

# FINANCIAL STATEMENTS

AND

# REPORTS OF THE EXTERNAL AUDITOR

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014



DOCUMENTATION  
for the 39th Session of the Assembly in 2016



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for the financial year ended 31 December 2014***

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**FINANCIAL STATEMENTS AND  
REPORTS OF THE EXTERNAL AUDITOR  
FOR THE YEAR ENDED 31 DECEMBER 2014**



**INTERNATIONAL CIVIL AVIATION ORGANIZATION**  
**FINANCIAL STATEMENTS AND REPORTS OF THE EXTERNAL AUDITOR**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

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



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

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

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

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

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

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

1.6 In accordance with Article 12.4 of the Financial Regulations, I have the honour to submit to the Council for consideration and recommendation to the Assembly the financial statements of ICAO for the year ended 31 December 2014. As required by Article XIII to the Financial Regulations, the External Auditor's opinion and his report on the 2014 financial statements are also submitted to the Council and Assembly as well as my comments (reflected in the Secretary General's Comments) thereon.

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

## 2. FINANCIAL REPORTING AND BUDGET PERFORMANCE HIGHLIGHTS

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

2.1 As reported in Note 1 to the financial statements, ICAO has continued to fully apply IPSAS in 2014. These standards have been adopted by the United Nations organizations to replace the United Nations System Accounting Standards (UNSAS). IPSAS are a set of independently developed accounting standards, which require adoption of accounting on a “full accrual” basis. Full accrual is considered best accounting practice by international organizations for the public as well as for the private sector. IPSAS include detailed requirements and guidance, which provide support for financial statements’ consistency and comparability.

### Financial Statements

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

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

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

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

2.5 The following paragraphs summarize the key information on the financial situation and performance of the Organization for 2014.

2.6 **Statement I** presents the financial position of the Organization. Assets totalling CAD 312.6 million at 31 December 2014 are mainly composed of cash and cash equivalents amounting to CAD 288.9 million and of assessments and other amounts receivable totalling CAD 17.5 million. Total liabilities amounts to CAD 405.0 million, of which an amount of CAD 227.7 million represents advance receipts mostly for technical co-operation projects, and a long-term liability of CAD 147.5 million for employee benefits recognized on this statement since 2010 with the application of IPSAS.

2.7 This statement also shows an accumulated deficit of CAD 92.3 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 47.6 million, it is not foreseen that additional funding will be necessary on a short term basis to cover the accumulated deficit.

2.8 **Statement II** presents the financial performance for the year 2014. There were significant changes made to this statement since 2010 to comply with IPSAS. Revenue from project agreement previously recorded on a cash basis is now recognized on the basis of services rendered and goods delivered to Technical Co-operation Projects (TCP). Sales of publications are also recorded on the accrual basis of accounting, when publications are delivered. There is also a temporary adjustment made to assessed contributions revenue for an amount of CAD 955.2 thousand during 2014 to take into account the impact of the recognition of long-term receivables at fair value as required by IPSAS. Total 2014 surplus amounts to CAD 5.3 million. Table A shows the result by Fund or Group of Funds for regular activities. Expenses include an amount of CAD 11.5 million recorded in the Revolving Fund to recognize employee benefits expense (ASHI, annual leave and repatriation benefits) on an accrual basis. Before the adoption of IPSAS in 2010, most of these benefits were recorded on a cash basis. In 2014, CAD 3.0 million was paid for those benefits and this amount is presented in the Revolving Fund as a funding source from other Funds. The difference of CAD 8.5 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 9.1 million) and surplus of the AOSC Fund (CAD 0.8 million) are provided in the following paragraphs.

2.9 With regard to the net surplus of other Funds (CAD 3.9 million), it is explained by deficits of 1.0 million in Capital Fund and surpluses of 1.7 million in Safe Fund, 1.3 million in Environment Fund, 0.7 million in AVSEC, 0.5 million in Ancillary Revenue Generation Fund and 0.7 million in all other Funds.

2.10 With regard to the Technical Co-operation Projects segment, there is no annual surplus or deficit for the year 2014 because revenue is recognized based on the stage of completion of projects, which is generally determined based on the costs incurred in each project. The cost of administration, operation and support to these projects is recognized in each project and the recovery of these administrative fees is recognized as revenue in the AOSC Fund.

2.11 **Statement III** provides changes in net assets during the year. The balance of Net Assets including reserves at the beginning of the year amounted to a net accumulated deficit of CAD 58.7 million. The balance of the net accumulated deficit at the end of 2014 was CAD 92.3 million. The increase to the accumulated deficit for 2014 is mainly caused by the actuarial loss of 37.0 million on After-Service Health Insurance (ASHI).

2.12 **Statement IV** gives the breakdown of the variation of cash flow from CAD 266.0 million at 31 December 2013 to CAD 288.9 million at 31 December 2014. As permitted by IPSAS, the indirect method is used which is also the method adopted by ICAO in previous years.

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

### 3. BUDGET PERFORMANCE AND FINANCIAL HIGHLIGHTS

#### Appropriations for Regular Programme

3.1 The 38th Session of the Assembly in 2013, under Clause C of Resolution A38-22, voted appropriations in the amount of CAD 92 752 thousand for the year 2014. Details of appropriations, transfers, actual expenditure and unobligated balances of appropriations by Strategic Objective and Supporting Implementation Strategies are given in Statement V.

3.2 The budgetary result for 2014, in thousands of Canadian dollars, is summarized as follows:

Original Appropriations	92 752
2013 Outstanding Commitments	7 170
Carry-over from 2013	4 119
Decrease in Appropriations	<u>(29)</u>
Approved Revised Appropriations	104 012
2014 Outstanding Commitments	(10 255)
Carry-over to following year	<u>(7 552)</u>
<b>Revised 2014 Appropriations</b>	<b><u>86 205</u></b>

3.3 **2013 Outstanding Commitments.** In accordance with Financial Regulation 5.7, an amount of CAD 7 170 thousand was approved by the Secretary General to supplement the 2014 appropriations, primarily for payment of outstanding commitments for the year ending as of 31 December 2013.

3.4 **Carry-over from 2013.** In accordance with the Financial Regulation 5.6, an amount of CAD 4 119 thousand was approved by the Secretary General to supplement the 2014 appropriations, financed by savings from 2013, for mandatory and other mission-critical activities that were not budgeted for in 2014.

3.5 **Decrease in Appropriations.** The amount of CAD 29 thousand was decreased because this amount was not reimbursed to the Regular Programme by the AOSC Fund, as approved by Council. This is the difference between the amount approved by the Council in C-DEC 200/2 (CAD 1 202 thousand) for the cost recovery in 2014 and the amount approved by the Assembly (CAD 1 231 thousand).

3.6 **2014 Outstanding Commitments.** The value of obligations entered into in 2014, but delivery against which is only expected in 2015, is CAD 8 082 thousand. Employee entitlements in an amount of CAD 2 173 thousand consisting primarily of accrued leave and repatriation grants are foreseen to be paid to staff separating from ICAO in 2015. Therefore, an amount of CAD 10 255 thousand (also see Figure 1, column (e)), has been reserved and carried forward to 2015, pursuant to Financial Regulation 5.7 to clear legal obligations incurred during 2014.

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

3.8 **Carry-over to Following Year.** Under Financial Regulation 5.6, the Secretary General authorized to carry over unspent appropriations, not exceeding 10 per cent per appropriation for each SO or SIS. The amount of CAD 7 552 thousand is within this limit. The amount being carried over will be used to fund primarily those activities that eventually did not get funded by the 2014-2015-2016 budget. Programme activities being funded by the 2014 unspent appropriations include recommendations from the February 2015 High-Level Safety Conference (HLSC), Global Aviation Dialogue (GLADs) requirements, Enterprise Data Management of the Air Transport Bureau, training courses for AVSEC, deferred safety audits and meetings (UNWTO/ICAO Ministerial Conference; Implementation of the New Regulatory Framework for Sustainable Development of Air Transport) which have been deferred to 2015. In addition, a portion of the savings from 2014 will again finance the UNDSS security requirements for the residences of staff members in Dakar and Nairobi. Management and Administration activities being funded by the unspent appropriations include the funding for the deployment of the new telephone system to the Regional Offices; the role-based Identity/Access Management systems and Single Sign-on infrastructure; a new search tool that enables searches across repositories; workstations for increased secondees and interns; additional automation support for the Regional Offices; integrated customer relationship management system; digital capture service; and additional resources for EAO and the Ethics Office.

3.9 As a result of the increases and transfers outlined in the preceding paragraphs, the final approved appropriation for the year amounted to CAD 86 205 thousand.

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

**FIGURE 1**

	<u>2014</u> <u>Budget</u> <sup>1</sup>	<u>Actual</u> <sup>2</sup>	<u>Exchange</u> <u>Differences</u>	<u>Actual</u> <u>at Budget Rate</u> <sup>3</sup>	<u>2014</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)
<b>REVENUE</b>							\$
Assessed Contributions	86 120	87 655	(2 490)	85 165		85 165	( 955)
Other Revenue							
ARGF	5 082	5 082		5 082		5 082	-
Miscellaneous	319	494		494		494	175
Reimbursement from AOSC	1 231	1 202		1 202		1 202	( 30)
Currency exchange difference		1 642		1 642		1 642	1 642
	<b>92 752</b>	<b>96 076</b>	<b>(2 490)</b>	<b>93 586</b>	<b>-</b>	<b>93 586</b>	<b>834</b>
<b>EXPENSES</b>							
Staff salaries and employment benefits	80 437	73 058	(3 112)	69 946	5 189	75 135	(5 301)
Supplies, consumables and others	801	228	( 33)	195	149	344	( 457)
General operating expenses	16 187	11 239	( 306)	10 933	4 914	15 847	( 340)
Travel	4 812	3 620	( 149)	3 471		3 471	( 1 341)
Meetings	1 353	1 427	( 54)	1 373	4	1 377	23
Other expenses	422	321	( 34)	287		287	( 135)
	<b>104 012</b>	<b>89 893</b>	<b>(3 688)</b>	<b>86 205</b>	<b>10 255</b>	<b>96 460</b>	<b>(7 552)</b>

<sup>1</sup> 2014 Budget-Expenses include carryover (and commitments) from prior year of CAD 11 289 thousand and decrease of CAD 29 thousand in reimbursement to Regular Programme (C-DEC 200/2).

<sup>2</sup> From Table A, Financial Statements, excluding Working Capital Fund

<sup>3</sup> Includes (1) budget exchange gain of CAD 2 490 thousand due to impact of US dollar transactions budgeted at USD1.00=CAD0.9875, and (2) currency exchange gain of CAD 1 291 thousand such as revaluation of balance sheet items.

3.11 **Explanation of Differences – Revenues.** The overall budget of CAD 92 752 thousand (Figure 1, column (a)) refers to the four main funding sources of the Regular Programme Budget for 2014: Assessed Contributions, ARGF Surplus, Miscellaneous Income and Reimbursement from AOSC Fund. For the *Assessed Contributions*, the difference of CAD 955 thousand pertains to the discounted amount of the long-term contributions receivable.

3.12 **Explanation of Differences – Expenses.** The overall budget of CAD 104 012 thousand (Figure 1, column (a)) includes the 2014 original appropriations of CAD 92 752 thousand, the carry-over from 2013 along with 2013 Outstanding Commitments of CAD 11 289 thousand and the decrease of CAD 29 thousand in reimbursement to Regular Programme. Savings (unutilized appropriations) from 2014 of CAD 7 552 thousand will be carried over to 2015.

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

- a) Budget exchange gain of CAD 2 490 thousand. Since 2010, Member States are being invoiced partly in USD and partly in CAD. The USD/CAD exchange rate on 1 January 2014 (the date when invoices were raised in USD) was higher than the rate used in developing the 2014 budget causing an addition to total assessed contributions of CAD 2 490 thousand;
- b) The net currency exchange gain of CAD 1 198 thousand such as the revaluation of balance sheet items. This figure includes a reduction of CAD 444 thousand for recognition of exchange gain in 2013 pertaining to the Working Capital Fund.

The net exchange difference (gain of CAD 3 688 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**

3.14 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 2014, the fluctuation of the Canadian dollar against the U.S. dollar was CAD 1.067 at the beginning of the year and CAD 1.163 at the end of the year.

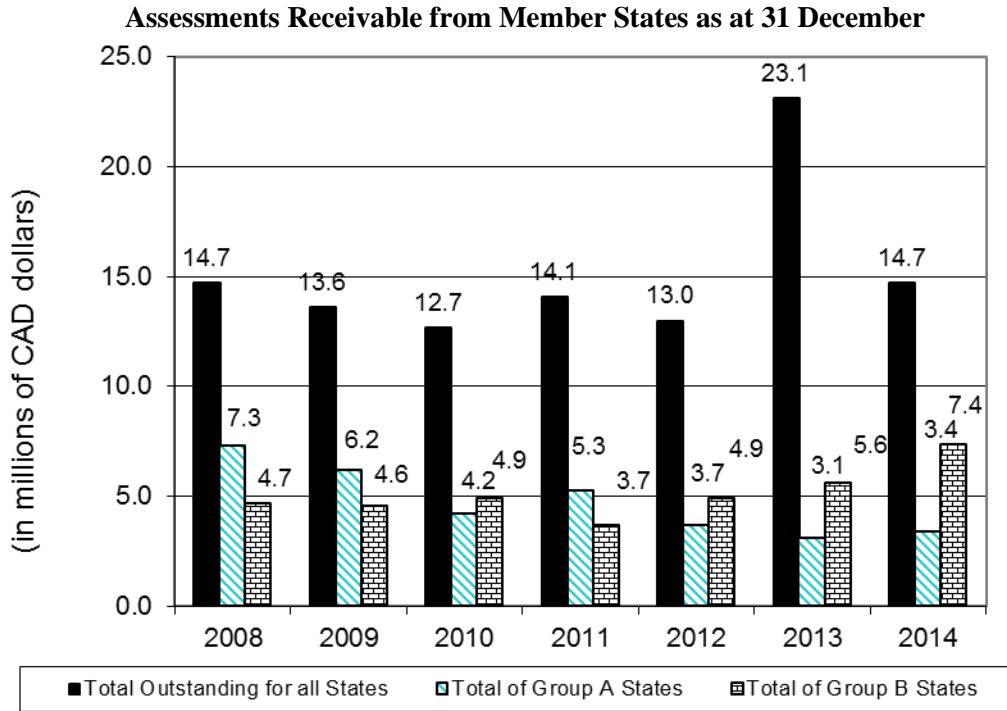
### **Assessments and Other Voluntary Contributions**

3.15 During the year 2014 assessments totalling CAD 86 613 thousand were received and a balance of CAD 4 127 thousand remained outstanding at the year-end against the current year's assessments. At the beginning of the year, CAD 22 345 thousand was receivable from States in respect to 2013 and prior years; payment of CAD 12 848 thousand was received, leaving a balance outstanding of CAD 9 497 thousand. The assessments receivable for all years totalled CAD 13 624 thousand as at 31 December 2014 (including the Working Capital Fund). CAD 13 624 thousand includes a



USD assessment component converted at CAD 1.163 yielding a revalued assessment receivable balance of CAD 14 739 thousand. Details are provided in Table C of Part IV to this document. The percentage of receipts of contributions for the last four years in relation to the amount assessed averaged 92.40 per cent. Figure 2 shows the status of the assessed contributions receivable at the end of each year since 2008.

FIGURE 2



3.16 Of the total outstanding contributions of CAD 14 739 thousand at 31 December 2014, CAD 1 083 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 2014	Amount outstanding as at 31 December 2014	Number of States 2013	Amount outstanding as at 31 December 2013
<b>Group A:</b> States that have concluded agreements with the Council to liquidate their arrears over a period of years	12	3 432	12	3 150
<b>Group B:</b> States with contributions in arrears of three full years or more that have not concluded agreements with the Council to liquidate their arrears	17	7 355	15	5 623
<b>Group C:</b> States with contributions in arrears for less than three full years	10	1 359	11	1 909
<b>Group D:</b> States with contributions outstanding only for the current year	31	1 999	20	11 911
Sub-total	70	14 145	58	22 593
The Former Socialist Federal Republic of Yugoslavia	-	594	-	545
<b>Total Outstanding Contributions</b>	<b>70</b>	<b>14 739</b>	<b>58</b>	<b>23 138</b>

3.17 As at 31 December 2014, 12 States had concluded agreements to liquidate their arrears over a period of years. The agreements provide for these States to effect payment of the current year's contribution as well as an annual instalment payment towards the prior year's arrears. The note on Table C of Part IV to this document, indicates the States that had not complied with the terms of their agreements at 31 December 2014.

3.18 Major contributions (\*) received for the Regular Programme and other Funds in Segment 1 for 2014 are summarized in thousands of CAD below.

**FIGURE 4**

<b>Member State</b>	<b>Assessment Received</b>	<b>Contributions In-Kind (Premises)</b>	<b>Contributions in Cash and In-Kind AVSEC</b>	<b>Total</b>
Canada	2 343	21 923	756	25 022
United States	19 840		1 497	21 337
Japan	7 258		3	7 261
China	5 404		115	5 519
Germany	5 467			5 467
France	4 144	585	83	4 812
United Kingdom	4 270		92	4 362
Italy	2 903			2 903
Spain	2 241		21	2 262
Republic of Korea	1 964			1 964
Thailand	502	1 295		1 797
Netherlands	1 436			1 436
<b>Total</b>	<b>57 772</b>	<b>23 803</b>	<b>2 567</b>	<b>84 142</b>

(\*) Twelve highest contributions

3.19 Total expenses in 2014, including those for seconded staff 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	SIS	Others	Total
<b>Regular Budget</b>	22 709	16 700	8 601	3 282	4 221	34 380		89 893
<b>Voluntary Funds and other</b>								
<b>Regular Activity funds</b>	1 885	671	2 702	298	531	726	29 747	36 560
<b>Premises</b>						24 584		24 584
<b>Seconded Staff (in-kind) (1)</b>								
<b>China</b>	1 059	1	775	64	387	692		2 978
<b>Finland</b>	108							108
<b>France</b>	795	3	83			90		971
<b>Indonesia</b>		1	62	19		11		93
<b>Japan</b>			183			6		189
<b>Korea</b>	47	44	163	3	10	184		451
<b>Malaysia</b>	195	3	185		3			386
<b>Singapore</b>	294	10	196	2	13	27		542
<b>Turkey</b>	422		139					561
<b>United Arab Emirates</b>	51	8	5			2		66
<b>Others</b>	506	127	886	90	11	130		1 750
<b>Sub-total Seconded Staff</b>	3 477	197	2 677	178	424	1 142		8 095
<b>Total Expenses</b>	<b>28 071</b>	<b>17 568</b>	<b>13 980</b>	<b>3 758</b>	<b>5 176</b>	<b>60 832</b>	<b>29 747</b>	<b>159 132</b>

(1): 10 highest contributions by alphabetical order

### Cash Surplus

3.20 The cumulative surplus excluding reserves in Net Assets for the Regular Programme Budget at 31 December 2014 reflected in Table A of Part IV to this document amounted to CAD 7.7 million. Cumulative surplus less the Working Capital Fund balance of CAD 9.3 million and assessments receivable from Member States of CAD 14.7 million resulted in a cash deficit of CAD 16.3 million at 31 December 2014, noting that an amount of CAD 17.8 million is recorded as a reserved surplus to finance 2014 outstanding commitments and appropriations carried over to 2015.

### Ancillary Revenue Generation Fund (ARGF)

3.21 ARGF achieved a net overall surplus of CAD 470 thousand after paying the required contribution of CAD 5 082 thousand and other costs contribution of CAD 2 125 thousand to the Regular Programme.

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

**FIGURE 6**

	<b>Revenue</b>	<b>Expense</b>	<b>Surplus</b>
Publications, Distribution & Printing	7 116	3 023	4 093
Delegation and Conference Services & Rental	2 869	1 748	1 121
Training	2 228	2 119	109
Events & Symposia	1 830	1 087	743
Licensing Agreements & Partnerships in Statistics	1 614	235	1 379
Commissariat	539	534	5
Periodicals	498	445	53
ARGF Operations and Admin. Fee & Admin. Support Costs	381	484	(103)
Websites/e-Products	374	71	303
New Product Areas	58	78	(20)
<b>Sub-total</b>	<b>17 507</b>	<b>9 824</b>	<b>7 683</b>
ARGF Inter-billing Elimination	(382)	(382)	-
<b>Total</b>	<b>17 125</b>	<b>9 442</b>	<b>7 683</b>
Amount Transferred to Regular Programme	-	5 082	(5 082)
Extra Contribution to Regular Programme (Staff & Other Costs)	6	2 131	(2 125)
Payments made from the cumulative surplus (e-Commerce)	-	6	(6)
<b>Net</b>	<b>17 131</b>	<b>16 661</b>	<b>470</b>

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

**FIGURE 7**

	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>
Revenue	17 125	18 867	(1 742)
Expense	9 442	11 257	1 815
<b>Surplus</b>	<b>7 683</b>	<b>7 610</b>	<b>73</b>

3.24 Overall operating surplus of CAD 7 683 thousand is close to the budget figure of CAD 7 610 thousand. In 2014, Events & Symposia, Licensing Agreements & Partnership in Statistics and Delegation and Conference Services & Rental exceeded their budget expectations; Publications, Distribution & Printing and Training activities were close to budget; while Periodicals, Websites & e-Products and New Products performed lower than their budget target.

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

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

I-11  
**FIGURE 8**

**AOSC Fund Budget and Expenditures for 2014<sup>1</sup>**

	Submitted to the Assembly <sup>2</sup>	Revised Budget 2014 <sup>3</sup>	Actual Expenditure/ Income 2014	Balance of Revised Budget
Appropriation/Expenditure Major Programme	8 309	8 068	8 418	(350)
Income		8 971	9 236	
<b>Excess/(Deficit) of Income over Expenditure</b>		<b>903</b>	<b>818</b>	

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

<sup>2</sup> Approved by the Assembly in 2013 (A38).

<sup>3</sup> Noted by the Council at its 203rd Session (C-WP/14184).

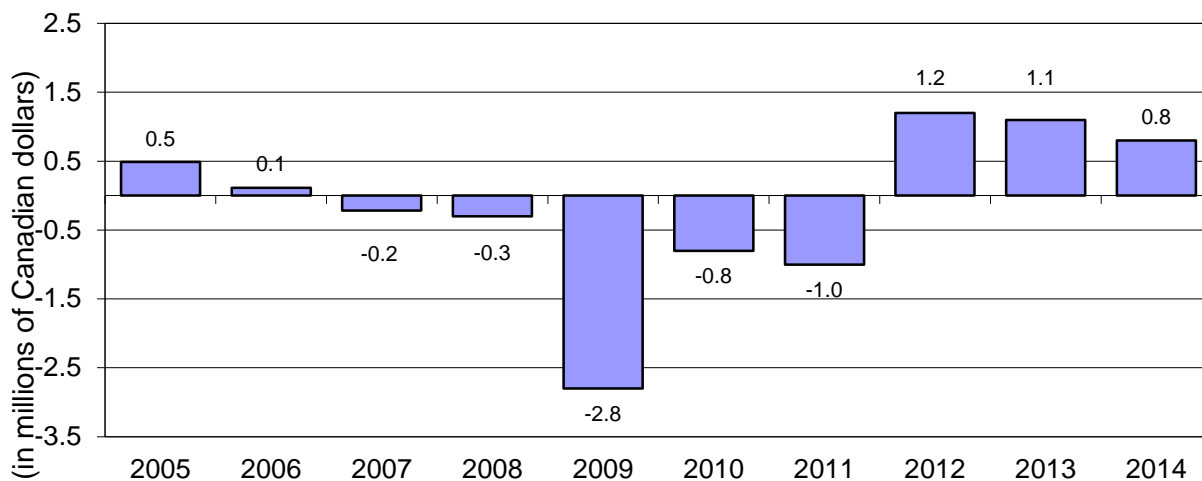
3.26 As indicated above, the Assembly approved the Indicative Budget Estimates (expenditure) of the AOSC Fund amounting to CAD 8 309 thousand for the financial year 2014. During the year, pursuant to Financial Regulation 9.5, the Secretary General submitted to the Council an update of the 2014 Budget Estimates (expenditure) in C-WP/14184. The revised estimated expenditures for 2014 amounted to CAD 8 068 thousand and the estimated income to CAD 8 971 thousand.

3.27 There is an excess of CAD 265 thousand in AOSC income versus budget mainly because of the slight increase in the average support cost rate applied on implementation of USD 122.4 million in TC projects in 2014. On the expenditure side, staff costs exceeded the budgeted amount by CAD 350 thousand though the overall result was a total positive variance of CAD 818 thousand between income and expenditures.

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

**FIGURE 9**

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



3.29 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 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 for the remainder of the 2014-2016 triennium.

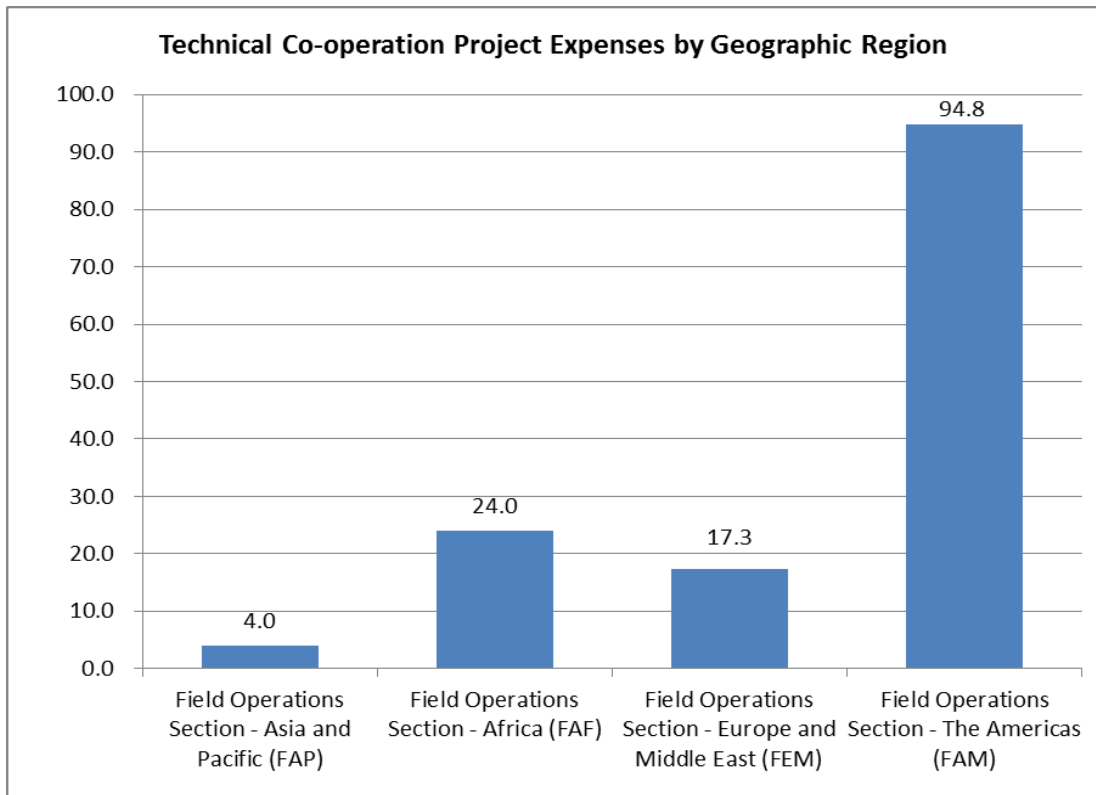
3.30 **Technical Co-operation Programme.** The Technical Co-operation Bureau (TCB) manages the Technical Co-operation Programme, a permanent priority activity of ICAO which complements the role of the Regular Programme by supporting Member States in their implementation of ICAO regulations, policies 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.

3.31 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 with the certification of TCB's Procurement Section, followed by its Field Operations Section and Business Support Section in 2013 and the Field Personnel Section in 2014, the whole Bureau is expected to be re-certified to the ISO 9001:2008 standard in February 2015. The improved processes have contributed to the considerable progress in the Technical Co-operation Programme performance and the AOSC fund's results in 2014.

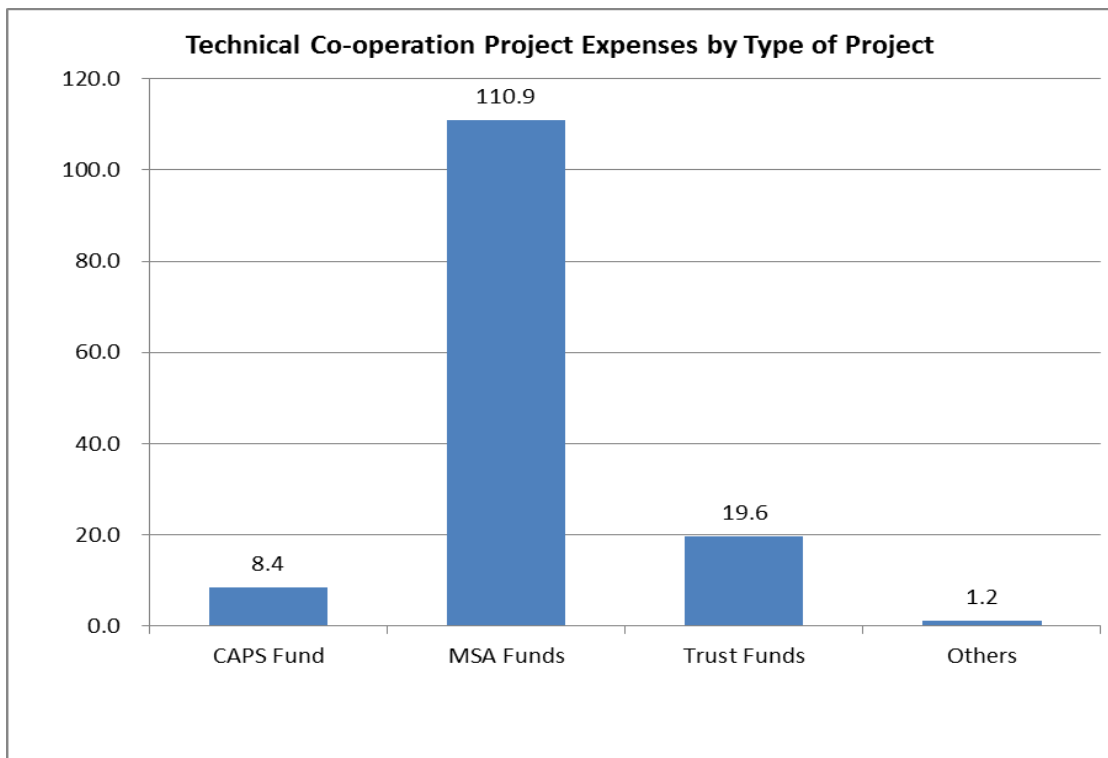
3.32 A rolling three year Management Plan for TCB is prepared in close coordination with the Technical Co-operation Committee, setting the goals and strategies to be followed during the current period with the aim at improving the governance, efficiency and quality of ICAO Technical Co-operation Programme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

3.33 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 140.1 million in 2014. Tables D to F in Part IV of this document provide more detail on these projects, summarized by the following figures in millions of CAD.

**FIGURE 10**



**FIGURE 11**



#### 4. RESPONSIBILITY OF MANAGEMENT

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

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

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

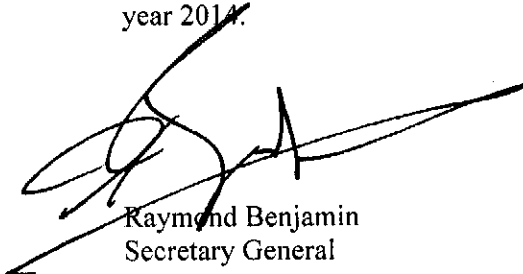
The Council has the responsibility to consider and to recommend the Financial Statements to the Assembly for approval and has the power to request amendments to these statements after issuance by the Secretary General.

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



Rahul Bhalla  
Chief, Finance Branch

As the Secretary General of the International Civil Aviation Organization, I hereby approve and submit this financial report of ICAO, accompanied by the Financial Statements and Tables for the year 2014.



Raymond Benjamin  
Secretary General

Montréal, Canada  
27 March 2015



## **Statement of Internal Control 2014**

### **Scope of responsibility**

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

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

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

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

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

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

### **Capacity to handle risk**

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

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

## **Risk and internal control framework**

The Organization's risk and internal control framework includes:

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

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

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

## **Review of effectiveness**

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

- my senior managers, in particular Directors of Bureaus and Chiefs of Offices who play important roles and are accountable for expected results, performance, controlling their Bureaus/Office activities and the resources entrusted to them. The information channels rely mainly on periodic meetings held by the Senior Management Group (SMG) and the full SMG of the Secretariat. For the year ended 31 December 2014, control issues, together with remedial actions, have been identified through a self-assessment process and also the application of best practices, as confirmed by my senior managers' personal written attestation;
- the Evaluation and Internal Audit Office (EAO) of whose reports on internal audits, evaluations and advisory services I rely upon are also provided to me. These include independent and objective information on the adequacy and effectiveness of the Organization's system of internal controls and programme effectiveness, together with recommendations for improvement;
- the Evaluation and Audit Advisory Committee (EAAC), whose purpose is to advise me and the Council on risk management, financial and internal controls and the related functions of oversight;
- the Ethics Advisor, who provides confidential advice and counsel to the Organization and its staff on ethics and standards of conduct, and promotes ethical awareness and responsible behavior in handling referrals concerning allegations of unethical behavior, including conflict of interest;
- the reports of the Joint Inspection Unit of the United Nations system on matters applicable to ICAO; and
- Council's observations and decisions.

**Significant control issues**

Following my review of the Internal Control Framework, there are no significant internal control issues to be reported for 2014. Nonetheless, there are improvements planned for 2015 for some sections which involve further documenting of procedures and systems and which address training deficiencies identified during 2014.

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

**Statement**

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

Based on the above, I conclude to the best of my knowledge and information, that ICAO operated satisfactory systems of internal control for the year ended 31 December 2014 and up to the date of approval of the financial statements.



Raymond Benjamin  
Secretary General

Montréal, Canada  
27 March 2015



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





## *Certe dei centi*

### AUDIT CERTIFICATE

#### **Independent Auditor's Report**

We have audited the financial statements as at 31 December 2014 of the International Civil Aviation Organization (ICAO), which comprise for the year then ended the statement of financial position, 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, as well as a summary of significant accounting policies and other explanatory information.

#### **Responsibility of the ICAO Secretary General for the financial statements**

The Secretary General is responsible for the preparation and fair presentation of these financial statements in accordance with the International Public Sector Accounting Standard (IPSAS). Furthermore, the Secretary General is responsible with regard to the transparency of and accessibility to the financial statements, as well as for establishing and maintaining sustainable accounting, internal control and separate internal audit systems, including measure to prevent and detect fraud and significant errors.

#### **Responsibility of the auditor**

Our responsibility is to express an opinion on the ICAO financial statements based on our audit. We conducted our audit in accordance with the International Standards of Supreme Audit Institutions (ISSAI), and the Financial Regulations and Rules of the ICAO. The ISSAI standards require that we comply with ethical requirements, and plan and perform the audit in such a way as to obtain reasonable assurance about the amounts and the disclosure in the financial statements.

The procedure selected depends on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or errors. In making this risk assessment, the auditor considers internal control system relevant to the entity's preparation and fair presentation of the financial statements, in order to design audit procedures that are appropriate in the circumstances, but not with the aim of expressing an opinion on the efficiency and effectiveness of the entity's internal control and audit systems. An audit also includes an assessment of the appropriateness of the accounting policies adopted and of whether the accounting estimates made

by the Secretary General are reasonable, as well as an appraisal of the overall presentation of the financial statements.

We have ascertained that the financial statements have been prepared in accordance with the stated accounting policies and that these policies have been applied on a basis consistent with that of preceding financial period, as well as the compliance of transactions with the Financial Regulations and Rules of the ICAO.

According to the Financial Regulations and Rules of the ICAO (article XIII) and the additional terms of reference governing the External Audit (annex B to these Financial Regulations and Rules) we have issued a detailed report of our audit of the ICAO Financial Statements for 2014.

We believe that the audit evidence we have obtained provides a sufficient and appropriate basis for our audit opinion.

**Emphasis of matter**

The Statement of Financial Position shows a negative Net Asset (-92.3 MCAD) mainly due to the impact of long-term employee benefits actuarial liabilities recorded in the Financial Position of 147.5 MCAD. Details of our analysis are included in our report. Measures are being undertaken by the Management who has assured that it will monitor the effectiveness of these measures.

**Opinion**

In our opinion, ICAO's Financial Statements for 2014 present fairly, in all material respects, the financial position of the International Civil Aviation Organization as at 31 December 2014, as well as for the year then ended, the financial performance, the changes in net asset, the cash flows and the comparison of budget and actual amounts for the Regular Programme General Fund, in accordance with IPSAS and the Financial Regulations and Rules of the ICAO.

Rome, 30 March 2015

  
*Raffaele Squitieri*  
*President of the Corte dei conti*



**PART III: FINANCIAL STATEMENTS**



## INTERNATIONAL CIVIL AVIATION ORGANIZATION

## STATEMENT I

## STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2014

(in thousands of Canadian dollars)

	Notes	2014	2013
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	2.1	288 888	265 972
Assessed contributions receivable from Member States	2.2	3 491	13 597
Receivables and advances	2.3	9 805	15 012
Inventories	2.4	851	1 070
Others	2.3	2 027	2 374
		<b>305 062</b>	<b>298 025</b>
<b>NON-CURRENT ASSETS</b>			
Assessed contributions receivable from Member States	2.2	3 716	3 058
Receivables and advances	2.3	490	442
Property, plant and equipment	2.5	2 530	3 300
Intangible assets	2.6	813	1 050
		<b>7 549</b>	<b>7 850</b>
<b>TOTAL ASSETS</b>		<b>312 611</b>	<b>305 875</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Advanced receipts	2.8	227 658	229 075
Accounts payable and accrued liabilities	2.9	22 281	26 298
Employee benefits	2.10	6 038	4 700
Credits to contracting/servicing governments	2.11	1 446	1 443
		<b>257 423</b>	<b>261 516</b>
<b>NON-CURRENT LIABILITIES</b>			
Employee benefits	2.10	147 528	103 045
		<b>147 528</b>	<b>103 045</b>
<b>TOTAL LIABILITIES</b>		<b>404 951</b>	<b>364 561</b>
<b>NET ASSETS</b>			
Accumulated deficit	2.12	(56 279 )	(53 073 )
Reserves	2.12	(36 061 )	(5 613 )
		<b>(92 340 )</b>	<b>(58 686 )</b>
<b>NET ASSETS (ACCUMULATED DEFICIT)</b>		<b>(92 340 )</b>	<b>(58 686 )</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<b>312 611</b>	<b>305 875</b>

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

## INTERNATIONAL CIVIL AVIATION ORGANIZATION

**STATEMENT II**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**  
(in thousands of Canadian dollars)

	Notes	2014	2013
<b>REVENUE</b>			
Contributions for project agreements	3.2	139 596	132 667
Assessed contributions	3.2	89 785	83 120
Other revenue producing activities	3.2	15 607	14 949
Other voluntary contributions		12 442	8 215
Administrative fee revenue		182	182
Other revenue	3.2	6 074	5 008
<b>TOTAL REVENUE</b>		<b>263 686</b>	<b>244 141</b>
<b>EXPENSES</b>			
Staff salaries and employee benefits	3.3	143 280	140 539
Supplies, consumables and others	3.3	78 677	74 150
General operating expenses	3.3	17 598	16 734
Travel	3.3	9 828	8 626
Meetings		1 894	2 273
Training		3 269	2 083
Other expenses		3 867	2 516
<b>TOTAL EXPENSES</b>		<b>258 413</b>	<b>246 921</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>5 273</b>	<b>(2 780)</b>

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

## INTERNATIONAL CIVIL AVIATION ORGANIZATION

## STATEMENT III

STATEMENT OF CHANGES IN NET ASSETS  
 FOR THE YEAR ENDED 31 DECEMBER 2014  
 (in thousands of Canadian dollars)

	Notes	Accumulated Deficit	Reserves	Net Assets (Net Accumulated Deficit)
<b>Balance at 31 December 2013</b>		<b>(53 073)</b>	<b>(5 613)</b>	<b>(58 686)</b>
<b>Movements in fund balances and reserves in 2014</b>				
Variation to carry forward balance	2.12	(6 518)	6 518	
Variation of actuarial gain/(loss)	2.10		(36 924)	(36 924)
Other reclassifications and transfers	2.12	(1 961)		(1 961)
Variation of translation adjustment	2.12		( 42)	( 42)
Surplus of the year		5 273		5 273
<b>Total movements during the year</b>		<b>(3 206)</b>	<b>(30 448)</b>	<b>(33 654)</b>
<b>Balance at 31 December 2014</b>		<b>(56 279)</b>	<b>(36 061)</b>	<b>(92 340)</b>

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

## INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT IV  
STATEMENT OF CASH FLOW  
FOR THE YEAR ENDED 31 DECEMBER 2014

(in thousands of Canadian dollars)

	Notes	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Surplus/(Deficit) for the year		5 273	( 2 780)
(Increase) decrease in contributions receivable	2.2	10 106	( 8 872)
(Increase) decrease in receivables and advances	2.3	5 207	( 3 347)
(Increase) decrease in inventories	2.4	220	51
(Increase) decrease in other assets	2.3	345	( 309)
(Increase) decrease in non-current contributions receivable (net of discount)	2.2	( 658)	3 058
(Increase) decrease in non-current receivables and advances	2.3	( 48)	22
Increase (decrease) in advanced receipts	2.8	( 1 417)	20 246
Increase (decrease) in accounts payable and accrued liabilities	2.9	( 4 017)	9 320
Increase (decrease) in short-term employee benefits	2.10	1 339	30
Increase (decrease) in credits to contracting/servicing governments	2.11	3	( 165)
Increase (decrease) in long-term employee benefits	2.10	44 483	12 828
Actuarial gain (loss) reflected in reserves	2.10	( 36 924)	( 10 997)
Interest income		( 908)	( 797)
Depreciation and amortization		1 439	1 300
Foreign currency translation adjustment		( 42)	( 64)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>24 401</b>	<b>19 527</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Acquisition of property, plant and equipment and Intangibles	2.5 & 2.6	( 432)	( 731)
Interest income		908	797
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>476</b>	<b>66</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Transfers from net assets to liabilities and other transfers		( 1 961)	
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>( 1 961)</b>	
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>22 916</b>	<b>19 593</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		<b>265 972</b>	<b>246 379</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		<b>288 888</b>	<b>265 972</b>

*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 2014

(in thousands of Canadian Dollars)

Strategic Objective / Supporting Implementation Strategy	Appropriations									Expenditures <sup>1</sup>			Balance
	Original A38-22	2013 Outstanding Commitments <sup>a</sup>	Carry-over from Prior Year <sup>b</sup>	Decrease of Appropriations <sup>c</sup>	2014 Appropriations Before Transfers	2014 Outstanding Commitments <sup>a</sup>	Transfers among SO/SIS <sup>d</sup>	Carried over to following year <sup>b</sup>	2014 Appropriations Revised	Total	Budget Exchange Difference <sup>2</sup>	At budget rate of exchange	
<b>Safety</b>	23 219	1 003	637		<b>24 859</b>	(1 729)	514	(2 320)	<b>21 324</b>	22 709	(1 385)	<b>21 324</b>	0
<b>Air Navigation Capacity and Efficiency</b>	17 353	778	522	(1)	<b>18 652</b>	(1 083)	(572)	(1 486)	<b>15 511</b>	16 700	(1 189)	<b>15 511</b>	0
<b>Security and Facilitation</b>	8 903	354	194		<b>9 451</b>	(285)	(252)	(640)	<b>8 274</b>	8 601	(327)	<b>8 274</b>	0
<b>Economic Development of Air Transport</b>	3 138	389	57		<b>3 584</b>	(578)	314	(124)	<b>3 196</b>	3 282	(86)	<b>3 196</b>	0
<b>Environmental Protection</b>	4 474	189	80		<b>4 743</b>	(321)	(154)	(245)	<b>4 023</b>	4 221	(198)	<b>4 023</b>	0
<b>Sub-Total</b>	<b>57 087</b>	<b>2 713</b>	<b>1 490</b>	<b>(1)</b>	<b>61 289</b>	<b>(3 996)</b>	<b>(150)</b>	<b>(4 815)</b>	<b>52 328</b>	<b>55 513</b>	<b>(3 185)</b>	<b>52 328</b>	<b>0</b>
<b>Programme Support</b>	12 651	1 767	1 837	(7)	<b>16 248</b>	(2 575)	(384)	(1 246)	<b>12 043</b>	12 142	(99)	<b>12 043</b>	0
<b>Management &amp; Administration</b>	15 581	1 936	518	(21)	<b>18 014</b>	(2 526)	151	(991)	<b>14 648</b>	14 953	(305)	<b>14 648</b>	0
<b>Management &amp; Administration - Governing Bodies</b>	7 433	754	274		<b>8 461</b>	(1 158)	383	(500)	<b>7 186</b>	7 285	(99)	<b>7 186</b>	0
<b>Sub-Total</b>	<b>35 665</b>	<b>4 457</b>	<b>2 629</b>	<b>(28)</b>	<b>42 723</b>	<b>(6 259)</b>	<b>150</b>	<b>(2 737)</b>	<b>33 877</b>	<b>34 380</b>	<b>(503)</b>	<b>33 877</b>	<b>0</b>
<b>Total</b>	<b>92 752</b>	<b>7 170</b>	<b>4 119</b>	<b>(29)</b>	<b>104 012</b>	<b>(10 255)</b>	<b>0</b>	<b>(7 552)</b>	<b>86 205</b>	<b>89 893</b>	<b>(3 688)</b>	<b>86 205</b>	<b>0</b>

<sup>a</sup> Approved by the Secretary General. Financial Regulation 5.7.<sup>b</sup> Approved by the Secretary General. Financial Regulation 5.6.<sup>c</sup> Approved by Council to reimburse Regular Programme \$1.202 million instead of \$1.231 million (C-DEC 200/2).<sup>d</sup> Approved by the Secretary General, Financial. Regulation 5.9<sup>1</sup> Expenditures other than Canadian dollars are reflected at the UN rate of Exchange<sup>2</sup> Exchange differences: (1) \$2.49 million budget exchange gain due to impact of US dollar transactions budgeted at USD1.00 = CAD 0.9875; and (2) \$1.20 million net currency exchange (unrealized) gain, such as revaluation of balance sheet items.

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

**INTERNATIONAL CIVIL AVIATION ORGANIZATION**  
**Notes to the Financial Statements**  
**31 December 2014**

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

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

**Cash and Cash Equivalents**

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

**Financial Instruments**

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



## Inventories

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

## Receivables and Revenue

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

- discounted long-term contributions receivable represent the outstanding balance of assessed contributions for which States have concluded agreements to liquidate their arrears over a period of years. Discounting is also applied to a number of other long outstanding contributions considering the probability that such agreements will be concluded to liquidate arrears. These receivables are stated at amortized (discounted) cost using the effective interest method and are therefore presented net of the cumulative discount.

19. In-kind contributions are presented at fair value. Donated goods that directly support approved operations and activities and can be reliably measured are recognized in the accounts. Services provided without charges are not recognized in the accounts, but are presented in the Notes to the Financial Statements for information purposes. These contributions include use of premises, transport and personnel.

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

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

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

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

### **Intangible Assets**

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

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

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

### **Advanced Receipts**

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

### **Employee Benefits**

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

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

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

### **Provisions and Contingent Liabilities**

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

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

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

surplus, and by any advances made from the **Working Capital Fund**. 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) Fund** established under Financial Regulation 9.4. The AOSC Fund recovers the costs of administration, operation and support of TC projects. In the event that the AOSC operation in any given year ends in a financial deficit, such deficit is first to be met from the accumulated surplus of the AOSC Fund and, as a last resort, from the Regular Programme Budget. The AOSC Fund is primarily financed from administrative overhead charges to Technical Co-operation projects including UNDP projects.
- **Aviation Security (AVSEC) Plan of Action (ASPA)** which includes earmarked funds as well as Special Accounts/Funds established to reflect Council approval of the Aviation Security Plan of Action (ASPA), comprising projects to be financed from funds within the Aviation Security Trust Funds. Activities relating to the ASPA projects are funded from general and earmarked contributions and by services in kind as indicated in Note 3.1.
- **The Comprehensive Regional Implementation Plan for Aviation Safety in Africa (AFI Plan)** established to increase ICAO leadership and accountability in programme coordination and management across the AFI Region and to ensure effective implementation to rectify safety and infrastructure deficiencies.
- **The Joint Finance Funds Comprise Danish and Icelandic Joint Financing Agreements**, which reflect the transactions of the Funds established to report on ICAO supervision of the operation of air navigation services provided by the Government of Iceland, and in Greenland by the Government of Denmark, the costs of which are recovered by the service providers through user charges and assessments on Contracting governments. User charges are collected by the United Kingdom and are due and directly remitted to the Governments of Iceland and Denmark. Assessments are levied and collected by ICAO for remittance to the servicing governments. Therefore, these transactions are reflected in the accounts as assets and liabilities in the Statement of Financial Position. Also included is the **North Atlantic Height Monitoring System Fund (HMU)** to account for the financial transactions made under the provisions of the Arrangement on the Joint Financing of a North Atlantic Height Monitoring System. The operation and maintenance costs are recovered by the service providers through user charges on civil aircraft making crossings over the North Atlantic. User charges collected by ICAO are directly payable to service providers and are therefore reflected as assets and liabilities in the accounts.

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

41. The TC projects include UNDP arrangements and projects managed under Trust Funds agreements, Management Service Agreements (MSA) and Civil Aviation Purchasing Services Agreements (CAPS). The financial transactions relating to the UNDP arrangements comply with both ICAO and UNDP directives. Trust Funds and MSAs are designed to cover a broad range of technical co-operation services and the CAPS agreements are designed to provide procurement services. ICAO also enters into Technical Co-operation agreements referred to as Lump Sum Contracts with Member States. These contracts differ from MSA and Trust Fund agreements in that they are for a short duration and for a fixed contract amount. Under or over recovery of actual expenditure is reflected in the AOSC Fund.

## NOTE 2: ASSETS AND LIABILITIES

### Note 2.1: Cash and Cash Equivalents

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

	<b>2014</b>	<b>2013</b>
	<i>In thousands of CAD</i>	
Cash in banks	62 368	39 997
Term deposits	226 520	225 975
<b>Total Cash and Cash Equivalents</b>	<b>288 888</b>	<b>265 972</b>

43. As at 31 December 2014, the term deposits had an average interest rate of 0.42 per cent (0.29 per cent on 31 December 2013) and an average term maturity of 180 days (150 days in 2013). Cash includes USD 195 million held in investment savings accounts (USD 204 million on 31 December 2013) with an average interest rate of 0.42 per cent. Cash in banks at year end includes an equivalent amount of CAD 3 882 thousand held on behalf of ECAC.

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

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

	<b>2014</b>	<b>2013</b>
	<i>In thousands of CAD</i>	
Current	3 491	13 597
Discounted non-current	3 716	3 058
<b>Total Net Contributions Receivable</b>	<b>7 207</b>	<b>16 655</b>

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

	<b>2014</b>	<b>2013</b>
	<i>In thousands of CAD</i>	
Assessed contributions – Regular Programme	14 739	23 138
Less:		
Allowance for doubtful accounts	(594)	(501)
Cumulative discount on long-term receivables	(6 938)	(5 982)
<b>Total Net Contributions Receivable</b>	<b>7 207</b>	<b>16 655</b>

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

Year of Assessment	2014		2013	
	<i>In thousands of CAD</i>	%	<i>In thousands of CAD</i>	%
2014	4 237	28.8	-	-
2013	1 835	12.4	14 005	60.5
2012	1 230	8.3	1 577	6.8
2011	911	6.2	1 016	4.4
2010 and earlier	6 526	44.3	6 540	28.3
<b>Total</b>	<b>14 739</b>	<b>100.0</b>	<b>23 138</b>	<b>100.0</b>

47. There were no movements of the allowance for doubtful accounts during 2014.

	2013	Utilization	Increase/ (Decrease)	2014
	<i>In thousands of CAD</i>			
Total allowance for doubtful accounts	501	-	93	594

The amount of CAD 594 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 increase, as a result of an exchange loss of CAD 93 thousand, the resolution of which remains under active discussion at the United Nations General Assembly where there is an expectation that successor States will cover the debt.

48. There were no write-offs of contributions receivable during 2014. An increase or decrease in the allowance for doubtful accounts represents an expense for the period and is reported in the Statement of Financial Performance.
49. There was no balance in the allowance for reductions in contribution revenue during 2014.
50. The movements of the discounted long-term contributions receivables during 2014 are as follows:

	2013	Utilization	Increase/ (Decrease)	2014
	<i>In thousands of CAD</i>			
Discounted long-term contributions receivable	3 058	1 615	(957)	3 716

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



52. The discounted long-term contributions relate to assessments receivable from States in Group A that have concluded agreements with the Council to liquidate their arrears over a period not exceeding twenty years, without interest and States in Group B without agreements with outstanding assessments exceeding three years. Utilization of CAD 1 615 thousand includes 2 065 thousand which is the reclassification of amounts in arrears as long-term less payments received during the course of the year from States which concluded agreements with ICAO, offset by an exchange gain of CAD 450 thousand in long-term receivable. The decrease of CAD 957 thousand is the decrease in the discounted long-term accounts receivable balance. Following the ICAO Assembly in October 2013, the fair market value of assessments receivable balance was reassessed. It was estimated that although all those receivables remained valid and properly recognized as such in the accounts, the fair market value of the receivable balance of those States which have lost their voting rights over two consecutive Assembly sessions needed to be further reduced. Consequently, such receivables were discounted by an additional amount of CAD 627 thousand in 2014. Since it is impossible to predict which State if any will lose its voting right at the next assemblies, it is impracticable to estimate the financial effect on the discounted receivables in future periods.

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

53. Receivables and advances:

	<b>2014</b>	<b>2013</b>
	<i>In thousands of CAD</i>	
Advances to employees	1 176	925
Receivables from United Nations Agencies	885	2 167
Others	7 744	11 920
<b>Total:</b>	<b>9 805</b>	<b>15 012</b>

54. Advances to employees are for education grants, rental subsidies, travel and other staff entitlements.
55. Receivables from UN Agencies are related to other international organizations, mainly United Nations organizations.
56. Other receivables include amounts due from revenue generation activities such as the sales of publications, rental of conference rooms and space to delegations.
57. The non-current portion of Receivables is composed of an amount due from the African Civil Aviation Commission (AFCAC), a regional body. This amount results from negotiations and discussions between ICAO and AFCAC for the settlement of amounts owed by AFCAC to the Organization. Effective 1 January 2007, AFCAC assumed full responsibility for financial transactions and operations previously performed by ICAO on its behalf. The undiscounted receivable amounts to CAD 622 thousand at 31 December 2014. The discounted amount due from AFCAC reflected in the accounts totals CAD 490 thousand, which represents the non-current portion of the receivable (CAD 442 thousand as at 31 December 2013).

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

	<b>2014</b>	<b>2013</b>
	<i>In thousands of CAD</i>	
Recoverable Provincial sales tax	343	467
Recoverable Federal sales tax	190	266
Prepaid expenses	351	551
Recoverable United States income tax	1 070	1 027
Recoverable France sales tax	73	63
<b>Total</b>	<b>2 027</b>	<b>2 374</b>

**Note 2.4: Inventories**

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

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

	<b>2014</b>	<b>2013</b>
	<i>In thousands of CAD</i>	
Publications on hand—finished goods	477	652
Raw material and work in process	131	117
<b>Total Publications</b>	<b>608</b>	<b>769</b>
<b>Total Commissariat Items</b>	<b>243</b>	<b>301</b>
<b>Total Inventories</b>	<b>851</b>	<b>1 070</b>

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

	<b>2014</b>	<b>2013</b>
	<i>In thousands of CAD</i>	
<b>Publications Reconciliation:</b>		
<b>Opening Balance</b>	769	950
Direct material	401	614
Direct labour	1 186	1 276
Indirect costs	204	262
Total inventory purchased and produced	2 560	3 102
Less: Cost of publications sold	(1 772)	(2 248)
Less: Impairments	(180)	(85)
<b>Closing Balance</b>	<b>608</b>	<b>769</b>

	<b>2014</b>	<b>2013</b>
	<i>In thousands of CAD</i>	
<b>Commissariat Items Reconciliation:</b>		
<b>Opening Balance</b>	301	171
Inventory purchased	362	551
Total inventory purchased	663	722
Less: Cost of items sold	(420)	(421)
<b>Closing Balance</b>	<b>243</b>	<b>301</b>

62. Publications and commissariat items and quantities derived from ICAO's inventory tracking systems are validated by physical stock count.
63. Inventories are valued net of any identified impairments. During 2014, impaired publication inventory valued at CAD 180 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

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

	<b>Opening Balance 1 January 2014</b>	<b>Acquisitions during the Year</b>	<b>Depreciation during the Year</b>	<b>Closing Balance 31 December 2014</b>
	<i>In thousands of CAD</i>			
Furniture & Fixtures	66	3	14	55
IT Equipment	1 360	162	573	949
Office Equipment	553	3	107	449
Motor Vehicles	210	23	58	175
Leasehold Improvements	948	116	389	675
Machinery	91	90	26	155
Leasehold Improvements (WIP)	72	-	-	72
<b>Total</b>	<b>3 300</b>	<b>397</b>	<b>1 167</b>	<b>2 530</b>

66. No impairment of PP&E was identified in 2014.
67. Prior to 1 January 2010, the cost of non-expendable property, which comprises furniture, vehicles, computers and other office equipment, was charged to expenditure in the year the items were ordered, in conformity with paragraph 43 of UNSAS. These assets as well as other PP&E under finance leases, acquired before 1 January 2010 have not been capitalized and will be presented in the Statement of Financial Position before the transitional period ending in 2015, as permitted under IPSAS 17. Commitments related to leases are presented in Note 6.
68. The HQ property – Maison de l'OACI was constructed in 1995 and is owned by a private sector organization. This property is leased by the Government of Canada for a duration of 20 years,

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

69. ICAO also owns 46 per cent of the property of the EURNAT Regional Office in Paris at an original cost of CAD 1 145 thousand and the remaining 54 per cent of the property is under a nominal finance lease, which represents contributions for services in kind as shown in Note 3.1. As noted in paragraph 67, assets acquired before 1 January 2010 will be capitalized during the transitional period (2014-15). Other buildings occupied by ICAO are under operating leases or nominal leases.
70. The non-capitalized PP&E are presented at cost less the accumulated depreciation as if they were depreciated since their acquisition date. The following table presents PP&E including finance leases acquired prior to 1 January 2010, which are not capitalized in the accounts, as ICAO applies the IPSAS transitional provisions as mentioned above and in Note 1.

	<b>Opening Balance 1 January 2014</b>	<b>Depreciation during the Year</b>	<b>Closing Balance 31 December 2014</b>
<i>In thousands of CAD</i>			
Furniture and Fixtures	18	6	12
IT & Office Equipment	15	6	9
Motor Vehicles	20	15	5
Equipment under Finance Lease	33	33	-
<b>Total</b>	<b>86</b>	<b>60</b>	<b>26</b>

71. There are no future annual payments from 2015 under finance lease obligations for equipment. The capital lease obligation for equipment under finance leases is brought down to zero at the end of 2014. The obligations under ICAO Headquarters lease is presented in Note 6.

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

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

	<b>Opening Balance 1 Jan. 2014</b>	<b>Acquisitions during the Year</b>	<b>Amortization during the Year</b>	<b>Closing Balance 31 Dec. 2014</b>
	<i>In thousands of CAD</i>			
Software Acquired	602	35	183	454
Software under Development (WIP)	190	-	-	190
Other Intangible Assets	210	-	47	163
Intangible Assets – Licenses and Rights	48	-	42	6
<b>Total</b>	<b>1 050</b>	<b>35</b>	<b>272</b>	<b>813</b>

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

## **Note 2.7: Financial Instruments**

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

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

	<b>2014</b>	<b>2013</b>
	<i>In thousands of CAD</i>	
Assessed contributions receivable (current)	3 491	13 597
Assessed contributions receivable (non-current)	3 716	3 058
Receivables and advances (current)	9 805	15 012
Receivables and advances (non-current)	490	442
Other assets	1 676	1 823
<b>Total Financial Assets</b>	<b>19 178</b>	<b>33 932</b>

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

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

### **2.7.2 Credit Risk**

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

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

### 2.7.3 Interest Rate Risk

79. ICAO is exposed to interest rate risk through term-deposits. In 2014, the average interest rate and term maturity are provided in Note 2.1. Due to the current low interest rate level risk is minimal.

### 2.7.4 Foreign Currency Risk

80. At 31 December 2014, cash, cash equivalent and investments are denominated in CAD (10 per cent) and in USD (78 per cent) which are the base currencies used by the Organization (6 per cent in the CAD and 87 per cent in USD base currencies at 31 December 2013). Non-CAD or USD holdings have the primary objective of supporting operating activities in other currencies than CAD. In addition, 46 per cent of contributions receivable are denominated in CAD and 54 per cent in USD base currencies (52 per cent in CAD and 48 per cent in USD base currencies at 31 December 2013).
81. Starting in 2010, in order to minimize the exposure of the USD fluctuation, the Organization moved to a split assessment system under which Member States are assessed partly in USD and partly in CAD based on foreseen needs of both currencies. With the adoption of the split assessment system, management believes that there is no need to enter into forward exchange contracts for the purchase of USD.
82. Purchase Orders pertaining to Technical Co-operation projects are sometimes denominated in currencies other than the CAD or USD. In order to limit exposure to currency fluctuations, a policy on hedging has been adopted, whereby funds are purchased in the currency of the commitment at the time the Purchase Order is issued, in cases where currency fluctuation could have a material impact on the financial position of the project. An exchange gain or loss is recognized equivalent to the difference between the UNORE and the spot rate in effect on the date that the funds are purchased.

### 2.7.5: Liquidity Risk

83. 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

84. Advance receipts comprise:

	<b>2014</b>	<b>2013</b>
	<i>In thousands of CAD</i>	
Voluntary contributions for TC Projects	216 388	222 372
Assessed contributions received in advance	6 218	2 160
Other advances	5 052	4 543
<b>Total</b>	<b>227 658</b>	<b>229 075</b>

85. Other advances include an advance payment of CAD 560 thousand from a Member State (France), CAD 1 237 thousand from publication sales, CAD 540 thousand from a private sector company, CAD 1 226 thousand from Member States for PKD activities, deferred revenue and other advances.

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

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

	<b>2014</b>	<b>2013</b>
	<i>In thousands of CAD</i>	
Accrued Liabilities	4 050	5 827
Employee Payable	1 978	988
Trade Payable	10 156	13 599
ECAC	3 882	4 350
Others	2 215	1 534
<b>Total</b>	<b>22 281</b>	<b>26 298</b>

87. Accounts payable to suppliers relate to amounts due for goods and services for which invoices have been received. Accruals are liabilities for goods and services that have been received or provided to ICAO during the period and which have not been invoiced.
88. Under certain conditions, the Organization reimburses a portion of education costs paid by internationally recruited professional employees. Accruals and Other Payables include an amount of CAD 161 thousand representing the estimated education costs payable to employees but not yet claimed at year end.

**Note 2.10: Employee Benefits**

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

	<b>2014</b>	<b>2013</b>
	<i>In thousands of CAD</i>	
<b>Composition:</b>		
Current	6 038	4 700
Non-current	147 528	103 045
<b>Total</b>	<b>153 566</b>	<b>107 745</b>

**2.10.1 Valuation of Employee Benefit Liabilities**

90. Liabilities arising from end of service benefits, annual leave and repatriation benefits, and ASHI benefits are determined by independent consulting actuaries. These employee benefits are established for staff members in Headquarters and Regional Offices who are covered by ICAO Staff Rules.
91. Other employee benefits are calculated by ICAO based on personal data and past experience. These benefits comprise estimated repatriations benefits and annual leave due to Technical Co-operation project staff on separation. Such project staff benefits are not covered by the UN Staff Regulations and Rules, but by specific conditions under technical co-operation projects.
92. The movement of employee benefits liabilities during 2014 is as follows:

	<b>Opening Balance 1 January 2014</b>	<b>Utilization</b>	<b>Increase/ (Decrease)</b>	<b>Actuarial Loss/(Gain)</b>	<b>Ending Balance 31 December 2014</b>
	<i>In thousands of CAD</i>				
Post-retirement plan (ASHI)	87 656	(1 295)	6 596	36 924	129 881
End of service - annual leave	7 664	(693)	735	919	8 625
End of service - repatriation benefits	10 752	(1 018)	906	2 307	12 947
Other employee benefits for international experts	1 673	(821)	1 261	-	2 113
<b>Total Employee Benefits Liabilities</b>	<b>107 745</b>	<b>(3 827)</b>	<b>9 498</b>	<b>40 150</b>	<b>153 566</b>

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

	<b>Current Service Costs</b>	<b>Interest Cost</b>	<b>2014</b>	<b>2013</b>
	<i>In thousands of CAD</i>			
Post-retirement plan (ASHI)	3 606	2 990	6 596	4 995
End of service - annual leave	478	257	735	743
End of service - repatriation benefits	550	356	906	902
Other employee benefits Liabilities	1 261	-	1 261	748
<b>Total Employee Benefits Liabilities:</b>	<b>5 895</b>	<b>3 603</b>	<b>9 498</b>	<b>7 388</b>

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

	<b>2014</b>	<b>2013</b>
	<i>In thousands of CAD</i>	
Post-retirement plan (ASHI)	36 924	10 997
End of service - annual leave	919	(541)
End of service - repatriation benefits	2 307	(297)
<b>Total Employee Benefits Liabilities</b>	<b>40 150</b>	<b>10 159</b>

94. Actuarial losses for Annual Leave and Repatriation Benefits plus Current Service Costs and Interest cost including those for ASHI total CAD 11 463 in 2014 (CAD 5 802 in 2013) and are included in the expense of the Revolving Fund.

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

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



<b>Current Service Cost</b>	Minus one percentage point: decrease of CAD 1 307 thousand Plus one percentage point: increase of CAD 1 725 thousand
<b>Accrued Benefit Obligation</b>	Minus one percentage point: decrease of CAD 22 232 thousand Plus one percentage point: increase of CAD 28 527 thousand

### 2.10.3 Actuarial Assumptions and Methods

96. Each year, ICAO reviews and selects assumptions and methods that will be used by the actuaries in the year-end valuation to determine the expense and contribution requirements for ICAO's after-service benefit plans (post-employment benefits and other separation-related benefits). Actuarial assumptions are required to be disclosed in the financial statements in accordance with IPSAS 25. In addition, each actuarial assumption is required to be disclosed in absolute terms. The following key assumptions and methods have been used to determine the value of post-employment and other separation-related employee liabilities for ICAO as at 31 December 2014.
97. ICAO is using the Canadian government bonds rate to discount the liability related to staff benefits. In some jurisdictions, there is no deep market for government bonds or government bonds are more risky than high quality corporate bonds. In such cases the use of the corporate bond rate would be more appropriate, being closer to a risk free rate. This matter was considered by ICAO's actuaries and it was determined that in the case of ICAO the use of the Canadian bond rate is more appropriate than the corporate bond rate for the reasons provided under paragraph 94 of IPSAS 25 and because of the existence of a deep market for government bonds in Canada. Therefore ICAO has continued to use the government bond rate to discount the liability.

**Assumptions Used for ASHI Plan:**

<b>Actuarial Method</b>	ASHI: The projected unit credit cost method, prorated on years of service, up to the age the employee is fully eligible for retirements benefits.
<b>Discount Rate</b>	2.40 per cent for accounting and funding (3.30 per cent in 31 December 2013 valuation).
<b>Medical and Dental Trend Rates</b>	Drugs and other health care from 10 per cent to 4 per cent over a period of 20 years, dental 4 per cent for 20 years.
<b>Expected Return on Assets</b>	Not applicable as plans are treated as unfunded.
<b>Exchange Rate Used</b>	USD 1.00 for CAD 1.163 (CAD 1.067 in prior valuation).
<b>Medical and Dental Claims Cost</b>	Average annual costs per person at age 60 are CAD 2.0 thousand for drug costs, from CAD 0.3 thousand to CAD 0.8 thousand for dental costs and from CAD 0.4 thousand to 6.8 thousand for other health care costs.
<b>Age Variation of Medical and Dental Costs</b>	For drugs in Canada from 5.8 per cent at age 40 to 0 per cent at age 85 and up. For health care in Canada, from 2.0 per cent up to age 59 to 0.75 per cent at age 85 and up. Health care outside Canada from 2.7 per cent at age 40 to 0 per cent at age 90 and up. Dental care minus 0.5 per cent per year. Reduction of drug cost at age 65 for those covered by a public drug plan in Canada, 73 per cent (78 per cent in 2013).
<b>Annual Administrative Costs</b>	Included in annual costs per person. Inflation at 3.25 per cent per year, starting in 2015.
<b>Mortality Table</b>	CPM 2014 with Projection Scale CPM-B, base year 2014, same in 2013.
<b>Withdrawal Rates</b>	From age 20 to 55 and up: 15 per cent to 0 per cent.
<b>Retirement Age</b>	Employee hired prior to 1 January 1990: age 59, on or after this date at age 62.
<b>Coverage of Dependents at Retirement</b>	60 per cent (60 per cent in 2013). Wives are assumed to be five years younger than their male spouses. No children per family at retirement age.

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

<b>Actuarial Method</b>	Annual leave and repatriation grant: actuarial present value of future benefits with salary projections.
<b>Discount Rate</b>	2.40 per cent per year (3.30 per cent in prior valuation).
<b>Salary Increase</b>	2.40 per cent per year from 2015 to 2016. 3.25 per cent thereafter.
<b>Net Accrual in Annual Leave Balance</b>	From 8 days during the first year to none for 35 years of service and more, up to a maximum of 90 days.
<b>Withdrawals Due to Voluntary Leave</b>	10 per cent (10 per cent in 2013).
<b>Removal of Effects on Repatriation</b>	CAD 17.1 thousand per employee with annual increase of 3.25 per cent per year.
<b>Travel Costs</b>	CAD 7.5 thousand per employee with annual increase at 3.25 per cent per year.

#### 2.10.4 United Nations Joint Staff Pension Fund

98. The Pension Fund's Regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the Open Group Aggregate Method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.
99. ICAO financial obligation to the UNJSPF consists of its mandated contribution, at the rate established by the United Nations General Assembly (currently at 7.9 per cent for participants and 15.8 per cent for member organizations) together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.
100. The actuarial valuation performed as of 31 December 2013 revealed an actuarial deficit of 0.72 per cent (1.87 per cent in the 2011 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as of 31 December 2013 was 24.42 per cent of pensionable remuneration, compared to the actual contribution rate of 23.7 per cent. The next actuarial valuation will be conducted as of 31 December 2015.
101. At 31 December 2013, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 127.5 per cent (130.0 per cent in the 2011 valuation). The funded ratio was 91.2 per cent (86.2 per cent in the 2011 valuation) when the current system of pension adjustments was taken into account.
102. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2013, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26.
103. In December 2012 and April 2013, the General Assembly authorized an increase to age 65 in the normal retirement age and in the mandatory age of separation respectively for new participants of the Fund, with effect not later than from 1 January 2014. The related change to the Pension Fund's Regulations was approved by the General Assembly in December 2013. The increase in the normal retirement age is reflected in the actuarial valuation of the Fund as of 31 December 2013.
104. During 2014, ICAO's contributions paid to UNJSPF amounted to USD 18.3 million equivalent to CAD 20.2 million (USD 19.0 million equivalent to CAD 19.6 million in 2013). Contributions due in 2015 are expected to be at the same level.
105. The United Nations Board of Auditors carries out an annual audit of the UNJSPF and reports to the UNJSPF Pension Board on the audit every year. The UNJSPF publishes quarterly reports on its investments and these can be viewed by visiting the UNJSPF at [www.unjspf.org](http://www.unjspf.org).

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

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

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

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

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

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

109. Reserves are composed of:

	<b>2014</b>	<b>2013</b>
	<i>In thousands of CAD</i>	
Regular activities		
Carry Forward of Appropriations (Statement V)	17 807	11 288
Accumulated actuarial gain/(loss) on ASHI	(54 048)	(17 124)
Amounts set aside in the Incentive Fund	237	237
	(36 004)	(5 599)
Technical Co-operation Project Activities	(57)	(14)
<b>Total</b>	<b>(36 061)</b>	<b>(5 613)</b>

110. No amount was set aside in the Incentive Fund for 2014 as additional funding because of the ICAO cash deficit position (Assembly Resolution A38-25).

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

### NOTE 3: REVENUES AND EXPENSES

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

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

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

	<b>2014</b>	<b>2013</b>
	<i>In thousands of CAD</i>	
Canada	21 923	22 804
Egypt	156	141
France	585	550
Peru	473	459
Senegal	152	132
Thailand	1 295	1 299
<b>Total</b>	<b>24 584</b>	<b>25 385</b>

114. Included in the above contribution in kind from Canada, is an amount equivalent to CAD 1 697 thousand (CAD 1 694 thousand in 2013) from the Government of Quebec towards the provision of premises in the Bell Tower office in Montréal provided for the Technical Co-operation Bureau.
115. Staff services and travel are also provided free of charge by States for regular activities. These contributions are valued based on the cost to the donating State for each of the following activities:

	<b>2014</b>	<b>2013</b>
	<i>In thousands of CAD</i>	
Aviation Security	2 186	1 178
Aviation Safety	3 277	2 159

116. Also, the Government of Mexico provides a contribution in cash towards the rental of the Regional Office in Mexico City. The contribution in 2014 amounted to CAD 161 thousand (CAD 140 thousand in 2013) and is included in revenue.

### **Note: 3.2 Revenue**

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

	<b>2014</b>	<b>2013</b>
	<i>In thousands of CAD</i>	
Assessments on States as resolved by the Assembly	86 120	88 727
Working Capital Fund increase as resolved by the Assembly	2 130	-
Assessment on a new State	-	52
Exchange Differences	2 490	(1 337)
Decrease (increase) on cumulative discount on long-term receivables	(955)	(4 322)
<b>Total</b>	<b>89 785</b>	<b>83 120</b>

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

	<b>2014</b>	<b>2013</b>
	<i>In thousands of CAD</i>	
Publication sales and printing services	4 557	4 866
Delegation services	2 200	2 293
Events and symposia	1 831	1 509
Publication royalties	1 085	940
Dangerous goods licensing fee	1 117	993
Periodicals	498	944
Commissariat sales	539	620
Websites	448	490
Licensing agreements & partnership in statistics	424	375
Training/assessments, courses & membership fees	2 241	1 285
Others	667	634
<b>Total</b>	<b>15 607</b>	<b>14 949</b>

119. **Other Revenue comprises the following:**

	<b>2014</b>	<b>2013</b>
	<i>In thousands of CAD</i>	
Service fee	563	520
Professional liability insurance fee	383	400
Travel agent fee	118	97
Interest Income	308	266
Exchange Gain	3 697	3 081
Others	1 005	690
<b>Total</b>	<b>6 074</b>	<b>5 008</b>

120. Other revenue includes exchange gain attributable to Fund other than the Regular Budget Fund for an amount of CAD 8.1 thousand (CAD 1 244 exchange gain was recorded in other revenue in 2013).

121. Exchange gain of CAD 2 406 attributable to Regular Budget Fund is presented as Other Income. In 2013, exchange gain of CAD 1 828 was presented to other revenue categories within the Statement of Financial Performance.

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

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

**3.3.2 Supplies, Consumables and Others**

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

**3.3.3 General Operating Expenses**

124. **General Operating Expenses** mainly comprise rental, maintenance and operation of premises, information technology and printing expenses. Also included is depreciation on P P&E amounting to CAD 1 167 thousand, and to CAD 272 thousand for the amortization of intangible assets (CAD 1 066 thousand and CAD 233 thousand respectively in 2013).

**3.3.4 Travel**

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

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

126. ICAO's financial statements and the approved Regular Programme budget are not presented on the same basis. In the Statement of Financial Performance, expenses cover all Funds of the Organization and are classified based on their nature. Expenses in the Statement of Comparison of Budget and Actual Amounts are classified by Strategic Objective and Supporting Implementation Strategy for the Regular Programme General Fund Budget. The other approved publicly available budget relates to the AOSC Fund of the Technical Cooperation Programme.
127. The Assembly authorizes, separately for each year of a triennium, the expenditure in Canadian dollars for the Regular Programme and approves the total indicative budget estimates of the AOSC fund. Budgets may be subsequently amended by the Council or through the exercise of delegated authority.
128. As required by IPSAS, a reconciliation between the actual amounts on a comparable basis in the Statement of Comparison of Budget and Actual Amounts (Statement V) and the actual amounts in the Statement of Cash Flow (Statement IV) for the period year ended 31 December 2014 is presented below.

	Operating	Investing	Financing	Total
	<i>In thousands of CAD</i>			
Actual Amount on Comparable Basis (Statement V)	(86 205)	-	-	(86 205)
Basis differences – exchange rate	(2 490)	-	-	(2 490)
Presentation differences	110 726	130	-	110 856
Entity differences	2 370	346	(1 961)	755
<b>Actual Amounts in the Statement of Cash Flow (Statement IV)</b>	<b>24 401</b>	<b>476</b>	<b>(1 961)</b>	<b>22 916</b>

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

## **NOTE 5: SEGMENT REPORTING**

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

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



135. The Regular Activities segment includes administrative fee revenue of CAD 8.1 million (CAD 8.4 million in 2013) 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 2014 amounted to CAD 1 528 thousand (CAD 1 029 thousand at 31 December 2013). These amounts are eliminated for presentation purposes.

FINANCIAL POSITION BY SEGMENT  
 AT 31 DECEMBER 2014  
 (in thousands of Canadian dollars)

	Notes	Regular Activities		Technical Co-operation Project Activities		Elimination		Total	
		2014	2013	2014	2013	2014	2013	2014	2013
<b>ASSETS</b>									
<b>CURRENT ASSETS</b>									
Cash and cash equivalents	2.1	67 070	39 102	221 818	226 870			288 888	265 972
Assessed contributions receivable from Member States	2.2	3 491	13 597					3 491	13 597
Inter-segment balances		341	364	1 187	665	(1 528)	(1 029)		
Receivables and advances	2.3	4 627	6 693	5 178	8 319			9 805	15 012
Inventories	2.4	851	1 070					851	1 070
Others	2.3	1 818	2 014	209	360			2 027	2 374
		78 198	62 840	228 392	236 214	(1 528)	(1 029)	305 062	298 025
<b>NON-CURRENT ASSETS</b>									
Assessed contributions receivable from Member States	2.2	3 716	3 058					3 716	3 058
Receivables and advances	2.3	490	442					490	442
Property, plant and equipment	2.5	2 530	3 300					2 530	3 300
Intangible assets	2.6	813	1 050					813	1 050
		7 549	7 850					7 549	7 850
<b>TOTAL ASSETS</b>		85 747	70 690	228 392	236 214	(1 528)	(1 029)	312 611	305 875
<b>LIABILITIES</b>									
<b>CURRENT LIABILITIES</b>									
Advanced receipts	2.8	11 270	6 703	216 388	222 372			227 658	229 075
Accounts payable and accrued liabilities	2.9	12 333	14 114	9 948	12 184			22 281	26 298
Employee benefits	2.10	3 925	3 028	2 113	1 672			6 038	4 700
Inter-segment balances		1 528	1 029			(1 528)	(1 029)		
Credits to contracting/servicing governments	2.11	1 446	1 443					1 446	1 443
		30 502	26 317	228 449	236 228	(1 528)	(1 029)	257 423	261 516
<b>NON-CURRENT LIABILITIES</b>									
Employee benefits	2.10	147 528	103 045					147 528	103 045
		147 528	103 045					147 528	103 045
<b>TOTAL LIABILITIES</b>		178 030	129 362	228 449	236 228	(1 528)	(1 029)	404 951	364 561
<b>NET ASSETS</b>									
Accumulated deficit	2.12	(56 279)	(53 073)					(56 279)	(53 073)
Reserves	2.12	(36 004)	(5 599)	(57)	(14)			(36 061)	(5 613)
<b>NET ASSETS (ACCUMULATED DEFICIT)</b>		(92 283)	(58 672)	(57)	(14)			(92 340)	(58 686)
<b>TOTAL LIABILITIES AND NET ASSETS</b>		85 747	70 690	228 392	236 214	(1 528)	(1 029)	312 611	305 875

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 2014  
(in thousands of Canadian dollars)

	Notes	Regular Activities		Technical Co-operation Project Activities		Elimination		Total	
		2014	2013	2014	2013	2014	2013	2014	2013
		<b>REVENUE</b>							
Contributions for project agreements	3.2			139 596	132 667			139 596	132 667
Assessed contributions	3.2	89 785	83 120					89 785	83 120
Other revenue producing activities	3.2	15 607	14 949					15 607	14 949
Other voluntary contributions		12 442	8 215					12 442	8 215
Administrative fee revenue		8 326	8 596			(8 144)	(8 414)	182	182
Other revenue	3.2	5 566	4 746	508	262			6 074	5 008
		131 726	119 626	140 104	132 929	(8 144)	(8 414)	263 686	244 141
<b>EXPENSES</b>									
Staff salaries and employee benefits	3.3	101 873	98 420	41 407	42 119			143 280	140 539
Supplies, consumables and others	3.3	213	651	78 464	73 499			78 677	74 150
General operating expenses	3.3	16 086	15 216	1 512	1 518			17 598	16 734
Travel	3.3	5 608	5 138	4 220	3 488			9 828	8 626
Meetings		1 894	2 273					1 894	2 273
Training				3 269	2 083			3 269	2 083
Administrative overhead charges				7 928	8 218	(7 928)	(8 218)		
Other expenses		779	708	3 304	2 004	(216)	(196)	3 867	2 516
		126 453	122 406	140 104	132 929	(8 144)	(8 414)	258 413	246 921
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>									
		5 273	(2 780)					5 273	(2 780)

Details may not add to the totals due to rounding

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

136. Lease commitments mainly pertain to ICAO premises.

	<b>2014</b>	<b>2013</b>
	<i>In thousands of CAD</i>	
Minimum obligations for property leases:		
1 – 5 years	5 259	8 037
Beyond 5 years	-	-
<b>Total Property Leases Obligations</b>	<b>5 259</b>	<b>8 037</b>

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

138. Future year obligations related to non-property leases (including finance leases) are brought down to zero at the end of 2014 (CAD 33 thousand at 31 December 2013). The non-property leases mainly represented the rental of photocopiers and printing equipment, as reported in Note 2.5.

139. The future minimum lease revenues under non-cancellable operating leases total CAD 1.8 million for 2015 (CAD 1.8 million in 2014). These lease revenues comprise rental of premises to Delegations.

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

140. An amount of CAD 30 thousand related to a pending legal action from a former staff member has been accrued in 2014. There are no other contingent liabilities arising from legal actions and claims that are likely to result in a significant liability to ICAO.

141. A number of legal actions and claims have been brought against the Organization in relation to Technical Co-operation Projects in South America. These are mainly claims by individuals demanding additional payments under local labour laws beyond what was provided for under their contract of employment. The total of such claims is USD 2.8 million (USD 2.1 million at 31 December 2013). 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**

	<b>Number of Individuals (Person/Year)</b>	<b>Compensation and Post Adjustment</b>	<b>Entitlements</b>	<b>Pension and Health Plans</b>	<b>Total Remuneration</b>	<b>Outstanding Advances Against Entitlements</b>	<b>Out- standing Loans</b>
<i>(In thousands of CAD)</i>							
Key Management Personnel	14	2 441	146	640	3 227	45	-

142. Key management personnel includes members of the Senior Management Group (SMG) of the Secretariat, which comprises the Secretary General, Directors at HQ, Chief of Finance and Chief, Evaluation and External Audit. Senior managers have the authority and responsibility for planning, directing and controlling the activities of ICAO and for the establishment of policies. Key management personnel also include the President of Council and other key officers who can influence decisions made by senior management. The Council consists of 36 Member States without personal appointment.
143. The aggregate remuneration paid to key management personnel includes: net salaries, post adjustment, entitlements such as representation allowance, repatriation and education grants, rental subsidy, and also employer pension and current health insurance contributions. Entitlements and total remuneration include outstanding advances against entitlements, which are composed of education grant advances.
144. Key management personnel also qualify for post-employment benefits (Note 2.10) at the same level as other employees. These benefits cannot be quantified with precision on an individual basis, thus are not included in the above table.
145. Key management personnel are ordinary members of UNJSPF with the exception of most D-2 level personnel and above who do not participate in the UNJSPF. Amounts paid by ICAO in lieu of contributions to the plan, which represents 15.8 per cent of the pensionable remuneration, are included in total remuneration.
146. Total remuneration also includes an amount of CAD 155 thousand paid during the year to close family members of key management personnel. Close family members of key management personnel are working in other bureaux and not in direct hierarchical relationship to the key management personnel.

**Note 7.2: Related Party Transactions**

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

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

147. ICAO's reporting date is 31 December 2014. 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 2014 AND  
REVENUE, EXPENSES AND SURPLUS (DEFICIT) FOR 2014  
(in thousands of Canadian dollars)

	Regular Budget	Capital Fund	Revolving Fund	Ancillary Revenue Generation Fund	Administrative/ Operational Services Cost Fund	AVSEC Activities *	AFI Plan Fund	Joint Finance Funds	Incentive for Settlement of Arrears Account
<b>ASSETS</b>									
<b>CURRENT ASSETS</b>									
Cash and cash equivalents	32 830		1 400	5 375	4 758	6 327	759	1 701	1 085
Assessed contributions receivable from Member States	3 491								
Inter-fund balances				206	135				
Receivables and advances	1 316			2 617	88	204		187	
Inventories				851					
Others	1 797			21					
	<u>39 434</u>		<u>1 400</u>	<u>9 070</u>	<u>4 982</u>	<u>6 531</u>	<u>759</u>	<u>1 887</u>	<u>1 085</u>
<b>NON-CURRENT ASSETS</b>									
Assessed contributions receivable from Member States	3 716								
Receivables and advances	490								
Property, plant and equipment		2 530							
Intangible assets		813							
	<u>4 206</u>	<u>3 343</u>							
<b>TOTAL ASSETS</b>	<b><u>43 640</u></b>	<b><u>3 343</u></b>	<b><u>1 400</u></b>	<b><u>9 070</u></b>	<b><u>4 982</u></b>	<b><u>6 531</u></b>	<b><u>759</u></b>	<b><u>1 887</u></b>	<b><u>1 085</u></b>
<b>LIABILITIES</b>									
<b>CURRENT LIABILITIES</b>									
Advanced receipts	6 299			2 036	1 020			36	
Accounts payable and accrued liabilities	10 278			775	35	54	7	405	
Employee benefits			3 925						
Inter-fund balances	1 528								
Credits to contracting/service governments								1 446	
	<u>18 105</u>		<u>3 925</u>	<u>2 811</u>	<u>1 056</u>	<u>54</u>	<u>7</u>	<u>1 887</u>	
<b>NON-CURRENT LIABILITIES</b>									
Employee benefits			147 528						
			<u>147 528</u>						
<b>TOTAL LIABILITIES</b>	<b><u>18 105</u></b>		<b><u>151 453</u></b>	<b><u>2 811</u></b>	<b><u>1 056</u></b>	<b><u>54</u></b>	<b><u>7</u></b>	<b><u>1 887</u></b>	
<b>NET ASSETS</b>									
Accumulated surplus/(deficit)	7 728	3 343	(96 005)	6 258	3 926	6 477	751		848
Reserves	17 807		(54 048)						237
<b>NET ASSETS (ACCUMULATED DEFICIT)</b>	<b><u>25 535</u></b>	<b><u>3 343</u></b>	<b><u>(150 053)</u></b>	<b><u>6 258</u></b>	<b><u>3 926</u></b>	<b><u>6 477</u></b>	<b><u>751</u></b>		<b><u>1 085</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>43 640</u></b>	<b><u>3 343</u></b>	<b><u>1 400</u></b>	<b><u>9 070</u></b>	<b><u>4 982</u></b>	<b><u>6 531</u></b>	<b><u>759</u></b>	<b><u>1 887</u></b>	<b><u>1 085</u></b>
<b>REVENUE</b>									
Contributions for project agreements									
Assessed contributions	89 785			16 955					
Other revenue producing activities				6		2 340	295		
Other voluntary contributions	1								
Administrative fee revenue					8 343				
Other revenue	9 184	432	3 006	171	976	534	56		78
<b>TOTAL REVENUE</b>	<b><u>98 970</u></b>	<b><u>432</u></b>	<b><u>3 006</u></b>	<b><u>17 131</u></b>	<b><u>9 319</u></b>	<b><u>2 874</u></b>	<b><u>351</u></b>		<b><u>78</u></b>
<b>EXPENSES</b>									
Staff salaries and employee benefits	73 058		11 463	7 080	8 166	1 335		3	
Supplies, consumables and others	228			201	1				
General operating expenses	11 239	1 439		8 460	234	48			
Travel	3 620			618	120	497		123	
Meetings	1 427			11	4	2	139		
Administrative overhead charges						114	21		
Other expenses	320			290	5	130		7	
<b>TOTAL EXPENSES</b>	<b><u>89 892</u></b>	<b><u>1 439</u></b>	<b><u>11 463</u></b>	<b><u>16 661</u></b>	<b><u>8 531</u></b>	<b><u>2 127</u></b>	<b><u>160</u></b>	<b><u>133</u></b>	
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b><u>9 078</u></b>	<b><u>(1 007)</u></b>	<b><u>(8 457)</u></b>	<b><u>470</u></b>	<b><u>789</u></b>	<b><u>747</u></b>	<b><u>192</u></b>	<b><u>(133)</u></b>	<b><u>78</u></b>

\* Refer to Table B

Details may not add to totals due to rounding

## INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR ACTIVITIES BY FUND  
 ASSETS, LIABILITIES, NET ASSETS AT 31 DECEMBER 2014 AND  
 REVENUE, EXPENSES AND SURPLUS (DEFICIT) FOR 2014  
 (in thousands of Canadian dollars)

Table A  
 (continued)

	Information and Communication Technology (ICT) Fund	Public Key Directory	Regional Sub-Office	Safe	Environment Fund - EU Contribution	Other Funds	Total	Elimination	2014	2013
<b>ASSETS</b>										
<b>CURRENT ASSETS</b>										
Cash and cash equivalents	649	1 257	743	3 848	1 372	4 968	67 070		67 070	39 102
Assessed contributions receivable from Member States							3 491		3 491	13 597
Inter-fund balances							341		341	364
Receivables and advances		10	4	28		173	4 627		4 627	6 693
Inventories							851		851	1 070
Others							1 818		1 818	2 014
	<u>649</u>	<u>1 266</u>	<u>747</u>	<u>3 875</u>	<u>1 372</u>	<u>5 142</u>	<u>78 198</u>		<u>78 198</u>	<u>62 840</u>
<b>NON-CURRENT ASSETS</b>										
Assessed contributions receivable from Member States							3 716		3 716	3 058
Receivables and advances							490		490	442
Property, plant and equipment							2 530		2 530	3 300
Intangible assets							813		813	1 050
							<u>7 549</u>		<u>7 549</u>	<u>7 850</u>
<b>TOTAL ASSETS</b>	<u><b>649</b></u>	<u><b>1 266</b></u>	<u><b>747</b></u>	<u><b>3 875</b></u>	<u><b>1 372</b></u>	<u><b>5 142</b></u>	<u><b>85 747</b></u>		<u><b>85 747</b></u>	<u><b>70 690</b></u>
<b>LIABILITIES</b>										
<b>CURRENT LIABILITIES</b>										
Advanced receipts		1 226	92			560	11 270		11 270	6 703
Accounts payable and accrued liabilities	168	40	356	2	35	177	12 333		12 333	14 114
Employee benefits							3 925		3 925	3 028
Inter-fund balances							1 528		1 528	1 029
Credits to contracting/service governments							1 446		1 446	1 443
	<u>168</u>	<u>1 266</u>	<u>448</u>	<u>2</u>	<u>35</u>	<u>737</u>	<u>30 502</u>		<u>30 502</u>	<u>26 317</u>
<b>NON-CURRENT LIABILITIES</b>										
Employee benefits							147 528		147 528	103 045
							<u>147 528</u>		<u>147 528</u>	<u>103 045</u>
<b>TOTAL LIABILITIES</b>	<u>168</u>	<u>1 266</u>	<u>448</u>	<u>2</u>	<u>35</u>	<u>737</u>	<u>178 030</u>		<u>178 030</u>	<u>129 362</u>
<b>NET ASSETS</b>										
Accumulated surplus/(deficit)	481		299	3 873	1 337	4 404	(56 279)		(56 279)	(53 073)
Reserves							(36 004)		(36 004)	(5 599)
<b>NET ASSETS (ACCUMULATED DEFICIT)</b>	<u>481</u>		<u>299</u>	<u>3 873</u>	<u>1 337</u>	<u>4 404</u>	<u>(92 283)</u>		<u>(92 283)</u>	<u>(58 672)</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>649</b></u>	<u><b>1 266</b></u>	<u><b>747</b></u>	<u><b>3 875</b></u>	<u><b>1 372</b></u>	<u><b>5 142</b></u>	<u><b>85 747</b></u>		<u><b>85 747</b></u>	<u><b>70 690</b></u>
<b>REVENUE</b>										
Contributions for project agreements							89 785		89 785	83 120
Assessed contributions							16 968	(1 361)	15 607	14 949
Other revenue producing activities						13				
Other voluntary contributions		1 958	664	2 053	1 516	3 629	12 460	(18)	12 442	8 215
Administrative fee revenue							8 343	(17)	8 326	8 596
Other revenue	30	82	70	295	9	928	15 852	(10 286)	5 566	4 746
<b>TOTAL REVENUE</b>	<u>30</u>	<u>2 040</u>	<u>734</u>	<u>2 348</u>	<u>1 524</u>	<u>4 569</u>	<u>143 408</u>	<u>(11 682)</u>	<u>131 726</u>	<u>119 626</u>
<b>EXPENSES</b>										
Staff salaries and employee benefits	19	1 972	229	419	163	2 188	106 097	(4 224)	101 873	98 420
Supplies, consumables and others			14			0	445	(232)	213	651
General operating expenses	214	18	470			575	22 698	(6 612)	16 086	15 216
Travel		13	76	103		438	5 608		5 608	5 138
Meetings			24		24	263	1 894		1 894	2 273
Administrative overhead charges		37	11	107		307	596	(596)		
Other expenses			6	18		21	797	(18)	779	708
<b>TOTAL EXPENSES</b>	<u>234</u>	<u>2 040</u>	<u>830</u>	<u>647</u>	<u>188</u>	<u>3 791</u>	<u>138 135</u>	<u>(11 682)</u>	<u>126 453</u>	<u>122 406</u>
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<u><b>(204)</b></u>		<u><b>(96)</b></u>	<u><b>1 701</b></u>	<u><b>1 337</b></u>	<u><b>778</b></u>	<u><b>5 274</b></u>		<u><b>5 273</b></u>	<u><b>(2 780)</b></u>

Details may not add to totals due to rounding

**INTERNATIONAL CIVIL AVIATION ORGANIZATION**  
REGULAR ACTIVITIES  
AVIATION SECURITY TRUST FUNDS  
ASSETS, LIABILITIES, NET ASSETS AT 31 DECEMBER 2014 AND  
REVENUE, EXPENSES AND SURPLUS (DEFICIT) FOR 2014  
(in thousands of Canadian dollars)

Table B

	<b>Earmarked Training Programme</b>	<b>Enhanced Mechanism</b>	<b>United Kingdom</b>	<b>United States</b>	<b>Awareness Training Programme</b>	<b>National Projects</b>	<b>Standardized Training Programme</b>	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>									
<b>CURRENT ASSETS</b>									
Cash and cash equivalents		5 149	16		1 162			6 327	7 124
Receivables and advances		18		185			1	204	102
Others									7
		<u>5 167</u>	<u>16</u>	<u>185</u>	<u>1 162</u>		<u>1</u>	<u>6 531</u>	<u>7 233</u>
<b>TOTAL ASSETS</b>		<u>5 167</u>	<u>16</u>	<u>185</u>	<u>1 162</u>		<u>1</u>	<u>6 531</u>	<u>7 233</u>
<b>LIABILITIES</b>									
<b>CURRENT LIABILITIES</b>									
Accounts payable and accrued liabilities		30		7	16		1	54	5
		<u>30</u>		<u>7</u>	<u>16</u>		<u>1</u>	<u>54</u>	<u>5</u>
<b>TOTAL LIABILITIES</b>		<u>30</u>		<u>7</u>	<u>16</u>		<u>1</u>	<u>54</u>	<u>5</u>
<b>NET ASSETS</b>									
Accumulated surplus/(deficit)		5 137	16	178	1 146			6 477	7 229
<b>NET ASSETS (ACCUMULATED DEFICIT)</b>		<u>5 137</u>	<u>16</u>	<u>178</u>	<u>1 146</u>			<u>6 477</u>	<u>7 229</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<u>5 167</u>	<u>16</u>	<u>185</u>	<u>1 162</u>		<u>1</u>	<u>6 531</u>	<u>7 233</u>
<b>REVENUE</b>									
Other voluntary contributions		996		593	750			2 340	2 109
Other revenue	44	409		20	14	23	24	534	546
<b>TOTAL REVENUE</b>	<u>44</u>	<u>1 405</u>		<u>613</u>	<u>764</u>	<u>23</u>	<u>24</u>	<u>2 874</u>	<u>2 655</u>
<b>EXPENSES</b>									
Staff salaries and employee benefits		665		593	78			1 336	1 389
General operating expenses		48						48	25
Travel		342			85		71	497	731
Meetings		2						2	10
Administrative overhead charges		61			53			114	109
Other expenses		130						130	98
<b>TOTAL EXPENSES</b>		<u>1 248</u>		<u>593</u>	<u>215</u>		<u>71</u>	<u>2 127</u>	<u>2 362</u>
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<u>44</u>	<u>157</u>		<u>20</u>	<u>549</u>	<u>23</u>	<u>(47)</u>	<u>747</u>	<u>294</u>

*Details may not add to totals due to rounding*

## IV-4

TABLE - C

## INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME  
ASSESSMENTS RECEIVABLE FROM MEMBER STATES  
AND CONTRIBUTIONS RECEIVED IN ADVANCE  
AS AT 31 DECEMBER 2014

(in thousands of Canadian dollars)

Member States Assembly Resolutions A38-22, A38-26 Addendum and A38-27	Scales 2014	Assessments 2014	Contributions Received for 2014	Balance of Assessments Receivable for 2014	Balance of Prior Years' Assessments Receivable	Total Balances Receivable	Exchange	Total Adjusted Balances Receivable	Contributions Received in Advance
Afghanistan (**)	0.06	54		54	47	101	5	106	
Albania	0.06	54	21	33		33		33	
Algeria	0.11	100	100						
Andorra	0.06	54	54						
Angola	0.06	54	54						15
Antigua and Barbuda (**)	0.06	54		54	822	877	111	987	
Argentina	0.37	343	343						
Armenia	0.06	54	54						55
Australia	1.83	1 668	1 668						1 708
Austria	0.65	590	590						
Azerbaijan	0.06	54	54						
Bahamas	0.06	54	54						
Bahrain (**)	0.12	108		108	215	323	14	338	
Bangladesh	0.06	54	54						
Barbados	0.06	54	1	53	25	78	5	83	
Belarus	0.06	54	54						
Belgium	0.76	686	686						
Belize (**)	0.06	54		54		54	2	56	
Benin	0.06	54	54						
Bhutan	0.06	54	54	1		1		1	
Bolivia (Plurinational State of) (**)	0.06	54		54		54	2	56	
Bosnia and Herzegovina	0.06	54	54						
Botswana	0.06	54	54						
Brazil	2.31	2 159	1 294	865		865		865	
Brunei Darussalam (**)	0.06	54		54		54	2	56	
Bulgaria	0.06	54	54						
Burkina Faso	0.06	54	54						
Burundi	0.06	54	1	53	49	102	5	106	
Cabo Verde	0.06	54	54						
Cambodia (*)	0.06	54	53	1	94	95	18	112	
Cameroon	0.06	54	54						
Canada	2.58	2 343	2 343						1 457
Central African Republic	0.06	54	54						
Chad	0.06	54	54						9
Chile	0.37	342	342						
China	5.83	5 404	5 404						
Colombia	0.30	277	277						
Comoros	0.06	54	54						
Congo	0.06	54	54						
Cook Islands	0.06	54	54		37	37	7	44	
Costa Rica	0.06	54	54						
Côte d'Ivoire	0.06	54	54						
Croatia	0.09	83	83						
Cuba	0.06	54	54						
Cyprus	0.06	54	54						
Czech Republic	0.29	264	264						
Democratic People's Republic of Korea (**)	0.06	54		54		54	2	56	
Democratic Republic of the Congo (**)	0.06	54		54	52	107	5	112	
Denmark	0.52	469	469						
Djibouti (**)	0.06	54		54	838	892	114	1 006	
Dominican Republic	0.06	54	54						
Ecuador	0.06	54	54						
Egypt	0.20	183	183						
El Salvador	0.06	54	54						4
Equatorial Guinea	0.06	54	54						
Eritrea (**)	0.06	54		54	118	172	7	179	
Estonia	0.06	54	54						
Ethiopia	0.14	131	7	124	31	155	8	163	
Fiji	0.06	54	54						
Finland	0.48	434	434						448
France	4.59	4 144	4 144						
Gabon	0.06	54	54						
Gambia (*) & (**)	0.06	54		54	145	200	22	222	
Georgia	0.06	54	54		156	156	29	185	
Germany	6.06	5 467	5 467						

## INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME  
ASSESSMENTS RECEIVABLE FROM MEMBER STATES  
AND CONTRIBUTIONS RECEIVED IN ADVANCE  
AS AT 31 DECEMBER 2014

(in thousands of Canadian dollars)

Member States Assembly Resolutions A38-22, A38-26 Addendum and A38-27	Scales 2014	Assessments 2014	Contributions Received for 2014	Balance of Assessments Receivable for 2014	Balance of Prior Years' Assessments Receivable	Total Balances Receivable	Exchange	Total Adjusted Balances Receivable	Contributions Received in Advance
Ghana	0.06	54	54						
Greece	0.47	425	425						
Grenada (*) & (**)	0.06	54		54	478	532	47	579	
Guatemala (**)	0.06	54		54		54	2	56	
Guinea (*)	0.06	54	42	13	110	123	22	144	
Guinea-Bissau	0.06	54	54						
Guyana	0.06	54	54						
Haiti (**)	0.06	54		54		54	2	56	
Honduras	0.06	54	54						3
Hungary	0.26	238	238						147
Iceland	0.06	54	54						
India	0.85	779	779						
Indonesia	0.44	411	411						
Iran (Islamic Republic of)	0.30	279	13	266	381	647	27	674	
Iraq	0.06	54	54		547	547	92	638	
Ireland	0.67	609	609						
Israel	0.40	364	364						372
Italy	3.22	2 903	2 903						
Jamaica	0.06	54	54						
Japan	8.07	7 258	7 258						
Jordan	0.07	64	64						
Kazakhstan	0.11	103	103						
Kenya	0.06	54	54						
Kiribati (**)	0.06	54		54	188	243	10	253	
Kuwait	0.24	218	19	200		200	7	207	
Kyrgyzstan (*) & (**)	0.06	54		54	99	153	14	166	
Lao People's Democratic Republic	0.06	54	1	53	30	83	2	85	
Latvia	0.06	54	54						
Lebanon (**)	0.06	54		54		54	2	56	
Lesotho	0.06	54	54						
Liberia (*)	0.06	54	42	13	150	163	29	192	
Libya	0.12	111	4	106	52	158	4	162	
Lithuania	0.06	54	54						
Luxembourg	0.27	242	242						
Madagascar	0.06	54	54						
Malawi (**)	0.06	54		54	522	577	55	632	
Malaysia	0.51	465	465						
Maldives	0.06	54	54						
Mali	0.06	54	54						
Malta	0.06	54	54						
Marshall Islands (**)	0.06	54		54	358	412	25	437	
Mauritania	0.06	54	54						
Mauritius	0.06	54	54						
Mexico	1.36	1 211	1 211						
Micronesia (Federated States of)	0.06	54	1	53	138	192	8	199	
Monaco	0.06	54	54						
Mongolia	0.06	54	54						
Montenegro	0.06	54	54						
Morocco	0.12	110	95	15		15	1	17	
Mozambique	0.06	54	54						
Myanmar	0.06	54	54	1		1		1	
Namibia	0.06	54	54	1		1		1	
Nauru (**)	0.06	54		54	681	735	85	820	
Nepal (**)	0.06	54		54	46	101	5	106	
Netherlands	1.60	1 436	1 436						
New Zealand	0.30	272	272						280
Nicaragua	0.06	54	54						
Niger	0.06	54	54						
Nigeria	0.07	64	64						5
Norway	0.68	622	622						
Oman	0.11	102	102						
Pakistan	0.15	136	17	119		119	5	124	
Palau	0.06	54	1	53	264	317	11	328	
Panama	0.07	64	64						
Papua New Guinea (**)	0.06	54		54		54	2	56	

TABLE - C  
(continued)

IV-6

INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME  
ASSESSMENTS RECEIVABLE FROM MEMBER STATES  
AND CONTRIBUTIONS RECEIVED IN ADVANCE  
AS AT 31 DECEMBER 2014

(in thousands of Canadian dollars)

Member States Assembly Resolutions A38-22, A38-26 Addendum and A38-27	Scales 2014	Assessments 2014	Contributions Received for 2014	Balance of Assessments Receivable for 2014	Balance of Prior Years' Assessments Receivable	Total Balances Receivable	Exchange	Total Adjusted Balances Receivable	Contributions Received in Advance
Paraguay	0.06	54	54						
Peru	0.13	120	120						
Philippines	0.24	223	170	53		53		53	
Poland	0.66	603	603						
Portugal	0.46	416	416						
Qatar	0.64	595	595						592
Republic of Korea	2.18	1 964	1 964						
Republic of Moldova	0.06	54	54						
Romania	0.18	165	165						
Russian Federation	2.21	2 053	2 053						
Rwanda (**)	0.06	54		54	198	252	11	263	
Saint Kitts and Nevis	0.06	54	54						
Saint Lucia	0.06	54	54						
Saint Vincent and the Grenadines (**)	0.06	54		54	185	239	10	249	
Samoa	0.06	54	54						
San Marino	0.06	54	54						
Sao Tome and Principe (*) & (**)	0.06	54		54	671	725	83	808	
Saudi Arabia	0.85	776	776						
Senegal	0.06	54	54						23
Serbia	0.06	54	54						
Seychelles	0.06	54	54						
Sierra Leone (*)	0.06	54	42	13	164	177	32	209	
Singapore	1.03	932	932						961
Slovakia	0.12	110	110						112
Slovenia	0.07	64	64						
Solomon Islands (*)	0.06	54	1	53	68	121	11	132	
Somalia	0.06	54	54						
South Africa	0.41	371	371						
South Sudan (**)	0.06	54		54	40	94	3	97	
Spain	2.47	2 241	2 241						
Sri Lanka	0.08	73	73						
Sudan	0.06	54	40	15		15		15	
Suriname (**)	0.06	54		54	198	252	11	263	
Swaziland	0.06	54	21	33		33		33	
Sweden	0.69	623	623						
Switzerland	0.95	862	862						
Syrian Arab Republic (**)	0.06	54		54	246	301	11	312	
Tajikistan	0.06	54	29	26		26		26	
Thailand	0.55	502	502						
The former Yugoslav Republic of Macedonia	0.06	54	54						
Timor-Leste (**)	0.06	54		54	220	275	11	286	
Togo	0.06	54	54						
Tonga (**)	0.06	54		54		54	2	56	
Trinidad and Tobago	0.06	54	54						
Tunisia	0.06	54	50	4		4		4	
Turkey	1.31	1 232	1 232						
Turkmenistan (**)	0.06	54		54	163	218	11	229	
Uganda	0.06	54	3	51		51	2	53	
Ukraine	0.12	110	58	52		52		52	
United Arab Emirates	1.80	1 680	1 680						
United Kingdom	4.77	4 270	4 270						
United Republic of Tanzania	0.06	54	54						
United States	22.07	19 840	19 840						
Uruguay	0.06	54	53	1		1		1	
Uzbekistan	0.06	54	52	3		3		3	
Vanuatu	0.06	54	54	1		1		1	
Venezuela (Bolivarian Republic of)	0.44	413	413						28
Viet Nam	0.13	120	120						
Yemen	0.06	54	54						
Zambia	0.06	54	52	2		2		2	
Zimbabwe (**)	0.06	54		54	170	224	10	234	
The former Socialist Federal Republic of Yugoslavia (1)					501	501	93	594	
<b>TOTAL (***)</b>	<b>100.00</b>	<b>90 741</b>	<b>86 613</b>	<b>4 127</b>	<b>9 497</b>	<b>13 624</b>	<b>1 115</b>	<b>14 739</b>	<b>6 218</b>

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 2014.

\*\* Prior Years includes Working Capital Fund

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

## INTERNATIONAL CIVIL AVIATION ORGANIZATION

Table D

TECHNICAL CO-OPERATION PROJECT ACTIVITIES BY GROUP OF FUNDS  
 ASSETS, LIABILITIES, NET ASSETS AT 31 DECEMBER 2014 AND  
 REVENUE, EXPENSES AND SURPLUS (DEFICIT) FOR 2014  
 (in thousands of Canadian dollars)

	<u>United Nations Development Programme</u>	<u>Trust Funds and Management Service Agreements</u>	<u>Civil Aviation Purchasing Services Funds</u>	<u>Total 2014</u>	<u>Total 2013</u>
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents		205 596	16 222	221 818	226 870
Inter-fund balances	1 187			1 187	665
Receivables and advances	978	3 729	471	5 178	8 319
Others	11	198		209	360
<b>TOTAL ASSETS</b>	<u>2 176</u>	<u>209 523</u>	<u>16 693</u>	<u>228 392</u>	<u>236 214</u>
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Advanced receipts	66	199 638	16 684	216 388	222 372
Accounts payable and accrued liabilities	2 142	7 797	9	9 948	12 184
Employee benefits	25	2 088		2 113	1 672
<b>TOTAL LIABILITIES</b>	<u>2 233</u>	<u>209 523</u>	<u>16 693</u>	<u>228 449</u>	<u>236 228</u>
<b>NET ASSETS</b>					
Reserves	( 57)			( 57)	( 14)
<b>NET ASSETS (ACCUMULATED DEFICIT)</b>	<u>( 57)</u>			<u>( 57)</u>	<u>( 14)</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>2 176</u>	<u>209 523</u>	<u>16 693</u>	<u>228 392</u>	<u>236 214</u>
<b>REVENUE</b>					
Contributions for project agreements		131 285	8 311	139 596	132 667
Other revenue		415	93	508	262
<b>TOTAL REVENUE</b>		<u>131 700</u>	<u>8 404</u>	<u>140 104</u>	<u>132 929</u>
<b>EXPENSES</b>					
Staff salaries and employee benefits		41 363	44	41 407	42 119
Supplies, consumables and others		70 254	8 210	78 464	73 499
General operating expenses		1 502	10	1 512	1 518
Travel		4 220		4 220	3 488
Training		3 269		3 269	2 083
Administrative overhead charges		7 795	133	7 928	8 218
Other expenses		3 297	7	3 304	2 004
<b>TOTAL EXPENDITURE</b>		<u>131 700</u>	<u>8 404</u>	<u>140 104</u>	<u>132 929</u>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>					

*Details may not add to totals due to rounding*

## INTERNATIONAL CIVIL AVIATION ORGANIZATION

Table E

TECHNICAL CO-OPERATION PROJECT ACTIVITIES  
 TRUST FUNDS AND MANAGEMENT SERVICE AGREEMENTS  
 RECEIPTS, EXPENSES AND BALANCE OF ADVANCE RECEIPTS  
 FOR THE YEAR ENDED 31 DECEMBER 2014  
 (in thousands of United States dollars)

Fund	Type of Fund	Balance as at 01-Jan-2014	Adjustment	Receipts		Expenses		Transfer from or to Other Funds	Refund of Contributions	Unrealized Exchange Gain or Loss	Balance as at 31-Dec-2014
				Contributions <sup>(1)</sup>	Interest and Other Income	Project Costs	Administrative Overhead				
Afghanistan	MSA	1 329			2			( 200)			1 131
Angola	MSA	62				1					61
Argentina	MSA	37 954		28 442	302	32 611	1 905	33		( 2 089)	30 126
Bahamas	MSA	10									10
Barbados	TF	46									47
Belgium	MSA	0				1		1 353			1 351
Bolivia	MSA	1 284		1 067		639	56	( 86)	( 200)		1 370
Bolivia	TF	12									12
Botswana	TF	68									68
Brazil	MSA	2 528			266	1			( 361)	( 264)	2 168
Cabo Verde	MSA	772			1	31	3			( 1)	738
Cambodia	MSA	1									1
Cameroon	MSA	23				( 16)	( 2)		( 15)		26
Chad	MSA	237		26		209	21				34
China	TF	37									37
Colombia	MSA	32		157	3	108	5			( 6)	72
Comoros	MSA	9									9
Costa Rica	MSA	46 323		7 140	57	8 878	451				44 191
Czech Republic	MSA	35									35
Democratic Republic of the Congo	MSA	( 9)	( 8)			( 8)	( 1)				( 8)
Denmark	MSA	10							( 10)		0
Djibouti	MSA	291						( 50)			242
Dominican Republic	MSA	3									3
Ecuador	MSA	3 413		4 122	8	5 769	137			( 1)	1 636
Egypt	MSA	101							( 45)		56
El Salvador	MSA	202		236		158	16				265
Equatorial Guinea	MSA	386		1 212	1	505	51				1 043
Ethiopia	MSA	56						( 50)			6
Fiji	MSA	13									13
Gabon	MSA	( 17)									( 17)
Greece	MSA	6		315	( 2)	262	29			1	29
Guatemala	MSA	364			1						365
Guyana	TF	7									7
Haiti	TF	55									55
Inter-Regional	TF	111				5	1				106
Iceland	MSA	2									2
India	MSA	1 137		137	4	73	17			( 1)	1 187
Indonesia	MSA	2 085		1 108	4	1 409	140			( 1)	1 646
Iraq	MSA	43									43
Iraq	TF	38					( 1)				39
Italy	MSA	17									17
Jamaica	MSA	0		272		158	16			1	100
Jamaica	TF	6									6
Jordan	MSA	22				1					21
Kazakhstan	MSA	689		2 662	5	1 633	158		( 159)		1 405
Kuwait	MSA	1 192		1 241	( 1)	677	68				1 687
Latvia	TF	8									8
Lebanon	MSA	878			1	182	18				679
Lesotho	TF	130									130
Liberia	MSA	16									16
Libyan Arab Jamahiriya	MSA	9									9
Macao Special Administrative Region of China	MSA	7									7
Mauritius	MSA	6									6
Mexico	MSA	281		185		126	8	( 47)			285
Mexico	TF	1 497		2 033	3	1 729	150				1 653
Morocco	TF	70									70
Mozambique	MSA	1 368			4	929	93			( 1)	349
Namibia	MSA	2 803		7 000	12	2 045	206			( 2)	7 562



## INTERNATIONAL CIVIL AVIATION ORGANIZATION

Table E  
(Continued)

TECHNICAL CO-OPERATION PROJECT ACTIVITIES  
TRUST FUNDS AND MANAGEMENT SERVICE AGREEMENTS  
RECEIPTS, EXPENSES AND BALANCE OF ADVANCE RECEIPTS  
FOR THE YEAR ENDED 31 DECEMBER 2014  
(in thousands of United States dollars)

Fund	Type of Fund	Balance as at 01-Jan-2014	Receipts		Expenses		Transfer from or to Other Funds	Refund of Contributions	Unrealized Exchange Gain or Loss	Balance as at 31-Dec-2014	
			Contributions <sup>(1)</sup>	Interest and Other Income	Project Costs	Administrative Overhead					
Nepal	MSA	12								12	
Nicaragua	MSA	19								20	
Nigeria	MSA	336		1			( 47)			290	
Norway	MSA	0	60	1	50	5				5	
Oman	MSA	15								15	
Oman	TF	180								180	
Pakistan	MSA	31								32	
Panama	MSA	1 055	1 041	69	1 169	115	( 86)			794	
Panama	TF	10 811		14	4 296	252				6 278	
Papua New Guinea	MSA	8								8	
Paraguay	MSA	4	1 150	10	417	42		( 6)		699	
Peru	MSA	8 232	8 618	9	7 834	790	0	( 1)	( 626)	7 607	
Philippines	MSA	31								31	
Philippines	TF	2 190		3	7	1	( 215)			1 971	
Qatar	MSA	35								35	
Regional for Africa	MSA	20 743	1 566	28	9 215	533			( 2)	12 588	
Regional for Asia	MSA	358	164	1	113	12				398	
Regional for Asia	TF	1 922	1 630	3	1 285	160	145		( 11)	2 244	
Regional for Europe	MSA	36								36	
Regional for Europe	TF	48	100		77	8				63	
Regional for Europe and Middle East	MSA	1 174	235		744	73	( 4)			587	
Regional for Europe and Middle East	TF	338	256		233	23	87			426	
Regional for Latin America	MSA	339	527	1	497	30	4			344	
Regional for Latin America	TF	7 129	2 388	10	3 296	186	252			6 296	
Republic of Korea	MSA	47	40			40				47	
Republic of the Congo	MSA	716			570	57				88	
Romania	MSA	3								3	
Rwanda	MSA	( 20)	95							75	
Saudi Arabia	MSA	2 145	14 773	279	10 635	464	( 87)			6 011	
Seychelles	MSA	56								56	
Singapore	MSA	89	273	1	52	22				289	
Singapore	TF	129	120		102	10				137	
Somalia	TF	15 590	7 806	26	5 562	378	( 51)	( 350)	( 8)	17 072	
South Africa	MSA	205								205	
Spain	MSA	6	47	1	42				( 2)	10	
Sri Lanka	MSA	381		1						382	
Sri Lanka	TF	7								7	
Sudan	MSA	521	120		310	31				301	
Swaziland	MSA	660		1	409	41				211	
Syrian Arab Republic	MSA	154								154	
Thailand	MSA	55								55	
Thailand	TF	71								71	
Trinidad and Tobago	TF	8								8	
UN Department of Peacekeeping Operations	MSA	( 41)	280	( 1)	203	20				15	
Uganda	MSA	217	1 310	1	191	8	( 1 250)			79	
United Republic of Tanzania	MSA	( 5)								( 5)	
Uruguay	MSA	3 888	1 888	6	3 378	142	( 215)			2 047	
Venezuela (Bolivarian Republic of)	MSA	71	42							113	
Viet Nam	TF	14								14	
Yemen	MSA	5								5	
	LS	1 081	474	( 5)	970	91	543		4	1 036	
<b>Total</b>		<b>189 157</b>	<b>( 8)</b>	<b>102 360</b>	<b>1 132</b>	<b>109 775</b>	<b>7 080</b>	<b>27</b>	<b>( 1 140)</b>	<b>( 3 014)</b>	<b>171 657</b>
<b>Equivalent Canadian Dollars</b>		<b>212 596</b>	<b>( 9)</b>	<b>119 045</b>	<b>1 277</b>	<b>120 863</b>	<b>7 795</b>	<b>31</b>	<b>( 1 326)</b>	<b>( 3 318)</b>	<b>199 638</b>

(1): On a cash basis

Details may not add to totals due to rounding

## INTERNATIONAL CIVIL AVIATION ORGANIZATION

Table F

TECHNICAL CO-OPERATION PROJECT ACTIVITIES  
 CIVIL AVIATION PURCHASING SERVICE FUNDS  
 RECEIPTS, EXPENSES AND BALANCE OF ADVANCE RECEIPTS  
 FOR THE YEAR ENDED 31 DECEMBER 2014

(in thousands of United States dollars)

Fund	Type of Fund	Balance as at 01-Jan-2014	Adjustment	Receipts		Expenses		Transfer from or to Other Funds	Refund of Contributions	Unrealized Exchange Gain or Loss	Balance as at 31-Dec-2014
				Contributions <sup>(1)</sup>	Interest and Other Income	Project Costs	Administrative Overhead				
Afghanistan	CAPS	4			( 7)			200		5	202
Angola	CAPS	( 16)									( 16)
Bahamas	CAPS	11 564		909	21	7 366	23	( 256)			4 849
Bangladesh	CAPS	205				1		( 204)			0
Bolivia	CAPS	4									4
Cabo Verde	CAPS	31									31
Canada	CAPS	38									38
Costa Rica	CAPS	2 087			3	9	32				2 048
Cuba	CAPS	25					8				17
Ethiopia	CAPS	203			1	13	1	50			239
Fiji	CAPS	3									3
Guinea	CAPS	43									43
Lebanon	CAPS	2 608			4						2 612
Lesotho	CAPS	40									40
Libyan Arab Jamahiriya	CAPS	61			1						62
Macao Special Administrative Region of China	CAPS	2		155		6	1				151
Madagascar	CAPS						15	432			418
Mozambique	CAPS	6									6
Myanmar	CAPS	472			1			( 25)			448
Nigeria	CAPS	60									60
Oman	CAPS	15									15
Pakistan	CAPS	( 56)	56								( 0)
Russian Federation	CAPS	53							( 50)		3
Seychelles	CAPS	( 69)									( 69)
Sudan	CAPS	98			1						99
Suriname	CAPS	6									6
Syrian Arab Republic	CAPS	725			1						726
Trinidad and Tobago	CAPS	161								( 3)	159
Uganda	CAPS						14	1 250			1 237
United Republic of Tanzania	CAPS			40		23	2			( 1)	14
Uruguay	CAPS	807			1	4	26	108			887
Yemen	CAPS	17									17
<b>Total</b>		<b>19 196</b>	<b>56</b>	<b>1 104</b>	<b>27</b>	<b>7 422</b>	<b>123</b>	<b>1 556</b>	<b>( 50)</b>	<b>2</b>	<b>14 346</b>
<b>Equivalent Canadian Dollars</b>		<b>21 856</b>	<b>65</b>	<b>1 284</b>	<b>32</b>	<b>8 172</b>	<b>133</b>	<b>1 809</b>	<b>( 58)</b>	<b>1</b>	<b>16 684</b>

(1): On a cash basis

Details may not add to totals due to rounding

**INTERNATIONAL CIVIL AVIATION ORGANIZATION**

**PART V: REPORT OF THE EXTERNAL AUDITOR TO THE ASSEMBLY ON THE AUDIT OF THE FINANCIAL STATEMENTS OF THE INTERNATIONAL CIVIL AVIATION ORGANIZATION FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2014 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 2014**

30 March 2015

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## INTRODUCTION

The legal basis for the audit carried out by the External Auditors is set out in the Financial Regulations and Rules of the ICAO (Fifteenth edition): Article XIII and Additional terms of reference governing the External Audit (Annex B).

The present report informs the Council of the results of our audits.

The audit considered the ICAO Report at 31 December 2014 and its consistency.

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

We have carried out the audit of the accounts for the Financial Year 2014 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 of the ICAO

We have planned the working activities according to our audit strategy to obtain a reasonable assurance that the Financial Statements are free from material misstatement.

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

Thus, through the audit we have obtained a sufficient basis for the opinion given in the audit certificate.

We have tested, on a sample basis, a number of transactions and the relevant documentation and we have 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 Mr. Rahul Bhalla, Chief, Finance Branch (FIN), and members of his staff or staff in other departments, depending on the subject matter under consideration.

Pursuant to § 9 of the Additional Terms of reference governing external audit with regard to proposal and comments by the Secretary General for inclusion in this report, Management informed us during the final meeting on 27 March 2015 that we would be provided with the Secretary General's comments. These comments were received on 30 March 2015 and have been duly incorporated in this report.

The result of the audit will be communicated on 31 March 2015.

We audited the financial operating report on the audited accounts held by the ICAO relating to the financial results as at 31 December 2014, presented in compliance with the Financial Regulations and Rules of the ICAO (Fifteenth edition): Article XIII.

A Letter of Representation referring to the Accounts for the Financial Year 2014, signed by the Secretary General and the Chief of the Finance Branch, was included in the Financial Statements and is an integral part of the audit documentation.

We also received the Statement of Internal Control for 2014, signed by the Secretary General on 27 March 2015.

We have highlighted the results of our audit activity as “Recommendations” and “Suggestions”. Whilst Recommendations fall under the follow-up process carried out by the Finance Committee, Suggestions are only followed up by the External Auditors. In principle, the ICAO Council, directly or indirectly following advice of the EAAC, may request 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 on the matter.

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

#### **Independent Auditor's Report**

We have audited the financial statements as at 31 December 2014 of the International Civil Aviation Organization (ICAO), which comprise for the year then ended the statement of financial position, 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, as well as a summary of significant accounting policies and other explanatory information.

#### **Responsibility of the ICAO Secretary General for the financial statements**

The Secretary General is responsible for the preparation and fair presentation of these financial statements in accordance with the International Public Sector Accounting Standard (IPSAS). Furthermore, the Secretary General is responsible with regard to the transparency of and accessibility to the financial statements, as well as for establishing and maintaining sustainable accounting, internal control and separate internal audit systems, including measure to prevent and detect fraud and significant errors.

#### **Responsibility of the auditor**

Our responsibility is to express an opinion on the ICAO financial statements based on our audit. We conducted our audit in accordance with the International Standards of Supreme Audit Institutions (ISSAI), and the Financial Regulations and Rules of the ICAO. The ISSAI standards require that we comply with ethical requirements, and plan and perform the audit in such a way as to obtain reasonable assurance about the amounts and the disclosure in the financial statements.

The procedure selected depends on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or errors. In making this risk assessment, the auditor considers internal control system relevant to the entity's preparation and fair presentation of the financial statements, in order to design audit procedures that are appropriate in the circumstances, but not with the aim of expressing an opinion on the efficiency and effectiveness of the entity's internal control and audit systems. An audit also includes an assessment of the appropriateness of the accounting policies adopted and of whether the accounting estimates made

by the Secretary General are reasonable, as well as an appraisal of the overall presentation of the financial statements.

We have ascertained that the financial statements have been prepared in accordance with the stated accounting policies and that these policies have been applied on a basis consistent with that of preceding financial period, as well as the compliance of transactions with the Financial Regulations and Rules of the ICAO.

According to the Financial Regulations and Rules of the ICAO (article XIII) and the additional terms of reference governing the External Audit (annex B to these Financial Regulations and Rules) we have issued a detailed report of our audit of the ICAO Financial Statements for 2014.

We believe that the audit evidence we have obtained provides a sufficient and appropriate basis for our audit opinion.

#### **Emphasis of matter**

The Statement of Financial Position shows a negative Net Asset (-92.3 MCAD) mainly due to the impact of long-term employee benefits actuarial liabilities recorded in the Financial Position of 147.5 MCAD. Details of our analysis are included in our report. Measures are being undertaken by the Management who has assured that it will monitor the effectiveness of these measures.

#### **Opinion**

In our opinion, ICAO's Financial Statements for 2014 present fairly, in all material respects, the financial position of the International Civil Aviation Organization as at 31 December 2014, as well as for the year then ended, the financial performance, the changes in net asset, the cash flows and the comparison of budget and actual amounts for the Regular Programme General Fund, in accordance with IPSAS and the Financial Regulations and Rules of the ICAO.

Rome, 30 March 2015

  
*Raffaele Squitieri*  
*President of the Corte dei conti*

## **STRUCTURE OF THE ACCOUNTING STATEMENTS**

1. The Financial Statements of the ICAO prepared and presented in compliance with IPSAS 1 included the following elements:
  - Statement of financial position (Statement I) – Balance sheet at 31 December 2014 with comparative figures as at 31 December 2013 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 2014 with comparative figures as at 31 December 2013 showing the Surplus/Deficit for the financial year;
  - Statement of Changes in Net Assets for the year ended 31 December 2014 (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 2014, showing the inflow and outflow of cash and cash equivalents, purposely regarding the operational, investments and financing transactions and the treasury totals at the end of the Financial Year;
  - Comparison of Budget and Actual Amounts (Statement V) for the 2014 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 (in this Report quoted as “Note” or “Notes”).

## **STATEMENT OF FINANCIAL POSITION 2014**

### **ASSETS**

2. In 2014 Assets amounted to 312.6 million of CAD (MCAD) and they slightly increased, by 6.7 MCAD (2.2%) in comparison to the value recorded in 2013 (305.9 MCAD).
3. They consisted of Current assets, amounting to 305.1 MCAD, representing 97.6% of Total Assets (slightly more than in 2013, when they were 298.0 MCAD, +2.4%), and Non-Current Assets, equivalent to 7.5 MCAD, or 2.4% of Total Assets (in 2013 they were 7.8 MCAD, or 2.6% of Total Asset).

## **Current Assets**

4. Total current assets in 2014 amounted to 305.1 MCAD presenting an increase of 7.1 MCAD CAD (+2.4%) as compared with 2013 (298.0 MCAD). The increase, in overall terms, is mainly due to Cash and cash equivalent (+22.9 MCAD), whereas Assessed contributions receivable (-10.2 MCAD), Receivables and advances (-5.1 MCAD), Inventories (-0.2 MCAD) and other receivables (-0.3 MCAD) decreased. The basis for the evaluation of Current assets is given in the Accounting Principles (Note 1).

## **Cash and cash equivalent**

5. The sub-heading “Cash and cash equivalent”, totalling to 288.9 MCAD, increased by 22.9 MCAD (+8.6%) comparing to 266.0 MCAD in 2013, and it included cash in hand, cash at banks and short-term deposits as at 31 December 2014. The above mentioned increase mainly impacted “Cash in banks”, amounting to 62.4 MCAD (in 2013: 40.0 MCAD). A detailed breakdown of Cash and cash equivalents is shown in the Note 2.1.
6. We asked all the banks with business relations with ICAO to confirm the current account balances as at 31 December 2014. We verified that the account balances were properly recorded in the accounts. All variances detected have been explained and justified. It should be mentioned that we have not received direct confirmations from all the banks, limiting our work on this area, although ICAO Management correctly made strenuous effort in order to allow us to receive them.
7. With reference to the missing banks’ confirmations, we received from the Management a copy of the statements with signed reconciliations as at 31.12.2014, related to all the above-mentioned banks, and we used them for our audit.

## ***Signature power and delegation of authority to operate accounts***

8. As regards the delegation of authority to operate accounts for field offices, we observe that the limit of 10,000 USD was removed in accordance with the Inter-office memorandum dated 23<sup>rd</sup> April 2010. We will review the procedures when we carry out our audit at the Regional offices.

## ***Updating of lists of authorized signatures at banks***

9. As a result of our audit of the banks’ confirmations, we also found 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 have been received, we cannot arrive to a conclusion over signatories. It should also be mentioned that Management is aware when an outdated list is being

submitted by banks and acts promptly, communicating with the banks in order to solve these discrepancies.

***Cash-in-hand at Headquarters and regional offices***

10. On 31 December 2014, the cash-in-hand kept by the ICAO in CAD and foreign currencies, amounted to around 5 kCAD. We have performed a direct count of cash-in-hand at the Headquarters, without detecting any problem .

**Assessed contributions receivable from Member States**

11. Assessed contributions receivable from Member States are composed of
  - a) *Current* (3.5 MCAD in 2014, 13.6 MCAD in 2013, decreased by 75%, which shows an increase in payments for contributions from Member States in 2014 compared to 2013) and
  - b) *Non-current* (3.7 MCAD in 2014, 3.1 MCAD in 2013, increased by around 21% from 2013, due to the discount on long-term contribution at an interest rate as reported in Note 2.2)
12. We have analysed the procedures in place at ICAO for the discounting of receivables and our audit did not reveal any major issues. In order to follow-up recommendation 2/2013 of the French Cour des comptes, we assessed whether the actions taken for recovering the receivables were in line with those declared by Management in the follow-up table, and our analysis did not reveal any major concerns.

**Receivables, advances and other current assets**

13. Receivables and advances are composed of a) *Current* (9.9 MCAD in 2014, 15.0 MCAD in 2013, minus 34%) and b) *Non-current* (0.5 MCAD in 2014, 0.4 MCAD in 2013, plus around 11% from 2013). *Current* represented 3.2% of the Total Assets compared to around 5.0% in 2013. They represent, as stated in Note 2.3 of the Notes, advances to employees and receivables from United Nations Agencies
14. An amount of 2.0 MCAD is shown in the closing balance sheet under “others”. Other current assets in 2014 present a decrease of 0.3 MCAD (-14.5%) as compared to 2013 (2.4 MCAD). A detailed breakdown of these values is reported by Management in Note 2.3.

## **Inventories**

15. In 2014, items related to publications, souvenirs, duty free items and supplies have been recorded at a net value of 0.9 MCAD, with a decrease of 0.2 MCAD (-20.5%), compared to the 2013 net value of 1.1 MCAD. Inventories are detailed in Note 2.4.
16. 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 were identified, which may have an impact on the accounts at the closing date (31.12.2014). However, we have detected a minor problem of accuracy in recording the movements of some items or in assessing correctly the related values. We acknowledge the fact that the warehouse was under relocation from a bigger space to a smaller one.

### **Suggestion n. 1**

17. 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.

### **Proposal and comments by the Secretary General**

Accepted

## **Non-current assets**

18. Non-current assets as at 31 December 2014 totalled to 7,5 MCAD; they recorded a reduction of 0.3 MCAD (-3.8%) compared to 2013, when they amounted to 7.8 MCAD. The basis for the evaluation of Non-current Assets is given in the Accounting Policies (Notes 1).
19. The heading is composed of a) "Property, plant and equipment" amounting to 2.5 MCAD and representing 33.5% of the total non-current assets (in 2013 it was 3.3 MCAD representing 42% of total non-current assets), b) "Assessed contributions receivable from Member States", amounting to 3.7 MCAD (around 50% of the non-current assets, as illustrated in paragraph 11), c) "Receivables and Advances" totalling 0.5 MCAD (see paragraph 13) and d) "Intangible assets" amounting to 0.8 MCAD, around 11% of total non-current assets and 0.3% of total Assets weight (in 2013, 1.1 MCAD, equivalent to 13.4% of non-current assets). The above-mentioned headings are illustrated in Note 2.5, 2.2, 2.3 and 2.6 of the Report respectively.



### **Property, plant and equipment**

20. The heading “Property, plant and equipment” showed a value of 2.5 MCAD, which is the net value at 31 December 2014 of the capitalised cost for “Furniture & fixtures” (0.06 MCAD), IT equipment (0.9 MCAD), Office equipment (0.4 MCAD), Motor vehicles (0.2 MCAD), Leasehold improvements (0.7 MCAD), Machinery (0.2 MCAD) and Leasehold Improvements (WIP) (0.07 MCAD). Acquisitions during the year amounted to 0.4 MCAD and depreciations totalled 1.2 MCAD and this latter value can be traced in the dedicated accounts in the Statement of Financial Performance. Descriptions are provided by Management in Note 2.5.

### ***Fixed assets management***

21. As stated in the “Internal audit assessment” (see paragraph 100), we rely on EAO’s work, and, based on EAO’s audit on “Fixed assets/inventory control” issued in March 2014, we hereby acknowledge that the asset management framework needs further improvements. EAO recommended, amongst other observations, that: i) a comprehensive physical inventory count should be carried out without further delay, as none had taken place at ICAO since 2005; ii) the monitoring of the physical condition of items should be carried out regularly; iii) the procedures for carrying out write-offs and reconciliations should be complied with in full; iv) the accuracy of the asset register needs to be improved; v) there should be adequate controls in order to safeguard assets that belong to the Organization. Furthermore, audits performed by EAO and the former External Auditors revealed some weaknesses in the Regional Offices with regards to assets management.

22. We endorse EAO’s recommendations and we are aware that new guidelines on the management of Property, Plant and Equipment will shortly come into effect. Therefore, we will monitor in due course the effective application of the assets’ procedures and status in accordance with the new asset management system.

### **Intangible Assets**

23. In 2014 Intangible Assets amounted to 0.8 MCAD; they had decreased, compared with the value of 2013 (1.1 MCAD), by around 0.3 MCAD (-22.6%) mainly due to the depreciation of the value of software acquired (0.2 MCAD); no major acquisitions were approved and booked during year 2014 and these values related to depreciation were traced in the Statement of Financial Performance. The breakdown is illustrated in Note 2.6.

## **LIABILITIES**

24. In 2014, Total Liabilities amounted to 405.0 MCAD, an increase by 40.3 MCAD (11.1%) in comparison with the value recorded in 2013 (364.6 MCAD). They consisted of
- a) *Current Liabilities*, amounting to 257.4 MCAD, representing 63.6% of Total Liabilities (in 2013, they represented 71.7%, totalling 261.5 MCAD), and
  - b) *Non-Current Liabilities*, equivalent to 147.5 MCAD, composed only of actuarial liabilities related to Employee benefits, representing 36.4% of Total Liabilities (in 2013, non-current liabilities represented around 28.3%, totalling 103.0 MCAD).

### **Current Liabilities**

25. Total *Current Liabilities* in 2014 amounted to 257.4 MCAD, presenting a slight decrease of 4.1 MCAD (-1.6%) compared to 2013 (261.5 MCAD), and being composed of
- a) “Advanced receipts” totalling 227.7 MCAD in 2014 (229.1 MCAD in 2013), decreased by -0.6%, which represents around 88% of Current Liabilities and 56.2% of Total liabilities, mainly composed of voluntary contributions for Technical Cooperation projects (216.4 MCAD in 2014). The basis for the evaluation of advanced receipt 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 22.3 MCAD in 2014 (26.3 MCAD in 2013, decreasing by 15.3%), representing 8.7% of current liabilities. Descriptions are provided by Management in Note 2.9.
  - c) “Employee benefits”, recorded for 6.0 MCAD with an increase of 1.3 MCAD (+28.5%) compared to 2013 (4.7 MCAD). Please refer to the specific paragraph below for further considerations.
  - d) “Credits to contracting/servicing governments” amounting to 1.4 MCAD and representing 0.4% of Total Liabilities (as was in 2013).

### **Provisions and Legal Liabilities**

26. The Legal Affairs and External Relations Bureau offers to FIN and to the Secretary General an overview of all legal disputes brought against ICAO in relation to a) all the cases pending at the AJAB (Advisory Joint Appeals Board) and UNAT (United Nations Appeals Tribunals) b) TCB projects. It is worthwhile mentioning that ICAO, in this latter case, not only asserts its immunity from jurisdiction as far as possible, but also, in the projects’ agreements, gains additional assurance from the fact that the Governments

involved with TCB's projects have undertaken "to absorb any financial liabilities which may arise from such claims" (see for reference Note 6.2)

27. A provision has been booked in the accounts and, as stated in paragraph 6.2 of the Note, it is related to a pending legal action at AJAB.

***Reporting the potential impact of litigation to the Secretary General.***

28. We have observed that the overview related to the cases pending at AJAB and UNAT (see point *a*) above) does not in all cases provide FIN, and ultimately the Secretary General, with the amount under litigation and accordingly the potential financial impact of the litigation concern.

**Suggestion N. 2:**

29. We suggest 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.

**Proposal and comments by the Secretary General**

The suggestion is accepted.

***Backlog might cause financial losses***

30. We were transparently informed by Management about the backlog of pending disputes at the AJAB and the consequent risk at UNAT based on past experiences, that although successful in the appeal, a nominal financial penalty might be applied to ICAO due to the excessive length of the process. A statistical analysis of the average delay is currently ongoing.

**Recommendation N. 1**

31. Considering that the backlog in the appeal process at the AJAB raises the consideration as above stated, we recommend Management to start an internal review of the current procedures and resource capacities, in full respect of the Staff rules.

**Proposal and comments by the Secretary General**

The recommendation is accepted.

### Non-current liabilities

32. Total non-current liabilities are only related to “Employee benefits” (see dedicated paragraph below); in 2014 they amounted to 147.5 MCAD presenting an increase of 44.5 MCAD (+43.2%) compared to 2013 (103,0 MCAD). The increase, in overall terms, is explained mainly by the decrease of the discount rate in the actuarial assessment of long-term liabilities. The basis for the evaluation of non-current liabilities is given in the Note 2.10. Furthermore, according to IPSAS a disclosure of the trend assumptions sensitivity is provided by Management in Note 2.10.2.

### Employee Benefits

33. Employee benefits are disclosed in the Financial Statements under “Current liabilities” with an amount of 6.0 MCAD and under “Non-current liabilities”, totalling a value of 147.5 MCAD, as summarised in the table below.

<i>Liabilities</i>	<b>Year (MCAD)</b>		<b>Variance 2014-13</b>	
	<i>2014</i>	<i>2013</i>	<b>MCAD</b>	<b>%</b>
<u>Current</u>	6.0	4.7	1.3	27.7%
<u>Non current</u>	147.5	103.0	44.5	43.2%
<b>Total</b>	<b>153.5</b>	<b>107.7</b>	<b>45.8</b>	<b>42.5%</b>
<b>Composition</b>				
Post retirement Plan (ASHI)	129.9	87.7	42.2	48.1%
End of service-annual leave	8.6	7.7	0.9	11.7%
End of service-repatriation benefits	12.9	10.7	2.2	20.6%
Other employee benefits for international experts	2.1	1.6	0.5	31.3%
<b>Total</b>	<b>153.5</b>	<b>107.7</b>		

34. The overall increase of these liabilities, jointly with the 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 31-33).

### Non-current liabilities generated by benefits related to ASHI, Leaves and Grants

35. As stated in the above table, non-current liabilities increased by 44.5 MCAD (around 43%). The reason for this increase is mainly due to actuarial losses, particularly to the change in the discount rate (2.40% for 2014 and 3.30% for 2013), and to the different exchange rate between USD and CAD (1.00:1.163 in 2014, it was 1.00:1.067 in 2013). In compliance with IPSAS 25, a sensitivity analysis related to the discount rate is disclosed by Management in paragraph 2.10.2 of the Notes.

36. The calculation of the value of non-current liabilities equivalent to 147.5 MCAD, disclosed in the Financial Statements, is based on actuarial assumptions that are reported by Management in Note 2.10.3. The calculation of these liabilities was performed by an actuary chosen by ICAO, AON Hewitt.

***Negative value of the ICAO's Net-assets is heavily influenced by actuarial liabilities***

37. The considerable amount of these actuarial liabilities (147.5 MCAD), which represents around 36% of total liabilities (405.0 MCAD), has an impact on the Net Asset of ICAO and for this reason we have focused part of our audit on the correctness and reliability of the Employee Benefits' values.
38. In order to have assurance on the amount recorded on the accounts, which, as stated above, has increased by around 44.5 MCAD, we added to our audit team, at no additional cost for ICAO, a group of public actuaries, expert in social benefits.
39. Our methodologies for auditing actuarial liabilities and our audit strategies, in case a UN Agency has a Negative Net-Asset, were reported at the UN Panel of External Auditors where we were facilitators on the subjects "Employee Benefits: effect of IPSAS 25 on Net Assets" and "Auditing the Auditee's expert".

***According to ICAO's assumptions, the value of liabilities is substantially correct***

40. The choice of actuarial assumptions is the sole responsibility of Management. The External Auditor checks their plausibility and their consistency with IPSAS 25 and with previous years and validates them. It is worthwhile mentioning that the previous years' assumptions were validated by the previous External Auditor, the French Cour des comptes.
41. Our actuary carried out a preliminary review on the key assumptions related to 2014 and they were duly discussed with Management; they are in line with economic trends and rates and consistent with data available at ICAO at the moment of our audit, and we validated them.
42. To carry out their audit, our actuaries have recalculated the valuations prepared by AON Hewitt and related to ASHI, Annual leave and 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 have provided full cooperation and assistance to our actuaries.
43. The work of our actuaries revealed that the amounts recorded in the accounts are substantially correct; however, apart from the key assumptions related to economic variations which need to be reviewed every year, it might be considered appropriate, in

the future, that some other assumptions and some data might merit some reconsiderations, in order to assess whether they are prudent, or whether they need a revision according to actuarial practices.

**Suggestion n. 3**

44. We suggest Management to review at the end of year 2015 if some assumptions might merit further revision.

**Proposal and comments by the Secretary General**

Management accepts the suggestion . Assumptions will be reviewed and discussed with AON prior the 2015 year-end closure of accounts.

***Liabilities and Underfunding: comparisons within UN system are not possible***

45. We highlight the fact that, within the UN system, it is not always possible to be consistent in any of the key assumptions used in relation to ASHI. This is explained by the different characteristics of each Agency, such as the number and composition of staff (salary and career advancement, family allowances etc.), and the location (number of staff deployed in field offices), that have effects on forecasted illness and mortality.

46. We are aware that, in the absence of any unequivocal and specific indication on the discount rate in IPSAS 25, within the UN system, several Agencies make reference to different yield curves (for instances related to AA Corporate Bonds, developed by different operators), and therefore it is difficult to carry out a direct comparison of the current situation of ICAO's actuarial liabilities with the liabilities of other Agencies of the UN system. For instance, at the end of financial year 2014, the ASHI provisions (130.0 MCAD) contribute considerably towards determining the negative Net Assets (-92.3 MCAD), and, consequently, the underfunding of Agencies within UN cannot be compared as well.

47. Being not possible to directly compare the actuarial liabilities of ICAO with those of other Agencies, as stated above, we draw the Council's attention to the fact that it is difficult to undertake a direct comparative analysis between the ICAO underfunding and the one of other UN Agencies.

***Attentive response of the Management to the underfunding***

48. We acknowledge that some remedial measures are being studied by the Organization. In fact, at its fourth meeting, the ICAO Health and Life Insurance Committee recommended for the Secretary General consideration some changes to the ICAO's Medical Benefits

Plan (MBP) for 2015; the Secretary General presented the Working Paper C-WP/14246 to the 204th session of the Council, showing the financial situation of the ASHI and illustrating possible options for funding ASHI at ICAO.

49. This demonstrates the attentive response of Management and the transparent disclosure of the ASHI issue to the Council. The Finance Committee recognised the information provided by the Management with the document C204.WP.14246.ORAL.FIC.EN. This paper also presented two important points:
  - a) the decision to carry out a survey of the solutions adopted or planned by other agencies;
  - b) the participation in a Working Group on ASHI.
50. We welcome the document and the decision to participate, within the UN, in a dedicated Working Group on ASHI.

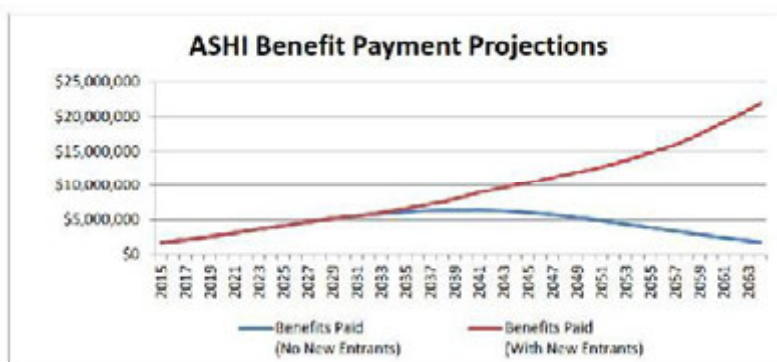
***Underfunding at ICAO: defining possible “drivers” for reducing it.***

51. The underfunding of employee benefits liabilities is mainly generated by ASHI’s actuarial liabilities, with an increasing trend since 2010, as showed in the figure below.

<b>ASHI Liabilities progression (in MCAD)</b>				
2010	2011	2012	2013	2014
66	63	73	88	130

*Source: Working Paper C-WP/14246 of 19.12.2014*

52. Furthermore, pursuant to the actuarial projections elaborated by the Management, there is a tendency for payments to continue to expand over the next fifty years, as shown below, although trends might be influenced by economic trends and unforeseeable events.



*Source: Working Paper C-WP/14246 of 19.12.2014*

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

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

**Recommendation n. 2**

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

**Proposal and comments by the Secretary General**

Accepted. FIN will be presenting options for funding ASHI liability at the 205th Session of the Council.

***Underfunding at ICAO: a thorough understanding of all the “drivers”***

55. The “drivers” mentioned in the previous paragraph could, naturally, be implemented in several “sub-drivers” that might generate different combinations of possible solutions.



However, some of them might diverge in their capacity to reduce the underfunding; others might have a different impact on it. Furthermore, there are some vested rights and some benefits that cannot be utilized for reducing underfunding and these rights and benefits might even differ from other UN Agencies.

**Suggestion n. 4**

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

**Proposal and comments by the Secretary General**

Accepted. Management will identify the variables that influence the funding of ASHI.

***Underfunding at ICAO: is the financial health affected?***

57. While this situation in regard to the ICAO's Financial Statements is naturally a matter of concern, the ICAO's immediate, short-term financial health is not directly affected. However, in our opinion, it is worthwhile for Management to be assisted in the coming years, once all possible "drivers" have been identified, by a full actuarial review study, that might produce the answer, and the possible solutions, to the question of whether ICAO's financial health might be compromised, in the long-term scenario, by the provisions of the Health Insurance Scheme.

**Recommendation n. 3**

58. We recommend 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

**Proposal and comments by the Secretary General**

Accepted. We will seek an actuarial study on the impact of ASHI on the long-term health of ICAO

***Creating an ad-hoc funding vehicle without affecting the core activity of ICAO***

59. Following our above-mentioned recommendations and suggestions, we have considered the Recommendation n. 1/2013 (see Annex) by our predecessors, the Cour des Comptes, which recommended to anticipate the financing of future payments by creating a specific

“funding vehicle”, whose financial proceeds would enable the ICAO to optimize the financing of this obligation.

60. Though we understand the purpose of this recommendation, we think that the current situation needs to be better clarified: for the moment, the financial health of ICAO is not directly affected, and the Organization needs, in our opinion, to know as precisely as possible what are the measures required, in relation to the need to perform in the best way its core business. It is also to be considered that when creating the “funding-vehicle”, ICAO will have to bear management fees for its asset-management.
61. The creation of a short-term financing fund of ASHI could divert the economic resources required to accomplish the Agency’s mission, thus undermining the core activities of ICAO in the civil aviation sector. This hypothesis of a “funding-vehicle” can be considered, in our opinion, only when a full actuarial study has established, through the forecasting and the simulation of different future scenarios, which are the best measures specific to the ICAO, even taking into account as a general guideline, the five drivers listed above.

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

***Auditing cost-effectiveness of coexistent health insurance schemes at ICAO***

63. It is to be mentioned that the ICAO’s ASHI is a complex scheme, composed of various elements and different levels of coverage and contribution. For Canadian citizens and Quebec residents, there is a mandatory public health insurance, namely “Régie de l’assurance maladie du Québec” (RAMQ), known as “Medicare”. On the basis of an agreement between ICAO and the government of the province of Quebec, ICAO completely pays the Medicare contribution for all the staff members who have the right to it.
64. In addition to “Medicare”, which, while offering a high level of care, does not cover all guaranteed benefits in the United Nations system, the ICAO’s employees can enjoy a private health insurance, arising from a contract signed by ICAO with Vanbreda International (Cigna since 2015), which also provides different levels of coverage. The costs of this insurance are split between the staff and the ICAO, with shares of two-thirds by the employee and one third by the Agency. Cigna’s contract not only covers the active

staff of ICAO, but also their relatives and retirees, the latter only if they are over 55 and have more than 5 years of active contributions.

65. For staff members who are non-Canadians or are not resident in Quebec, the Health insurer is Cigna (former Vanbreda). Actually, the staff of the Paris RO is currently insured under the UNESCO Medical Plan, but there is also a small number (4) of professional staff members covered under the ICAO Medical Benefit Plan.
66. In any case, the staff members of the Paris RO are not included in the estimation of ASHI's actuarial liabilities; this could lead to a false representation of these liabilities and of the risks that may arise in the future for ICAO to cover any losses also relative to these employees (refer also to suggestion 1).
67. We noted that the provisions of the contract with Cigna (formerly Vanbreda) do not envisage the possibility that the Organization can perform audits on Cigna's activities (contrary to what happens in other agencies). Furthermore, ICAO has no control on the adequacy of expenditure invoiced by Vanbreda: it only receives only monthly reports from Vanbreda, but without any reference to the benefits paid and in whose favour they have been paid. In the contract there is not even a chance, for a doctor chosen by ICAO, to carry out random checks on the dossiers of the employees managed by Vanbreda.

**Recommendation n. 4**

68. We recommend revising the conditions of Cigna's contract (formerly Vanbreda) in order to audit their performance.

**Proposal and comments by the Secretary General**

Accepted. We will incorporate provisions in future contracts that will enable us to audit the payments made by the plan administrator.

**NET ASSETS**

69. Net assets comprise the accumulated deficit and reserves of the Organization at year-end. In 2014, Net Assets resulted in a negative value of -92.3 MCAD, with an improvement of 33.7 MCAD (43.2%) comparing to -58.7 MCAD in 2013. In relation to the negative "Net Asset" please refer to Paragraph 37.
70. All the movements in Net assets are explained in various Statements and Notes of the Financial Operating Report, in particular:
  - a) Statement II "Statement of financial performance", which shows the surplus for the period (5.3 MCAD).

- b) Statement III “Statement of changes in net assets” with the movements listed separately.
- c) Note 2.12 where details are disclosed by Management on the composition of the reserves.

## **STATEMENT OF FINANCIAL PERFORMANCE 2014**

71. This Statement showed the Organization’s revenue and expenses classified, disclosed and presented on a consistent basis in order to explain the year’s net deficit or surplus. The result of the period resulted in a surplus of 5.3 MCAD.

### **REVENUE**

72. Total revenue amounted to 263.7 MCAD with an increase of 19.5 MCAD (+8%) as compared with 2013 (244.1 MCAD), and is composed of:

- a) “Contributions for project agreements” totalling 139.6 MCAD in 2014 and representing 52,9% of Total Revenues; up 5.2% from 2013 (132.7 MCAD);
- b) “Assessed contributions”, amounting to 89.8 MCAD in 2014, making up 34.1% of Total Revenues, up 8.0% compared to 83.1 MCAD in 2013;
- c) “Other revenue producing activities”, totalling 15.6 MCAD in 2014, and representing 5,9% of Total Revenues; up 4.4% compared to 2013;
- d) “Other voluntary contributions” totalling to 12.4 MCAD in 2014, up 51.5% compared to 2013 (8.2 MCAD);
- e) “Administrative fee revenue” and “Other revenue” totalling jointly 6.2 MCAD in 2014, up 21.3% compared to 2013 (5.2 MCAD).

73. Our audit did not reveal any major issues; a detailed breakdown has been disclosed by Management in Note 3.2.

### **EXPENSES**

74. Expenses totalled 258.4 MCAD, with an increase of 11.5 MCAD (+4.7%), as compared with 2013 (246.9 MCAD). They were composed of:

- a) “Staff salaries and employee benefits”, totalling 143.3 MCAD in 2014 making up 55.4% of Total Expenses; up 2.0% from 2013 (140.5 MCAD);
- b) “Supplies, consumables and others”, amounting to 78.7 MCAD in 2014 and representing 30.4% of Total Expenses, up 6.1% compared to 74.2 MCAD in 2013;

- c) “General operating expenses” totalling 17.6 MCAD in 2014 and representing 6,8% of Total Expenses; up 5.2% as compared with 2013;
- d) “Travel”, totalling 9.8 MCAD in 2014, up 13.9% compared to 2013 (8.6 MCAD);
- e) “Meetings, Training and Other expenses”, totalling jointly 9.0 MCAD in 2014, up 30.4% compared to 2013 (6.9 MCAD)

### **Procurement**

- 75. Procurement presents part of the Expenses analyzed in the paragraph above and accounted as “Supplies, consumables and others”, “General operating expenses”, “Meetings” and “Training”.
- 76. EAO informed us that an audit on “Procurement for Headquarters” was ongoing. The objective of EAO’s audit was to assess procurement activities conducted both by ICAO’s Procurement Section (PRO) and by allotment holders under delegated authority, evaluating whether they were being carried out in compliance with regulations, rules and procedures, and in an economic and cost-effective way.
- 77. The EAO’s report on this sector was made available to us at the end of our audit. We are aware of the relevance of the key issues and of the recommendations reported; in any case, because the audit process is still ongoing, in order to avoid any overlapping we take note of the audit findings and conclusions and, in the future, we will endorse them if appropriate.

### **Personnel**

- 78. We also carried out a detailed sample testing on a number of randomly selected payrolls: some concerned staff members financed from the regular budget and some others were related to field experts under the TCB budget. We checked the accuracy and correctness of the payrolls in relation to the established rules and procedures. We also verified, for all the payrolls in the sample, the supporting documentation found in the personal files, to ascertain whether the rights and allowances granted to individual staff members had a basis in the situation resulting from the files. We did not detect any errors or major weaknesses as the result of our tests and analyses, therefore we consider that we obtained reasonable assurance that the values recorded in the accounts were correct.

### ***Personal files have not all been digitalized yet***

- 79. During our audit, we conducted a physical inspection of the place where hard copies of personal files are kept in HRB. We found that the files are stored in a room with ordinary safety standards and without special protective measures. Management informed us that

some information on personal files has already been backed up in a digital system while other information has not.

**Suggestion n. 5**

80. 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.

**Proposal and comments by the Secretary General**

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.

***Harmonization of current Human Resources guidelines, maintaining flexibility where needed***

81. The two categories of staff in our sample (regular staff and field service staff engaged on TCB projects) are governed by different rules, namely the Service Code approved by the Council and the Staff Rules, for regular staff; the Field Service Staff Rules approved by the Secretary General under delegation of authority from the Council, for the TCB field staff. The two categories of staff are also administered by different Offices: the HR Branch of the Bureau of Administration and Services (ADB) for regular staff and the Field Personnel Section for the TCB environment.
82. Although we understand that there is a need for greater flexibility and prompt response for the posts linked to field projects at the request of Member States, the current approach ends up creating two parallel systems within the same organization.
83. For instance, differences between the two Offices were noted in the recruitment process and in the classification for staff members being in the same contractual situation, as is the case for the staff appointed on a fixed-term contract (including, for TCB, personnel appointed on a very short-term basis or subsequently converted to fixed-term after an initial Special Service Agreement). Differences have also been found in the case of consultants, where recently adopted Administrative Instructions are not being applied to consultants recruited on a Special Service Agreement for TCB projects.

**Recommendation n. 5**

84. We recommend 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

**Comments by the Secretary General:**

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.

**Segment reporting**

85. A report by segments is provided in the Note 5 of the 2014 Financial Statements. The aim of such segmentation is to disclose the financial position and the financial performance and to assign expenses directly to the related segments. The methodology also provides for a distribution of expenses and revenues, primarily by segment, known as the Regular Activities and Technical Co-operation Project.

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 DECEMBER 2014**

86. Statement III “Statement of changes in net assets” shows movements during the year 2014, ending in a negative balance of -92.3 MCAD at 31 December 2014. Our audit conclusions related to the negative net assets are noted in the paragraphs related to “Employee Benefits”

**STATEMENT OF CASH FLOW**

87. The Statement of cash flows 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.

88. In 2014 ICAO reported a cash flow of 24.4 MCAD from operating activities, positive as it had been in 2013 (19.5 MCAD). Net cash flows from investment activities (+0.5 MCAD) showed a positive variation as compared with 2013, due to an increase in Interest income and to a decrease in Investments and in Acquisition of property, plant and equipment and Intangibles.

89. The net result in cash and cash equivalents showed an increase of 22.9 MCAD in 2014. 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 is thus verified and confirmed.

#### **STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

90. Statement V “Comparison of budget and actual amounts for the year ended 31 December 2014” 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. The Standard also envisages the disclosure of the reasons for the material differences between budget and actual amounts. Further details concerning Statement V, which relates only to the regular programme, are provided in Note 4.

#### **ASSESSMENT OF THE INTERNAL AUDIT FUNCTION**

91. In accordance with International Standards, such as ISSAI 1610 and related ISA 610, ISSAI 200 c.2.45, INTOSAI gov 9140 and 9150, the External Auditor has to carry out an assessment of the Internal Audit function. To perform this assessment, we took into account not only the afore-mentioned standards, but also the International Standards for the Professional Practice of Internal Auditing.
92. The internal audit function at ICAO is located in the Evaluation and Internal Audit Office (EAO), whose core activities cover three areas: internal audit, evaluation and investigation. However, we have at the moment assessed only the Internal Audit function, according to the above-mentioned International Standards. Currently, there are no specific international standards for assessing Evaluation and Investigation activities. Although not covered in this report, in the near future the other activities of the EAO will also be the subject of specific audits.
93. For the assessment of the Internal Audit function in the UN system, reference is made to the above-mentioned general principles and to the Audit Guideline 202 “*Evaluation of Internal Audit Services In The United Nations Organizations*”, adopted by the Panel of External Auditors of the United Nations, the specialized Agencies and the International Atomic Energy Agency at its 34<sup>th</sup> session in November 1992. A new section was added to these guidelines at its 35<sup>th</sup> session in November 1993, and the foreword was revised at its 41<sup>st</sup> session in October 2000. In the meeting of the Panel of External Auditors held in New York in December 2014, we proposed, in order to have a consistent approach on this matter, to use a common “basic” tool amongst External Auditors within the UN System. In our opinion, the basis of this common tool should be an updated version of the Audit Guideline referred to above. The Panel determined that the Guideline could be used, on a



voluntary base, as a common tool, and instructed the Italian Corte dei conti to gather inputs from other SAIs in order, once again, to bring the issue to the next Panel's attention.

94. Therefore, we have used the audit guideline as the basis for our assessment and for this purpose we have reviewed and adopted it for this audit. A computer web-based application, containing the reviewed checklist, has been prepared by the Corte dei conti, to which the EAO Chief was given remote access.
95. We carried out our assessment through interviews and exchange of mails with the Chief and the two professional internal audit staff of the EAO, and through the analysis of key documents. We have also analysed the files related to some of the audits performed in the last two years by EAO.

Below, is a list of some of the documents we analysed for the internal audit assessment:

- ICAO Financial Regulations (15th edition, 2013);
  - ICAO Personnel Instructions (01.01.2011 edition)
  - ICAO Framework on ethics (C-WP/13722 of 21.04.2011)
  - EAO Internal Audit manual (2014 edition);
  - the Charter for EAO (Nov. 2012);
  - the EAO work programme for 2012 (C.194.WP.13771.EN);
  - the EAO work programme for 2013 (C.197.WP.13887.EN);
  - the EAO work programme for 2014 (C.200.WP.14071.EN);
  - the Annual report of the French Cour des Comptes on the 2012 Financial Statements, specifically Chapter 5. "Evaluation and Internal Audit Office (EAO)";
  - EAO Reports on annual activities:
    - C.198.WP.13933.EN of 04.02.2013 (for 2012)
    - C.201.WP.14096.EN of 03.02.2014 (for 2013)
  - Annual reports of the EAAC:
    - C.197.WP.13888.EN of 05.09.2012 (for 2011-2012)
    - C.200.WP.14072.EN of 04.10.2013 (for 2012-2013)
  - Internal Audit Reports and documents:
    - report on the implementation of ICAO's "policy on contracts of individual consultants/contractors" – doc. IA/2013/2
    - audit report on fixed assets/inventory control – doc. IA/2013/6
  - Other miscellaneous documents.
96. EAO, for the internal audit function, follows International Standards, with specific reference to the standards of the Institute of Internal Auditors (IIA), quoted both in the EAO Internal Audit Manual and in the Charter for EAO.

97. The Internal Audit function at EAO is currently composed of two auditors, plus the Chief of EAO. The background and the professional qualifications of the staff are compliant with the required standards and with the aims of their mandate.
98. The staff is aware of the ICAO Framework on Ethics (annex 1 of the ICAO Service Code) and of the Code of Ethics issued by the IIA; the EAO Internal Audit Manual requires compliance with them.
99. The professional staff follow a training plan, on an annual basis. The Chief of EAO provides for five days per year in the audit plan for time spent on formal training by audit staff. In addition EAO staff participate in the annual meeting of the Representatives of Internal Audit Services of the United Nations Organizations and Multilateral Financial Institutions and Associated International Organizations (RIAS). However, the EAO Chief considers that training activities are very limited, due to budget restrictions; furthermore, staff are not encouraged to join professional bodies, since ICAO does not pay for the membership fees. Nevertheless, each year the professional staff of EAO complies with the minimum requirements of the IIA standards in terms of Continuing Professional Development (N. 1230 of IPPF). This process allows them to maintain their certifications. The professional staff is evaluated annually with the Performance and Competency Enhancement (PACE) Report, foreseen in the ICAO Staff Rules (Staff Rule 104.39).

#### ***Evaluation of the Internal Audit Unit***

100. After having followed the checklist of the Audit Guideline issued by the Panel of External Auditors of the United Nations and having taken into account the above mentioned International Standards, we are able to conclude that, further to the recommendation and suggestions mentioned below, we can rely on the audit work carried out by EAO.

#### ***A multi-year risk based audit plan would be important to be formalised***

101. The EAO prepares an annual risk assessment and, based on this, presents an annual Internal Audit work plan and a rolling three year audit plan to the EAAC. However this does not provide full audit coverage of all programs and activities and only the proposed annual work plan is presented to the Secretary General.
102. Preparing a formal multi-annual work plan (MAWP) would bring clear advantages in terms of better understanding, by the recipients of the plan, of the adequacy of the EAO's resources in relation to the risks covered and to those which the unit is not able to cover.

103. It has also to be considered that, as a reference and in line with good practice, the Audit Manual for the Internal Audit Division of the UN prescribes (section B.5.1) that the IAD “shall prepare audit work plans on a three-year rolling cycle, primarily based on risk assessment exercises”.

**Recommendation n. 6**

104. We recommend that EAO submits a formal multi-year audit plan, on a rolling cycle to the Secretary General: a) based on risk assessment exercises; b) indicating the planned resources requested for covering major risk areas; c) indicating which risk cannot be covered with the present resources.

**Proposal and comments by the Secretary General**

Accepted. In future EAO will present an annual and the rolling three year work plan that it already prepares for internal use to the Secretary General indicating the major risks that can be covered over this period.

***Is the Annual work plan covering sufficiently all the risks?***

105. For the statistical data on the number of audits planned and carried out by the EAO and on its evolution, we have referred to the Annual Report of the External Auditor for the financial year 2012, to the EAAC Annual Reports for 2012 and 2013, to the 2013 Report on the activities of EAO and to the EAO’s monthly management report for January 2015. However we have only used the numerical summary of the last two years for the purposes of our assessment.

106. Five audits were planned in the 2013 Annual Work Plan (AWP). Three of them were finalised in 2013 and two of them were carried over into 2014. Eight audits were planned in the 2014 AWP; three reports were issued in 2014, three are in preparation as at March 2015, one audit has to be carried forward into 2015 and one audit has been removed from the work program, because of the high number of investigations (five) which EAO was required to carry out, and completed, in 2014. It should be mentioned that two of the planned audits were IT audits (one per year), and were outsourced or performed with external assistance.

107. In fact, the planned audits were based on the results of a risk assessment, where the major risks were prioritised and ranked; however, we detected that, when issuing the AWP, not all the highly ranked risks were covered by an audit. Furthermore, as shown in the previous paragraphs, not all the planned audits were carried out, also due to the EAO’s additional activities, such as investigations; these are another EAO core activity, which

reduces the possibility of carrying out more audits, to ensure a better coverage of the risks.

108. We acknowledge that the EAO does present a monthly report on its activities to the Secretary General, which includes the indicative timetable for and current status of all planned audits. We find this report to be a good practice, as it always shows updated information on the activities performed; we also acknowledge that EAO prepares an annual risk analysis. However, two different documents are prepared for the risk assessment, one for general risks and one for IT risks. The two papers should be merged in just one document, covering all the risks identified at ICAO, with only a single ranking of the risks: this would better show the major risk areas, and help prioritize the planned audits accordingly.

**Suggestion n. 6**

109. We underline the importance of linking audit activities to risks. Therefore, we suggest EAO to present only one document with one risk assessment, that shows all major risk areas, and to specify to the Secretary General and to the EAAC during the AWP's approval exercise, if the number of audits planned is sufficient to cover major risks identified.

**Proposal and comments by the Secretary General**

Accepted. EAO will produce a single risk assessment document in future.

**Suggestion n. 7**

110. Following our recommendation n. 6, considering that it will not be possible to cover all risks identified in a given year, we suggest EAO to present a multi-annual work plan, linked with the risk assessment, specifying not only the audits that will cover, in a given term, some of the major risks identified, but also which of them are not covered.

**Proposal and comments by the Secretary General**

This suggestion is covered by recommendation 6.

***Are the resources for Internal Audit adequate?***

111. We share the EAAC analysis set out in its second Annual Report (issued on 4 October 2013), that the EAO's resources, although increased in 2012 – 2013, are low in

comparison to similar international bodies, especially considering that EAO covers a range of different responsibilities.

112. We have the opinion, however, that only by implementing the above suggestions – in the AWP and MAWP – and linking risks with disclosures of the audit objectives and the planned time table, would it be possible to assess whether the resources are sufficient to cover all the risks related to the main areas of the Organization.

**Recommendation n. 7**

113. We recommend that EAO indicates the time required for the planned audits, linking it with all the possible audit objectives foreseen in an AWP and in a MAWP (see suggestion n. 7), in order to give more information to the SG for deciding in the future on the adequacy of resources for the internal audit function.

**Proposal and comments by the Secretary General**

Accepted. EAO already prepares an annual plan with the estimated time to be spent on each audit (for its own use), however in future this information will also be included in the annual work plan presented to the Secretary General.

***Autonomy, Independence and Quality of Internal Audit.***

114. In the budget of EAO an allotment for contractual services is provided; the Chief of EAO has the authority to manage this budget independently and recruit outside assistance when special skills are necessary. However, the EAO's budget is determined by the Assembly (as part of the overall ICAO budget), upon a proposal from the Council, upon proposal of the Secretary General, and the Chief of EAO does not have the independence to question its adequacy. Also, it seems not to be very flexible, due to the fact that the Assembly only meets once every three years.

115. The Internal audit function is both objective and independent, and is perceived to be so. The EAO is free to fully communicate with the External Auditor. Policies also exist to ensure that the Internal audit staff are free from potential conflicts of interest; the Chief of EAO and the Senior Internal Auditor sign a conflict of interest declaration every year.

116. With regard to the IIA Standards 1130.C1 and 1130.C2, EAO does not provide consulting services to the Organization, which means that we could rely on the work of the Internal Auditor, according to the ISSAI and the IIA standards.

117. The ICAO Financial Rules and the Internal Audit charter specify the mandate for the Internal Audit function. The charter was updated in November 2012. The mandate provides unlimited access to all the organization's activities and information.
118. With regard to our assessment of the quality of the internal audit function, the already mentioned incomplete coverage of major risks should affect our judgment on the adequacy of its work. It should also be mentioned that the EAO does not have any staff with specialized IT audit skills, so it is obliged to outsource these kind of audits. However, having analysed a sample of EAO's audit work (particularly the audits on fixed assets and on the policy on consultants), we consider that the audit work carried out is reliable and of good quality, to the extent that the External auditor is able to rely on EAO's audit work, according to ISSAI 1610 (ISA 610).
119. The need to buy in external expertise to conduct IT audits reduces the possibility for EAO to use its consultancy budget for occasionally hiring other experts in more technical areas, specific to the aviation sector, and also to enhance the training program for the staff, which currently appears to be very limited.

**Suggestion n. 8**

120. Because the IT area has been identified as a major risk, we suggest to examine the possibility of adding to the EAO staff a permanent IT auditor, who could perform also other kinds of audits, leaving the existing budget: a) to enhance the training program for the staff, and b) to occasionally hire external audit experts in technical matters, related to the core business activity of ICAO (the aviation sector), in order to cover risks in these technical areas.

**Proposal and comments by the Secretary General**

Accepted. The possibility of creating an additional post for an IT auditor will be considered as part of the budget setting process for the 2017 to 2019 triennium.

***Cooperation between the Internal Auditor and the External Auditor***

121. We wish to extend our sincere appreciation to the EAO's staff members for their support and assistance during the audit. Based on the outcome of our assessment, we will coordinate with them, whenever possible in the future, for the audit activities.

**FOLLOW UP TO OUR PREDECESSORS' RECOMMENDATIONS**

122. We have reviewed the reports of the Cour des comptes for the period of time from the 2010 to 2013 financial years and the corresponding comments by Management. Annex 1

collects all the audit recommendations issued by our predecessors and the comments received from ICAO Management at the time of the issuance of the Report.

123. The recommendations that are evaluated as “closed” in Annex 1, will not be included again in next year’s Audit Report, unless they need an annual follow-up.

**ANNEX I – Follow-up of recommendations issued by French Court of Auditors in their report for financial year 2013**

<b>Report</b>	<b>Recommendation raised by French Auditors</b>	<b>Comments received from Secretary General at the time of the issuance of the French report</b>	<b>Comments of ICAO Management related to French Court of Auditors' Report on the status at 31.12.2014</b>	<b>Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2014</b>
<p><b>Rec. 1</b></p> <p><b>Report for fy 2013 by French Court of auditors</b></p> <p><b>Ref. Rec. 1 Annual Report for 2012</b></p>	<p>In such a context, it would make sense to anticipate the financing of future payments by creating a specific funding vehicle (that may be outsourced or managed within the United Nation organization) whose financial proceeds would enable the ICAO to optimize the financing of this obligation, this funding itself ensured in last resort by the contributions of the Member States.</p>	<p>Secretary General's draft action plan accepts this recommendation. Ways and means to finance part of the liability and to invest funds are under consideration at the UN level and ICAO will consider any proposed global UN approach with interest. The Council will be informed of the <i>significant increase in Employee benefit liabilities</i>.</p>	<p>ICAO is monitoring and will continue to monitor the position of the United Nations on financing of the employee benefits liability. The Council has been informed of the current status of the after-service health insurance (ASHI) liability and other post-retirement benefits, through C-WP/14246 during the 204th Session.</p> <p>[Management considers this recommendation as closed in 2014]</p>	<p>Closed</p> <p>Please refer to our related paragraph "Employee Benefits"</p>



Report	Recommendation raised by French Auditors	Comments received from Secretary General at the time of the issuance of the French report	Comments of ICAO Management related to French Court of Auditors' Report on the status at 31.12.2014	Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2014
<p><b>Rec. 2</b> <b>Report for</b> <b>fy 2013</b> <b>by French</b> <b>Court of</b> <b>auditors</b></p>	<p>ICAO shall pursue its efforts to collect the arrears in member states assessed contributions and encourage Member States into signing agreements to liquidate their arrears.</p>	<p>Secretary General accepts this recommendation: ICAO will pursue its efforts in collecting the outstanding assessed contributions from prior years, and to encourage Members States to sign agreements to liquidate those arrears.</p>	<p>State Letters and financial situation papers regarding the collection of outstanding assessed contributions are regularly sent three times a year and Member States are encouraged to sign agreements to liquidate their arrears. In 2014, State letters were sent on May 16 for contributions outstanding at 22 April, on 3 September for contributions outstanding at 31 July, and on 30 November for contributions outstanding as at October. Financial Situation papers were sent on 19 February 2014 showing the status as at 31 December 2013, on 9 May for the status as at 31 March and in November as information paper during the 203rd Session of the Council.</p> <p>[Management considers this recommendation as closed in 2014]</p>	<p>Closed</p>

<b>Report</b>	<b>Recommendation raised by French Auditors</b>	<b>Comments received from Secretary General at the time of the issuance of the French report</b>	<b>Comments of ICAO Management related to French Court of Auditors' Report on the status at 31.12.2014</b>	<b>Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2014</b>
<b>Rec. 3 Report for fy 2013 by French Court of auditors</b>	The external auditor recommends improvements to the presentation of this document [ <i>Human resources dashboard</i> ], with more data and analyses that each year provide the Council with a summary that allows it to monitor changes in the largest single item in the budget of the Organisation, the wage bill (it accounts for more than 80 % of the regular budget).	Secretary General accepts this recommendation: the current workforce paper contains a comprehensive narrative on the development of a variety of HR parameters in accordance with UN practice. Observations and analysis were already added that go beyond the information provided by other UN agencies. The working paper will be further improved and additional information will be inserted.	The requisite working paper with additional information will be presented to the 205th Session of the Council.  [Management considers this recommendation as in progress in 2014]	In progress

Report	Recommendation raised by French Auditors	Comments received from Secretary General at the time of the issuance of the French report	Comments of ICAO Management related to French Court of Auditors' Report on the status at 31.12.2014	Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2014
<p><b>Rec. 4</b> <b>Report for fy 2013 by French Court of auditors</b></p>	<p>The external auditor reiterates the recommendation, already accepted but not implemented in full, that an annual management report on human resources be published. This report will provide a clear, detailed explanation, based on auditable information, of the main causes of changes in the wage bill compared with the previous year paid from out of the fund of the programme of the regular budget and the other main funds linked to the regular budget (AOSC, ARGF, etc.), and the change in the difference between the standard costs used to prepare the three-year budget and observed costs.</p> <p>Given that it relates to a major budgetary issue, this report should not have been presented to the Secretary General alone, but also to the Council.</p> <p>The external auditor complets its recommendation by emphasising the fact that the human resources section should have played a part in the preparation of the report to complement the explanations provided by the FIN branch.</p>	<p>Secretary General accepts this recommendation: a similar recommendation was already accepted in March 2013 during the 2012 audit – but as a report presented to the Secretary General. This recommendation has been completed on 31 March 2014 when the Secretary General has been provided by FIN with a concise but comprehensive variance analysis of the 2013 Regular Budget expenditures, which included both price (cost) and headcount variances.</p> <p>High level variance analysis for the financial year ending 2013 currently presented to the Secretary General will be posted on the Council website.</p>	<p>The high level variance analysis for the financial year 2013 was posted on the Council website. This includes a summary explanation of all significant variances, for all types of expenses and not just payroll costs, funded by the Regular Programme Budget, between (a) 2013 budget and 2013 actual expenditures, and (b) 2012 and 2013 actual expenditures.</p> <p>[Management considers this recommendation as closed in 2014]</p>	<p>This recommendation will be followed up in the context of our future audits</p>

Report	Recommendation raised by French Auditors	Comments received from Secretary General at the time of the issuance of the French report	Comments of ICAO Management related to French Court of Auditors' Report on the status at 31.12.2014	Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2014
<p><b>Rec. 5</b></p> <p><b>Report for fy 2013 by French Court of auditors</b></p>	<p>Since this practice has not been contested by the Council in principle, the ICAO should set out appropriate general standards whose main objective would be to determine that they do not result in any obligation or right on the part of the staff concerned vis-à-vis de the ICAO. With this aim in mind, reference texts (FSSR and the National Personnel Project Manual), as well as certain clauses in standard agreements must be made consistent with actual practice and objectives (the non-subordination of contract personnel within national administrations to the ICAO, the absence of any responsibility other than for an administrative control of recruitment files by the director of TCB, etc.). All in all, the aim would be to define an ad hoc status that is unrelated to other types of appointments undertaken by the ICAO under its own responsibility.</p>	<p>Secretary General accepts this recommendation: by December 2014, TCB will review the FSSR and the National Personnel Project Manual to analyze the possibility of including more specific clauses to cover for these types of contracts.</p>	<p>The Field Service Staff Rules (FSSR) were revised to include more specific clauses pertaining to International Professional Experts contracts. The revised seventh edition of the FSSR was approved by the Secretary General on 2 December 2014.</p> <p>The review of the National Personnel Project manual could not be concluded within the planned timeframe due to shortage of staffing arising from separation of key staff to support this process. It is expected the review of this manual will be completed by 31 December 2015.</p> <p>[Management considers this recommendation as in progress in 2014]</p>	<p>In progress</p>

<b>Report</b>	<b>Recommendation raised by French Auditors</b>	<b>Comments received from Secretary General at the time of the issuance of the French report</b>	<b>Comments of ICAO Management related to French Court of Auditors' Report on the status at 31.12.2014</b>	<b>Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2014</b>
<b>Rec. 6</b>  <b>Report for fy 2013 by French Court of auditors</b>	Given the relative importance of IT in the ICAO budget (it accounts for nearly 12.05% of the management and administration credit of the organisation, to be compared to 12.37% in 2012), the external auditor recommends that at the end of each year, the organisation disclose the amount spent on information and communication technologies and how this expenditure is distributed (type, substance, and destination).	Secretary General accepts this recommendation, and considers it is already implemented: the ERP system (Agresso) captures IT data by nature of expenditure (hardware/software) and by cost center. This financial information on IT-related expenses can be shared with the Council if the Council so desires.	The Secretariat is prepared to provide financial information on IT-related expenses to Council upon request. No such request has been made in 2014.  [Management considers this recommendation as closed in 2014]	This recommendation will be followed up in the context of our future audits
<b>Rec. 7</b>  <b>Report for fy 2013 by French Court of auditors</b>	The Auditor recommends that a more realistic contribution from the AOSC be granted to FIN to reflect the actual time spent by FIN's staff on technical cooperation activities.	The Secretary General rejects this recommendation, considering Council had been properly informed before taking its budgetary decisions. The external auditor keeps to its initial view that 1.2 MCAD do not cover regular budget expenditure for TCB activities.	This recommendation was not accepted by the Secretariat for the reasons stated in C-WP/14162. The Council endorsed the Secretariat's view.  [Management considers this recommendation as closed in 2014]	Closed

Report	Recommendation raised by French Auditors	Comments received from Secretary General at the time of the issuance of the French report	Comments of ICAO Management related to French Court of Auditors' Report on the status at 31.12.2014	Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2014
<p><b>Rec. 8</b></p> <p><b>Report for fy 2013 by French Court of auditors</b></p>	<p>The External Auditor recommends adopting the principle of continual improvement in the budgetary and financial data provided by FIN. This could take the form, for example, of periodic meetings with the Headquarters bureaus. The Auditor also recommends having the rate of recovery of the debts on missions, delegations and ARGF services (the bulk of it being on account 14150 and 14160) a key performance indicator in the next triennial budget.</p>	<p>The Secretary General partially accepts this recommendation and will implement it during the 1st half of 2014.</p> <ol style="list-style-type: none"> <li>1. FIN will distribute budget reports and seek input or suggestions from Bureaus at least once a year. FIN will provide visibility to payroll cost to those bureaus who desire it.</li> <li>2. KPIs that are important for the Council will be developed with input from the Council.</li> </ol>	<ol style="list-style-type: none"> <li>1. Reports on the status of allotments for the period to September 2014 were sent to Bureaus in October 2014. Bureaus were invited to suggest additional information or adjustments to formatting in view of improving these reports to meet the needs of Bureaus.</li> </ol> <p>[Management considers this recommendation as implemented in 2014]</p> <ol style="list-style-type: none"> <li>2. As part of the Corporate Performance Management System (CPMS) project, draft KPI's have been prepared by all Bureaus and brainstorming sessions have been held to further refine them. The refined KPIs will be shared with the Council during a Workshop in March 2015, at which time Council will select a limited number of KPIs it intends to follow.</li> </ol> <p>[Management considers this recommendation as in progress in 2014]</p>	<p>In progress</p>

Report	Recommendation raised by French Auditors	Comments received from Secretary General at the time of the issuance of the French report	Comments of ICAO Management related to French Court of Auditors' Report on the status at 31.12.2014	Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2014
<p><b>Rec. 9</b> <b>Report for fy 2013 by French Court of auditors</b></p>	<p>The External Auditor recommends greater involvement from the Finance Branch in assessing the reliability of the budgeted revenue from the ARGF, in particular by giving it the authority to question and discuss the forecasts established by the ARGF's Director in a bottom-up approach.</p>	<p>The Secretary General "partially accepts" this recommendation, but considers that, as a member of the RGA [<i>Revenue Generating Activity</i>] Governing Committee, FIN is already involved in assessing the reliability of ARGF budget. No specific action is intended to increase this involvement.</p>	<p>FIN regularly attends and participates in meetings of the RGGB.  [Management considers this recommendation as closed in 2014]</p>	<p>This recommendation will be followed up in the context of our future audits</p>
<p><b>Rec. 10</b> <b>Report for fy 2013 by French Court of auditors</b></p>	<p>Noting that FIN chief asserts that "FIN performs all analyses considered necessary or useful" the External Auditor recommends that FIN sets itself up to be able to carry out detailed and auditable financial analyses on the trends affecting total payroll, in particular by identifying the variables associated with the level of employment and labour costs, the use of consultants or changes in re-invoicing methods to the ARGF or the AOSC. The External Auditor believes that such a capability can be achieved with the current resources through internal redeployment.</p>	<p>The Secretary General accepts this recommendation: FIN will annually issue a report explaining the variance in payroll expenses.</p>	<p>The report on the results of a high level variance analysis for the financial year 2013 was posted on the Council website. This includes a summary explanation of all significant variances, for all types of expenses and not just payroll costs, funded by the Regular Programme Budget, between (a) 2013 budget and 2013 actual expenditures, and (b) 2012 and 2013 actual expenditures.  [Management considers this recommendation as closed in 2014]</p>	<p>This recommendation will be followed up in the context of our future audits</p>

Report	Recommendation raised by French Auditors	Comments received from Secretary General at the time of the issuance of the French report	Comments of ICAO Management related to French Court of Auditors' Report on the status at 31.12.2014	Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2014
<p><b>Rec. 11</b> <b>Report for fy 2013 by French Court of auditors</b></p>	<p>Following on from the annual report on the 2012 accounts where the recommendation was made to plan for financing the ASHI commitments, the External Auditor recommends that FIN adds financial estimates to the list of risks, so as to understand their potential impact.</p>	<p>The Secretary General rejects this recommendation, considering ICAO has no in-house ability to develop meaningful and accurate estimates, and that there are no funds appropriated for this purpose. Nevertheless, the external auditor encourages a better knowledge and information of the Council on these key risk issues.</p>	<p>This recommendation was not accepted by the Secretariat for the reasons stated in C-WP/14162. The Council endorsed the Secretariat's view.</p> <p>[Management considers this recommendation as closed in 2014]</p>	<p>Closed</p>
<p><b>Rec. 12</b> <b>Report for fy 2013 by French Court of auditors</b></p>	<p>The External Auditor recommends that the strategic planning unit be placed in a driving force position, and not just a focal point, for cross-functional projects associated with strategic analysis and performance evaluation. The main contribution of FIN should be, in close cooperation with the Human Resources Branch, to take a strategic look at the Organization's future requirements in terms of financial resource planning.</p>	<p>The Secretary General accepts this recommendation: a new set of indicators will be implemented by the end of 2015.</p>	<p>The Corporate Performance Management System (CPMS) project, led by the strategic planning unit, has progressed in 2014. Tentative KPI's have been submitted and brainstorming sessions are being held with all Bureaus.</p> <p>[Management considers this recommendation as closed in 2014]</p>	<p>This recommendation will be followed up in the context of our future audits</p>



Report	Recommendation raised by French Auditors	Comments received from Secretary General at the time of the issuance of the French report	Comments of ICAO Management related to French Court of Auditors' Report on the status at 31.12.2014	Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2014
<p><b>Rec. 13</b></p> <p><b>Report for fy 2013 by French Court of auditors</b></p>	<p>The external auditor has been informed of the 12th meeting of the AFI Plan steering committee. However, no indication has been given on the expected orientations that would be suitable for the region. ICAO is locally expected, without interfering with States sovereignty, to help define, through the AFI Plan Steering Committee, a clear standpoint, from a purely technical and financial point of view, on the potential groupings it considers most suitable, with a view to establishing one or more RSOOs in Africa (particularly in the WACAF Region), in order to help the States of the Region to express their own opinion and make a choice on one or more coherent alternatives.</p>	<p>The Secretary General accepts this recommendation. The target date for implementation is set at 2nd quarter 2014.</p>	<p>An MOU separating the functions of AAMAC and the respective RSOOs of UEMOA and CEMAC was signed on 27 May 2014, during the 1st AFI Safety Symposium held in Dakar, Senegal. Through this MOU, AAMAC (covering 17 ASECNA States) will focus on the supervision of Air Navigation Services whilst the UEMOA, CEMAC RSOOs will cover supervision of the remaining technical areas.</p> <p>A coordination meeting with African Air Navigation Service Provides, was held at the initiation of the ICAO Council President, in Montreal on 4 February 2015, in order to encourage AFI ANSP to establish and effective region-wide cooperation framework and mechanism.</p> <p>[Management considers this recommendation as closed in 2014]</p>	<p>This recommendation will be followed up in the context of our future audits</p>

<b>Report</b>	<b>Recommendation raised by French Auditors</b>	<b>Comments received from Secretary General at the time of the issuance of the French report</b>	<b>Comments of ICAO Management related to French Court of Auditors' Report on the status at 31.12.2014</b>	<b>Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2014</b>
<p><b>Rec. 14</b></p> <p><b>Report for fy 2013 y French Court of auditors</b></p>	<p>An inventory was drawn up in the presence of all parties concerned in July 2012, further to which a letter was sent to the Director General of ADS. The Council could request the Secretariat to use this joint report in order to put the matter clearly and directly to the higher authorities of the host country.</p> <p>The external auditor has been told that the State, through ANACIM and ADS, has taken the responsibility and repair works are on-going (according to ICAO, in April 2014, about 75% were completed, and remainder -terrace, access road- were targeted for May 20th 2014).</p>	<p>This recommendation has thus been partially accepted by the Secretary General with a target date of 1st quarter 2014.</p>	<p>The works on the terrace and the access road were completed in May 2014; works are currently on-going for construction of an external parking on the land adjacent to the office (this followed formal requests to the Government by both ICAO Secretary General and Council President during visits to the State in the course of 2014). These latter works are 60% complete (parking area paved and 25 % of fencing done) and should be finished by the end of the first quarter of 2015.</p> <p>[Management considers this recommendation as in progress in 2014]</p>	<p>In progress</p>

Report	Recommendation raised by French Auditors	Comments received from Secretary General at the time of the issuance of the French report	Comments of ICAO Management related to French Court of Auditors' Report on the status at 31.12.2014	Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2014
<p><b>Rec. 15</b></p> <p><b>Report for fy 2013 by French Court of auditors</b></p>	<p>Three actions might be considered to solve the present issue:</p> <p>1) Regional officers should be oriented towards residence in an apartment, or invited to bear the additional protection costs if they choose an individual house;</p> <p>2) Security services providers should be called (if necessary under the supervision of UNDSS) to competition and improvement of their rates;</p> <p>3) ICAO should firmly put pressure on the host country on the need to strengthen the safety of its officers.</p> <p>If and when these three conditions are met, ICAO should allocate to the Dakar Office credits allowing it to comply with the local requirements of the UN Security.</p>	<p>The Secretariat General rejects this recommendation, considering that this Security issue is to be dealt with by all UN organizations, under the auspices of UNDSS, which would allow collective pressure to be exerted on local authorities. The external auditor confirms its initial recommendation but agrees with the Secretary General that this issue is to be held through UNDSS action. ICAO informed the external auditor that a UN working group completed a study on the subject in Dec 2013, and that Secretariat has upheld full compliance with MORSS requirement without restriction and is making required budgetary allocation.</p>	<p>RO Dakar has submitted an analysis of its security requirements and cost estimates. These requirements are currently being reviewed by ADB in coordination with UNDSS.</p> <p>[Management considers this recommendation as in progress in 2014]</p>	<p>In progress</p>

Report	Recommendation raised by French Auditors	Comments received from Secretary General at the time of the issuance of the French report	Comments of ICAO Management related to French Court of Auditors' Report on the status at 31.12.2014	Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2014
<p><b>Rec. 16</b></p> <p><b>Report for fy 2013 by French Court of auditors</b></p>	<p>In order to assess the residual level of risk relating to purchases made under technical cooperation agreements, of which it is the final guarantor, the Council could request a review of the effective functioning of all procedures in place, notably including improvements accepted by the Secretary General, to be completed by the end of 2014.</p>	<p>Secretary General accepts this recommendation: concerning the improvements in the filing system by the end of 2014, PRO will evaluate the confidentiality and functional aspects related to using a common data storage facility prior to assessing a definitive transition.</p>	<p>The procurement processes subject to continuous improvement review as required by the ISO:9001:2008 certification of the Technical Cooperation Bureau.</p> <p>Procurement will maintain the actual data storage system. If in the future a new system is developed in TCB, then the Procurement Section will evaluate the confidentiality and functional aspects to determine whether to adopt this new system.</p> <p>[Management considers this recommendation as closed in 2014]</p>	<p>Closed</p>
<p><b>Rec. 17</b></p> <p><b>Report for fy 2013 by French Court of auditors</b></p>	<p>ICAO bureaus and branches shall complete the implementation of all the recommendations accepted by the Council. Their follow-up is part of the next external auditor's mandate.</p>	<p>Secretary General accepts this recommendation.</p>	<p>All actions taken to implement the recommendations of the External Auditor are recorded in the recommendations tracking database managed by EAO.</p> <p>[Management considers this recommendation as closed in 2014]</p>	<p>Closed</p> <p>The External Auditors independently will review regularly the status of implementation of every recommendation issued by our predecessors.</p>

**ANNEX II – Follow-up of recommendations presented by French Auditors in annual previous reports, related to financial years 2010, 2011 and 2012**

Report	Recommendation raised By French Auditors	New Action Update - External Audit position expressed in their last report for 2013	External Audit position expressed in their last report for 2013	New Action Update - ICAO position as reported in last EAs' report on 2013	External Auditor's view: expressed in their last report for 2013	Comments received by ICAO Management on status as updated at 31.12.2014	Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2014
<p><b>Rec. 4</b> <b>Annual Report for 2010 by French Court of auditors</b></p>	<p>When presenting budgetary hypothesis related to established posts to the Council, the Secretary General should systematically indicate the actual posts charged to the regular budget.</p>	<p>C/WP/14032 indicates in annex 3 (p138), table 4, approved appropriations for 2011-2012-2013 and estimates for 2014-2015-2016 in thousand CAD distinguishing P and GS. Table 5 indicates for each block of offices the number of P posts and the number of GS posts in 2013 and the estimations for 2016, but Exhibit 1 to 3 (p147 to 149) which give the structure of the posts (D2, D1,...G7, G6,...) are not available for 2013, nor 2012 or 2011. So budgetary Hypothesis related to establishes posts are only partially given to transparency.</p>	<p>Partially implemented</p>	<p>Table 5 of Annex 5 in the budget working paper (CWP/14032) and final document (DOC 10030) provided the comparison between 2013 posts and 2016 posts (i.e. post movement) -which is more relevant than merely providing the detailed information of 2011-2012-2013 headcounts. During the budget preparation process, the 2011-2013 headcounts and other information were already provided to the governing bodies, as requested – but this information was not included in the final budget documents as these are no longer relevant and necessary for the 2014-2015-2016 budget working papers and final budget document (DOC10030).</p>	<p>The structure of post is necessary. No change in external audit's position.</p>	<p>Management considers this recommendation as closed prior to 31 March 2014</p>	<p>This recommendation will be followed up in the context of our future audits</p>

Report	Recommendation raised By French Auditors	New Action Update - External Audit position expressed in their last report for 2013	External Audit position expressed in their last report for 2013	New Action Update - ICAO position as reported in last EAs' report on 2013	External Auditor's view: expressed in their last report for 2013	Comments received by ICAO Management on status as updated at 31.12.2014	Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2014
<b>Rec. 2</b> <b>Annual Report for 2011 by French Court of auditors</b>	<p>A more rigorous and transparent approach must be taken to the preparation of the budget for the triennium 2014-2016. This would consist of:</p> <p>-(a) starting by coming up with an exhaustive definition of the perimeter of activity covered by the budget and of the resources available other than assessed contributions;</p> <p>-(b) not setting any restrictive rule for real growth in budget estimates until the first step is complete and applying it only to the Member States' assessed contributions, since the other resources are, by definition, variable.</p>	<p>Following CWP/13899, point 3 (p1) and point 9 (p2), scenario of zero growth has been first chosen, then the activities have been decided: so the process has been conducted reverse to our recommendation. This recommendation cannot no longer be implemented before triennium 2017-2019.</p>	<p>Partially implemented</p>	<p>As indicated, we have shared the views of the auditors with Council Members. The approach for developing the budget is what the Council wanted and what it eventually decided.</p>	<p>ICAO comment's is not bringing new elements so no change in external audit's position.</p>	<p>Management considers this recommendation as closed prior to 31 March 2014</p>	<p>This recommendation will be followed up in the context of our future audits</p>

Report	Recommendation raised By French Auditors	New Action Update - External Audit position expressed in their last report for 2013	External Audit position expressed in their last report for 2013	New Action Update - ICAO position as reported in last EAs' report on 2013	External Auditor's view: expressed in their last report for 2013	Comments received by ICAO Management on status as updated at 31.12.2014	Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2014
<b>Rec. 3</b> <b>Annual Report for 2012 by French Court of auditors</b>	<p>Council should request from the Secretary General to be provided with a summary detailing all estimation and allocation changes impacting AOSC net result on an annual basis.</p> <p>This summary should clearly show how regular budget contributes to the financing of technical cooperation activities.</p>	<p>In the reports of the Secretary general included in the financial package there are some explanations about AOSC results. However, the external auditor considers that this information is insufficient to give a clear view to the Council. For instance, we noted that severance costs relating to staff working for AOSC were funded by regular budget.</p>	<p>Not implemented</p>	<p>The severance cost for staff working for AOSC was absorbed by the Regular Budget because the severances in TCB occurred in order to accommodate redundancies within the Regular Budget.</p>	<p>External auditor maintains its position.</p>	<p>Management considers this recommendation as closed prior to 31 March 2014</p> <p>This recommendation was not accepted by the Council. (FIC oral report relating to C-WP/14048 refers).</p>	<p>Closed</p>

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<b>Rec. 5</b> <b>Annual Report for 2012 by French Court of auditors</b>	<p>The wage bill represents nearly 80% of budget expenditure. The General Secretariat and the finance Department should be invited by the Council to submit an annual management report explaining clearly and in detail, in an auditable form, major changes to the payroll as compared to the previous year under the program funds from the regular budget and other major funds related to the regular budget (AOSC, ARGF, etc.), and the evolution of discrepancy between standard costs used to establish the triennial budget and costs recorded each year on year.</p>	<p>The increase of costs is collected in 4 components for P Posts (salary and post adjustment costs -around 0,6 MCAD), consultants/temps charged to IP vacancies (around 0,7 MCAD), repatriation costs (around 1,5 MCAD), ASHI (around 0,5 MCAD) and only one component for GS posts (termination indemnity costs - around 1,2 MCAD) but the analysis of the increase of the components is not linked to the evolution of number of posts. More than an analysis, it is a brief overview that will not enable the Council to take action to control costs' evolution. The recommendation will cannot be completed, since current actions are not in line with it. The position of external auditor remains.</p>	<p>Not implemented</p>	<p>As explained to the auditor on 20 March 2014, the variance analysis emailed to the auditors on 21 March 2014 was still in its draft version. This recommendation has been completed on 31 March 2014 when the Secretary General has been provided with a concise but comprehensive variance analysis of the 2013 Regular Budget expenditures, which included both price (cost) and headcount variances. This can be shared with the auditors if requested.</p>	<p>The information of council is necessary, formalized explanatory document also and both do not exist. No change in external audit's position.</p>	<p>The report on the results of a high level variance analysis for the financial year 2013 was posted on the Council website. This includes a summary explanation of all significant variances, for all types of expenses and not just payroll costs, funded by the Regular Programme Budget, between (a) 2013 budget and 2013 actual expenditures, and (b) 2012 and 2013 actual expenditures.</p> <p>[Management considers this recommendation as closed in 2014.]</p>	<p>See Rec.4/2013</p>



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<p><b>Rec. 7</b></p> <p><b>Annual Report for 2011 by French Court of auditors</b></p>	<p>In preparing the budget for the next triennium, with regard to ICT duties, ICAO needs to reassess the ratio of ICAO staff to consultants in order to optimally ensure the sustainability and control of essential ICT functions, whereas the rest can be outsourced or handled by consultants.</p>	<p>According to CWP/14032, Exhibits 1 to 3 (p147 to 149), number of ICT posts, identified as such in ADB, is stable with 17,5 posts (11,5 P, 6 GS) from 2014 to 2016. Exhibit 4b, 2014-2016 ICT budget, shows that total budget for consultancy and outsourcing to third party is reduced by 115KCAD (from 1118KCAD to 1073KCAD). "ICAO's ICT Strategic Plan and Budget Planning for 2014-2016" presented on 17<sup>th</sup> January does not include any strategy to reassess the ratio of ICAO staff to consultants.</p> <p>However, external auditors take note that some changes are underway, as documented in recommendations 2012 Rec 8 and Rec 15.</p>	<p>Not implemented</p>	<p>We do not agree to keep this recommendation open. There are no hard and fast rules regarding the reassessment of the ratio of staff to consultant or a general formula for determining the appropriate ratio composition.</p> <p>The basic premise for the recommendation was to ensure that core services are not adversely affected because they are manned only by consultants. As such all the measures undertaken (which C/ICT has also directly communicated to the external auditor in a meeting) were directed at ensuring that:</p> <ul style="list-style-type: none"> <li>• Core Services are clearly defined and the manpower needs correspondingly identified (Service catalogue and Skills</li> </ul>	<p>ICAO comment's is not giving any answer to external auditor's assessment.</p>	<p>Management considers this recommendation as closed prior to 31 March 2014.</p>	<p>This recommendation will be followed up in the context of our future audits</p>

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				<p>Matrix)</p> <ul style="list-style-type: none"> <li>• For each core service, at least a staff member and back-up staff member resource is available to support it.</li> <li>• Four (4) additional staff positions were created, to achieve the allow for flexibility of operations were being taken into consideration in areas such as ICT, owing to the nature of the functions that consultants carry out in these areas and subject to budgetary constraints and increasing service demand.</li> </ul>			

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<b>Rec. 17</b> <b>Annual Report for 2011 by French Court of auditors</b>	<p>In accordance with the internal auditor's recommendation in 2009, a single business plan should be drawn up for RGA activity, which, in the future, would help make the budget forecast more detailed and more accurate.</p> <p>Grouping all the entities contributing to the Fund's activity (i.e. the RGA unit for marketing, the RSED service for publications and the COS service for conference services) under a single authority (ADB), as recommended by the External Auditor during his audit and agreed by the Secretary General on 1 November 2011, should facilitate this process.</p>	<p>A revenue generating activities policy (C-WP/14122) has been adopted on 5th February 2014.</p> <p>It includes, among others, the principles of an annual budget and business plan for the ARGF presented to the Council in the Autumn session for its review, of a quarterly report on financial results posted on the Council website and of an annual audit of financial results of the ARGF. Next triennial budget (2014-2016) preparation is in progress. Table of revenues and expenses aggregates all activities (publications, eproducts, training, seminar,...) and a business plan is attached to each new activities.</p> <p>After approval of these elements (28/03/2014), narrative budget and business plan will be written for approval by the Finance committee on 25/05/2014.</p>	<p>In progress</p>			<p>The budget and business plan for ARGF for 2014, and for planning purposes for 2015 and 2016, was approved by the Revenue Generation Governance Board on 10 April 2014 and was submitted to the 202nd Session of the Council for endorsement in C-WP/14160.</p> <p>[Management considers this recommendation as closed in 2014.]</p>	<p>This recommendation will be followed up in the context of our future audits</p>

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<b>Rec. 12</b> <b>Annual Report for 2012 by French Court of auditors</b>	In view of the size of the managed financial volumes, in terms of both the regular budget and other resources, ICAO could consider the setup of instruments for comprehensive financial monitoring and management of ADB activities, which are dependent on non-budgetary resources (COS and RGA).	This position of Resource Management Associate is currently under recruitment and will report to ADB Deputy director.	Not implemented			Discussions were started with FIN. A post of Resource Management Associate was established in the Office of D/ADB to assist with comprehensive resource monitoring and management. The Resource Management Associate has reported for duty in February 2015.  [Management considers this recommendation as in progress in 2014.]	In progress

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<b>Rec. 13</b> <b>Annual Report for 2012 by French Court of auditors</b>	<p>The setup of objective foolproof system for measuring the available translation potential of interpreters, and an effective assignment of interpreters to enhance planning, together with adequate means for monitoring the work done by each interpreter, are a prerequisite for any concrete attempt at using this potential rationally and in a necessarily concerted way.</p> <p>Using the data available in EDEN and Agresso, LPB should provide as soon as possible reliable information on these important parameters.</p>	<p>EDEN system allows automatically planning for interpreters (permanent or not) and reports on interpretation done and on resulting translation availability. Council has reorganized for the triennium 2014-2016 its meetings in order to have 7 meetings a week. This allows a better use of interpretation potential. The difficulty is that this translation availability remains theoretical in many cases because interpreters take their holidays during part of this time: chiefs of translation manage effective availability with the interpreters without trying to match translation 80 availability figure given by EDEN. Flexible arrangements are few and concerne translation hours as interpretation hours are ruled by the meetings.</p>	<p>In progress</p>			<p>Management considers this recommendation as closed prior to 31 March 2014.</p>	<p>This recommendation will be followed up in the context of our future audits</p>

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<b>Rec. 14</b> <b>Annual Report for 2012 by French Court of auditors</b>	<p>ADB is working on issues regarding evaluation and benchmarking of translation services, particularly compared with other United Nations organizations. When this reflection is completed and the objective methodological bases defined, measuring translators' productivity and controlling translation quality should be two priorities. These priorities must be accompanied by precise schedule markers, to put an end to the present situation of resistance to change.</p>	<p>Productivity policy and system have been established, the standard has been set at 1500 words per days of activity (although it was estimated 1600 initially). Productivity reports are released. But all these productivity tools are not effectively implemented. For example, individual productivity reports mention neither the number of words nor the number of hours, 1500 words per days of activity is only seen as experimental, work assigned and work completed always match perfectly, ... A quality control, by the way, exists, procedures are documented and based on risk analysis (of the document or of the translator).</p>	<p>In progress</p>			<p>Management considers this recommendation as closed prior to 31 March 2014.</p>	<p>This recommendation will be followed up in the context of our future audits</p>

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<b>Rec. 15</b> <b>Annual Report for 2012 by French Court of auditors</b>	<p>Within the limits set out for support services in the next triennial budget, the Organization should consider granting ICT enough posts to ensure a satisfactory control of the main IT applications, including by reallocation from other sections.</p>	<p>Instances and cases where key services manned by consultants have been documented. Four positions (two G-7 and two P-3) have been identified and converted. This recommendation is linked to 2012 Rec 8.</p>	<p>In progress</p>			<p>Four new positions (two G-7 and two P-3) have been created and filled in ICT. Beyond this, the position of Information Security Officer is being reinstated. All key areas are now managed by Staff members.  [Management considers this recommendation as in progress in 2014.]</p>	<p>In progress</p>

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<b>Rec. 17</b> <b>Annual Report for 2012 by French Court of auditors</b>	<p>The Priority Board should meet more regularly. Indeed, the following observations show that it could usefully be referred to for discussion of a number of major issues relating to publications.</p>	<p>Priority Board met only twice during 2013 and no meeting is planned for the moment for 2014. This cannot be considered as "regularly meeting" and represents only the half of the original goal of quarterly meetings that have been reduced to two meetings per year, following Publications Priority Board's meeting summary from December 2013. Administrative Instructions for the Provision of Language Services was discussed by the board but other policies are to be discussed as "The Publications Priority Board, chaired by D/ADB, meets at regular intervals to discuss policy and other high-level matters related to publications activities" and "reviews and approves proposals and</p>	<p>In progress</p>	<p>We do not agree to keep this recommendation open. The recommendation was for the Priority Board to meet more regularly. Regular meetings of the Board were held in 2013 and meetings will be held on a regular basis in 2014; the next meeting of the Board will be held at the end of April. In addition, the Subgroup on Coordination of Publications, which consists of representatives from all Bureaus, held five meetings in 2013 (February, May, July, September and December). The Subgroup meets regularly to coordinate operations in the production of publications (from planning and forecasting, through translation, editorial,</p>	<p>ICAO comment's is not bringing new elements so no change in external audit's position.</p>	<p>Management considers this recommendation as closed prior to 31 March 2014.</p>	<p>This recommendation will be followed up in the context of our future audits</p>



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

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<b>Rec. 14</b>  <b>Annual Report for 2011 by French Court of auditors</b>	<p>The nonbudgetary funding of the activities of ANB and ATB leads to the following recommendations:</p> <p>-The revenue generating activities should be re-examined, along with the payment of missions and conferences by third parties, so as to ensure that there are no conflicts of interest (notably with regard to training centres and suppliers of aeronautical services). In this respect, the Secretary General's decision to appoint an ethics officer should undoubtedly be beneficial;</p> <p>- Given the growing importance of the MRTD programme over recent years, its funding should be reconsidered so as to include specific appropriation of</p>	<p>1. Conflicts of interest: "conflict of interest declaration and financial disclosure" statement revised in march 2014, 100% of the key staff signed the declaration of interest, book about preventing conflict of interest sent to all staff, 31 face-to-face trainings in 2013, all RO trained, 50-60% central staff trained.</p> <p>2. Funding MRTD: ICAO TRIP Strategy has been adopted. MRDT funding sources, following A38-WP/11, appendix C (p8), remain mainly out of the regular budget as extra-budgetary sources finance more posts than regular budget and technical groups are funded by States, organizations or private sector.</p> <p>3. Mandatory contributions correspond to priority</p>	<p>Partially implemented</p>	<p>The core work programme related to MRTD/TRIP is funded by the regular budget and will be consolidated into the new Facilitation Section in mid-2014. Currently, one G-6 post is funded by ARGF. Functions assumed by two consultants (mainly related to revenue generating activities) will be converted into the posts funded by ARGF. The two agreed actions have been completed.</p>	<p>ICAO comment's shows that the process is going on but not completed, so no change in external audit's position.</p>	<p>Management considers this recommendation as closed prior to 31 March 2014.</p>	<p>This recommendation will be followed up in the context of our future audits</p>

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	<p>funding for this programme in the next regular triennial budget that is commensurate with the level of Secretariat effort required;</p> <p>- Finally, in the framework of the next triennial budget, care should be taken to ensure that mandatory contributions correspond to priority ICAO actions, while extra-budgetary funding, which by definition is more unstable, should be geared more towards actions which do not require long-term stability.</p>	<p>ICAO actions: as ARGF is still funding the regular budget, it can be considered that this is not implemented. Recommendation completed on conflicts of interest but there might be a risk on the future if the ethics officer remains on 0,5 post.</p>					

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<b>Rec. 18</b> <b>Annual Report for 2012 by French Court of auditors</b>	<p>It is time for the rules governing the style, format and presentation of ICAO publications to be reviewed and streamlined: firstly to avoid the Organization's "commercial" publications adversely affecting the Organization's external image, and secondly to take into account the increasing share of electronic distribution in the work of publication. In this regard, texts focusing on these two aspects (Staff Notice 4562 and Doc 7231/11) should be updated.</p>	<p>The new branding is already applied for most publications. Templates have been created. Only few templates remain to establish and among them is the template regarding technical publications (1999 standards still apply). It is planned to review them during 2014 in order to harmonize them with the other templates. The guidelines for the implementation of all the template will be established and shared through the Secretariat web site. Since April 2012, all publication need an approval from COM: if 2013 has been a year of "learning" of the new branding, it seems that it is now assimilated. Realised and processing actions should allow an implementation of the recommendation on time.</p>	<p>In progress</p>			<p>In light of ICAO's re-branding having to proceed incrementally, respective technical publications (Annexes, Manuals, etc.) are only being redesigned when they are scheduled for revision or reprinting. It is expected that ICAO Doc 9303 will be the first manual to undergo this process, likely by April of 2015. Separate actions by other ICAO bureaus and sections have already led to the ICAO Publications Regulations (Doc 7231/11) taking account of matters relating to electronic distribution, so that aspect of the recommendation is considered complete. COM is still pursuing a section on its branding authority being added to 7231/11 through the Publications Priority Board, and 2013 IOM SKMBT_C35313040812 240 satisfactorily addressed the auditor concerns relating to SN 4562.  [Management considers this recommendation as in progress in 2014.]</p>	<p>In progress</p>

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<b>Rec. 19</b> <b>Annual Report for 2012 by French Court of auditors</b>	The inclusion of publications policy in the reflection on the public information strategy plan would be appropriate.	COM is not aware about any publications policy and already implements the 2014-2016 communication plan. The implementation of the recommendation seems unlikely since COM doesn't even know the publications policy.	Not implemented	We maintain that a communication plan, incorporating a publication policy is being developed for the end of 2014. There is no publication policy document as such, but there is a publication regulation, doc 7231.	ICAO comment is not bringing new elements so no change in external audit's position.	The ICAO Communications Plan now contains a section noting applicable aspects of ICAO's Publications Regulations, and stresses that related branding considerations flow from IOM SKMBT_C353130408 12240 and seek to ensure that ICAO's information is presented in such a manner as to reflect the prestige and authority of the Organization in the international aviation and public sector communities it serves. On this basis this recommendation is considered as being completed. [Management considers this recommendation as closed in 2014.]	Closed

<b>Report</b>	<b>Recommendation raised By French Auditors</b>	<b>New Action Update - External Audit position expressed in their last report for 2013</b>	<b>External Audit position expressed in their last report for 2013</b>	<b>New Action Update - ICAO position as reported in last EAs' report on 2013</b>	<b>External Auditor's view: expressed in their last report for 2013</b>	<b>Comments received by ICAO Management on status as updated at 31.12.2014</b>	<b>Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2014</b>
<b>Rec. 10 Annual Report for 2012 by French Court of auditors</b>	The auditors and evaluators should fully dedicate their activity on audit and evaluation, and administrative tasks (external auditor focal point and follow up of JIU) should be transferred to more suitable services in ICAO.		Not implemented	This recommendation was rejected by the Secretary General and the Council in C-WP/14048. It should be closed.		Management considers this recommendation as closed prior to 31 March 2014.	Closed
<b>Rec. 29 Annual Report for 2012 by French Court of auditors</b>	ICAO should not declare closed a recommendation that has not been fully and satisfactorily implemented.	Example given with the external audit recommendations, many recommendations are considered as implemented by EAO although they are not, principally because EAO relies on bureaus' declarations and not on searching supporting documents.	Not implemented	The action proposed by ICAO to close this recommendation, i.e. to hold meetings with each bureau is implemented.	A meeting is not a result. ICAO comment's is not bringing new elements so no change in external audit's position.	Management considers this recommendation as closed prior to 31 March 2014.	This recommendation will be followed up in the context of our future audits

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<b>Rec. 28</b> <b>Annual Report for 2012 by French Court of auditors</b>	It is recommended to ensure that the integration of the technical cooperation activities within the regional offices is implemented in a harmonized manner between the various offices.	Key activities and related key performance indicators for each regional office have been defined and given to transparency in the regular budget 2014-2016. Beyond regional differences, and following C-WP/14032 (p68 to 101), many differences remain in the technical cooperation activities.	In progress	Infact, the auditor is right; there are differences between the various ROs, that may go beyond strict geographical diversity. But the action agreed in the end is to have some harmonized KPI in the new performance management system.	This is still to be put in place by the end of 2014. No change in external audit's position.	As at 16 February 2015, the list of common KPIs for ROs has been established for the year 2015. [Management considers this recommendation as in progress in 2014.]	In progress

**ANNEX III – Follow-up of recommendations issued by French Court of Auditors in their report on Audit of TCB (Technical Cooperation Bureau)**

<b>Report</b>	<b>Recommendation raised By French Auditors</b>	<b>New Action Update - External Audit position expressed in their last report for 2013</b>	<b>External Audit position expressed in their last report for 2013</b>	<b>New Action Update - ICAO position as reported in last EAs' report on 2013</b>	<b>External Auditor's view: expressed in their last report for 2013</b>	<b>Comments received by ICAO Management on status as updated at 31.12.2014</b>	<b>Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2014</b>
<b>Rec. 17</b>  <b>Report on Audit of TCB by French Court of auditors</b>	We recommend fully and quickly implementing all of the Agresso modules, especially those relating to budget aspects.	See ICAO Comments	Not implemented			An Agresso consultant has been recruited for one year (Dec 2014 to Nov 2015) and is reporting to H/PIU (Field Operations Section – FOS) in coordination with the Programme Budget Unit (PBU) and the IRIS team to address FOS' requirements from the Planner Module.  [Management considers this recommendation as in progress in 2014.]	In progress

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