

# FINANCIAL STATEMENTS

AND

# REPORTS OF THE EXTERNAL AUDITOR

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015



DOCUMENTATION  
for the 39th Session of the Assembly in 2016



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for the financial year ended 31 December 2015***

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**FINANCIAL STATEMENTS AND  
REPORTS OF THE EXTERNAL AUDITOR  
FOR THE YEAR ENDED 31 DECEMBER 2015**



**INTERNATIONAL CIVIL AVIATION ORGANIZATION**  
**FINANCIAL STATEMENTS AND REPORTS OF THE EXTERNAL AUDITOR**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

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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 Montréal 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, 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 2015. As required by Article XIII to the Financial Regulations, the External Auditor's opinion and his report on the 2015 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 2015. 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 2015.

2.6 **Statement I** presents the financial position of the Organization. Assets totalling CAD 418.9 million at 31 December 2015 are mainly composed of cash and cash equivalents amounting to CAD 379.4 million and of assessments and other amounts receivable totalling CAD 33.3 million. Total liabilities amounts to CAD 506.2 million, of which an amount of CAD 320.3 million represents advance receipts mostly for technical co-operation projects, and a long-term liability of CAD 149.1 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 87.3 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 53.1 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 2015. 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 1.3 million during 2015 to take into account the impact of the recognition of long-term receivables at fair value as required by IPSAS. Total 2015 surplus amounts to CAD 2.5 million. Table A shows the result by Fund or Group of Funds for regular activities. Expenses include an amount of CAD 13.6 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 2015, CAD 3.8 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 9.8 million between benefits accrued and benefits paid is included in the deficit for the year for that Fund. Explanations on the financial results and surplus of the General Fund of the Regular Programme (CAD 4.7 million) and surplus of the AOSC Fund (CAD 0.6 million) are provided in the following paragraphs.

2.9 With regard to the net surplus of other Funds (CAD 6.9 million), it is explained by deficits of 0.5 million in Safe Fund and 0.8 million in Environment Fund, as well as surpluses of 0.5 million in AFI Plan Fund, 1.3 million in AVSEC, 0.3 million in Regional Sub-Office Fund, 4.7 million in Ancillary Revenue Generation Fund and 1.4 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 2015 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 92.3 million. The balance of the net accumulated deficit at the end of 2015 was CAD 87.3 million. The decrease to the accumulated deficit for 2015 is mainly caused by the actuarial gain of 7.4 million on After-Service Health Insurance (ASHI).

2.12 **Statement IV** gives the breakdown of the variation of cash flow from CAD 288.9 million at 31 December 2014 to CAD 379.4 million at 31 December 2015. 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 94 737 thousand for the year 2015. 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 2015, in thousands of Canadian dollars, is summarized as follows:

Original Appropriations	94 737
2014 Outstanding Commitments	10 255
Carry-over from 2014	7 552
Decrease in Appropriations	<u>(58)</u>
Approved Revised Appropriations	112 486
2015 Outstanding Commitments	(12 191)
Carry-over to following year	<u>(6 647)</u>
<b>Revised 2015 Appropriations</b>	<b><u>93 648</u></b>

3.3 **2014 Outstanding Commitments.** In accordance with Financial Regulation 5.7, an amount of CAD 10 255 thousand was approved by the Secretary General to supplement the 2015 appropriations, primarily for payment of outstanding commitments for the year ending as of 31 December 2014.

3.4 **Carry-over from 2014.** In accordance with the Financial Regulation 5.6, an amount of CAD 7 552 thousand was approved by the Secretary General to supplement the 2015 appropriations, financed by savings from 2014, for mandatory and other mission-critical activities that were not budgeted for in 2015.

3.5 **Decrease in Appropriations.** The amount of CAD 58 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 1 260 thousand).

3.6 **2015 Outstanding Commitments.** The value of obligations entered into in 2015, but delivery against which is only expected in 2016, is CAD 9 724 thousand. Employee entitlements in an amount of CAD 2 467 thousand consisting primarily of accrued leave and repatriation grants are foreseen to be paid to staff separating from ICAO in 2016. Therefore, an amount of CAD 12 191 thousand (also see Figure 1, column (e)), has been reserved and carried forward to 2016, pursuant to Financial Regulation 5.7 to clear legal obligations incurred during 2015.

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 6 647 thousand is within this limit. The amount being carried over will be used to fund activities that did not get funded by the 2014-2015-2016 budget. Programme activities, especially those for the Regional Offices, were treated as a priority over non-programme activities. Programmes being funded by the 2015 unspent appropriations include, among others: Global Tracking; lithium battery workshops; validation of State progress in the resolution of USOAP CMA findings; Aviation Spectrum; and Global Aviation Dialogue (GLADs) requirements. Funding for the posts of EAO Evaluation Officer and the Ethics Officer, established by the Council, was earmarked to allow continuation of these posts until the end of the current triennium. Provision was also made for conference monitoring, playback and indexing services; and enhanced Digital Signage – all initiatives intended to enhance programme delivery and improve the experience of Member States.

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 93 648 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>2015</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</u> <u>Rate</u> <sup>3</sup>	<u>2015</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	88 075	92 393	(5 615)	86 778		86 778	(1 297)
Other Revenue							
ARGF	5 082	5 082		5 082		5 082	-
Miscellaneous	320	521		521		521	201
Reimbursement from AOSC	1 260	1 202		1 202		1 202	( 58)
Currency exchange difference		2 993		2 993		2 993	2 993
	<b>94 737</b>	<b>102 191</b>	<b>(5 615)</b>	<b>96 576</b>	<b>-</b>	<b>96 576</b>	<b>1 839</b>
<b>EXPENSES</b>							
Staff salaries and employment benefits	85 922	83 028	(7 275)	75 753	8 179	83 932	(1 990)
Supplies, consumables and others	847	335	( 91)	244	218	462	( 385)
General operating expenses	18 235	13 035	( 672)	12 363	3 758	16 121	(2 114)
Travel	5 570	4 219	( 350)	3 869	30	3 899	(1 671)
Meetings	1 482	1 379	( 140)	1 239	6	1 245	( 237)
Other expenses	430	260	( 80)	180		180	( 250)
	<b>112 486</b>	<b>102 256</b>	<b>(8 608)</b>	<b>93 648</b>	<b>12 191</b>	<b>105 839</b>	<b>(6 647)</b>

<sup>1</sup> 2015 Budget-Expenses include carryover (and commitments) from prior year of CAD 17 807 thousand and decrease of CAD 58 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 5 615 thousand due to impact of US dollar transactions budgeted at USD1.00=CAD0.9875, and (2) currency exchange gain of CAD 2 993 thousand such as revaluation of balance sheet items.

3.11 **Explanation of Differences – Revenues.** The overall budget of CAD 94 737 thousand (Figure 1, column (a)) refers to the four main funding sources of the Regular Programme Budget for 2015: Assessed Contributions, ARGF Surplus, Miscellaneous Income and Reimbursement from AOSC Fund. For the *Assessed Contributions*, the difference of CAD 1 297 thousand pertains to the discounted amount of the long-term contributions receivable.

3.12 **Explanation of Differences – Expenses.** The overall budget of CAD 112 486 thousand (Figure 1, column (a)) includes the 2015 original appropriations of CAD 94 737 thousand, the carry-over from 2014 along with 2014 Outstanding Commitments of CAD 17 807 thousand and the decrease of CAD 58 thousand in reimbursement to Regular Programme. Savings (unutilized appropriations) from 2015 of CAD 6 647 thousand will be carried over to 2016.

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

- a) Budget exchange gain of CAD 5 615 thousand. Since 2010, Member States are being invoiced partly in USD and partly in CAD. The USD/CAD exchange rate on 1 January 2015 (the date when invoices were raised in USD) was higher than the rate used in developing the 2015 budget causing an addition to total assessed contributions of CAD 5 615 thousand; and
- b) The net currency realized exchange gain of CAD 2 993 thousand such as the revaluation of balance sheet items.

The net exchange difference (gain of CAD 8 608 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**

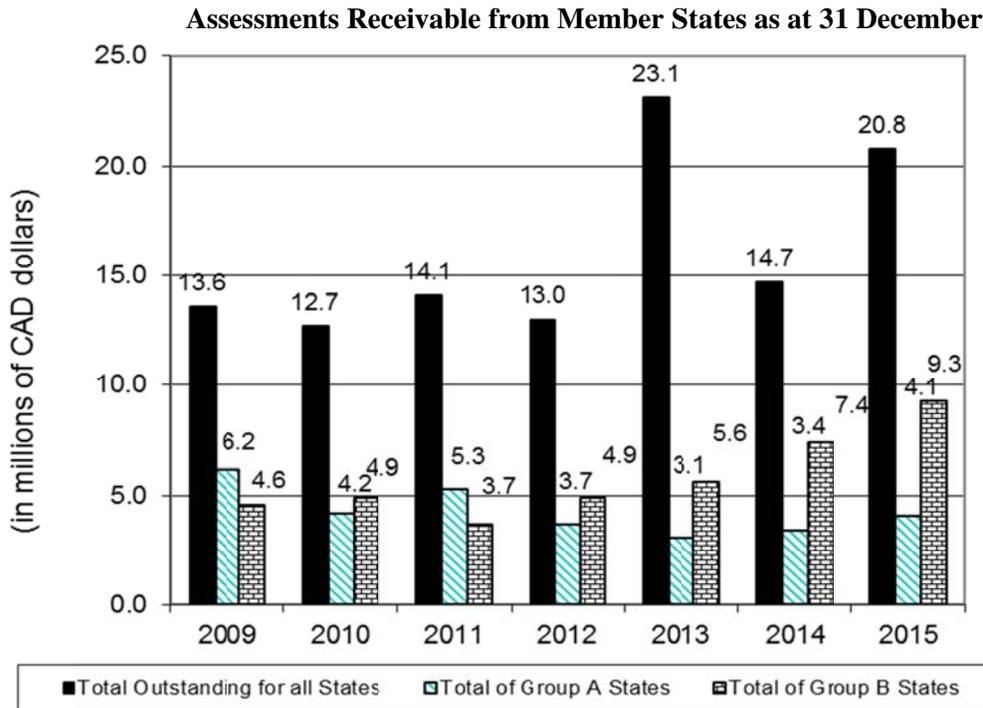
3.14 Assessments on Member States and other estimated sources of revenue were established in Canadian dollars for 2008 and for 2009. In 2010 a split assessment was introduced with about three quarters payable in Canadian dollars and one quarter payable in U.S. dollars. To ensure consistency and comparability 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 2015, the fluctuation of the Canadian dollar against the U.S. dollar was CAD 1.163 at the beginning of the year and CAD 1.385 at the end of the year.

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

3.15 During the year 2015 assessments totalling CAD 87 652 thousand were received and a balance of CAD 6 038 thousand remained outstanding at the year-end against the current year's assessments. At the beginning of the year, CAD 13 624 thousand was receivable from States in respect to 2014 and prior years; payment of CAD 1 761 thousand was received, leaving a balance outstanding of CAD 11 863 thousand. The assessments receivable for all years totalled CAD 17 901 thousand as at 31 December 2015 (including the Working Capital Fund). CAD 17 901 thousand includes a

USD assessment component converted at CAD 1.385 yielding a revalued assessment receivable balance of CAD 20 788 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 92.28 per cent. Figure 2 shows the status of the assessed contributions receivable at the end of each year since 2009.

FIGURE 2



3.16 Of the total outstanding contributions of CAD 20 788 thousand at 31 December 2015, CAD 3 651 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 2015	Amount Outstanding as at 31 December 2015	Number of States 2014	Amount Outstanding as at 31 December 2014
<b>Group A:</b> States that have concluded agreements with the Council to liquidate their arrears over a period of years	11	4 146	12	3 432
<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	18	9 287	17	7 355
<b>Group C:</b> States with contributions in arrears for less than three full years	17	5 695	10	1 359
<b>Group D:</b> States with contributions outstanding only for the current year	43	952	31	1 999
Sub-total	89	20 080	70	14 145
The Former Socialist Federal Republic of Yugoslavia	-	708	-	594
<b>Total Outstanding Contributions</b>	<b>89</b>	<b>20 788</b>	<b>70</b>	<b>14 739</b>

3.17 As at 31 December 2015, 11 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 2015.

3.18 Major contributions (\*) received for the Regular Programme and other Funds in Segment 1 for 2015 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	2 417	21 269	1 623	25 309
United States	20 677		1 710	22 387
Japan	7 561		54	7 615
Germany	5 678			5 678
China	5 462		26	5 488
France	4 300	531	235	5 066
United Kingdom	4 469		34	4 503
Italy	3 017			3 017
Spain	2 314			2 314
Russian Federation	2 066		19	2 085
Republic of Korea	2 042		21	2 063
Thailand	515	1 036		1 551
<b>Total</b>	<b>60 518</b>	<b>22 836</b>	<b>3 722</b>	<b>87 076</b>

(\*) Twelve highest contributions

3.19 Total expenses in 2015, 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>	27 175	18 386	9 817	3 581	4 242	39 056		102 257
<b>Voluntary Funds and other Regular Activity funds Premises</b>	3 192	635	3 564	278	1 065	417 23 977	30 590	39 741 23 977
<b>Seconded Staff (in-kind) (1)</b>								
Australia	180	7						187
China	663	231	97	163	232	275		1 661
France	827		235					1 062
Italy	164	4						168
Japan	77	74	18	6	9			184
Korea	67	64	37	5	8	319		500
Malaysia	285	67	22	5	8	8		395
Senegal			140					140
Singapore	521	182	103	12	22	16		856
Turkey	393		198			39		630
Others	1 005	187	1 295	102	194	181		2 964
<b>Sub-total Seconded Staff</b>	4 182	816	2 145	293	473	838		8 747
<b>Total Expenses</b>	<b>34 549</b>	<b>19 837</b>	<b>15 526</b>	<b>4 152</b>	<b>5 780</b>	<b>64 288</b>	<b>30 590</b>	<b>174 722</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 2015 reflected in Table A of Part IV to this document amounted to CAD 14.4 million. Cumulative surplus less the Working Capital Fund balance of CAD 11.1 million and assessments receivable from Member States of CAD 17.9 million resulted in a cash deficit of CAD 14.6 million at 31 December 2015. Reserved surplus totalling CAD 15.8 million includes an amount of CAD 18.8 million to finance 2015 outstanding commitments and appropriations carried over to 2016, plus unrealized exchange gain of CAD 6 million, offset by an unrealized discount and provision on assessments receivables of CAD 9 million.

### Ancillary Revenue Generation Fund (ARGF)

3.21 The net overall surplus achieved by ARGF in 2015 is CAD 4 670 thousand. This is after paying the required contribution of CAD 5 082 thousand and other costs contribution of CAD 90 thousand to the Regular Programme as well as charges of CAD 631 thousand made from the cumulated surplus.

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	8 454	3 065	5 389
Training	3 477	3 070	407
Delegation and Conference Services & Rental	2 863	1 826	1 037
Licensing Agreements & Partnerships in Statistics	1 909	211	1 698
Events	1 533	850	683
Periodicals	890	756	134
New Product Areas	755	179	576
ARGF Operations and Admin. Fee & Admin. Support Costs	681	502	179
Commissariat	519	511	8
Websites/e-Products	406	44	362
Sub-total	<u>21 487</u>	<u>11 014</u>	<u>10 473</u>
ARGF Inter-billing Elimination	(488)	(488)	-
Total	<u>20 999</u>	<u>10 526</u>	<u>10 473</u>
Amount Transferred to Regular Programme	-	5 082	(5 082)
Extra Contribution to Regular Programme	1	91	(90)
Payments made from the Cumulative Surplus	-	631	(631)
<b>Net</b>	<b><u>21 000</u></b>	<b><u>16 330</u></b>	<b><u>4 670</u></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	21 487	20 896	591
Expense	11 014	12 951	1 937
<b>Surplus</b>	<b><u>10 473</u></b>	<b><u>7 945</u></b>	<b><u>2 528</u></b>

3.24 In addition to the favourable impact of the currency exchange due to the stronger US dollar in 2015, continued efforts have been made to reduce costs and increase efficiencies. As a result, ARGF achieved a favourable overall operating surplus variance of CAD 2 528 thousand. Publications, Distribution & Printing, Events, Licensing Agreements & Partnerships in Statistics, Delegation and Conference Services & Rental and New Products reported better results than their budget while Periodicals, Websites & e-Products and Training activities performed lower than their budget expectations.

#### **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 2015<sup>1</sup>**

	Submitted to the Assembly <sup>2</sup>	Revised Budget 2015 <sup>3</sup>	Actual Expenditure/ Income 2015	Balance of Revised Budget
Appropriation/Expenditure				
Major Programme	8 446	8 998	9 557	(559)
Income		9 214	10 003	
<b>Excess/(Deficit) of Income over Expenditure</b>		<b>216</b>	<b>446</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 206th Session (C-WP/14318).

<sup>4</sup> Expenditure includes CAD 178 thousand transferred to a Special Reserve Fund as per C-DEC 200/2 on the mechanism for adjusting the cost apportionment between the Regular Programme Budget and the AOSC Fund.

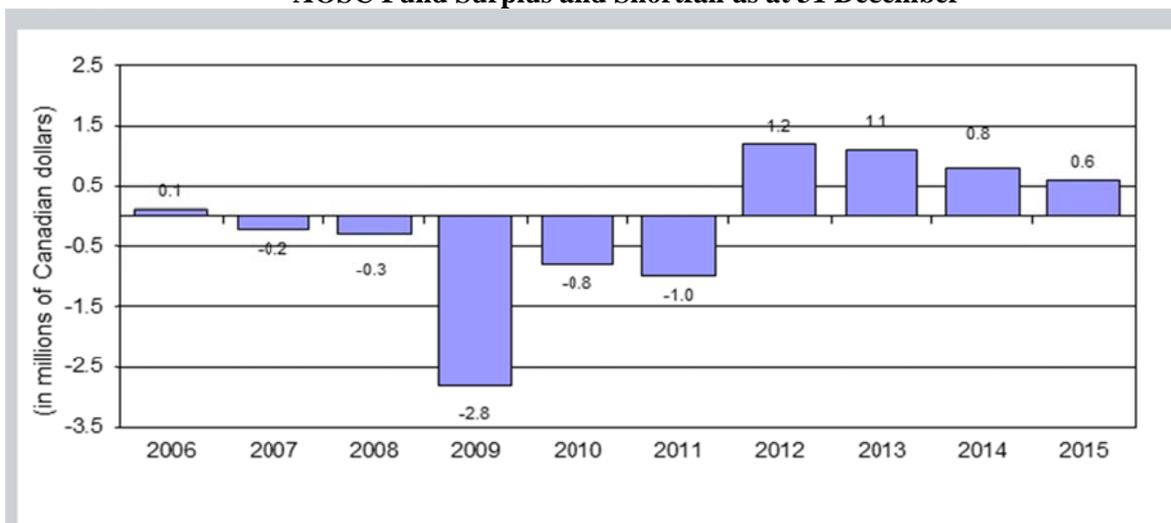
3.26 As indicated above, the Assembly approved the Indicative Budget Estimates (expenditure) of the AOSC Fund amounting to CAD 8 446 thousand for the financial year 2015. During the year, pursuant to Financial Regulation 9.5, the Secretary General submitted to the Council an update of the 2015 Budget Estimates (expenditure) in C-WP/14318. The revised estimated expenditures for 2015 amounted to CAD 8 998 thousand and the estimated income to CAD 9 214 thousand.

3.27 There is an excess of CAD 789 thousand in AOSC income versus budget mainly because of the approximately USD 5.0 million increase in implementation in TC projects totalling USD 130.2 million in 2015 and a favourable exchange rate. On the expenditure side, staff costs exceeded the budgeted amount by CAD 559 thousand though the overall result was a total positive variance of CAD 446 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.

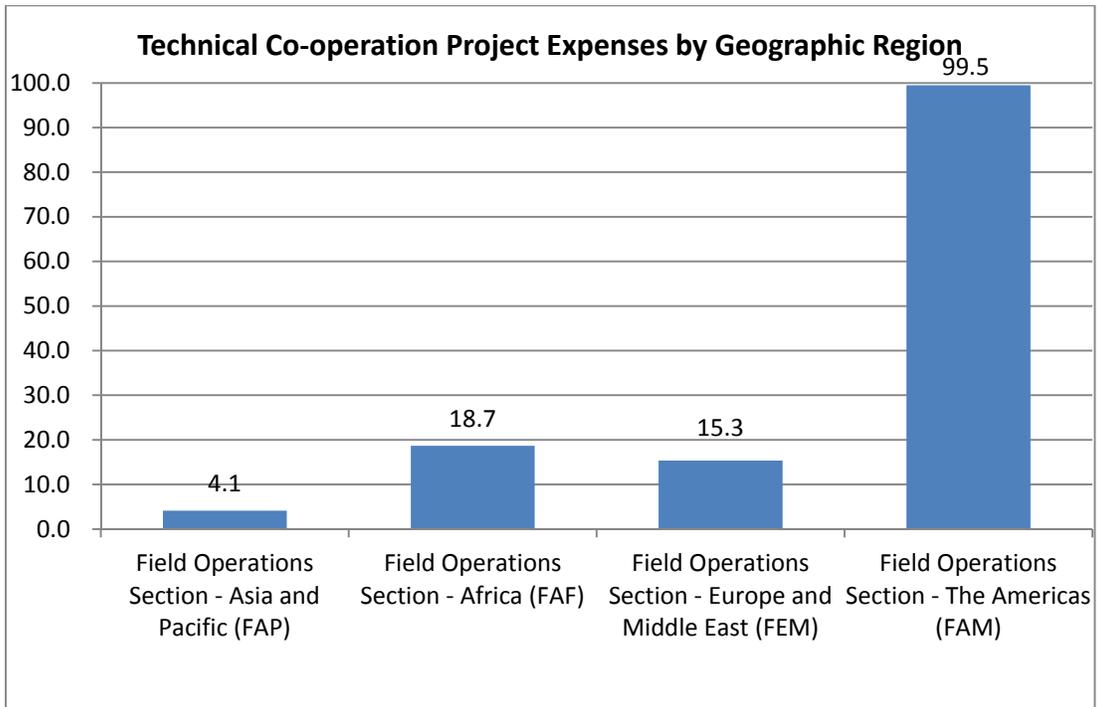
3.30 **Technical Co-operation Programme.** The Technical Co-operation Bureau (TCB) manages the Technical Co-operation Programme, a permanent priority activity of ICAO which complements the role of the Regular Programme by supporting Member States in their implementation of ICAO regulations, policies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

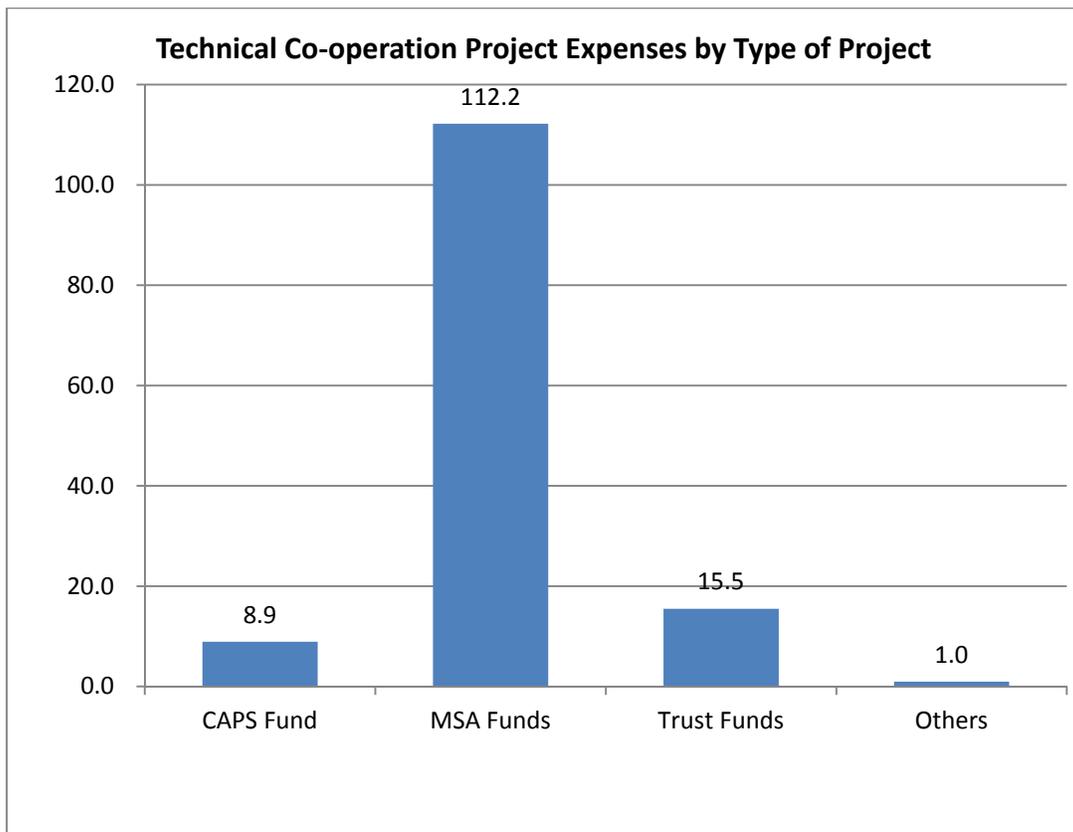
3.32 A rolling three year Management Plan for TCB is prepared in close coordination with the Technical Co-operation Committee, setting the goals and strategies to be followed during the current period with the aim at improving the governance, efficiency and quality of ICAO Technical Co-operation Programme 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 137.6 million in 2015. 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 fulfill its responsibility, the Organization maintains systems of internal controls, policies and procedures to ensure the reliability of financial information and the safeguarding of assets. The internal control systems are subject to both internal and external audit. The External Auditor has audited the Financial Statements, including Notes, and his accompanying report indicates the scope of his audit and his opinion on the Financial Statements.

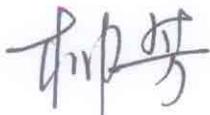
The Council has the responsibility to consider and to recommend the Financial Statements to the Assembly for approval and has the power to request amendments to these statements after issuance by the Secretary General.

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



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 2015.



Fang Liu  
Secretary General

Montréal, Canada  
30 March 2016

## **Statement on Internal Control 2015**

### **Scope of responsibility**

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

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

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

3. Internal control is a process 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:

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

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

### **Capacity to handle risk**

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

6. 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**

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

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

8. 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.

9. 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**

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

- a) my senior managers, in particular Directors of Bureaus and Chiefs of Offices who play important roles and are accountable for expected results, performance, controlling their Bureaus/Office activities and the resources entrusted to them. The information channels rely mainly on periodic meetings held by the Senior Management Group (SMG) and the full SMG of the Secretariat. For the year ended 31 December 2015, control issues, together with remedial actions, have been identified through a self-assessment process and also the application of best practices, as confirmed by my senior managers' personal written attestation;
- b) the Evaluation and Internal Audit Office (EAO) of whose reports on internal audits, evaluations and advisory services I rely also are provided to me. These include independent and objective information on compliance and programme effectiveness, together with recommendations for improvement;
- c) the 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;
- d) the Ethics Officer, 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;
- e) the reports of the Joint Inspection Unit of the United Nations system on matters applicable to ICAO; and
- f) Council's observations and decisions.

### **Significant control issues**

11. The 2015 statements of assurance on the effectiveness of internal control have identified one significant internal control issue, namely the risk assessment process is implemented at the headquarters (HQ) level only. The Regional Offices (ROs) are aware of the existence of the risk registers, however, they do not participate in the identification of the risks, specific to their regions and which can impact the implementation of their programmes and the realization of their objectives. Although, some of risks that are related to ROs activities are taken into account by HQ, analyzing and understanding the ROs risk is a critical first step in the process of reducing that risk. Thus, the risk management process, should be in place in all ROs to enable them to understand, predict and anticipate different risks and any potential damage they may cause.

12. The internal audit has also reported in their 2015 audit reports some deficiencies that were rated unsatisfactory in regards to the audit of the procurement of goods and services for ICAO HQ needs due to significant weaknesses in the supplier registration and vetting process as well as the widespread breaches of the procurement rules by operational bureaus and offices for goods and services purchases under CAD 10 000 in accordance with the delegated authority granted to them under the ICAO Procurement Code. There is an urgent need for the Procurement Section to take a more proactive role in

providing clear written guidance, advice and training to bureaus on the purchase process of goods and services below CAD 10 000.

13. The audit of the Commissariat has also received an unsatisfactory rating owing to significant weaknesses in terms of management and governance of the commissariat, lack of adequate documentation of roles and responsibilities, in particular regarding the key control points of the Commissariat's operations, managerial oversight and segregation of duties. Furthermore, significant inventory discrepancies were identified between the physical count and the inventory system, knowing that an inventory reconciliation was not performed; thus the reasons for the discrepancies were not provided.

14. Funding of the After-Service Health Insurance (ASHI) Liability remain a major ongoing concern for the Organization. In 2014, the External Auditor issued a Matter of Emphasis regarding the negative total net assets due to the ASHI liabilities. In 2015, several proposals and measures to reduce the ASHI liability and to contain costs of the current medical plan were evaluated and presented to the Governing Bodies. Funding decisions will be taken by the Council at its 208th session.

15. Concerning the issues reported in the 2013 and 2014 Management Assurance Statements, ten areas were identified for improvement. Significant progress has been made in six areas and the funding is the main issue for the four remaining areas.

16. The six areas where necessary corrective actions have been implemented are the following:

- a) Approving and Implementing the updated fixed assets inventory management system guidelines: The guidelines were approved by the Secretary General and a physical inventory count was completed for the headquarters in 2014 and the seven Regional Offices in 2015;
- b) Optimizing the use of IKSAN or reviewing and updating the system for more efficiency in performance management and procuring the corresponding training and access rights to the users: IKSAN has since been phased out;
- c) Procuring additional training on Agresso and E-Recruiter system to Regional Offices (ROs): Training on Agresso and E-Recruiter was delivered to all ROs on November 2014 at HQ and IRIS team continue to provide support and assistance of any operational issues which arise and develop training for any upgrade to Agresso and E-Recruiter system;
- d) Reviewing the segregation of tasks in ROs, ICT and Commissariat or compensating controls for the issue, considering limited staff: ROs and ADB recognize the limited availability of resources and the associated level of control that could be expected. Steps have however been introduced to mitigate possible shortfalls: role and responsibility matrices which accommodate segregation of duties and delegation hierarchies have been implemented in Agresso ERP since its inception in 2008. These tables are regularly reviewed, and modified as necessary. In April 2015, a new part time post was filled in the Revenue and Product Management Section to assist in the procurement process and to separate the initiator of transactions from the record keeping process. The approval process is separated from initiator and reporter of transactions;
- e) Updating the current risk registers to reflect the changes in the strategic objectives and to include all ICAO significant risks: the Risk Registers are updated regularly, twice a year during the periods of June and December 2015; and
- f) Providing Training on ICAO risk management process: This was identified as area for improvement in both years 2013 and 2014: a Risk workshop was delivered to Council members and Full Senior Management Group (FSMG) in March 2016 to raise awareness on the importance of the risk assessment.

17. The four areas that need further corrective actions and where funding is an issue for improvement are as follows:

- a) Setting apart funds to mitigate the identified risks in the risk registers: Funds are not available to address any unforeseen events that might be a risk to the Organization;
- b) Improving allocations for staff training identified in PACE: Each year, staff complete their PACE and include the training needed to well perform their duties. The funding is not always permitted for all the training identified in PACE;
- c) Strengthening resources allocated to internal audit function: there are significant shortcomings in the level of assurance that can be provided by EAO to the Organization as a result of a continued lack of resources which is due to limited budget for EAO; and
- d) Allocating a specific budget for Ethics Officer (EO) in the future, to the extent feasible, to ensure the continuity of his work in terms of investigation and training: A proposal is before the Council from the next triennium awaiting approval.

18. 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**

19. 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 overtime.

20. 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 2015 and up to the date of approval of the financial statements.



Fang Liu  
Secretary General

Montréal, Canada  
30 March 2016

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





## *Corte dei conti*

### **AUDIT CERTIFICATE**

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

We have audited the financial statements of the International Civil Aviation Organization (ICAO) for the year ended 31 December 2015, which comprise 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.

#### **The ICAO Secretary General's responsibility for the financial statements**

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

#### **The auditor's responsibility**

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 ICAO Financial Regulations and Rules. The ISSAIs require that we comply with ethical requirements, and plan and perform the audit in such a way as to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend 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 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 for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Secretary General, as well as evaluating the overall presentation of the financial statements.

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

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

In accordance with the ICAO Financial Regulations and Rules (Article XIII) and the Additional terms of reference governing the external audit (Annex B to these Financial Regulations and Rules) we have also issued a detailed report on our audit of the ICAO Financial Statements for 2015.

### **Emphasis of matter**

The Statement of financial position shows a negative Net Asset (-87.3 MCAD) mainly due to the impact of 149,1 MCAD in actuarial liabilities relating to long-term employee benefits recorded in the financial position. Details of our analysis are included in our report. Measures are being undertaken by Management, which has assured us that it will monitor the effectiveness of these measures.

### **Opinion**

In our opinion, the ICAO's Financial Statements for 2015 present fairly, in all material respects, the financial position of the International Civil Aviation Organization as at 31 December 2015, 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 ICAO Financial Regulations and Rules.

Rome, 6 May 2016

  
*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 2015**  
(in thousands of Canadian dollars)

	Notes	2015	2014
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	2.1	379 436	288 888
Assessed contributions receivable from Member States	2.2	6 822	3 491
Receivables and advances	2.3	21 065	9 805
Inventories	2.4	753	851
Others	2.3	2 111	2 027
		<b>410 187</b>	<b>305 062</b>
<b>NON-CURRENT ASSETS</b>			
Assessed contributions receivable from Member States	2.2	5 022	3 716
Receivables and advances	2.3	354	490
Property, plant and equipment	2.5	2 438	2 530
Intangible assets	2.6	866	813
		<b>8 680</b>	<b>7 549</b>
<b>TOTAL ASSETS</b>		<b>418 867</b>	<b>312 611</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Advanced receipts	2.8	320 324	227 658
Accounts payable and accrued liabilities	2.9	27 871	22 281
Employee benefits	2.10	7 227	6 038
Credits to contracting/servicing governments	2.11	1 674	1 446
		<b>357 096</b>	<b>257 423</b>
<b>NON-CURRENT LIABILITIES</b>			
Employee benefits	2.10	149 102	147 528
		<b>149 102</b>	<b>147 528</b>
<b>TOTAL LIABILITIES</b>		<b>506 198</b>	<b>404 951</b>
<b>NET ASSETS</b>			
Accumulated deficit	2.12	(56 544 )	(56 279 )
Reserves	2.12	(30 787 )	(36 061 )
		<b>(87 331 )</b>	<b>(92 340 )</b>
<b>NET ASSETS (ACCUMULATED DEFICIT)</b>		<b>(87 331 )</b>	<b>(92 340 )</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<b>418 867</b>	<b>312 611</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 2015**  
(in thousands of Canadian dollars)

	Notes	2015	2014
<b>REVENUE</b>			
Contributions for project agreements	3.2	136 300	139 596
Assessed contributions	3.2	92 393	89 785
Other revenue producing activities	3.2	19 061	15 607
Other voluntary contributions		10 912	12 442
Administrative fee revenue		307	182
Other revenue	3.2	13 280	6 074
<b>TOTAL REVENUE</b>		<b>272 253</b>	<b>263 686</b>
<b>EXPENSES</b>			
Staff salaries and employee benefits	3.3	159 504	143 280
Supplies, consumables and others	3.3	66 932	78 677
General operating expenses	3.3	20 057	17 598
Travel	3.3	11 994	9 828
Meetings		1 774	1 894
Training		3 294	3 269
Other expenses		6 248	3 867
<b>TOTAL EXPENSES</b>		<b>269 803</b>	<b>258 413</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>2 450</b>	<b>5 273</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 2015**  
(in thousands of Canadian dollars)

	Notes	Accumulated Deficit	Reserves	Net Accumulated Deficit
<b>Balance at 31 December 2014</b>		<b>(56 279)</b>	<b>(36 061)</b>	<b>(92 340)</b>
<b>Movements in fund balances and reserves in 2015</b>				
Variation to carry forward balance	2.12	(1 031)	1 031	
Variation of actuarial gain/(loss)	2.10		7 366	7 366
Other reclassifications and transfers	2.12	(4 693)		(4 693)
Unrealized exchange gain		3 009	(3 009)	
Variation of translation adjustment	2.12		( 114)	( 114)
Surplus of the year		2 450		2 450
<b>Total movements during the year</b>		<b>( 265)</b>	<b>5 274</b>	<b>5 009</b>
<b>Balance at 31 December 2015</b>		<b>(56 544)</b>	<b>(30 787)</b>	<b>(87 331)</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 2015

(in thousands of Canadian dollars)

	Notes	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Surplus/(Deficit) for the year		2 450	5 273
(Increase) decrease in contributions receivable	2.2	( 3 331)	10 106
(Increase) decrease in receivables and advances	2.3	( 11 259)	5 207
(Increase) decrease in inventories	2.4	98	220
(Increase) decrease in other assets	2.3	( 84)	345
(Increase) decrease in non-current contributions receivable (net of discount)	2.2	( 1 306)	( 658)
(Increase) decrease in non-current receivables and advances	2.3	135	( 48)
Increase (decrease) in advanced receipts	2.8	92 667	( 1 417)
Increase (decrease) in accounts payable and accrued liabilities	2.9	5 590	( 4 017)
Increase (decrease) in short-term employee benefits	2.10	1 189	1 339
Increase (decrease) in credits to contracting/servicing governments	2.11	228	3
Increase (decrease) in long-term employee benefits	2.10	1 574	44 483
Actuarial gain (loss) reflected in reserves	2.10	7 366	( 36 924)
Interest income		( 941)	( 908)
Depreciation and amortization		1 433	1 439
Foreign currency translation adjustment		( 114)	( 42)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>95 695</b>	<b>24 401</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Acquisition of property, plant and equipment and Intangibles	2.5 & 2.6	( 1 394)	( 432)
Interest income		941	908
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>( 453)</b>	<b>476</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Transfers from net assets to liabilities and other transfers		( 4 694)	( 1 961)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>( 4 694)</b>	<b>( 1 961)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>90 548</b>	<b>22 916</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		<b>288 888</b>	<b>265 972</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		<b>379 436</b>	<b>288 888</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 2015**

(in thousands of Canadian Dollars)

Strategic Objective / Supporting Implementation Strategy	Appropriations									Expenditures <sup>1</sup>			Balance
	Original A38-22	2014 Outstanding Commitments <sup>a</sup>	Carry-over from Prior Year <sup>b</sup>	Decrease of Appropriations <sup>c</sup>	2015 Appropriations Before Transfers	2015 Outstanding Commitments <sup>a</sup>	Transfers among SO/SIS <sup>d</sup>	Carried over to following year <sup>b</sup>	2015 Appropriations Revised	Total	Budget Exchange Difference <sup>2</sup>	At budget rate of exchange	
<b>Safety</b>	24 097	1 729	2 320		<b>28 146</b>	(3 114)	1 158	(2 163)	<b>24 027</b>	27 175	(3 148)	<b>24 027</b>	0
<b>Air Navigation Capacity and Efficiency</b>	17 628	1 083	1 486	(2)	<b>20 195</b>	(1 513)	(1 800)	(1 199)	<b>15 683</b>	18 386	(2 703)	<b>15 683</b>	0
<b>Security and Facilitation</b>	9 148	285	640		<b>10 073</b>	(501)	180	(657)	<b>9 095</b>	9 817	(722)	<b>9 095</b>	0
<b>Economic Development of Air Transport</b>	3 178	578	124		<b>3 880</b>	(614)	310	(172)	<b>3 404</b>	3 581	(177)	<b>3 404</b>	0
<b>Environmental Protection</b>	4 557	321	245		<b>5 123</b>	(334)	(739)	(244)	<b>3 806</b>	4 242	(436)	<b>3 806</b>	0
<b>Sub-Total</b>	<b>58 608</b>	<b>3 996</b>	<b>4 815</b>	(2)	<b>67 417</b>	<b>(6 076)</b>	<b>(891)</b>	<b>(4 435)</b>	<b>56 015</b>	<b>63 201</b>	<b>(7 186)</b>	<b>56 015</b>	<b>0</b>
<b>Programme Support</b>	12 767	2 575	1 246	(14)	<b>16 574</b>	(2 613)	200	(806)	<b>13 355</b>	13 844	(489)	<b>13 355</b>	0
<b>Management &amp; Administration</b>	15 788	2 526	991	(41)	<b>19 264</b>	(2 220)	(46)	(1 072)	<b>15 926</b>	16 630	(704)	<b>15 926</b>	0
<b>Management &amp; Administration - Governing Bodies</b>	7 574	1 158	500	(1)	<b>9 231</b>	(1 282)	737	(334)	<b>8 352</b>	8 581	(229)	<b>8 352</b>	0
<b>Sub-Total</b>	<b>36 129</b>	<b>6 259</b>	<b>2 737</b>	(56)	<b>45 069</b>	<b>(6 115)</b>	<b>891</b>	<b>(2 212)</b>	<b>37 633</b>	<b>39 055</b>	<b>(1 422)</b>	<b>37 633</b>	<b>0</b>
<b>Total</b>	<b>94 737</b>	<b>10 255</b>	<b>7 552</b>	(58)	<b>112 486</b>	<b>(12 191)</b>	<b>0</b>	<b>(6 647)</b>	<b>93 648</b>	<b>102 256</b>	<b>(8 608)</b>	<b>93 648</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 \$1.260 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) \$5.6 million budget exchange gain due to impact of US dollar transactions budgeted at USD1.00 = CAD 0.9875; and (2) \$3.0 million net currency exchange (realized) 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 2015**

**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 Co-operation Projects (TCP) is the United States dollar (USD) because these activities are generally carried out in USD. Transactions in currencies other than CAD, and other than the USD for TCP, are translated at the prevailing United Nations Operational Rates of Exchange (UNORE) at the time of transaction. Monetary assets and liabilities in currencies other than CAD, and other than USD for the TCP, are translated at the prevailing UNORE at year-end closing rate, which reasonably approximates the spot rate. Resulting gains or losses are accounted for in the Statement of Financial Performance except for differences arising from the translation of TCP activities into CAD for financial statement presentation purposes which are reflected in Reserves in the Statement of Financial Position.

**Cash and Cash Equivalents**

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>	<u>Estimated Useful Life (Years)</u>
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 Co-operation Project activities. ICAO reports on the transactions of each segment during the financial period, and the balances held at the end of the period. Inter-segment charges are based on project agreements.
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.
- 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.
- **Human Resources Development Fund (HRDF)** with the objective to provide a mechanism which will allow for the collection and use of voluntary contributions from States and others to develop opportunities for capacity-building in civil aviation in African States in order to assist them to better meet the human resources needs required for operational efficiency and continuous implementation of ICAO's Standards and Recommended Practices (SARPs) and other programme activities.
- **ICAO Programme for Aviation Volunteers (IPAV) Fund** for voluntary contributions for the deployment of aviation professionals, working as volunteers, to provide short-term assistance to States to respond, inter alia, to emergencies affecting the aviation system in the

State, develop capabilities in the implementation of ICAO Standards and Recommended Practices (SARPs), resolve deficiencies in the State's fulfilment of its civil aviation oversight responsibilities and foster self-reliance and growth.

- **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.
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>2015</b>	<b>2014</b>
	<i>In thousands of CAD</i>	
Cash in banks	60 507	62 368
Term deposits	318 929	226 520
<b>Total Cash and Cash Equivalents</b>	<b>379 436</b>	<b>288 888</b>

43. As at 31 December 2015, the term deposits had an average interest rate of 0.45 per cent (0.42 per cent on 31 December 2014) and an average term maturity of 219 days (180 days in 2014). 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 4 523 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>2015</b>	<b>2014</b>
	<i>In thousands of CAD</i>	
Current	6 822	3 491
Discounted non-current	5 022	3 716
<b>Total Net Contributions Receivable</b>	<b>11 844</b>	<b>7 207</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>2015</b>	<b>2014</b>
	<i>In thousands of CAD</i>	
Assessed contributions – Regular Programme	20 788	14 739
Less:		
Allowance for doubtful accounts	(708)	(594)
Cumulative discount on long-term receivables	(8 236)	(6 938)
<b>Total Net Contributions Receivable</b>	<b>11 844</b>	<b>7 207</b>

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

Year of Assessment	<b>2015</b>		<b>2014</b>	
	<i>In thousands of CAD</i>	%	<i>In thousands of CAD</i>	%
2015	6 477	31.2	-	-
2014	3 444	16.6	4 237	28.8
2013	1 572	7.5	1 835	12.4
2012	1 077	5.2	1 230	8.3
2011 and earlier	8 218	39.5	7 437	50.5
<b>Total</b>	<b>20 788</b>	<b>100.0</b>	<b>14 739</b>	<b>100.0</b>

47. There were no movements of the allowance for doubtful accounts during 2015.

	<b>2014</b>	<b>Utilization</b>	<b>Increase/ (Decrease)</b>	<b>2015</b>
	<i>In thousands of CAD</i>			
Total allowance for doubtful accounts	594	-	114	708

The amount of CAD 708 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 114 thousand in 2015, 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 2015. 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 2015.
50. The movements of the discounted long-term contributions receivables during 2015 are as follows:

	<b>2014</b>	<b>Utilization</b>	<b>Increase/ (Decrease)</b>	<b>2015</b>
	<i>In thousands of CAD</i>			
Discounted long-term contributions receivable	3 716	2 603	(1 297)	5 022

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 2.2 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 2 603 thousand 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. The decrease of CAD 1 297 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 1 245 thousand in 2015. 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>2015</b>	<b>2014</b>
	<i>In thousands of CAD</i>	
Advances to employees	1 263	1 176
Receivables from United Nations Agencies	1 219	885
Others	18 583	7 744
<b>Total</b>	<b>21 065</b>	<b>9 805</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 440 thousand at 31 December 2015. The discounted amount due from AFCAC reflected in the accounts totals CAD 354 thousand, which represents the non-current portion of the receivable (CAD 490 thousand as at 31 December 2014).

58. Other Current Assets are comprised of:

	<b>2015</b>	<b>2014</b>
	<i>In thousands of CAD</i>	
Recoverable Provincial sales tax	243	343
Recoverable Federal sales tax	98	190
Prepaid expenses	491	351
Recoverable United States income tax	1 201	1 070
Recoverable Regional Offices sales tax	78	73
<b>Total</b>	<b>2 111</b>	<b>2 027</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>2015</b>	<b>2014</b>
	<i>In thousands of CAD</i>	
Publications on hand–finished goods	495	477
Raw material and work in process	96	131
<b>Total Publications</b>	<b>591</b>	<b>608</b>
<b>Total Commissariat Items</b>	<b>162</b>	<b>243</b>
<b>Total Inventories</b>	<b>753</b>	<b>851</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>2015</b>	<b>2014</b>
	<i>In thousands of CAD</i>	
<b>Publications Reconciliation:</b>		
<b>Opening Balance</b>	608	769
Direct material	381	401
Direct labour	1 214	1 186
Indirect costs	275	204
Total inventory purchased and produced	2 478	2 560
Less: Cost of publications sold	(1 785)	(1 772)
Less: Impairments	(102)	(180)
<b>Closing Balance</b>	<b>591</b>	<b>608</b>

<b>Commissariat Items Reconciliation:</b>	<b>2015</b>	<b>2014</b>
	<i>In thousands of CAD</i>	
<b>Opening Balance</b>	243	301
Inventory purchased	339	362
Total inventory purchased	582	663
Less: Cost of items sold	(420)	(420)
<b>Closing Balance</b>	<b>162</b>	<b>243</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 2015, impaired publication inventory valued at CAD 102 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 2015</b>	<b>Acquisitions during the Year</b>	<b>Depreciation during the Year</b>	<b>Closing Balance 31 December 2015</b>
<b>In thousands of CAD</b>				
Furniture & Fixtures	55	30	16	69
IT Equipment	949	111	526	534
Office Equipment	449	65	113	401
Motor Vehicles	175	32	47	160
Leasehold Improvements	675	239	447	467
Machinery	155	84	37	202
Leasehold Improvements (WIP)	72	533	-	605
<b>Total</b>	<b>2 530</b>	<b>1 094</b>	<b>1 186</b>	<b>2 438</b>

66. No impairment of PP&E was identified in 2015.
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, using the transitional period ending in 2015 as permitted by 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 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. 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 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 2015</b>	<b>Depreciation during the Year</b>	<b>Closing Balance 31 December 2015</b>
<i>In thousands of CAD</i>			
Furniture and Fixtures	12	6	6
IT & Office Equipment	9	5	4
Motor Vehicles	5	5	-
<b>Total</b>	<b>26</b>	<b>16</b>	<b>10</b>

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

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

	<b>Opening Balance 1 Jan. 2015</b>	<b>Acquisitions during the Year</b>	<b>Amortization during the Year</b>	<b>Closing Balance 31 Dec. 2015</b>
	<i>In thousands of CAD</i>			
Software Acquired	454	7	187	274
Software under Development (WIP)	190	198	-	388
Other Intangible Assets	163	-	47	116
Intangible Assets – Licenses and Rights	6	95	13	88
<b>Total</b>	<b>813</b>	<b>300</b>	<b>247</b>	<b>866</b>

72. 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**

73. 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>2015</b>	<b>2014</b>
	<i>In thousands of CAD</i>	
Assessed contributions receivable (current)	6 822	3 491
Assessed contributions receivable (non-current)	5 022	3 716
Receivables and advances (current)	21 065	9 805
Receivables and advances (non-current)	354	490
Other assets	1 619	1 676
<b>Total Financial Assets</b>	<b>34 882</b>	<b>19 178</b>

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

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

### **2.7.2 Credit Risk**

75. 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.
76. 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.

77. 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

78. ICAO is exposed to interest rate risk through term-deposits. In 2015, 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

79. At 31 December 2015, cash, cash equivalent and investments are denominated in CAD (8 per cent) and in USD (83 per cent) which are the base currencies used by the Organization (10 per cent in the CAD and 78 per cent in USD base currencies at 31 December 2014). Non-CAD or USD holdings have the primary objective of supporting operating activities in other currencies than CAD. In addition, 45 per cent of contributions receivable are denominated in CAD and 55 per cent in USD base currencies (46 per cent in CAD and 54 per cent in USD base currencies at 31 December 2014).
80. 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.
81. 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

82. 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

83. Advance receipts comprise:

	<b>2015</b>	<b>2014</b>
	<i>In thousands of CAD</i>	
Voluntary contributions for TC Projects	304 546	216 388
Assessed contributions received in advance	6 807	6 218
Other advances	8 971	5 052
<b>Total</b>	<b>320 324</b>	<b>227 658</b>

84. Other advances include advance payments of CAD 4 917 thousand from Member States and private companies, CAD 1 216 thousand from publication sales, CAD 1 752 thousand from Member States for PKD activities, deferred revenue and other advances.

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

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

	<b>2015</b>	<b>2014</b>
	<i>In thousands of CAD</i>	
Accrued Liabilities	6 247	4 050
Employee Payable	1 904	1 978
Trade Payable	12 817	10 156
ECAC	4 523	3 882
Others	2 380	2 215
<b>Grand Total</b>	<b>27 871</b>	<b>22 281</b>

86. 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.
87. 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 224 thousand representing the estimated education costs payable to employees but not yet claimed at year end.

**Note 2.10: Employee Benefits**

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

	<b>2015</b>	<b>2014</b>
	<i>In thousands of CAD</i>	
<b>Composition:</b>		
Current	7 227	6 038
Non-current	149 102	147 528
<b>Total</b>	<b>156 329</b>	<b>153 566</b>

**2.10.1 Valuation of Employee Benefit Liabilities**

89. 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.
90. 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.
91. The movement of employee benefits liabilities during 2015 is as follows:

	<b>Opening Balance 1 January 2015</b>	<b>Utilization</b>	<b>Increase/ (Decrease)</b>	<b>Actuarial Loss/(Gain)</b>	<b>Ending Balance 31 December 2015</b>
	<i>In thousands of CAD</i>				
Post-retirement plan (ASHI)	129 881	(1 861)	9 189	(7 366)	129 843
End of service - annual leave	8 625	(821)	804	231	8 839
End of service - repatriation benefits	12 947	(1 160)	1 014	2 366	15 167
Other employee benefits for international experts	2 113	(536)	903	-	2 480
<b>Total Employee Benefits Liabilities</b>	<b>153 566</b>	<b>(4 378)</b>	<b>11 910</b>	<b>(4 769)</b>	<b>156 329</b>

92. 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>Total 2015</b>	<b>Total 2014</b>
	<i>In thousands of CAD</i>			
Post-retirement plan (ASHI)	5 951	3 238	9 189	6 596
End of service - annual leave	593	211	804	735
End of service - repatriation benefits	701	313	1 014	906
Other employee benefits Liabilities	903	-	903	1 261
<b>Total Employee Benefits Liabilities:</b>	<b>8 148</b>	<b>3 762</b>	<b>11 910</b>	<b>9 498</b>

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

	<b>2015</b>	<b>2014</b>
	<i>In thousands of CAD</i>	
Post-retirement plan (ASHI)	(7 366)	36 924
End of service - annual leave	231	919
End of service - repatriation benefits	2 366	2 307
<b>Total Employee Benefits Liabilities</b>	<b>(4 769)</b>	<b>40 150</b>

93. Actuarial losses for Annual Leave and Repatriation Benefits plus Current Service Costs and Interest cost including those for ASHI total CAD 13 604 in 2015 (CAD 11 463 in 2014) and are included in the expense of the Revolving Fund.

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

94. 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 1 988 thousand Plus one percentage point: increase of CAD 2 671 thousand
<b>Accrued Benefit Obligation</b>	Minus one percentage point: decrease of CAD 22 237 thousand Plus one percentage point: increase of CAD 28 589 thousand

### 2.10.3 Actuarial Assumptions and Methods

95. 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 2015.
96. 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>	2.20 per cent for accounting and funding (2.40 per cent in 31 December 2014 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 1.385 (CAD 1.163 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 0.5 thousand to CAD 1.2 thousand for dental costs and from CAD 0.5 thousand to 4.4 thousand for other health care costs.
<b>Age Variation of Medical and Dental Costs1?</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, 65 per cent (73 per cent in 2014).
<b>Annual Administrative Costs</b>	Included in annual costs per person. Inflation at 3.25 per cent per year, starting in 2016.
<b>Mortality Table</b>	CPM 2014 with Projection Scale CPM-B, base year 2015, same in 2014.
<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 60; employee hired on or after 1 January 1990 to 31 December 2013: age 62; employee hired on or after 1 January 2014: age 65.
<b>Coverage of Dependents at Retirement</b>	60 per cent (60 per cent in 2014). 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>	2.20 per cent per year (2.40 per cent in prior valuation).
<b>Salary Increase</b>	2.50 per cent per year.
<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 60 days.
<b>Withdrawals Due to Voluntary Leave</b>	10 per cent (10 per cent in 2014).
<b>Removal of Effects on Repatriation</b>	CAD 17.6 thousand per employee with annual increase of 3.25 per cent per year.
<b>Travel Costs</b>	CAD 7.7 thousand per employee with annual increase at 3.25 per cent per year.

**2.10.4 United Nations Joint Staff Pension Fund**

97. 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.
98. 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.
99. 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. It is expected that the results of the valuation will be available before July 2016.
100. 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.
101. 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.
102. 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.
103. During 2015, ICAO's contributions paid to UNJSPF amounted to USD 17.9 million equivalent to CAD 23.0 million (USD 18.3 million equivalent to CAD 20.2 million in 2014). Contributions due in 2016 are expected to be at the same level.
104. 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

105. 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

106. 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)

107. 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.

108. Reserves are composed of:

	2015	2014
	<i>In thousands of CAD</i>	
Regular activities		
Carry Forward of Appropriations (Statement V)	18 838	17 807
Reserved Deficit	(3 009)	
Accumulated actuarial gain/(loss) on ASHI (Note 2.10.2)	(46 682)	(54 048)
Amounts set aside in the Incentive Fund	237	237
	(30 616)	(36 004)
Technical Co-operation Project Activities	(171)	(57)
<b>Total</b>	<b>(30 787)</b>	<b>(36 061)</b>

109. No amount was set aside in the Incentive Fund for 2015 as additional funding because of the ICAO cash deficit position (Assembly Resolution A38-25).
110. 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

111. 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.

112. 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>2015</b>	<b>2014</b>
	<i>In thousands of CAD</i>	
Canada	21 269	21 923
Egypt	183	156
France	531	585
Peru	800	473
Senegal	158	152
Thailand	1 036	1 295
<b>Total</b>	<b>23 977</b>	<b>24 584</b>

113. Included in the above contribution in kind from Canada, is an amount equivalent to CAD 1 816 thousand (CAD 1 697 thousand in 2014) from the Government of Quebec towards the provision of premises in the Bell Tower office in Montréal provided for the Technical Co-operation Bureau.
114. 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>2015</b>	<b>2014</b>
	<i>In thousands of CAD</i>	
Aviation Security	1 913	2 186
Aviation Safety	4 446	3 277

115. Also, the Government of Mexico provides a contribution in cash towards the rental of the Regional Office in Mexico City. The contribution in 2015 amounted to CAD 163 thousand (CAD 161 thousand in 2014) and is included in revenue.

### **Note 3.2: Revenue**

116. 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>2015</b>	<b>2014</b>
	<i>In thousands of CAD</i>	
Assessments on States as resolved by the Assembly	88 075	86 120
Working Capital Fund increase as resolved by the Assembly	-	2 130
Assessment on a new State	-	-
Exchange Differences	5 615	2 490
Decrease (increase) on cumulative discount on long-term receivables	(1 297)	(955)
<b>Total</b>	<b>92 393</b>	<b>89 785</b>

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

	<b>2015</b>	<b>2014</b>
	<i>In thousands of CAD</i>	
Publication sales and printing services	5 592	4 557
Delegation services	2 254	2 200
Events and symposia	1 529	1 831
Publication royalties	1 223	1 085
Dangerous goods licensing fee	1 194	1 117
Periodicals	890	498
Usercharge/Subscription fee	783	-
Licensing agreements & partnership in statistics	604	424
Commissariat sales	519	539
Websites	517	448
Training/assessments, courses & membership fees	3 349	2 241
Others	607	667
<b>Total</b>	<b>19 061</b>	<b>15 607</b>

118. Other Revenue comprises the following:

	<b>2015</b>	<b>2014</b>
	<i>In thousands of CAD</i>	
Service fee	592	563
Professional liability insurance fee	291	383
Travel agent fee	170	118
Interest income	321	308
Exchange gain	10 680	3 697
Others	1 226	1 005
<b>Total</b>	<b>13 280</b>	<b>6 074</b>

119. Other revenue includes exchange gain attributable to Fund other than the Regular Budget Fund for an amount of CAD 2 958 thousand (CAD 8.1 thousand exchange gain was recorded in other revenue in 2014).

120. Exchange gain of CAD 7 722 thousand attributable to Regular Budget Fund is presented as Other Income. In the amount of the total exchange gain of CAD 7 722, CAD 2 993 is recognized as realized exchange gain for Regular Budget Fund. In 2014, exchange gain of CAD 2 406 thousand was presented in other revenue within the Statement of Financial Performance.

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

121. 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**

122. 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**

123. **General Operating Expenses** mainly comprise rental, maintenance and operation of premises, information technology and printing expenses. Also included is depreciation on PP&E amounting to CAD 1 186 thousand, and to CAD 247 thousand for the amortization of intangible assets (CAD 1 167 thousand and CAD 272 thousand respectively in 2014).

**3.3.4 Travel**

124. 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**

125. 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.
126. 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.
127. 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 2015 is presented below.

	<b>Operating</b>	<b>Investing</b>	<b>Financing</b>	<b>Total</b>
	<i>In thousands of CAD</i>			
Actual Amount on Comparable Basis (Statement V)	(93,648)	-	-	(93,648)
Basis differences - exchange rate	(5,615)	-	-	(5,615)
Presentation differences	99,278	159	-	99,437
Entity differences	95,680	(612)	(4,694)	90,374
<b>Actual Amounts in the Statement of Cash Flow (Statement IV)</b>	<b>95,695</b>	<b>(453)</b>	<b>(4,694)</b>	<b>90,548</b>

128. 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.
129. 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.
130. 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.
131. 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.
132. 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**

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

134. The Regular Activities segment includes administrative fee revenue of CAD 8.8 million (CAD 8.1 million in 2014) 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 2015 amounted to CAD 1 906 thousand (CAD 1 528 thousand at 31 December 2014). These amounts are eliminated for presentation purposes.

## FINANCIAL POSITION BY SEGMENT

AT 31 DECEMBER 2015

(in thousands of Canadian dollars)

	Notes	Regular Activities		Technical Co-operation Project Activities		Elimination		Total	
		2015	2014	2015	2014	2015	2014	2015	2014
<b>ASSETS</b>									
<b>CURRENT ASSETS</b>									
Cash and cash equivalents	2.1	73 796	67 070	305 640	221 818			379 436	288 888
Assessed contributions receivable from Member States	2.2	6 822	3 491					6 822	3 491
Inter-segment balances			341	1 906	1 187	(1 906)	(1 528)		
Receivables and advances	2.3	6 471	4 627	14 594	5 178			21 065	9 805
Inventories	2.4	753	851					753	851
Others	2.3	2 065	1 818	46	209			2 111	2 027
		89 907	78 198	322 186	228 392	(1 906)	(1 528)	410 187	305 062
<b>NON-CURRENT ASSETS</b>									
Assessed contributions receivable from Member States	2.2	5 022	3 716					5 022	3 716
Receivables and advances	2.3	354	490					354	490
Property, plant and equipment	2.5	2 438	2 530					2 438	2 530
Intangible assets	2.6	866	813					866	813
		8 680	7 549					8 680	7 549
<b>TOTAL ASSETS</b>		98 587	85 747	322 186	228 392	(1 906)	(1 528)	418 867	312 611
<b>LIABILITIES</b>									
<b>CURRENT LIABILITIES</b>									
Advanced receipts	2.8	15 778	11 270	304 546	216 388			320 324	227 658
Accounts payable and accrued liabilities	2.9	12 528	12 333	15 343	9 948			27 871	22 281
Employee benefits	2.10	4 759	3 925	2 468	2 113			7 227	6 038
Inter-segment balances		1 906	1 528			(1 906)	(1 528)		
Credits to contracting/servicing governments	2.11	1 674	1 446					1 674	1 446
		36 645	30 502	322 357	228 449	(1 906)	(1 528)	357 096	257 423
<b>NON-CURRENT LIABILITIES</b>									
Employee benefits	2.10	149 102	147 528					149 102	147 528
		149 102	147 528					149 102	147 528
<b>TOTAL LIABILITIES</b>		185 747	178 030	322 357	228 449	(1 906)	(1 528)	506 198	404 951
<b>NET ASSETS</b>									
Accumulated deficit	2.12	(56 544)	(56 279)					(56 544)	(56 279)
Reserves	2.12	(30 616)	(36 004)	(171)	(57)			(30 787)	(36 061)
<b>NET ASSETS (ACCUMULATED DEFICIT)</b>		(87 160)	(92 283)	(171)	(57)			(87 331)	(92 340)
<b>TOTAL LIABILITIES AND NET ASSETS</b>		98 587	85 747	322 186	228 392	(1 906)	(1 528)	418 867	312 611

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 2015  
(in thousands of Canadian dollars)

	Notes	Regular Activities		Technical Co-operation Project Activities		Elimination		Total	
		2015	2014	2015	2014	2015	2014	2015	2014
		<b>REVENUE</b>							
Contributions for project agreements	3.2			137 389	139 596	(1 089)		136 300	139 596
Assessed contributions	3.2	92 393	89 785					92 393	89 785
Other revenue producing activities	3.2	19 061	15 607					19 061	15 607
Other voluntary contributions		10 912	12 442					10 912	12 442
Administrative fee revenue		9 062	8 326			(8 755)	(8 144)	307	182
Other revenue	3.2	13 022	5 566	258	508			13 280	6 074
		144 450	131 726	137 647	140 104	(9 844)	(8 144)	272 253	263 686
<b>EXPENSES</b>									
Staff salaries and employee benefits	3.3	113 672	101 873	45 832	41 407			159 504	143 280
Supplies, consumables and others	3.3	276	213	66 656	78 464			66 932	78 677
General operating expenses	3.3	17 219	16 086	2 838	1 512			20 057	17 598
Travel	3.3	7 184	5 608	4 810	4 220			11 994	9 828
Meetings		1 774	1 894					1 774	1 894
Training				3 294	3 269			3 294	3 269
Administrative overhead charges				8 337	7 928	(8 337)	(7 928)		
Other expenses		1 875	779	5 880	3 304	(1 507)	(216)	6 248	3 867
		142 000	126 453	137 647	140 104	(9 844)	(8 144)	269 803	258 413
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>									
		2 450	5 273					2 450	5 273

Details may not add to the totals due to rounding

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

135. Lease commitments mainly pertain to ICAO premises.

	<b>2015</b>	<b>2014</b>
	<i>In thousands of CAD</i>	
Minimum obligations for property leases:		
1 – 5 years	3 295	5 259
Beyond 5 years	-	-
<b>Total Property Leases Obligations</b>	<b>3 295</b>	<b>5 259</b>

136. 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 and includes the 50 per cent portion of the lease payable by ICAO for Mexico Office. 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.

137. The future minimum lease revenues under non-cancellable operating leases total CAD 1.9 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**

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

139. A number of legal actions and claims have been brought against the Organization in relation to Technical Co-operation Projects in South America. These are mainly claims by individuals demanding additional payments under local labour laws beyond what was provided for under their contract of employment. The total of such claims is USD 3.9 million (USD 2.8 million at 31 December 2014). It has been assessed as unlikely that ICAO would incur financial liabilities given that the Governments concerned have committed in the underlying project agreements to absorb any financial liabilities which may arise from such claims.

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

	Number of Individuals (Person/Year)	Compensation and Post Adjustment	Entitlements	Pension and Health Plans	Total Remuneration	Outstanding Advances Against Entitlements	Out- standing Loans
<i>(In thousands of CAD)</i>							
Key Management Personnel	14	2 441	429	713	3 583	29	-

140. 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.
141. 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.
142. 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.
143. 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.
144. Total remuneration also includes an amount of CAD 134 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**

145. 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**

146. ICAO's reporting date is 31 December 2015. 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 2015 AND  
REVENUE, EXPENSES AND SURPLUS (DEFICIT) FOR 2015  
(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	33 003		1 400	9 487	5 301	7 608	1 195	1 935	1 256
Assessed contributions receivable from Member States	6 822								
Inter-fund balances									
Receivables and advances	1 531			3 566	627	219		233	
Inventories				753					
Others	2 056			8					
	<u>43 412</u>		<u>1 400</u>	<u>13 815</u>	<u>5 928</u>	<u>7 827</u>	<u>1 195</u>	<u>2 169</u>	<u>1 256</u>
<b>NON-CURRENT ASSETS</b>									
Assessed contributions receivable from Member States	5 022								
Receivables and advances	355								
Property, plant and equipment		2 438							
Intangible assets		866							
	<u>5 376</u>	<u>3 304</u>							
<b>TOTAL ASSETS</b>	<b><u>48 788</u></b>	<b><u>3 304</u></b>	<b><u>1 400</u></b>	<b><u>13 815</u></b>	<b><u>5 928</u></b>	<b><u>7 827</u></b>	<b><u>1 195</u></b>	<b><u>2 169</u></b>	<b><u>1 256</u></b>
<b>LIABILITIES</b>									
<b>CURRENT LIABILITIES</b>									
Advanced receipts	6 835			2 023	597			25	
Accounts payable and accrued liabilities	10 894			617	32	37	15	469	
Employee benefits			4 747		11				
Inter-fund balances	863			247	797				
Credits to contracting/service governments								1 674	
	<u>18 591</u>		<u>4 747</u>	<u>2 886</u>	<u>1 437</u>	<u>37</u>	<u>15</u>	<u>2 169</u>	
<b>NON-CURRENT LIABILITIES</b>									
Employee benefits			149 102						
			<u>149 102</u>						
<b>TOTAL LIABILITIES</b>	<b><u>18 591</u></b>		<b><u>153 849</u></b>	<b><u>2 886</u></b>	<b><u>1 437</u></b>	<b><u>37</u></b>	<b><u>15</u></b>	<b><u>2 169</u></b>	
<b>NET ASSETS</b>									
Accumulated surplus/(deficit)	14 368	3 304	(105 767)	10 928	4 491	7 790	1 180		1 020
Reserves	15 829		(46 682)						237
<b>NET ASSETS (ACCUMULATED DEFICIT)</b>	<b><u>30 197</u></b>	<b><u>3 304</u></b>	<b><u>(152 449)</u></b>	<b><u>10 928</u></b>	<b><u>4 491</u></b>	<b><u>7 790</u></b>	<b><u>1 180</u></b>		<b><u>1 256</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>48 788</u></b>	<b><u>3 304</u></b>	<b><u>1 400</u></b>	<b><u>13 815</u></b>	<b><u>5 928</u></b>	<b><u>7 827</u></b>	<b><u>1 195</u></b>	<b><u>2 169</u></b>	<b><u>1 256</u></b>
<b>REVENUE</b>									
Contributions for project agreements									
Assessed contributions	92 393								
Other revenue producing activities				20 510				32	
Other voluntary contributions				6		3 393	451		
Administrative fee revenue					9 084				
Other revenue	14 526	1 394	3 842	483	923	971	151	5	172
<b>TOTAL REVENUE</b>	<b><u>106 919</u></b>	<b><u>1 394</u></b>	<b><u>3 842</u></b>	<b><u>21 000</u></b>	<b><u>10 007</u></b>	<b><u>4 364</u></b>	<b><u>601</u></b>	<b><u>37</u></b>	<b><u>172</u></b>
<b>EXPENSES</b>									
Staff salaries and employee benefits	83 028		13 604	6 027	8 935	1 527		4	
Supplies, consumables and others	335			233		10			
General operating expenses	13 035	1 433		9 079	305	36		21	
Travel	4 219			649	201	830	38		
Meetings	1 379					47	83		
Administrative overhead charges						197	25		
Other expenses	260			343	1	389		41	
<b>TOTAL EXPENSES</b>	<b><u>102 257</u></b>	<b><u>1 433</u></b>	<b><u>13 604</u></b>	<b><u>16 330</u></b>	<b><u>9 442</u></b>	<b><u>3 035</u></b>	<b><u>146</u></b>	<b><u>65</u></b>	
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b><u>4 662</u></b>	<b><u>(39)</u></b>	<b><u>(9 762)</u></b>	<b><u>4 670</u></b>	<b><u>565</u></b>	<b><u>1 329</u></b>	<b><u>455</u></b>	<b><u>(29)</u></b>	<b><u>172</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 2015 AND  
REVENUE, EXPENSES AND SURPLUS (DEFICIT) FOR 2015  
(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/ Adjustment	2015	2014
<b>ASSETS</b>										
<b>CURRENT ASSETS</b>										
Cash and cash equivalents	466	1 736	951	2 872	500	6 087	73 796		73 796	67 070
Assessed contributions receivable from Member States							6 822		6 822	3 491
Inter-fund balances										341
Receivables and advances		104		11		179	6 471		6 471	4 627
Inventories							753		753	851
Others							2 065		2 065	1 818
	<u>466</u>	<u>1 840</u>	<u>951</u>	<u>2 883</u>	<u>500</u>	<u>6 266</u>	<u>89 907</u>		<u>89 907</u>	<u>78 198</u>
<b>NON-CURRENT ASSETS</b>										
Assessed contributions receivable from Member States							5 022		5 022	3 716
Receivables and advances							354		354	490
Property, plant and equipment							2 438		2 438	2 530
Intangible assets							866		866	813
							<u>8 680</u>		<u>8 680</u>	<u>7 549</u>
<b>TOTAL ASSETS</b>	<u><b>466</b></u>	<u><b>1 840</b></u>	<u><b>951</b></u>	<u><b>2 883</b></u>	<u><b>500</b></u>	<u><b>6 266</b></u>	<u><b>98 587</b></u>		<u><b>98 587</b></u>	<u><b>85 747</b></u>
<b>LIABILITIES</b>										
<b>CURRENT LIABILITIES</b>										
Advanced receipts		1 752	45			669	11 946	3 832	15 778	11 270
Accounts payable and accrued liabilities		88	344	4	10	18	12 528		12 528	12 333
Employee benefits							4 759		4 759	3 925
Inter-fund balances							1 906		1 906	1 528
Credits to contracting/service governments							1 674		1 674	1 446
		<u>1 840</u>	<u>389</u>	<u>4</u>	<u>10</u>	<u>688</u>	<u>32 813</u>	<u>3 832</u>	<u>36 645</u>	<u>30 502</u>
<b>NON-CURRENT LIABILITIES</b>										
Employee benefits							149 102		149 102	147 528
							<u>149 102</u>		<u>149 102</u>	<u>147 528</u>
<b>TOTAL LIABILITIES</b>		<u><b>1 840</b></u>	<u><b>389</b></u>	<u><b>4</b></u>	<u><b>10</b></u>	<u><b>688</b></u>	<u><b>181 915</b></u>	<u><b>3 832</b></u>	<u><b>185 747</b></u>	<u><b>178 030</b></u>
<b>NET ASSETS</b>										
Accumulated surplus/(deficit)	466		562	2 878	490	5 578	(52 712)	(3 832)	(56 544)	(56 279)
Reserves							(30 616)		(30 616)	(36 004)
<b>NET ASSETS (ACCUMULATED DEFICIT)</b>	<u><b>466</b></u>		<u><b>562</b></u>	<u><b>2 878</b></u>	<u><b>490</b></u>	<u><b>5 578</b></u>	<u><b>(83 328)</b></u>	<u><b>(3 832)</b></u>	<u><b>(87 160)</b></u>	<u><b>(92 283)</b></u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>466</b></u>	<u><b>1 840</b></u>	<u><b>951</b></u>	<u><b>2 883</b></u>	<u><b>500</b></u>	<u><b>6 266</b></u>	<u><b>98 587</b></u>		<u><b>98 587</b></u>	<u><b>85 747</b></u>
<b>REVENUE</b>										
Contributions for project agreements										
Assessed contributions							92 393		92 393	89 785
Other revenue producing activities							20 542	(1 481)	19 061	15 607
Other voluntary contributions		2 059	921	703		3 290	10 823	89	10 912	12 442
Administrative fee revenue							9 084	(22)	9 062	8 326
Other revenue	3	187	132	623	4	1 741	25 158	(12 136)	13 022	5 566
<b>TOTAL REVENUE</b>	<u><b>3</b></u>	<u><b>2 246</b></u>	<u><b>1 052</b></u>	<u><b>1 326</b></u>	<u><b>4</b></u>	<u><b>5 031</b></u>	<u><b>158 000</b></u>	<u><b>(13 550)</b></u>	<u><b>144 450</b></u>	<u><b>131 726</b></u>
<b>EXPENSES</b>										
Staff salaries and employee benefits		2 067	260	372	475	2 426	118 726	(5 054)	113 672	101 873
Supplies, consumables and others		79	5				662	(386)	276	213
General operating expenses		27	442	3	64	337	24 780	(7 561)	17 219	16 086
Travel		24	57	507	188	471	7 184		7 184	5 608
Meetings			12	51	63	138	1 774		1 774	1 894
Administrative overhead charges		46	13	11	55	291	638	(638)		
Other expenses	19	3	1	840	6	10	1 913	(38)	1 875	779
<b>TOTAL EXPENSES</b>	<u><b>19</b></u>	<u><b>2 246</b></u>	<u><b>789</b></u>	<u><b>1 784</b></u>	<u><b>851</b></u>	<u><b>3 674</b></u>	<u><b>155 677</b></u>	<u><b>(13 677)</b></u>	<u><b>142 000</b></u>	<u><b>126 453</b></u>
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<u><b>(16)</b></u>		<u><b>263</b></u>	<u><b>(458)</b></u>	<u><b>(847)</b></u>	<u><b>1 357</b></u>	<u><b>2 323</b></u>	<u><b>127</b></u>	<u><b>2 450</b></u>	<u><b>5 273</b></u>

Details may not add to totals due to rounding

## INTERNATIONAL CIVIL AVIATION ORGANIZATION

Table B

REGULAR ACTIVITIES  
 AVIATION SECURITY TRUST FUNDS  
 ASSETS, LIABILITIES, NET ASSETS AT 31 DECEMBER 2015 AND  
 REVENUE, EXPENSES AND SURPLUS FOR 2015  
 (in thousands of Canadian dollars)

	<b>Enhanced Mechanism</b>	<b>United States</b>	<b>Awareness Training Programme</b>	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	5 981		1 627	7 608	6 327
Receivables and advances	12	206		219	204
Others					
	<u>5 993</u>	<u>206</u>	<u>1 627</u>	<u>7 827</u>	<u>6 531</u>
<b>TOTAL ASSETS</b>	<u>5 993</u>	<u>206</u>	<u>1 627</u>	<u>7 827</u>	<u>6 531</u>
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable and accrued liabilities			37	37	54
			<u>37</u>	<u>37</u>	<u>54</u>
<b>TOTAL LIABILITIES</b>			<u>37</u>	<u>37</u>	<u>54</u>
<b>NET ASSETS</b>					
Accumulated surplus/(deficit)	5 993	206	1 590	7 790	6 477
<b>NET ASSETS</b>	<u>5 993</u>	<u>206</u>	<u>1 590</u>	<u>7 790</u>	<u>6 477</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>5 993</u>	<u>206</u>	<u>1 627</u>	<u>7 827</u>	<u>6 531</u>
<b>REVENUE</b>					
Other voluntary contributions	1 137	655	1 601	3 393	2 340
Other revenue	916	29	26	971	534
<b>TOTAL REVENUE</b>	<u>2 054</u>	<u>684</u>	<u>1 626</u>	<u>4 364</u>	<u>2 874</u>
<b>EXPENSES</b>					
Staff salaries and employee benefits	668	656	204	1 527	1 336
Supplies, consumables and others			10	10	
General operating expenses	20		16	36	48
Travel	299		530	830	497
Meetings			47	47	2
Administrative overhead charges	79		118	197	114
Other expenses	164		225	389	130
<b>TOTAL EXPENSES</b>	<u>1 229</u>	<u>656</u>	<u>1 151</u>	<u>3 035</u>	<u>2 127</u>
<b>NET SURPLUS FOR THE YEAR</b>	<u>825</u>	<u>28</u>	<u>476</u>	<u>1 329</u>	<u>747</u>

*Details may not add to totals due to rounding*

## INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME  
ASSESSMENTS RECEIVABLE FROM MEMBER STATES  
AND CONTRIBUTIONS RECEIVED IN ADVANCE  
AS AT 31 DECEMBER 2015

(in thousands of Canadian dollars)

Member States Assembly Resolutions A38-22, A38-26 addendum and A38-27	General Fund						Total Balances Receivable	Exchange	Total Adjusted Balances Receivable	Contributions Received in Advance
	Scales 2015	Assessments 2015	Contributions Received for 2015	Balance of Assessments Receivable for 2015	Balance of Prior Years' Assessments Receivable					
Afghanistan (**)	0.06	56		56	101	158	18	175		
Albania	0.06	56	56							
Algeria	0.11	103	103							
Andorra	0.06	56		56		56	4	60		
Angola	0.06	56	18	39		39	1	39		
Antigua and Barbuda (**)	0.06	56		56	877	933	255	1 188		
Argentina	0.37	347	138	209		209		209		
Armenia	0.06	56	56						63	
Australia	1.83	1 715	1 715						1 923	
Austria	0.65	609	609							
Azerbaijan	0.06	56	56							
Bahamas	0.06	56	56							
Bahrain	0.12	112	59	54		54	9	62		
Bangladesh	0.06	56	56							
Barbados	0.06	56	13	43		43	2	45		
Belarus	0.06	56	56							
Belgium	0.76	712	712							
Belize (**)	0.06	56		56	54	111	11	121		
Benin	0.06	56	55	2		2		2		
Bhutan	0.06	56	22	35		35		35		
Bolivia (Plurinational State of)	0.06	56	56							
Bosnia and Herzegovina	0.06	56	56							
Botswana	0.06	56	56							
Brazil	2.31	2 164		2 164	865	3 029	164	3 193		
Brunei Darussalam	0.06	56	56							
Bulgaria	0.06	56	56							
Burkina Faso	0.06	56	55	2		2		2		
Burundi	0.06	56		56	49	105	9	114		
Cabo Verde	0.06	56		56		56	4	60		
Cambodia (*)	0.06	56		56	95	151	43	194		
Cameroon	0.06	56	55	2		2		2		
Canada	2.58	2 417	2 417						2 710	
Central African Republic	0.06	56	55	2		2		2		
Chad	0.06	56	56						7	
Chile	0.37	347	347							
China	5.83	5 462	5 462							
Colombia	0.30	281	276	5		5		5		
Comoros	0.06	56	55	2		2		2		
Congo	0.06	56	55	2		2		2		
Cook Islands	0.06	56	56		29	29	12	41		
Costa Rica	0.06	56	56							
Côte d'Ivoire	0.06	56	55	2		2		2		
Croatia	0.09	84	84							
Cuba	0.06	56	56	1		1		1		
Cyprus	0.06	56	56							
Czech Republic	0.29	272	272							
Democratic People's Republic of Korea	0.06	56		56		56	4	60		
Democratic Republic of the Congo (**)	0.06	56		56	107	163	18	181		
Denmark	0.52	487	487							
Djibouti (**)	0.06	56		56	892	949	261	1 210		
Dominican Republic	0.06	56	56							
Ecuador	0.06	56	56						3	
Egypt	0.20	187	187							
El Salvador	0.06	56	56						10	
Equatorial Guinea	0.06	56	55	2		2		2		
Eritrea	0.06	56		56	106	162	17	180		
Estonia	0.06	56	56							
Ethiopia	0.14	131		131	28	159	18	177		
Fiji	0.06	56	56							
Finland	0.48	450	450						504	
France	4.59	4 300	4 300							
Gabon	0.06	56	55	2		2		2		
Gambia (*) & (**)	0.06	56		56	200	256	56	312		
Georgia	0.06	56	56		156	156	64	220		
Germany	6.06	5 678	5 678							

## INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME  
ASSESSMENTS RECEIVABLE FROM MEMBER STATES  
AND CONTRIBUTIONS RECEIVED IN ADVANCE  
AS AT 31 DECEMBER 2015

(in thousands of Canadian dollars)

Member States Assembly Resolutions A38-22, A38-26 addendum and A38-27	General Fund					Total Balances Receivable	Exchange	Total Adjusted Balances Receivable	Contributions Received in Advance
	Scales 2015	Assessments 2015	Contributions Received for 2015	Balance of Assessments Receivable for 2015	Balance of Prior Years' Assessments Receivable				
Ghana	0.06	56	56						
Greece	0.47	440	440						
Grenada (*) & (**)	0.06	56		56	532	589	113	702	6
Guatemala (**)	0.06	56		56	54	111	11	121	
Guinea (*)	0.06	56		56	123	179	53	232	
Guinea-Bissau	0.06	56	55	2		2		2	
Guyana	0.06	56	56						12
Haiti (**)	0.06	56		56	54	111	11	121	
Honduras	0.06	56	56						10
Hungary	0.26	244	244						
Iceland	0.06	56	56						
India	0.85	796	796						
Indonesia	0.44	412	412						
Iran (Islamic Republic of)	0.30	281		281	536	817	95	912	
Iraq (*)	0.06	56	55	1	456	457	169	626	
Ireland	0.67	628	628						
Israel	0.40	375	374						
Italy	3.22	3 017	3 017						
Jamaica	0.06	56	56						
Japan	8.07	7 561	7 561						
Jordan	0.07	66	58	7		7	1	8	
Kazakhstan	0.11	103	103						
Kenya	0.06	56	56						
Kiribati	0.06	56		56	219	275	30	305	
Kuwait	0.24	225		225	200	425	41	466	
Kyrgyzstan (*) & (**)	0.06	56		56	153	209	37	246	
Lao People's Democratic Republic	0.06	56		56	39	96	6	102	
Latvia	0.06	56	56						
Lebanon	0.06	56	56						
Lesotho	0.06	56	15	41		41	1	42	
Liberia (*)	0.06	56		56	163	219	70	289	
Libya	0.12	112		112	106	219	20	239	
Lithuania	0.06	56	56						
Luxembourg	0.27	253	253						
Madagascar	0.06	56	55	2		2		2	
Malawi (**)	0.06	56		56	577	633	131	764	
Malaysia	0.51	478	478						
Maldives	0.06	56	56						
Mali	0.06	56	55	2		2		2	
Malta	0.06	56	56						
Marshall Islands (**)	0.06	56		56	412	469	64	532	
Mauritania	0.06	56	55	2		2		2	
Mauritius	0.06	56	56						
Mexico	1.36	1 274	1 274						
Micronesia (Federated States of)	0.06	56		56	192	248	25	273	
Monaco	0.06	56	56						
Mongolia	0.06	56	56						
Montenegro	0.06	56	56						
Morocco	0.12	112	52	61		61	9	69	
Mozambique	0.06	56	56						
Myanmar	0.06	56	54	2		2		2	
Namibia	0.06	56		56	1	57	4	61	
Nauru (**)	0.06	56		56	735	792	197	988	
Nepal	0.06	56	56						1
Netherlands	1.60	1 499	1 499						
New Zealand	0.30	281	281						179
Nicaragua	0.06	56	56						
Niger	0.06	56	55	2		2		2	
Nigeria	0.07	66	66						
Norway	0.68	637	637						
Oman	0.11	103	103						
Pakistan	0.15	141		141	10	150	11	161	
Palau	0.06	56		56	317	373	34	407	
Panama	0.07	66	66						13
Papua New Guinea (**)	0.06	56		56	54	111	11	121	

## INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME  
ASSESSMENTS RECEIVABLE FROM MEMBER STATES  
AND CONTRIBUTIONS RECEIVED IN ADVANCE  
AS AT 31 DECEMBER 2015

(in thousands of Canadian dollars)

Member States Assembly Resolutions A38-22, A38-26 addendum and A38-27	General Fund					Total Balances Receivable	Exchange	Total Adjusted Balances Receivable	Contributions Received in Advance
	Scales 2015	Assessments 2015	Contributions Received for 2015	Balance of Assessments Receivable for 2015	Balance of Prior Years' Assessments Receivable				
Paraguay	0.06	56		56		56	4	60	
Peru	0.13	122	122						
Philippines	0.24	225	225						
Poland	0.66	618	618						
Portugal	0.46	431	431						
Qatar	0.64	600	600						
Republic of Korea	2.18	2 042	2 042						
Republic of Moldova	0.06	56	56						63
Romania	0.18	169	169						
Russian Federation	2.21	2 071	2 066	5		5	1	6	
Rwanda (**)	0.06	56		56	252	308	34	342	
Saint Kitts and Nevis	0.06	56	56						
Saint Lucia	0.06	56		56		56	4	60	
Saint Vincent and the Grenadines	0.06	56		56	202	259	29	288	
Samoa	0.06	56	56						
San Marino	0.06	56	56						
Sao Tome and Principe (*) & (**)	0.06	56		56	725	781	192	974	
Saudi Arabia	0.85	796	796						
Senegal	0.06	56	56						21
Serbia	0.06	56	56						
Seychelles	0.06	56	56						1
Sierra Leone (*)	0.06	56		56	177	233	76	309	
Singapore	1.03	965	965						1 082
Slovakia	0.12	112	112						126
Slovenia	0.07	66	66						
Solomon Islands	0.06	56		56	121	177	30	207	
Somalia	0.06	56	56						
South Africa	0.41	384	384						
South Sudan (**)	0.06	56		56	94	151	13	163	
Spain	2.47	2 314	2 314						
Sri Lanka	0.08	75	75						
Sudan	0.06	56	56						
Suriname (**)	0.06	56		56	252	308	34	342	
Swaziland	0.06	56	55	1		1		1	
Sweden	0.69	646	646						
Switzerland	0.95	890	890						
Syrian Arab Republic (**)	0.06	56		56	301	357	34	391	
Tajikistan	0.06	56	28	28		28		28	
Thailand	0.55	515	515						
The former Yugoslav Republic of Macedonia	0.06	56	56						
Timor-Leste (**)	0.06	56		56	275	331	34	365	
Togo	0.06	56	55	2		2		2	
Tonga	0.06	56	56						
Trinidad and Tobago	0.06	56	56						
Tunisia	0.06	56	55	2		2		2	
Turkey	1.31	1 227	1 227						
Turkmenistan (**)	0.06	56		56	218	274	34	308	
Uganda	0.06	56		56	51	108	10	117	
Ukraine	0.12	112	112						
United Arab Emirates	1.80	1 686	1 686						
United Kingdom	4.77	4 469	4 469						
United Republic of Tanzania	0.06	56	56						
United States	22.07	20 677	20 677						
Uruguay	0.06	56	55	1		1		2	
Uzbekistan	0.06	56	53	3		3		3	
Vanuatu	0.06	56	33	23		23	4	27	
Venezuela (Bolivarian Republic of)	0.44	412	412						69
Viet Nam	0.13	122	122						
Yemen	0.06	56		56		56	4	61	
Zambia	0.06	56	20	36		36		36	
Zimbabwe	0.06	56		56	200	256	28	285	
The former Socialist Federal Republic of Yugoslavia (1)					501	501	206	708	
TOTAL (***)	100.00	93 690	87 652	6 038	11 863	17 902	2 886	20 788	6 803

**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 2015.

\*\* 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 2015 AND  
 REVENUE, EXPENSES AND SURPLUS (DEFICIT) FOR 2015  
 (in thousands of Canadian dollars)

	United Nations Development Programme	Trust Funds and Management Service Agreements	Civil Aviation Purchasing Services Funds	Total 2015	Total 2014
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents		291 548	14 092	305 640	221 818
Inter-fund balances	1 906			1 906	1 187
Receivables and advances	531	13 684	379	14 594	5 178
Others	3	43		46	209
<b>TOTAL ASSETS</b>	<b>2 440</b>	<b>305 275</b>	<b>14 471</b>	<b>322 186</b>	<b>228 392</b>
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Advanced receipts	79	290 025	14 442	304 546	216 388
Accounts payable and accrued liabilities	2 502	12 812	29	15 343	9 948
Employee benefits	30	2 438		2 468	2 113
<b>TOTAL LIABILITIES</b>	<b>2 611</b>	<b>305 275</b>	<b>14 471</b>	<b>322 357</b>	<b>228 449</b>
<b>NET ASSETS</b>					
Reserves	( 171)			( 171)	( 57)
<b>NET ASSETS (ACCUMULATED DEFICIT)</b>	<b>( 171)</b>			<b>( 171)</b>	<b>( 57)</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>2 440</b>	<b>305 275</b>	<b>14 471</b>	<b>322 186</b>	<b>228 392</b>
<b>REVENUE</b>					
Contributions for project agreements		128 461	8 928	137 389	139 596
Other revenue		258		258	508
<b>TOTAL REVENUE</b>		<b>128 719</b>	<b>8 928</b>	<b>137 647</b>	<b>140 104</b>
<b>EXPENSES</b>					
Staff salaries and employee benefits		45 683	149	45 832	41 407
Supplies, consumables and others		58 369	8 287	66 656	78 464
General operating expenses		2 813	25	2 838	1 512
Travel		4 797	13	4 810	4 220
Training		3 294		3 294	3 269
Administrative overhead charges		7 883	454	8 337	7 928
Other expenses		5 880		5 880	3 304
<b>TOTAL EXPENDITURE</b>		<b>128 719</b>	<b>8 928</b>	<b>137 647</b>	<b>140 104</b>
<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 2015  
(in thousands of United States dollars)

Fund	Type of Fund	Balance as at 01-Jan-2015	Adjustment	Receipts		Expenses		Transfer from or to Other Funds	Refund of Contributions	Unrealized Exchange Gain or Loss	Balance as at 31-Dec-2015
				Contributions <sup>(1)</sup>	Interest and Other Income	Project Costs	Administrative Overhead				
Afghanistan	MSA	1 131			2	64	( 2)				1 071
Angola	MSA	61									61
Argentina	MSA	30 126		42 931	203	41 514	1 723	( 165)		( 2 557)	27 300
Bahamas	MSA	10									10
Barbados	TF	47									47
Belgium	MSA	1 351				332	33				986
Bolivia	MSA	1 370		28	1	410	38	( 138)	( 163)	( 4)	647
Bolivia	TF	12									12
Botswana	TF	68				( 6)	( 1)				75
Brazil	MSA	2 168			203	38	2			( 666)	1 665
Cabo Verde	MSA	738			1	148	15			( 2)	574
Cambodia	MSA	1									1
Cameroon	MSA	26				10	1				16
Chad	MSA	34									34
China	TF	37									38
Colombia	MSA	72			2	41	2			( 3)	27
Comoros	MSA	9		56				450			515
Costa Rica	MSA	44 191			68	2 379	104		( 2 415)		39 361
Czech Republic	MSA	35									35
Democratic Republic of the Congo	MSA	( 8)				( 7)	( 1)				
Denmark	MSA										
Djibouti	MSA	242									242
Dominican Republic	MSA	3									3
Ecuador	MSA	1 636		127	3	381	58				1 328
Egypt	MSA	56									56
El Salvador	MSA	265				( 1)					265
Equatorial Guinea	MSA	1 043			2	447	45		( 27)	( 1)	525
Ethiopia	MSA	6									6
Fiji	MSA	13									13
Gabon	MSA	( 17)									( 17)
Greece	MSA	29		229	8	207	23			( 8)	29
Guatemala	MSA	365			1	67					299
Guyana	TF	7									7
Haiti	TF	55									56
Inter-Regional	TF	106		10		15	2				100
Iceland	MSA	2									2
India	MSA	1 187			3	28	3				1 159
Indonesia	MSA	1 646		1 105	8	1 098	116			( 9)	1 536
Iraq	MSA	43									43
Iraq	TF	39									39
Italy	MSA	17									17
Jamaica	MSA	100		393		137	14			( 1)	342
Jamaica	TF	6									6
Jordan	MSA	21									22
Kazakhstan	MSA	1 405			5	1 003	100			( 1)	306
Kuwait	MSA	1 687				883	88			( 2)	714
Latvia	TF	8									8
Lebanon	MSA	679			( 21)	283	28			22	369
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	285		112		76	5	( 22)			295
Mexico	TF	1 653			1	1 401	122	( 6)			125
Morocco	TF	70									71
Mozambique	MSA	349			2	185	19	90		( 2)	236
Namibia	MSA	7 562		1 070	12	2 268	227			( 6)	6 143

## 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 2015  
(in thousands of United States dollars)

Fund	Type of Fund	Balance as at 01-Jan-2015	Receipts		Expenses		Transfer from or to Other Funds	Refund of Contributions	Unrealized Exchange Gain or Loss	Balance as at 31-Dec-2015
			Contributions <sup>(1)</sup>	Interest and Other Income	Project Costs	Administrative Overhead				
Nepal	MSA	12	150				350			512
Nicaragua	MSA	20								20
Nigeria	MSA	290	222	1	202	20	( 46)		( 3)	242
Norway	MSA	5	60	2	48	5			( 13)	1
Oman	MSA	15	196							210
Oman	TF	180								180
Pakistan	MSA	32								32
Panama	MSA	794	691	1	1 174	92	( 10)			211
Panama	TF	6 278	34 027	2	2 627	440	( 150)		( 2)	37 088
Papua New Guinea	MSA	8								8
Paraguay	MSA	699	636	4	868	90			( 4)	377
Peru	MSA	7 607	8 558	( 19)	7 515	733	( 120)		( 1 101)	6 677
Philippines	MSA	31						( 12)		20
Philippines	TF	1 971		3				( 1 972)		2
Qatar	MSA	35								35
Regional for Africa	MSA	12 588	26 590	42	3 203	500	( 1 138)	( 285)	( 122)	33 972
Regional for Asia	MSA	398	480	6	216	28	20		( 2)	657
Regional for Asia	TF	2 244	1 798	5	1 140	135	384		( 10)	3 146
Regional for Europe	MSA	36								36
Regional for Europe	TF	63	100		63	6				94
Regional for Europe and Middle East	MSA	587	540		392	39				695
Regional for Europe and Middle East	TF	426	255	1	218	22	60			501
Regional for Latin America	MSA	344	463	1	465	26	10			328
Regional for Latin America	TF	6 296	1 970	15	4 210	180	280			4 171
Republic of Korea	MSA	47	40				( 54)			33
Republic of the Congo	MSA	88			4					84
Romania	MSA	3								3
Rwanda	MSA	75	141		54	5		( 60)	( 1)	97
Saudi Arabia	MSA	6 011	8 000	204	7 464	374			( 10)	6 367
Seychelles	MSA	56								56
Singapore	MSA	289	240	1	184	18	( 16)		( 1)	310
Singapore	TF	137	122		97	10				152
Somalia	MSA		6		3 595	310	8 457		( 12)	4 546
Somalia	TF	17 072	9 968	24	1 322	123	( 8 503)	( 849)	( 1)	16 267
South Africa	MSA	205								206
Spain	MSA	10	34	1	37				( 4)	5
Sri Lanka	MSA	382		1						382
Sri Lanka	TF	7							( 1)	7
Sudan	MSA	301	338	2	272	27			( 2)	340
Swaziland	MSA	211		1	1					211
Syrian Arab Republic	MSA	154								155
Thailand	MSA	55								55
Thailand	TF	71								71
Trinidad and Tobago	TF	8								8
UN Department of Peacekeeping Operations	MSA	15			5	1				10
Uganda	MSA	79			( 9)	( 1)	( 15)			74
United Republic of Tanzania	MSA	( 5)								( 5)
Uruguay	MSA	2 047	878	7	903	139	( 98)			1 790
Venezuela (Bolivarian Republic of)	MSA	113	42			39				117
Viet Nam	TF	14								14
Yemen	MSA	5								5
	LS	1 036	202	5	696	58	1 504		( 5)	1 988
<b>Total</b>		<b>171 658</b>	<b>142 802</b>	<b>829</b>	<b>90 364</b>	<b>6 182</b>	<b>1 121</b>	<b>( 5 783)</b>	<b>( 4 531)</b>	<b>209 549</b>
<b>Equivalent Canadian Dollars</b>		<b>226 772</b>	<b>197 559</b>	<b>1 107</b>	<b>115 279</b>	<b>7 883</b>	<b>1 539</b>	<b>( 8 010)</b>	<b>( 5 781)</b>	<b>290 025</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 2015  
 (in thousands of United States dollars)

Fund	Type of Fund	Balance as at 01-Jan-2015	Adjustment	Receipts		Expenses		Transfer from or to Other Funds	Refund of Contributions	Unrealized Exchange Gain or Loss	Balance as at 31-Dec-2015
				Contributions <sup>(1)</sup>	Interest and Other Income	Project Costs	Administrative Overhead				
Afghanistan	CAPS	202			2	33	2				168
Angola	CAPS	( 16)									( 16)
Bahamas	CAPS	4 849			15	4 698	58	( 41)			66
Bangladesh	CAPS										
Bolivia	CAPS	4									4
Cabo Verde	CAPS	31									31
Canada	CAPS	38									38
Costa Rica	CAPS	2 048			3	131	53		( 506)		1 361
Cuba	CAPS	17									17
Ethiopia	CAPS	239		1 726	1	35	77				1 854
Fiji	CAPS	3									3
Guinea	CAPS	43									44
Lebanon	CAPS	2 612			4						2 616
Lesotho	CAPS	40									40
Libyan Arab Jamahiriya	CAPS	62									62
Macao Special Administrative Region of China	CAPS	151		1 676	1	22	77				1 728
Madagascar	CAPS	418				182	11				224
Mozambique	CAPS	6				1					4
Myanmar	CAPS	448			1			( 10)			439
Nigeria	CAPS	60				1					59
Oman	CAPS	15									15
Pakistan	CAPS						10				( 10)
Russian Federation	CAPS	3									3
Seychelles	CAPS	( 69)									( 69)
Sudan	CAPS	99			1						99
Suriname	CAPS	6									6
Syrian Arab Republic	CAPS	726			1						728
Trinidad and Tobago	CAPS	159			1						160
Uganda	CAPS	1 237		190	1	697	60	15			685
United Republic of Tanzania	CAPS	14				3					11
Uruguay	CAPS	887			2	838	7			( 1)	42
Yemen	CAPS	17									17
<b>Total</b>		<b>14 346</b>		<b>3 592</b>	<b>33</b>	<b>6 641</b>	<b>356</b>	<b>( 36)</b>	<b>( 506)</b>	<b>( 2)</b>	<b>10 429</b>
<b>Equivalent Canadian Dollars</b>		<b>19 106</b>		<b>4 975</b>	<b>45</b>	<b>8 474</b>	<b>454</b>	<b>( 50)</b>	<b>( 701)</b>	<b>( 4)</b>	<b>14 442</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 2015 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 2015**

6 May 2016

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## **INTRODUCTION**

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

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

The audit looked at the ICAO Report for the Financial Year ended 31 December 2015 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 audited the accounts for the Financial Year 2015 on the basis of the INTOSAI standards and the IPSAS regime and in line with the Additional terms of reference that are an integral part of the ICAO Financial Regulations and Rules.

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

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

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

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

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

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

The field audit ended 24 March 2016. We received the finalised version of the financial statements on 8 April 2016. Pursuant to paragraph 9 of the Additional terms of reference governing the external audit, we sought comments from the Secretary General. These comments were received on 3 May 2016 and were duly incorporated in this report.

We audited the financial operating report on the audited accounts held by the ICAO relating to the financial results as at 31 December 2015, presented in compliance with the ICAO Financial Regulations and Rules (Fifteenth edition), Article XIII.

A Letter of Representation referring to the Accounts for the Financial Year 2015, 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 2015, signed by the Secretary General on 30 March 2016.

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 Auditor. However, in principle, the ICAO Council, possibly following advice from the Evaluation and Audit Advisory Committee (EAAC), may ask the Secretary General to implement a “Suggestion”, where deemed necessary. Where an issue is out of the Management’s remit, we have drawn the Council’s attention to 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 of the International Civil Aviation Organization (ICAO) for the year ended 31 December 2015, which comprise 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.

#### **The ICAO Secretary General's responsibility for the financial statements**

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

#### **The auditor's responsibility**

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 ICAO Financial Regulations and Rules. The ISSAIs require that we comply with ethical requirements, and plan and perform the audit in such a way as to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend 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 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 for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Secretary General, as well as evaluating the overall presentation of the financial statements.

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

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

In accordance with the ICAO Financial Regulations and Rules (Article XIII) and the Additional terms of reference governing the external audit (Annex B to these Financial Regulations and Rules) we have also issued a detailed report on our audit of the ICAO Financial Statements for 2015.

### **Emphasis of matter**

The Statement of financial position shows a negative Net Asset (-87.3 MCAD) mainly due to the impact of 149,1 MCAD in actuarial liabilities relating to long-term employee benefits recorded in the financial position. Details of our analysis are included in our report. Measures are being undertaken by Management, which has assured us that it will monitor the effectiveness of these measures.

### **Opinion**

In our opinion, the ICAO's Financial Statements for 2015 present fairly, in all material respects, the financial position of the International Civil Aviation Organization as at 31 December 2015, 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 ICAO Financial Regulations and Rules.

Rome, 6 May 2016

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

## **STRUCTURE OF THE ACCOUNTING STATEMENTS**

1. The ICAO's Financial Statements, prepared and presented in compliance with IPSAS 1, included the following elements:
  - Statement of financial position (Statement I) – Balance sheet at 31 December 2015 with comparative figures as at 31 December 2014 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 2015, with comparative figures as at 31 December 2014 showing the Surplus/Deficit for the financial year;
  - Statement of Changes in Net Assets for the year ended 31 December 2015 (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 2015, 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 2015 financial period (limited to the Regular Programme General Fund).
  - Notes to the financial statements providing information about accounting policies, segment reporting and additional information necessary for a fair presentation (quoted in this Report as “Note” or “Notes”).

## **STATEMENT OF FINANCIAL POSITION 2015**

### **ASSETS**

2. In 2015, the ICAO's Assets amounted to 418.9 million of CAD (MCAD), an increase of 106.3 MCAD (+34.0%) as compared with the value recorded in 2014 (312.6 MCAD). This considerable increase was mainly due to the conversion rate for the US Dollars (USD) held at banks into CAD.
3. They consisted of Current assets, amounting to 410.2 MCAD representing 97.9% of Total Assets (in 2014, the figure was 305.1 MCAD, representing 97.6% of Total Assets), and Non-Current Assets, amounting to 8.7 MCAD, or 2.1 % of Total Assets (in 2014, 7.5 MCAD, or 2.4% of Total Assets).

## **Current Assets**

4. Total Current Assets in 2015 amounted to 410.2 MCAD, representing an increase of 105.1 MCAD (+34.5%) as compared with 2014. The increase was mainly due to “Cash and cash equivalents” (+90.5 MCAD), and also to “Assessed contributions receivable” (+3.3 MCAD), to “Receivables and advances” (+11.3 MCAD), and “Other receivables” (+0.01 MCAD), while “Inventories” decreased (-0.01 MCAD). The basis for evaluating Current Assets is given in the Accounting Principles (Note 1).

## **Cash and cash equivalents**

5. The sub-heading “Cash and cash equivalents”, totalling 379.4 MCAD increased by 90.5 MCAD (+31.3%) compared to 288.9 MCAD in 2014. It included cash-in-hand, cash at banks and short-term deposits as at 31 December 2015. This increase was mainly generated by the CAD/USD exchange rate, which impacted term deposits in USD. A detailed breakdown of Cash and cash equivalents is shown in Note 2.1.
6. We asked all the banks with business relations with ICAO to confirm the current account balances as at 31 December 2015. We verified that the account balances had been properly recorded in the accounts. All variances detected were explained and justified. It should be mentioned that, as in the past year, we did not receive direct confirmations from all the banks. This limited our work in this area, although Management made strenuous efforts in order to allow us to receive them.
7. With reference to the missing bank confirmations, Management gave us a copy of the statements with signed reconciliations as at 31.12.2015, related to all these banks, and we used them for our audit.

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

8. As a result of our audit of the bank confirmations, we also found, as last year, isolated differences between the lists of authorized signatures kept by Management at Headquarters and the lists that we received as declared by the banks. Due to the fact that not all the confirmations had been received, we could not reach a conclusion over the signatories. It should also be mentioned that Management was aware when an outdated list was being submitted by banks and acted promptly, communicating with the banks in order to solve these discrepancies.

## **Recommendation n. 1**

9. We recommend that Management continue to make efforts to monitor the updating of signature powers at banks, e.g. if a signer is added or deleted because he/she is no longer authorized.

**Proposal and comments by the Secretary General**

The Recommendation is accepted. We propose to ask our banking partners to send us a confirmation of receipt for all future letters to confirm that all requested changes have taken place. Treasury will implement a follow up system to ensure that the banks respond to our request.

***ECAC bank accounts require separation from those of EUR/NAT Office***

10. During our visit to the European and North Atlantic (EUR/NAT) Regional Office (in November-December 2015), we detected some cross-cutting issues with the European Civil Aviation Conference (ECAC), in particular relating to operational banking activities. The ECAC was established in 1955 as an intergovernmental organization and aims at harmonising civil aviation policies and practices amongst its Member States.
11. We observed that ECAC bank accounts were opened through a request of the EUR/NAT Regional Office's Director, and operated by ECAC: this exposes ICAO to a responsibility. Furthermore, ECAC staff listed as signatories fall under ICAO contracts, although funded by ECAC, and this circumstance might further expose ICAO to a potential financial risk that should be mitigated.

**Recommendation n. 2**

12. In consideration of the above-mentioned issues, we recommend that Management seek an opinion from the Legal Affairs and External Relations Bureau on how to better regulate the ECAC/EUR-NAT operational banking activities. At the same time, it should start a thorough internal review of the current procedures, aiming at enhancing the internal control process with regard to the ECAC bank accounts and other similar situations, if any.

**Proposal and comments by the Secretary General**

The Recommendation is accepted. We will emphasize, again, to ECAC that bank accounts can only be opened under the authority of ICAO's Treasury Office. Second, we will request a review by our Legal Bureau of the current arrangements between ICAO and ECAC with a view to mitigate any risk that ICAO may be exposed to. We will explore if an Agreement between ECAC and ICAO where ECAC agrees to indemnify ICAO for any loss that ICAO may suffer as a result of an action by one of its staff members will resolve this matter. Finally, we confirm that we do not have similar arrangements with any other regional civil aviation conference.

### ***Cash-in-hand at Headquarters and the Regional offices***

13. On 31 December 2015, the cash-in-hand in CAD kept by ICAO at Headquarters was deposited in a bank account and, therefore, this item was limited to other currencies, equivalent to an amount of around 11.1 CAD. Overall, the cash-in-hand at Regional offices amounted to 5.9 KCAD. We performed a direct count of cash-in-hand at Headquarters, without detecting any problems.

### **Assessed contributions receivable from Member States**

14. Assessed contributions receivable from Member States for the regular budget are composed of:
  - a) *Current*, which are due within 12 months from the date of financial statements (6.8 MCAD in 2015, compared to 3.5 MCAD in 2014, an increase of 95.4%); and
  - b) *Non-current*, which are due after 12 months (5.0 MCAD in 2015, compared to 3.7 MCAD in 2014, an increase of 35.1%). This includes discounted long-term contributions.
15. We analysed the procedures in place at ICAO for discounting long-term receivables and our audit did not reveal any major issues. The cumulative discount on long-term assessments totalled 8.2 MCAD in 2015, with an increase of 1.3 MCAD compared to 2014, reflecting an increase in the amount of long-term outstanding contributions (13.3 MCAD in 2015, compared to 10.7 MCAD in 2014) which was partly due to the appreciation of the USD on the CAD. These long-term contributions are related to assessments receivable both from States in Group A (which entered into agreements to liquidate their arrears) and States in Group B (with arrears exceeding three years and no agreements). In 2015, only 11 States had agreements to liquidate their arrears and only two met their obligations according to the terms of the agreement.
16. The status of outstanding contributions as at 31 December 2015 (including the year 2015) shows a total amount of 20.8 MCAD (of which 2.9 MCAD are the effect of the new USD/CAD exchange rate) for a number of 89 States. The total amount outstanding as at 31 December 2014 was 14.7 MCAD for 70 States. In 2015, 60 States had arrears of less than three years or contributions outstanding only for the year, compared to 41 States in 2014.

### ***Monitoring the effectiveness of the newly introduced instruments and enhancing the impact of the agreements***

17. We verified the procedures for collecting the outstanding assessed contributions. We found that State Letters to Member States had been regularly sent (in May, September and November), showing the assessments receivable in respect of all financial years and, for

the November letter, also the assessments payable for the year 2016. Information Papers presenting the financial situation of the Organization and the level of the Working Capital Fund were also sent three times during 2015. Moreover, as from November 2015, the Organization has implemented an additional instrument, based on monthly reminders (Statements of accounts), sent by e-mail only to States with outstanding contributions and accompanied by invoices with the amount due. The effect of this customized approach was not yet visible for the year 2015. However, Management reported an improvement in the collections for the first quarter of 2016.

### **Recommendation n. 3**

18. Considering the increasing amount of outstanding contributions and the growing number of States affected, including those with short arrears, we recommend that Management should: i) monitor the effectiveness of the targeted instruments that have recently been introduced with a view to increasing the timeliness of payments; ii) endeavour to develop additional tools to enhance the still too limited impact of the agreements, by ensuring the correct implementation of the existing agreements and promoting their extension to other States.

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

The Recommendation is accepted. Management is committed to undertaking the following steps:

1. Issue monthly Statements of account by e-mail, to all States with outstanding contributions.
2. Invoices with the assessments due for the current year and outstanding arrears will be sent to all States at the beginning of the year.
3. Additional invoices will be provided to States upon request.
4. State Letters will be issued three times a year.
5. Status of Accounts Receivable will continue to be posted on Council website.
6. Management will consider developing additional tools to increase the number of States with Agreements and States' compliance with the terms of their Agreements.

### **Receivables, advances and other current assets**

19. Receivables and advances are composed of: a) *Current* (21.1 MCAD in 2015, +114.8% with reference to 2014); and b) *Non-current* (0.4 MCAD in 2015, around -27.6% from 2014).

20. Current represented 5.0% of the Total Assets, compared to around 3.2% in 2014. As stated in Note 2.3, they represented advances to employees and receivables from United Nations Agencies.
21. An amount of 2.1 MCAD in 2015 is shown in the closing balance sheet under “others”. In 2015, other current assets increased by 0.01 MCAD (+4.1%) as compared with 2014 (2.0 MCAD). A detailed breakdown of these values is reported by Management in Note 2.3.

### **Inventories**

22. At the end of 2015, items related to publications, souvenirs, duty free items and supplies were recorded at a net value of 0.8 MCAD, a decrease of 0.1 MCAD (-11.4%), compared to the 2014 net value of 0.9 MCAD. Inventories are detailed in Note 2.4 and the values recorded in the Financial Statements are related to Publications (0.6 MCAD in 2015) and Commissariat (0.2 MCAD).
23. We obtained and checked the lists of assets, comparing them with those from the previous year. We carried out a physical stock-check on a sample of items recorded in the inventories. No major problems, which could impact the accounts at the closing date (31.12.2015), were identified. However, as last year, we noted that additional attention should be paid to recording and reconciling the movement of products, so as to provide additional assurance on actual quantities and on the fair market value of the inventory. With regard to the publications’ inventory, we also that, as last year, the warehouse was still under relocation.
24. Furthermore it is worthwhile mentioning that the EAO carried out an audit of the Commissariat. The report was published in October 2015, and around 80% of its recommendations are still in progress.

### **Recommendation n. 4**

25. In relation to Publications and the Commissariat, in order to ensure (i) the accuracy of the inventory value recorded in the Financial Statements, and (ii) the correctness of the movement of items in the inventory, we recommend that a detailed procedure be established and implemented. Also, as stated last year in our Suggestion n. 1, attention should be given, through subsequent inventory verification exercises, to fair value of items, in particular items to be written-off.

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

The Recommendation is accepted. New procedures were established to verify and confirm inventories in 2016. In the Commissariat, these procedures will be further strengthened through the implementation of an automated system that continuously monitors inventory; the system will be in place prior to the end of 2016. Automated work flows for Publication inventories will be in place before the end of 2017.

### **Non-current assets**

26. Non-current assets as at 31 December 2015 totalled to 8.7 MCAD; they represented an increase of 1.2 MCAD (+15%) as compared to 2014 (7.5 MCAD). The basis for the evaluation of Non-current Assets is given in the Accounting Policies (Note 1).
27. This heading is composed of: a) "Property, plant and equipment", amounting to 2.4 MCAD and representing 28.1% of total Non-current assets (in 2014 it was 2.5 MCAD representing 33.5% of total Non-current assets); b) "Assessed contributions receivable from Member States", amounting to 5.0 MCAD (around 57.9% of the non-current assets, as illustrated in paragraph 14); c) "Receivables and Advances", totalling 0.4 MCAD (see paragraph 19); d) "Intangible assets", amounting to 0.9 MCAD, around 10.0% of total non-current assets and 0.2% of total Assets weight (in 2014, 0.8 MCAD, equivalent to 11% of Non-current assets). The above-mentioned headings are illustrated in Notes 2.5, 2.2, 2.3 and 2.6 respectively.

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

28. The heading "Property, plant and equipment" showed a value of 2.4 MCAD, which is the net value at 31 December 2015 of the capitalised cost for "Furniture & fixtures" (0.07 MCAD), IT equipment (0.5 MCAD), Office equipment (0.4 MCAD), Motor vehicles (0.2 MCAD), Leasehold improvements (0.5 MCAD), Machinery (0.2 MCAD) and Leasehold Improvements (WIP) (0.6 MCAD). Acquisitions during the year amounted to 1.1 MCAD and depreciations totalled 1.2 MCAD; 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***

29. According to the "Internal audit assessment" carried out last year (please refer to our Report on the *Audit of the financial statements for 2014*, paragraph 98), we can rely on EAO's work. On the basis of EAO's audit on "Fixed assets/inventory control" of March 2014, we observe, as last year, 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 physical condition of the items should be monitored regularly; iii) the procedures for carrying out write-offs and reconciliations should be complied with in full; iv) the accuracy of the Asset Register needed to be improved; v) there should be adequate controls, in order to protect the Organization's assets. Furthermore, the audits performed by EAO and by the previous External Auditors also revealed some weaknesses in the Regional offices with regard to assets management.

30. In its latest available follow-up analysis, EAO concluded that 80% of its recommendations had been implemented; the outstanding ones were related mostly to write-offs and strict compliance with procedures.
31. It should be mentioned that "Administrative instructions on management of Property, Plant and Equipment" (AI) were approved in December 2015, providing a comprehensive set of guidelines in this field.

***Fixed assets management at Regional level (EUR/NAT Office)***

32. During our visit to the EUR/NAT Regional Office (RO), we analysed the Asset Register kept by the RO itself. Some of the issues raised in our analysis were related to:
- a) Hardware and software for Inventory;
  - b) Amount in the (Master) Asset register;
  - c) Threshold for capitalization and low value assets (LVA);
  - d) Depreciation;
  - e) Policy for asset management and disposal;
  - f) Capitalization of intangibles (see dedicated paragraph).

***a) Hardware and software for Inventory:***

33. In the EUR/NAT Office, the hardware for inventory (e.g.: the barcode scanner) was delivered approximately one year ago, whereas the related software was only delivered at the end of 2015. However, at the time of our visit, an ad-hoc training course had not yet been started and the implementation of the new inventory system was not operational.

***b) Amount in the (Master) Asset register:***

34. The EUR/NAT staff provided us with two excel files (at 1.1.2015/31.12.2014): one related to IT Hardware (ITC), in euros, and one related mainly to furniture, part recorded in euros and part in USD. We found that not all the items had been properly recorded in the EUR/NAT Asset Register, and local Management explained that this was due to changing instructions from Headquarters over the past years. We acknowledge the fact that EUR/NAT Office is currently revising the Register at the local level.

c) Threshold for low value assets (LVA):

35. During our visit to EUR/NAT, Management informed us that the threshold levels for reporting the LVA in the Asset Register had changed over the past years, and that this was the reason why some of the older low-value items did not appear in the current inventory version. However, neither in the RO Manual nor in any other instructions communicated to us was it specified that LVA and Assets above the threshold had to be systematically labelled and recorded. Management informed us that the Administrative instructions approved in December 2015 revised to 300 CAD the threshold for recording the LVA in the Inventory Management System (IMS).

**Recommendation n. 5**

36. Following the comments under points a), b) and c) above, we took note of the initiatives currently undertaken by Management and of the new Administrative Instructions approved in December 2015, and we will look at the issue in a future audit. However, considering that some assets have not been recorded at EUR/NAT and also referring to the recommendations issued in specific reports by EAO and by our predecessors, who reported that this also happened in other ROs, we recommend that all the assets, in particular the ones not previously entered, be recorded in the IMS, regardless of their value.

**Proposal and comments by the Secretary General**

The Recommendation is accepted. All assets above CAD 300 should be incorporated in the IMS. EUR/NAT will take the necessary action to record all missing assets.

Under the approved AI for PPE, it is the responsibility of each RO to assess, record and enter the asset data for the RO into the IMS. As per the approved AI, ADB has provided all ROs with the required scanning machines and training, to allow the RO to input asset data to the IMS.

d) Depreciation:

37. Depreciation is not managed by EUR/NAT Office and is managed at HQ; however, in case a RO needed a “re-assessing” of the useful life of a given asset, the RO should discuss such a need with the HQ and the useful life might be changed; we have not detected any major concern on this issue.

e) Policy for asset management and disposal:

38. According to our discussions with the EUR/NAT Management, a significant part of the assets (in particular IT hardware and infrastructures and sometimes also furniture) are purchased by HQ and transferred to the Regional offices. However, we understood that,

where EUR/NAT needed to buy equipment (IT, furniture, etc.), it might not be aware if, at the Headquarters or in another RO, a similar item already exists and is not in use.

39. Management reported that, before an asset can be disposed of, the RO should inform HQ (BMG) which has to determine whether another area of the Organization can use the item, or has to make arrangements for its removal to the ICAO storage location [Article VII (Disposal), Paragraph 7.1, of The Management of Non Expendable Property (NEP) Guidelines, 2006]. In this regard, paragraph 5.3.8 of the Administrative instructions provides that, if the net book value of an asset is brought to zero due to depreciation or ending of the lifecycle, the asset is disposed of and deleted from the Inventory Management System (IMS) and Agresso. However, the organization may still opt to continue using the asset, if it deems it convenient. In such cases, the asset remains recorded in IMS and Agresso.
40. In accordance with the Administrative instructions, the HQ Management sent a request to Regional Directors to update the physical inventory as at year-end 2015. Paragraph 5.2.2 of the Administrative instructions provides that “a physical inventory will be undertaken once every three years for all the assets of the Organization”, both at HQ and the ROs. However, at the time of our visit to the Regional Office in Paris, a physical inventory had not been carried out yet.
41. Paragraph 5.4 of the new Administrative Instructions states that all write-offs must be started with an IOM, then the removal of the asset from the inventory must be communicated to FIN and recorded in the Inventory Management System, and a list of written-off Property, Plant and Equipment (PPEs) must be kept on file for an annual inventory report.
42. In this regard, our opinion is that, although an asset is disposed of, track should remain in the Master Asset register, indicating the reason why it was disposed of. However, at the RO we actually found that some disposed-of items had been deleted from the Asset Register, and the RO Management told us that this had been advised by HQ. The HQ Management agreed that disposed-of assets should remain in the Master Asset Register and should be included in the fixed assets inventory received from the ROs. This will be implemented with the new inventory software, currently under distribution to the ROs. During our audit in March 2016, we checked the Asset Register and we found that each item is classified as “in use” or “not in use”, but no further information could be obtained from the Register, for instance, as to whether an asset is assigned and fully used, or assigned and not used or partially used, available for use, or written off.

### **Recommendation n. 6**

43. ICAO policy on asset management, covering both HQ and the ROs, merits further implementation, and data should not be limited to disposed-of assets; therefore, we recommend that the procedures state more clearly that track should be kept of disposed-of assets, making such information available to HQ and the ROs, and that an indication be given of which are the items that are actively used or not.

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

The Recommendation is accepted. HQ and RO should keep track of all assets that has been disposed of.

This has been completed at HQ. All ROs have been advised to keep all records of write-offs and disposed assets.

### **Intangible Assets**

44. In 2015, Intangible Assets amounted to 0.9 MCAD; they had increased by around 0.1 MCAD (+6.6%), compared to 2014 (0.8 MCAD); the values related to depreciation were traced in the Statement of Financial Performance. The breakdown is illustrated in Note 2.6.

#### *f) Capitalization of intangibles:*

45. The testing performed during our audit at EUR/NAT brought up an invoice, related to a software license purchased by the RO, which had not been recorded due to the fact that its value was below the threshold. The threshold for the capitalization of intangible assets (IAs) is CAD 5'000 for acquired IAs and CAD 25'000 for internally developed IA. That said, we stress the need to keep track of all the licenses in a dedicated register, regardless of their value, as stated also for tangible assets in our previous Recommendation n. 5.

### **LIABILITIES**

46. In 2015, Total Liabilities amounted to 506.2 MCAD, an increase of 101.2 MCAD (+25%) in comparison with the value recorded in 2014 (405.0 MCAD). They consisted of:

- a) *Current Liabilities*, amounting to 357.1 MCAD, representing 70.5% of Total Liabilities (in 2014, they represented 63.6%, totalling 257.4 MCAD), and
- b) *Non-Current Liabilities*, totalling 149.1 MCAD, composed only of actuarial liabilities related to Employee benefits, representing 29.5% of Total Liabilities (in 2014, non-current liabilities represented around 36.4%, totalling 147.5 MCAD).

## **Current Liabilities**

47. In 2015, total *Current Liabilities* amounted to 357.1 MCAD, presenting an increase of 99.7 MCAD (38.7%) compared to 2014 (257.4 MCAD). These were composed of:
- a) “Advanced receipts”, totalling 320.3 MCAD in 2015 (227.7 MCAD in 2014, an increase of 40.7%). These represented around 89.7% of Current Liabilities and 63.3% of total Liabilities and were mainly composed of voluntary contributions for Technical Cooperation projects (304.5 MCAD in 2015). The basis for the evaluation of Advanced receipts is set out in the Main Accounting Policies (Note 1). A detailed breakdown of these values is provided by Management in Note 2.8.
  - b) “Accounts payables and accrued liabilities”, recorded for an amount of 27.9 MCAD in 2015 (22.3 MCAD in 2014, an increase of 25.1%), representing 7.8% of Current Liabilities. Descriptions are provided by Management in Note 2.9.
  - c) “Employee benefits”, recorded for 7.2 MCAD, an increase of 1.2 MCAD (19.7%) compared to 2014 (6.0 MCAD). See dedicated paragraph below for further considerations.
  - d) “Credits to contracting/servicing governments” amounting to 1.7 MCAD and representing 0.5 % of Current Liabilities and 0.3% of total Liabilities (0.4% in 2014).

## **Non-current Liabilities**

48. Total non-current Liabilities are only related to “Employee benefits”; in 2015, they amounted to 149.1 MCAD, representing an increase of 1.6 MCAD (1.1%) compared to 2014 (147.5 MCAD). The basis for the evaluation of Non-current Liabilities is given in the Note 2.10. Furthermore, in accordance with IPSAS, Management provided a disclosure of the sensitivity of trend assumptions in Note 2.10.2.

## **Employee Benefits**

49. Employee Benefits are disclosed in the Financial Statements under “Current Liabilities” with an amount of 7.2 MCAD and under “Non-current liabilities”, with a value of 149.1 MCAD, as summarised in the table below. The total increase in the Liabilities (Current and Non-current) is 2.8 MCAD.

<i>Liabilities</i>	<b>Year (MCAD)</b>		<b>Variance 2015-14</b>	
	<i>2015</i>	<i>2014</i>	<b>MCAD</b>	<b>%</b>
<b>Current</b>	7,2	6,0	1,2	20,0%
<b>Non-current</b>	149,1	147,5	1,6	1,1%
<b>Total</b>	<b>156,3</b>	<b>153,5</b>	<b>2,8</b>	<b>1,8%</b>
<b>Composition</b>				
Post retirement Plan (ASHI)	129,8	129,9	-0,1	-0,1%
End of service-annual leave	8,8	8,6	0,2	2,3%
End of service-repatriation benefits	15,2	12,9	2,3	17,8%
Other employee benefits for international experts	2,5	2,1	0,4	19,0%
<b>Total</b>	<b>156,3</b>	<b>153,5</b>		

50. The overall increase in 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).

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

51. As shown in the table above (illustrating the composition of Liabilities), the increase is mainly due to an increase in the “End of service – repatriation benefits (2.3 MCAD out of 2.8)”, whereas the liabilities generated by the “After Service Health Insurance” (ASHI) appear to be stable. These liabilities are due to actuarial losses, and were calculated by an actuary chosen by Management (AON Hewitt), accordingly to actuarial assumptions reported by Management in Note 2.10.3.

52. These assumptions consider elements like the discount rate on long-term Canadian government bonds, equal to the yield as of 31 December 2015, (2.20%; it was 2.40% for 2014), and the exchange rate between USD and CAD (1.00:1.385 in 2015; it was 1.00:1.063 in 2014). In compliance with IPSAS 25, a sensitivity analysis relating to the discount rate is disclosed by Management in paragraph 2.10.2 of the Notes. Some assumptions have changed since 1 January 2016 (relating to the eligibility requirements for active staff and to different thresholds for some health and dental care benefits), and the actuarial calculations of the liabilities have been influenced by these changes.

53. The increase in the retirement age (from 62 to 65), for employees hired on or after 1.1.2014, as well as the increase from 5 to 10 years of service to be eligible, also influenced the calculation of the actuarial liabilities. These elements were not present in the calculations made for 2014; furthermore, comparing the 2015 actuarial study with the one for 2014, we note that the “expected average remaining service life of active employees”, at the valuation date, had increased to 9.7 years (it was 9.2 for 2014).

54. All these assumptions gave the result that, despite an increase of 2.6 MCAD in the expenses related to the ASHI for 2015, the amount of the calculated actuarial liabilities remained the same as for 2014.

55. However, on the basis of the full actuarial study commissioned by Management in 2015, we draw the Council's attention to the fact that although some measures present a significant impact in terms of reducing the ASHI's liabilities in the short and mid-term, the measures mentioned in paragraph 53 are not expected to have a big effect in a long-term scenario.

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

56. The amount for actuarial liabilities (149.1 MCAD) represents 29.5% of total liabilities (506.2 MCAD) and has an impact on the Net Asset of ICAO.

57. 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.

58. As last year, for this specific subject, our team made use of a group of public actuaries, experts in social benefits. They carried out a review of the key assumptions related to 2015, which were duly discussed with Management. We found that these assumptions were in line with economic trends and rates and also consistent with data available at ICAO at the moment of our audit, and we validated them.

59. To carry out their work, our actuaries recalculated the valuations prepared by AON Hewitt related to the 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 provided full cooperation and assistance to our actuaries.

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

***Attentive response by the Management to underfunding***

61. In our report on the 2014 ICAO Financial Statements, analysing, from a financial point of view, the impact that non-current liabilities had on determining the ICAO negative net asset and, in particular, the liabilities related to the ASHI scheme, we issued three recommendations and two suggestions to the Management.

62. One of the recommendations was that Management should use 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.
63. Considering the relevance of the subject, in order to follow up whether Management's actions had been effective in reducing ASHI actuarial liabilities, we carried out a performance audit, whose results have been forwarded to Management.
64. We acknowledge the fact that Management, through its own analysis of the technical elements provided in AON Hewitt's full actuarial study, did elaborate effective proposals for the Council.
65. In our performance audit, with the support of the analysis carried out by our actuaries, we addressed some of the points that might, in the long term, impair the effectiveness of the measures proposed to reduce ASHI liabilities.

***Liabilities and underfunding: comparisons within the UN system are not possible***

66. Last year, we also welcomed the ICAO's Management participation in a Working Group on the ASHI, within the UN System. The results of this WG were incorporated in the UN Secretary-General's report A/70/590 of 04/12/2015. We received this report at the end of March 2016, together with the document CEB/2016/HLCM/12 of 14/03/2016, issued by the High-Level Committee on Management (HCLM) for its thirty-first Session of 22-23 March 2016.
67. The two documents contain many recommendations to face the problem of ASHI-related actuarial liabilities. We will carefully analyse the impact of the possible implementation of these recommendations, taking into consideration the fact that they are still "in progress", because the main conclusion was that the Working Group had to continue its work.
68. As already stated in our report on the Financial Statements 2014, we highlight the fact that, within the UN system, it is not always possible to be consistent in the key assumptions used in respect of the ASHI, because of the different characteristics of each Agency. These include the number and composition of staff (salary and career advancement, family allowances, etc.) and the location (number of staff deployed in field offices), which have effects on predicted illness and mortality.
69. Considering, for example, the difference in calculating the discount rate according to IPSAS 25, we observe that several Agencies make reference to different yield curves (for instance related to AA Corporate Bonds, developed by different operators); 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 in the UN system.

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

70. In our performance audit on the ASHI, we carefully examined the Medical Benefit Plan provided by Cigna to ICAO, considering both the facts that ICAO is a self-insurer (Cigna is just an administrator of the plan) and that there are different classes of coverage, depending on the residency of the insured people and the required level of assistance. On 31.12.2015, ICAO's Cigna Medical Plan covered more than 3'000 persons (3'011), while the plan members (active staff and retirees) were 1'328 at the same date.
71. However, there is also a part of the ICAO population (active staff and retirees) that is not covered by the ICAO MBP: in fact, the staff and former staff of the Paris Regional Office are generally insured under the UNESCO Medical Plan. For these people, not included in the estimation of ASHI's actuarial liabilities, ICAO pays part (50%) of the monthly rate required by the UNESCO MBP administrator, regardless of the claims reimbursed by the Plan to claimants; as stated last year, this could lead to a false representation of these liabilities and of the possible future risks that ICAO may also have to cover any losses related to these employees.

#### **Recommendation n. 7**

72. Although we consider the share of liabilities related to the UNESCO Medical Plan not to be material, we note that there is a difference between AON's calculation of actuarial liabilities and the one that should be made including also the population covered by the UNESCO MBP, in relation to the monthly rate that ICAO pays for them. Therefore, in order to provide a fair representation of the actuarial liabilities, we recommend that, starting from next year, AON should also include the UNESCO Medical Plan population in the calculation related to IPSAS 25.

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

The Recommendation is accepted. All staff and retirees under the UNESCO Medical Plan will be accounted for as if they are under ICAO MBP and will be evaluated by AON and included in the actuarial liabilities of ICAO.

### **NET ASSETS**

73. Net assets comprise the accumulated deficit and reserves of the Organization at year-end. In 2015, Net Assets resulted in a negative value of -87.3 MCAD, with an improvement of 5.0 MCAD (5.4%) compared to -92.3 MCAD in 2014. In relation to the negative Net Asset, please refer to Paragraph 56.

74. All the movements in Net assets are explained in various Statements and Notes in the Financial Operating Report, in particular:
- a) Statement II “Statement of financial performance”, which shows the surplus for the period (2.4 MCAD);
  - b) Statement III “Statement of changes in net assets” with the movements listed separately;
  - c) Note 2.12, where Management discloses details on the composition of the reserves.

## **STATEMENT OF FINANCIAL PERFORMANCE 2015**

75. This Statement shows 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 for the period is a surplus of 2.4 MCAD.

## **REVENUE**

76. Total revenues amounted to 272.2 MCAD, with an increase of 8.6 MCAD (+3.2%) as compared with 2014 (263.7 MCAD). This was composed of:
- a) “Contributions for project agreements” totalling 137.4 MCAD in 2015 and representing 50.5% of Total revenues; these contributions decreased by 1.6% from 2014 (139.6 MCAD);
  - b) “Assessed contributions”, amounting to 92.4 MCAD in 2015, representing 34.0% of Total revenues, up 3.0% compared to 2014 (89.8 MCAD);
  - c) “Other revenue producing activities”, totalling 19.1 MCAD in 2015, and representing 7.0% of Total revenues; up 22.1% compared to 2014 (15.6 MCAD);
  - d) “Other voluntary contributions” totalling 9.9 MCAD in 2015, a 20.7% fall compared to 2014 (12.4 MCAD);
  - e) “Administrative fee revenue” and “Other revenue” totalling jointly 13.5 MCAD in 2015, up 117.8% compared to 2014 (6.2 MCAD).
77. Our audit did not reveal any major issues; a detailed breakdown has been disclosed by Management in Note 3.2.

## **EXPENSES**

78. Expenses totalled 269.8 MCAD, with an increase of 11.4 MCAD (+4.4%) as compared with 2014 (258.4 MCAD). These were composed of:
- a) “Staff salaries and employee benefits”, totalling 159.5 MCAD in 2015 representing 59.1% of Total Expenses; up 11.3% from 2014 (143.3 MCAD);

- b) “Supplies, consumables and others”, amounting to 66.9 MCAD in 2015 and representing 24.8% of Total Expenses, down 14.9% compared to 2014 (78.7 MCAD);
- c) “General operating expenses”, totalling 20.0 MCAD in 2015 and representing 7.4% of Total Expenses; up 13.8% as compared with 2014;
- d) “Travel”, totalling 12.0 MCAD in 2015 and representing 4.4% of Total Expenses, up 22.0% compared to 2014 (9.8 MCAD);
- e) “Meetings, Training and Other expenses”, totalling jointly 11.4 MCAD in 2015, up 25.7% compared to 2014 (9.0 MCAD)

## **Procurement**

79. Procurement represents part of the expenses analysed in the paragraph above and accounted as “Supplies, consumables and others”, “General operating expenses”, “Meetings” and “Training”.

80. The data provided by Management showed the following:

- expenses for “Supplies, consumables and others” decreased by 14.9%, from around 78.7 MCAD at 31.12.2014 to 66.6 MCAD at 31.12.2015; meanwhile the amounts for “General operating expenses” increased.
- the total amount of the expenses for procurement included in the “Supplies, consumables and others” was divided into four cost centres:
  - 4163 (Field Operations Section – Asia and Pacific (FAP)), representing around 0.4% of the expenditure for procurement (0.3 MCAD),
  - 4164 (Field Operations Section – Africa), representing 8.6% of the expenditure for procurement (5.7 MCAD),
  - 4165 (Field Operations Section – Europe and Middle East (FEM)), representing 8.6% of the expenditure for procurement (5.7 MCAD), and
  - 4166 (Field Operations Section – The Americas (FAM)), representing the largest share (82.2%) of the expenditure for procurement (54.8 MCAD).

81. Furthermore, in 2015 EAO carried out an audit on “Procurement for Headquarters”. The objective of this audit was to assess procurement activities, conducted both by ICAO’s Procurement Section (PRO) and by allotment holders under delegated authority, by evaluating whether they were being carried out in compliance with regulations, rules and procedures, and in an economic and cost-effective way.

82. At the date of our audit, 8 out of the 13 recommendations issued in the EAO’s report had been implemented (61.5%). We are aware of the relevance of the key issues raised in the

report and, in order to avoid any overlapping in the future, we took note of the audit findings and conclusions and will follow up the implementation of the recommendations.

## **Personnel**

83. We carried out a detailed sample testing on a number of randomly selected payrolls. Some concerned staff members financed from the regular budget and others were related to field experts and consultants 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 shown in 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.

### ***Centralization of the function relating to the payment of salaries***

84. We observed that the function relating to the payment of salaries was not all centralised at a single office (Headquarters Payroll) and the rationale for the allocation of tasks was not evident. HQ Payroll covers most categories of staff, but some of them are excluded. In those cases, HQ Payroll is still involved in a number of different operations.

85. Two examples of this are the following:

i. Consultants: HQ Payroll pays SSA consultants for TCB; in contrast, they do not pay SSA consultants for HQ (for these people, a focal person in the office where they are hired starts the process, payments go through FIN Accounts Payable Office, but HQ Payroll generates Annual Statements of Earnings);

ii. Field staff engaged on TCB projects: General Service Field and National Officers Field are not paid through HQ Payroll, but locally by Project coordinators, on the grounds that the necessary currencies are 80% unavailable; in contrast, the pensions of these personnel are reported by Payroll. However, this is not the case for Professional and Higher Categories in the TCB field staff (International Field Experts and OPAS), who are covered by HQ Payroll like regular staff. In addition, there are many locally recruited GS and NOs Field who are not on pension; these staff are only reflected in Donor Reports, requested by TCB and generated by Finance.

86. Although Management reported that this method of operations had worked so far, in general, centralising this function can decrease the control risk level and increase the efficiency, since Payroll services have the technical knowledge and required experience to perform this task.

**Recommendation n. 8**

87. We recommend that ICAO should evaluate whether the function of the payment of salaries can be centralized in order to include TCB field General Services and National Officers and non-TCB consultants and, if necessary, reconfigure HQ Payroll's resources accordingly.

**Proposal and comments by the Secretary General**

The Recommendation is accepted. An evaluation will be done to determine whether the payment of remuneration for these two categories of staff – (a) TCB field General Services and National Officers (b) non-TCB consultants – should be centralized in the HQ Payroll Office.

**Segment reporting**

88. A report by segments is provided in Note 5 of the 2015 Financial Statements. The aim of this segmentation is to disclose the financial position and the financial performance and assign expenses directly to the related segments. The methodology also provides for a distribution of expenses and revenues, primarily by segments, known as the Regular Activities and Technical Co-operation Project.

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 DECEMBER 2015**

89. Statement III "Statement of changes in net assets" shows movements during the year, ending in a negative balance of -87.3 MCAD at 31 December 2015. Our audit conclusions on the negative net assets are noted in the paragraphs related to "Employee Benefits".

**STATEMENT OF CASH FLOW**

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

91. In 2015, ICAO reported a net cash flows of 95.7 MCAD from operating activities, which was positive, as it had been in 2014 (24.4 MCAD). Net cash flows from investment activities (-0.5 MCAD) showed a negative variation as compared to 2014, due to an increase in Interest income and a decrease in Investments and in Acquisition of property, plant and equipment and Intangibles.

92. The net result in cash and cash equivalents showed an increase of 90.5 MCAD in 2015. We checked the underlying entries by selecting samples from some accounts. The result was that all selected transactions were properly backed by supporting documentation. The Cash Flow Statement was thus verified and confirmed.

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

93. Statement V “Comparison of budget and actual amounts for the year ended 31 December 2015” is provided in accordance with IPSAS 24, which requires that this comparison, arising from execution of the budget itself, should be included in the Financial Statements. This Standard also envisages the disclosure of the reasons for the material differences between budget and actual amounts. Further details concerning Statement V, which relates only to the Regular Programme, are provided in Note 4.

## **THE EVALUATION AND INTERNAL AUDIT OFFICE (EAO)**

94. This part of our report briefly looks at the follow-up of the recommendations and suggestions issued in relation to our assessment of the Internal Audit function, as a required task at the beginning of our mandate.

95. As a basis for our assessment, we used Audit Guideline 202 “*Evaluation of Internal Audit Services in the United Nations Organizations*”, as 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, and revised at its 41<sup>st</sup> session in October 2000. After having reviewed the guideline and verified that it is still compliant with the updated standards and principles, we developed a web-based application, containing the reviewed checklist, to which the EAO Chief was given remote access.

96. We were also facilitators, on this subject, during the meeting of the Panel of External Auditors held in New York in December 2014. Here, in order to have a consistent approach on this matter, we proposed to use a common “basic” tool for External Auditors within the UN system, which, in our opinion, could be based on the reviewed Guideline 202.

97. Furthermore, we were asked to carry out the follow-up of this issue in view of the meeting of the Panel of External Auditors held in Geneva in December 2015. On that occasion, we presented, amongst other things, the outcome of our experience in using the web-based application of the Guideline 202. The Panel concluded that the Guideline could be used by other External Auditors on a voluntary basis. The Corte dei conti made its knowledge (and the developed application) available to those who requested it.

98. We acknowledge the cooperation received from the EAO’s staff members, who are also tasked with providing logistical support to the External Auditor. As reported in the follow-up tables (see Annex 1), our recommendations and suggestions have been implemented by the EAO, with the exception of suggestion n. 9, which does not fall in its remit.

## **FOLLOW UP TO OUR RECOMMENDATIONS AND OUR PREDECESSORS' RECOMMENDATIONS**

99. We followed up the implementation of the recommendations and suggestions issued in our previous report. Annexes 1 and 2 show the follow-up tables, which includes the comments received from ICAO Management and the current status of implementation.
100. Furthermore, we reviewed all the audit recommendations issued by our predecessors, with the comments received from ICAO Management at the time of the delivery of their Reports, and at 31.12.2015, and the current status of their implementation is illustrated in Annex 3.
101. The recommendations that are evaluated as “closed” this year will not be included again in next year’s Audit Report, unless they need an annual follow-up.

**ANNEX I – Follow-up to our recommendations issued in the report for financial year 2014**

N.	Recommendation raised by Italian Court of Audit	Comments received from Secretary General at the time of the issuance of our report	Comments of ICAO Management on the status at 31.12.2015	Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2015
<b>Rec. 1</b>	Considering that the backlog in the appeal process at the AJAB raises the consideration as above stated, <u>we recommend</u> Management to start an internal review of the current procedures and resource capacities, in full respect of the Staff rules.	The recommendation is accepted.	Responsibility for this item is shared between ADB and LEB. The internal management working group held to date two meetings. It unanimously assessed current capacity constraints as a structural problem and identified the need, in addition to procedural measures, to strengthen resource capacities to fortify functions pertaining to the AJAB. The group considered a number of options, including but not limited to, the expansion of the existing membership pool of the AJAB from 6 to 9 persons, more vigorous application of Staff Rule 111.1.9, potentially involving the usage/compliance with pre-set submission forms and early stage determination of receivability, and the possibility of appeals without hearing on the basis of written submissions only in cases when facts are not in dispute and/or consent of the parties has been obtained. Work on this matter is ongoing.	Ongoing
<b>Rec. 2</b>	As remedial measures are needed, these drivers might be considered by the Council: whereas the first driver is totally not within the Management's	Accepted. FIN will be presenting options for funding ASHI liability at the 205th Session of the Council.	C-WP/14295 was presented at the 205th session of the Council. It described options that can be considered by the Council to contain the costs of the After	Partially implemented  Management is providing relevant information to Council but further analysis is still

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	remit, <u>we recommend</u> Management, as part of their competence, to address the other drivers with the Council.		Service Health Insurance (ASHI) liability. After considering the working paper and the external auditors' recommendation, the Council recommended a full actuarial study to identify the drivers and propose and quantify several options for funding the liability. A full actuarial study identifying the drivers and proposing several options for funding the liability was conducted by AON in August 2015. It was presented to the 206th session of the Finance Committee. The Finance Committee recommended another study to evaluate the impact of combining three options, increasing the age of separation from 62 to 65 years old, a 4% surcharge on gross salary and the consideration of incentives to retirees to opt out from the ASHI plan and take up nationally sponsored health care options instead	needed (please see our special report “ <i>Has Management developed effective actions to reduce ASHI actuarial liabilities?</i> ”)

N.	Recommendation raised by Italian Court of Audit	Comments received from Secretary General at the time of the issuance of our report	Comments of ICAO Management on the status at 31.12.2015	Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2015
Rec. 3	We <u>recommend</u> Management to be assisted by a full actuarial review study, to evaluate when the ICAO financial health might be compromised, in the long-term scenario, by the provisions of the Health Insurance scheme. The full actuarial study should be made available to Council before the starting of the new budget approval exercise	Accepted. We will seek an actuarial study on the impact of ASHI on the long-term health of ICAO.	An actuarial study was conducted by AON in August 2015. C 206 WP/14338 describing the impact of several scenarios on the long-term health of ICAO was presented to the FIC on October 2 2016 (206th session). The FIC considered the C-WP and recommended another study by the Actuaries to quantify the impact of combining three selected scenarios. This study was presented to the Council as an annex to C-WP/14338 during the 206th session.	Partially implemented  Management has presented a full actuarial study with certain assumptions to Council. Some solutions are still under consideration and then when agreed an evaluation would be needed on when financial health might be compromised (please see our special report “ <i>Has Management developed effective actions to reduce ASHI actuarial liabilities?</i> ”). Please see Sugg. n. 1
Rec. 4	We <u>recommend</u> revising the conditions of Cigna’s contract (formerly Vanbreda) in order to audit their performance.	Accepted. We will incorporate provisions in future contracts that will enable us to audit the payments made by the plan administrator.	We will incorporate provisions in Future contracts that will enable us to audit the payments made by the plan administrator. In addition, a request to amend the existing agreement between ICAO-Cigna was presented to Cigna who agreed in principle to amend the agreement. The Proposed revised agreement is under discussion between Cigna and ICAO legal teams.	Ongoing

N.	Recommendation raised by Italian Court of Audit	Comments received from Secretary General at the time of the issuance of our report	Comments of ICAO Management on the status at 31.12.2015	Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2015
Rec. 5	We <u>recommend</u> to start an internal comprehensive review process to identify: a) which differences can be regarded as justified in relation to a substantial disparity in needs and circumstances and, b) which differences require further harmonization, including through a change in the legal framework	Accepted. An internal review with subject area experts to review the provisions in the Staff Rules and the Field Service Staff Rules respectively could be conducted. The task would be to make recommendations in respect to the harmonization of the approach where possible and highlight the needs for different treatment where justified.	Work on the harmonization of TCB Field Staff Rules and ICAO Secretariat Staff Rules has been initiated by TCB and ADB and is ongoing.	Ongoing
Rec. 6	We <u>recommend</u> 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.	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.	For 2016, EAO submitted its annual and rolling three year work plan to the Secretary General along with a summary of the risk assessment indicating which major risks can be covered over this period.	Closed

N.	Recommendation raised by Italian Court of Audit	Comments received from Secretary General at the time of the issuance of our report	Comments of ICAO Management on the status at 31.12.2015	Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2015
Rec. 7	We <u>recommend</u> 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.	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.	For 2016, EAO provided the Secretary General with information on the estimated resources required to complete the proposed annual work plan.	Closed

**ANNEX II – Follow-up to our suggestions issued in our report for financial year 2014**

N.	Suggestion raised by Italian Court of Audit	Comments received from Secretary General at the time of the issuance of our report	Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2015
Sugg. 1	In order to increase the accuracy of items recorded as inventory in the Financial Statements, we suggest that in the next inventory verification exercise, attention be accorded to fair value of items, in particular to those inventory items that should be written-off.	Accepted	Ongoing
Sugg. 2	<u>We suggest</u> Management to present to the Secretary General, in the context of the preparation of the year-end financial statements, an internal document containing i) statistics on existing litigations at AJAB and UNAT ii) to the extent possible, a more granular computation of the actual amounts claimed to assess whether the situation will impact the financial statements.	The suggestion is accepted	Ongoing
Sugg. 3	We <u>suggest</u> Management to review at the end of year 2015 if some assumptions might merit further revision.	Management accepts the suggestion. Assumptions will be reviewed and discussed with AON prior the 2015 year-end closure of accounts.	Closed This suggestion has been closed and has been reformulated as Recommendation n. 6

N.	Suggestion raised by Italian Court of Audit	Comments received from Secretary General at the time of the issuance of our report	Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2015
Sugg. 4	We <u>suggest</u> Management, as remedial measures are needed, to define comprehensively a set of drivers and sub-drivers in advance, in order to identify which of them are more suitable for reducing the underfunding in the long term.	Accepted. Management will identify the variables that influence the funding of ASHI.	Ongoing See for reference our special report “ <i>Has Management developed effective actions to reduce ASHI actuarial liabilities?</i> ”, in particular Suggestion n. 1
Sugg. 5	Considering the importance of preserving the data on staff, we suggest Management in HRB to complete within a reasonable time the digitalization of all the hard copy files.	Accepted. The possibility to digitize additional personnel data, taking into account organizational priorities for the preservation of information, should be considered based on available resources.	Ongoing
Sugg. 6	We underline the importance of linking audit activities to risks. Therefore, <u>we suggest</u> EAO to present only one document with one risk assessment, that shows all majors 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.	Accepted. EAO will produce a single risk assessment document in future.	Closed

N.	Suggestion raised by Italian Court of Audit	Comments received from Secretary General at the time of the issuance of our report	Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2015
Sugg. 7	Following our recommendation n. 6, considering that it will not be possible to cover all risks identified in a given year, <u>we suggest</u> 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.	This suggestion is covered by recommendation 6.	Closed
Sugg. 8	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.	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.	Ongoing

### ANNEX III – Follow-up to the recommendations issued by French Auditors in their reports for previous financial years

Report	Recommendation raised By French Auditors	Comments received from Secretary General at the time of the issuance of the Report	Comments received by ICAO Management on status as updated at 31.12.2015	Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2015
<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).	Accepted. This recommendation will allow ensuring an efficient use of resources and effective management of ADB activities. In cooperation between FIN and ADB, a comprehensive financial monitoring and management system will be established.	A post of Resource Management Associate was established in the Office of D/ADB to assist with comprehensive resource monitoring and management. The dedicated post of Resource Management Associate was filled in February 2015. The position performs comprehensive resource monitoring for all ADB activities in close cooperation with FIN and HR.	Closed
<b>Rec. 15</b>  <b>Annual Report for 2012 by French Court of auditors</b>	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.	Accepted. The Secretariat supports this recommendation. Options to grant ICT enough posts to perform its tasks will be identified within the available budget.	In progress  ICT is underway converting existing key functions handled by consultants to two G7 and two P3 temp posts.	In progress

Report	Recommendation raised By French Auditors	Comments received from Secretary General at the time of the issuance of the Report	Comments received by ICAO Management on status as updated at 31.12.2015	Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2015
<p><b>Rec. 28</b></p> <p><b>Annual Report for 2012 by French Court of auditors</b></p>	<p>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.</p>	<p>Accepted. The Policy on Technical Assistance and Technical Cooperation approved by the Council will govern the implementation of technical assistance and technical cooperation activities. In addition, through the Monitoring and Assistance Review Board (which includes the participation of the Regional Offices whenever possible), the Secretary General will allocate resources from the Regular Budget for the delivery of technical assistance. The technical cooperation officers in five of the seven Regional Offices, previously funded by the TC AOSC Fund, have been absorbed by the Regular Budget. Performance indicators and targets will be set in order to evaluate the activities carried out by the regional offices.</p>	<p>A list of common KPIs was identified for the Regional Offices for 2015.</p> <p>(Management considers this recommendation as closed in 2015)</p>	<p>Closed</p> <p>See for reference our special report “<i>Is it possible to measure the performance of a Regional Office?</i>”</p>
<p><b>Rec. 3</b></p> <p><b>Report for fy 2013 by French Court of auditors</b></p>	<p>The external auditor recommends improvements to the presentation of this document [Human resources dashboard], 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).</p>	<p>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.</p>	<p>As of the 205th Session of the Council, the annual report on the status of the ICAO workforce was expanded to include additional information and narrative (see list of additions in C-WP/14303, paragraph 1.2).</p> <p>(Management considers this recommendation as closed in 2015)</p>	<p>Closed</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 Report	Comments received by ICAO Management on status as updated at 31.12.2015	Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2015
<p><b>Rec. 5</b></p> <p><b>Report for fy 2013</b></p> <p><b>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 analyse the possibility of including more specific clauses to cover for these types of contracts</p>	<p>ICAO contracts for local Staff have been reviewed in consultation with Legal Bureau, with clauses inserted to reflect ICAO's role as limited to that of contract administration. In the reviewed contract template, the reporting lines for the locally recruited subscribers, is to the respective State Authorities, who are fully responsible for the staff and responsible for underlying obligations to such personnel under the contractual arrangements.</p> <p>(Management considers this recommendation as closed in 2015)</p>	<p>Closed</p>

Report	Recommendation raised By French Auditors	Comments received from Secretary General at the time of the issuance of the Report	Comments received by ICAO Management on status as updated at 31.12.2015	Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2015
<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. Budget holders are contacted and invited to suggest improvements to the budget reports at least once per year.</li> <li>2. Draft KPIs were presented to the Council during a workshop in March 2015. During this workshop, it was agreed that the Secretariat would find commonality and harmonization for certain KPIs in both ANB and ATB, and would reduce the overall number of KPIs, while the Council agreed to view performance management from a strategic level in order to identify a small number of global KPIs for the Organization, which would be tracked on a regular basis. Subsequently, a sub-group on performance management, under the WGGE, has initiated the process of identifying a number of Corporate KPIs which will be followed regularly by the Council. The sub-group is assisted by an ICAO staff member serving as Secretary.</li> </ol> <p>(Management considers this recommendation as closed in 2015)</p>	<p>Closed</p> <p>See for reference our special report “<i>Is it possible to measure the performance of a Regional Office?</i>”</p>

Report	Recommendation raised By French Auditors	Comments received from Secretary General at the time of the issuance of the Report	Comments received by ICAO Management on status as updated at 31.12.2015	Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2015
<p><b>Rec. 14</b></p> <p><b>Report for fy 2013 by 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>In progress</p>

Report	Recommendation raised By French Auditors	Comments received from Secretary General at the time of the issuance of the Report	Comments received by ICAO Management on status as updated at 31.12.2015	Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2015
<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>ICAO headquarters has consulted with UNDSS and has shared its concerns as to the cost implications of implementing MORSS at the Dakar duty station. At the country level, the Operations Management Team is currently conducting a comparative analysis of MORSS related costs incurred by UN organizations, in conjunction with security service providers recommended by the country Security Management Team and UNDSS. It is expected that this exercise will result in a reduction in costs for security services among UN organizations located at this duty station, overall. Pending the outcome of this exercise, a sufficient budget has been allocated by ICAO to ensure MORSS compliance at the Dakar Regional Office.</p> <p>(Management considers this recommendation as closed in 2015)</p>	<p>Closed</p> <p>This recommendation will be followed up in the context of our future audits</p>
<p><b>Rec. 18</b></p> <p><b>Annual Report for 2012 by French Court of auditors</b></p>	<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>Accepted. Updated standard for branding of ICAO publications will be prepared.</p>	<p>In light of ICAO's rebranding having to proceed incrementally, respective technical publications (Annexes, Manuals, etc.) are only being redesigned when they are scheduled for revision or reprinting. It was expected that ICAO Doc 9303 was to be the first manual to undergo this process, and this was expected 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.</p>	<p>Closed</p>

Report	Recommendation raised By French Auditors	Comments received from Secretary General at the time of the issuance of the Report	Comments received by ICAO Management on status as updated at 31.12.2015	Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2015
			<p>COM pursued a section on its branding authority being added to 7231/11 through the Publications Priority Board (see attached correspondence transcript), and Inter-Office Memorandum (IOM) of the Secretary General (April 2013, also attached) satisfactorily addressed the auditor concerns relating to Staff Notice 4562. COM contacted the office of D/ADB on 9 January 2015 regarding the amendments required to Doc 7231/11. Due to the sad passing of DD/ADB LP and management changes with the promotion of Dr. Liu to Secretary General, the foreseen convening of the Publications Priority Board had to be delayed. ADB also advised that Council will consider C-WP/14322, ICAO Publications Policy, during this session which may impact the future of DOC 7231, ICAO Publications Regulations altogether. Regarding SN 4562, this Staff Notice introduced the new design approaches previously agreed by ICAO around the turn of the millennium (publications covers, stationery, etc.). Since OSG IOM from April 2013 contains the same sort of information and guidance as SN 4562 previously provided, COM considers that it already satisfactorily responds to that aspect of the auditor recommendation.</p> <p>A meeting of the Publications Priority Board took place in 12/2015. The following extract from the meeting minutes summarizes the conclusions on Agenda Item 2 – COM Request to update</p>	

Report	Recommendation raised By French Auditors	Comments received from Secretary General at the time of the issuance of the Report	Comments received by ICAO Management on status as updated at 31.12.2015	Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2015
			<p>Doc 7231/11-ICAO Publications Regulations : "Discussion: Following a request by the Chief of Communication to update Doc 7231/11 – ICAO Publications Regulations, taking into consideration the request to update Article VI as per the recommendation of the External Auditors, and the Council’s decision related to the new ICAO Policy on Publications, it was decided that this document may need no further amendment at this stage. All pertinent comments / details shall be integrated into the new document that will serve as support to the implementation of the New ICAO Policy on Publications. The supporting document will be either represented by one of the two choices below: 1. Revision of the ICAO Publications Regulations 2. Development of Administrative Instructions on Publications through the incorporation of applicable information covered by the existent ICAO Publications Regulations and adding other relevant information not covered elsewhere. Action Items Person Responsible Deadline 1. To prepare the proposal on the two options discussed LP/Dalia Rahmani May 2016 2. To develop the supporting document LP/Dalia Rahmani May 2016". On the basis of this COM now considers that this recommendation has been accepted and that the new Council Publications Policy and its supporting documents, which are to replace the former Doc 7231/11, will reflect its requirements accordingly.</p>	

Report	Recommendation raised By French Auditors	Comments received from Secretary General at the time of the issuance of the Report	Comments received by ICAO Management on status as updated at 31.12.2015	Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2015
			(Management considers this recommendation as closed in 2015)	
<b>Rec. 17</b>  <b>Report on Audit of TCB by French Court of auditors</b>	<p>We recommend fully and quickly implementing all of the Agresso modules, especially those relating to budget aspects.</p>	<p>The implementation schedule for Agresso modules rests with the IRIS project. The Agresso Budget Planner module is undergoing final acceptance testing by both FIN and TCB with final implementation scheduled before the end of the first quarter of 2010.</p>	<p>The post implementation review was conducted by the IRIS consultant along with the BSU and FOS team during the week of 16-20 September 2013. Requirements have been identified and reporting issues are to be addressed by the IRIS team. The upgrade to the module with added and improved functionalities was expected to be implemented in April 2014. Due to shortage in staffing, the IRIS team was unable to meet TCB's automation and reporting requirements. A consultant has been contracted to assist IRIS in addressing all outstanding requirements on a full time basis. The consultant provided the necessary tool to facilitate upload of data into the module however further analysis identified a number of issues that, in the view of the Business Support Section (BSS) of TCB, required decision at Bureau level. In this regard, BSS facilitated a meeting on 9-Sep-15 between FOS, FPS and IRIS to agree on all the outstanding issues. BSS consequently drafted a preliminary list of requirements on 23-Sep-15 for FOS to review and add to for submission to IRIS but no response has been received from FOS to date. The Agresso consultant has concluded her contract on 16-Oct-15 however the full list of completed deliverables is not available to BSS as her line of reporting was to FOS. During the exit meeting held the same day, it was</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 Report</b>	<b>Comments received by ICAO Management on status as updated at 31.12.2015</b>	<b>Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2015</b>
			<p>determined that there are numerous unresolved issues at FOS' level and it was agreed that FOS would submit a detailed list of their requirements to IRIS (no deadline was established) in order for the module to move further. In the absence of the crucial facts mentioned above, BSS is not able to report any confirmed factual information on this issue, which would allow for assessing the status of development regarding the Budget Planner, nor an estimate of a possible new target date for completion of the work still required. As per D/TCB's decision, this recommendation has been re-assigned to C/FOS for action.</p>	





