permitted for all the training identified in PACE; and
- c) Funding the ASHI liability is still under consideration by Council.

Statement

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

17. Based on the above, I conclude to the best of my knowledge and information, that ICAO operated satisfactory systems of internal control for the year ended 31 December 2017 and up to the date of approval of the financial statements.



Fang Liu
Secretary General

Montreal, Canada
29 March 2018

PART II: OPINION OF THE EXTERNAL AUDITOR



Corte dei conti

AUDIT CERTIFICATE

Opinion

We have audited the financial statements of the International Civil Aviation Organization (ICAO), which comprise the statement of financial position as at 31 December 2017, the statement of financial performance, the statement of changes in net assets, the statement of cash flow and the statement of comparison of budget and actual amount for the Regular Programme General Fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the International Civil Aviation Organization (ICAO) as at 31 December 2017, and its financial performance, its changes in net asset, its cash flows and its comparison of budget and actual amounts for the Regular Programme General Fund for the year then ended, in accordance with IPSAS and the ICAO Financial Regulations and Rules.

Basis for Opinion

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

Other Information

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

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

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

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

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

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

In accordance with the ICAO Financial Regulations and Rules (Article XIII) and the Additional terms of reference governing the external audit (Annex B to these Financial Regulations and Rules) we have also issued a detailed report on our audit of the ICAO Financial Statements for 2017.

Emphasis of matter

We draw attention to the fact that the Statement of financial position shows a negative Net Asset (-65.7 MCAD), mainly due to the impact of 146.7 MCAD in actuarial liabilities relating to long-term employee benefits recorded in the financial position. Details of our analysis are included in our report. Measures are being undertaken by Management, which has assured us that it will monitor the effectiveness of these measures. Our opinion is not modified in respect of this matter.

Rome, 18 May 2018

Angelo Buscema
President of the
Corte dei conti



PART III: FINANCIAL STATEMENTS

INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT I

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

(in thousands of Canadian dollars)

	Notes	2017	2016
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2.1	436 490	392 172
Assessed contributions receivable from Member States	2.2	13 273	3 992
Receivables and advances	2.3	29 632	19 858
Inventories	2.4	381	513
Others	2.3	1 708	1 747
		481 484	418 282
NON-CURRENT ASSETS			
Assessed contributions receivable from Member States	2.2	5 193	4 551
Receivables and advances	2.3	385	280
Property, plant and equipment	2.5	2 776	3 017
Intangible assets	2.6	664	793
		9 018	8 641
TOTAL ASSETS		490 502	426 923
LIABILITIES			
CURRENT LIABILITIES			
Advanced receipts	2.8	372 006	312 594
Accounts payable and accrued liabilities	2.9	28 422	29 646
Employee benefits	2.10	7 642	8 301
Credits to contracting/servicing governments	2.11	1 389	1 465
		409 459	352 006
NON-CURRENT LIABILITIES			
Employee benefits	2.10	146 694	142 395
		146 694	142 395
TOTAL LIABILITIES		556 153	494 401
NET ASSETS (ACCUMULATED DEFICIT)			
Accumulated deficit	2.12	(51 141)	(52 759)
Reserves	2.12	(14 510)	(14 719)
		(65 651)	(67 478)
TOTAL LIABILITIES AND ACCUMULATED DEFICIT		490 502	426 923

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

INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT II
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 DECEMBER 2017
(in thousands of Canadian dollars)

	Notes	2017	2016
REVENUE			
Contributions for project agreements	3.2	130 370	121 490
Assessed contributions	3.2	101 031	106 915
Other revenue producing activities	3.2	22 479	21 019
Other voluntary contributions		13 281	14 996
Administrative fee revenue		2 160	959
Other revenue	3.2	3 115	2 560
TOTAL REVENUE		272 436	267 939
EXPENSES			
Staff salaries and employee benefits	3.3	174 316	157 256
Supplies, consumables and others	3.3	53 308	59 909
General operating expenses	3.3	17 911	21 123
Travel	3.3	15 297	12 104
Meetings		1 611	2 339
Training		2 944	2 857
Other expenses	3.3	5 798	4 850
TOTAL EXPENSES		271 185	260 438
SURPLUS FOR THE YEAR		1 251	7 501

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

INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT III

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 31 DECEMBER 2017
(in thousands of Canadian dollars)

	Notes	Accumulated Deficit	Reserves	Net Accumulated Deficit
Balance at 31 December 2016		(52 759)	(14 719)	(67 478)
Movements in fund balances and reserves in 2017				
Variation to carry forward balance	2.12	(2 564)	2 564	
Variation of actuarial gain/(loss)	2.10		916	916
Other reclassifications and transfers	2.12	(423)		(423)
Variation of exchange difference	2.12	3 354	(3 354)	
Variation of translation adjustment	2.12		83	83
Surplus of the year		1 251		1 251
Total movements during the year		1 618	209	1 827
Balance at 31 December 2017		(51 141)	(14 510)	(65 651)

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

INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT IV
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2017

(in thousands of Canadian dollars)

	Notes	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:			
Surplus/(Deficit) for the year		1 251	7 501
(Increase) decrease in contributions receivable	2.2	(9 281)	2 830
(Increase) decrease in receivables and advances	2.3	(9 774)	1 209
(Increase) decrease in inventories	2.4	132	240
(Increase) decrease in other assets	2.3	39	365
(Increase) decrease in non-current contributions receivable (net of discount)	2.2	(642)	471
(Increase) decrease in non-current receivables and advances	2.3	(105)	74
Increase (decrease) in advanced receipts	2.8	59 412	(7 730)
Increase (decrease) in accounts payable and accrued liabilities	2.9	(1 224)	1 775
Increase (decrease) in short-term employee benefits	2.10	(659)	1 074
Increase (decrease) in credits to contracting/servicing governments	2.11	(76)	(209)
Increase (decrease) in long-term employee benefits	2.10	4 299	(6 707)
Actuarial gain (loss) reflected in reserves	2.10	916	12 198
Interest income		(4 557)	(1 345)
Depreciation and amortization		835	1 075
Foreign currency translation adjustment		83	171
NET CASH FLOWS FROM OPERATING ACTIVITIES		40 649	12 992
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of property, plant and equipment and Intangibles	2.5 & 2.6	(465)	(1 582)
Interest income		4 557	1 345
NET CASH FLOWS FROM INVESTING ACTIVITIES		4 092	(237)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Transfers from net assets to liabilities and other transfers		(423)	(19)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(423)	(19)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		44 318	12 736
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		392 172	379 436
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		436 490	392 172

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

INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT V

REGULAR PROGRAMME GENERAL FUND
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2017

(in thousands of Canadian Dollars)

Strategic Objective / Supporting Implementation Strategy	Appropriations							Expenditures ¹			Balance	
	Original A39-37	2016 Outstanding Commitments ^a	Carry-over from Prior Year ^b	2017 Appropriations Before Transfers	2017 Outstanding Commitments ^a	Transfers among SO/SIS ^c	Carried over to following year ^b	2017 Appropriations Revised	Total	Budget Exchange Difference ²		At budget rate of exchange
Safety	22 962	2 248	3 000	28 210	(1 970)	(1 215)	(2 671)	22 354	25 712	(3 358)	22 354	0
Air Navigation Capacity and Efficiency	14 627	1 686	2 100	18 413	(1 402)	(1 913)	(1 820)	13 278	15 760	(2 482)	13 278	0
Security and Facilitation	8 773	226	1 000	9 999	(234)	(1 501)	(1 000)	7 265	8 271	(1 006)	7 265	0
Economic Development of Air Transport	3 112	553	120	3 785	(146)	(354)	(244)	3 041	3 267	(226)	3 041	0
Environmental Protection	3 432	215	571	4 218	(844)	282	(200)	3 456	3 810	(354)	3 456	0
Sub-Total	52 906	4 929	6 791	64 626	(4 596)	(4 701)	(5 935)	49 394	56 820	(7 426)	49 394	0
Programme Support	30 957	4 304	1 810	37 071	(7 976)	2 921	(1 120)	30 896	32 001	(1 104)	30 897	0
Management & Administration	13 779	3 014	487	17 280	(3 793)	1 780	(480)	14 787	14 995	(208)	14 787	0
Sub-Total	44 736	7 318	2 297	54 351	(11 769)	4 701	(1 600)	45 684	46 996	(1 312)	45 684	0
Total	97 642	12 247	9 088	118 977	(16 364)	0	(7 535)	95 078	103 816	(8 738)	95 078	0

NOTE: The 2016 Outstanding Commitments and the Carry-over from Prior Year columns have been re-stated to reflect the 2017-2019 budget structure for the Supporting Strategies (reference page 16 of Doc. 10074, Budget of the Organization 2017-2018-2019).

^a Approved by the Secretary General, Financial Regulations 5.7^b Approved by the Secretary General, Financial Regulations 5.6^c Approved by the Secretary General, Financial Regulation 5.9¹ Expenditures other than Canadian dollars are reflected at the UN rate of Exchange² Exchange differences: (1) net \$9.7 million budget exchange gain due to impact of US dollar transactions budgeted at USD1.00 = CAD1.00; and (2) \$1.0 million net currency exchange (realized) loss, such as revaluation of balance sheet items.

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

INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT V-A
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR ALL FUNDS OF THE ORGANIZATION
FOR THE YEAR ENDED 31 DECEMBER 2017
(in thousands of Canadian Dollars)

References	2017 Budgets*	Actual	Budget Difference	Actual on a comparable basis	Difference between Budget and Actual on comparable basis	Actual without IPSAS Requirements	
REVENUE							
Regular Budget							
Assessed contributions	Figure 1; Tbl A	89 344	101 031	(11 386)	89 645	(301)	100 730
Other	Figure 1; Tbl A	8 299	8 627		8 627	(329)	8 627
<i>Total Regular Budget</i>	Figure 1; Tbl A	<u>97 642</u>	<u>109 658</u>		<u>98 272</u>	<u>(630)</u>	<u>109 357</u>
AOSC (excluding Efficiency/Effectiveness and Special Reserve Funds)							
Administrative Fee	Table A	11 450	13 339		13 339	(1 889)	13 339
Other Revenue	Table A	1 030	1 016		1 016	14	1 016
<i>Total AOSC</i>	Figure 8; Tbl A	<u>12 480</u>	<u>14 355</u>		<u>14 355</u>	<u>(1 875)</u>	<u>14 355</u>
Other AOSC Funds			-				-
Other Regular Activity Funds			48 476				44 408
Total Revenue - Regular Activities (RA)	Table A		<u>172 489</u>				<u>168 120</u>
<i>Less: Elimination of Inter-Fund - Regular Activities Balances</i>	Table A		<u>(19 859)</u>				<u>(15 791)</u>
Total Net Revenue - Regular Activities (RA)	Note 5.3		<u>152 630</u>				<u>152 328</u>
Technical Cooperation Project (TCP)	Note 5.3		<u>131 436</u>				<u>131 436</u>
Total Revenue - Regular Activities and TCP			<u>284 066</u>				<u>283 765</u>
<i>Less: Elimination of Inter-Fund Balances RA and TCP</i>	Note 5.3		<u>(11 630)</u>				<u>(11 630)</u>
TOTAL REVENUE	Statement II		<u>272 436</u>				<u>272 135</u>
EXPENSES							
Regular Budget							
All SO/SIS	St. V; Table A	118 977	107 488	(3 672)	103 816	15 160	111 556
Outstanding commitments	Statement V			16 364	16 364	(16 364)	
Budget Exchange	Statement V			(8 738)	(8 738)	8,738	
<i>Total Regular Budget</i>	Figure 1; Tbl A	<u>118 977</u>	<u>107 488</u>		<u>111 442</u>	<u>7 535</u>	<u>111 556</u>
AOSC (excluding Efficiency/Effectiveness and Special Reserve Funds)							
<i>Less: AOSC Inter-Fund transfer</i>	Figure 8	9 760	10 978		10 978	(1 218)	10 978
Other AOSC Funds			(787)				(787)
Other Regular Activity Funds			216				216
Total Expenses - Regular Activities (RA)	Table A		<u>47 583</u>				<u>37,943</u>
<i>Less: Elimination of Inter-Fund - Regular Activities Balances</i>	Table A		<u>165 478</u>				<u>159 906</u>
Total Net Expenses - Regular Activities (RA)	Note 5.3		<u>(14 098)</u>				<u>(14 098)</u>
Technical Cooperation Project (TCP)	Note 5.3		<u>151 379</u>				<u>145 807</u>
Total Expenses - Regular Activities and TCP	Note 5.3		<u>131 436</u>				<u>131,436</u>
<i>Less: Elimination of Inter-Fund Balances RA and TCP</i>	Note 5.3		<u>282 815</u>				<u>277 243</u>
TOTAL EXPENSES	Statement II		<u>271 185</u>				<u>265 613</u>
SURPLUS FOR THE YEAR	Statement II		<u>1 251</u>				<u>6 521</u>

* Comprised of publicly available budgets only

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

ADD:	Notes	
Increase in discounted long-term receivables	2.2	301
Capitalization of fixed assets	2.5	331
Intangible Assets	2.6	134
ASHI - Utilization	2.10	1 890
End of Service - Annual Leave - Utilization	2.10	707
End of Service - Repatriation benefits - Utilization	2.10	1 006
DEDUCT:		
Variation of inventories capitalized	2.4	(132)
Depreciation	2.5	(572)
Amortization of Intangible Assets	2.6	(263)
ASHI - Expense	2.10	(7 886)
End of Service - Annual Leave - Expense	2.10	(489)
End of Service - Repatriation benefits - Expense	2.10	(298)
NET IMPACT		<u>(5 270)</u>
SURPLUS FOR THE YEAR		<u>1 251</u>

REFERENCES:

Figures 1 and 8 refer to the Presentation by the Secretary General included in this document;
Table A (Tbl A), Note 5.3, Statement II and Statement V (St. V) are included in the Financial Statements and Tables.
Details may not add to totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION
Notes to the Financial Statements
31 December 2017

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

1. The financial statements of the International Civil Aviation Organization (ICAO) have been prepared on the accrual basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS). These standards have been applied since 1 January 2010.
2. Except as otherwise stated in these statements, the measurement basis used in preparing the financial statements is the amortized cost.
3. The Cash Flow Statement (Statement IV) is prepared using the indirect method.
4. The reporting currency of ICAO is the Canadian dollar (CAD). The functional currency of ICAO regular activities is the CAD. The functional currency of the Technical Co-operation Projects (TCP) is the United States dollar (USD) because these activities are generally carried out in USD. Transactions in currencies other than CAD, and other than the USD for TCP, are translated at the prevailing United Nations Operational Rates of Exchange (UNORE) at the time of transaction. Monetary assets and liabilities in currencies other than CAD, and other than USD for the TCP, are translated at the prevailing UNORE at year-end closing rate, which reasonably approximates the spot rate. Resulting gains or losses are accounted for in the Statement of Financial Performance except for differences arising from the translation of TCP activities into CAD for financial statement presentation purposes which are reflected in Reserves in the Statement of Financial Position.

Cash and Cash Equivalents

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

Financial Instruments

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

Inventories

10. Publications and Commissariat items on hand at the end of the financial period are recorded as inventories. Publications are valued at the lower of cost and current replacement cost and commissariat inventory is valued at the lower of cost and net realizable value.
11. The cost of publications includes purchase cost and all other costs incurred in bringing the

publications to a saleable or distributable state. The cost of Commissariat items represents the purchase price. Cost is determined on the weighted average basis.

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

Receivables and Revenue

13. Assessed contributions represent a legal obligation of Member States. These contributions are revenue from non-exchange transactions recognized at the beginning of the year for which the assessments are levied. Contributions for TCP activities are revenue from exchange transactions recognized on the basis of signed agreements between ICAO and contributors and are determined by the stage of completion based on the delivery of goods or rendering of services, which ICAO may in some instances consider best estimated by the phased schedule of payments related to applicable contracts for the projects. Other voluntary contributions are generally non-exchange transactions recognized as revenue when confirmed in writing by donors, or otherwise when received.
14. Administrative fees recovered on Technical Co-operation Projects are presented as revenue in the Administrative and Operational Services Cost (AOSC) Fund and as expenses in the respective projects. In accordance with IPSAS, revenue from administrative fees generated by TC projects is recognized based on the stage of completion. The stage of completion is estimated as follows:
 - Ninety per cent of the fee is progressively recognized until and when a purchase order for equipment is issued and the remaining 10 per cent is recognized upon delivery; and
 - For services, the administrative fee is recognized on the basis of cost incurred.
15. A new arrangement for sharing of interest income was introduced in 2011 under which ICAO retains generally fifty per cent of interest earned from deposit of project funds with an average monthly weighted balance in excess of USD 100 thousand. This income is presented in Administrative Fee Revenue of the AOSC Fund.
16. Other revenues are exchange transactions and balances receivable are presented in receivables and advances.
17. Contributions receivable are shown net of allowances related to reductions in contribution revenue, doubtful accounts and amortization (discount):
 - allowance for reductions in voluntary contribution revenue are reductions of contributions receivable and revenue when the funding is no longer needed by the project to which the contributions was directed or is otherwise unavailable;
 - allowance for doubtful accounts on assessed contributions is based on historical experience and on events that would indicate that a Member State is not capable of discharging its obligation; and
 - discounted long-term contributions receivable represent the outstanding balance of assessed contributions for which States have concluded agreements to liquidate their arrears over a period of years. Discounting is also applied to a number of other long outstanding contributions considering the probability that such agreements will be concluded to liquidate arrears. These receivables are stated at amortized (discounted) cost using the effective interest method and are therefore presented net of the cumulative discount.
18. In-kind contributions are presented at fair value. Donated goods that directly support approved operations and activities and can be reliably measured are recognized in the accounts. Services provided without charges are not recognized in the accounts, but are presented in the Notes to the Financial Statements for information purposes. These contributions include use of premises,

transport and personnel.

Property, Plant and Equipment

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

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

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

Intangible Assets

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

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

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

Advanced Receipts

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

Employee Benefits

29. ICAO recognizes the following categories of employee benefits:
 - short-term employee benefits due to be settled within twelve months after the end of the accounting period in which employees render the related service;
 - post-employment benefits, such as after-service health insurance benefits;
 - other long-term employee benefits; and
 - termination benefits.
30. ICAO is a member organization participating in the United Nations Joint Staff Pension Fund (the UNJSPF or the Fund), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. The Fund is a funded, multi-employer defined benefit plan. As specified by Article 3(b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.
31. The Fund exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual organizations participating in the plan. ICAO and the UNJSPF, in line with the other participating organizations in the Fund, are not in a position to identify ICAO's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence ICAO has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 25. ICAO's contributions to the Fund during the financial period are recognized as expenses in the statement of financial performance.
32. ICAO recognizes actuarial gains and losses related to after-service health insurance benefits (ASHI) in a reserve account. Under IPSAS 25, actuarial gains or losses for post-employment benefits may be recognized over time using the reserve approach. Under the reserve approach, actuarial gains/losses are presented under Net Assets and not recognized as revenue or expense so as to consider the reasonable possibility that gains/losses will be revised over time. For other separation-related benefits, such as annual leave and repatriation benefits, actuarial gains and losses are recognized immediately and reflected in the Statement of Financial Performance.

Provisions and Contingent Liabilities

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

Segment Reporting and Fund Accounting

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

in order to present these transactions separately within the Regular Activities segment.

- **Ancillary Revenue Generation Fund (ARGF)** established to hold revenue generating and cost recovery activities in one Fund. Special Accounts and Funds within the ARGF are established by the Secretary General under Financial Regulation 7.2 to record all revenues and expenditures relating to self-financing activities. Any surplus not projected to be committed or expensed may be transferred to the General Fund and the balances may be brought forward to the succeeding financial period. The main funding sources of this segment are the sales of publications, data and services.
- **Administrative and Operational Services Cost (AOSC)** established under Financial Regulation 9.4 includes also a) the **Special Reserve Fund (SRF)** and b) the **TCB Efficiency and Effectiveness Fund** described below. The AOSC Fund recovers the costs of administration, operation and support of TC projects. In the event that the AOSC operation in any given year ends in a financial deficit, such deficit is first to be met from the accumulated surplus of the AOSC Fund and, as a last resort, from the Regular Programme Budget. The AOSC Fund is primarily financed from administrative overhead charges to Technical Co-operation Projects including UNDP projects.
 - a) **Special Reserve Fund (SRF)** established pursuant to Financial Regulation 7.1 to provide a mechanism to compensate for a potential shortfall caused by a decrease in the AOSC Fund income in any given year. Under a mechanism approved by the Council, to take effect from 2014, the indirect cost to be recovered from AOSC will be first calculated per a formula, but the reimbursement to the Regular Budget will be capped at CAD 1 200 thousand per year. The SRF shall be financed from the amount in excess of the approved annual transfer of CAD 1 200 thousand up to the amount calculated per the formula. If, in any year, there is a shortfall in the AOSC Fund reimbursement determined on the basis of the formula mentioned above, the SRF shall be used to complement the approved annual AOSC Fund transfer of CAD 1 200 thousand to the Regular Budget.
 - b) **TCB Efficiency and Effectiveness Fund** was established by council to authorize D/TCB to dispense, in any given year, up to 20 per cent of the AOSC annual surplus achieved in the preceding year for the implementation of measures to improve the efficiency and effectiveness of the Technical Cooperation Bureau in responding to Contracting States' needs.
- **Aviation Security (AVSEC) Activities** which includes earmarked funds as well as Special Accounts/Funds established to reflect Council approval of the Aviation Security Plan of Action (ASPA), comprising projects to be financed from funds within the Aviation Security Trust Funds. Activities relating to the ASPA projects are funded from general and earmarked contributions and by services in kind as indicated in Note 3.1.
- **The Comprehensive Regional Implementation Plan for Aviation Safety in Africa (AFI Plan)** established to increase ICAO leadership and accountability in programme coordination and management across the AFI Region and to ensure effective implementation to rectify safety and infrastructure deficiencies.
- **The Environment Funds.** The funds were established to support the growing demands for environmental protection activities, including activities not covered under the regular budget and implementation of aviation-related environmental projects. The majority of the funds are received through the grant agreements and directed to support specific projects or initiatives. In 2013, ICAO established partnerships with the United Nations Development Program (UNDP), the Global Environment Facility (GEF) and the European Union to provide assistance to selected States in reducing their emissions from international aviation.
- **The Joint Finance Funds Comprise Danish and Icelandic Joint Financing Agreements,** which reflect the transactions of the Funds established to report on ICAO supervision of the

operation of air navigation services provided by the Government of Iceland, and in Greenland by the Government of Denmark, the costs of which are recovered by the service providers through user charges and assessments on Contracting governments. User charges are collected by the United Kingdom and are due and directly remitted to the Governments of Iceland and Denmark. Assessments are levied and collected by ICAO for remittance to the servicing governments. Therefore, these transactions are reflected in the accounts as assets and liabilities in the Statement of Financial Position. Also included is the **North Atlantic Height Monitoring System Fund (HMU)** to account for the financial transactions made under the provisions of the Arrangement on the Joint Financing of a North Atlantic Height Monitoring System. The operation and maintenance costs are recovered by the service providers through user charges on civil aircraft making crossings over the North Atlantic. User charges collected by ICAO are directly payable to service providers and are therefore reflected as assets and liabilities in the accounts.

- **Incentive for the Settlement of Long-Outstanding Arrears Account** established to present in a separate account a portion of a payment of certain assessments in arrears from Contracting States to finance particular activities of the Organization.
- **The Resource Mobilization Fund (RMF)** was established by the Council to support States, through use of voluntary contributions, in strengthening their civil aviation systems. The voluntary funds will facilitate capacity building around and implementation of ICAO SARPs and policies and supplement ICAO's work programmes not covered or underfunded by the Regular Programme Budget but which are aligned with the ICAO Business Plan.
- **Public Key Directory Fund (PKD)**, a cost-recovery fund, established by the Council to report on the activities of a project to support interoperability of electronic-enhanced machine readable passports. The operations are financed by voluntary contributions and, in accordance with the agreement, the balance of the Fund is recorded as an amount due to the participating States.
- **Regional Sub-Office (RSO)** with the objective of strengthening the ICAO presence in the Asia and Pacific (APAC) Region, a sub-regional office in the APAC region has been created, whose purpose is to improve airspace organization and management to maximize air traffic management (ATM) performance across that region. The Asia and Pacific Regional Sub-Office has been established in Beijing, People's Republic of China. Under an Agreement between ICAO and the Civil Aviation Authority of China (CAAC), the CAAC is responsible for all operating expenses of the RSO.
- **Safety Fund (SAFE)**, established by the Council with the objective of improving the safety of civil aviation through the use of a performance-based approach which will limit administrative costs and will not impose any costs on the Regular Programme Budget of the Organization, while ensuring that voluntary contributions to the fund are used in a responsible, useful and timely manner.
- **Other Funds** include the Administrative Fee for Joint Financing, the Universal Safety Oversight Audit Programme Fund, the International Registry Fund, the France Co-operation Fund, the Information and Communication Technology Fund, the Temporary Staff Salaries Fund (TSSF), the Human Resources Development Fund (HRDF) and the ICAO Programme for Aviation Volunteers (IPAV) Fund.
- Under an agreement with the **European Civil Aviation Conference (ECAC)**, composed of a number of ICAO's Members States, ICAO provides certain secretariat services. Disbursements are financed initially from ECAC's revenue collected by ICAO and, when necessary from the General Fund of the Regular Programme funds, which are reimbursed to ICAO. The net amount receivable or payable for all transactions effected on ECAC's behalf is included in the amount due from or payable to regional bodies.

39. The Technical Co-operation Project Activities segment comprises Technical Co-operation (TC) project funds established by the Secretary General under Financial Regulation 9.1 to administer programmes of Technical Co-operation. The main funding sources of this segment are voluntary contributions for project agreements.
40. The TC projects include UNDP arrangements and projects managed under Trust Funds agreements, Management Service Agreements (MSA) and Civil Aviation Purchasing Services Agreements (CAPS). The financial transactions relating to the UNDP arrangements comply with both ICAO and UNDP directives. Trust Funds and MSAs are designed to cover a broad range of technical co-operation services and the CAPS agreements are designed to provide procurement services. ICAO also enters into Technical Co-operation agreements referred to as Lump Sum Contracts with Member States. These contracts differ from MSA and Trust Fund agreements in that they are for a short duration and for a fixed contract amount. Under or over recovery of actual expenditure is reflected in the AOSC Fund.

NOTE 2: ASSETS AND LIABILITIES

Note 2.1: Cash and Cash Equivalents

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

	2017	2016
	<i>In thousands of CAD</i>	
Cash in banks	51 466	71 789
Term deposits	385 024	320 383
Total Cash and Cash Equivalents	436 490	392 172

42. As at 31 December 2017, the term deposits had an average interest rate of 1.145 per cent (0.708 per cent on 31 December 2016) and an average term maturity of 140 days (152 days in 2016). Cash includes USD 116 million held in investment savings accounts (USD 145 million on 31 December 2016) with an average interest rate of 1.132 per cent. Cash in banks at year end includes an equivalent amount of CAD 8 144 thousand held on behalf of ECAC.

Note 2.2: Assessed Contributions Receivable From Member States

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

	2017	2016
	<i>In thousands of CAD</i>	
Current	13 273	3 992
Discounted non-current	5 193	4 551
Total Net Contributions Receivable	18 466	8 543

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

	2017	2016
	<i>In thousands of CAD</i>	
Assessed contributions – Regular Programme	25 685	16 111
Less:		
Allowance for doubtful accounts	(644)	(691)
Cumulative discount on long-term receivables	(6 575)	(6 877)
Total Net Contributions Receivable	18 466	8 543

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

Year of Assessment	2017		2016	
	<i>In thousands of CAD</i>	%	<i>In thousands of CAD</i>	%
2017	14 117	55.0	-	-
2016	1 805	7.0	4 131	25.6
2015	1 512	5.9	1 814	11.3
2014	1 047	4.1	1 500	9.3
2013 and earlier	7 204	28.0	8 666	53.8
Total	25 685	100.0	16 111	100.0

46. There were no additions to the allowance for doubtful accounts on assessments during 2017.

	2016	Utilization	Increase/ (Decrease)	2017
	<i>In thousands of CAD</i>			
Total allowance for doubtful accounts	691	-	(47)	644

The amount of CAD 644 thousand represents the original amount of USD 511 thousand (equivalent of CAD 501 thousand set up in 2010) owing to ICAO by the former Socialist Federal Republic of Yugoslavia, adjusted by an exchange difference of CAD 47 thousand in 2017, the resolution of which remains under active discussion at the United Nations General Assembly where there is an expectation that successor States will cover the debt.

47. There were no write-offs of contributions receivable during 2017. An increase or decrease in the allowance for doubtful accounts is reflected as an expense for the period and is reported in the Statement of Financial Performance.
48. There was no balance in the allowance for reductions in contribution revenue during 2017.
49. The movements of the discounted long-term contributions receivable during 2017 are as follows:

	2016	Utilization	Increase/ (Decrease)	2017
	<i>In thousands of CAD</i>			
Discounted long-term contributions receivable	4 551	341	301	5 193

50. The discounted long-term contributions relate to assessments receivable from States in Group A that have concluded agreements with the Council to liquidate their arrears over a period not exceeding twenty years, without interest and States in Group B without agreements with outstanding assessments exceeding three years. Following the ICAO Assembly in October 2013, the fair market value of assessments receivable balance was reassessed. It was estimated that although all those receivables remained valid and properly recognized as such in the

accounts, the fair market value of the receivable balance of those States which have lost their voting rights over two consecutive Assembly sessions needed to be further reduced. Consequently, such receivables are fully discounted by an amount of CAD 5 347 thousand in 2017. Utilization of CAD 341 thousand is the reclassification of amounts in arrears as long-term less payments received during the course of the year. The increase of CAD 301 thousand in the discounted long-term accounts receivable balance represents a decrease in the cumulative discount, which is reflected in revenue.

51. The discount on long-term contributions receivable represents the amount which is required to adjust the receivable balance to fair value upon initial recognition. Since the non-current portions are not expected to be collected within one year, they are discounted at an interest rate. This amount is reflected as a reduction of the long-term receivable balance. This difference is then gradually recognized as revenue over the life of the receivable. The discount is computed by applying the rates of 2.4 to 4.3 per cent to the scheduled future installment payments.

Note 2.3: Receivables, Advances and Other Assets

52. Receivables and advances:

	2017	2016
	<i>In thousands of CAD</i>	
Advances to employees	1 350	1 408
Receivables from United Nations Agencies	357	179
Others	27 925	18 271
Total	29 632	19 858

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

	2017	2016
	<i>In thousands of CAD</i>	
Recoverable Provincial sales tax	411	263
Recoverable Federal sales tax	235	145
Prepaid expenses	573	369
Recoverable United States income tax	382	891
Recoverable Regional Offices sales tax	107	79
Total	1 708	1 747

57. The non-current portion of Receivables is composed of an amount due from the African Civil Aviation Commission (AFCAC), a regional body. This amount results from negotiations and discussions between ICAO and AFCAC for the settlement of amounts owed by AFCAC to the Organization. Effective 1 January 2007, AFCAC assumed full responsibility for financial transactions and operations previously performed by ICAO on its behalf. The undiscounted receivable amounts to CAD 463 thousand at 31 December 2017. The discounted amount due

from AFCAC reflected in the accounts totals CAD 385 thousand, which represents the non-current portion of the receivable (CAD 280 thousand as at 31 December 2016).

Note 2.4: Inventories

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

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

	2017	2016
	<i>In thousands of CAD</i>	
Publications on hand–finished goods	216	300
Raw material and work in process	80	92
Total Publications	296	392
Total Commissariat Items	85	121
Total Inventories	381	513

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

	2017	2016
	<i>In thousands of CAD</i>	
Publications Reconciliation:		
Opening Balance	392	591
Direct material	331	390
Direct labour	1 100	1 132
Indirect costs	344	644
Total inventory purchased and produced	2 167	2 757
Less: Cost of publications sold	(1 832)	(2 090)
Less: Impairments	(39)	(275)
Closing Balance	296	392

	2017	2016
	<i>In thousands of CAD</i>	
Commissariat Items Reconciliation:		
Opening Balance	121	162
Inventory purchased	385	365
Total inventory purchased	506	527
Less: Cost of items sold	(421)	(406)
Closing Balance	85	121

61. Publications and commissariat items and quantities derived from ICAO's inventory tracking systems are validated by physical stock count.

62. Inventories are valued net of any identified impairments. During 2017, impaired publication inventory including disposal of overstock publications valued at CAD 39 thousand was identified and removed from the inventory records. This write-off represents an expense for the period and is included in the "general operating expenses" line in the Statement of Financial Performance.

Note 2.5: Property Plant & Equipment

63. The cost of PP&E includes items held at ICAO Headquarters (HQ) in Montreal as well as those held at the seven Regional Offices. These items provide benefits or service potential to the Organization which exercises full control over their acquisition, physical location, use and disposal.
64. The following table presents PP&E capitalized in the accounts in accordance with IPSAS.

	Opening Balance 1 January 2017	Acquisitions during the Year	Depreciation during the Year	Closing Balance 31 December 2017
In thousands of CAD				
Furniture & Fixtures	67	6	21	52
IT Equipment	436	98	161	373
Office Equipment	345	26	126	245
Motor Vehicles	273	41	75	239
Leasehold Improvements	1 537	148	112	1 573
Machinery	287	84	77	294
Leasehold Improvements (WIP)	72	(72)	-	-
Total	3 017	331	572	2 776

65. No impairment of PP&E was identified in 2017.
66. Commitments related to leases are presented in Note 6.
67. The HQ property – Maison de l'OACI was constructed in 1995. Under the current Supplementary Agreement which was signed in 2013 between the Government of Canada and ICAO, the Government of Canada agreed to exercise the option to purchase the building on 30 November 2016. Under this agreement, the Government of Canada acts as the sole owner of the building and ICAO as the occupant of the entire property. The Government of Canada put the building at the disposal of ICAO rent-free for an additional period of 20 years commencing on 1 December 2016 until 30 November 2036. Additionally, the share paid by ICAO for Operation and Maintenance (O&M) costs, is reduced from 25 per cent to 20 per cent. The Government of Canada assumes 80 per cent of the O&M costs and 100 per cent of the property taxes.
68. ICAO also owns 46 per cent of the property of the EURNAT Regional Office in Paris at an original cost of CAD 1 145 thousand and the remaining 54 per cent of the property is under a nominal finance lease, which represents contributions for services in kind as shown in Note 3.1. Other buildings occupied by ICAO are under operating leases or nominal leases.

Note 2.6: Intangible Assets

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

	Opening Balance 1 Jan. 2017	Acquisitions during the Year	Amortization during the Year	Closing Balance 31 Dec. 2017
	<i>In thousands of CAD</i>			
Software Acquired	95		70	25
Software under Development (WIP)	160	(160)		-
Other Intangible Assets	70	-	47	23
Intangible Assets – Licenses and Rights	122	109	85	146
Software Internally Developed	346	185	61	470
Total	793	134	263	664

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

Note 2.7: Financial Instruments

2.7.1 Financial Assets and Liabilities

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

	2017	2016
	<i>In thousands of CAD</i>	
Assessed contributions receivable (current)	13 273	3 992
Assessed contributions receivable (non-current)	5 193	4 551
Receivables and advances (current)	29 632	19 858
Receivables and advances (non-current)	385	280
Other assets	1 135	1 378
Total Financial Assets	49 618	30 059

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

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

2.7.2 Credit Risk

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

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

2.7.3 Interest Rate Risk

76. ICAO is exposed to interest rate risk through term-deposits. In 2017, the average interest rate and term maturity are provided in Note 2.1. There was a significant increase in interest rates in 2017.

2.7.4 Foreign Currency Risk

77. At 31 December 2017, cash, cash equivalent and investments are denominated in CAD (9 per cent) and in USD (85 per cent) which are the base currencies used by the Organization (10 per cent in the CAD and 79 per cent in USD base currencies at 31 December 2016). Non-CAD or USD holdings have the primary objective of supporting operating activities in other currencies than CAD. In addition, 50 per cent of contributions receivable are denominated in CAD and 50 per cent in USD base currencies (39 per cent in CAD and 61 per cent in USD base currencies at 31 December 2016).
78. Starting in 2010, in order to minimize the exposure of the USD fluctuation, the Organization moved to a split assessment system under which Member States are assessed partly in USD and partly in CAD based on foreseen needs of both currencies. With the adoption of the split assessment system, management believes that there is no need to enter into forward exchange contracts for the purchase of USD.
79. Purchase Orders pertaining to Technical Co-operation projects are sometimes denominated in currencies other than the CAD or USD. In order to limit exposure to currency fluctuations, a policy on hedging has been adopted, whereby funds are purchased in the currency of the commitment at the time the Purchase Order is issued, in cases where currency fluctuation could have a material impact on the financial position of the project. An exchange gain or loss is recognized equivalent to the difference between the UNORE and the spot rate in effect on the date that the funds are purchased.

2.7.5 Liquidity Risk

80. The Working Capital Fund has been increased from USD 6.0 million to USD 8.0 million at the 38th Session of the Assembly for the purpose of making advances as necessary to the General Fund to finance budgetary appropriations pending receipt of contributions from Member States and other Funds in specific cases. Also, funds are deposited in banks on a pooled investment basis and funds not needed for immediate requirements are invested in term deposits.

Note 2.8: Advance Receipts

81. Advance receipts comprise:

	2017	2016
	<i>In thousands of CAD</i>	
Voluntary contributions for TC Projects	347 156	291 003
Assessed contributions received in advance	4 724	7 118
Other advances	20 126	14 473
Total	372 006	312 594

82. Other advances include advance payments of CAD 16 242 thousand for voluntary contributions and grants from Member States and private companies, CAD 1 245 thousand from publication

sales, CAD 1 984 thousand from Member States for PKD activities, deferred revenue and other advances.

Note: 2.9: Accounts Payables and Accrued Liabilities

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

	2017	2016
	<i>In thousands of CAD</i>	
Accrued Liabilities	8 222	7 345
Employee Payable	2 348	2 083
Trade Payable	8 228	12 992
ECAC	8 144	6 880
Others	1 480	346
Grand Total	28 422	29 646

84. Accounts payable to suppliers relate to amounts due for goods and services for which invoices have been received. Accruals are liabilities for goods and services that have been received or provided to ICAO during the period and which have not been invoiced.

Note 2.10: Employee Benefits

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

	2017	2016
	<i>In thousands of CAD</i>	
Composition:		
Current	7 642	8 301
Non-current	146 694	142 395
Total	154 336	150 696

2.10.1 Valuation of Employee Benefit Liabilities

86. Liabilities arising from end of service benefits, annual leave and repatriation benefits, and ASHI benefits are determined by independent consulting actuaries. These employee benefits are established for staff members in Headquarters and Regional Offices who are covered by ICAO Staff Rules.

87. Other employee benefits are calculated by ICAO based on personal data and past experience. These benefits comprise estimated repatriations benefits and annual leave due to Technical Co-operation project staff on separation. Such project staff benefits are not covered by the UN Staff Regulations and Rules, but by specific conditions under technical co-operation projects.

88. The movement of employee benefits liabilities during 2017 is as follows:

	Opening Balance 1 January 2017	Utilization	Increase/ (Decrease)	Actuarial Loss/(Gain)	Ending Balance 31 December 2017
	<i>In thousands of CAD</i>				
Post-retirement plan (ASHI)	124 249	(1 890)	7 886	(916)	129 329
End of service - annual leave	8 826	(707)	780	(291)	8 608
End of service - repatriation benefits	14 905	(1 006)	1 105	(807)	14 197
Other employee benefits for international experts	2 716	(540)	26	-	2 202
Total Employee Benefits Liabilities	150 696	(4 143)	9 797	(2 014)	154 336

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

	Current Service Costs	Interest Cost	Total 2017	Total 2016
	<i>In thousands of CAD</i>			
Post-retirement plan (ASHI)	4 813	3 073	7 886	8 509
End of service - annual leave	569	211	780	807
End of service - repatriation benefits	759	346	1 105	1 186
Other employee benefits Liabilities	26	-	26	412
Total Employee Benefits Liabilities:	6 167	3 630	9 797	10 914

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

	2017	2016
	<i>In thousands of CAD</i>	
Post-retirement plan (ASHI)	(916)	(12 198)
End of service - annual leave	(291)	(51)
End of service - repatriation benefits	(807)	(504)
Total Employee Benefits Liabilities	(2 014)	(12 753)

90. Actuarial gains for Annual Leave and Repatriation Benefits plus Current Service Costs and Interest cost including those for ASHI total CAD 8 673 in 2017 (CAD 9 947 in 2016) and are included in the expense of the Revolving Fund.

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

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

Current Service Cost+Interest Cost	Minus one percentage point: decrease of CAD 1 676 thousand Plus one percentage point: increase of CAD 2 253 thousand
Accrued Benefit Obligation	Minus one percentage point: decrease of CAD 21 689 thousand Plus one percentage point: increase of CAD 27 899 thousand

2.10.3 Actuarial Assumptions and Methods

92. Each year, ICAO reviews and selects assumptions and methods that will be used by the actuaries in the year-end valuation to determine the expense and contribution requirements for ICAO's after-service benefit plans (post-employment benefits and other separation-related benefits). Actuarial assumptions are required to be disclosed in the financial statements in accordance with IPSAS 25. In addition, each actuarial assumption is required to be disclosed in absolute terms. The following key assumptions and methods have been used to determine the value of post-employment and other separation-related employee liabilities for ICAO as at 31 December 2017.
93. ICAO is using the Canadian government bonds rate to discount the liability related to staff benefits. In some jurisdictions, there is no deep market for government bonds or government bonds are more risky than high quality corporate bonds. In such cases the use of the corporate bond rate would be more appropriate, being closer to a risk free rate. This matter was considered by ICAO's actuaries and it was determined that in the case of ICAO, the use of the Canadian bond rate is more appropriate than the corporate bond rate for the reasons provided under paragraph 94 of IPSAS 25 and because of the existence of a deep market for government bonds in Canada. Therefore, ICAO has continued to use the government bond rate to discount the liability.

Assumptions Used for ASHI Plan:

Actuarial Method	ASHI: The projected unit credit cost method, prorated on years of service, up to the age the employee is fully eligible for retirements benefits.
Discount Rate	2.40 per cent for accounting and funding (2.40 per cent in 31 December 2016 valuation).
Medical and Dental Trend Rates	Drugs and other health care from 10 per cent to 4 per cent over a period of 20 years, dental 4 per cent for 20 years.
Expected Return on Assets	Not applicable as plans are treated as unfunded.
Exchange Rate Used	USD 1.00 for CAD 1.26 (CAD 1.354 in prior valuation).
Medical and Dental Claims Cost	Average annual costs per person at age 60 are CAD 2.6 thousand for drug costs, from CAD 0.4 thousand to CAD 1.4 thousand for dental costs and from CAD 0.6 thousand to 7.2 thousand for other health care costs.
Age Variation of Medical and Dental Costs	For drugs in Canada from 5.8 per cent at age 40 to 59 down to 0 per cent at age 85 and up. For health care in Canada, from 2.0 per cent up to age 59 down to 0.75 per cent at age 85 and up. Health care outside Canada from 2.7 per cent at age 40 down to 0 per cent at age 90 and up. Dental care minus 0.5 per cent per year. Reduction of drug cost at age 65 for those covered by a public drug plan in Canada, 65 per cent (65 per cent in 2016).
Annual Administrative Costs	Included in annual costs per person. Inflation at 3.25 per cent per year, starting in 2018.
Mortality Table	CMM 2014 with Projection Scale MI 2017.
Withdrawal Rates	From age 20 to 55 and up: 15 per cent to 0 per cent.
Retirement Age	Employee hired prior to 1 January 1990: age 60; employee hired on or after 1 January 1990 to 31 December 2013: age 62; employee hired on or after 1 January 2014: age 65.
Coverage of Dependents at Retirement	60 per cent (60 per cent in 2016). Wives are assumed to be five years younger than their male spouses. No children per family at retirement age.

Assumptions Used for Annual Leave and Repatriation Benefits:

Actuarial Method	Annual leave and repatriation grant: actuarial present value of future benefits with salary projections.
Discount Rate	2.40 per cent per year (2.40 per cent in prior valuation).
Salary Increase	2.50 per cent per year.
Net Accrual in Annual Leave Balance	From 8 days during the first year to none for 35 years of service and more, up to a maximum of 60 days.
Withdrawals Due to Voluntary Leave	10 per cent (10 per cent in 2016).
Removal of Effects on Repatriation	CAD 18.8 thousand per employee with annual increase of 3.25 per cent per year.
Travel Costs	CAD 8.2 thousand per employee with annual increase at 3.25 per cent per year.

2.10.4 United Nations Joint Staff Pension Fund

94. The Fund's Regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the Open Group Aggregate Method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.
95. ICAO's financial obligation to the UNJSPF consists of its mandated contribution, at the rate established by the United Nations General Assembly (currently at 7.9 per cent for participants and 15.8 per cent for member organizations) together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.
96. During 2017, the fund identified that there were anomalies in the census data utilized in the actuarial valuation performed as of 31 December 2015. As such, as an exception to the normal biannual cycle, a roll forward of the participation data as of 31 December 2013 to 31 December 2016 was used by the Fund for their 2016 financial statements. An actuarial valuation as of 31 December 2017 is currently being performed.
97. The roll forward of the participation data as of 31 December 2013 to 31 December 2016 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 150.1% (127.5% in the 2013 valuation). The funded ratio was 101.4% (91.2% in the 2013 valuation) when the current system of pension adjustments was taken into account.
98. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2016, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26.
99. During 2017, ICAO's contributions paid to UNJSPF amounted to USD 18.5 million equivalent to CAD 24.3 million (USD 18.0 million equivalent to CAD 23.9 million in 2016). Contributions due in 2018 are expected to be at the same level.
100. The United Nations Board of Auditors carries out an annual audit of the UNJSPF and reports to the UNJSPF Pension Board on the audit every year. The UNJSPF publishes quarterly reports on its investments and these can be viewed by visiting the UNJSPF at www.unjspf.org.

2.10.5 Social Security Arrangements for Employees Under Service Contracts

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

Note 2.11: Credits to Contracting/Service Governments

102. The credits comprise amounts assessed from contracting governments and collected by ICAO on behalf of servicing governments under the Danish and Icelandic Joint Financing Agreements,

which are to be remitted to contracting/servicing governments. Also included in the liability, are user charges collected by ICAO on behalf of service governments under the Joint Financing of a North Atlantic Height Monitoring System.

Note 2.12: Net Assets (Net Accumulated Deficit)

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

104. Reserves are composed of:

	2017	2016
	<i>In thousands of CAD</i>	
Regular activities		
Carry Forward of Appropriations (Statement V)	23 899	21 335
Reserved Deficit for unrealized exchange differences	(5 161)	(1 807)
Accumulated actuarial gain/(loss) on ASHI (Note 2.10.2)	(33 568)	(34 484)
Amounts set aside in the Incentive Fund	237	237
	(14 593)	(14 719)
Technical Co-operation Project Activities	83	
Total	(14 510)	(14 719)

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

106. No amount was set aside in the Incentive Fund for 2017 as additional funding because of the ICAO cash deficit position (Assembly Resolution A38-25). Included in the Technical Co-operation Project Activities Reserves is the translation adjustment from USD to CAD to reflect the Technical Co-operation Project Activities in the reporting currency (CAD).

NOTE 3: REVENUES AND EXPENSES

Note 3.1: Contributions – Services in Kind

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

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

	2017	2016
	<i>In thousands of CAD</i>	
Canada	23 433	21 338
Egypt	97	165
France	754	551
Peru	818	833
Senegal	212	185
Thailand	1 847	1 050
Total	27 161	24 122

109. Included in the above contribution in kind from Canada, is an amount equivalent to CAD 1 874 thousand (CAD 1 887 thousand in 2016) from the Government of Quebec towards the provision of premises in the Bell Tower office in Montreal provided for the Technical Co-operation Bureau.
110. Also, the Government of Mexico provides a contribution in cash towards the rental of the Regional Office in Mexico City. The contribution in 2017 amounted to CAD 286 thousand (CAD 217 thousand in 2016) and is included in revenue.
111. Staff services and travel are also provided free of charge by States for regular activities. These contributions are valued based on the cost to the donating State for each of the following activities:

	2017	2016
	<i>In thousands of CAD</i>	
Aviation Security	2 710	1 964
Aviation Safety	6 384	4 501

Note 3.2: Revenue

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

	2017	2016
	<i>In thousands of CAD</i>	
Assessments on States as resolved by the Assembly	89 344	92 355
Exchange Differences	11 386	13 200
Decrease (increase) on cumulative discount on long-term receivables	301	1 360
Total	101 031	106 915

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

	2017	2016
	<i>In thousands of CAD</i>	
Publication sales and printing services	5 469	5 336
Training/assessments, courses & membership fees	4 743	4 508
Delegation services	2 473	2 382
Events and symposia	2 397	1 888
Dangerous goods licensing fee	2 394	1 423
Publication royalties	1 321	1 253
Periodicals	343	1 098
User charge/Subscription fee	855	868
Licensing	608	614
Commissariat sales	527	511
Websites	462	448
Others	887	690
Total	22 479	21 019

114. Other Revenue comprises the following:

	2017	2016
	<i>In thousands of CAD</i>	
Interest income*	945	460
Exchange gain	676	
Professional liability insurance fee	340	359
Travel agent fee	174	156
Service fee	150	314
Others	830	1 271
Total	3 115	2 560

* The interest income excludes an amount of CAD 3 612 thousand related to TC Projects since they are presented as advanced receipts in TCP and as administrative overhead fee revenue in the AOSF.

Note 3.3: Expenses

3.3.1 Staff Salaries and Employee Benefits

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

3.3.2 Supplies, Consumables and Others

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

3.3.3 General Operating Expenses

117. **General Operating Expenses** mainly comprise rental, maintenance and operation of premises,

information technology and printing expenses. Also included is depreciation on PP&E amounting to CAD 572 thousand, and to CAD 263 thousand for the amortization of intangible assets (CAD 800 thousand and CAD 275 thousand respectively in 2016).

3.3.4 Travel

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

3.3.5 Other Expenses

119. Other expenses mainly comprise the exchange loss of CAD 3 672 thousand to Regular Budget fund in which CAD 990 thousand is recognized as realized exchange loss.
120. Other expenses also includes CAD 1 151 thousand exchange loss attributable to funds other than the Regular Budget (CAD 1 096 thousand exchange loss in 2016).

NOTE 4: STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

121. ICAO's financial statements and the approved Regular Programme budget are not presented on the same basis. In the Statement of Financial Performance, expenses cover all Funds of the Organization and are classified based on their nature. Expenses in the Statement of Comparison of Budget and Actual Amounts (Statement V) are classified by Strategic Objective and Supporting Implementation Strategy for the Regular Programme General Fund Budget. The other approved publicly available budget relates to the AOSC Fund of the Technical Cooperation Programme.
122. The Assembly authorizes, separately for each year of a triennium, the expenditure in Canadian dollars for the Regular Programme and approves the total indicative budget estimates of the AOSC fund. Budgets may be subsequently amended by the Council or through the exercise of delegated authority.
123. As required by IPSAS, a reconciliation between the actual amounts on a comparable basis in the Statement of Comparison of Budget and Actual Amounts (Statement V) and the actual amounts in the Statement of Cash Flow (Statement IV) for the year ended 31 December 2017 is presented below:

	Operating	Investing	Financing	Total
	<i>In thousands of CAD</i>			
Actual Amount on Comparable Basis (Statement V)	(95 078)	-	-	(95 078)
Basis differences - exchange rate	(9 728)	-	-	(9 728)
Presentation differences	99 209	394	-	99 603
Entity differences	46 245	3 698	(423)	49 520
Actual Amounts in the Statement of Cash Flow (Statement IV)	40 649	4 092	(423)	44 318

124. Basis differences occur when an approved budget is prepared on a basis other than the accounting basis used to prepare the financial statements. For ICAO, a notable difference occurs

when the rate of exchange used to prepare the Canadian dollar budget differs from the monthly UN rates of exchange. The Status of Appropriation, as presented in the Statement of Comparison of Budget and Actual Amounts (Statement V) provides reconciliation between approved appropriations of the Regular Programme Budget and the corresponding expenses incurred by the General Fund of the Regular Programme at the UNORE and at the budget rate of exchange.

125. Timing differences occur when the budget period differs from the reporting period reflected in the financial statements. For the purposes of comparison of budget and actual amounts, there are no timing differences for ICAO.
126. Presentation differences are due to differences in the format and classification schemes adopted for presentation of Statement of Cash Flows and Statement of Comparison of Budget and Actual Amounts (Statement V) . The Statement of Cash Flows reflects the net impact of receipts and disbursements and the Statement of Comparison of Budget and Actual Amounts presents actual expenditures authorized through appropriations.
127. Entity differences occur when the budget omits programmes or entities that are part of the entity for which the financial statements are prepared. Entity differences represent cash flows of those Funds that are reported in the financial statements, form part of ICAO activities, are funded by extra-budgetary resources, but are excluded from the Regular Programme budgetary process. These relate to other regular activities and technical co-operation project activities.
128. With regard to the AOSC Fund, budgeted figures represent indicative budget estimates only. Total revised budget estimates for the AOSC Fund is compared to actual amount in the Presentation of the Secretary General on the financial statements and in the Statement V-A. Also, included in the Presentation are explanations of material differences between the original and final budgets, and the actual amounts.

NOTE 5: SEGMENT REPORTING

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

129. Segment reporting is required under IPSAS and is described in Note 1. Financial Position by segment is shown in the next table followed by the Statement of Financial Performance by Segment. Some activities between the two segments lead to accounting transactions that create inter-segment revenue and expense balances in the financial statements. Inter-segment transactions are reflected in the above tables to accurately present these accounting transactions and then eliminated to reconcile with Statements I and II.
130. The Regular Activities segment includes administrative fee revenue of CAD 11.2 million (CAD 8.7 million in 2016) charged by the AOSC Fund to Technical Co-operation Projects. An equivalent amount is included as administrative overhead charges in the Technical Co-operation Projects segment and other expenses. The amount due to Technical Co-operation Projects by the Regular Activities segment at 31 December 2017 amounted to CAD 1 087 thousand (CAD 1 195 thousand at 31 December 2016). These amounts are eliminated for presentation purposes.

FINANCIAL POSITION BY SEGMENT
AT 31 DECEMBER 2017
(in thousands of Canadian dollars)

	Notes	Regular Activities		Technical Co-operation Project Activities		Elimination		Total	
		2017	2016	2017	2016	2017	2016	2017	2016
ASSETS									
CURRENT ASSETS									
Cash and cash equivalents	2.1	104 318	100 098	332 172	292 074			436 490	392 172
Assessed contributions receivable from Member States	2.2	13 273	3 992					13 273	3 992
Inter-segment balances			1 195	1 087		(1 087)	(1 195)		
Receivables and advances	2.3	6 591	5 200	23 041	14 658			29 632	19 858
Inventories	2.4	381	513					381	513
Others	2.3	1 348	1 744	360	3			1 708	1 747
		125 911	112 742	356 660	306 735	(1 087)	(1 195)	481 484	418 282
NON-CURRENT ASSETS									
Assessed contributions receivable from Member States	2.2	5 193	4 551					5 193	4 551
Receivables and advances	2.3	385	280					385	280
Property, plant and equipment	2.5	2 776	3 017					2 776	3 017
Intangible assets	2.6	664	793					664	793
		9 018	8 641					9 018	8 641
TOTAL ASSETS		134 929	121 383	356 660	306 735	(1 087)	(1 195)	490 502	426 923
LIABILITIES									
CURRENT LIABILITIES									
Advanced receipts	2.8	24 850	21 591	347 156	291 003			372 006	312 594
Accounts payable and accrued liabilities	2.9	21 193	17 416	7 229	12 230			28 422	29 646
Employee benefits	2.10	5 450	5 597	2 192	2 704			7 642	8 301
Inter-segment balances		1 087	397		798	(1 087)	(1 195)		
Credits to contracting/servicing governments	2.11	1 389	1 465					1 389	1 465
		53 969	46 466	356 577	306 735	(1 087)	(1 195)	409 459	352 006
NON-CURRENT LIABILITIES									
Employee benefits	2.10	146 694	142 395					146 694	142 395
		146 694	142 395					146 694	142 395
TOTAL LIABILITIES		200 663	188 861	356 577	306 735	(1 087)	(1 195)	556 153	494 401
NET ASSETS									
Accumulated deficit	2.12	(51 141)	(52 759)					(51 141)	(52 759)
Reserves	2.12	(14 593)	(14 719)	83				(14 510)	(14 719)
NET ASSETS (ACCUMULATED DEFICIT)		(65 734)	(67 478)	83				(65 651)	(67 478)
TOTAL LIABILITIES AND NET ASSETS		134 929	121 383	356 660	306 735	(1 087)	(1 195)	490 502	426 923

Details may not add to the totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION

NOTE 5.3

FINANCIAL PERFORMANCE BY SEGMENT
FOR THE YEAR ENDED 31 DECEMBER 2017
(in thousands of Canadian dollars)

	Notes	Regular Activities		Technical Co-operation Project Activities		Elimination		Total	
		2017	2016	2017	2016	2017	2016	2017	2016
		REVENUE							
Contributions for project agreements	3.2		104	130 646	121 894	(276)	(508)	130 370	121 490
Assessed contributions	3.2	101 031	106 915					101 031	106 915
Other revenue producing activities	3.2	22 479	21 019					22 479	21 019
Other voluntary contributions		13 281	14 996					13 281	14 996
Administrative fee revenue		13 339	9 673			(11 179)	(8 714)	2 160	959
Other revenue	3.2	2 500	2 510	790	226	(175)	(176)	3 115	2 560
		152 630	155 217	131 436	122 120	(11 630)	(9 398)	272 436	267 939
EXPENSES									
Staff salaries and employee benefits	3.3	117 286	113 594	57 030	43 662			174 316	157 256
Supplies, consumables and others	3.3	639	514	52 669	59 395			53 308	59 909
General operating expenses	3.3	15 291	18 075	2 620	3 048			17 911	21 123
Travel	3.3	10 321	8 003	4 976	4 101			15 297	12 104
Meetings		1 611	2 339					1 611	2 339
Training				2 944	2 857			2 944	2 857
Administrative overhead charges				11 197	8 819	(11 197)	(8 819)		
Other expenses	3.3	6 231	5 191		238	(433)	(579)	5 798	4 850
		151 379	147 716	131 436	122 120	(11 630)	(9 398)	271 185	260 438
SURPLUS FOR THE YEAR		1 251	7 501					1 251	7 501

Details may not add to the totals due to rounding

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

131. Lease commitments mainly pertain to ICAO premises.

	2017	2016
	<i>In thousands of CAD</i>	
Minimum obligations for property leases:		
1 – 5 years	526	688
Beyond 5 years	-	-
Total Property Leases Obligations	526	688

132. The lease commitments include the 50 per cent portion of the lease payable by ICAO for Mexico Office. The Government of Canada as a sole owner of the HQ premises, put the building at the disposal of ICAO rent-free for an additional period of 20 years commencing on December 2016 until 30 November 2036. Therefore, as at 31 December 2017, there are no lease commitments payable by ICAO to the host government for the HQ premises. Building maintenance costs are reimbursed by the host governments at the rate of 80 per cent for the HQ building and 100 per cent for the Bell Tower which is also part of HQ. There is no financial commitment included in the table above for the Paris Office since as noted in Note 2.5, a portion of the Paris Office is owned by ICAO and the remaining portion is owned by France and leased to ICAO at nominal value.

133. The future minimum lease revenues under non-cancellable operating leases total CAD 2.0 million for 2018 (CAD 2.0 million in 2017). These lease revenues comprise rental of premises to Delegations.

Note 6.2: Legal or Contingent Liabilities

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

135. A number of legal actions and claims have been brought against the Organization in relation to Technical Co-operation Projects in South America. These are mainly claims by individuals demanding additional payments under local labour laws beyond what was provided for under their contract of employment. The total of such claims is USD 3.0 million (USD 4.3 million at 31 December 2016). It has been assessed as unlikely that ICAO would incur financial liabilities given that the Governments concerned have committed in the underlying project agreements to absorb any financial liabilities which may arise from such claims.

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

	Number of Individuals (Person/Year)	Compensation and Post Adjustment	Entitlements	Pension and Health Plans	Total Remuneration	Outstanding Advances Against Entitlements	Out- standing Loans
<i>(In thousands of CAD)</i>							
Key Management Personnel	13	2 495	322	763	3 580	103	-

136. Key management personnel includes members of the Senior Management Group (SMG) of the Secretariat, which comprises the Secretary General, Directors at HQ, Chief of Finance and Chief, Evaluation and External Audit. Senior managers have the authority and responsibility for planning, directing and controlling the activities of ICAO and for the establishment of policies. Key management personnel also include the President of Council and other key officers who can influence decisions made by senior management. The Council consists of 36 Member States without personal appointment.
137. The aggregate remuneration paid to key management personnel includes: net salaries, post adjustment, entitlements such as representation allowance, repatriation and education grants, rental subsidy, and also employer pension and current health insurance contributions. Outstanding advances against entitlements are composed of education grant advances.
138. Key management personnel also qualify for post-employment benefits (Note 2.10) at the same level as other employees. These benefits cannot be quantified with precision on an individual basis, thus are not included in the above table.
139. Key management personnel are ordinary members of UNJSPF with the exception of most D-2 level personnel and above who do not participate in the UNJSPF. Amounts paid by ICAO in lieu of contributions to the plan, which represents 15.8 per cent of the pensionable remuneration, are included in total remuneration.
140. Total remuneration also includes an amount of CAD 190 thousand paid during the year to close family members of key management personnel. Close family members of key management personnel are working in other bureaus and not in direct hierarchical relationship to the key management personnel.

Note 7.2: Related Party Transactions

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

NOTE 8: EVENTS AFTER THE REPORTING DATE

142. ICAO's reporting date is 31 December 2017. On the date of signing of these financial statements by the Secretary General, no material events, favourable or unfavourable, occurred between the balance sheet date and the date when the financial statements have been authorized for issue that would have impacted these statements.

PART IV: TABLES
(UNAUDITED)

INTERNATIONAL CIVIL AVIATION ORGANIZATION
REGULAR ACTIVITIES BY FUND
ASSETS, LIABILITIES, NET ASSETS AT 31 DECEMBER 2017 AND
REVENUE, EXPENSES AND SURPLUS (DEFICIT) FOR 2017
(in thousands of Canadian dollars)

	Regular Budget	Capital Fund	Revolving Fund	Ancillary Revenue Generation Funds	Administrative/ Operational Services Cost Funds	AVSEC Activities	AFI Plan Fund	Environment Funds	Joint Finance Funds
ASSETS									
CURRENT ASSETS									
Cash and cash equivalents	37 850		1 459	15 243	11 422	8 750	1 438	8 573	1 533
Assessed contributions receivable from Member States	13 273								
Inter-fund balances				315					
Receivables and advances	1 440			3 836	273	297		240	129
Inventories				381					
Others	1 306			41					
	<u>53 869</u>		<u>1 459</u>	<u>19 816</u>	<u>11 695</u>	<u>9 047</u>	<u>1 438</u>	<u>8 813</u>	<u>1 662</u>
NON-CURRENT ASSETS									
Assessed contributions receivable from Member States	5 193								
Receivables and advances	385								
Property, plant and equipment		2 776							
Intangible assets		664							
	<u>5 578</u>	<u>3 440</u>							
TOTAL ASSETS	<u>59 447</u>	<u>3 440</u>	<u>1 459</u>	<u>19 816</u>	<u>11 695</u>	<u>9 047</u>	<u>1 438</u>	<u>8 813</u>	<u>1 662</u>
LIABILITIES									
CURRENT LIABILITIES									
Advanced receipts	4 762			1 868	255				23
Accounts payable and accrued liabilities	17 576			1 460	312	95	4	254	251
Employee benefits			5 439		11				
Inter-fund balances	726				677				
Credits to contracting/service governments									1 388
	<u>23 064</u>		<u>5 439</u>	<u>3 328</u>	<u>1 255</u>	<u>95</u>	<u>4</u>	<u>254</u>	<u>1 662</u>
NON-CURRENT LIABILITIES									
Employee benefits			146 694						
			<u>146 694</u>						
TOTAL LIABILITIES	<u>23 064</u>		<u>152 133</u>	<u>3 328</u>	<u>1 255</u>	<u>95</u>	<u>4</u>	<u>254</u>	<u>1 662</u>
NET ASSETS									
Accumulated surplus/(deficit)	17 645	3 440	(117 107)	16 488	10 440	8 952	1 434	8 559	
Reserves	18 738		(33 568)						
NET ASSETS (ACCUMULATED DEFICIT)	<u>36 383</u>	<u>3 440</u>	<u>(150 675)</u>	<u>16 488</u>	<u>10 440</u>	<u>8 952</u>	<u>1 434</u>	<u>8 559</u>	
TOTAL LIABILITIES AND NET ASSETS	<u>59 447</u>	<u>3 440</u>	<u>1 459</u>	<u>19 816</u>	<u>11 695</u>	<u>9 047</u>	<u>1 438</u>	<u>8 813</u>	<u>1 662</u>
REVENUE									
Contributions for project agreements									
Assessed contributions	101 031								
Other revenue producing activities				23 309					
Other voluntary contributions				26					
Administrative fee revenue					13 339	3 680	265	3 496	
Other revenue	8 627	465	3 663	159	1 016	150	16	319	11
TOTAL REVENUE	<u>109 658</u>	<u>465</u>	<u>3 663</u>	<u>23 494</u>	<u>14 355</u>	<u>3 830</u>	<u>281</u>	<u>3 815</u>	<u>11</u>
EXPENSES									
Staff salaries and employee benefits	84 893		8 673	10 751	9 651	1 673		1 066	3
Supplies, consumables and others	450			314		1			
General operating expenses	11 133	835		9 435	292	110		75	
Travel	5 853			936	253	950	295	160	51
Meetings	1 172			79	16	14	24	25	
Administrative overhead charges				9		192	19	91	
Other expenses	3 986			639	195	675	125	4	7
TOTAL EXPENSES	<u>107 487</u>	<u>835</u>	<u>8 673</u>	<u>22 163</u>	<u>10 407</u>	<u>3 615</u>	<u>463</u>	<u>1 421</u>	<u>61</u>
NET SURPLUS/(DEFICIT) FOR THE YEAR	<u>2 171</u>	<u>(370)</u>	<u>(5 010)</u>	<u>1 331</u>	<u>3 948</u>	<u>215</u>	<u>(182)</u>	<u>2 394</u>	<u>(50)</u>

Details may not add to totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION
REGULAR ACTIVITIES BY FUND
ASSETS, LIABILITIES, NET ASSETS AT 31 DECEMBER 2017 AND
REVENUE, EXPENSES AND SURPLUS (DEFICIT) FOR 2017
(in thousands of Canadian dollars)

Table A
(continued)

	Incentive for Settlement of Arrears Account	Resource Mobilization Funds	Public Key Directory	Regional Sub-Office	Safe Funds	Other Funds	Total	Elimination/ Adjustments	2017	2016
ASSETS										
CURRENT ASSETS										
Cash and cash equivalents	849	2 967	1 967	1 770	2 837	7 660	104 318		104 318	100 098
Assessed contributions receivable from Member States							13 273		13 273	3 992
Inter-fund balances							315	(315)		1 195
Receivables and advances			170	10		197	6 591		6 591	5 200
Inventories					1		381		381	513
Others							1 348		1 348	1 744
	<u>849</u>	<u>2 967</u>	<u>2 137</u>	<u>1 780</u>	<u>2 838</u>	<u>7 857</u>	<u>126 226</u>	<u>(315)</u>	<u>125 911</u>	<u>112 742</u>
NON-CURRENT ASSETS										
Assessed contributions receivable from Member States							5 193		5 193	4 551
Receivables and advances							385		385	280
Property, plant and equipment							2 776		2 776	3 017
Intangible assets							664		664	793
							9 018		9 018	8 641
TOTAL ASSETS	<u>849</u>	<u>2 967</u>	<u>2 137</u>	<u>1 780</u>	<u>2 838</u>	<u>7 857</u>	<u>135 244</u>	<u>(315)</u>	<u>134 929</u>	<u>121 383</u>
LIABILITIES										
CURRENT LIABILITIES										
Advanced receipts			1 984			605	9 498	15 353	24 850	21 591
Accounts payable and accrued liabilities			153	755	117	217	21 193		21 193	17 416
Employee benefits							5 450		5 450	5 597
Inter-fund balances							1 402	(315)	1 087	397
Credits to contracting/service governments							1 389		1 389	1 465
			<u>2 137</u>	<u>755</u>	<u>117</u>	<u>822</u>	<u>38 931</u>	<u>15 038</u>	<u>53 969</u>	<u>46 466</u>
NON-CURRENT LIABILITIES										
Employee benefits							146 694		146 694	142 395
							146 694		146 694	142 395
TOTAL LIABILITIES			<u>2 137</u>	<u>755</u>	<u>117</u>	<u>822</u>	<u>185 625</u>	<u>15 038</u>	<u>200 663</u>	<u>188 861</u>
NET ASSETS										
Accumulated surplus/(deficit)	612	2 967		1 025	2 721	7 035	(35 788)	(15 353)	(51 141)	(52 759)
Reserves	237						(14 593)		(14 593)	(14 719)
NET ASSETS (ACCUMULATED DEFICIT)	<u>849</u>	<u>2 967</u>		<u>1 025</u>	<u>2 721</u>	<u>7 035</u>	<u>(50 381)</u>	<u>(15 353)</u>	<u>(65 734)</u>	<u>(67 478)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>849</u>	<u>2 967</u>	<u>2 137</u>	<u>1 780</u>	<u>2 838</u>	<u>7 857</u>	<u>135 244</u>	<u>(315)</u>	<u>134 929</u>	<u>121 383</u>
REVENUE										
Contributions for project agreements										104
Assessed contributions							101 031		101 031	106 915
Other revenue producing activities						344	23 653	(1 174)	22 479	21 019
Other voluntary contributions		2 494	2 430	772	1 119	4 785	19 069	(5 788)	13 281	14 996
Administrative fee revenue							13 339		13 339	9 673
Other revenue	12	10	17	4	63	867	15 397	(12 897)	2 500	2 510
TOTAL REVENUE	<u>12</u>	<u>2 504</u>	<u>2 447</u>	<u>776</u>	<u>1 182</u>	<u>5 996</u>	<u>172 489</u>	<u>(19 859)</u>	<u>152 630</u>	<u>155 217</u>
EXPENSES										
Staff salaries and employee benefits			2 233	289	225	2 785	122 243	(4 957)	117 286	113 594
Supplies, consumables and others				1		4	770	(131)	639	514
General operating expenses	333		29	413	141	750	23 546	(8 255)	15 291	18 075
Travel		18	21	34	784	966	10 321		10 321	8 003
Meetings		14		10	80	177	1 611		1 611	2 339
Administrative overhead charges			82	3	78	251	726	(726)		
Other expenses	70	9	82	46	256	167	6 260	(29)	6 231	5 191
TOTAL EXPENSES	<u>403</u>	<u>41</u>	<u>2 447</u>	<u>796</u>	<u>1 564</u>	<u>5 100</u>	<u>165 478</u>	<u>(14 098)</u>	<u>151 379</u>	<u>147 716</u>
NET SURPLUS/(DEFICIT) FOR THE YEAR	<u>(391)</u>	<u>2 463</u>		<u>(20)</u>	<u>(382)</u>	<u>896</u>	<u>7 011</u>	<u>(5 760)</u>	<u>1 251</u>	<u>7 501</u>

Details may not add to totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME
ASSESSMENTS RECEIVABLE FROM MEMBER STATES
AND CONTRIBUTIONS RECEIVED IN ADVANCE
AS AT 31 DECEMBER 2017

(in thousands of Canadian dollars)

Member States Assembly Resolutions A39-37, A39-32 and A39-33	General Fund					Total Balances Receivable	Exchange	Total Adjusted Balances Receivable	Contributions Received in Advance
	Scales 2017	Assessments 2017	Assessments Received for 2017	Balance of Assessments Receivable for 2017	Balance of Prior Years' Assessments Receivable				
Afghanistan	0.06	60		60	130	190	(2)	188	
Albania	0.06	60	60						
Algeria	0.13	133	133						
Andorra	0.06	60	60						
Angola (**)	0.09	94		94	85	179	(5)	173	
Antigua and Barbuda (**)	0.06	60		60	996	1 057	169	1 226	
Argentina	0.69	730	335	395		395		395	
Armenia	0.06	60	60						60
Australia	2.06	2 100	2 100						2 074
Austria	0.60	599	599						
Azerbaijan	0.06	60	60						
Bahamas	0.06	60		60		60	(2)	59	
Bahrain	0.09	87	30	57		57	(3)	54	
Bangladesh	0.08	83	83						
Barbados	0.06	60	60						
Belarus	0.06	60	60						
Belgium	0.76	766	766						
Belize	0.06	60		60		60	(2)	59	
Benin	0.06	60	60						1
Bhutan	0.06	60	59	1		1		1	
Bolivia (Plurinational State of)	0.06	60	60						
Bosnia and Herzegovina	0.06	60	60						
Botswana	0.06	60	60						
Brazil	2.94	3 030	3 030						
Brunei Darussalam	0.06	60	60						
Bulgaria	0.06	60	60						
Burkina Faso	0.06	60	60						1
Burundi	0.06	60		60	113	173	(3)	171	
Cabo Verde	0.06	60	60						8
Cambodia	0.06	60	60		54	54	15	69	
Cameroon	0.06	60	60						1
Canada	2.61	2 632	2 632						1 553
Central African Republic	0.06	60	60						1
Chad	0.06	60	60						1
Chile	0.42	428	428						
China	7.95	8 238	8 238						269
Colombia	0.31	313	301	12		12		12	
Comoros	0.06	60	60						1
Congo	0.06	60	60						1
Cook Islands	0.06	60	60		13	13	4	17	
Costa Rica	0.06	60	60						
Côte d'Ivoire	0.06	60	60						1
Croatia	0.07	68	68						
Cuba	0.06	60	60						
Cyprus	0.06	60	60						
Czech Republic	0.27	270	270						
Democratic People's Republic of Korea	0.06	60	60						
Democratic Republic of the Congo	0.06	60	26	34		34		34	
Denmark	0.45	446	446						
Djibouti (*)	0.06	60		60	900	961	167	1 128	
Dominican Republic	0.06	60	60						1
Ecuador (**)	0.07	72		72		72	(2)	69	
Egypt	0.22	224	224						
El Salvador	0.06	60	60						
Equatorial Guinea	0.06	60	60						1
Eritrea	0.06	60		60	205	266	1	267	
Estonia	0.06	60	60						
Ethiopia (**)	0.16	163		163	2	165	(5)	160	
Fiji	0.06	60	60						
Finland	0.43	428	428						
France	4.13	4 110	4 110						
Gabon	0.06	60	60						1
Gambia (*) & (**)	0.06	60		60	319	380	33	412	
Georgia	0.06	60	60		103	103	29	133	
Germany	5.48	5 457	5 457						

INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME
ASSESSMENTS RECEIVABLE FROM MEMBER STATES
AND CONTRIBUTIONS RECEIVED IN ADVANCE
AS AT 31 DECEMBER 2017

(in thousands of Canadian dollars)

Member States Assembly Resolutions A39-37, A39-32 and A39-33	General Fund					Total Balances Receivable	Exchange	Total Adjusted Balances Receivable	Contributions Received in Advance
	Scales 2017	Assessments 2017	Assessments Received for 2017	Balance of Assessments Receivable for 2017	Balance of Prior Years' Assessments Receivable				
Ghana	0.06	60	60						
Greece	0.35	340	340						
Grenada	0.06	60	60		513	513	39	551	
Guatemala	0.06	60		60	103	163	(4)	159	
Guinea (*)	0.06	60		60	164	224	24	248	
Guinea-Bissau	0.06	60	60						1
Guyana	0.06	60	60						
Haiti (**)	0.06	60		60	174	234	1	236	
Honduras	0.06	60	59	2		2		2	
Hungary	0.18	173	173						181
Iceland	0.06	60	60						
India	0.85	856	856						
Indonesia	0.55	566	566						
Iran (Islamic Republic of)	0.38	391	9	383	697	1 080	(12)	1 068	
Iraq (*)	0.09	94	60	34	274	308	69	377	
Ireland	0.60	597	597						
Israel	0.41	414	414						
Italy	2.75	2 719	2 719						
Jamaica	0.06	60	60						
Japan	7.50	7 493	7 493						
Jordan	0.06	59	59						
Kazakhstan	0.17	178	178						
Kenya	0.07	72	72						29
Kiribati	0.06	60	23	38		38		38	
Kuwait	0.25	253	1	252	1	253	(8)	245	
Kyrgyzstan	0.06	60	60						
Lao People's Democratic Republic	0.06	60	60						
Latvia	0.06	60	60						
Lebanon	0.06	60		60		60	(2)	59	
Lesotho	0.06	60		60		60	(2)	59	
Liberia (*)	0.06	60		60	201	261	35	296	
Libya	0.11	111		111	253	364	(5)	359	
Lithuania	0.06	60	60						
Luxembourg	0.27	272	272						
Madagascar	0.06	60	60						1
Malawi (**)	0.06	60		60	696	756	84	841	
Malaysia	0.60	614	614						
Maldives	0.06	60	60						
Mali	0.06	60	60						1
Malta	0.06	60	60						
Marshall Islands	0.06	60	60						6
Mauritania	0.06	60	60						1
Mauritius	0.06	60	60						
Mexico	1.16	1 147	1 147						
Micronesia (Federated States of)	0.06	60		60	223	284	5	289	
Monaco	0.06	60	60						
Mongolia	0.06	60	60						
Montenegro	0.06	60	60						
Morocco	0.11	110	110						
Mozambique	0.06	60	60						
Myanmar	0.06	60	60						
Namibia	0.06	60	60						
Nauru (**)	0.06	60		60	855	915	129	1 045	
Nepal	0.06	60		60		61	(2)	59	
Netherlands	1.58	1 589	1 589						
New Zealand	0.31	313	313						312
Nicaragua	0.06	60	60						
Niger	0.06	60	60						1
Nigeria	0.16	171	171						28
Norway	0.76	774	774						
Oman	0.13	133	133						
Pakistan	0.13	131		131	37	168	(4)	164	
Palau	0.06	60		60	436	497	17	514	
Panama	0.12	126	126						
Papua New Guinea	0.06	60		60		60	(2)	59	

INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME
ASSESSMENTS RECEIVABLE FROM MEMBER STATES
AND CONTRIBUTIONS RECEIVED IN ADVANCE
AS AT 31 DECEMBER 2017

(in thousands of Canadian dollars)

Member States Assembly Resolutions A39-37, A39-32 and A39-33	General Fund					Total Balances Receivable	Exchange	Total Adjusted Balances Receivable	Contributions Received in Advance
	Scales 2017	Assessments 2017	Assessments Received for 2017	Balance of Assessments Receivable for 2017	Balance of Prior Years' Assessments Receivable				
Paraguay	0.06	60	60						9
Peru	0.16	164	164						
Philippines	0.30	309	309						
Poland	0.62	620	620						
Portugal	0.41	408	408						5
Qatar	0.83	857	857						
Republic of Korea	2.18	2 196	2 196						
Republic of Moldova	0.06	60	60						60
Romania	0.14	137	137						
Russian Federation	2.77	2 851	2 237	614		614	(43)	571	
Rwanda	0.06	60	60						
Saint Kitts and Nevis	0.06	60	60						34
Saint Lucia	0.06	60	60						
Saint Vincent and the Grenadines	0.06	60	60	60	173	233	1	234	
Samoa	0.06	60	60						
San Marino	0.06	60	60						
Sao Tome and Principe (*)	0.06	60	60	60	806	866	115	982	
Saudi Arabia	1.12	1 157	861	297		297	(9)	288	
Senegal	0.06	60	60						1
Serbia	0.06	60	60						
Seychelles	0.06	60	60						
Sierra Leone (*)	0.06	60	60	60	214	274	38	313	
Singapore	1.01	1 015	1 015						
Slovakia	0.11	110	110						
Slovenia	0.06	59	59						
Solomon Islands	0.06	60	60	60		60	(2)	59	
Somalia	0.06	60	60						
South Africa	0.39	391	391						
South Sudan (**)	0.06	60	60	60	214	274	3	277	
Spain	2.03	1 997	1 997						
Sri Lanka	0.08	81	81						
Sudan	0.06	60	60						27
Suriname (**)	0.06	60	60	60	372	432	17	449	
Swaziland	0.06	60	60						
Sweden	0.71	717	717						
Switzerland	1.04	1 057	1 057						
Syrian Arab Republic	0.06	60	60	60	225	285	6	291	
Tajikistan	0.06	60	60						8
Thailand	0.59	599	599						
The former Yugoslav Republic of Macedonia	0.06	60	60						
Timor-Leste	0.06	60	1	59		59	(2)	58	
Togo	0.06	60	60						1
Tonga	0.06	60	60						
Trinidad and Tobago	0.06	60	60						
Tunisia	0.06	60	60						
Turkey	1.30	1 308	1 308						
Turkmenistan (*)	0.06	60	60	60	259	319	18	338	
Uganda	0.06	60	60						
Ukraine	0.10	99	99						
United Arab Emirates	2.25	2 315	2 315						
United Kingdom	4.27	4 247	4 247						
United Republic of Tanzania	0.06	60	60						
United States	20.24	20 190	10 194	9 996		9 996	(292)	9 703	
Uruguay	0.06	60	60						
Uzbekistan	0.06	60	60	1		1		1	
Vanuatu	0.06	60	60						33
Venezuela (Bolivarian Republic of)	0.41	410	410						6
Viet Nam	0.14	142	142						
Yemen	0.06	60	60	60	70	131	(4)	127	
Zambia	0.06	60	60	60		61	(2)	59	
Zimbabwe	0.06	60	60						
The former Socialist Federal Republic of Yugoslavia (1)					501	501	143	644	
TOTAL (***)	100.00	100 730	86 172	14 558	10 380	24 938	747	25 685	4 724

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

* States which had not met their obligations according to the terms of their agreements as at 31 December 2017.

** Receivable amounts include Working Capital Fund.

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

INTERNATIONAL CIVIL AVIATION ORGANIZATION

Table C

TECHNICAL CO-OPERATION PROJECT ACTIVITIES BY GROUP OF FUNDS
 ASSETS, LIABILITIES, NET ASSETS AT 31 DECEMBER 2017 AND
 REVENUE, EXPENSES AND SURPLUS (DEFICIT) FOR 2017
 (in thousands of Canadian dollars)

	United Nations Development Programme	Trust Funds and Management Service Agreements	Civil Aviation Purchasing Services Funds	2017	2016
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents		323 041	9 131	332 172	292 074
Inter-fund balances	1 087			1 087	
Receivables and advances	768	21 155	1 118	23 041	14 658
Others	3	357		360	3
TOTAL ASSETS	1 858	344 553	10 249	356 660	306 735
LIABILITIES					
CURRENT LIABILITIES					
Advanced receipts		336 907	10 249	347 156	291 003
Accounts payable and accrued liabilities	1 748	5 481		7 229	12 230
Employee benefits	27	2 165		2 192	2 704
Inter-fund balances					798
TOTAL LIABILITIES	1 775	344 553	10 249	356 577	306 735
NET ASSETS					
Reserves	83			83	
NET ASSETS (ACCUMULATED DEFICIT)	83			83	
TOTAL LIABILITIES AND NET ASSETS	1 858	344 553	10 249	356 660	306 735
REVENUE					
Contributions for project agreements		130 160	486	130 646	121 894
Other revenue		790		790	226
TOTAL REVENUE		130 950	486	131 436	122 120
EXPENSES					
Staff salaries and employee benefits		56 958	72	57 030	43 662
Supplies, consumables and others		52 403	266	52 669	59 395
General operating expenses		2 609	11	2 620	3 048
Travel		4 955	21	4 976	4 101
Training		2 944		2 944	2 857
Administrative overhead charges		11 081	116	11 197	8 819
Other expenses					238
TOTAL EXPENDITURE		130 950	486	131 436	122 120
SURPLUS/(DEFICIT) FOR THE YEAR					

Details may not add to totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION

Table D

TECHNICAL CO-OPERATION PROJECT ACTIVITIES
TRUST FUNDS AND MANAGEMENT SERVICE AGREEMENTS
RECEIPTS, EXPENSES AND BALANCE OF ADVANCE RECEIPTS
FOR THE YEAR ENDED 31 DECEMBER 2017
(in thousands of United States dollars)

Fund	Type of Fund	Balance as at 01-Jan-2017	Adjustment	Receipts		Expenses		Transfer from or to Other Funds	Refund of Contributions	Unrealized Exchange Gain or Loss	Balance as at 31-Dec-2017
				Contributions ⁽¹⁾	Interest and Other Income	Project Costs	Administrative Overhead				
Afghanistan	MSA	928		293	6	(1)	14	(279)			935
Angola	MSA	62			1						62
Argentina	MSA	42 418		47 823	(16)	30 009	2 881	(464)		714	57 585
Bahamas	MSA	10									10
Barbados	TF	47			1						47
Belgium	MSA	673				257	26				390
Bolivia	MSA	396		1 009		716	62	(38)	(191)		399
Bolivia	TF	12									12
Botswana	TF	76							(76)		
Brazil	MSA	2 029							(1 938)	(1)	90
Cabo Verde	MSA	327				33	3		(100)		191
Cambodia	IPAV					4		10			6
Cameroon	MSA	14									14
Chad	MSA										
Colombia	MSA	28				8					19
Comoros	MSA	265		131		203	14				179
Costa Rica	MSA	36 679			215	(3 038)	113				39 819
Czechia	MSA	35									36
Democratic Republic of the Congo	MSA										
Denmark	MSA										
Djibouti	MSA	243			1						244
Dominican Republic	MSA	3									3
Ecuador	MSA	1 008		211	6	74	11	10			1 150
Egypt	MSA	57			1				(7)		50
El Salvador	IPAV			3		2					1
Equatorial Guinea	MSA	381			1	179	18				186
Ethiopia	MSA	1									1
Fiji	IPAV					9	1	17			7
Fiji	MSA	13							(13)		
Gabon	MSA										
Greece	MSA	129		206		194	21			(1)	119
Guatemala	IPAV					5		6			1
Guatemala	MSA	300			2						302
Guyana	TF	7									7
Haiti	TF	56			1						56
INTER-REGIONAL	TF	89		5	1	15	2				78
Iceland	MSA	2							(2)		
India	MSA	1 885			5	377	38		(713)		762
Indonesia	MSA	1 735		323	14	760	70			(5)	1 236
Iraq	TF	39	(39)								
Italy	MSA	17									17
Jamaica	MSA	302		154		167	17				272
Jamaica	TF	6									6
Jordan	MSA	22									22
Kazakhstan	MSA	92				3			(88)		
Kuwait	MSA	1 101		1 054		602	60			(1)	1 492
Latvia	TF	8							(8)		
Lebanon	MSA	48			2	221	22	500			307
Lesotho	TF	131			1						131
Liberia	MSA	16							(8)		8
Libyan Arab Jamahiriya	MSA	9						(9)			0
Mali	MSA	49		180	1	82	8			(1)	139
Mauritius	MSA	6									6
Mexico	MSA	430		106	1	209	17	(3)			308
Mexico	TF	83		559	1	303	26				314
Mongolia	MSA			67							67

INTERNATIONAL CIVIL AVIATION ORGANIZATION

Table D
(continued)TECHNICAL CO-OPERATION PROJECT ACTIVITIES
TRUST FUNDS AND MANAGEMENT SERVICE AGREEMENTS
RECEIPTS, EXPENSES AND BALANCE OF ADVANCE RECEIPTS
FOR THE YEAR ENDED 31 DECEMBER 2017
(in thousands of United States dollars)

Fund	Type of Fund	Balance as at 01-Jan-2017	Adjustment	Receipts		Expenses		Transfer from or to Other Funds	Refund of Contributions	Unrealized Exchange Gain or Loss	Balance as at 31-Dec-2017
				Contributions ⁽¹⁾	Interest and Other Income	Project Costs	Administrative Overhead				
Mozambique	MSA	99			1	(1)			(64)		37
Namibia	MSA	4 364		2 664	(40)	3 179	320			(4)	3 484
Nepal	MSA	279			(1)	182	13				83
Nicaragua	MSA	20							(20)		
Nigeria	MSA	233			1				(206)		28
Norway	MSA	4						(4)			
Oman	MSA	391									392
Oman	TF										
Pakistan	MSA	32									32
Panama	MSA	897		1 062	1	831	77	(25)	(1)		1 026
Panama	TF	30 171		66 041	345	14 657	1 661	(6)		(4)	80 228
Papua New Guinea	MSA	8							(8)		
Paraguay	MSA	386		967	4	621	93	(130)		(1)	512
Peru	MSA	9 644		10 385	(16)	9 415	1 194	(4)		222	9 623
Philippines	MSA	40		35					(4)		71
Philippines	TF	2									2
Qatar	MSA	36							(8)		28
Regional for Africa	MSA	18 908		1 369	60	12 311	71		(42)	56	7 968
Regional for Asia	MSA	500		121	2	102	9				512
Regional for Asia	TF	3 561		1 791	17	1 152	131	229		15	4 330
Regional for Europe	MSA	36									37
Regional for Europe	TF	99		100	1	65	7				129
Regional for Europa and Middle East	MSA	567		611	2	453	45				682
Regional for Europa and Middle East	TF	318		261	2	179	18				384
Regional for Latin America	MSA	291		600	2	344	17	1			532
Regional for Latin America	TF	4 314		2 425	30	2 108	191	732	(25)	3	5 181
Republic of Korea	MSA	67		39				(107)			
Republic of the Congo	MSA	84							(84)		
Romania	MSA	3							(3)		
Rwanda	MSA	170				5	1		(15)		150
Saudi Arabia	MSA	10 068		4 000	266	4 120	290	266		1	10 191
Seychelles	MSA	57			1						57
Singapore	MSA	390		146	4	195	20	(20)	(195)	(13)	96
Singapore	TF	124		97	1	91	5				126
Somalia	MSA	15 836			(7)	8 438	748	16 900		(1)	23 543
Somalia	TF	7 087		17 559	36	532	(1)	(16 945)	(416)		6 790
South Africa	MSA	206			1						208
Spain	MSA	13		44		38	2			2	19
Sri Lanka	MSA	180			1						181
Sri Lanka	TF	6						2	(8)		
Sudan	MSA	198		9	1	1		(38)			168
Sweden	MSA			55		51	3	4			5
Syrian Arab Republic	MSA	155						(155)			
Thailand	MSA	56							(45)		10
Thailand	TF	92		83	1	25	3				148
Timor-Leste	IPAV					8	1	15			6
Trinidad and Tobago	TF	8									8
Turkey	MSA	13									13
UN Department of Peacekeeping Operations	MSA	10									10
Uganda	MSA							73			73
Uruguay	MSA	1 518		1 231	3	1 082	97	(125)			1 449
Venezuela (Bolivarian Republic of)	MSA	118			1						119
Yemen	MSA	5									5
Lump Sum Projects	LS	2 144		76	3	456	45	(71)	(20)	(1)	1 629
Total		206 073	(39)	163 893	971	92 036	8 485	341	(4 308)	978	267 388
Equivalent Canadian Dollars		264 236	(51)	206 505	1 217	120 196	11 081	426	(5 428)	1 278	336 907

(1): On a cash basis

Details may not add to totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION
TECHNICAL CO-OPERATION PROJECT ACTIVITIES
CIVIL AVIATION PURCHASING SERVICE FUNDS
RECEIPTS, EXPENSES AND BALANCE OF ADVANCE RECEIPTS
FOR THE PERIOD ENDING 31 DECEMBER 2017
(in thousands of United States dollars)

Table E

Fund	Type of Fund	Balance as at 01-Jan-2017	Income		Expenditure		Transfer from or to Other Funds	Refund of Contributions	Unrealized Exchange Gain or Loss	Balance as at 31-Dec-2017
			Contributions ⁽¹⁾	Interest and Other Income	Project Costs	Administrative Overhead				
Afghanistan	CAPS	224		2	52	5			(2)	168
Bahamas	CAPS	65		1	(2)					68
Bangladesh	CAPS									
Bolivia	CAPS	4								5
Cabo Verde	CAPS	31								31
Canada	CAPS	38								39
Costa Rica	CAPS	108		1						109
Cuba	CAPS	17								17
Ethiopia	CAPS	2 335		11	178	30				2 137
Fiji	CAPS	3						(3)		
Guinea	CAPS	44		1						44
Lebanon	CAPS	2 599		13	38	52	(500)		(1)	2 021
Lesotho	CAPS	40								41
Libyan Arab Jamahiriya	CAPS	62		1						63
Macao Special Administrative Region of China	CAPS	1 707		8	17	2				1 696
Madagascar	CAPS	(1)					1			
Mozambique	CAPS	4								4
Myanmar	CAPS	390		2			(25)			367
Nigeria	CAPS	33	300					(33)		300
Oman	CAPS	15								16
Russian Federation	CAPS	3								3
Seychelles	CAPS	(69)								(69)
Sudan	CAPS	100		1						100
Suriname	CAPS	6								6
Syrian Arab Republic	CAPS	730		4						734
Trinidad and Tobago	CAPS	161		2						162
Uganda	CAPS	73					(73)			
United Republic of Tanzania	CAPS	11								12
Uruguay	CAPS	43								43
Yemen	CAPS	17								17
Total		8 792	300	49	283	89	(597)	(36)	(2)	8 134
Equivalent Canadian Dollars		11 094	378	62	370	116	(752)	(45)	(3)	10 249

(1): On a cash basis

Details may not add to totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION

PART V: REPORT OF THE EXTERNAL AUDITOR TO THE ASSEMBLY ON THE AUDIT OF THE FINANCIAL STATEMENTS OF THE INTERNATIONAL CIVIL AVIATION ORGANIZATION FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017 AND THE SECRETARY GENERAL'S COMMENTS IN RESPONSE TO THE REPORT OF THE EXTERNAL AUDITOR



Corte dei conti

REPORT OF THE EXTERNAL AUDITOR

INTERNATIONAL CIVIL AVIATION ORGANIZATION

Audit of the financial statements for 2017

18 May 2018

TABLE OF CONTENTS

INTRODUCTION	4
AUDIT CERTIFICATE	6
STRUCTURE OF THE ACCOUNTING STATEMENTS	10
STATEMENT OF FINANCIAL POSITION 2017	10
ASSETS	10
Current Assets.....	11
Cash and cash equivalents	11
<i>Updating of lists of authorized signatures at banks</i>	12
<i>Cash-in-hand at Headquarters and the Regional offices</i>	12
<i>Cash-in-hand in field – standardization</i>	12
<i>Increasing accuracy in reporting cash-in-hand</i>	13
<i>Cash-in-hand in field and Regional Offices – reconciliation and controls</i>	13
Assessed contributions receivable from Member States	14
Receivables, advances and other current assets	15
Inventories.....	16
Non-current assets	16
Property, plant and equipment	16
<i>Fixed assets management at Regional level</i>	17
<i>Segregation of duties in the Asset Management</i>	17
Intangible Assets	18
LIABILITIES.....	18
Current Liabilities.....	18
Non-current Liabilities.....	19
Employee Benefits.....	19
Liabilities generated by benefits related to the ASHI, Leaves and Grants	19
<i>Negative value of the ICAO’s Net-assets is highly influenced by actuarial liabilities. Based on the ICAO’s assumptions, the value of liabilities is substantially correct</i>	21

NET ASSETS	23
STATEMENT OF FINANCIAL PERFORMANCE 2017	23
REVENUE	24
EXPENSES	24
<i>Procurement</i>	25
<i>Sole source at ICAO</i>	25
<i>Documentation of the Direct Purchase Orders (DPO)</i>	26
Personnel	28
<i>Overtime work</i>	28
<i>Avoiding risk of legal disputes for overtime potentially not paid</i>	31
<i>Salaries paid through accounts payable</i>	31
Segment reporting.....	32
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 DECEMBER 2017	32
STATEMENT OF CASH FLOW	32
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS.....	33
THE EVALUATION AND INTERNAL AUDIT OFFICE (EAO)	33
FOLLOW-UP TO PREVIOUS RECOMMENDATIONS AND SUGGESTIONS	33
ANNEX 1 – Follow-up to the recommendations issued in our previous reports	35
ANNEX 2 – Follow-up to the suggestions issued in our previous reports	56

INTRODUCTION

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

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

This audit looked at the ICAO Report for the Financial Year ended 31 December 2017 and its consistency.

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

We audited the accounts for the Financial Year 2017 on the basis of the INTOSAI standards and the IPSAS regime and in line with the Additional terms of reference that are an integral part of the ICAO Financial Regulations and Rules.

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

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

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

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

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

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

The field audit ended on 06 April 2018. We received the financial statements, signed by the Secretary General on 29 March 2018, on 10 April 2018. Pursuant to paragraph 9 of the Additional terms of reference governing the external audit, we sought comments from the Secretary General. These comments were received on 08 May 2018 and were duly incorporated in this report.

We audited the financial operating report on the audited accounts held by the ICAO relating to the financial results as at 31 December 2017, presented in compliance with the ICAO Financial Regulations and Rules (Sixteenth edition), Article XIII.

A Letter of Representation referring to the Accounts for the Financial Year 2017, signed by the Secretary General and the acting Chief of the Finance Branch, was included in the Financial Statements and is an integral part of the audit documentation.

We also received, on 19 April 2017, the Statement of Internal Control for 2017, signed by the Secretary General on 29 March 2018.

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

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



Corte dei conti

AUDIT CERTIFICATE

Opinion

We have audited the financial statements of the International Civil Aviation Organization (ICAO), which comprise the statement of financial position as at 31 December 2017, the statement of financial performance, the statement of changes in net assets, the statement of cash flow and the statement of comparison of budget and actual amount for the Regular Programme General Fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the International Civil Aviation Organization (ICAO) as at 31 December 2017, and its financial performance, its changes in net asset, its cash flows and its comparison of budget and actual amounts for the Regular Programme General Fund for the year then ended, in accordance with IPSAS and the ICAO Financial Regulations and Rules.

Basis for Opinion

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

Other Information

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

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

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

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

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

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

In accordance with the ICAO Financial Regulations and Rules (Article XIII) and the Additional terms of reference governing the external audit (Annex B to these Financial Regulations and Rules) we have also issued a detailed report on our audit of the ICAO Financial Statements for 2017.

Emphasis of matter

We draw attention to the fact that the Statement of financial position shows a negative Net Asset (-65.7 MCAD), mainly due to the impact of 146.7 MCAD in actuarial liabilities relating to long-term employee benefits recorded in the financial position. Details of our analysis are included in our report. Measures are being undertaken by Management, which has assured us that it will monitor the effectiveness of these measures. Our opinion is not modified in respect of this matter.

Rome, 18 May 2018

Angelo Buscema
President of the
Corte dei conti



STRUCTURE OF THE ACCOUNTING STATEMENTS

1. The ICAO's Financial Statements, prepared and presented in compliance with IPSAS 1, included the following elements:
 - Statement of financial position (Statement I) – Balance sheet at 31 December 2017 with comparative figures as at 31 December 2016 showing Assets (divided into Current and Non-current assets), Liabilities (split into Current and Non-current liabilities) and Net assets;
 - Statement of financial performance (Statement II) for the year ended 31 December 2017, with comparative figures as at 31 December 2016 showing the Surplus/Deficit for the financial year;
 - Statement of Changes in Net Assets for the year ended 31 December 2017 (Statement III); showing the value of the Net assets including the surplus or deficit for the Financial Year including losses directly recorded in Net assets without being recorded to the Statement of Financial Performance;
 - Cash Flow (Statement IV); table of cash flows for the period closed on 31 December 2017, showing the inflow and outflow of cash and cash equivalents, purposely regarding the operational, investment and financing transactions and the treasury totals at the end of the Financial Year;
 - Comparison of Budget and Actual Amounts (Statement V) for the 2017 financial period (limited to the Regular Programme General Fund).
 - Notes to the financial statements providing information about accounting policies, segment reporting and additional information necessary for a fair presentation (quoted in this Report as “Note” or “Notes”).

STATEMENT OF FINANCIAL POSITION 2017

ASSETS

2. In 2017, the ICAO's Assets amounted to 490.5 million CAD (MCAD), an increase of 63.6 MCAD (+14.9%) as compared with the value recorded in 2016 (426.9 MCAD).
3. They consisted of Current assets, amounting to 481.5 MCAD, representing 98.2% of Total Assets (in 2016, the figure was 418.3 MCAD, representing 98% of Total Assets), and Non-Current Assets, amounting to 9.0 MCAD, or 1.8 % of Total Assets (in 2016, 8.6 MCAD, or 2% of Total Assets).

Current Assets

4. Total Current Assets in 2017 amounted to 481.5 MCAD, representing an increase of 63.2 MCAD (+15.1%) as compared with 2016. The increase was due to “Cash and cash equivalents” (+44.3 MCAD), “Assessed contributions receivable from Member States” (+9.3 MCAD) and “Receivables and advances” (+9.8 MCAD), meanwhile “Inventories” and “Others” remained almost on the same values (-0.2 MCAD as a whole). The basis for evaluating Current Assets is given in the Accounting Policies (Note 1).

Cash and cash equivalents

5. As stated in paragraph 4, the sub-heading “Cash and cash equivalents”, totalling 436.5 MCAD, increased by 44.3 MCAD (+11.3%) compared to 392.2 MCAD in 2016. It included cash-in-banks and short-term deposits as at 31 December 2017. As shown in Note 2.1, the composition of the sub-heading is the following:

	2017	2016	% diff.
Cash in banks	51.5	71.8	-28.3%
Term deposits	385.0	320.4	20.2%
<i>Total Cash and Cash Equivalents</i>	<i>436.5</i>	<i>392.2</i>	<i>11.3%</i>

6. We asked all the banks with business relations with ICAO to confirm the current account balances as at 31 December 2017. We verified if the account balances had been properly recorded in the accounts; the variances detected were explained and justified by Management.

7. It should be mentioned that, as in the past years, we did not receive direct confirmations from all the banks. This limited our work in this area, although Management made efforts in order to allow us to receive them. Management gave us, alternatively, a copy of the bank statements.

8. Last year we issued a recommendation (n. 1/2016) on the lack of banks’ confirmations and, considering the importance of this issue for obtaining reasonable assurance and, moreover, the fact that the confirmations’ rate has consistently decreased this year both in terms of numbers of answers received from banks and of financial values, we consider the recommendation still as “ongoing” and we therefore urge Management to enhance its efforts on this area.

Updating of lists of authorized signatures at banks

9. As a result of our audit of the bank confirmations, we also found, as in the past years, isolated differences between the lists of authorized signatures kept by Management at Headquarters and the lists that we received as declared by the banks. Due to the fact that not all the confirmations had been received, we could not reach a conclusion over the signatories. It should also be mentioned that Management was aware when an outdated list was being submitted by banks and acted promptly, communicating with the banks in order to solve these discrepancies.
10. We cannot consider as “closed” the recommendation of our financial audit report on FS 2015 related to signatures, which is still ongoing (refer to follow-up to rec. 1/2015, Annex 1).

Cash-in-hand at Headquarters and the Regional offices

11. On 31 December 2017, the cash-in-hand in CAD kept by the ICAO at Headquarters was equivalent to an amount of 2,822.28 CAD. Overall, the cash-in-hand at Regional offices amounted to the equivalent of 3,223.49 CAD.

Cash-in-hand in field – standardization

12. During our audit, we detected that, for petty cash reports for the field, in few cases formats used by responsible people in charge of petty cash’s management were different.

Suggestion n. 1

13. We therefore suggest (i) to remind the use of the standard reporting, and (ii) to enhance the current framework of guidelines regarding the utilisation of petty cash, distributing them to all responsible people in the field.

Proposal and comments by the Secretary General

The suggestion is accepted. We are already in the process of updating our imprest and petty cash guidelines which will be released to all custodians in 2018 including a reminder to use the existing template for reporting.

Increasing accuracy in reporting cash-in-hand

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

Suggestion n. 2

15. In this regard, we suggest that Management increase its efforts, in order to have a more accurate reporting of cash-in-hand.

Proposal and comments by the Secretary General

The suggestion is accepted. The applicable projects have already been notified to update the account numbers on their petty cash reports. In addition, we have already undertaken steps to update the titles of certain accounts in Agresso and moving forward, we will ensure that the account titles are amended as required.

Cash-in-hand in field and Regional Offices – reconciliation and controls

16. In limited cases, with reference to cashbooks hold at Headquarters and to field and regional reports, we detected that the balance did not correspond to the amount reported in Agresso; Management promptly corrected the mentioned cases.
17. In other few cases, we found that the 2017 December cash reports were not present at Headquarters and cash reconciliation were not performed on a monthly basis in field, duly signed and submitted to Headquarters. In our opinion, any monthly report should be reconciled. Furthermore, we also observed that there was not a systematic control on the nature of the expenditures reported in the petty cash reports.

Recommendation n. 1

18. With a view to enhancing controls over cash and accountability, we recommend that Management provide evidence that controls and related supporting documentation are in place over the cash-in-hand held in field and Regional Offices, through a monthly reconciliation process, also emphasizing the importance of a double signature, by the staff in charge of preparing the reports and the responsible.

Proposal and comments by the Secretary General

The Recommendation is accepted. Treasury has currently in place a checklist that is used every time a cashbook is processed. We will update the list to reflect the requirement for a double signature approval. In addition, we will add a column showing if we have contacted TCB for clarification on the nature of certain expenses. At the present time, e-mails are sent to TCB as a formal practice but this procedure is not included in the current checklist. The checklist is now being updated, it will be signed by the approving officer and attached to the monthly bank reconciliation.

Assessed contributions receivable from Member States

19. Assessed contributions receivable from Member States for the regular budget are composed of:
 - a) *Current*, which are due within 12 months (around 13.3 MCAD in 2017; 4.0 MCAD in 2016, an increase of 232.5%), and
 - b) *Non-current*, which are foreseen to be collected 12 months from the date of the financial statements (5.2 MCAD in 2017, 4.6 MCAD in 2016, an increase of 14.1%). This includes discounted long-term contributions.
20. We analysed the procedures in place at the ICAO for the discounting of receivables and our audit did not reveal any major issues. The cumulative discount on long-term receivables totalled 6.6 MCAD in 2017, a decrease of 0.3 MCAD compared to 2016.
21. The significant increase in current receivables at 31st of December 2017 is partly due to a delay in payment of some main contributor. We ascertained that those payments have been finalized in January 2018.
22. The number of Member States with balances owing only for the current year's assessments amounted to 21. They were 16 in 2016 and 43 in 2015. A cyclic trend, linked to the Assembly years, is observed in this area, as a consequence of the effects of Convention, article 62, Assembly resolution A39-31 (in particular, clauses 7, 10 and 11) and Financial Regulation 6.5 on suspending of vote rights for member States with outstanding payments. We acquired copies of letters sent to the Member States concerned these rules.

23. The number of Member States in arrears for a period exceeding one year was 35 in 2017, maintaining the same level of 2016, an improvement compared with 2015, when these States were 46.
24. Some Member States concluded agreements in order to liquidate their arrears. At the end of the year, there were 12 such agreements. The degree of implementation of existing agreements shows cyclic fluctuation, too. The number of countries which had not complied with their agreements was 8 at the end of 2017; it was 7 in 2016 and 9 in 2015. The number of countries with more than three years of arrears and no agreements was 14 (against 15 in 2016).
25. The status of outstanding contributions as at 31 December 2017 (including the year 2017) shows a total amount of 25.7 MCAD (including 1.3 MCAD as a consequence of the USD/CAD exchange rate for the USD assessment component) for 56 Member States and The Former Socialist Republic of Yugoslavia. The total amount outstanding as at 31 December 2016 was 16.1 MCAD (with 1.9 MCAD due to the exchange rate) for 51 Member States.
26. The breakdown of assessed contributions according to the year of assessment shows that the amount due for the current year plus the two preceding years amounted in 2017 to 17.4 MCAD (in 2016 was 7.4 MCAD) for the already mentioned reasons. An improvement is registered in recovering the core of assessed contributions relating to 2013 and earlier, that shows in 2017 an amount of 7.2 MCAD, decreasing from 2016 when it was 8.7.

Receivables, advances and other current assets

27. Receivables and advances are composed of: a) *Current* (29.6 MCAD in 2017, +49.2% with reference to 2016); and b) *Non-current* (0.4 MCAD in 2017, around +37.7% from 2016).
28. *Current* represented 6.0% of the Total Assets, compared to around 4.7% in 2016. As stated in Note 2.3, they represented advances to employees, receivables from United Nations Agencies and other amounts due from revenue generation activities, such as sales of publications, and the rental for conference rooms and space to delegations.
29. An amount of 1.70 MCAD in 2017 is shown in the closing balance sheet under "others", similar to the amount of 2016 (1.75 MCAD, -2.3%). A detailed breakdown of these values is reported by Management in Note 2.3.

Inventories

30. At the end of 2017, items related to publications, souvenirs, duty free items and supplies were recorded at a net value of 0.38 MCAD, a decrease of 0.13 MCAD (-25.7%), compared to the 2016 net value of 0.51 MCAD. Inventories are detailed in Note 2.4 and the values recorded in the Financial Statements are related to Publications (0.30 MCAD in 2017) and Commissariat (0.08 MCAD).
31. We obtained and checked the lists of assets, comparing them with those from the previous year. We carried out a physical stock-check on a sample of items recorded in the inventories. No major problems which could impact the accounts at the closing date (31.12.2017) were identified.
32. We acknowledge the efforts made by Management in recording and reconciling the movement of products. However, in a test performed during our audit, we noted that some residual weaknesses remained. We recall the importance of providing accurate records on the actual quantities and on the fair market value of the inventory.

Non-current assets

33. As at 31 December 2017, Non-current assets totalled 9.0 MCAD, a decrease of 0.4 MCAD as compared with 2016. The basis for the evaluation of Non-current assets is given in the Accounting Policies (Note 1).
34. This heading is composed of: a) "Property, plant and equipment", amounting to 2.8 MCAD and representing 30.8% of total Non-current assets (in 2016 it was 3.0 MCAD, representing 34.9% of total Non-current assets); b) "Assessed contributions receivable from Member States", amounting to 5.2 MCAD (around 57.6% of the non-current assets); c) "Receivables and Advances", totalling 0.4 MCAD (see paragraph 27); d) "Intangible assets", amounting to 0.7 MCAD, around 7.4% of total non-current assets. The above-mentioned headings are illustrated in Notes 2.5, 2.2, 2.3 and 2.6 respectively.

Property, plant and equipment

35. The heading "Property, plant and equipment", as seen above, showed a value of 2.8 MCAD, which is the net value at 31 December 2017 of the capitalised cost for "Furniture & fixtures" (0.1 MCAD), IT equipment (0.4 MCAD), Office equipment (0.2 MCAD), Motor vehicles (0.2 MCAD), Leasehold improvements (1.6 MCAD), Machinery (0.3 MCAD). Acquisitions during the year amounted to 0.3 MCAD and depreciations totalled 0.6 MCAD; the values related to

depreciation were traced in the Statement of Financial Performance. Descriptions are provided by Management in Note 2.5.

Fixed assets management at Regional level

36. During the visit to EUR/NAT in December 2015, also with reference to the observations raised in the past by the French Cour des comptes and by the EAO, it was noted that some of the assets were not recorded in the asset register. In the long-form report annexed to the ICAO certificate for the financial year 2015 (C-WP/14468 – Addendum No. 2), although acknowledging the initiatives recently undertaken in this area by Management (particularly the release of new administrative instructions on December 2015), we made some recommendations (see Annex 1). These remain still ongoing, because we found similar issues during our audits at the NACC Office (October 2016) and SAM Office (October 2017).

Segregation of duties in the Asset Management.

37. During our audit, we discussed with Management on the opportunity of implementing proper Segregation of Duties (SOD), as it stands ADB/CSG is in control of the acquisition of assets (note only their assets). Disposal/write-offs are decided by the D/ADB for assets below CAD 10,000 in value (CSG prepares the paperwork).
38. In other words, at present, Director ADB directly controls disposals/write offs and indirectly controls acquisition of assets through ADB/CSG.

Recommendation n. 2

39. We therefore recommend, in order to avoid possible conflicts of interests, that Director ADB should not be directly or indirectly responsible of both the acquisition of the assets and, at the same time, of their disposal/write-offs.

Proposal and comments by the Secretary General

The recommendation is accepted. The organization will seek to find a suitable solution in order to comply with the requirements for segregation of duties, whereby the acquisition of assets for administrative assets remains with ADB/CSG whilst the responsibility of asset disposal/write-offs is undertaken outside of ADB.

Intangible Assets

40. In 2017, Intangible Assets amounted to 0.7 MCAD; they had decreased by around 0.1 MCAD (-16.3%), compared to 2016 (0.8 MCAD); the values related to depreciation were traced in the Statement of Financial Performance. The breakdown is illustrated in Note 2.6.

LIABILITIES

41. In 2017, Total Liabilities amounted to 556.2 MCAD, an increase of 61.8 MCAD (+12.5%) in comparison with the value recorded in 2016 (494.4 MCAD). They consisted of:

- a) *Current Liabilities*, amounting to 409.5 MCAD, representing 73.6% of Total Liabilities (in 2016, they represented 71.2%, totalling 352.0 MCAD), and
- b) *Non-Current Liabilities*, totalling 146.7 MCAD, composed only of actuarial liabilities related to Employee benefits, representing 26.4% of Total Liabilities (in 2016, non-current liabilities represented around 28.8%, totalling 142.4 MCAD).

Current Liabilities

42. In 2017, total Current Liabilities amounted to 409.5 MCAD, an increase of 57.5 MCAD (+16.3%) compared to 2016 (352.0 MCAD). These were composed of:

- a) "Advanced receipts", totalling 372.0 MCAD in 2017 (312.6 MCAD in 2016, an increase of 19%). These represented around 90.9% of Current Liabilities and 66.9% of total Liabilities and were mainly composed of voluntary contributions for Technical Cooperation projects (347.2 MCAD in 2017). The basis for the evaluation of Advanced receipts is set out in the Main Accounting Policies (Note 1). A detailed breakdown of these values is provided by Management in Note 2.8.
- b) "Accounts payables and accrued liabilities", recorded for an amount of 28.4 MCAD in 2017 (29.6 MCAD in 2016, a decrease of 4.1%), representing 6.9% of Current Liabilities. Descriptions are provided by Management in Note 2.9.
- c) "Employee benefits", recorded for 7.6 MCAD, a decrease of 0.7 MCAD (-14.9%) compared to 2016 (7.2 MCAD). See dedicated paragraph below for further considerations.
- d) "Credits to contracting/servicing governments" amounting to 1.4 MCAD and representing 0.3% of Current Liabilities (0.4% in 2016).

Non-current Liabilities

43. Total non-current Liabilities are only related to “Employee benefits”; in 2017, they amounted to 146.7 MCAD, representing an increase of 4.3 MCAD (3.0%) compared to 2016 (142.4 MCAD). The basis for the evaluation of Non-current Liabilities is given in the Note 2.10. Furthermore, in accordance with IPSAS, Management provided a disclosure of the sensitivity of trend assumptions in Note 2.10.2.

Employee Benefits

44. Employee Benefits are disclosed in the Financial Statements under “Current Liabilities” with an amount of 7.6 MCAD and under “Non-current liabilities”, with a value of 146.7 MCAD, as summarised in the table below. The total increase in the Liabilities (Current and Non-current) is 3.6 MCAD.

<i>Liabilities</i>	Year (MCAD)		Variance 2017-16	
	2017	2016	MCAD	%
<u>Current</u>	7.6	8.3	-0.7	-8.4%
<u>Non-current</u>	146.7	142.4	4.3	3.0%
<u>Total</u>	154.3	150.7	3.6	2.4%
<i>Composition</i>				
Post retirement Plan (ASHI)	129.3	124.3	5.0	4.0%
End of service-annual leave	8.6	8.8	-0.2	-2.3%
End of service-repatriation benefits	14.2	14.9	-0.7	-4.7%
Other employee benefits for international experts	2.2	2.7	-0.5	-18.5%
Total	154.3	150.7		

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

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

46. As shown in the table above, the increase in these liabilities is produced by the increase in the “After Service Health Insurance (ASHI) (5.0 MCAD)”, whereas other sub-headings decreased. These liabilities are due to actuarial loss or gain, and were calculated by an actuary chosen by Management (AON Hewitt), according to actuarial assumptions reported by Management in Note 2.10.3.

47. These assumptions consider elements like the discount rate on long-term Canadian government bonds, with the yield as of 31 December 2017 (2.40%, same as for 2016), and the exchange rate between USD and CAD (1.00:1.26 in 2017; it was 1.00:1.354 in 2016). In compliance with IPSAS 25, a sensitivity analysis relating to the discount rate is disclosed by Management in paragraph 2.10.2 of the Notes.
48. It is to be considered that, with the exception of the increase in the retirement age from 62 to 65 (effective starting 1 January 2019), no other structural measures have been adopted yet, at the moment, in order to reduce the underfunding of the actuarial liabilities. This is considered in our follow-up analysis carried out in Annex 1.
49. After a full actuarial study commissioned by Management following our recommendation n. 3/2014, in 2016 we presented a performance audit report to the Council on the effectiveness of measures taken by ICAO's Management to reduce ASHI liabilities. Based on the study by the actuary chosen by the ICAO and with the support of the analysis carried out by our actuaries, we addressed some of the points that might, in the long term, impair the effectiveness of the measures proposed to reduce ASHI liabilities, issuing three recommendations, which did not affect acquired rights.
50. In particular, the first recommendation was related to the possibility of paying a premium proportional to the size of the salary or pension, instead of a premium linked to the position (Professional or General services). The second recommendation considered that a worldwide health coverage for a retiree (charged to the ICAO budget) was very expensive and not linked to service needs; so, it would have been logical for the ICAO only to guarantee coverage for the country of residence.
51. These two recommendations are considered as "closed" by Management, with the motivation that *"the two options had been met with strong opposition from the ICAO Staff Association and retirees' representatives (CAFICS) and (FAFICS) as they impacted the apportionment of health insurance premiums between the Organization and participants. Staff and retirees representatives considered that as a benefit attached to their employment at ICAO and had an expectation that that would remain unchanged in the future. This position was presented to the Council at its 208th session who noted it"*. However, we consider the recommendations as still "ongoing" (see Annex 1).

52. The only recommendation that was accepted by the organization was the one related to the so called “opt-out” incentive. However, since this measure could have only a small impact, in our financial report of last year we recommended (recommendation n. 7/2016) that a new actuarial study were performed once the measures had been adopted, in order to evaluate if and when the actuarial liabilities could affect the ICAO ability to continue as a going concern.
53. The recommendation was accepted, but, until now, the “opt-out” incentive has not yet been adopted; therefore, also in this case we consider our recommendations as not implemented, as it is shown in our follow up table enclosed in Annex 1.
54. We highlight that, during the last session of the Panel of External Auditors of the United Nations, the Specialised Agencies and the International Atomic Energy Agency, held in Rome from 30 November – 1 December 2017, the Corte dei conti was facilitator of the topic. “*Employee liabilities: recognition, valuation, sustainability (going concern and full actuarial review), actuarial calculations and audit issues*”.
55. The conclusion of the Panel was summarised in the letter sent to the Secretary General of the United Nations, as follows: “*The Panel noted that employee benefit liabilities are having a significant impact on the net value and financial health of entities. It remains essential that the financial statements accurately and transparently disclose these Liabilities. This enables Governing Bodies to make effective decisions to enable them to continue review of the appropriateness of their Long term funding strategies, which differ between entities. While acknowledging the important work being undertaken by the IPSAS Task Force on the harmonisation of actuarial assumptions and the system response to revised accounting standards, the Panel **recommends that the UN entities should have a Long term funding strategy for these liabilities***”.
56. As the external auditor, we will continue monitoring the impact that the proposed measure will have in terms of reducing the actuarial liabilities, although it does not represent a long-term funding strategy.

Negative value of the ICAO’s Net-assets is highly influenced by actuarial liabilities. Based on the ICAO’s assumptions, the value of liabilities is substantially correct

57. The amount for actuarial liabilities (146.7 MCAD) represents 26.4% of total liabilities (556.2 MCAD) and has a strong impact on the ICAO’s Net asset.

58. The choice of actuarial assumptions is the sole responsibility of Management. In relation to the audit of the Financial Statements, the External Auditor checks their plausibility and their consistency with IPSAS 25 and with previous years and validates them.
59. As last years, for this specific subject, our team made use of its group of public actuaries, expert in social benefits. They carried out a review of the key assumptions related to 2017, which were duly discussed with Management. We found that these assumptions were in line with economic trends and rates and also consistent with data available at the ICAO at the moment of our audit, and we validated them.
60. To carry out their work, our actuaries recalculated the valuations prepared by AON Hewitt related to the ASHI, Annual leave and the Repatriation Grant; they also performed an in-depth analysis of all actuarial valuations and assumptions in order to review their plausibility and the algorithms used by AON. Management and its experts provided full cooperation and assistance to our actuaries.
61. The work of our actuaries revealed that the amounts recorded in the accounts were substantially correct.
62. With regard to the assumptions and the calculation methodology of the actuarial liabilities, we point out that as from 1 January 2018 the new IPSAS 39 has to be applied, instead of the IPSAS 25. We expect that a new form will replace the one currently in use.
63. Currently, the administrative fees are assumed to grow by 3.25% (inflation); the other costs have different and higher growth dynamics; however, the cost declared by AON for Drug Costs and Health Care Costs is gross of administration fees: therefore, developing costs, in the future, before administration expenses (without correctly separating them from each cost item) implicitly means making them grow more than they should. This may lead to a misrepresentation of the actual situation.

Recommendation n. 3

64. In order to represent in a correct manner all the expenses related to the calculation of the actuarial liabilities and to allow a better understanding of the different fees involved in the calculation, we recommend that Management should represent, in the future actuarial reports to be issued under the new IPSAS 39, the administrative fees separately from the other costs, clearly indicating the different rates of increase.

Proposal and comments by the Secretary General

The Recommendation is accepted. We will ask our actuary, in the fall of 2018, to disclose separately the administrative fees from the medical costs, indicating the different rates of increase, in the 2018 actuarial valuation.

NET ASSETS

65. Net assets comprise the accumulated deficit and reserves of the Organization at year-end. In 2017, Net assets resulted in a negative value of -65.7 MCAD, with an improvement of 1.8 MCAD (2.6%) compared to -67.5 MCAD in 2016. Please refer to Paragraph 57 for an explanation.
66. All the movements in Net assets are explained in various Statements and Notes in the Financial Operating Report, in particular:
- a) Statement II “Statement of financial performance”, which shows the surplus for the period (1.2 MCAD);
 - b) Statement III “Statement of changes in net assets” with the movements listed separately;
 - c) Note 2.12, where Management discloses details on the composition of the reserves.

STATEMENT OF FINANCIAL PERFORMANCE 2017

67. This Statement shows the Organization’s revenue and expenses classified, disclosed and presented on a consistent basis to explain the year’s net deficit or surplus. The result for the period is a surplus of 1.2 MCAD.

REVENUE

68. Total revenues amounted to 272.4 MCAD, with an increase of 4.5 MCAD (1.7%) as compared with 2016 (267.9 MCAD). This was composed of:
- a) "Contributions for project agreements" totalling 130.4 MCAD in 2017 and representing 47.9% of Total revenues; these contributions increased by 7.3% from 2016 (121.5 MCAD);
 - b) "Assessed contributions", amounting to 101.0 MCAD in 2017, representing 37.1% of Total revenues, a decrease of 5.5% compared to 2016 (106.9 MCAD);
 - c) "Other revenue producing activities", totalling 22.5 MCAD in 2017, and representing 8.3% of Total revenues; an increase of 6.9% compared to 2016 (21.0 MCAD);
 - d) "Other voluntary contributions" totalling 13.3 MCAD in 2017 (4.9% of Total revenues), a 11.4% decrease compared to 2016 (15.0 MCAD);
 - e) "Administrative fee revenue" and "Other revenue" totalling jointly 5.2 MCAD in 2017 (1.9% of Total revenues), a 49.9% increase compared to 2016 (3.5 MCAD).
69. Our audit did not reveal any major issues; a detailed breakdown has been disclosed by Management in Note 3.2.

EXPENSES

70. Expenses totalled 271.2 MCAD, with an increase of 10.8 MCAD (4.1%) as compared with 2016 (260.4 MCAD). These were composed of:
- a) "Staff salaries and employee benefits", totalling 174.3 MCAD in 2017 representing 64.3% of Total expenses; an increase of 10.8% from 2016 (157.3 MCAD);
 - b) "Supplies, consumables and others", amounting to 53.3 MCAD in 2017 and representing 19.7% of Total expenses, down 11.0% compared to 2016 (59.9 MCAD);
 - c) "General operating expenses", totalling 17.9 MCAD in 2017 and representing 6.6% of Total expenses; down 15.2% as compared with 2016;
 - d) "Travel", totalling 15.3 MCAD in 2017 and representing 5.6% of Total expenses, up 26.4% compared to 2016 (12.1 MCAD);

- e) “Meetings, Training and Other expenses”, totalling jointly 10.4 MCAD in 2017 (3.8% of Total expenses), a 3.1% increase compared to 2016 (10.0 MCAD).

Procurement

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

Sole source at ICAO

72. Sole-sources purchases are justified under one of the conditions specified in paragraph 6.6 of the Procurement Code.
73. In our sample we detected two cases for which the services procured on a sole source basis do not fall under the cases foreseen by the article 6.6 of the ICAO Procurement.
74. In addition, the justifications provided by the Allotment Holder at ICAO for obtaining the supply on a sole-source basis are, in our view, not sufficient to justify the use of a sole-source contract, so we do not consider this purchase to comply with the ICAO Procurement Code.

Recommendation n. 4

75. We recommend, in case of sole-source requests, that either PRO or any other independent expert in the specific matter, should check the justifications provided for obtaining the supply on a sole-source basis are in line with article 6.6 of the ICAO Procurement Code.

Proposal and comments by the Secretary General

The Recommendation is accepted. For all procurement above \$10,000 Procurement Section (PRO) should verify that the sole-source request complies with article 6.6 of the ICAO Procurement Code. For procurement less than \$10,000 the allotment holder is responsible to comply with the Procurement Code and PRO should provide an annual report to the Secretary General (SG) of all sole-source procurement under \$10,000.

Recommendation n. 5

76. Having observed that ICT Section is not regularly consulted in case of procurements related to information and communication technology, we recommend that ICAO should adopt a procedure, which envisages to consult ICT in case of this kind of procurement.

Proposal and comments by the Secretary General

The Recommendation is accepted. ADB should draft and propose to the OSG a procedure for all allotment holder to collaborate with ICT before proceeding with a procurement related to ICT.

Documentation of the Direct Purchase Orders (DPO)

77. In general, for DPOs we expect that procurement process must be fully documented (requirements definition, identification of the suppliers, RFP, quotations, evaluation).
78. However, we have detected some cases in which the procurement process was not always properly documented in Agresso by the Allotment Holder
79. We have sampled suppliers in order to verify DPOs received in 2017. One supplier received a total of 8 DPOs amounting to CAD 30,940.26. The second supplier received 4 DPOs amounting to CAD 23,315.
80. For the first supplier, we have detected that in for 4 DPOs in Agresso is attached only a copy of the DPO and for the other 4 DPSs in Agresso is attached only the DPO Summary and the offers received.
81. For a DPO (amounting CAD 9,423.72) there is no evidence that a competition was held in order to select the supplier and for another DPO we found that the 3 offers were received one in August, one in September, one in December.
82. For the second supplier we have detected that attached in Agresso is only the DPO and the invoices therefore there is no evidence that a competition was held.
83. In view of the above-mentioned facts we consider our recommendation 11/2016 that it is still ongoing.

Suggestion n. 3

84. Having found that, in case of a DPO, bidders can send their offers for an extended period (6 months) we suggest that DPO Guidelines should be amended in order that a deadline for the receiving of the offers should be included in the RFP.

Proposal and comments by the Secretary General

The suggestion is accepted. DPO Guidelines will be amended to include a deadline to upload the offers information in the RFP.

85. According to the UN Supplier Code of Conduct companies doing business with the United Nations are required to accept and comply with the UN Supplier Code of Conduct. The Code of Conduct informs Vendors of the following: 1) they cannot be engaged in corrupt practices 2) they must disclose information on any situation that may appear to present a conflict of interest 3) that the UN has a zero-tolerance policy with regards to the acceptance of gifts or hospitality from Vendors 4) there are restrictions on the employment by Vendors of former UN staff members.

86. In case of DPOs we have not find a declaration that the suppliers adhere to the UN Supplier Code of Conduct. PRO informed us that they are in the process of updating a DPO form to include this clause.

87. We have found that according to the follow-up table provided by EAO for the audit carried out in 2015 on "Procurement for Headquarters" (IA/2015/1), this issue should have been implemented since end of May 2015 and has been considered as closed by EAO.

Recommendation n. 6

88. We recommend, as already done by EAO, that, in case of a DPO, the suppliers should sign a declaration that they adhere to the principles established by the UN Supplier Code of Conduct.

Proposal and comments by the Secretary General

Accepted. PRO is to develop a new Form that includes this requirement for all DPOs.

Personnel

89. We reviewed several randomly selected payslips related to various categories of staff members (GS and Professional) from the Headquarters, the regional offices and the field. We checked the accuracy of the amounts recorded in the payroll against the current remuneration package and sought evidence in the personal files for any allowance obtained. Our substantive testing did not reveal any error or major issues, so we consider that we obtained reasonable assurance that the values recorded in the accounts were correct.
90. Regarding the payslips related to Professional categories we noted that AGRASSO was not updated for registering the new IP salary structure with 13 steps, that is effective from 1 January 2017, and still shows steps 14 and 15 instead of the correspondent steps of the new structure (PP1 and PP2) for level P1 to P4 for staff beyond the maximum salaries on the unified salary scale.

Recommendation n. 7

91. Although we verified that the lack of updating for levels P1 to P4 does not affect the reliability of the accounts, we recommend correcting those payslips that presently do not reflect the Category and step of the Staff member concerned.

Proposal and comments by the Secretary General

The Recommendation is accepted and actions will be taken to reflect pay steps as per the new IP salary structure.

92. In our previous reports, we focused our attention on three issues related to the management of personnel, namely the centralization of the payroll function, the process of harmonization of the rules related to personnel, the digitalization of personnel files. As reported in our follow-up (Annex 1), all the three issues are still ongoing.

Overtime work

93. According to the figures provided by ICAO Management, the overtime's expenditure in the regular budget, not including expenditure related to staff working during Symposia (under ARGF), is as follows:

OVERTIME Regular Budget 2017 (IN CAD)		
Bureau/Office	Budgeted	Paid
OSG	84,000	98,256
RO	31,800	35,912
ANB	12,000	1,831
ATB	10,000	
ADB	44,200	23,526
LEB	6,000	
TOT.	188,000	159,525

94. We assessed the compliance of overtime work with Staff Rules, also considering the relationship between overtime and accrued annual leaves (where compensatory leave is granted) and its financial impact.
95. Staff Rule 105.3 considers overtime as “special”. It establishes that “(...) overtime beyond the regular hours of attendance in the Secretariat should not be required; notwithstanding the foregoing and recognizing that the special nature of the work does involve periods of peak activity, the Secretary general may require attendance beyond regular hours”,
96. According to ICAO Service Code Article 5.3, there are two different sets of rules: one for GS and the other for P and D categories. For GS staff, overtime is “normally” paid, but, when a preference is expressed by the staff or when it exceeds the limit of 12 hours per week, it is remunerated with a compensatory leave. For P and D categories, only compensatory leave is granted.
97. We ascertained that Management has sufficient control on overtime. The figures of compensatory leaves for 2017 both for GS and P staff are as follows:

GS Staff						
Bureau	Number of staff	Total OT hrs worked	Total OT hrs compensated	Total hrs CL compensation	No. of staff exceeding 20 hrs	Total hrs exceeding 20 hrs
ADB	18	318.75	316.00	489.91	1	2.75
ANB	2	38.00	38.00	62.76		
ATB	16	399.50	395.50	602.05	2	4.00
FIN	4	39.50	39.50	62.75		
LEB	4	190.75	189.25	283.88	1	1.50
TCB	1	80.00	40.00	60.00	1	40.00
APAC	3	25.00	25.00	39.75		
ESAF	7	343.50	212.00	336.75	6	131.50
EUR-NAT	11	190.25	188.00	312.51	2	2.25
NACC	7	165.50	165.50	249.77		
SAM	5	52.25	52.25	80.26		
WACAF	2	41.00	41.00	66.01		
Total	80	1,884.00	1,702.00	2,646.40	13	182.00

98. We noted that some staff had worked more than the maximum 20 hrs per month and that there is a number of hours in excess of 20 hours that are not compensated in any form (neither payment nor compensatory leave).
99. We agreed with Management that work should be assigned within the requirements of the relevant policies and that, in some cases, the overtime cap should be revisited considering the work requirements of the Organisation based on experience and trend.
100. Nevertheless, the recurrence of substantial overtime work in specific offices could be related to shortage of staff resources, not adequate to ensure that given work objectives are met.

Suggestion n. 4

101. We suggest a review of the actual adequacy of Staff resources in the operating units more affected by overtime work and to also establish whether the current overtime cap needs to be adjusted.

Proposal and comments by the Secretary General

Due consideration will be given to the suggestion having regard to the best interest of the Organisation.

Avoiding risk of legal disputes for overtime potentially not paid

102. Although a general rule states that Staff must be paid for time worked unless they opt to donate their services to ICAO, we acknowledge that there is the possibility of giving compensatory leaves, as a consolidated practice.

103. We note, however, that, according to the current management of overtime, Bureau/Offices have a dedicated budgeted amount to allocate to GS staff. Payment of overtime could be inhibited when exceeding the limit of 20 hours or in case of lack of financial resources. Therefore, the insufficiency of the budgeted amount for the overtime work actually performed in a given office could potentially lead to legal disputes, especially if the overtime was authorised.

Recommendation n. 8

104. In the event that a GS staff requests to be paid for the overtime work, in order to avoid the risk of potential dispute because of the overtime authorized and not paid for time worked, due to the lack of budgeted resources, we recommend that Management consider reviewing the staff rules 105.3 with specific reference to overtime caps, and compensation for overtime work done either in the form of payment or compensatory leave.

Proposal and comments by the Secretary General

The Recommendation is accepted. Management is committed to review Staff Rule 105.3.

Salaries paid through accounts payable

105. During our audit, we observed that salaries of LACAC staff, funded by a TC project, were partly paid at Headquarters, through accounts payable, and partly paid at the Regional Office. In the accounts payable, the payment was recorded as “salary”, however it did not appear in the payroll system. LEB has not issued any opinion on this matter

Recommendation n. 9

106. We recommend that LEB, after consultation with FIN, provide legal advice on the advisability of the procedure adopted and its correctness.

Proposal and comments by the Secretary General

The Recommendation is accepted and Management agreed to obtain legal advice from LEB.

Segment reporting

107. A report by segments is provided in Note 5 of the 2017 Financial Statements. The aim of this segmentation is to disclose the financial position and financial performance and assign expenses directly to the related segments. The methodology also provides for a distribution of expenses and revenues, primarily by segments, known as the Regular Activities and Technical Co-operation Project.

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 DECEMBER 2017

108. Statement III “Statement of changes in net assets” shows movements during the year, ending in a negative balance of -65.7 MCAD at 31 December 2017. The improvement in the negative net assets is due to the variation in actuarial gain and to the surplus of the year. Our audit conclusions on the negative net assets are noted in the paragraphs related to “Employee Benefits”.

STATEMENT OF CASH FLOW

109. The Statement of cash flow identifies the sources of cash inflows, the items on which cash was spent during the reporting period, and the cash balance as at the reporting date.

110. In 2017, the ICAO reported a net cash flows of 40.6 MCAD from operating activities, which was positive, as it had been in 2016 (13.0 MCAD). Net cash flows from investment activities (4.1 MCAD) showed a positive variation as compared to 2016, due to an increase in Interest income and decrease in Acquisition of property, plant and equipment and Intangibles.

111. The net result in cash and cash equivalents showed an increase of 44.3 MCAD in 2017. We checked the underlying entries by selecting samples from some accounts. The result was that all selected transactions were properly backed by supporting documentation. The Cash Flow Statement was thus verified and confirmed.

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

112. Statement V “Comparison of budget and actual amounts for the year ended 31 December 2017” is provided in accordance with IPSAS 24, which requires that this comparison, arising from execution of the budget itself, should be included in the Financial Statements. This Standard also envisages the disclosure of the reasons for the material differences between the budget and actual amounts. Further details concerning Statement V are provided in Note 4.

113. This year, implementing our recommendation n. 15 on FS 2016, the Financial Statements comprise the Statement V-A, which also shows the Funds that are reported under “Regular activities” and budgets that are publicly available (AOSC Fund).

THE EVALUATION AND INTERNAL AUDIT OFFICE (EAO)

114. We acknowledge the cooperation received from the EAO’s staff members, who are also tasked with providing logistic support to the External Auditor.

115. In our report on FS 2016, we largely explained the issue related to the IT audit on cyber security management, which was initially asked us by the EAAC’s Chairman and also programmed by the EAO in its 2017 work programme.

116. In 2017, a new Chief EAO took office. We had several meetings, also about the IT audit on the cyber security issue, in order to avoid work overlapping. It is to be considered that the new Chief has also IT auditor skills, what certainly will improve the activity of the EAO in this sensitive sector.

FOLLOW-UP TO PREVIOUS RECOMMENDATIONS AND SUGGESTIONS

117. As usual, our long form report ends with the follow-up tables (Annexes 1 and 2) that resume the status of implementation of the recommendations and suggestions issued in our previous reports, not only in the financial reports, but also in the special reports.

118. Although we appreciate the cooperation given by Management, we remind that the status of implementation can be evaluated only by the External Auditor; of course, it was discussed and transparently shown to Management.
119. The recommendations that are evaluated as “closed” this year will not be included again in next year’s Audit Report, unless they need an annual follow-up.

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

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
Rec. 1/2016	In consideration of the fact that the balance for “Total Assets” is mainly composed of the balance of bank accounts and that, this year too, we did not receive a large number of confirmations, <u>we strongly recommend</u> that Management i) rationalise the current list of bank accounts, limiting considerably their number, and ii) find a process that will induce the banks to send confirmation letters to the Auditor when asked.	We are working with TCB to limit the number of new imprest accounts to be opened. As projects close, existing imprest accounts will also be closed and we will try and use the services of the UNDP as much as practically possible taking location and costs into consideration. As agreed in our meeting, we will work closely with the External Auditors and coordinate on the signature lists that they receive directly from our banking partners. We will also contact our banks and remind them to be extra vigilant when providing this information on the confirmation letters.	Treasury has been working diligently in 2017 to reduce the number of imprest accounts. Seven bank accounts were closed and one more is in progress. In addition, we have implemented a test project with our staff in Namibia to pay their salaries directly from Montreal, avoiding the use of an imprest and/or UNDP account. We are also working with our banking partner to test salary payments for our Argentina projects. If successful, this will require additional resources for the Payroll and Treasury units, which has already been noted by the auditors. The bank confirmation letters were sent this year in various languages and for TC imprest accounts, the letters were prepared by HQ and then followed-up by cashbook staff. The closing of imprest accounts is on-going and will continue in 2018. Additional resources will speed up this process as the responsibility for salary payments (and other payments) will lie with HQ staff but the risk reward will be worth it provided we have the necessary resources.	Ongoing
Rec. 2/2016	In our recommendation n. 5/2015 we recommended “ <i>that all the assets, in particular the ones not previously entered, be recorded in the IMS, regardless of their value</i> ”; therefore, also considering that at Regional Level recording and monitoring all the assets regardless their value is an important key management control tool (local value equivalent to CAD 300 might be really meaningful in certain Regional Offices), we <u>renew our recommendation</u> that every assets should be recorded in	The threshold for capitalization for PPE (C\$ 3,000) was discussed with our previous External Auditors and agreed with them. We have done a cost-benefit analysis and we conclude that to track the large number of items between CAD 300 and CAD 2,999 will require an effort and investment of resources which is not commensurate with the value of such items. However, we will accept your recommendation and we will track the assets between CAD 2,000 and CAD 3,000 in the FA Module.	This recommendation is implemented. The assets between CAD 2,000 and CAD 3,000 are tracked in the FA Module since 01 January 2017.	Closed

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
	the IMS (the new barcode system and software will facilitate the logistic and timing of the inventory) and, also, in the consideration that lowering the threshold, it would enhance controls over Fixed Assets.	Additionally, we would like to refer to the Administrative Instructions on Management, Plant and Equipment dated 22 December 2015, which states a threshold of 300 CAD (PPE 2.2) for all HQ & RO's assets, as the tagging of all assets under the 300 CAD value would not be cost effective for the organization. In addition, tagging of all items is not a practice, nor is it best practice, followed by other UN Organizations. We are aware that some Regional Offices are tracking assets below CAD 300 and in case they are able to do so, we will encourage them to continue this practice.		
Rec. 3/2016	<u>We</u> therefore <u>recommend</u> that Management increase its efforts to recognize, label and capitalize the fixed assets located at the ICAO, in order to have a more accurate record of transfers of assets, through procedures and processes that will bolster coordination between different Departments.	Recommendation is accepted as the Organization needs to reinforce the tracking of assets that are transferred. ADB/CSG is in the process of implementing an asset transfer/relocation form to track movement of all IT and Non-IT assets to be used by all ICAO Bureaus and Offices.	The Asset Relocation Sheet has been implemented at ICAO HQ since April 2017 for all Non-IT assets and has now been extended to all IT assets as well. The Asset Relocation Form has been sent to all Regional Offices to be used starting from 6 March 2018. ADB considers this recommendation to be closed.	Ongoing
Rec. 4/2016	We consider that the asset management framework needs further improvement; therefore, we <u>recommend</u> that Management should: i) consider the feasibility of assessing the status and the level of utilization of assets; ii) monitor regularly the obsolescence of items, also with a view to assessing the accuracy of the Asset Register; iii)	Continuous efforts will be undertaken to further improve the accuracy of the asset register. While a comprehensive inventory count and assessment is performed on a regular basis, the Organization does not have the resources to centrally and continuously monitor the status and level of utilization of all assets.	As mentioned above, with the implementation of the Asset Relocation Sheet, we will now have a daily assessment and record of all asset movements and assignments. The Asset Transfer Relocation form has been implemented and used from April 2017. Bureaus and Offices are using this form and submitting to ADB/PCU accordingly. ADB considers this recommendation to be closed.	Ongoing

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
	extend these processes and procedures to all ICAO Bureaus and Regional offices.	In addition to the regular inventory count, ADB/CSG is in the process of implementing an asset transfer/relocation form to track movement of all IT and Non-IT assets to be used by all ICAO Bureaus and Offices.		
Rec. 5/2016	We recommend that the Asset management of IT tools Assets will be further implemented as soon as possible according to Recommendation n. 4 and, in particular, that portable devices i) are carefully monitored in all their useful technical life, and ii) are assigned only after a "recognition of need" (prepared according a specific procedure). This, in order to avoid that these devices, although still serviceable, are written off, or left unused, while continuing to buy similar devices.	Recommendation accepted. ICT already implemented an IT asset management system as part of the deployment of a standard ITIL management system. ICT has been keeping a record of all IT assets acquired in HQ since 2014. This system will be expanded to record IT assets acquired before 2014, and it will also be deployed to the Regional Offices. Users are required to submit a form in support of the acquisition of IT assets which will be added to the IT assets database.	An Excel form has been implemented by PCU since 2015 and is being used in data by HQ and Regional Offices. It is confirmed that PCU and ETS have already implemented this recommendation in HQ and Regional Offices for IT and non-IT assets. ADB considers this recommendation as closed.	Ongoing
Rec. 6/2016	In this regard, in the consideration that the useful life used by ICAO is in most cases within the ranges adopted in the UN system, we recommend that Management review the cost-benefit of varying the different categories' lifetimes and their related depreciations according to the "upper-limits" according to UN practices, in particular with the aim of extending the useful life for some specific categories. Where categories are updated, an adjustment of net book value might be needed.	Recommendation accepted. The useful life has been established after discussion with CSG and ICT, however a cost benefit analysis (and its eventual impact) of utilising the "upper limits" foreseen in the UN System will be carried out.	An analysis was conducted and showed that the impact of extending the useful life to the upper limits of the ranges foreseen in the UN system is not material and doesn't worth a revision. The increase in the useful life would result in the decrease in the depreciation expense, and as the result, in the increase in net income and for this reason we would prefer to use a more conservative useful life rather than having an extended useful life. In addition, applying the upper limits for most of the assets is not realistic because the real useful life of the items are below the upper limits, for instance, the IT equipment in the UN sister Organizations have a useful life of 5 years same as ICAO. Furthermore, as per our IT experts, The end-user IT equipment is running 24/7. The continuous operation is wearing down the equipment and causes more frequent	Closed

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
			<p>outage as the equipment gets older. Every time a piece of equipment breaks down, there is a cost to ICAO; cost of the repair and loss of productivity by the user(s). A second important factor is the impact of software updates on the performance of the equipment. To keep the equipment under support from the various software manufacturer and to maintain the security of the workstations, updates are made to all computers in ICAO environment. The updates and security features put in place have a direct impact on a workstation performance; our experience shows that the performance of the workstations kept in place after the recommended Useful Life period is having a negative impact on staff productivity. It is possible to consider the extension of the Useful Life of the PCs by one year but we do expect a loss in productivity and a drop in overall user satisfaction toward the IT services. After 4-5 years, the reliability and performance of the PCs decrease rapidly, it is not recommended to go beyond 6 years. Since the extension will be only for one or 2 more years, there is no need to revise our useful life, knowing that the amount is not material.</p>	
Rec. 7/2016	<p><u>We recommend</u> that a new actuarial study be performed, to evaluate if and when the actuarial liabilities related to the ASHI will impact the ICAO's ability to continue its core activity as a going concern, after the current measures considered by ICAO have been implemented.</p>	<p>Recommendation accepted. Once the implementation of offering the opt-out option is completed and the acceptance rate is known, a new actuarial study will be conducted to evaluate the real impact of this option in reducing the ASHI liability and the benefit payments. Regarding the going concern issue, to believe that ICAO will cease to be a going-concern implies that Member States will refuse to honor their liabilities in the future and that assumption is not supported by the Council.</p>	<p>The analysis of the opt-out option is in progress. Once the analysis is concluded, a new actuarial study to evaluate the impact of this option in reducing the ASHI liability and the benefit payments would be conducted.</p>	<p>Ongoing</p>

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
Rec. 8/2016	<p>We share the EAO's view and <u>we recommend</u>, especially considering that ICAO actively participates in the HLCCM, that it should "<i>subscribe to and actively use the United Nations Global Marketplace</i>" (as already stated by EAO) in order to achieve the objective envisaged by the mandate of the United Nations General Assembly. The ICAO Procurement Office should consider publishing procurements related to the ICAO "Regular Programme" and Field Procurement, as applicable, in the UNGM, in order to enhance its transparency to the level requested by the United Nations General Assembly mandate.</p>	<p>Agreed. ICAO has joined the UNGM as of 24 March 2017</p>	<p>ICAO is currently an active member of UNGM. PRO is now finalizing, together with UNGM technical details regarding commodity codes. Moreover we have published our first RFI on the UNGM website in February 2018.</p>	<p>Closed</p>
Rec. 9/2016	<p>We acknowledge that EAO's recommendation n. 8 is still "Outstanding". At the same time, <u>we agree</u> with the contents of EAO's recommendation n.11 which, unlike n.8, is considered to have been "implemented". However, in our limited sample, we detected cases of sole source contracts awarded repeatedly to the same supplier (threshold below 5,000 CAD), without at least 3 quotations being obtained or documented. Therefore, in order to increase competition and avoid recurrent Direct Purchase Orders being given to the same supplier, <u>we share</u> EAO's</p>	<p>Agreed: The sole source justification for ICAO Procurement has been revised to indicate that even if purchases by ICAO staff are below \$5,000 a market analysis and assessment of price must be conducted. Additionally the Direct Purchase Order guidelines have been developed and published for ICAO staff.</p>	<p>This recommendation was an exception identified prior to the External Auditor review, and the following has been undertaken.</p> <p>The sole source justification for ICAO Procurement has been revised on 18 December 2015 to indicate that even if purchases by ICAO staff are below \$5,000 a market analysis and assessment of price must be conducted. Additionally the Direct Purchase Order guidelines have been promulgated by Secretary General on February 2016.</p>	<p>Closed</p>

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
	<p>recommendation and we renew it, in particular, with regard to the fact that the ICAO should select more than 1 “pre-qualified” supplier in advance (for example for a period of 1 year), requesting the best offer at the moment when the service is needed.</p>			
Rec. 10/2016	<p>In order to increase transparency in the use of the funds, in particular for Regular Programme Procurement, <u>we recommend</u> that, in relation to sole-sourcing, a contract award notice should be published on the ICAO tendering bulletin board (or UNGM).</p>	<p>Partial Agree. Given the limitation of the Alito system (its design), we cannot publish sole source since they are not, given their nature, initially tendered on a competitive basis. Nevertheless, we shall report on all sole source procurement to the Chairman of the Contracts Board.</p>	<p>PRO is currently working with ETS to develop a statistical tool that will also enable us to review and report on sole source procurement as they occur and therefore allowing an earlier intervention period. We expect this tool to be developed by December 2018.</p>	<p>Ongoing</p>
Rec. 11/2016	<p><u>We recommend</u> that, in order to increase the value-for-money of the entire procurement process and avoid potential abuse of DPO, the ICAO should introduce a procedure for the prior authorization of Direct Purchase Orders, in order to reduce the risk of abuse of Direct Purchase Orders and sole-source procurements.</p>	<p>Agree. However the responsibility and guidance for issuing a Direct Purchase Order at ICAO lies with the respective Bureau Directors and Section Chiefs to ensure that ICAO Allotment Holders follow the respective rules and regulations.</p>	<p>This recommendation was an exception identified prior to the External Auditor review, and the following has been undertaken.</p> <p>Direct Purchase Order guidelines have been promulgated by Secretary General on February 2016.</p> <p>Additionally in 2017, detailed training courses were provided to all ICAO Allotment Holders reminding them of the importance of DPOs and the necessary authorization levels required.</p>	<p>Closed.</p> <p>In our future audits we will monitor the effectiveness of the training courses provided by PRO for reducing “the risk of abuse of Direct Purchase Orders and sole-source procurements”.</p>
Rec. 12/2016	<p>It is noted that EAO’s recommendation is considered as “implemented”. It is also noted that PRO has added a tracking method to identify when ICAO Allotment Holders issue multiple Direct Purchase Orders to the same supplier. However, in the best-case scenario, the</p>	<p>Agreed with the caveat that the responsibility lies with the ICAO Allotment Holders.</p>	<p>Guidelines have been promulgated by Secretary General on February 2016 to include guidance on proper authority level on direct purchase orders. Additionally, PRO is currently working with ETS to develop a statistical tool that will also enable us to review and report on sole source procurement as they occur and therefore allowing an earlier intervention period. We expect this tool to be developed by December 2018.</p>	<p>Ongoing</p>

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
	Procurement Section, in presenting the yearly statistics to the Secretary General, can only highlight potential abuse after the event. In the meantime, we have found a case (see paragraph 97) where a sole source was obtained without adherence to the ICAO Procurement Code. Therefore, <u>we recommend</u> that ICAO allotment holders should duly fill in a sole-source request form and have it duly approved by the appropriate authority (Chief or Higher) and that a solid justification be provided.			
Rec. 13/2016	In relation to the previous recommendation, <u>we also recommend</u> that a study or cost-benefit analysis be carried out for every substantial ICAO Regular Program Procurement (such as the purchasing vs leasing of tablets for the voting system) so as to identify the merits of this procurement.	Agreed with the caveat that the responsibility lies with the ICAO Allotment Holders.	To this end, PRO has been providing Training courses to ICAO staff to raise awareness on this issue. In particular PRO has provided training to ADB Bureau who is responsible for the voting system at ICAO.	Closed. See the new Recommendation n. 4
Rec. 14/2016	<u>We recommend</u> that specific and detailed Declaration of absence of conflict of interest (DACIs) should be provided, duly signed, by all the people involved in the procurement process, and, further, we also recommend that the ICAO: A) should identify which people are able to assess the reliability of DACIs and B) should have the power to realign the procurement process towards correct practice once a DACI has been assessed as not reliable.	All Procurement Staff as well as Senior Management in TCB dealing with Procurement have a Declaration of Absence of Conflict of Interest. For points "A" and "B", this matter should be referred to the ICAO Ethics Officer.	All Procurement Staff as well as experts utilized by procurement have duly submitted their declarations as required under ICAO policies and regulations. Declarations by ICAO staff are monitored and checked by the Ethics Officer	Ongoing The findings will be discussed with Ethics Office

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
Rec. 15/2016	In compliance with Article 12 of the ICAO Financial Regulations, <i>Statement V</i> of the Financial Statements is only disclosed for the “Regular Programme General Fund”. In order that such cost transfers do not impact Statement V, <u>we recommend</u> that, from next year onwards, Statement V should include all the Funds that are reported under “Regular activities”. Furthermore, Statement V should reconcile budget results with the Surplus/Deficit for the year. If Statement V captures all Funds under Regular Activities that contribute to the Surplus/Deficit, cost transfers between these funds will not impact Statement V in the aggregate.	Agreed to the recommendation. A new Statement V-A “Statement of Comparison of Budget and Actual Amounts” will form part of the 2017 Financial Statements, to include all Regular Activity funds and its budgets – only if publicly available (as IPSAS 24), and to reconcile with Surplus/Deficit of Statement II (Statement of Financial Performance).	This new Statement V-A is included in the 2017 Financial Statements.	Closed

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
Rec. 16/2016	Since the EAO should be able to carry out audits in all the risk areas of the Organization, <u>we recommend</u> that, for the next triennium, the EAO should be provided with the necessary resources; for example, the current EAO staff could be supplemented with a permanent IT auditor (who could also perform other kinds of audits), without reducing the existing budget for external consultancies. This would allow the EAO to use its resources to enhance its staff training program, and to occasionally hire external audit experts in technical matters, related to the ICAO's core business activity (the aviation sector), in order to cover risks in these technical areas.	Instead of having a permanent resource for IT-related audits, we are committed to providing additional resources to EAO to outsource such audits as needed. Outsourcing has the additional benefit that the expertise used for IT-related audits will be specific to the problem, be current and up-to-date. The solution is also scalable.		Closed
Rec. 17/2016	<u>We</u> therefore <u>recommend</u> that EAO regularly carry out a follow-up exercise for all its recommendations, in order to assess their actual implementation.	We agree that it is important to carry out follow-up audits to assess whether agreed recommendations have been implemented. However this has resource implications for EAO.	Follow up audits are carried out to the extent possible given limited resources. For example, during the recent audits of field procurement and the Paris regional office, recommendations made in earlier reports were followed up. EAO also follows up on the implementation of all audit recommendations through its web-based tracking system. Documentary evidence of actions taken is required before the recommendations are closed.	Closed. We will monitor in our future audits.
Rec. 1 audit report on recruitment	We acknowledge that the recruitment process is well documented in several HR policy instruments (such as Staff Regulation, Staff rules, Memoranda etc.). Guidelines are in place, however, we <u>recommend</u> that Management prepare a comprehensive guide, which summarises all the Rules, Regulations,	An administrative instruction consolidating all existing documentation/procedures on recruitment and staffing will be developed.	Update as of March 2018: Ongoing; to be delivered by September 2018 as per the HR operational plan. Due to operational reasons and resource constraints, the deadline was moved from 2017 to 2018.	Ongoing

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
	IOM, Circulars, etc. present in ICAO.			
Rec. 2 audit report on recruitment	Following the rules and indications on “conflict of interest” provided in The ICAO Service Code and in the “Procedures in relation to the ICAO Framework on Ethics”, we <u>recommend</u> Management to implement a process where a specific assessment of standardized declarations of absence of conflict of interest, signed by all the people involved in the recruitment process, will be carried out.	It is worth noting that standard forms for declaration of conflict of interest are already provided for as part of the “Procedures in relation to the ICAO Framework on Ethics.” Consistent with the existing provisions of the ICAO Framework on Ethics as well as the existing ICAO Standards of Conduct, staff members will be reminded to disclose, in advance, possible conflicts of interest that may arise in the course of their involvement in the recruitment process, including participation in the assessment and interview panels as well as the Appointment and Promotion Board.	Update as of March 2018: Done. A declaration of conflict of interest and confidentiality undertaking for participants in the recruitment process has just been implemented (please see attached).	Closed
Rec. 1/2015	We <u>recommend</u> that Management continue to make efforts to monitor the updating of signature powers at banks, e.g. if a signer is added or deleted because he/she is no longer authorized.	The Recommendation is accepted. We propose to ask our banking partners to send us a confirmation of receipt for all future letters to confirm that all requested changes have taken place. Treasury will implement a follow up system to ensure that the banks respond to our request.	The recommendation is implemented. Every time a letter is sent out changing signatures, a confirmation form to be completed by the bank is attached. Update as of end March 2018: Every time a signature change letter is sent out we attach our acknowledgement form. Although we insist to the bank that they complete the form, we have no control over them and their own internal procedures. A “signatory list” as we know it will soon be a thing of the past. Due to increased cyber security, banks are moving away from the traditional list, which can be easily manipulated, to more robust security measures which include RSA tokens for all users, uploading of a list of approvers to a secure web site with the assistance of a bank contact and new bank documentation where we complete a secure form that they control. We are already working with the Royal Bank of Canada (RBC) on some of these new procedures.	Ongoing

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
			<p>Some banks have also indicated that they will not disclose our signature list for security reasons even if it is an audit request. Things have changed dramatically as the banks are receiving hundreds of fraudulent attempts daily.</p> <p>In the meantime, we will continue to send out our acknowledgement form and push the banks to reply properly to us and to the auditors.</p>	
Rec. 2/2015	<p>In consideration of the above-mentioned issues, <u>we recommend</u> that Management seek an opinion from the Legal Affairs and External Relations Bureau on how to better regulate the ECAC/EUR-NAT operational banking activities. At the same time, it should start a thorough internal review of the current procedures, aiming at enhancing the internal control process with regard to the ECAC bank accounts and other similar situations, if any.</p>	<p>The Recommendation is accepted. We will emphasize, again, to ECAC that bank accounts can only be opened under the authority of ICAO's Treasury Office. Second, we will request a review by our Legal Bureau of the current arrangements between ICAO and ECAC with a view to mitigate any risk that ICAO may be exposed to. We will explore if an Agreement between ECAC and ICAO where ECAC agrees to indemnify ICAO for any loss that ICAO may suffer as a result of an action by one of its staff members will resolve this matter. Finally, we confirm that we do not have similar arrangements with any other regional civil aviation conference.</p>	<p>Management reached out to the Legal Affairs and External Relations Bureau for an opinion on how to better regulate the ECAC/EUR-NAT operational banking activities. It appears that the most efficient solution in the short term is to explore if ECAC's governing council can adopt a resolution under which ECAC agrees to indemnify ICAO for any loss that ICAO may suffer as a result of an action by one of its staff members will resolve this matter. Finally, we confirm that we do not have similar arrangements with any other regional civil aviation conference.</p> <p>Update as of end March 2018: LEB and Procurement are in the process to get a formal legal commitment from AIG (insurer) to make sure the current Crime policy covers ECAC staff. And LEB is also requesting ECAC member States to issue a resolution to confirm that they "agree to indemnify ICAO for any loss that ICAO may suffer as a result of an act or omission of an ECAC Official." The documentation has been drawn up, and this resolution will be sought once the insurer has formally confirmed the insurance coverage issue.</p>	Ongoing

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
Rec. 4/2015	<p>In relation to Publications and the Commissariat, in order to ensure (i) the accuracy of the inventory value recorded in the Financial Statements, and (ii) the correctness of the movement of items in the inventory, <u>we recommend</u> that a detailed procedure be established and implemented. Also, as stated last year in our Suggestion n. 1(2014), attention should be given, through subsequent inventory verification exercises, to fair value of items, in particular items to be written-off.</p>	<p>The Recommendation is accepted. New procedures were established to verify and confirm inventories in 2016. In the Commissariat, these procedures will be further strengthened through the implementation of an automated system that continuously monitors inventory; the system will be in place prior to the end of 2016. Automated work flows for Publication inventories will be in place before the end of 2017.</p>	<p>New procedures were established to verify and confirm Commissariat inventories in 2016. A Commissariat Manager position was established to manage all elements of the Commissariat including inventory. In addition, an independent inventory control clerk verifies the delivery of product and reconciles packing slips from suppliers. A Financial Associate independently ensures that inventory is correctly entered into the Commissariat point-of-sale (POS) system, ensures monthly reconciliation of sales and undertakes spot checks of inventory records, customer accounts and pricing to ensure the accuracy of the POS system. These changes in procedure were incorporated into the Administrative Instructions and a Human Resource Plan which were reviewed and adopted by the Board of Management in April 2016. For the Publications inventory, a standard procedure is in place for conducting the inventory count each year. This includes suspending sales on the e-store, using multiple independent teams to count publications separately and cross verify data, reconciliation with the automated online system (Alcie) and Agresso, etc. In addition, a separate independent inventory exercise was conducted for publications on the second floor. On valuing publications, the standard used is price per page which is based on detailed costs of printing publications; this practise has been used and endorsed by the Organization virtually since its inception and is reflected in the Publications Regulations.</p> <p>PCU and Commissariat Management has implemented the procedures for inventory count and are updated on a monthly basis. FIN provides monthly financial statements based on Commissariat monthly sales record.</p> <p>Two new Digital Access Systems, 1) Main door access to the Commissariat; and 2) Turnstiles, have been implemented and will be used by Council Members, diplomats and ICAO eligible staff members starting from 3 April 2018.</p> <p>(Management considers this recommendation as closed)</p>	<p>Ongoing</p> <p>Based on our testing, while we acknowledge the efforts made by Management, we noted that some limited accuracy weaknesses remained in the process of recording and reconciling the movement of products.</p>

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
Rec. 5/2015	Following the comments under points a), b) and c) above, we took note of the initiatives currently undertaken by Management and of the new Administrative Instructions approved in December 2015, and we will look at the issue in a future audit. However, considering that some assets have not been recorded at EUR/NAT and also referring to the recommendations issued in specific reports by EAO and by our predecessors, who reported that this also happened in other ROs, <u>we recommend</u> that all the assets, in particular the ones not previously entered, be recorded in the IMS, regardless of their value.	The Recommendation is accepted. All assets above CAD 300 should be incorporated in the IMS. EUR/NAT will take the necessary action to record all missing assets. Under the approved AI for PPE, it is the responsibility of each RO to assess, record and enter the asset data for the RO into the IMS. As per the approved AI, ADB has provided all ROs with the required scanning machines and training, to allow the RO to input asset data to the IMS.	Following the visit of the External Auditors in December 2015 and their findings, plus the training, software and equipment received from the HQ at the end of 2015, we have proceeded with the inventory as per HQ rules. The inventory (GSU and ICT) was finalised mid-June 2016 and includes the items with the value of CAD300 and above. We have already informed the External Auditors and the HQ Inventory Management that the work has been completed and the full inventory will be sent, at the end of the year (2016), as part of the regular end of the year activities. (Management considers this recommendation as closed)	Ongoing. Based on our testing, while we acknowledge the efforts made by Management, we noted that some limited accuracy weaknesses remained in the process of recording assets.
Rec. 6/2015	ICAO policy on asset management, covering both HQ and the ROs, merits further implementation, and data should not be limited to disposed-of assets; therefore, <u>we recommend</u> that the procedures state more clearly that track should be kept of disposed-of assets, making such information available to HQ and the ROs, and that an indication be given of which are the items that are actively used or not.	The Recommendation is accepted. HQ and RO should keep track of all assets that has been disposed of. This has been completed at HQ. All ROs have been advised to keep all records of write-offs and disposed assets.	As per C-WP/14477, this recommendation has been completed at HQ. All Regional Offices have been advised to keep all records of write-offs and disposed assets as well. (Management considers this recommendation as closed)	Closed. We will monitor in our future audits
Rec. 8/2015	We <u>recommend</u> that ICAO should evaluate whether the function of the payment of salaries can be centralized in order to include TCB field General Services and National Officers and non-	The Recommendation is accepted. An evaluation will be done to determine whether the payment of remuneration for these two categories of staff – (a) TCB field General Services and National	FIN has examined the issue in collaboration with TCB. There is a real problem in centralizing the payroll because Payroll Section would have to be augmented with additional resources. However, TCB Field staff is transient, and Payroll Section cannot be staffed with resources that can vary by volume. Neither can	Ongoing

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
	TCB consultants and, if necessary, reconfigure HQ Payroll's resources accordingly.	Officers (b) non-TCB consultants – should be centralized in the HQ Payroll Office.	<p>centralized cost be charged to the projects as a direct expense. Under the present operating model, the Project hires dedicated, and temporary, staff for this purpose, the cost of which is absorbed by the project. However, the Payroll Section offers help to TCB in training staff, making computations, and filing pension returns with UNJSPF.</p> <p>Update as of end March 2018: The status remains the same. Unless the Payroll Office is provided with more resources, the services cannot be centralized. As explained earlier, with the current operating model, this is not possible. But with Payroll's assistance in the salary calculations and filing of pension returns, for example, it mitigates the risk.</p>	
<p>Rec. 1 Report on Audit of ASHI</p>	<p><u>We recommend</u> to Management to consider a modulation of the incidence of the cost of the ASHI scheme, following the solidarity principle, according to the level of gross salary/pension earned, given that in the current ASHI scheme, "premium" is not proportional to the size of the salary/pension.</p>	<p>Management will develop a scenario where the retiree's share of the related premiums for medical benefits is proportional to their pension.</p>	<p>The two options had been met with strong opposition from the ICAO Staff Association and retirees' representatives (CAFICS) an (FAFICS) as they impacted the apportionment of health insurance premiums between the Organization and participants. Staff and retirees representatives considered that as a benefit attached to their employment at ICAO and had an expectation that that would remain unchanged in the future. This position was presented to the Council at its 208th session who noted it.</p> <p>A Working Group has been established by the United Nations to review ASHI with respect to the UN common system organisations and to make recommendations to the UN GA. While considering the recommendation, ICAO being a part of the UN common system will be guided by the recommendations and decisions of the UNGA on this matter. The ASHI Working Group is expected to present its report to the UNGA in due course. (Management considers this recommendation as closed)</p>	<p>Ongoing. We note that an "expectation" is not an "acquired right"; furthermore, we recall the need of a long-term funding strategy (see paragraph n. 55). We will monitor the impact of the accepted measures after their implementation and when the new actuarial study will be carried out</p>

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
<p>Rec. 2</p> <p>Report on Audit of ASHI</p>	<p>We <u>recommend</u> to Management to consider also a threshold to the ICAO contribution to the ASHI scheme levelled on granting similar benefit of a reference State (for example RAMQ) but limited, in terms of risk, to the country where the pensioner is resident.</p>	<p>Management will consider a proposal where the excess cost of the premium attributable to worldwide coverage compared to national coverage is borne by the retirees. Where no national coverage exists, a premium similar to the one in Head Quarter (Class 2) will be used as reference.</p>	<p>The two options had been met with strong opposition from the ICAO Staff Association and retirees' representatives (CAFICS) an (FAFICS) as they impacted the apportionment of health insurance premiums between the Organization and participants. Staff and retirees representatives considered that as a benefit attached to their employment at ICAO and had an expectation that that would remain unchanged in the future. This position was presented to the Council at its 208th session who noted it. C-DEC 208/11 paragraphs 30-34 refer.</p> <p>The recommendation is subject to the outcome of the ASHI Working Group of the UN Common system organisations and the decision of the UN GA.</p> <p>(Management considers this recommendation as closed)</p>	<p>Ongoing.</p> <p>We note that an "expectation" is not an "acquired right"; furthermore, we recall the need of a long-term funding strategy (see paragraph n.55). We will monitor the impact of the accepted measures after their implementation and when the new actuarial study will be carried out</p>
<p>Rec. 3</p> <p>Report on Audit of ASHI</p>	<p>After having re-modulated the ASHI scheme following the previous recommendations, <u>we recommend</u> that Management study a targeted opt-out incentive, assessing at the same time its cost-benefit against the ASHI "premium" paid by ICAO, evaluating also any possible negative impact on the ASHI scheme, when retirees decide to opt-out.</p>	<p>Once the previous modifications are implemented, Management will study targeted opt-out incentives.</p>	<p>The previous recommendations regarding the reduction in the ASHI benefits had been met with strong opposition from the ICAO staff Association and retirees representatives (CAFICS) as it impacted the apportionment of health insurance premiums between the Organization and participants. Staff and retirees representatives considered that as a benefit attached to their employment at ICAO and had an expectation that would remain unchanged in the future. This was presented to the Council which endorsed it. The opt-out option as the most impactful option studied by the actuaries was presented by FIN to the Life and Health Insurance Committee which includes members of Staff Association and CAFICS to explain the benefits/drawbacks of the opt-out option in order to initiate discussion and consultation with staff and retirees at large. We also assisted Human Resources (HR) in developing a monkey survey on the opt-out option to survey staff and retirees on the possibility to accept or not this offer. HR is advocating a discussion with Health Committee and other sister UN agencies before this is</p>	<p>Ongoing</p>

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
			<p>rolled out.</p> <p>Update as of end March 2018:</p> <p>This matter is currently under discussion with the ICAO Health and Life Insurance Committee (HLIC), with stakeholders' representation. Once the analysis is concluded, a study on the impact will be conducted.</p>	
<p>Rec. 1</p> <p>Report on Audit of ROs KPIs</p>	<p>We recommend that Management consider to define a specific internal procedure (i) where internal and external risks are gathered also from ROs, and (ii) where achievable, time-bound and measurable specific objectives are agreed between HQ and RO, (iii) defining <i>how</i> and <i>who</i> should set objectives and <i>who</i> independently should monitor them through robust and credible KPIs.</p>	<p>Agree. In an effort to strengthen the coordination with the ROs, the Secretary General has tasked an existing staff member with RO coordination duties. (i) SG will ask ROs to provide internal and external risks, (ii) objectives have been identified for the ROs in the Business Plan 2017 – 2019, (iii) OSG monitors the KPIs.</p>	<p>(i) ROs have identified internal and external risks for 2017 in the C-WP/14570 <i>Annual Report to Council on Regional Offices' activities during 2016 and Operating Plans for 2017</i>, which is being presented to Council during the 210th Session. (ii) RO objectives are identified for the triennium in the Business Plan 2017 - 2019 and for 2017 in the Operating Plan for 2017, both of which shall be uploaded into the Corporate Performance Management Framework Tool (CPMFT) by the 211th Session of Council. (iii) RO KPIs (which are identified in the aforementioned Business Plan 2017 - 2019 and Operating Plan 2017) will be monitored regularly in the CPMFT starting from June 2017.</p> <p>(Management considers this recommendation as closed)</p> <p>Update as of end March 2018: Same as 2017</p>	<p>Closed</p>

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
<p>Rec. 2</p> <p>Report on Audit of ROs KPIs</p>	<p>After having implemented an internal procedure on the basis of the previous recommendation, considering that the Business Plan presented to Council has a three-year reference period and aims to provide information on the achievement of the Strategic Objectives, <u>we recommend</u> that Management inform periodically the Council on the on-going progress through an Activity/Progress Report which might disclose (i) the actual expenditures versus the budgeted ones, (ii) the deployment of staff according to objectives and (iii) the monitoring of KPIs.</p>	<p>Agree. Regular reporting, including financial figures, staff counts and performance are shared with the Council.</p>	<p>The Corporate Performance Management Framework Tool (CPMFT)), a web-based system, underpinning the Business Plan, is being developed by the Secretariat to manage all operating plans and report on their progress and expected results. The CPMFT shall contain all relevant information pertaining to organization-wide performance, reporting and risk, and shall include in its first iteration the following components: Corporate KPIs; Key Outcomes and their respective Key KPIs (attributable to Strategic Objectives and Supporting Strategies); Deliverables, KPIs and Targets (attributable to Project/Key Activity level); Corporate Risks; and status of C-DEC and Assembly Resolutions. The CPMFT will be launched during the 211th Session of Council.</p> <p>Update as of end March 2018:</p> <p>The progress of Strategic Objectives and Supporting Strategies at Programmatic level (as per the Regular Programme Budget) was reported to Council during the 211th Session via the Corporate Management & Reporting Tool (CMRT). Budget and HR figures are reported during each Council Session independent of the CMRT.</p>	<p>Closed</p>
<p>Rec. 1/2014</p>	<p>Considering that the backlog in the appeal process at the AJAB raises the consideration as above stated, <u>we recommend</u> Management to start an internal review of the current procedures and resource capacities, in full respect of the Staff rules.</p>	<p>The recommendation is accepted.</p>	<p>Responsibility for this item is shared between ADB and LEB; this ought to be properly reflected in Symbiant. The internal management working group held to date two meetings. It unanimously assessed current capacity constraints as a structural problem and identified the need, in addition to procedural measures, strengthen resource capacities to fortify functions pertaining to the AJAB. The group considered a number of options, including but not limited to, the expansion of the existing membership pool of the AJAB from 6 to 9 persons, more vigorous application of Staff Rule 111.1.9, potentially involving the usage/compliance with pre-set submission forms and early stage determination of receivability, and the possibility</p>	<p>Ongoing</p>

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
			<p>of appeals without hearing on the basis of written submissions only in cases when facts are not in dispute and/or consent of the parties has been obtained. Work on this matter is ongoing.</p> <p>Update as of end February 2017: Responsibility for this item is shared between ADB and LEB. The internal management working group held to date two meetings. It unanimously assessed current capacity constraints as a structural problem and identified the need, in addition to procedural measures, strengthen resource capacities to fortify functions pertaining to the AJAB. The group considered a number of options, including but not limited to, the expansion of the existing membership pool of the AJAB from 6 to 9 persons, more vigorous application of Staff Rule 111.1.9, potentially involving the usage/compliance with pre-set submission forms and early stage determination of receivability, and the possibility of appeals without hearing on the basis of written submissions only in cases when facts are not in dispute and/or consent of the parties has been obtained. A formulation of proposed procedural enhancements and required resource allocations is being prepared and will be submitted to stakeholders for consideration shortly, with a view to an amendment of the Staff Rules.</p> <p>Update as of end March 2018: LEB Draft Revised Staff Rules, AJAB Submission Forms, AJAB Practice Guidance submitted by ADB for approval by SG</p> <p>ADB Based on a detailed analysis of feasible options and taking into account resource capacity, LEB submitted to the Staff Advisory Committee (SAC) on 7 December 2017 recommendations to streamline and expedite the review of AJAB cases. These changes/improvements were endorsed by the SAC, and subsequently approved by the Secretary General on 17 February 2018. LEB is in the final phases of implementation of approved changes.</p>	

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
Rec. 2/2014	As remedial measures are needed, these drivers might be considered by the Council: whereas the first driver is totally not within the Management's remit, <u>we recommend</u> Management, as part of their competence, to address the other drivers with the Council.	Accepted. FIN will be presenting options for funding ASHI liability at the 205th Session of the Council.	FIN will be presenting options for funding ASHI liability at the 205th Session of the Council. Update as of end March 2018: FIN presented the following options for funding ASHI liability at the 205th and 207th Session of the Council: a) increasing the mandatory age of separation immediately from 62 years to 65 years (cost containment strategy); b) implementation of a monthly payroll charge of 2 per cent on the gross salary of all active staff (funding strategy); c) offering incentives to retirees to opt out of the ASHI plan and take up nationally-sponsored healthcare options instead by providing annual annuities of either CAD 2 000 or CAD 2 500, indexed to the Canadian Consumer Price Index (CPI), in addition to reimbursement of the premium for the nationally-sponsored healthcare options (cost containment strategy); The Secretariat continues to follow actively the developments at the level of the UN through the ASHI Working Group in finding a common solution to this common issue within the UN system. (Management considers this recommendation as closed)	Ongoing
Rec. 3/2014	We <u>recommend</u> Management to be assisted by a full actuarial review study, to evaluate when the ICAO financial health might be compromised, in the long-term scenario, by the provisions of the Health Insurance scheme. The full actuarial study should be made available to Council before the starting of the new budget approval exercise	Accepted. We will seek an actuarial study on the impact of ASHI on the long-term health of ICAO.	We will seek an actuarial study on the impact of ASHI on the long-term health of ICAO. Update as of end March 2018: Once the analysis is completed and the acceptance rate is known, a new actuarial study will be conducted to evaluate the real impact of this option in reducing the ASHI liability and the benefit payments.	Closed. See Recommendation 7/2016

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
Rec. 4/2014	We <u>recommend</u> revising the conditions of Cigna's contract (formerly Vanbreda) in order to audit their performance.	Accepted. We will incorporate provisions in future contracts that will enable us to audit the payments made by the plan administrator.	<p>We will incorporate provisions in Future contracts that will enable us to audit the payments made by the plan administrator. In addition, a request to amend the existing agreement between ICAO-Cigna was presented to Cigna who agreed in principle to amend the agreement. The Proposed revised agreement is under discussion between Cigna and ICAO legal teams.</p> <p>Update as of end February 2017: Cigna contract is only due for renewal in 2017. Change recommended by external auditor will be incorporated at time of contract renewal. The amendment to the existing contract between ICAO and CIGNA along with the contract extension is expected to be completed by the target date of 31 March 2017. The new contract is currently being finalised by Procurement following discussions with CIGNA on this matter.</p> <p>Update as of end March 2018: The Service Level Agreement between ICAO and CIGNA was renewed to take effect from 1 April 2017 to 31 March 2019. Article VII was added to the SLA, which provides for the right to conduct audits.</p> <p>ADB considers this recommendation to be closed.</p>	Closed
Rec. 5/2014	We <u>recommend</u> to start an internal comprehensive review process to identify: a) which differences can be regarded as justified in relation to a substantial disparity in needs and circumstances and, b) which differences require further harmonization, including through a change in the legal framework	Accepted. An internal review with subject area experts to review the provisions in the Staff Rules and the Field Service Staff Rules respectively could be conducted. The task would be to make recommendations in respect to the harmonization of the approach where possible and highlight the needs for different treatment where justified.	<p>Work on the harmonization of TCB Field Staff Rules and ICAO Secretariat Staff Rules has been initiated by TCB and ADB and is ongoing.</p> <p>Update as of end February 2017: An internal review with subject area experts to review the provisions in the Staff Rules and the Field Service Staff Rules respectively could be conducted. The task would be to make recommendations in respect to the harmonization of the approach where possible and highlight the needs for different treatment where justified. Due to exigency of work and shortage</p>	Ongoing

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
			<p>of HR in TCB a consultant will be hired within the first quarter of 2017 to conduct the reviews and make recommendations for adoption. Target conclusion date is 31 July 2017. Essential to advance in this process is the participation of HR from ADB, so the tentative date for completion (July 2017) is subject to HR availability to participate as counterpart.</p> <p>Update as of end March 2018: Comparative analysis of the TCB Field Service Staff Rules and ICAO Secretariat Staff Rules has been completed. The proposed revisions to FSSRs will be sent to ADB/HR for review during week of 3 April. TCB and ADB-HR will then meet during week of 9 April to jointly discuss areas which have been harmonized, and areas where differences may still be required, prior to submission to LEB. Following clearance by LEB, the revised FSSRs, harmonized to the extent possible with ICAO Secretariat Staff Rules, will be forwarded to the Secretary General for approval. It is estimated that the revised/updated/harmonized FSSRs will be approved by end June 2018.</p>	

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

N.	Suggestion raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
Sugg. 1/2016	<p>We therefore <u>suggest</u> that an internal feasibility analysis should be drawn up so as to assess if an inventory of consumables could be justified at all the Regional Offices. We also <u>suggest</u> that HQ set criteria for assessing when a consumables inventory should be undertaken at RO level and, subsequently, recorded in the accounts.</p>	<p>Suggestion accepted. Management will ask the ROs to undertake an inventory to determine if the consumables are material. Management will also insert the controls over the issue on consumption of consumables in the Regional Office Manual (ROM)</p>	<p>Implemented. We conducted the internal feasibility study in all the Regional Offices (ROs) with a cost benefit analysis and per the results we concluded that the inventory of consumables in ROs is not material to maintain since the cost of its monitoring is much greater than the benefit. However, we included controls over the inventory of consumables in the revised Regional Office Manual (ROM).</p>	Closed
Sugg. 2/2016	<p>Following also what stated in our recommendation n.6 above, <u>we suggest</u> i) that asset management related to disposal might be further enhanced in particular through an assessment if an asset could be used further beyond the “estimated” life cycle when the depreciation ends and ii) to consider, subject to a cost/benefit evaluation, the possibility of exchanging assets between Departments and Regional offices, before deciding to buy a new item.</p>	<p>Suggestion partially accepted. As per policy, the life cycle is still the main indicator of asset value and eligibility to be written off. However in practice, items that are still serviceable are utilized until they are unserviceable.</p> <p>A cost/benefit evaluation has been performed and has determined that transfer of items between the eight RO's and HQ would not be cost effective to the organisation as a result of costs, regional needs, data safety issues and transportation requirements.</p>	<p>The asset life extension project is now being reviewed by PCU and ICT so as to better judge feasibility, practicality and cost effectiveness of this policy change.</p>	Ongoing

N.	Suggestion raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
Sugg. 3/2016	Overall, <u>we suggest</u> that, as soon as the procurement procedure is concluded, all the potential eligible vendors participating in the procurement procedure should be informed of the outcome of the procedure.	Agreed. Actual procedures in TCB consider that all Tenders awarded were and are currently published on the ICAO Procurement Portal indicating to who and the amount awarded.	Nothing to add	Ongoing In one of our sample we have noticed that one competitor wrote an email to PRO complaining, months after the award of the contract, that he had not received any information about the outcome of the procurement. Therefore, we suggest that PRO should, for example: - inform participants to the procurement by email as soon as the contract is awarded, - or add a sentence on the Tender dossier informing that the outcome of the procurement will be published on the ICAO website and UNGM website.

N.	Suggestion raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
Sugg. 4/2016	We therefore <u>suggest</u> that ICAO should introduce an internal procedure to enable potential suppliers to enquire about the outcome of tender procedures.	Agreed. That procedure already exists internally but it will be published as part of the tenders.	The following has been published on all our instructions to tenders: a) Upon completion of the evaluation of tender and award of contract, and in accordance with the Common Guidelines for the Procurement by Organizations in the UN system, ICAO will only disclose: <ul style="list-style-type: none"> • that the contract has been awarded; • the name of the successful company; the total amount of the PO/contract.	Closed
Sugg. 5/2016	We therefore <u>suggest</u> that ICAO should explore the possibility and the cost-benefit of having different technical consultants for the different stages of the procurement process.	Noted. ICAO will study the possibility on a case by case basis.	On-going	Ongoing
Sugg. 6/2016	Since this extension would require additional resources, which are currently not available at HQ Payroll and cannot be charged to the field projects as a direct expense, <u>we suggest</u> that an agreement be sought with the TCB to finance this service in an alternative manner.	An agreement between TCB and the Regular Budget needs to be sought for additional resources in the Payroll Office and in Treasury in order to deliver the service to all field staff. However, TCB should develop a methodology that would pass on the cost of the additional recourse fairly to all TC projects. Any solution whereby the cost is absorbed by the AOSC Fund would be unacceptable. We are also concerned that the solution is not scalable because the cost of the additional resources would be fixed in the short-term. However, the UNDP solution presents a scalable option.	No agreement has been sought to-date as status quo has been maintained.	Ongoing

N.	Suggestion raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
Sugg. 7/2016	In light of the unrestricted flexibility in the usage of savings, albeit within the limit of 10 percent of the budget, we <u>suggest</u> that the Secretary General should consider the possibility of systematically informing the Council about the amount of savings that are reallocated to old activities and those that are for new priorities.	Starting from the 2017 year-end, Council working papers on the carry-over of appropriations, regardless on whether the 10% limitation has been exceeded or not, the Secretariat will provide the total amounts to be carried-over for the following; a) outstanding commitments; b) deferred activities within the same triennium; c) deferred activities for the following triennium; and d) mission-critical and/or mandatory in nature.	This suggestion will be implemented starting from the Council working paper on the carryover of the 2017 savings.	Ongoing
Sugg. 8/2016	With a view to simplification, <u>we suggest</u> , for the next triennium, assessing the cost-benefit of attributing all the expenses and revenues directly to the regular programme, instead of maintaining the ARGF as a separate instrument for managing revenue-generating activities and contributing to the regular budget.	This is a wider policy decision that needs to be taken by the Council and the Assembly. Putting market-dependent activities within the strict confines of the Regular Budget which is fixed by assembly resolution to a pre-determined number has serious limitations. We will examine the pros and cons of this proposal.		Ongoing

N.	Suggestion raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
Sugg. 1 audit report on recruitment	We observed that the UN competency framework does not provide specific metrics on how to assess “positive” and “negative” indicators for each competency. At ICAO, HR Management has put in place a definition mechanism for competencies and technical knowledge in order to facilitate the assessment process. Furthermore, definitions of competencies have been standardized for specific positions like Regional Directors, Deputy Regional Directors or different groups of similar positions (e.g. aviation safety, aviation security, technical assistance, translators, etc.). However, in order to increase efficiency of the recruitment process, <u>we suggest</u> this practice might be expanded to include all technical positions and better standardized and codified.	The UN competency framework is currently under review. Any modifications that will be introduced by UNHQ, including any applicable metrics, will be considered by ICAO.	Update as of March 2018: The United Nations Secretariat has not introduced a new competency framework yet. As part of our policy review, we will consider any new changes when they are introduced by the UN.	Ongoing
Sugg. 2 audit report on recruitment	<u>We suggest</u> that HR Management explore the possibility (cost-benefit) of being assisted by external independent experts either for defining specific eligibility criteria for technical positions, prior to the issuing of the vacancy note either for determining in advance specific evaluation grid for assessing candidates, and also, if necessary, to select the most appropriate candidate for a technical post.	ICAO takes note of the suggestion and will explore the cost-benefit of using independent external experts whenever necessary and feasible. The practical approach would be to increase the use of standard/generic job descriptions which will be developed using internal expertise and/or external independent experts if so required. This is consistent with the practices of other UN system organizations, and will enable the Organization to establish evaluation criteria for positions in advance, and reduce subjectivity by the hiring Bureau/Office.	Update as of March 2018: ICAO hired an experienced job classification expert at the end of 2017, in order to develop standard job descriptions for technical posts both at Headquarters and in the Regional Offices. We plan to have standard job descriptions for 90% of technical post in the Regional Offices and at HQ, by the end of 2018.	Ongoing

N.	Suggestion raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
Sugg. 3 audit report on recruitment	Further to the Decision of the Council where “a maximum time frame of 12 months for the completion of the recruitment process for all posts, from the date of the issuance of the vacancy notice to the appointment decision” should be respected, <u>we suggest</u> to HR Management, in order to understand the efficiency and effectiveness of the process, to monitor all the time, since the request of a post issued by a Unit, and, in this way, every office will be accountable for the timing needed for the recruitment process.	The standard practice in the UN is to monitor recruitment timeliness from the date of vacancy advertisement until the date of selection decision. Nevertheless, ICAO HR already captures and monitors most of the steps of the recruitment process, starting from the date of receipt of the request from the hiring unit to the date of advertisement of the post. ICAO is currently implementing an accountability framework for recruitment timelines, detailing role/responsibilities of all parties, as well as a new IT tool to further enhance the management and monitoring of recruitment timelines. When fully implemented, these initiatives will provide the Organization with an opportunity to strengthen the monitoring and management of recruitment timelines from the initial request of the hiring unit to the appointment decision.	Update as of March 2018: An accountability framework for recruitment timelines, detailing roles/responsibilities of all parties, has been developed (attached). A new IT tool to manage recruitment processes is still under development. The new revised timeline for IT is end of 2018.	Ongoing
Sugg. 4 audit report on recruitment	<u>We suggest</u> to Management, once a monitoring system (according to the above mentioned “suggestion”) would have been prepared, to eventually assess the cost benefit of initiating a benchmarking exercise with other UN or similar Organizations that might give indication on effectiveness and efficiency of the recruitment process. In this way, through a detailed monitoring, and the related benchmarking, it would be also easy to determine robust KPIs to be adhered with.	ICAO currently uses as a reference the benchmarking study conducted by the UN Joint Inspection Unit in 2012 (JIU/REP/2012/4 refers). Since it is too costly for a single organization to conduct such an exercise on its own, ICAO will continue to work with other UN system organizations through the Chief Executives Board for Coordination (CEB) and its subsidiary bodies to further consider this issue.	Update as of March 2018: This matter will be addressed through the UN system organizations Chief Executives Board for Coordination (UN/CEB) and the UN Joint Inspection Unit (UN/JIU).	Ongoing

N.	Suggestion raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
Sugg. 1 Report on Audit of ASHI	When a decision is taken by the Council on possible corrective measures, <u>we then suggest</u> to Management to assess if the combined effect of all the measures decided by the Council would be sufficient to prevent any negative impact on the ICAO budget, as regards the funding of the core activities in the medium-long term.	Management will assess if the combined effect of all measures approved by the Council will be sufficient to prevent negative impact on the Budget and on the funding of the core activities.	Please see the status of Rec 2/2014 and Rec 3/2014.	Closed. See Recommendation 7/2016
Sugg. 1 Report on Audit of ROs KPIs	When the framework is enhanced through the implementation of our recommendations above, <u>we then suggest</u> to Management to timely evaluate if the performance of the HQ and ROs can be assessed and to consequently measure if objectives have been effectively achieved.	Agree. Performance evaluation and measurement will take place for all Bureaus and ROs of the Organization.		Ongoing
Sugg. 1/2014	In order to increase the accuracy of items recorded as inventory in the Financial Statements, we suggest that in the next inventory verification exercise, attention be accorded to fair value of items, in particular to those inventory items that should be written-off.	Accepted	Update as of end March 2018: Inventory has been consistently reported over the past 5 years and reflects the price charged to Bureaus. The EAO audit found no inventory anomalies in the 2015 audit. No changes are expected and this item is considered closed. Management considers this suggestion to be closed.	Ongoing Refer to recommendation 4/2015
Sugg. 2/2014	<u>We suggest</u> Management to present to the Secretary General, in the context of the preparation of the year-end financial statements, an internal document containing i) statistics on existing litigations at AJAB and UNAT ii) to the extent possible, a more granular computation of the actual amounts claimed to assess whether the situation will impact the financial statements.	The suggestion is accepted	LEB issues an annual litigation report for Information to Council. We also provide FIN with information on all pending claims and litigation brought to our attention. Amounts are provided to the extent they can be identified. We CANNOT predict the outcome of cases such as appeals brought through the AJAB/ UNAT.	Closed

N.	Suggestion raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
Sugg. 4/2014	We <u>suggest</u> Management, as remedial measures are needed, to define comprehensively a set of drivers and sub-drivers in advance, in order to identify which of them are more suitable for reducing the underfunding in the long term.	Accepted. Management will identify the variables that influence the funding of ASHI.	Please see the status of Rec 2/2014 and Rec 3/2014.	Closed. See Recommendation 7/2016
Sugg. 5/2014	Considering the importance of preserving the data on staff, we suggest Management in HRB to complete within a reasonable time the digitalization of all the hard copy files.	Accepted. The possibility to digitize additional personnel data, taking into account organizational priorities for the preservation of information, should be considered based on available resources.	Update as of end March 2018: Digitization of medical records of staff is ongoing, and further assessment will be undertaken on digitizing staff files, bearing in mind financial, IT and staff resources.	Ongoing

