

Doc 9922

FINANCIAL STATEMENTS
AND
REPORT OF THE EXTERNAL AUDITOR
FOR THE FINANCIAL PERIOD ENDING 31 DECEMBER 2008



DOCUMENTATION
for the 37th Session of the Assembly in 2010

INTERNATIONAL CIVIL AVIATION ORGANIZATION

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

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**Doc 9922, *Financial Statements and Report of the External
Auditor for the financial period ending 31 December 2008***

Order Number: 9922

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**FINANCIAL STATEMENTS AND
AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2008**

INTERNATIONAL CIVIL AVIATION ORGANIZATION

FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2008

TABLE OF CONTENTS

		Page
PART I:	REPORT OF THE SECRETARY GENERAL, CERTIFICATION, APPROBATION AND SUBMISSION OF THE FINANCIAL STATEMENTS FOR THE YEAR 2008	I-1
PART II:	AUDITOR'S REPORT/OPINION OF THE EXTERNAL AUDITOR	II -1
PART III:	FINANCIAL STATEMENTS	
Statement I	Statement of Income and Expenditure	III-1
Statement II	Statement of Assets, Liabilities and Fund Balances	III-2
Statement III	Statement of Cash Flow	III-3
Statement IV	Statement of Appropriations	III-4
Statement V	Statement of Cumulative Surplus	III-5
Schedule A	Regular Programme - Assessments Receivable from Contracting States	III-6
Schedule B	Other ICAO Proprietary Funds – Schedule of Income & Expenditures	III-9
Schedule B.1	AOSC and TCB Efficiency Fund – Schedule of Income & Expenditures	III-10
Schedule C	Technical Co-operation Programme Funds – Schedule of Income and Expenditures	III-11
Schedule C.1	United Nations Development Programme – Schedule of the Status of Funds	III-12
Schedule C.1.1	United Nations Development Programme - Expenditure by Country and Region	III-13
Schedule C.2	Trust Funds and Management Service Agreements - Schedule of Income, Expenditure and Fund Balances	III-14
Schedule C.3	Civil Aviation Purchasing Service Funds - Schedule of Income, Expenditure and Fund Balances	III-16
Schedule D	Other Trust Funds Managed on Behalf of Third Parties - Schedule of Income,	

**PART I: REPORT OF THE SECRETARY GENERAL, CERTIFICATION, APPROBATION AND
SUBMISSION OF THE FINANCIAL STATEMENTS FOR THE YEAR 2008**

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

FIGURE 1: TOTAL EXPENDITURE - ALL FUND GROUPS

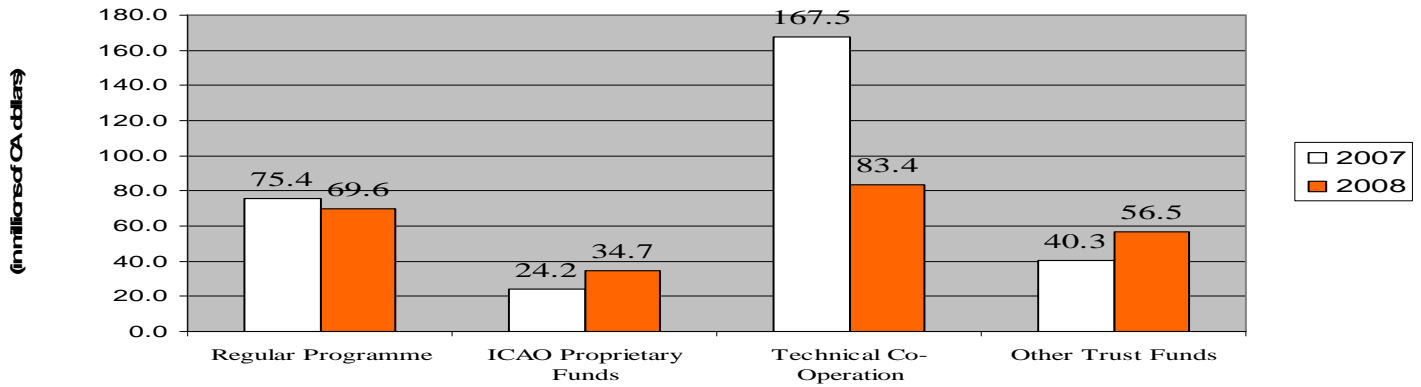


FIGURE 2: TECHNICAL CO-OPERATION PROGRAMME FUNDS

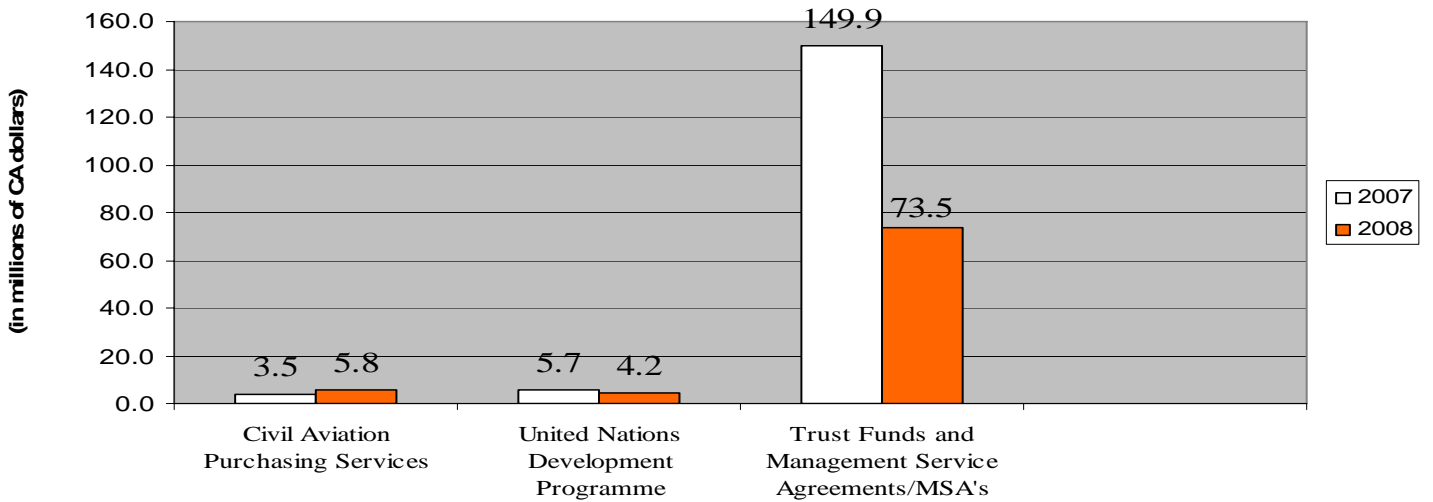
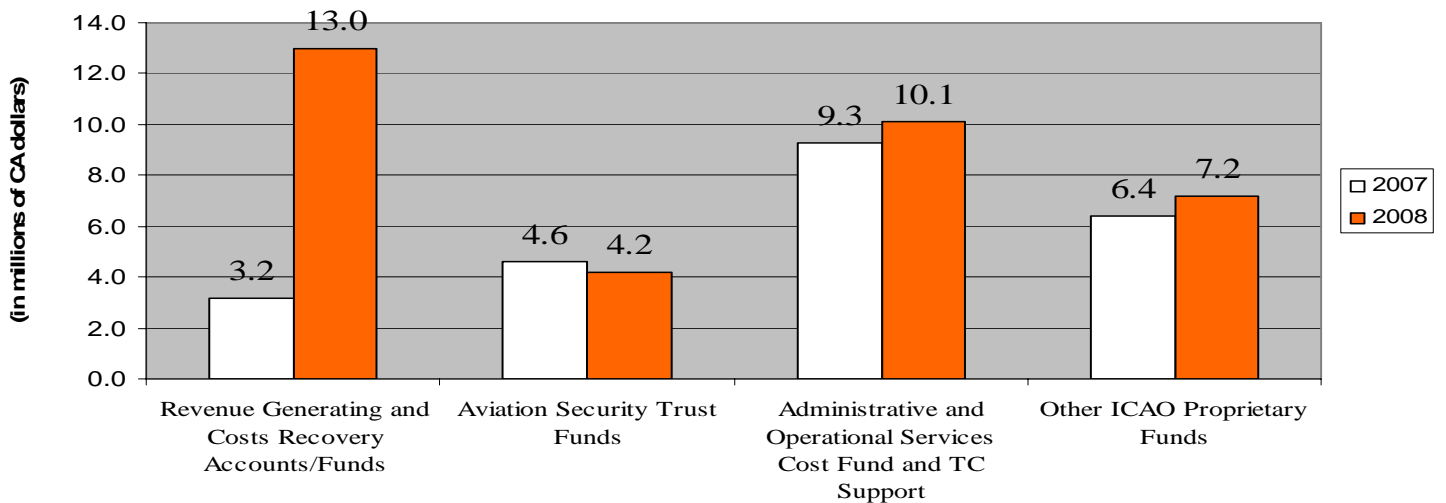


FIGURE 3: OTHER ICAO PROPRIETARY FUNDS



4. REGULAR PROGRAMME

4.1 Appropriations

4.1.1 The 36th Session of the Assembly in 2007, under Clause C of Resolution A36-29, voted appropriations in the amount of \$ 79 951 for the year 2008. Details of appropriations, transfers, actual expenditure and unobligated balances of appropriations by Strategic Objective and Supporting Implementation Strategies are given in Statement IV. Actual expenditure is stated at the United Nations operational rate of exchange. The budgetary result for 2008, in thousands of Canadian dollars, is summarized as follows:

Original appropriations	\$ 79 951
Carried over from 2007 and use of excess of miscellaneous income	9 137
Decrease in appropriations	(8 187)
2008 Outstanding commitments	(1 167)
Triennium Commitments	(4 195)
Deferred Activities (to 2009)	(1 975)
Carried over to 2009	<u>(3 987)</u>
Revised appropriations	\$ <u>69 577</u>

4.1.2 Carry over from 2007 and use of excess miscellaneous income. In accordance with Financial Regulation 5.2 c) and 5.11, an amount of \$ 9 137 was approved by Council to supplement the 2008 appropriations, financed by savings from 2007 and the use of the excess of miscellaneous income in 2007 (C-DEC 182/13 and C-DEC 184/8).

4.1.3 Decrease in Appropriations. The Council also approved the following transfers of appropriations to other funds amounting to \$ 8 187:

- a) \$ 4 262 to the Temporary Staff Salaries Fund (TSSF) for language requirements;

4.1.5 **Triennium Commitments.** The Council had approved funding for activities that span the entire triennium such as Split Assessment, IPSAS, Regional Office study, Language requirements, among others (C-DEC 182/13 and C-DEC 184/8). Since the duration of these activities will extend up to 2010 an amount of \$ 4 195 has been reserved for future years. Pursuant to Financial Regulation 5.6, the Council has approved the roll over of this portion of the appropriation to 2009 (C-DEC 186/8). [This amount, together with the 2008 outstanding commitments, have slightly decreased from the amounts actually approved in C-DEC 186/8 due to subsequent transactions made after the approval date.]

4.1.6 **Deferred Activities.** The Secretary General has approved the carry-over of deferred elements as authorized by Financial Regulation 5.6 for an amount of \$1 975. These carry-overs are necessitated by the deferral of certain meetings, special implementation projects, and operational expenditures (such as purchase of equipment and software). Some of the operational expenditures were deferred as part of the overall effort to contain costs.

4.1.7 **Transfers.** In 2008, in compliance with Financial Regulation 5.9, the Council approved transfers of appropriations from all Strategic Objectives and Supporting Implementation Strategy – Programme Support, that exceed the 10 per cent threshold (C-DEC 186/8).

4.1.8 **Carry over to 2009.** In compliance with Financial Regulation 5.6, the Council approved a carry-over of appropriations from 2008 to 2009 (C-DEC 186/8 and C-DEC 186/12). This totals \$ 2 411 and is for the following:

Strategic Objective/Supporting Implementation Strategy	Amount	Purpose
SO F: Rule of Law	350	Meetings (Diplomatic Conference and Legal Committee)
SIS Management and Administration	662	IRIS Project – additional resources for Phase 2 – Payroll and HR Implementation
SIS Management and Administration	527	IPSAS – additional resources
SIS Management and Administration	200	Finance – additional resources – IRIS implementation – transition period
SIS: Infrastructure	98	ISEC – additional resources
SIS - Infrastructure	320	Security Issues – Bangkok and Mexico regional offices
SO C: Environment	254	Environmental programme
	<u>2 411</u>	

4.1.9 The Council authorized the Secretary General to make adjustments in the approved carry-over amounts to 2009 that might be required by actual final expenditures at the end of the year (C-DEC 186/8). This additional carry-over amounts to \$ 1 576 and is for the following:

Strategic Objective A: Safety \$ 1 291; Strategic Objective D: Efficiency \$ 65 and SIS Management and Administration \$ 220 for Human Resources Development, and Information Technology.

4.1.10 As a result of the increases and transfers outlined above, the final approved appropriation for the year amounted to \$ 69 577.

4.2 **Key initiatives being implemented from 2008 onward**

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

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

Another significant change is the adoption of the Canadian dollar rather than the United States (U.S.) dollar for the budgets and the accounts of the proprietary Funds of the Organization. Assessments on Contracting States and other estimated sources of income are established in Canadian dollars for 2008. In order to ensure more consistency and comparability between the approved budgets and the Accounts and Funds of the Organization, transactions are reflected in Canadian dollars and the Financial Statements are presented in Canadian dollars for 2008 onwards. This change is applicable to proprietary Funds of the Organization, while Funds administered on behalf of third parties such as those TD0.0008 lvbTc0.lidian the 15.

and in Statements from 85.2(-5.5 2008)5.5(ow(ar.8)5.58)5.57

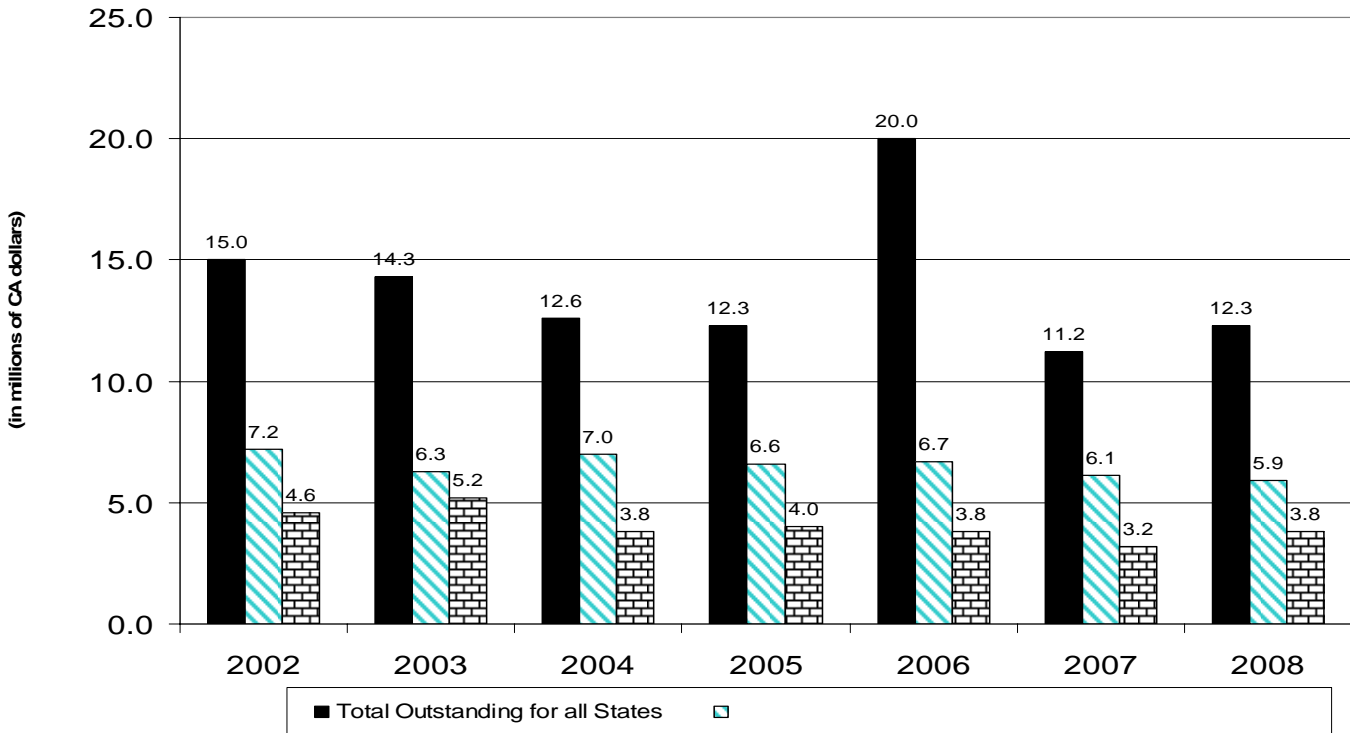
4.3 **Income and Assessments**

4.3.1 The appropriations for the year 2008 approved by the 36th Session of the Assembly were to be financed by assessments on Contracting States of \$ 74 184, miscellaneous income of \$ 1 916 and Ancillary Revenue Generation Fund (ARGF) surplus of \$ 3 851 for a total of \$ 79 951. The composition of actual income totalling \$ 79 032 is presented in Statement I.

4.3.2 During the year 2008 assessments totalling \$ 71 867 were received and a balance of \$ 2 317 remained outstanding at the year end against the current year’s assessments. At the beginning of the year, \$ 11 220 was receivable from States in respect to 2007 and prior years; payment of \$ 1 284 was received, leaving a balance outstanding of \$ 9 936. The assessments receivable for all years totalled \$ 12 277 as at 31 December 2008 (including the Working Capital Fund). Details are provided in Schedule A. The percentage of receipts of contributions for the last four years in relation to the amount assessed averaged 94 per cent. Figure 4 shows the status of the assessed contributions receivable at the end of each year since 2002.

FIGURE 4

ASSESSMENTS RECEIVABLE FROM CONTRACTING STATES AS AT 31 DECEMBER



4.3.3 Of the total outstanding contributions of \$ 12 277 as at 31 December 2008 (\$ 12 253 excluding the Working Capital Fund), \$ 96 pertained to States represented on the Council.

	<u>Number of States 2007</u>	<u>Amount outstanding as at 31 December 2007</u>	<u>Number of States 2008</u>	<u>Amount outstanding as at 31 December 2008</u>
Group A: States that have concluded agreements with the Council to liquidate their arrears over a period of years	28	\$ 6 092	26	\$ 5 979
Group B: States with contributions in arrears of three full years or more that have not concluded agreements with the Council to liquidate their arrears	5	\$ 3 214	8	\$ 3 838
Group C: States with contributions in arrears for less than three full years	11	\$ 884	10	\$ 970
Group D: States with contributions outstanding only for the current year	<u>16</u>	<u>\$ 523</u>	<u>47</u>	<u>\$ 965</u>
Sub-total	60	\$ 10 713	91	\$ 11 752
The Former Socialist Federal Republic of Yugoslavia	-	<u>\$ 501</u>	-	<u>\$ 501</u>
Total Outstanding Contributions	<u>60</u>	<u>\$ 11 214</u>	<u>91</u>	<u>\$ 12 253</u>

4.3.4

As at 31 December 2008, 26 States had concluded agreements to liquidate their 0 0 10.98 ri 0 Republicagprovi

4.4 **Surplus**

4.4.1 The cumulative surplus as at 31 December 2008 reflected in Statement V amounted to \$ 19 717. Cumulative surplus less assessments receivable from Contracting States of \$ 12 277 resulted in a cash surplus of \$ 7 440 as at 31 December 2008.

4.5 **Cash Balances**

4.5.1 The cash balance held in the General Fund as at 31 December 2008 amounted to \$ 26 138 (including the balance in the Working Capital Fund) and is reflected in Statement III. The Council did not change the level of the Working Capital Fund in 2008 under the authority granted by the Assembly under Assembly Resolution A36-34.

4.6 **Forward Purchase of Currency**

4.6.1 In order to minimize risks and protect the budget against the consequence of potential exchange rate fluctuations, United States dollars as well as EUROS, were forward purchased with the approval of the Council. The objective of stabilizing United States dollar-related expenditures and EURO expenditures to a level within the budget was achieved.

5.1.2 As indicated in Figure 5, the Assembly approved the Indicative Budget Estimates (expenditure) of the AOSC Fund amounting to \$ 9 723 for the financial year 2008. During the year, pursuant to Financial Regulation 9.5, the Secretary General submitted to the Council an update of the 2008 Budget Estimates (expenditure) for 2008 in C-WP/13210. The revised estimated expenditures for 2008 amounted to \$ 10 052 and the estimated income to \$ 10 108.

5.1.3 Total expenditures presented in the Financial Statements for the TCP excluding administrative overhead charges amounted to \$ 75 809 in 2008 compared with \$ 159 124 in 2007. During 2008, programmes expenditures for projects included equipment expenditures amounting to \$ 16 599 as compared to \$ 109 638 in 2007, the difference being mainly attributable to the cessation of accounting of

5.1.4 During the 35th Session of the Assembly, the Administrative Commission recommended that the question of sharing of costs between the Regular Programme and the Technical Co-operation Programme be reported to the Council for review. The Council has considered this issue and instructed the Secretary General to progressively allocate the identifiable costs to the AOSC Fund and the Regular Programme, as appropriate, in order to minimize the amount of cross-funding that was occurring between these Funds. During 2008, costs of \$ 390 relating to Regular Programme support that have been funded by the AOSC Fund were charged to the Regular Programme, while an amount of \$ 322 of Technical Co-operation Programme support costs funded by Regular Programme were charged to the AOSC Fund. The net transfer of costs for 2008 amounting to \$ 68 has been recorded in the accounts of the AOSC Fund, in addition to the amount of \$ 1 857 for personnel working outside the Technical Co-operation Bureau funded by the AOSC Fund. The Council presented to the Assembly during its 36th Session, a report on the apportionment of costs between the AOSC Fund and the Regular Programme Budget. The Assembly requested the Council to consider and approve a Cost Recovery Policy and work with the Secretariat to ensure that the pilot study requested by the Council provides accurate and timely information for the Council's decision. During 2008 and into 2009 a study was undertaken by a management consultants firm, for the purpose of deriving an equitable and efficient cost recovery mechanism.

6.

7.2 **Joint Financing Agreements**

ICAO supervises the operation of air navigation services provided by the Governments of Denmark and Iceland, the costs of which are recovered by user charges and assessments on Contracting governments. In addition, ICAO is responsible for the administration of the funds, related to services, provided by the United Kingdom to monitor minimum vertical separation in the North Atlantic Regions, the costs of which are recovered through user charges. Funds are received from the United Kingdom and distributed by ICAO for the North Atlantic Height Monitoring System Fund and for the Administrative Fee for Joint Financing Fund whereas for the Danish Joint Financing Agreement and the Icelandic Joint Financing Agreement the funds are received directly by parties involved. Transactions are reflected in Schedule D to the Financial Statements.

8. **CERTIFICATION, APPROBATION AND SUBMISSION OF THE FINANCIAL STATEMENTS FOR THE YEAR 2008:**



PART II: AUDITOR'S REPORT/OPINION OF THE EXTERNAL AUDITOR

Cour des comptes

Le Premier président

Paris, June, 3rd 2009

To the Assembly of the International Civil
Aviation Organization

AUDIT OPINION

I have audited the financial statements of the International Civil Aviation Organization for the year ended 31 December 2008, comprising the statements of income and expenditure, the statement of assets and liabilities, cash flow, cumulative surplus and appropriations for the Regular Programme General Fund and supporting schedules and notes.

The financial statements are the responsibility of the ICAO management. My responsibility is to express an opinion on these financial statements based on my audit.

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

financial statement presentation. I believe that my audit provides a reasonable basis for

PART III: FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT OF INCOME AND EXPENDITURE
FOR THE PERIOD ENDING 31 DECEMBER 2008

(expressed in thousands of Canadian dollars)

	Note	Regular Programme General Fund and Working Capital Fund		Other ICAO Proprietary Funds (Refer Schedule B&E)		Sub-total ICAO Funds		Technical Co-operation Programme Funds (Refer Schedule C)		Other Trust Funds (Refer Schedule D)		Elimination		Total	
		2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
INCOME AND EXPENDITURE															
INCOME															
Assessed Contributions		74,184	65,827			74,184	65,827			546	595			74,730	66,422
Voluntary Contributions				4,084	5,994	4,084	5,994	117		747	277			4,949	6,271
Sales of publication	4		5,334	5,465		5,465	5,334							5,465	5,334
Other Revenue Producing Activities	4			6,292	2,295	6,292	2,295							6,292	2,295
Contributions for Project Agreement				61		61		135,512	165,461					135,573	165,461
Administrative Fee Revenue		213	38	8,094	8,341	8,306	8,379					(8,306)	(8,379)		
Internal Revenue				1,849		1,849						(1,849)			
Interest Income		637	1,183	783	1,387	1,420	2,570	4,339	6,994	84	204			5,843	9,769
User Charge Revenue		44		669	865	712	865			44,651	48,274			45,363	49,139
Other/Miscellaneous Income	5	3,953	3,127	2,479	1,613	6,432	4,740	6,080	7,259	72		(3,947)	(352)	8,637	11,648
TOTAL INCOME		79,032	75,509	29,775	20,495	108,807	96,005	146,049	179,714	46,101	49,351	(14,102)	(8,731)	286,853	316,338
EXPENDITURE															
Staff/Expert Salaries and Costs		57,766	62,457	23,512	15,858	81,278	78,315	43,767	38,789	480	701			125,525	117,805
General Operating Expenses	5	6,383	7,285	8,095	4,888	14,477	12,173	1,722	2,589	67	120	(3,851)		12,415	14,882
Travel		2,259	2,497	2,338	1,519	4,597	4,016	3,189	3,046	95	118			7,880	7,180
Outsourcing ARGF	4	2,321				2,321						(2,321)			
Meetings		432	1,056	52		484	1,056							484	1,056
Sub-Contracts								9,493	3,730					9,493	3,730
Technical Training								912	1,302					912	1,302
Equipment	6	134	1,789	270	622	405	2,411	16,599	109,638					17,004	112,049
Grants and Other Transfers				96	619	96	619					(96)	(352)		267
Service Cost										55,820	39,363			55,820	39,363
Depreciation and Amortization															

	Regular Programme General Fund	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net excess (shortfall) of income over expenditure (Statement I)	9 455	135
(Increase) decrease in contributions receivable	(1 057)	8 802
(Increase) decrease in other accounts receivable	(1 325)	(362)
(Increase) decrease in other assets	(315)	
(Increase) decrease in inter-fund balances receivable	(611)	(293)
Increase (decrease) in contributions received in advance	(4 095)	2 944
Increase (decrease) in unliquidated obligations	(1 969)	30
Increase (decrease) in accounts payable	(606)	4 001
Increase (decrease) in inter-fund balances payable	(526)	(716)
Less : Interest income	(637)	(1 183)
Other credit balances and provisions	402	
(Increase) decrease in derivative asset/liability	(8 906)	6 152
Other adjustments to reserves and fund balances	8 906	(6 152)
Foreign currency revaluation gain / (loss)	4 953	
NET CASH FLOWS FROM OPERATING ACTIVITIES	3 660	13 357

**REGULAR PROGRAMME GENERAL FUND
STATEMENT OF APPROPRIATIONS
FOR THE PERIOD ENDING 31 DECEMBER 2008**

(expressed in thousands of Canadian Dollars)

Strategic Objective / Supporting Implementation Strategy	Appropriations									Expenditures	Balance
	Original A36-29	Carry-over from Prior Year ^a	Decrease of Appropriations ^a	2008 Outstanding Commitments ^b	Balance Triennium Commitments ^c	2008 Activities Deferred to 2009 ^b	Transfers among SO/SIS ^d	Carried over to following year ^e	Revised	Total	
A. Safety	14 415	1 921	(1 374)	(20)	-	(459)	716	(1 291)	13 908	13 908	-
B. Security	5 019	-	-	(4)	-	(58)	(1 506)	-	3 451	3 451	-
C. Environment	1 674	589	(589)	(1)	-	(39)	(67)	(254)	1 313	1 313	-
D. Efficiency	20 640	196	-	(64)	(196)	(312)	131	(65)	20 330	20 330	-
E. Continuity	1 951	-	-	(4)	-	(23)	(307)	-	1 617	1 617	-
F. Rule of Law	607	-	-	0	-	(8)	495	(350)	744	744	-
Sub-Total	44 306	2 706	(1 963)	(93)	(196)	(899)	(538)	(1 960)	41 363	41 363	-
Management & Administration	18 670	2 549	(981)	(889)	(1 270)	(884)	987	(2 027)	16 155	16 155	-
Programme Support	14 086	3 882	(1 373)	(185)	(2 729)	(192)	(530)	-	12 959	12 959	-
Sub-Total	32 756	6 431	(2 354)	(1 074)	(3 999)	(1 076)	457	(2 027)	29 114	29 114	-
Total	77 062	9 137	(4 317)	(1 167)	(4 195)	(1 975)	(81)	(3 987)	70 477	70 477	-
Organizational Realignment	2 889	-	(2 889)						-		
Reimbursement of Loan for TSSF	-	-	(981)				981		-		-
Exchange Gains/Losses - GAIN							(900)		(900)	(900)	-
TOTAL	79 951	9 137	(8 187)	(1 167)	(4 195)	(1 975)	0	(3 987)	69 577	69 577	-

^a Approved by Council at its 182nd and 184th session (C-DEC 182/13 and C-DEC 184/8). Fin. Reg. 5.2c) and Fin. Reg. 5.11.

^b Approved by the Secretary General, Fin. Regulation 5.6 and 5.7.

^c Approved by Council at its 186th Session (C-DEC 186/8) Fin. Reg. 5.6.

^d Approved by Council at its 186th Session (C-DEC 186/8) Fin. Reg. 5.9.

^e Approved by Council at its 186th Session (C-DEC 186/8 and C-DEC 186/12) Fin. Reg. 5.6.

CUMULATIVE SURPLUS

2008

2007

2008

2007

2008

2007

2008

2007

2008

2007

2008

2007

INTERNATIONAL CIVIL AVIATION ORGANIZATION
REGULAR PROGRAMME
ASSESSMENTS RECEIVABLE FROM CONTRACTING STATES
AND CONTRIBUTIONS RECEIVED IN ADVANCE
AS AT 31 DECEMBER 2008

(in thousands of Canadian dollars)

General Fund

	0.26	193	193			
CHINA	2.42	1 795	1 795			
COLOMBIA	0.21	156	156			
COMOROS (*)	0.06	45	45		406	406
CONGO	0.06	45	45		281	281
COOK ISLANDS	0.06	45	45		85	85
COSTA RICA	0.06	45		45		45
COTE D'IVOIRE (*)	0.06	45	45		93	93
CROATIA	0.06	45	45			
CUBA	0.07	52	52			
CYPRUS	0.06	45	45			
CZECH REPUBLIC	0.18	134	132	1		1
DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA	0.06	45	45			
DEMOCRATIC REPUBLIC OF THE CONGO (*)	0.06	45		45	381	425
DENMARK	0.56	415	415			
DJIBOUTI	0.06	45		45	551	596
DOMINICAN REPUBLIC	0.06	45	45			
ECUADOR	0.06	45	45			11
EGYPT	0.17	126	126			6
EL SALVADOR	0.06	45		45		45
EQUATORIAL GUINEA	0.06	45	45			
ERITREA	0.06	45		45		45
ESTONIA	0.06	45	45			44
ETHIOPIA	0.07	52	51	1		1
FIJI	0.06	45	43	2		2
FINLAND	0.48	356	356			348
FRANCE	5.17	3 835	3 835			
GABON (*)	0.06	45	45		79	79
GAMBIA (*)	0.06	45		45	282	326
GEORGIA	0.06	45	45		340	340
GERMANY	7.08	5 252	5 252			

INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME
ASSESSMENTS RECEIVABLE FROM CONTRACTING STATES
AND CONTRIBUTIONS RECEIVED IN ADVANCE
AS AT 31 DECEMBER 2008

(in thousands of Canadian dollars)

Contracting States Assembly Resolutions A36-32 and A36-29	General Fund				Balance of Prior Years' Assessments Receivable	Balance of Advances due to the Working Capital Fund	Total Balances Receivable **	Contributions Received in Advance
	Scales 2008	Assessments 2008	Contributions Received for 2008	Balance of Assessments Receivable for 2008				
GHANA	0.06	45	45					
GREECE	0.46	341	341					
GRENADA	0.06	45		45	191		236	
GUATEMALA	0.06	45		45			45	
GUINEA	0.06	45	39	5	165		170	
GUINEA-BISSAU	0.06	45	45		572		572	
GUYANA	0.06	45	29	15			15	
HAITI	0.06	45		45	106		150	
HONDURAS	0.06	45	45					9
HUNGARY	0.14	104	104					
ICELAND	0.07	52	52					
INDIA	0.54	401	401					
INDONESIA	0.29	215	215					
IRAN (ISLAMIC REPUBLIC OF)	0.18	134		134	3	1	138	
IRAQ	0.06	45		45	1 054		1 098	
IRELAND	0.42	312	312					
ISRAEL	0.47	349	349					3
ITALY	3.71	2 752	2 752					
JAMAICA	0.06	45	45					4
JAPAN	12.16	9 021	9 021					
JORDAN	0.06	45	45					7
KAZAKHSTAN	0.06	45	21	24			24	
KENYA	0.06	45	45					1
KIRIBATI	0.06	45		45	36		80	
KUWAIT	0.19	141	140	1			1	
KYRGYZSTAN (*)	0.06	45		45	194		238	
LAO PEOPLE'S DEMOCRATIC REPUBLIC	0.06	45	45					
LATVIA	0.06	45	45					
LEBANON	0.06	45		45			45	
LESOTHO	0.06	45	44	1			1	
LIBERIA	0.06	45	39	5	226		231	
LIBYAN ARAB JAMAHIRIYA	0.06	45		45	30		75	
LITHUANIA	0.06	45	45					
LUXEMBOURG	0.38	282	282					
MADAGASCAR	0.06	45	45					
MALAWI (*)	0.06	45		45	236		280	
MALAYSIA	0.57	423	419	4			4	
MALDIVES	0.06	45	45					
MALI	0.06	45	45					
MALTA	0.06	45	45					
MARSHALL ISLANDS	0.06	45		45	105		149	
MAURITANIA	0.06	45	45					
MAURITIUS	0.07	52	52					
MEXICO	1.46	1 083	1 083					
MICRONESIA (FEDERATED STATES OF)	0.06	45		45	58		103	
MONACO	0.06	45	45					
MONGOLIA	0.06	45		45			45	
MONTENEGRO	0.06	45		45	30		75	
MOROCCO	0.09	67	67	()			()	
MOZAMBIQUE	0.06	45	44					
MYANMAR	0.06	45	45					2
NAMIBIA	0.06	45		45			45	
NAURU	0.06	45		45	394		439	
NEPAL	0.06	45	44					
NETHERLANDS	1.96	1 454	1 454			5	5	
NEW ZEALAND	0.37	274	274					
NICARAGUA	0.06	45	45					
NIGER	0.06	45	45					
NIGERIA	0.06	45	45					
NORWAY	0.57	423	423					
OMAN	0.11	82	82					
PAKISTAN	0.16	119	119					2
PALAU	0.06	45		45	131		175	
PANAMA	0.06	45	45					7
PAPUA NEW GUINEA	0.06	45		45	36		80	

INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME
ASSESSMENTS RECEIVABLE FROM CONTRACTING STATES
AND CONTRIBUTIONS RECEIVED IN ADVANCE
AS AT 31 DECEMBER 2008

(in thousands of Canadian dollars)

Contracting States Assembly Resolutions A36-32 and A36-29	General Fund						Total Balances Receivable **	Contributions Received in Advance
	Scales 2008	Assessments 2008	Contributions Received for 2008	Balance of Assessments Receivable for 2008	Balance of Prior Years' Assessments Receivable	Balance of Advances due to the Working Capital Fund		
PARAGUAY	0.06	45	45					
PERU	0.10	74	73	2			2	
PHILIPPINES	0.18	134	134					24
POLAND	0.42	312	312					
PORTUGAL	0.47	349	349					
QATAR	0.16	119	119					
REPUBLIC OF KOREA	2.45	1 818	1 818					
REPUBLIC OF MOLDOVA	0.06	45	45		119		119	
ROMANIA	0.07	52	52					
RUSSIAN FEDERATION	0.73	542	542					
RWANDA	0.06	45		45	35		80	
SAINT KITTS & NEVIS	0.06	45		45	74		118	
SAINT LUCIA	0.06	45	37	7			7	
SAINT VINCENT AND THE GRENADINES	0.06	45		45			45	
SAMOA	0.06	45	45					
SAN MARINO	0.06	45	45					
SAO TOME AND PRINCIPE (*)	0.06	45		45	487		531	
SAUDI ARABIA	0.71	527	525	2			2	
SENEGAL	0.06	45	45					23
SERBIA AND MONTENEGRO	0.06	45	45					
SEYCHELLES	0.06	45		45	51		95	
SIERRA LEONE	0.06	45	39	5	247		252	
SINGAPORE	1.24	920	920					1
SLOVAKIA	0.06	45	45					
SLOVENIA	0.07	52	52					
SOLOMON ISLANDS	0.06	45	45		126		126	
SOMALIA	0.06	45		45	605		649	
SOUTH AFRICA	0.46	341	339	2			2	
SPAIN	2.38	1 766	1 766					
SRI LANKA	0.08	59	59	1			1	
SUDAN	0.06	45		45	106		150	
SURINAME (*)	0.06	45		45	194		238	
SWAZILAND	0.06	45		45			45	
SWEDEN	0.77	571	571					1
SWITZERLAND	1.00	742	742					8
SYRIAN ARAB REPUBLIC	0.06	45		45	36		81	
TAJIKISTAN	0.06	45	28	16			16	
THAILAND	0.56	415	415					1
the former Socialist Federal Republic of Yugoslavia (1)					501		501	
THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA	0.06	45	45					
TIMOR-LESTE	0.06	45		45			45	
TOGO	0.06	45	45					
TONGA	0.06	45		45			45	
TRINIDAD AND TOBAGO	0.06	45	45					
TUNISIA	0.06	45	45					
TURKEY	0.44	326	326					
TURKMENISTAN	0.06	45		45			45	
UGANDA	0.06	45	45					8
UKRAINE	0.06	45	45					
UNITED ARAB EMIRATES	0.64	475	475					
UNITED KINGDOM	5.94	4 407	4 407			18	18	
UNITED REPUBLIC OF TANZANIA	0.06	45	45					
UNITED STATES OF AMERICA	25.00	18 546	18 546	()			()	
URUGUAY	0.06	45	45					70
UZBEKISTAN	0.06	45	41	3			3	
VANUATU	0.06	45	44	1			1	
VENEZUELA	0.16	119	119					1
VIET NAM	0.07	52	51	1			1	
YEMEN	0.06	45	45					
ZAMBIA	0.06	45	40	5			5	
ZIMBABWE	0.06	45	45					27
TOTAL **	100.00	74 184	71 867	2 317	9 935	25	12 277	616

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 2008.

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

SCHEDULE B.1

	TCB Efficiency / Effectiveness Fund	Administrative and Operational Service Cost Fund	2008	2007
INCOME AND EXPENDITURE				
INCOME				
Contributions for Project Agreement	0	0	0	0
Administrative Fee Revenue	0	7,620	7,620	8,341
Interest Income	7	40	47	294
Other/Miscellaneous Income	0	1,139	1,139	428
			0	
TOTAL INCOME	7	8,799	8,806	9,064
			0	
EXPENDITURE				
Staff/Expert Salaries and Costs	15	9,266	9,281	8,694
General Operating Expenses	115	495	609	279
Travel	43	160	203	144
Equipment	44	(12)	32	71
Other expenses	0	11	11	106
			0	
TOTAL EXPENDITURE	216	9,920	10,136	9,294
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	(209)	(1,121)	(1,330)	(230)
Foreign currency revaluation gain / (loss)	60	939	999	0
SURPLUS/DEFICIT FOR PERIOD	(149)	(182)	(331)	(230)
ASSETS, LIABILITIES, AND NET ASSETS/EQUITY				
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	1	42	42	15
Inter-fund Balances	307	8,811	9,118	5,790
Receivables and Advances	0	1,614	1,614	1,513
Other Current Assets	0	14	14	0
			0	
TOTAL CURRENT ASSETS	308	10,480	10,788	7,318
TOTAL ASSETS	308	10,480	10,788	7,318
			0	
LIABILITIES				
CURRENT LIABILITIES				
Unliquidated Obligations	0	0	0	224
Account Payable	210	4,049	4,259	1,105
Advance Receipts	0	275	275	0
Other Current and Financial Liabilities	0	630	630	117
			0	
TOTAL CURRENT LIABILITIES	210	4,954	5,164	1,447
TOTAL LIABILITIES	210	4,954	5,164	1,447
			0	
NET ASSETS/EQUITY				
Accumulated Surplus/(Deficit)	98	5,526	5,624	5,871
TOTAL NET ASSETS/EQUITY	98	5,526	5,624	5,871
TOTAL LIABILITIES AND NET ASSETS/EQUIT				

INTERNATIONAL CIVIL AVIATION ORGANIZATION

TECHNICAL CO-OPERATION PROGRAMME FUNDS
 SCHEDULE OF INCOME, EXPENDITURE, ASSETS, LIABILITIES AND FUND BALANCES
 FOR THE PERIOD ENDING 31 DECEMBER 2008
 (in thousands of Canadian dollars)

	United Nations Development Programme (Refer to Schedule C.1)	Trust Funds and Management Service Agreements (Refer to Schedule C.2)	Civil Aviation Purchasing Services Funds (Refer to Schedule C.3)	Total	
				2008	2007
PENDITURE					
ary Contributions		117		117	
Revenue Producing Activities					
Contributions for Project Agreement		96,903	38,609	135,512	165,461
st Income		3,533	806	4,339	6,994
Miscellaneous Income	4,773	1,307		6,080	7,259
OME	4,773	101,861	39,415	146,049	179,714
EXPENDITURE					
Staff / Expert Salaries and Costs	3,416	39,961	390	43,767	38,789
General Operating Expenses	160	1,333	229	1,722	2,589
Travel	154	3,023	12	3,189	3,046
Sub-Contracts	172	9,232	89	9,493	3,730
Technical Training	(47)	942	18	912	1,302
Equipment	(35)	13,175	3,458	16,599	109,638
Administrative Overhead Charges	347	5,776	1,497	7,620	8,341
Other expenses	5	37	85	126	30
TOTAL EXPENDITURE	4,171	73,480	5,778	83,429	167,465
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	601	28,381	33,637	62,619	12,249
Foreign currency revaluation gain / (loss)	(166)	20,652	8,201	28,687	
SURPLUS/DEFICIT FOR THE PERIOD	435	49,033	41,839	91,307	12,249
ASSETS, LIABILITIES, AND NET ASSETS/EQUITY					
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	3,882	140,722	50,861	195,465	163,463
Inter-fund Balances	3,502	2		3,504	
Receivables and Advances	1,699	9,818	4,881	16,398	2,854
Other Current Assets	461	553		1,014	250
TOTAL CURRENT ASSETS	9,545	151,094	55,742	216,381	166,567
TOTAL ASSETS	9,545	151,094	55,742	216,381	166,567
LIABILITIES					
CURRENT LIABILITIES					

INTERNATIONAL CIVIL AVIATION ORGANIZATION
UNITED NATIONS DEVELOPMENT PROGRAMME

FOR THE PERIOD ENDING 31 DECEMBER 2008

(in thousands of Canadian dollars)

OPERATING FUND

	2008	2007	2008	2007
Fund balance at beginning of year	(1 903)	(1 903)	(25)	(25)
Add:				
Cash drawings from UNDP	6 096		9 207	
Project Clearing Account	(719)		(4 063)	
Miscellaneous income and exchange adjustments	(770)		(875)	
Translation Adjustment	(1 454)		194	
Miscellaneous items charged/refunded to UNDP		3 153	(101)	4 363
		1 250		4 338
Deduct:				
Expenditure during the year (Schedule C.1.1)				
For projects				
	2 824		5 285	

INTERNATIONAL CIVIL AVIATION ORGANIZATION

UNITED NATIONS DEVELOPMENT PROGRAMME
EXPENDITURE BY COUNTRY AND REGION
FOR THE PERIOD ENDING 31 DECEMBER 2008

(in thousands of Canadian dollars)

<u>COUNTRY</u>	<u>2008</u>	<u>2007</u>
Botswana		2
Colombia	(85)	
Ecuador	157	499
Equatorial Guinea	438	1,101
Ethiopia		
Iraq	470	
Republic of Korea		19
Somalia	2,828	4,038
Country Total	3 808	5 659
<u>REGION</u>		
REGIONAL FOR LATIN AMERICA	16	104
SUB-TOTAL	3 824	5 763
Support costs	347	478
GRAND TOTAL	4 171	6 241

Details may not add to totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION
TRUST FUNDS AND MANAGEMENT SERVICE AGREEMENTS
SCHEDULE OF INCOME, EXPENDITURE AND FUND BALANCES
FOR THE PERIOD ENDING 31 DECEMBER 2008
(in thousands of Canadian dollars)

SCHEDULE C.2

Income Expenditure

Fund	Type of Fund	Balance as at 01.01.2008	Interest and Other		Project Administrative		Transfer from or to Other Funds	Refund of Contributions	Unrealized Exchange Gain/Loss and Translation Adjustment	Balance as at 31.12.2008
			Contributions	Income	Costs	Overhead				
Afghanistan	MSA	1 864	15 481	181	1 036	291	0	0	1 636	17 835
Andorra	MSA	1	0	0	0	0	0	0	0	1
Angola	MSA	0	78	1	51	5	0	0	9	32
Argentina	MSA	4 654	14 161	514	12 228	657	293	(32)	4 136	10 841
Argentina	TF	229	0	7	0	0	(293)	0	57	0
Bahamas	TF	34	0	1	2	0	0	0	8	41
Bangladesh	TF	16	0	0	0	0	0	0	4	20
Barbados	TF	63	0	2	14	2	0	0	15	64
Bhutan	MSA	2	0	0	0	0	0	0	1	3
Bolivia	TF	312	3 116	24	2 758	269	(85)	0	410	750
Bosnia and Herzegovina	TF	36	0	4	(7)	0	0	0	33	80
Botswana	TF	545	0	15	294	30	0	0	245	481
Brazil	MSA	11 110	3 296	843	11 600	602	0	0	97	3 144
Cambodia	MSA	16	0	0	14	2	0	0	1	1
Cape Verde	MSA	0	65	0	24	2	0	0	12	51
China	TF	36	0	1	(1)	0	0	0	9	47
Côte d'Ivoire	TF	3	0	0	0	0	0	0	1	4
Democratic Republic of the Congo	MSA	265	811	19	771	78	0	0	179	425
Djibouti	MSA	0	0	0	(43)	0	0	0	59	102
Dominican Republic	MSA	214	0	1	29	3	0	(25)	33	191
East Timor	TF	1	0	0	0	0	0	0	2	3
Ecuador	TF	9	0	0	0	0	0	0	1	10
Egypt	MSA	211	0	5	104	11	0	0	37	138
El Salvador	TF	1	0	0	0	0	0	0	0	1
Fiji	MSA	86	36	2	71	7	0	0	10	56
Fiji	TF	1	0	0	0	0	0	0	0	1
Finland	MSA	1	0	0	(1)	0	0	0	1	3
Gabon	MSA	0	818	7	167	17	0	0	156	797
Ghana	MSA	1	0	0	0	0	0	0	0	1
Greece	MSA	50	648	4	575	63	0	0	48	112
Guatemala	MSA	6 891	0	369	7 527	608	0	0	1 731	856
Guyana	TF	7	0	0	0	0	0	0	2	9
Haiti	MSA	0	101	2	79	8	0	0	76	92
Haiti	TF	62	0	2	(5)	(1)	0	0	17	87
Inter-Regional	TF	111	285	7	79	10	0	0	74	388
Iceland	MSA	0	109	1	50	5	0	0	5	60
India	MSA	562	428	25	158	14	0	0	237	1 080
Indonesia	MSA	6	1 676	1	0	0	0	0	(13)	1 670
Iraq	MSA	41	0	1	0	0	0	0	10	52
Iraq	TF	38	0	0	0	0	0	0	9	47
Jamaica	TF	6	0	0	0	0	0	0	1	7
Jordan	TF	1	0	0	1	0	0	0	0	0
Lao People's Democratic Republic	MSA	12	0	0	11	2	0	0	0	(1)
Latvia	TF	15	0	0	3	0	0	0	4	16
Lebanon	MSA	866	0	25	19	2	0	0	216	1 086
Lesotho	TF	125	0	4	0	0	0	0	31	160
Liberia	MSA	9	0	0	0	0	0	0	2	11
Libyan Arab Jamahiriya	MSA	49	0	1	0	0	0	0	12	62
Libyan Arab Jamahiriya	TF	1	0	0	0	0	0	0	0	1
Lithuania	TF	1	0	0	0	0	0	0	0	1
Macao Special Administrative Region of China	TF	38	0	1	(1)	0	(31)	0	12	21
Mexico	MSA	221	71	6	203	17	0	0	36	114
Mexico	TF	34	0	1	(1)	0	0	0	6	42
Morocco	TF	67	0	2	0	0	0	0	17	86
Mozambique	MSA	63	0	2	2	0	0	0	16	79

Type	Balance	Interest	Transfer from or	Refund	Unrealized Exchange Gain/Los
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Fund	Balance as at 01.01.2008	Contributions	Interest and Other Income	Project Costs	Administrative Overhead	Transfer from or to Other Funds	Refund of Contributions	Unrealized Exchange Gain/Loss and Translation Adjustment	Balance as at 31.12.2008
Afghanistan	4 518		125	208	98			1 090	5 427
Angola		23		38	4			(3)	(22)
Bangladesh	237		7					58	302
Bolivia	5								5
Brazil	14							3	17
Canada	37		1					9	47
Cape Verde	38		1					8	47
Costa Rica	3 311	11 356	168	78	179			1 915	16 493
Cuba	9	22		7				3	27
Democratic People's Republic of Korea	6							2	8
Egypt	(2)							(1)	(3)
Ethiopia	288	53	25	296	346			208	(68)
Fiji		68		55	6			11	18
Guinea		49	1	6	1			9	52
India	23		1					6	30
Lebanon		24 184	331	2 766	590			3 589	24 748
Lesotho	147	127	5	24	113			31	173
Libyan Arab Jamahiriya	63		2		1			16	80
Lithuania	(4)							(1)	(5)
Macao Special Administrative Region of China	941		23	652	54			182	440
Mozambique	20		1					5	26
Myanmar	652		19	18	6	(26)		153	774
Nigeria	64		2					16	82
Pakistan	6	1 400	15	22	44			256	1 611
Republic of Moldova	2								2
Russian Federation		61							61
Rwanda	4								4
Seychelles	8	390	3	3				48	446
Sudan	95		3					23	121
Suriname	6							2	8
Syrian Arab Republic	481		25	(16)				197	719
Trinidad and Tobago	16)	TT2 T5(nesotho)-234407. 44							

16)a Mirata 631111j-81Total.592/TT7356f5 61

INTERNATIONAL CIVIL AVIATION ORGANIZATION
 OTHER TRUST FUNDS MANAGED ON BEHALF OF THIRD PARTIES
 SCHEDULE OF INCOME, EXPENDITURE, ASSETS, LIABILITIES AND FUND BALANCES
 FOR THE PERIOD ENDING 31 DECEMBER 2008

(in thousands of Canadian dollars)

	Public Key Directory	France - ICAO Cooperation	Danish Financing Agreement Fund	Icelandic Financing Agreement Fund	North Atlantic Height Monitoring System Fund	Total	
						2008	2007
INCOME AND EXPENDITURE							
INCOME							
Assessed Contributions	0	0	403	144	0	546	595
Voluntary Contributions	747	0	0	0	0	747	277
Interest Income	10	3	27	25	18	84	204
User Charge Revenue	0	0	6,273	36,480	1,898	44,651	48,274
Other/Miscellaneous Income		2	71	0	0	72	
TOTAL INCOME	758	5	6,774	36,649	1,916	46,101	49,351
						0	
EXPENDITURE							
Staff / Expert Salaries and Costs	421	53	0	0	6	480	701
General Operating Expenses	0	0	22	22	23	67	120
Travel	36	0	29	29	0	95	118
Service Cost	0	0	0	0	0	0	
Estimated service costs for current year	0	0	8,922	42,176	1,095	52,193	42,185
Settlement of service costs for prior year	0	0	89	3,461	77	3,627	(2,822)
Administrative Overhead Charges							15
TOTAL EXPENDITURE	457	53	9,062	45,688	1,201	56,462	40,317
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	300	(48)	(2,289)	(9,040)	716	(10,361)	9,034
Foreign currency revaluation gain / (loss)	145	24	250	208	49	677	0
SURPLUS/DEFICIT FOR THE PERIOD	445	(24)	(2,039)	(8,832)	765	(9,684)	9,034
ASSETS, LIABILITIES, AND NET ASSETS/EQUITY							
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	980	129	1,396	672	1,853	5,030	2,499
Inter-fund Balances	0	0	57	69	89	215	183
Assessments Receivable			32	6		38	36
Advances to Servicing Governments							6,063
Receivables and Advances	0	0	458	3,166	224	3,847	6,731
TOTAL CURRENT ASSETS	980	129	1,943	3,912	2,166	9,130	15,512
						0	
TOTAL ASSETS	980	129	1,943	3,912	2,166	9,130	15,512
						0	
LIABILITIES							
CURRENT LIABILITIES							
Unliquidated Obligations	0	1	0	0	0	1	32
Account Payable	349	0	121	0	0	470	19
Inter-fund Balances	227	0	0	0	0	227	0
Credits to Contracting Governments (schedule D.1)	0	0	64	810		874	1,053
Credits to Servicing Governments			1,804	562	963	3,329	479
TOTAL CURRENT LIABILITIES	576	1	1,989	1,372	963	4,901	1,583
TOTAL LIABILITIES	576	1	1,989	1,372	963	4,901	1,583
NET ASSETS/EQUITY							
Accumulated Surpluses/(Deficit)	404	128	(194)	2,250	1,203	3,792	13,441
Other Reserves	0	0	148	290	0	438	488
TOTAL NET ASSETS/EQUITY	404	128	(46)	2,540	1,203	4,230	13,929
TOTAL LIABILITIES AND NET ASSETS/EQUITY	980	129	1,943	3,912	2,166	9,130	15,512

Details may not add to totals due to rounding

Transfer to (from)

	2008	2007
INCOME AND EXPENDITURE		
INCOME		
Voluntary Contributions	0	453
Interest Income	287	149
TOTAL INCOME	359	608
TOTAL EXPENDITURE	0	24746
In-fund Balances	0	0
NET INCOME (SHORTFALL)	359	3612

III-21
INTERNATIONAL CIVIL AVIATION ORGANIZATION

NOTES TO THE FINANCIAL STATEMENTS
31 December 2008
(in thousands of Canadian dollars)

1. THE ORGANIZATION'S MANDATE

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

2. SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES

a) Basis of Presentation

The Financial Statements are presented under UNSAS, in a revised format, in preparation for International Public Sector Accounting Standards (IPSAS). During 2008, ICAO changed its accounting policy for the recording of expenditures to an accrual basis as reported in Note 2 (d) below.

This is the first time ICAO is presenting its Financial Statements in Canadian dollars. Figures are shown in thousands of Canadian dollars unless otherwise indicated, and are in accordance with the provisions of the ICAO Financial Regulations.

The year 2008, is also the first year ICAO is using the Agresso Enterprise Resource Planning (ERP) system to record and report the financial data.

b) Fund and Account Grouping

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

The Funds have been grouped for presentation purposes, and the financial statements are shown on a combined basis after the elimination of all interfund balances, income and charges. Their presentation on a combined basis does not imply that the various separate Funds can be intermingled in any way, since resources of one Fund may not be utilized for the purposes of another Fund. In the 2007 Financial Statements the Interfund balances were shown with all debits and all credits separately but when ICAO uploaded the 2007 data into the Agresso system ICAO only uploaded the net balances – so both the Asset and Liability amounts in Statement II appear smaller compared to the presentation in 2007 Financial Statements.

The ICAO Proprietary Funds comprise the Regular Programme and Other Proprietary Funds. In Statement I, ICAO shows:

- the **Regular Programme General Fund** which is financed by contributions from Contracting States according to the scale of assessment determined by the Assembly, by miscellaneous income, by the ARGF surplus, and by any advances made from the Working Capital Fund.
- the **Working Capital Fund** which was established by the Assembly for purposes of making advances as necessary to the General Fund to finance budgetary appropriations pending receipt of contributions from Contracting States and other Funds in specific cases.

In Schedules B and E, we show the **Other Proprietary Funds**:

- The **Ancillary Revenue Generation Fund**

- The France – ICAO Cooperation Fund – created by the combination of 4 existing funds (previously classified as Proprietary Funds).
- The **Danish and Icelandic Joint Financing Agreements** reflect the transactions of the Funds established to report on ICAO supervision of the operation of air navigation services provided by the Government of Iceland, and in Greenland by the Government of Denmark, the costs of which are recovered by user charges and assessments on Contracting governments.
- The **North Atlantic Height Monitoring System Fund** was established in 1995 to account for the financial transactions made under the provisions of the Arrangement on the Joint Financing of a North Atlantic Height Monitoring System. The operation and maintenance costs are recovered through user charges on all civil aircraft making crossings of the North Atlantic.

With the introduction of IPSAS, adoption of a Canadian dollar budget and the Agresso Financial Systems, there was a need to group funds according to currency and purpose. There were two separate clients (companies) set up in the Agresso system - the first client was defined with a base currency of CAD and has been referred to as either the Regular Programme client, the CAD client or the Proprietary Funds clients. The second client was defined with a base currency of USD and has been referred to as either the TCP client, the USD client or the Non-Proprietary Funds client. The ICAO Finance team used the current classification of Proprietary versus Non-Proprietary fund from the official accounts to distinguish which funds to put into which client. Of particular note, the Administrative Fee for Joint Financing Fund and the International Registry Fund were grouped as proprietary funds for 2008. There were also some account grouping changes mostly resulting from IPSAS requirements which may make comparability with prior years more difficult e.g. accrued interest which was previously shown as a receivable is now included in the line for Cash and Cash Equivalents.

c) **Income Recognition**

i) **Assessed Contributions**

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

ii) **Non-Assessed Contributions and Earmarked Contributions**

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

iii) **User Charges**

Income from user charges is recognized on an accrual basis.

iv) **AOSC Income**

During 2008, a revised policy for recognition of overhead fees for Technical Co-operation projects was introduced. Under UNSAS, ICAO would record 100% of the fee at the time the purchase order was raised. Under IPSAS for expenditures, ICAO now takes 90% of the fee when the purchase order is raised to reflect the work performed to that point and the remaining 10% on delivery.

Also during 2008, changes were made to the way ICAO recognizes income deriving from Professional Liability Insurance arrangements. Up until 2007, the fluctuation in the excess of income over costs had been significant and the excess credit had been accumulating as a

payable in the balance sheet. During 2008, it was decided to recognize this accumulated credit to the end of 2007 as income and only retain the current year as a liability in the Balance Sheet. Accordingly, \$ 688 was transferred to income in 2008 and the amount of \$ 488 pertaining to 2008 is held to cover possible uninsured deductibles.

d) **Expenditure Recognition - Change in Accounting Policy**

During 2008, ICAO changed its accounting policy for expenditure recognition in order to adopt progressively during the triennium 2008-2010 the accrual basis of accounting in accordance with International Public Sector Accounting Standards (IPSAS), which represent the accounting standards to be implemented by the United Nations Organizations on or before 1st January 2010.

In prior years, the Organization's expenditures included amounts for goods and services received, as well as amounts of legal obligations arising from orders placed and contracts awarded during the financial year for which funds have been provided in approved budgets of the current year. The amount pertaining to the outstanding

3. **ADOPTION OF INTERNATIONAL PUBLIC**

<u>Years</u>	<u>2008</u>	<u>2007</u>
1982-2002	\$ 7 318	\$ 7 790
2003	430	460
2004	307	337
2005	518	570
2006	521	664
2007	<u>841</u>	<u>-----</u>
Total previous years	<u>\$ 9 935</u>	<u>\$ 9 821</u>
Current year	<u>2 317</u>	<u>1 393</u>
Total Assessed Contributions Receivable Workin	\$ 12 252	\$ 11 214

b) ICAO provides certain secretariat services for the European Civil Aviation Conference (ECAC). The costs are met initially from the General Fund and the expenses are recoverable from ECAC. With the introduction of Agresso, ECAC was created as a separate fund. The net amount due to ECAC for all transactions effected on their behalf by ICAO was reduced from \$ 402 as at 31 December 2007 to \$ 42 as at 31 December 2008.

13. **LIABILITY FOR STAFF LITIGATION**

At the end of 2008, an amount of \$ 406 was set aside to cover possible staff litigation cases, claims or extraordinary payments. This would cover any administrative Tribunal cases and pension restoration cases.

14. **DERIVATIVES FOR EXCHANGE RISK HEDGING**

a) **Unrealized Gains - Forward Purchase of Currency**

In early 2008, ICAO entered into forward purchase contracts for the purchase of USD 54 598 for the 2008 to 2010 triennium at an average exchange rate of USD 0.995 to CAD 1.00. In 2008, CAD 18 000 were received at an actual cost of CAD 18 296.

Similarly, in 2008, EURO 2 499 were received at an actual cost of \$ 3 736, to protect the budget of two Regional Offices that are being affected by the variation of the Canadian dollar vis-à-vis the Euro.

As at 31 December 2008, the UNORE for the U.S. dollars and Canadian dollars was 1.219. Applying this rate at the notional amount of forward contracts held and not exercised, resulted in an unrealized gain of \$ 8 039. As at 31 December 2008, the UNORE for the EURO was 1.744. Applying this rate on the notional amounts of forward contracts held and not exercised resulted in an unrealized gain of \$ 1 029. The sum of these unrealized gains, \$ 9 068, was recorded as a derivative asset, whilst in 2007 there was a derivative liability of \$ 165.

(b) **Realized gains**

Total realised exchange gains across all funds resulted

	2008	2007
Canada	\$ 13 818	\$ 13 079
Egypt	157	120
France	1 017	796
Peru	306	251
Senegal	45	47
	<u>1 263</u>	<u>1 307</u>
Thailand		
	<u>\$ 16 606</u>	<u>\$ 15 600</u>

Health insurance coverage is available to qualified retired employees. The total payment made in 2008 was \$ 880 for health care benefits in respect of all eligible retirees (\$ 854 in 2007). The cost is shared between the Regular Programme Budget and the AOSC Fund with a pro-rata share of \$ 741 and \$ 139 respectively for 2008.

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

ICAO is a member organization participating in the United Nations Joint Staff Pension Fund which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a fully funded defined benefit plan. The financial obligation of the organization to the UNJSPF consists of its mandated contribution at the rate established by the United Nations General Assembly together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. At the time of this report the United Nations General Assembly has not invoked this provision.

The payments made to UNJSPF relating to the contributions of the participants and the Organization for 2008 amounted to \$ 18 033 (\$ 18 564 in 2007). Two thirds of the amount is ICAO's employer contributions.

There was a further payment made relating to the restoration of pension rights of two staff members who had left ICAO and then rejoined. The total amount paid was \$ 703, of which \$ 626 was the employer share.

18. tiao9lylylyb

20. **CONTINGENT LIABILITIES**

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

21. **NON-EXPENDABLE PROPERTY**

The cost of Non-Expendable Property (NEP) owned by the Organization as at 31 December 2008, is not shown in Statement II with the exception of the ICAO owned share of the Paris office premises having a historical cost value in 2007 and 2008 of \$ 1 145.

The remaining Non-Expendable Property NEP values are shown in the table below:

	Opening Balance <u>1 January 2008</u>	<u>Additions</u>	<u>Disposals</u>	Closing Balance <u>31 December 2008</u>
Furniture	\$ 34	\$ 19	\$ (0)	\$ 53
Equipment				

PART IV: ANNEXES (UNAUDITED)

Annexes A and B: Related to ICAO Proprietary Funds

Annex A Aviation Security Plan of Action Related Funds

- 1) **The Aviation Security Trust Fund** (known as the AVSEC Mechanism) was established in 1989 aimed at strengthening the aviation security functions within the Secretariat to support the implementation of an aviation security programme. It comprised earmarked funds received in 1989 from, inter alia, the United Kingdom and the United States, for specific purposes, such as the funding of professional posts in the aviation security field, and non-earmarked funds received from States as voluntary contributions for the General Trust Fund established in 1990 to finance general implementation activity of the AVSEC Mechanism.
- 2) **The Aviation Security Plan of Action Fund** was introduced in 2002 as the Enhanced AVSEC Mechanism fund, which superseded the General Trust Fund, to record the revenue and expenses for

3. **Environmental Fund** established to cover environmental related initiatives.
4. The **Incentive for Settlement of Arrears Account** was established in 1999 by Resolving Clause 2 of Assembly Resolution A32-27, and the continuation of the scheme was confirmed by the 35th Session of the Assembly in Resolution A35-27. Resolving Clause 3 of Resolution A35-27, which became effective on 1 January 2005, provides that part of payments from Contracting States with arrears of three full years or more will be retained in a separate account to finance expenditure on aviation security activities, and new and unforeseen projects related to aviation safety, and/or to the enhancement of the efficient delivery of ICAO programmes. Funds are provided from Transfers of the Regular Programme surplus.
5. The **Information and Communication Technology (ICT) Fund** was established in 2001 by the Assembly Resolution A33-24 to facilitate the modernization of ICAO's financial systems, the enhancement of ICAO's web sites and consolidation of file servers.
6. The **International Registry Account** which was previously called the Preparatory Commission of the International Registry Account was established by the Council in 2001. The international Registry Protocol took effect on 1 March 2006 and is a self-funding mechanism through user fees on a cost recovery basis. Funding for the work of the International Registry is provided by voluntary contributions from States and from other interested private parties. ICAO's role is to monitor the ongoing operations of the Registry.
7. The **Temporary Staff Salaries Fund (TSSF)** was set up to refinance the posts which were initially cut in the Triennium Budget.

Earmarked Training Programme	Enhanced Mechanism	Korea Expert	United Kingdom	United States	SUB - TOTAL	Awareness Training Programme	National Projects	Standardized Training Programme	Na503786434028c7tttttt6jtaCtib6a6ahd
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	Administrative Fee Fund	AFI Plan Fund	Environmental Fund	Incentive for Settlement of Arrears Account	Information and Communication Technology (ICT) Fund	International Registry	Temporary Staff Salaries Fund (TSSF)	Other Funds	2008	2007
INCOME AND EXPENDITURE										
INCOME										
Voluntary Contributions		372	298			307		2	978	606
Interest Income	9	124	12	10	116	5	117	7	401	421
User Charge Revenue	669								669	865
Other/Miscellaneous Income	16	3				30		2	51	
TOTAL INCOME	694	498	310	10	116	342	117	11	2,099	1,892
EXPENDITURE										
Staff/Expert Salaries and Costs	239	603	315	(14)	1,181	94	2,297	342	5,058	1,465
General Operating Expenses	75	17			174	43	4		312	3,476
Travel	37	337	49	13		9	11	27	483	26
Meetings			6						6	
Equipment		2							2	91
Administrative Overhead Charges	178							35	213	23
Other expenses		3				1			4	260
TOTAL EXPENDITURE	529	963	369	(1)	1,355	146	2,312	404	6,078	5,340
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	165	(465)	(60)	11	(1,240)	196	(2,194)	(393)	(3,979)	(3,448)
Foreign currency revaluation gain / (loss)	155	1,153	130	90	840	32	571	25	2,995	
SURPLUS/DEFICIT FOR THE PERIOD	319	688	70	101	(399)	227	(1,623)	(367)	(984)	(3,448)
ASSETS, LIABILITIES, AND NET ASSETS/EQUITY										
ASSETS										
CURRENT ASSETS										
Cash and Cash Equivalents	1,689	1,205	655	4,451	4,119	550	3,619	211	16,499	1,004
Inter-fund Balances		4,632					2		4,634	8,071
Receivables and Advances	93	1	30				3		126	147
Other Current Assets							3		3	
TOTAL CURRENT ASSETS	1,782	5,838	685	4,451	4,119	550	3,627	211	21,262	9,221
TOTAL ASSETS	1,782	5,838	685	4,451	4,119	550	3,627	211	21,262	9,221
LIABILITIES										
CURRENT LIABILITIES										
Unliquidated Obligations					1,585				1,585	2,528
Account Payable	235	48		5	140	10	7	76	520	107
Inter-fund Balances	947			3,482	101	172		128	4,830	
Other Current and Financial Liabilities		1	22	1				2	26	
TOTAL CURRENT LIABILITIES	1,182	49	22	3,488	1,826	182	7	206	6,961	2,635
TOTAL LIABILITIES	1,182	49	22	3,488	1,826	182	7	206	6,961	2,635
NET ASSETS/EQUITY										
Accumulated Surplus/(Deficit)	600	5,789	663	762	2,293	368	3,620	4	14,099	6,386
Other Reserves				202					202	201
TOTAL NET ASSETS/EQUITY	600	5,789	663	963	2,293	368	3,620	4	14,301	6,587
TOTAL LIABILITIES AND NET ASSETS/EQUITY	1,782	5,838	685	4,451	4,119	550	3,627	211		

**The External Auditor of the
International Civil Aviation Organization**

**REPORT ON THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2008**

Table of Contents

I.	Introduction	3
II.	Key items for the financial period 2008	4
1.	Change of the accounting information system	4
2.	Reconceptualization of the accounting plan	4
3.	Fund creation and consolidation: creation of the ARGF Fund	4
4.	Change of currency in the presentation of accounts	5
5.	Transition to IPSAS standards	5
6.	Change of method for recording expenditures	5
7.	Partial change in method with regard to receipt accounting	5
III.	Observations	6
1.	General observations on the accounting standards used by ICAO.....	6
2.	Observations on the establishment of Agresso.....	7
2.1.	Deployment of Agresso in the regional offices	7
2.2.	Project management	8
3.	Review of the main items of the financial statements to 31 December 2008...9	
3.1.	Assets	9
a)	Treasury.....	9
b)	Contributions	11
3.2.	Liabilities	13
a)	Reserve for risks	13
b)	Accounts payable	17
4.	Observations on the internal audit service	18
4.1.	Status and funds	18
4.2.	Internal audit work conducted in 2008	18
IV.	Acknowledgements	19

I. Introduction

1. The External Auditor has audited the financial statements and ICAO's transactions for the financial period ended on 31 December 2008. The accounts were audited in accordance with Article XIII of the ICAO Financial Regulations and the Additional Terms of Reference Governing the External Audit, and by applying the joint accounting audit standards of the Mixed Group of External Auditors of the United Nations

II. Key items for the financial period 2008

1. Change of the accounting information system

5. In 2008, ICAO changed its accounting information system. This new system is called Agresso. The following functions have already been implemented:
- the accounting node of the application
 - the ledger
 - Accounts Payable
 - Accounts Receivable.

The deployment shall continue in 2009. There are plans to establish modules for human resource management and payroll management, asset management, budget planning, sales management and travel management.

6. The budget for the replacement of the accounting system is as follows:

Revised costs in millions of US\$	
Phase 1 (already implemented)	3.0
Phase 2 (in progress)	3.2
Total	6.2
Initial cost	4.5
Additional funds (made available)	1.0
Funds released from the initial reserve	0.7
Available reserve	0.2

The revised budget for the project, which is called IRIS, is estimated at 6.2 million US\$.

A third, non-budgeted phase is for deployment in the regions.

2. Reconceptualization of the accounting plan

7. The establishment of Agresso led the ICAO accounting plan to be redefined.

3. Fund creation and consolidation: creation of the ARGF Fund

8. A fund composed of all of the ancillary activities such as publications management, the commissariat, and conference service rental was created as of 1 January 2008. Previously, these activities were managed by separate funds.

4. Change of currency in the presentation of accounts

9. In order to save harmless against the risks of change and to preserve the purchasing power of the Organization's budget (the main expenditures being

III. Observations

1. General observations on the accounting standards used by ICAO

15. The accounting standards used at ICAO sometimes lack clarity. For example, a contradiction was discovered with respect to the AOSC (Administrative and operational services costs) Fund; Should the insurance surplus paid by the States be considered a treasury surplus, the allocation of which should be subject to a vote by the ICAO Assembly?
16. Article 6.2 of the Financial Regulations stipulates that the Assembly shall determine the use made of the treasury surplus, whereas Article 101.1 3°) of the Financial Regulations and Rules¹ stipulates that the Financial Regulations are applicable to all funds except for the technical cooperation funds. Indeed, Article 9.4 of the Financial Regulations stipulates that the AOSC Fund is managed

Financial Regulations”.

- an authorization to commit to the expenditure is sent back after approval. It serves as a purchase order.
21. Every month, Headquarters integrates the cash book of the regional offices and the technical cooperation offices into Agresso. As mentioned above, managers at Headquarters frequently authorize the payment of invoices without purchase orders. Thus the control measures envisaged by this software package, namely the expenditure authorization procedures, are currently not effective.

2.2. Project management

22. The deployment of Agresso is proceeding correctly. However, the funds allocated to phase 2 leave no room for manoeuvre. In fact, a large part of the “reserve” initially provided was used to finance a new function (management using two currencies). Furthermore, no budget is currently provided for the deployment of the Agresso tool at the regional offices.

Recommendation No 4 ICAO should provide the budget necessary for deploying Agresso in the regional offices.

Secretary General’s comment: The Integrated Resources Information System (IRIS) Sponsor’s Group, in agreement and coordination with Chief, Coordination, Revenue and Communication Office (C/CRC), has instituted a small team comprised of the IRIS Project Manager, Chief, Accounting Services Section (C/ASV), System Officer/TCB, and Regional Affairs Officer/CRC to carry out the preparatory work to start the deployment of Agresso to the Regional and Field Offices. One of the deliverables of this activity is the cost estimate for this deployment, based on which funds will then be identified. ICAO understands the risk and recognizes the importance of deploying Agresso to the Regional and Field Offices and will pursue this deployment to the fullest.

3. Review of the main items of the financial statements to 31 December 2008

3.1. Assets

a) Treasury

23. An audit of the cash flow cycle has been conducted for all accounts and funds.

I. Multiplicity of accounts and managers

24. There is a large number of bank accounts, and the responsibility for managing these accounts is split among many different people. Furthermore, some difficulties were encountered in obtaining bank reconciliations, and it was not possible for numerous bank procurations and signature samples to be provided.

25. It is necessary to redefine the banking needs and the assignment of each of the people responsible in this area. It should also be recalled that, according to the current Financial Regulations, the Director of Finance should open and close accounts by order of the Secretary General. Measures for control and supervision need to be strengthened, as does the traceability of the audits conducted.

Recommendation No. 5 ICAO should establish internal control procedures for cash flow management. Bank procurations should be clearly defined and it should be possible to produce the supporting documents. Unused bank accounts should be closed.

Secretary General's comment: Agreed.

ii. Bank reconciliations

26. It was not possible for the auditors to check the technical cooperation bank accounts. It is essential for ICAO to centralize all of the documents, and specifically the bank statements, relating to all of the bank accounts of the regional offices and of the technical cooperation projects. The Financial Regulations stipulate that the reconciliations should be produced on a monthly basis, which is not the case.

Recommendation No. 6 All of the bank reconciliation statements and bank statements from the regional offices and the technical cooperation projects should be transmitted to Headquarters every month for verification.

Secretary General's comment: The Bank Statement to Cash Book reconciliation is properly conducted on site. The Cash Book To General Ledger reconciliation can only be done at HQ. The HQ is making renewed efforts to enforce this discipline and to collect outstanding statements from the regional offices.

iii) Advances for petty expenses – cash accounts

27. ICAO should ensure that the cash amount adheres to accounting instructions relating to cash accounts for missions and projects, which stipulate that cash for petty expenses should not exceed US\$ 1 000. In fact, it was determined that 18 accounts had an amount above this threshold, three of which even exceeded US\$ 20,000.

Recommendation No. 7: ICAO should adhere to the accounting instructions relating to cash accounts for missions and projects, which establish a limit for the amounts available in cash.

Secretary General's comments: This situation is due to banking restrictions in certain countries preventing foreign entities (ICAO) and foreign nationals (project manager) from opening local bank accounts. As a result, project funds cannot be treated as petty cash account. Instead, the project manager receives monthly advances from HQ, although the amounts are very large. This is to enable meeting monthly payrolls and local expenditure. The lien for these advances is the project manager's salary, repatriation grant entitlement, etc.

The Financial Regulations should be amended to take countries' banking restrictions into account.

28. It was determined that the Treasure

The main contributing States are listed below:

MEMBER STATE	Mandatory contributions 2008 (in thousands of CAD)	Mandatory contributions 2007 (in thousands of CAD)	Change in thousands of CAD	Change %
United States	18 546	15 508	3 038	20%
Japan	9 021	8 927	94	1%
Germany	5 252	4 373	879	20%
United Kingdom	4 407	3 455	952	28%
France	3 835	3 139	696	22%

Sierra Leone	8	209	30			5	252
Sub-total main States in arrears	913	3 567	2 099	288	324	410	7 601

accounts. The audit, however, revealed significant instances of litigation, amounting to CAD 408K, for which there was no reserve. A reserve in said amount was incorporated in the definitive version of the Financial Statements.

ii) Pending litigation in 2008

< **Before the United Nations Administrative Tribunal (UNAT)**

39. In 2008, the UNAT rendered two decisions concerning ICAO officers. One was in the amount of US\$ 130K, and the other, US\$ 3 000. The two decisions resulted in payments in 2009, but no reserve had been entered for them in the 2008 books. The External Auditor ensured that the correct reserve amount was included in the final version of the Financial Statements.
40. To date, one decision remains pending: the case of an officer contesting the refusal of promotion to a post. The officer is questioning both content (refusal based on medical reasons) and form (the officer was the only candidate who was not given an interview) of this decision. However, the appeal brought before the Advisory Joint Appeals Board (AJAB) in September 2001 was not considered by said authority until December 2007, which is to say, six years later. While the Board turned down the complainant's petition, it nevertheless recommended compensation in view of the excessive duration of the proceedings. In a previous case, ICAO was ordered to pay USD 2 500.

< **Before the Advisory Joint Appeals Board (AJAB)**

41. In March 2009, the Advisory Joint Appeals Board issued a recommendation in the case of an officer also contesting the refusal of promotion to a post. As in the instances referred to earlier, aside from matters concerning the content of the case, the time taken by the Board to render its decision is also being questioned. A reserve should also be established in respect of 2008.

Recommendation No. 11: ICAO should ensure that there is limit to the time taken by the Advisory Joint Appeals Board to render a decision.

Secretary General's comments: ICAO will endeavour to have a mechanism in place which facilitates the disposition of cases submitted to the Advisory Joint Appeals Board (AJAB) within a reasonable time.

42. Two other appeals are currently being studied by the Advisory Joint Appeals Board. One concerns an officer whose rank, he contests, is not reflective of his actual responsibilities, and the other concerns a request for reimbursement of the moving and repatriation costs for an officer's family.

Further to the External Auditor's observations, a CAD 35K reserve for risks was accounted for.

iii) Potential litigation which could give rise to the creation of reserves

43. 2008 was marked by a profound restructuring which began in 2007 and which was undertaken to deal with the Organization's budgetary difficulties. This restructuring translated into the abolition or transformation of posts, as well as a shift in the financing of posts by the various funds (RF, ARGF, AOSC).
44. A potential law suit was identified in the case of a former chief, who was notified of the termination of his service, to take place on 31 December 2008, by a memo dated 17 November 2008. The officer, who was one year away from retirement, accepted the principle of a change of post; however, he was given a six-month extension for the post he then held. The post which had been offered to him was abolished in November 2008, thus nullifying the offer which had been made to him. The Secretary General offered the officer a settlement, which he refused.
45. In a memo dated 22 December, the Secretary General stated that he had noted the officer's refusal, that his service would be terminated on 31 December 2008, and that he would receive a buy-out equivalent to 12 months' salary. Although the officer left his post on 31 December, he sent the Secretary General a new memo, dated 20 January 2009, contesting the reason according to which no post of his rank (P0, D1) was vacant. In a memo dated 17 February 2009, the Secretary General objected to the officer's blunt refusal.
46. The officer is precluded from taking action before the Advisory Joint Appeals Board. However, he still has the right to bring a complaint before the United Nations Administrative Tribunal. If he does so, a reserve will have to be assessed and entered in the books.

iv) Pension restoration

47. From now on, a former officer of an agency of the United Nations can, on re-employment by an agency of the United Nations, have the right to his or her pension restored. The United Nations Joint Staff Pension Fund established a timeframe within which the officers concerned were to be informed of the possibility of pension restoration. This period ended on 31 March 2008.
48. This being so, a certain number of ICAO officers were not personally informed of this right by the Staff Pension Committee secretary; the information was communicated to them only via a mass e-mail.
49. Two officers submitted requests for pension restoration. These requests, forwarded to the United Nations Joint Staff Pension Fund, were approved in principle and included in the 2008 budget. However, ICAO was somewhat hesitant to pay the amounts in question (which totalled US\$ 500K). A settlement was proposed by the Chief of Human Resources and turned down by the persons concerned. In a memo dated 29 January, the Chief of Human Resources notified the Secretary General of the two officers' respective refusals. He emphasized that the absence of an agreement could give rise to lawsuits which would likely be won by the officers, and the financial impact of which would increase due to default interest (7.5 per cent per year). The Administration thus decided to pay the amounts calculated by the United Nations Joint Staff Pension Fund, which totalled in excess of US\$ 500K.

50. Within the framework of this matter, the Staff Pension Committee was asked to check whether there were other similar cases; this was done in the knowledge that the closing date of 31 March 2008 could be lifted because no personal letter had been sent to the persons concerned. It was initially stated that there were no other such cases, as the conditions stipulated employment by ICAO during the 1970s or 1980s, which reduced the number of possible beneficiaries. Nevertheless, the audit revealed that at least one other officer had asked for pension restoration in a memo sent on 30 January 2009. The External Auditor thus suggested that a reserve be entered in the books. This suggestion has been taken into account by ICAO.

Secretary General's comments: The case relating to a possible restoration of pension for prior non-contributory service has been submitted to the United Nations Joint Staff Pension Fund (UNJSPF) in New York and we are still awaiting an answer. A general accrued liability amount for all potential staff litigation cases, claims and extraordinary payments has been set up in the 2008 Financial Statements.

The External Auditor has taken due note of the matter submitted to the UNJSPF.

51. It appeared that another period within which to opt for pension restoration had been opened until 31 March 2009, when other conditions were met. However, the number of potential beneficiaries was not calculated, which makes it impossible to determine the pension commitments which ICAO might have to assume in future.
52. The pension restoration of the officers concerned must be considered an obligation falling under the 2008 financial year. In fact, the obligation came into being prior to 2008, because it concerns rights acquired by employees prior to that year. The fact that the officers concerned had not formally opted for pension restoration does not create a contingent liability. In fact, according to this same standard, a reserve should be accounted for since "there is a present obligation that probably requires an outflow of resources". In the case in point, the officers would enjoy a substantial financial benefit if the option were chosen, making said option more than likely. ICAO should be in a position to take stock of the persons eligible for pension restoration and to determine the reserve to be entered in the 2008 accounts.
53. The previous External Auditor made recommendations on the need to establish a single personnel monitoring system. The absence of such a system deprives the Human Resources Branch of the possibility of making an exhaustive head count of the persons eligible for pension restoration, even if the pension restoration system proves to be costly for ICAO.

Recommendation No. 12: The External Auditor reiterates his predecessor's recommendation regarding the need to establish a single personnel monitoring system.

Secretary General's comments: Pertaining to Human Resources (HR) information system. Many of HRB's follow-ups are currently done manually. However, we a

b) Accounts payable

54. No reserve for staff premiums has been entered. The beneficiaries for the year 2008 are not yet known, but the global resource envelope has been determined.

Recommendation No. 13: ICAO should reclassify deductible features in a self-insured reserve account.

Secretary General's comments: Noted for the future.

4. Observations on the internal audit service

4.1. Status and funds

56. The internal audit service is associated with the office of the Secretary General. In spite of its very broad scope of responsibilities, its personnel is limited.
57. Additionally, the material funds it has for carrying out its missions are also limited: a budget of CAD 17,000 for travel and of CAD 15,000 for the use of external consultants.
58. The low amount of funds for the internal audit service was noted in the report of the Advisory Group on Evaluation and Audit (AGEA) presented at the 185th session of the Council: *“EAO³ is a small office consisting of a Chief, two professional staff and two administrative staff. It is responsible for Internal Audit (IA). The current CMM⁴*

Secretary General's comments: This paragraph gives a misleading impression regarding the implementation of International Public Sector Accounting Standards (IPSAS). Implementation of IPSAS did not advance very much in 2008; therefore, timing for an audit would not have been appropriate. It might also be mentioned that EAO participates as observer in the sponsors group on IPSAS.

