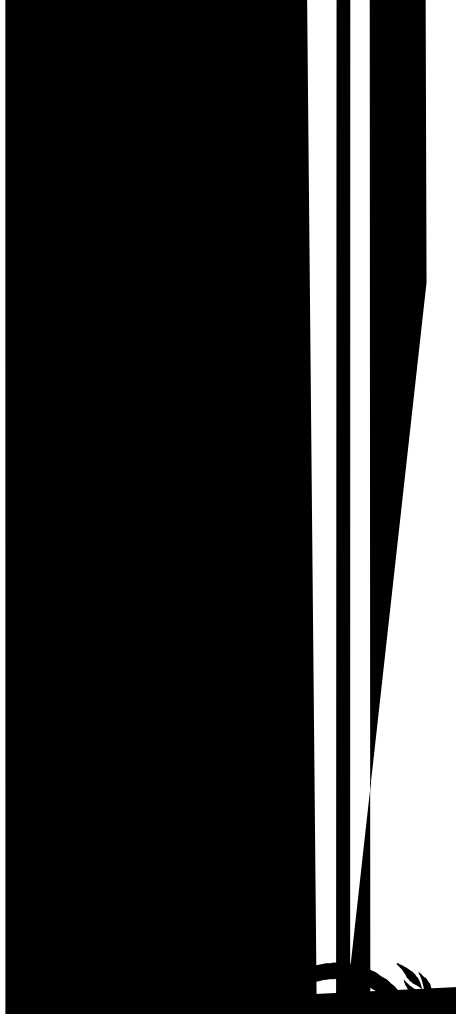


AND

FOR THE FINANCIAL PERIOD ENDING 31 DECEMBER 2010

DOCUMENTATION
for the 38th Session of

Doc 9969



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

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

**Doc 9969, *Financial Statements and Reports of the External
Auditor for the financial period ending 31 December 2010***

Order Number: 9969

Not for sale

© ICAO 2011

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

**FINANCIAL STATEMENTS AND
REPORTS OF THE EXTERNAL AUDITOR**

PART I: PRESENTATION BY THE SECRETARY GENERAL

INTERNATIONAL CIVIL AVIATION ORGANIZATION

PART I: PRESENTATION BY THE SECRETARY GENERAL

1. INTRODUCTION

1.1 The International Civil Aviation Organization (ICAO) is a specialized agency of the United Nations and was created with the signi

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 fully applied IPSAS in 2010 for the first time. These standards have been adopted by the United Nations organizations to replace the United Nations System Accounting Standards (UNSAS). ICAO is one of the first UN organizations to fully apply IPSAS. One organization applied IPSAS in 2008 and other organizations plan to implement these standards from 2010 to 2014. 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 the private sector. IPSAS include detailed requirements and guidance, which provide support for financial statements’ consistency and comparability. The Notes to the financial statements provide an overview of the impact of IPSAS adoption on the content and presentation of the financial statements.

2.2 ICAO’s implementation of IPSAS represents a significant achievement considering the detailed requirements of IPSAS and the nature of ICAO’s activities. ICAO adopted all applicable standards issued by the IPSAS Board. ICAO was not required to adopt all these standards in 2010 as some of these standards have their corresponding effective dates falling in 2011 and 2013. Nonetheless, those standards were also applied prior to their effective date for increased accountability. The IPSAS Board, the body that issues IPSAS, encourages early adoption of these standards.

2.3 In accordance with IPSAS 1, Presentation of Financial Statements, comparative information is encouraged to be disclosed in the financial statements on the first year of IPSAS adoption when practicable. ICAO has presented comparatives in the Statement of Financial Position which are represented by the restated opening balances at 1 January 2010. Note 9 to the financial statements provides the detail of the adjustments to opening balances in order to present the financial position on a comparable basis. Comparatives were not provided in the Statements of Financial Performance and Cash Flow.

2.4 IPSAS 17 allows for a grace period of up to five years prior for full recognition of Property, Plant and Equipment (PP&E). ICAO has invoked this transitional provision and has presented for information purpose and for more transparency, unrecorded PP&E in the notes to the financial statement. Nonetheless, PP&E purchased subsequent to the first adoption date of IPSAS on 1 January 2010 are recognized and capitalized in accordance with IPSAS without taking into consideration any transitional provisions. With regard to IPSAS 31, Intangible Assets, there is no grace period. This standard requires that the application be made prospectively. Accordingly, all additions pertaining to intangible assets acquired before 1 January 2010 are expensed and there are no retroactive adjustments to record acquisitions prior to that date.

2.5 Employee benefits liabilities pertaining to after service health insurance (ASHI) benefits, annual leave and repatriation benefits represent the most important adjustment caused by the application of IPSAS. Advice from independent actuaries in valuating these liabilities has been taken into consideration.

Financial Statements

2.6 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.

2.7 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. It was determined that two segments would be 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.

2.8 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.

2.9 The following paragraphs summarize the key information on the financial situation and performance of the Organization for 2010.

2.10 **Statement I** presents the financial position of the Organization. Assets totalling CAD 239.3 million at 31 December 2010 are mainly composed of cash and cash equivalents amounting to CAD 210.9 million and of assessments and other amounts receivable totalling CAD 23.7 million. New assets are recognized for the first time on this statement with the application of IPSAS, namely the inventory of publications (CAD 787 thousand added to this account), fixed assets (CAD 699 thousand) and intangible assets (CAD 92 thousand) acquired during the year. Total liabilities amounts to CAD 269.0 million, of which an amount of CAD 163.4 million represents advance receipts mostly for technical co-operation projects, and a long-term liability of CAD 76.9 million for employee benefits recognized for the first time on this statement with the application of IPSAS.

2.11 **Statement I** also shows an accumulated deficit of CAD 29.7 million, caused by the need to record the employee benefit liabilities under IPSAS. The impact of the application of IPSAS on Net Assets (Accumulated Deficit) is provided in Statement III and in Note 9 and is further explained below. Nonetheless, since current assets exceed current liabilities by an amount of CAD 42.0 million, it is not foreseen that additional funding will be necessary on a short term basis to cover the accumulated deficit.

2.12 **Statement II** presents the financial performance for the year 2010. There were significant changes made to this statement this year 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. 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 0.4 million during 2010 to take into account the

3.6 **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.

3.7 **Carry-over to 2011.** 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 2 840 thousand is within this limit. The amount being carried forward is to finance all of the initiatives mandated by the High Level Safety Conference and a smaller portion for other mission-critical activities not budgeted for in 2011. No part of the carry-over is to be utilized for non-programme activities.

3.8 As a result of the increases and transfers outlined in the preceding paragraphs, the final approved revised appropriation for the year amounted to CAD 87 645 thousand.

3.9 **Comparison of Regular Programme Budget and Actual Amounts.** Statement V shows no difference between revised budget/appropriations and actual amounts since appropriations are revised to take into consideration timing difference in the recognition of expenses under IPSAS and also because revised appropriations are compared to expenditures at budget rate in that statement.

3.10 The key factors that generated an actual deficit of CAD 3 151 thousand in 2010 for the Regular Programme Fund were the following:

- Timing difference in appropriations: CAD 2 484
- Transfer of expense to other Funds: (CAD 345)
- Difference in revenue on an actual basis: CAD 1 012

3.11 The following figure provides a comparison between the approved budget and actual revenues and expenses by nature for 2010 (in thousands of CAD).

FIGURE 1

3.12 **Explanation of Differences – Revenues.** The overall budget of CAD 85 507 thousand (column (a)) refers to the three main funding sources of the Regular Programme Budget for 2010: Assessed Contributions, ARGF Surplus, and Miscellaneous Income. For the Assessed Contributions, the difference of CAD 0.4 million pertains to the discoun

Assessment and Reporting Currencies

FIGURE 3

	<u>Number of States 2010</u>	<u>Amount outstanding as at 31 December 2010</u>	<u>Number of States 2009</u>	<u>Amount outstanding as at 31 December 2009</u>
Group A: States that have concluded agreements with the Council to liquidate their arrears over a period of years	17	4 105	26	5 932
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	12	4 795	10	4 407
Group C: States with contributions in arrears for less than three full years	12	1 135	14	1 291
Group D: States with contributions outstanding only for the current year	<u>45</u>	<u>2 076</u>	<u>27</u>	<u>894</u>
Sub-total	86	12 111	77	12 524
The Former Socialist Federal Republic of Yugoslavia	-	<u>501</u>	-	<u>501</u>
Total Outstanding Contributions	<u>86</u>	<u>12 612</u>	<u>77</u>	<u>13 025</u>

3.18 As at 31 December 2010, 17 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 2010.

3.19 Major contributions (*) received for the Regular Progra11(Twnof e Rr Fun t)i

3.20 Total expenses in 2010, including those for seconded staff and premises provided without charge, by Strategic Objective and Strategic Implementation Strategy (SIS) and for other activities are shown in thousands of CAD below:

FIGURE 5

	<u>Safety</u>	<u>Security</u>	<u>Environment</u>	<u>SIS</u>	<u>Other (2)</u>	<u>Total</u>
Regular Budget	19 646	7 070	1 844	34 941	22 000	85 501
Voluntary Funds	2 827	3 208	703	19 027	7 132	32 897
Premises				22 627		22 627
Seconded Staff (in-kind) (1)						

3.26 There is a shortfall of CAD 1.5 million in AOSC income versus budget mainly because of the expected implementation of USD 180 million in TC projects in 2010, implementation of 25% or USD 45 million did not materialize during the year yielding a shortage in forecasted income. On the expenditure side, staff costs savings amount to CAD 297 thousand. However, this saving is partially offset by a loss of CAD 136 thousand due to the rejection of a claim for loss of business due to a flood in 2009 and some other smaller variances in expenditures for an overall positive variance of CAD 138 thousand. The above result in a total negative variance of CAD 1.3 million in income and expenditures which is partially offset by a foreign exchange gain of CAD 511 thousand for a total net deficit of CAD 0.8 million.

3.27 The following figure reports on the trend in

3.32 Technical co-operation projects represent one of the main activities of the Organization. Projects are financed by voluntary contributions and the inflows and outflows of financial resources totalled CAD 124.5 million in 2010. Tables D to F in Part IV of this document provides more detail on these projects, summarized by the following figures in thousands of CAD.

FIGURE 9

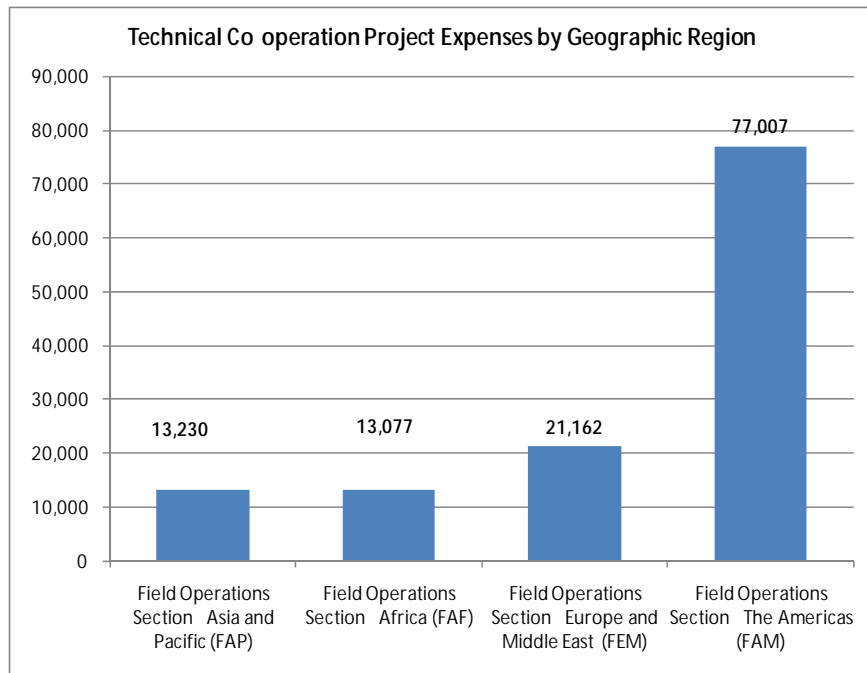
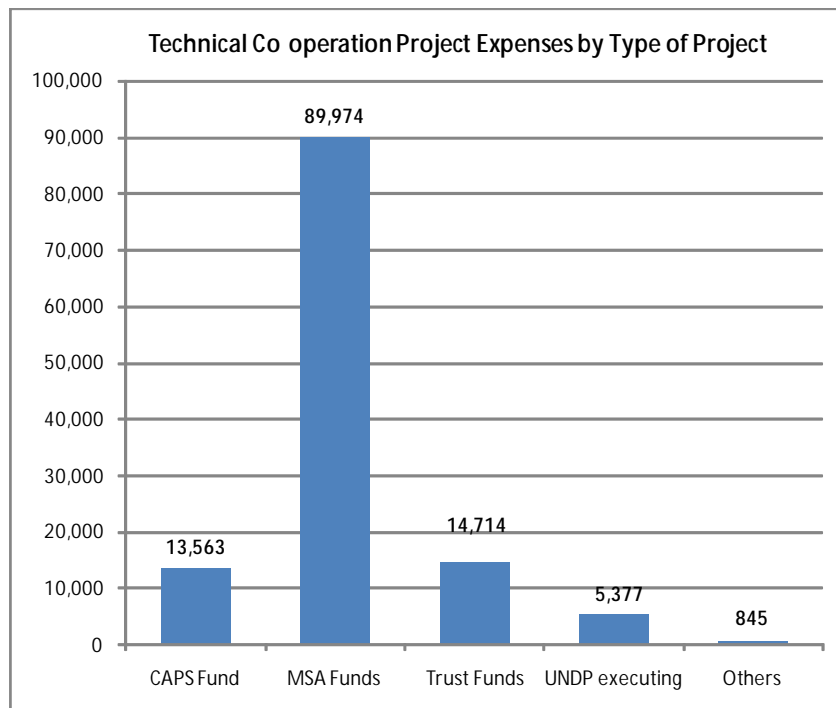


FIGURE 10



RESPONSIBILITY OF MANAGEMENT

The Secretary General of the Republic of the Philippines, in his capacity as the Chief Executive Officer of the Philippine National Bank, is responsible for the preparation and the accuracy of the financial statements and the accounting records as are necessary to enable the Board of Directors to prepare the financial statements.

Management

considers that

of the organization

information disclosed in this document is presented in accordance with the accounting standards of the Philippines, and that the financial statements are a true and fair representation of the financial position of the organization as at the end of the period covered by the financial statements.

Financial Institutions

regulations, the

olicies and procedures to ensure the reliability of financial information and the safeguarding of assets

under his

pe of his

the internal

audit and his opinion on the financial statements.

the Council

statements to the Assembly for approval.

Management

Branch

the Secretary

approve and submit this financial report of the organization, accompanied by the financial statements and tables



PART II: OPINION OF THE EXTERNAL AUDITOR

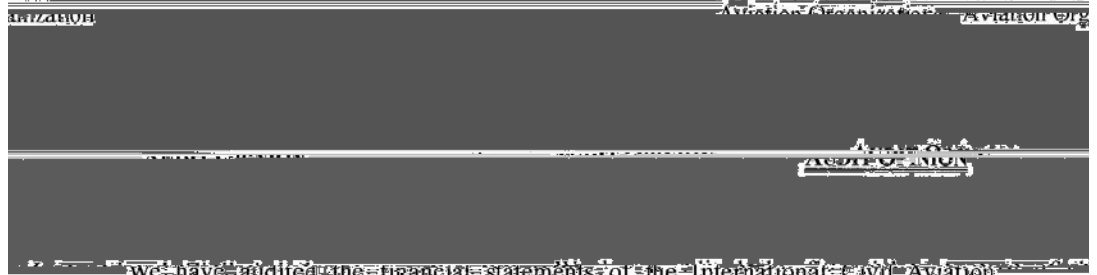
Handwritten text, possibly a name or address, partially obscured by a horizontal line.

Handwritten text, possibly a name or address, partially obscured by a horizontal line.

Handwritten text, possibly a name or address, partially obscured by a horizontal line.

Paris, 5 | MARS 2011

To the Assembly of the International Civil



~~We have added the Hazard Statement on the International Civil Aviation~~

Based on our audit, the financial statements give a true and fair view of the financial performance, of cash flow, and the comparison of budget and actual amounts, for the 12 months ended 31/12/2011.



PART III: FINANCIAL STATEMENTS

	Note	2010	Opening Balance 01.01. 2010 (Restated)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2.1	210 915	215 870
	2.2	6 693	5 151
Receivables and advances	2.3	12 579	29 778
Inventories	2.4	987	990
Others	2.3	2 960	3 132
		234 134	254 921
NON-CURRENT ASSETS			
Assessed contributions receivable from Member States	2.2	3 863	5 117
Receivables and advances	2.3	521	543
Property, plant and equipment	2.5	699	
Intangible assets	2.6	92	
Derivative assets	2.7		650
		5 175	6 310
TOTAL ASSETS		239 309	261 231
LIABILITIES			
CURRENT LIABILITIES			
Advanced receipts	2.8	163 356	161 282
Accounts payable and accrued liabilities	2.9	22 289	33 713
Employee benefits	2.10	4 612	4 691
Credits to contracting/servicing governments	2.11	1 528	2 516
Deferred revenue	2.12	343	585
		192 128	202 787
NON-CURRENT LIABILITIES			
Employee benefits	2.10	76 900	66 668
		76 900	66 668
TOTAL LIABILITIES		269 028	269 455
NET ASSETS			
Accumulated deficit	2.13	(35 416)	(24 859)
Reserves	2.13	5 697	16 635
NET ASSETS (ACCUMULATED DEFICIT)		(29 719)	(8 224)
TOTAL LIABILITIES AND NET ASSETS		239 309	261 231

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 2010
 (in thousands of Canadian dollars)

	Note	2010
REVENUE		
Contributions for project agreements		122 847
Assessed contributions		77 483
Other revenue producing activities	3.2	13 173
Other voluntary contributions		5 976
Other revenue	3.2	3 798
TOTAL REVENUE		223 277
EXPENSES		
Staff salaries and employee benefits		137 359
Supplies, consumables and others		67 796
General operating expenses		17 098
Travel		7 940
Meetings		2 128
Training		1 173
Grants and other transfers		440
Other expenses		762
Currency exchange difference		393
TOTAL EXPENSES		235 089
DEFICIT FOR THE YEAR		(11 812)

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 2010
(in thousands of Canadian dollars)

	Note	Net Assets Beginning of the Year	Deficit of the Year	Reserves	Net Assets End of the Year
Balance at 31 December 2009		48 982		14 827	63 809
Change in accounting policies and other adjustments to net assets	2.13				
Initial recognition of property, plant and equipment		(1 145)			(1 145)
Initial recognition of employee benefits		(70 611)			(70 611)
Initial recognition of inventories		759			759
Initial recognition of discount of long outstanding receivables		(2 256)			(2 256)
Initial recognition of provision of long outstanding receivables		(501)			(501)
Translation adjustment				1 808	1 808
Other adjustments		(87)			(87)
Total changes to net assets		(73 841)		1 808	(72 033)
Restated Opening Balance 1 January 2010		(24 859)		16 635	(8 224)
Movements in fund balances and reserves in 2010					
Transfer from net assets to liabilities	7	(1 180)			(1 180)
Variation to carry forward balance	2.13	2 483		(2 483)	
Variation to derivative assets	2.7			(650)	(650)
Actuarial loss	2.10			(5 881)	(5 881)
Other reclassifications and transfers		(48)		(6)	(54)
Translation adjustment				(1 918)	(1 918)
Deficit of the year			(11 812)		(11 812)
Total movements during the year		1 255	(11 812)	(10 938)	(21 495)
Balance at 31 December 2010		(23 604)	(11 812)	5 697	(29 719)

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

	Note	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Deficit for the year		(11 812)
(Increase) decrease in contributions receivable	2.2	(1 542)
(Increase) decrease in receivables and advances	2.3	17 199
(Increase) decrease in inventories	2.4	3
(Increase) decrease in other assets	2.3	172
(Increase) decrease in non-current contributions receivable (net of discount)	2.2	1 254
(Increase) decrease in non-current receivables and advances	2.3	22
Increase (decrease) in advanced receipts	2.8	2 074
Increase (decrease) in accounts payable and accrued liabilities	2.9	(11 424)
Increase (decrease) in short-term employee benefits	2.10	(79)
Increase (decrease) in credits to contracting/servicing governments	2.11	(988)
Increase (decrease) in deferred revenue	2.12	(242)
Increase (decrease) in long-term employee benefits	2.10	10 232
Actuarial loss reflected in reserves	2.10	(5 881)
Interest income		(373)
Depreciation and amortization		90
Disposal of property, plant and equipment		(19)
Foreign currency translation adjustment		(1 918)
NET CASH FLOWS FROM OPERATING ACTIVITIES		(3 232)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property, plant and equipment and Intangibles	2.5 & 2.6	(881)
Proceeds of disposal of property, plant and equipment		19
Interest income		373
NET CASH FLOWS FROM INVESTING ACTIVITIES		(489)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Transfers from net assets to liabilities and other transfers		(1 234)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(1 234)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(4 955)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		215 870
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		210 915

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

Strategic Objective / Supporting Implementation Strategy	Original A36-29	Carried over from Prior Year ^a	Decrease of Appropriations ^a	2010 Appropriations Before Transfers	2010 Outstanding Commitments	Transfers among SO/SIS ^c	Carried over to Following	2010 Appropriations	Budget Exchange	At Budget Rate
---	--------------------	--	--	--	------------------------------------	--	------------------------------	------------------------	--------------------	----------------

Cash and Cash Equivalents

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

Financial Instruments

9. 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).
10. 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.
11. 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

- 12.

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):
 - Ø 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;
 - Ø allowance for doubtful accounts on assessed contributions is based on historical experience and on events that would indicate that a Contracting State is not capable of discharging its obligation; and
 - Ø 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

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 e se (and)-636 1

Segment Reporting and Fund Accounting

32. 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 period the consolidated position of all ICAO funds. Fund balances represent the accumulated residual of revenue and expenses.
33. 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

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

- **Other Funds.** Under an agreement with the **European Civil Aviation Conference (ECAC)**, composed of a number of ICAO's Members States, ICAO provides certain secretariat services. Disbursements are financed initially from ECAC's revenue collected by ICAO and, when necessary from the General Fund of the Regular Programme funds, which are reimbursed to ICAO. The net amount receivable or payable for all transactions effected on ECAC's behalf is included in the amount due from or payable to regional bodies.
 - 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 also included in other Funds.
36. **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 contributions for project agreements.
37. 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 Contracting States. These contracts differ from MSA and Trust Fund agreements in that they are for a short duration and for a fixed contract amount. Under or over recovery of actual expenditure is reflected in the AOSC Fund.

NOTE 2: ASSETS AND LIABILITIES

Note 2.1: Cash and Cash Equivalents

38. 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 2010 and 1 January 2010 are composed of:

	31 December 2010	Opening Balance 1 January 2010 (Restated)
	<i>In thousands of CAD</i>	
Cash in banks	87 802	94 518
Term deposits	123 113	121 352
Total Cash and Cash Equivalents	210 915	215 870

39. As at 31 December 2010, the term deposits had an average interest rate of 0.27 percent (0.47 percent on 1 January 2010) and an average term maturity of 70 days (52 days in 2009). Cash in banks at year end includes an amount of CAD 1 966 thousand held on behalf of ECAC.

	31 December 2010	Opening Balance 1 January 2010 (Restated)
	<i>In thousands of CAD</i>	
Current	6 693	5 151

43. There were no movements of the allowance for doubtful accounts during 2010.

	Opening Balance 1 January 2010 (Restated)	Utilization	Increase/ (Decrease)	31 December 2010
	<i>In thousands of CAD</i>			
Total Allowance for Doubtful Accounts	501	-	-	501

The amount of CAD 501 thousand represents the full amount owing to ICAO by the former Socialist Federal Republic of Yugoslavia, 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.

44. There were no write-offs of contributions receivable during 2010. 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.
45. There was no balance in the allowance for reductions in contribution revenue during 2010.
46. The movements of the discounted long-term contributions receivables during 2010 are as follows:

47. The discount on long-term contributions receivable

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

	31 December 2010	Opening Balance 1 January 2010 (Restated)
<i>In thousands of CAD</i>		
Recoverable Provincial Sales Tax	1 667	1 768
Recoverable Federal Sales Tax	738	757
Prepaid Expenses	329	512
Recoverable United States Income Tax	163	18
Recoverable France Sales Tax	57	69
Others	6	8
Total		

Note 2.4: Inventories

55. ICAO inventories include the stock of published documents which are printed in house for sale to the worldwide civil aviation community and the stocks of duty free items held by the Commissariat Store for sale to individuals having diplomatic status. In the 31 December 2009 Financial Statements, commissariat inventory was recorded in the accounts and publications inventory in the Notes. Effective 1 January 2010, publications inventory is also recorded in the accounts.
56. The table below shows the total value of inventories as presented in the Statement of Financial Position.

	31 December 2010	Opening Balance 1 January 2010 (Restated)
<i>In thousands of CAD</i>		
Publications on hand –finished goods	652	759
Raw material and work in process	135	-
Total Publications	787	759
Total Commissariat Items	200	231
Total Inventories	987	990

57. 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.

Publications Reconciliation:
Openin

31 December
2010

In thousands of CAD

62. No impairment of PP&E was identified in 2010.
63. Prior to 1 January 2010, the cost of non-expendable property, which comprises furniture, vehicles, computers and other office equipment, was charged to expenditure in the year the items were ordered, in conformity with paragraph 43 of UNSAS. These assets as well as other PP&E, under finance leases, acquired before 1 January 2010 have not been capitalized and will be presented in the Statement of Financial Position during the transitional period (2011-15) as permitted under IPSAS 17. Commitments related to leases are presented in Note 6.
64. 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 a Supplementary Agreement between the Government of Canada and ICAO, the property is occupied in its entirety by ICAO, which reimburses 25 percent of the rental and operating costs to the Government of Canada. The Government of Canada assumes 75 percent of the rental and operating costs, 100 percent of the property taxes and has the option to purchase the building at the end of the lease term at a favourable price and, if accepted by ICAO, must transfer 25 percent of the ownership on the basis that ICAO would reimburse 25 percent of the cost of the purchase option. If the option is not exercised by the Government of Canada for itself, ICAO has the right to request the Government of Canada to exercise the

75. Contributions receivable comprise primarily amounts due from sovereign nations. Details of contributions receivable are provided in Note 2.2. As noted in Note 1 and 2.2, long term contributions are stated at discounted cost using the effective interest method. Since these

2.7.5 Liquidity Risk

82. A Working Capital Fund in the amount of USD 6 million is 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 Contracting 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:

	31 December 2010	Opening Balance 1 January 2010 (Restated)
<i>In thousands of CAD</i>		
Voluntary Contributions for TC Projects	156 769	157 737
Assessed Contributions	1 784	801
Other Advances	4 803	2 744
Total	163 356	161 282

84. Advance receipts comprise voluntary contributions for Technical Co-operation projects for which funding are received in advance. Revenue is only recognized when goods are delivered or when services are rendered by ICAO as per the terms of the agreements signed between ICAO and contributors. This liability also includes any balance of unutilized contributions to be remitted to contributors.

85. Assessed contributio-6(t)(e)1(t)(e h.g89 Tw{Inn2 Tw8t2w[ae7(rib) 0 scnn)7.9(-5.e8.46of)5.qca)0(t7)h)-6(J20.4911

89. ICAO provides certain secretariat services for the European Civil Aviation Conference (ECAC). The net amount payable for all transactions effected on ECAC's behalf during the year is

by the UN Staff Regulations and Rules, but by specific conditions under technical co-operation projects.

95. The movement of employee benefits liabilities during 2010 is as follows:

Opening Balance 1 January 2010 (Restated)	Utilization	Increase/ (Decrease)
--	--------------------	---------------------------------

99. The assumptions and methods adopted for the 31 December 2010 actuarial valuation resulted in an increase in the liability for post-employment and end of service related benefits in the total amount of CAD 10.2 million, including net actuarial losses of CAD 6.5 million.
100. 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 existence of a deep market for government bonds in Canada. Therefore ICAO has continued to use the government bond rate to discount the liability. Had ICAO used the corporate bond rate (5.4 percent at 31 December 2010), ICAO's liability at 31 December 2010 for ASHI, annual leave and repatriation benefits would have been reduced by 25 percent (CAD 20 million) and th

Assumptions Used for ASHI Plan:

Actuarial Method	ASHI: The projected unit credit cost method, prorated on years of service, up to the age the employee is fully eligible for retirements benefits.
Discount Rate	3.50 percent for accounting and funding (4.30 percent in 31 December 2009 valuation).
Medical and Dental Trend Rates	

2.10.5 United Nations Joint Staff Pension Fund

102. 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. 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,

109. During 2010, contributions paid to UNJSPF amounted to USD 17.7 million (equivalent to CAD 18.3 million). Two thirds of these amounts are the employer share of contributions.

2.10.6 Social Security Arrangements for Employees under Service Contracts

110. 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/Servicing Governments

111. 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. Credits amounted to CAD 581 thousand and CAD 947 thousand respectively as at 31 December 2010 (CAD 2 516 thousand at 1 January 2010).

Note 2.12: Deferred Revenue

112. Deferred revenue totaling CAD 343 thousand (CAD 585 thousand at 1 January 2010) under a professional liability insurance arrangement will be recognized upon substantial completion of the related technical co-operation projects.

Note 2.13: Net Assets (Fund Balances) by Segment and Reserves

113. The information contained in Statement III is further presented by segment and line detail in the table below:

Regular

NOTE 3: REVENUES AND EXPENSES

Note: 3.1 Contributions – Services in Kind

117.

Note: 3.2 Other Revenue

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

	31 December 2010
	<i>In thousands of CAD</i>
Publication Sales and Printing Services	4 845
Delegation Services	2 423
Events and Symposia	1 227
Royalties	854
Dangerous Goods Licensing Fee	726
Periodicals	839
Commissariat Sales	617
Websites	407
Licensing Agreements	413
Training/Courses	407
Others	415
Total	13 173

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

	31 December 2010
	<i>In thousands of CAD</i>
Administrative Fee	480
Professional Liability Insurance Fee	399
Expert Rent	314
Travel Agent Fee	334
Interest – Income and Exchange Gain	1 360
Others	911
Total	3 798

NOTE 4: STATEMENT OF CS

130. 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.
131. With regard to the AOSC Fund, budgeted figures represent indicative budget estimates only. Total indicative budget estimates for the AOSC Fund is compared to actual amount in the Presentation of the Secretary General. Also, included in the Presentation of the Secretary General on the financial statements are explanations of material differences between the original budget and final budget, and the actual amounts.

NOTE 5: SEGMENT REPORTING

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

132. Segment reporting is required under IPSAS and is described in Note 1. Financial Position by segment is shown in the next table followed by the Statement of Financial Performance by Segment. Some activities between the two segments lead to accounting transactions that create inter-segment revenue and expense balances in the financial statements. Inter-segment transactions are reflected in the above tables to accurately present these accounting transactions and then eliminated to reconcile with Statement I and II.
133. The Regular Activities segment includes revenue from contributions for project agreement totaling CAD 7.2 million 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. Also included in TCP segment, is an amount of CAD 567 thousand representing contributions to TCP by IFFAS. The amount due to Technical Co-operation projects by the Regular Activities segment at 31 December 2010 amounted to CAD 3 060 thousand (CAD 1 080 thousand restated as of 1 January 2010). These amounts are eliminated for presentation purposes.

		2010	01.01.2010 Restated	2010	01.01.2010 Restated	2010	01.01.2010 Restated	2010	01.01.2010 Restated
ASSETS									
CURRENT ASSETS									
Cash and cash equivalents	2.1	51 686	55 104	159 229	160 766			210 915	215 870
	2.2	6 693	5 151					6 693	5 151
Inter-segment balances		28	987	3 032	93	(3 060)	(1 080)		
Receivables and advances	2.3	5 762	7 364	6 817	22 414			12 579	29 778
Inventories	2.4	987	990					987	990
Others	2.3	2 732	2 901	228	231			2 960	3 132
		67 888	72 497	169 306	183 504	(3 060)	(1 080)	234 134	254 921
NON-CURRENT ASSETS									
Investments	2.2	3 863	5 117					3 863	5 117
Receivables and advances	2.3	521	543					521	543
Property, plant and equipment	2.5	699						699	
Intangible assets	2.6	92						92	
Derivative assets	2.7		650						650
		5 175	6 310					5 175	6 310
TOTAL ASSETS									

	Note				Total
		2010	2010	2010	2010
REVENUE					
Contributions for project agreements		278	123 136	(567)	122 847
Assessed contributions		77 483			77 483

NOTE 6: COMMITMENTS AND CONTINGENCIES

Note 6.1: Commitments

134. Lease commitments mainly pertain to ICAO Headquarters (HQ) premises and office equipment.

**31 December
2010**

NOTE 7: DISSOLUTION OF IFFAS

141. As indicated in Note 1, IFFAS was dissolved during 2010 and as per the IFFAS Administrative Charter in such a situation, co

NOTE 9: OPENING BALANCES ADJUSTMENTS (RESTATEMENTS)

31 December 2009 (Audited)	Adjustments	Opening Balances 1 January 2010 (Restated)
---	--------------------	---

147. Opening balances represent the 2009 audited Statement of Assets, Liabilities and Fund Balances which have been restated to incorporate adjustments made due to changes in accounting policies and other adjustments made with the adoption of IPSAS effective 1 January 2010.

148.

PART IV: TABLES

(UNAUDITED)

Table B

	Earmarked Training Programme	Enhanced Mechanism	United Kingdom	United States	Awareness Training Programme	National Projects	Standardized Training Programme	2010
ASSETS								
CURRENT ASSETS								
Cash and cash equivalents	800	4 039	16	70	520	232	375	6 053
Receivables and advances		20		76				96
Others		7						7
	800	4 067	16	146	520	232	375	6 128

Contracting States Assembly Resolutions A37-26 and A37-27	Scales 2010	Assessments 2010	Contributions Received for 2010	Balance of Assessments Receivable for 2010	Balance of Prior Years' Assessments Receivable	Balance of Advances due to the Working Capital Fund	Total Balances Receivable **	Contributions Received in Advance
AFGHANISTAN	0.06	46		46	77		124	
ALBANIA	0.06	46	46					4
ALGERIA	0.08	62	62					
ANDORRA	0.06	46		46	36		82	
ANGOLA	0.06	46	46					
ANTIGUA AND BARBUDA	0.06	46		46	624	1	671	
ARGENTINA	0.31	239	238	1			1	
ARMENIA	0.06	46	46					
AUSTRALIA	1.71	1 318	1 318					
AUSTRIA	0.71	547	547					
AZERBAIJAN	0.06	46	46					
BAHAMAS	0.06	46		46			46	
BAHRAIN	0.09	69	51	18			18	
BANGLADESH	0.08	62		62	69		130	
BARBADOS	0.06	46	34	12			12	
BELARUS (*)	0.06	46		46	85		131	
BELGIUM	0.80	616	616					
BELIZE	0.06	46	46					
BENIN	0.06	46	46					
BHUTAN	0.06	46		46			46	
BOLIVIA	0.06	46	2	44			44	
BOSNIA AND HERZEGOVINA	0.06	46		46	44		90	
BOTSWANA	0.06	46	46					
BRAZIL	0.89	686	686					
BRUNEI DARUSSALAM	0.06	46	46					
BULGARIA	0.06	46	13	34			34	
BURKINA FASO	0.06	46	46					
BURUNDI	0.06	46	12	34			34	
CAMBODIA	0.06	46	46		147		147	
CAMEROON	0.06	46	46					
CANADA	2.39	1 842	1 842					1 357
CAPE VERDE	0.06	46	46					
CENTRAL AFRICAN REPUBLIC	0.06	46	46					
CHAD	0.06	46	46					9
CHILE	0.25	193	193					
CHINA	3.67	2 828	2 828					
COLOMBIA	0.20	154	154					
COMOROS	0.06	46	46					
CONGO	0.06	46	46					
COOK ISLANDS	0.06	46	46		69		69	
COSTA RICA	0.06	46	46					1
COTE D'IVOIRE	0.06	46	46					
CROATIA	0.06	46	34	12			12	
CUBA	0.07	54	54					1
CYPRUS	0.06	46	46					
CZECH REPUBLIC	0.22	170	170					
DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA	0.06	46	12	34			34	
DEMOCRATIC REPUBLIC OF THE CONGO (*)	0.06	46		46	469		516	
DENMARK	0.54	416	416					
DJIBOUTI	0.06	46		46	640		687	
DOMINICAN REPUBLIC	0.06	46	46					
ECUADOR	0.06	46	46					1
EGYPT	0.16	123	123					7
EL SALVADOR	0.16	123	123					

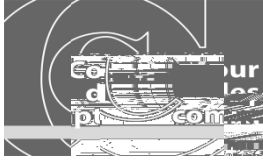
Contracting States Resolutions A37-26 and A37-27	Assembly	Scales 2010	Assessments 2010	Contributions Received for 2010	Balance of Assessments Receivable for 2010	Balance of Prior Years' Assessments Receivable	Balance of Advances due to the Working Capital Fund	Total Balances Receivable **	Contributions Received in Advance
GHANA		0.06	46	46					
GREECE		0.44	339	339					
GREENADA (*)		0.06	46		46	280		327	
GUATEMALA		0.06	46	46					
GUINEA		0.06	46	46		146		146	
GUINEA-BISSAU		0.06	46	46					
GUYANA		0.06	46	46					
HAITI		0.06	46	46					
HONDURAS		0.06	46	46					
HUNGARY		0.19	146	146					183
ICELAND		0.06	46	46					
INDIA		0.55	424	424					
INDONESIA		0.28	216	160	56			56	
IRAN (ISLAMIC REPUBLIC OF)		0.19	146		146	5		151	
IRAQ		0.06	46	46		912		912	
IRELAND		0.50	385	385	160	0.465(141)7 1	160	56 56	059072.2(56)000.2(1)1

Table D

	United Nations Development Programme	Trust Funds and Management Service Agreements	Civil Aviation Purchasing Services Funds	Total 2010
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	(2 921)	143 505	18 645	159 229
Inter-fund balances	3 032			3 032
Receivables and advances	2 854	2 793	1 170	6 817
Others	75	153		228
TOTAL ASSETS	3 039	146 451	19 816	169 306
LIABILITIES				
CURRENT LIABILITIES				
Advanced receipts	1 716	135 394	19 583	156 692
Accounts payable and accrued liabilities	1 435	9 566	233	11 235
Employee benefits		1 491		1 491
TOTAL LIABILITIES	3 151	146 451	19 816	169 418
NET ASSETS				
Reserves	(112)			(112)
NET ASSETS (ACCUMULATED DEFICIT)	(112)			(112)
TOTAL LIABILITIES AND NET ASSETS	3 039	146 451	19 816	169 306
REVENUE				
Contributions for project agreements	5 375	104 305	13 457	123 136
Other revenue		1 232	106	1 338
TOTAL REVENUE	5 375	105 536	13 563	124 474
EXPENSES				
Staff salaries and employee benefits	2 911	40 839	192	43 942
Supplies, consumables and others	1 432	52 959	12 960	67 352
General operating expenses	250	1 445	22	1 717
Travel	177	2 319	21	2 516
Training	68	1 105		1 173
Administrative overhead charges	532	6 417	297	7 247
Other expenses	7	182	2	191

Table F

Fund	Balance as at 01-Jan-2010	Adjustment	Contributions ⁽¹⁾	Interest and Other Income	Project Costs	Administrative Overhead	Transfer from or to Other Funds	Refund of Contributions	Unrealized Exchange Gain or Loss	Balance as at 31-Dec-2010
Afghanistan	2 095			2	297	27	(600)		1	1 175
Algeria										
Angola	(11)				2	3				(16)
Bahamas					9	1				(10)
Bangladesh	246									247
Bolivia	5									5
Brazil										
Canada 051 punds 1 1628 00		((10) 39)	gladesh	246						



External auditor of the International
Civil Aviation Organisation



ANNUAL REPORT OF THE EXTERNAL AUDITOR – FINANCIAL YEAR 2010

TABLE OF CONTENTS

1. Introduction.....	4
1.1. Audits carried out by the External Auditor.....	4
1.2. Summary of main observations.....	5
2. Certification of the accounts – budgetary and financial position of ICAO.....	8
2.1. External Auditor’s opinion on the financial statements for 2010	8
2.2. Financial position of ICAO.....	9
2.3. Budget position of ICAO	11
2.3.1. Execution of the 2008 2010 triennial budget.....	11
2.3.2. Preparation of the 2011 2013 triennial budget	13
3. Human resources	
2.3.2. Exec B14 Tc Relc (veb)-5.5(udge)-6(t267f 3.4044 0 TD 0 Tc <0003>Tj /TT6 1 Tf	

4.1.	Budgetary and financial matters	33
4.2.	Role of Regional Directors	40
4.3.	Role of technical officers	42
4.4.	Role of administrative services.....	43
4.5.	Observations relating to Planning and Implementation Regional Groups (PIRGs).....	44
4.5.1.	Accreditation and participation in PIRGs.....	45
4.5.2.	Observations relating to certain regional deficiency databases	45
5.	Technical Cooperation	49
5.1.	Scope of the audit.....	49
5.2.	Selection criteria for the projects to be audited	49
5.3.	Projects audited.....	50
5.4.	General observations arising from review of project selected	51
5.4.1.	Ambiguities in ICAO's role as "authorized purchaser"	51
5.4.2.	Compliance with the principle of self financing of technical cooperation activities	52
5.5.	Specific observations arising from review of projects selected	56
5.5.1.	Choice of supplier differs from that selected by TCB	56
5.5.2.	Government employees on international contracts under technical cooperation agreements.....	57
5.5.3.	Insurance and liability cover related to TCB activity	59

The present annual report describes the various audits carried out by the External Auditor on the activity, accounts and management of ICAO during the financial period 2010. It is based on a preliminary report sent to ICAO on 26 April 2011, modified in the light of ICAO's comments and a draft Secretariat Action Plan in response to each draft recommendation, which were sent to External Auditor on 6 May 2011.

1. INTRODUCTION

1.1. Audits carried out by the External Auditor

1. Since his appointment on 28 September 2008¹, the External Auditor has performed 19 on-site audits at headquarters and the regional offices, as a result of which 11 specific reports have been presented to the Council, 11 management letters² have been sent to the Secretary General, and this annual report has been prepared for the Council.
2. The table below shows the chronology of these audits. It can be seen that the present report to the Council covers seven audits performed during 2010 and early 2011:

Table 1: Activities by the External Auditor since the inception of his term of office

Subject	Report to the Council		Management letter
	Submitted	Examined	
Process by which Jean Renaud and Félicien Souka came to ICAO	Sept. 2008	24/9/08	No
Paris Office	Oct. 2008	26/6/09	
Dakar Office	Nov. 2008		
Travel expenses for ICAO international staff	Feb. 2009		
Certification of 2008 accounts	June 2009		
Lima Office	Oct. 2009	6/11/09	
Bangkok Office			
TCB			
Recruitment of international officers to ICAO	May 2010	31/5/10	May 2010
Certification of the 2009 financial statements			May 2010
Mexico Office	Annual Report	28/6/11	Jul. 2010
Cairo Office			Sept. 2010
Implementation of IPSAS-compatible rules	-	-	Nov. 2010
ACIP	Dec 2010	16/3/11	Dec. 2010
Nairobi Office	Annual Report	28/6/11	March 2011
Audit of a panel of 10 technical cooperation projects			May 2011
Human resources			No
IT			May 2011
Certification of the 2010 financial statements			May 2011

1.2. Summary of main observations

The main observations and recommendations in this report are as follows:

3. Financial position as at 31 December 2010. An analysis of ICAO's balance sheet certified as at 31 December 2010 shows that, by the end of the current triennium (2013), for regular budget activities, the commitments shown as liabilities will exceed by 3.1 million Canadian dollars the available resources shown as short-term assets: the difference will be made up by budget resources for the 2011, 2012 and 2013 financial periods. Preparing three-year cash forecasts would make it easier to anticipate the financial constraints on the organization and would support management decision-making, particularly in the fields of human resources, debt recovery and, where appropriate, physical premises.
4. 2011-2013 triennium budget balance. In view of the conditions under which the resources allocated to ICAO and the mandatory programmes assigned to the services were reconciled, there is no certainty that the resources provided for the 2011-2013 triennium (assessed contributions, ARGF and AOSC resources, hoped-for voluntary contributions) will, at constant productivity levels, finance in full the 27 programmes provided for in the budget. Only significant productivity improvements will enable the triennium budget to be executed. However, at ICAO there is currently no tool for measuring productivity. Without greater productivity, commitments can be adjusted in practice only by reducing and/or spreading out the programmes taken on for the triennium.
5. Human resources. Approximately two fifths of staff with ICAO contracts are currently financed from resources other than Member States' assessed contributions. As part of the envisaged growth in activities financed by voluntary contributions (an objective recalled during the 192nd session of the Council), it would be appropriate to provide for a contribution to be made from the corresponding funds to the regular budget under the revolving fund (the fund covering employee benefit costs and their financing) so as to finance the benefit costs accruing from these activities;
 - The documents on which the 2011/2013 triennium budget is based implicitly presuppose a reduction in the unit cost of staff on ICAO contract and a simultaneous increase in the ratio of Professional/General Service staff. This apparent contradiction shows that some budgetary data presentations could be improved.
6. IT: the External Auditor observed that, concerning IT:
 - There is not yet a stable, formalized view of the balance to be achieved between the functions requiring in-house competencies and the functions that can be outsourced without risk or even that it would be desirable and worthwhile to outsource. This is particularly the case for everything to do with the core of the service support function, the Service Desk. A specialist external audit of the user support function (Service Desk), including a cost-benefit analysis, would provide a better understanding of the quality of service being given to users, identify their needs and define a better balance between in-house functions and outsourced services.
 - From a more general point of view, IT is currently dispersed throughout ICAO despite the recent strengthening of the role of the Information and Communication Technology (ICT) Section. While this gives user services a certain amount of flexibility, it has the threefold disadvantage of a lack of coherence between actions

undertaken, a lack of overall monitoring of IT at ICAO (the ICT Section is constantly responding to emergency needs without a medium- to long-term vision), and a lack of security of some databases developed by various services within ICAO. The External Auditor recommends that the Council request from the Secretary General, and approve, a draft medium-term IT master plan identifying and prioritizing all of

account the problem of geographical coverage, the current figure of seven regional offices constitutes the maximum.

- The External Auditor observes the lack in Nairobi/Dakar of a database systematically and reliably recording deficiencies in terms of air navigation safety; he questions the effectiveness of arrangements in the AFI zone for recording incidents, in view of the small number of deficiencies reported and the obvious lack of effective follow-up. The setting up of computer databases in Mexico/Lima, Cairo and Paris constitutes progress and should be extended to Nairobi/Dakar and Bangkok. The coexistence of two different software solutions (Mexico/Lima and Cairo/Paris have developed two different local computer systems for recording deficiencies) is undoubtedly not the best solution.

Steps should be taken to ensure that uniform methodology is actually used, by bringing practices up to standard, particularly in the AFI zone, and by generalizing the maintenance keeping computerized databases with appropriate new procedures.

8. Technical cooperation:

- From his review of 10 projects, and within the limits of due diligence, the External Auditor cannot guarantee that ICAO, in the exercise of its function of authorized buyer for certain countries, is not actually being used in some cases merely to rubber stamp pre negotiated operations;

2. CERTIFICATION OF THE ACCOUNTS – BUDGETARY AND FINANCIAL POSITION OF ICAO

2.1. External Auditor's opinion on the financial statements for 2010

The External Auditor's opinion was issued on 31 March 2011 in the following terms:

AUDIT OPINION

We have audited the financial statements of the International Civil Aviation Organization (ICAO), for the 12 month period ended 31 December 2010. These financial statements include a statement of financial position at 31 December 2010, a statement of financial performance, a statement of cash flow, a statement of changes in net assets, a statement of comparison of budgetary and actual amounts for the period ended 31 December 2010 and notes including a summary of the accounting policies and other information.

Within the general framework of Article 61 of the Chicago Convention and by virtue of Article XII of the ICAO Financial Regulations, the Secretary General of ICAO is responsible for preparing and presenting the financial statements. These statements are in conformity with the International Public Sector Accounting Standards (IPSAS). This responsibility includes the design, implementation and monitoring of internal control procedures to ensure the preparation and the fair presentation of financial statements, free of significant misstatements, resulting from either fraud or error. This responsibility also includes the determination of fair accounting estimates adapted to the circumstances.

Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with the International Standards on Auditing (ISA). These Standards require us to comply with the ethical rules and to plan and perform our audit in order to obtain a reasonable assurance that the financial statements are free from material misstatements.

An audit consists in implementing audit procedures in order to collect audit evidence regarding the amounts and the information presented in the financial statements. The design of the audit procedures is based on the External Auditor's professional judgement, as well as the risk evaluation that the financial statements include significant misstatements, resulting from either fraud or error. In the context of this risk evaluation, the Auditor considers the internal control in place for the preparation and presentation of the financial statements, in order to desie4

anmr

2.2. Financial position of ICAO

9. The financial statements for the 2010 financial period are the first to be presented in accordance with the In

	(In millions of CAD)
• Payment of current liabilities	192.1
• Employee liabilities for 2011, 2012 and 2013 ³	9.7
• Liabilities for office rental	9.6 m
Total financial commitments over next 3 years'	211.4

12. To meet these commitments, regardless of the amounts that will be covered by the budgets adopted for the 2011, 2012 and 2013 periods, ICAO has on hand the following resources:

	(In millions of CAD)
• Cash	210.9
• Other current assets	23.2
Total short term financial resources on the balance sheet	234.1

13. The position is even less favourable if this analysis

	2008	2009	2010	TOTAL
Programme support	12,959	13,105	14,430	40,494
Exchange rate gains and losses	-900	-	2,144	1,244
TOTAL	69,577	75,823	87,645	233,045

(Data taken from Statement IV for the 2008 and 2009 financial periods and Statement V for the 2010 financial period.)

19. From the same source (Statement IV for the 2008/2009 period and Statement V for 2010), the following table can be produced showing the budget carry-overs from one period to the next:

Table 3: Budget carry-overs from 2007 to 2011 (In thousands of CAD)

	1 Original budget	2 Carry over from n 1	3 Transfers to other funds	4 Purchase orders issued but not paid	5 Remainder of carry over from previous triennium	6 Operations carried over	7 Uncommitted carry overs approved at n+1	Exchange rate difference linked to split assessment	Revised budget
2008	79,951	9,137	8,187	1,167	4,195	1,975	3,987		69,577
2009	80,085	11,324	1,652	4,771	3,056	59	6,048		75,823
2010	85,507	13,934	345	8,611			2,840	2,142	85,503
2011	87,594	11,451	Not known	Not known	Not known	Not known	Not known	Not known	Not known

20. Column 1 shows for each financial period the budget adopted by the Assembly. Column 3 shows amounts appropriated from the regular budget to replenish other funds.
21. Columns 4 to 6 show carry-overs that can be considered to be ‘committed’:
- Because they are for purchase orders that have been issued but not paid for during the period (column 4) – the effect of the IPSAS expenditure accounting rules is to increase the overall total;
 - Because not all of the remaining carry-over from the previous triennium has been used up (column 5) – this is notably the case for credits for the ACIP, AVSEC, TSSF and Environment funds;
 - Or because the Council has explicitly decided to carry over certain operations (column 6) clearly therefore it will not question their financing from the budget.
22. Column 7 shows ‘uncommitted’ appropriations carried over, in the sense that they have been approved, depending on volume, by the Secretary General or the Council, but that it would theoretically have been possible not to reallocate them to the later period because they do not correspond to any pre-existing formal commitment.
23. The sum of columns 4 to 7 re

25.

voluntary contributions) will not permit the 27 programmes provided for in the budget to be completed at constant productivity levels. Only significant productivity gains are likely to allow the budget to be executed as adopted in the autumn of 2010: in management terms this will require efforts to improve productivity, although there is currently no tool for measuring productivity at ICAO. Without greater productivity, the adjustment can be made in practice only by reducing or slowing down the programmes taken on for the triennium.

Recommendation 2: The External Auditor recommends that productivity measurement tools be developed, as the only means of setting and monitoring targets for improving productivity, which are essential for the nominal execution of the 2011-2013 triennial budget.

In its response to the preliminary report, ICAO indicates it is implementing a project management and reporting tool, the ICAO Knowledge Sharing Network (IKSN), and considers that this tool will make it possible to follow-up on project status in terms of deliverables and timelines. Not having audited this tool, the External Auditor cannot tell whether it will also enable ICAO to follow up and monitor its productivity gains.

3. HUMAN RESOURCES MANAGEMENT AND INFORMATION TECHNOLOGY

3.1. Relative weight of ICAO expenditure broken down into broad categories

34. From an audit point of view, the budget data outlined above produce an image that is only approximate, partial and difficult to use, since:
- They only cover part of ICAO's activities, namely, the part related to the four general budget programme funds (funds 1101, 1102, 1104 and 1604), and do not cover expenditure from other funds, which nonetheless, either directly or indirectly, account for nearly two fifths of ICAO staff costs, which alone consume nearly 80 per cent of the organization's total expenditure;
 - They are not consistent over time – the major changes made to the budget structure between the 2008/2010 and the 2011/2013 trienniums described above show that the basic concept, in an RBB, of a “strategic objective”, together with the rules for allocating overheads according to objectives, are currently based on parameters that fluctuate too broadly from one triennium to the next for them to be used as the basis for a coherent analysis of ICAO's expenditure structure;
 - Lastly, they are not very reliable – the size and volatility of budget carry-overs, which, as mentioned above, accounted for between 13.39 and 17.10 per cent of budget allocations each year during the 2008/2010 triennium, show that the forecasts for the 2011/2013 triennium shed little light on trends in the cost structure.
35. However, notwithstanding the different methodologies used due to the switch from UNSAS to IPSAS, ICAO's accounts do afford a more coherent base for analyzing the expenditure structure.
36. Table 5 deviates slightly from the presentation of expenditure proposed in Financial Statement II (Performance statement), to separate out or group together certain expenditure items that, in management terms, form more or less homogeneous blocks

(for instance, “meetings” and “travel” both come under “missions”, so IT expenditure, has been separated out, etc.) :

Table 5: Breakdown of acco

3.2. Human Resources

39. HR management during the 2008 – 2010 triennium was the object of an audit in Montreal from 17 to 28 January 2011.
40. As indicated above, human resources are by far the largest expenditure item in ICAO's regular budget. In the 2008-2010 triennium, 80 per cent of regular budget resources was allocated to staff costs:

Table 6: Staff costs as a proportion of the budget for the 2008-2010 triennium

(In thousands of CAD 2008/2010)

- Consultancy costs rose by 76 per cent in 2010 (from \$2.8 million to \$4.9 million);
 - Annual home leave costs rose by 85 per cent (from \$0.7 million to \$1.3 million).
44. Finally, outside its regular budget, during the 2008-2010 triennium, ICAO paid staff costs totalling nearly \$73 million from non-budget res

GS) and grade level 1, 2, etc. As was seen above, this assumption does not necessarily reflect reality in terms of the posts held by ICAO staff.

51. Once the budget is adopted by the Assembly and the Council, the services, as far as their budget appropriations permit, have some flexibility and can use the funds for established (budgeted) posts to recruit staff to posts that do not appear on this list: these posts are then described as 'non-established'. For information, the table below shows for the last two trienniums the discrepancy this flexibility gives rise to between the assumptions presented to the Council in support of the regular budget and their actual implementation by the services:

Table 9: Differences between budget assumptions and their implementation:

		2005	2006	2007	2008	2009	2010
Established/budgeted posts forecast in the regular budget		627	618	613	503	500	503
Occupied posts	Established posts	571	549	530	453	452	470
	Non established'	29	49	54	29	43	48
Total regular budget		600	598	584	482	495	518

52. It can be seen that the number of non-established posts, nevertheless financed by the regular budget has increased during each triennium, with the following triennium being based on a new budget assumption scale that takes account of this deviation.
53. For the previous two trienniums (2005-2007 and 2008-2010) the assumptions for the number of established posts

including AOSC, for the most part due to the setting up of ARGF. Conversely, from 2010, the transfer of around 20 staff from AOSC to the regular budget (offset by charging an equivalent amount to AOSC) led to a corresponding

63. Finally, account should also be taken of the end of services liabilities accumulated in respect of staff 'outside' the regular budget. The end of services liabilities for all staff (719 staff with ICAO staff contracts at 31 December 2010⁶) was estimated by AON Hewitt actuaries, in application of the IPSAS standards, to be CAD 76.9 million as of 31 December 2010.
64. Based on the current ratio of 200 staff outside the regular budget to just over 500 staff under the regular budget, and assuming that the average position of ICAO staff outside the budget is the same as that of ICAO staff within the budget in terms of accumulated social welfare entitlements (specifically ASHI), these costs build up proportionately 2/5 for the activity of non-regular budget staff. If these external resources should dry up (voluntary contributions, technical cooperation, commercial income of ARGF, etc.), ICAO could of course consider making the necessary adjustments to staff numbers and bring the corresponding activities to an end. Yet it would have to cover the social welfare costs arising from activities outside the budget from its own resources (i.e. from assessed contributions), in the same way as for activities within the budget.

Observation 3: The creation of various proprietary funds benefiting from external resources – voluntary contributions, technical cooperation fees, commercial income, recycling of

Table 12: Distribution of staff in ICAO organization chart

(Acronyms represent the different services)

President	OSG	ADB	ANB	ATB	RCC	RO	LEB	FIN	EAO	TCB	Total
2	3	226	110	70	8	168 ^{a)}	14	45	5	68	719

a) Includes ECAC staff with ICAO staff status: regional offices alone account for 149 persons.

66. Based on this table, 375 ICAO staff may be considered “operational”:

- ICAO’s current ‘strategic objectives’ are the direct responsibility of ANB and ATB: these two offices have a total staff of 180 people;
- In the regional offices, as shown by past audits by the External Auditor, approximately 66 per cent of the staff in post, participated in the achievement of the strategic objectives, which represents approximately 120 additional people, with the remainder being support staff;
- The ADB office directly provides nearly 75 staff for operational activities (see below);
- At present, technical cooperation is not really integrated into the achievement of the D01025ople;

71. The provision for the 2011-2013 triennium for the 530.5 posts within the regular budget (see document “Supplementary information to A37-WP/43 draft Budget of the

3.2.3. Service Code

73. The Service Code was revised during 2010 and approved by the Council for implementation on 1 January 2011. The new Code takes account of the recommendations made by the Auditor in his report on the recruitment of international staff to ICAO, in particular:
74. Concerning recruitment:
- The new Article 4.10 does not repeat the principle that the President must approve all recruitment of staff in categories P4 and P5⁸;
 - The Council could set up a Human Resources Committee charged with advising the Secretary General on appointments of D employees reporting directly to him (i.e. D2 staff and some D1 staff), and immediately informing the Council, which may oppose the proposed recruitment. This system satisfies recommendations 3, 4 and 6 of the aforementioned External Auditor's report;
 - From now on, the Secretary-General is assisted by a Panel of Directors for D1 posts, by Appointment and Promotion Board I for P posts and by Appointment and Promotion Board II for G posts. This system confirms the merger of the former Review Panel and the Promotion Board recommended by the External Auditor (Recommendation 3);
 - If the Secretary General's appointment decision differs from the ranking order of the Appointment Board, he must inform the Chairman in writing of the reasons for his decision. This point also responds to Recommendation 3.
75. The External Auditor had also recommended the use of external recruitment agencies to recruit D2 staff⁹. This recommendation has not been followed, but for the recruitment of the new director of the Technical Cooperation Bureau, a pilot project was conducted in which a specialist firm was asked, not to perform a pre-selection, but to analyse the profiles of the candidates shortlisted by ICAO. This experiment was repeated when the post of Director of the Air Transport Bureau was reopened.
76. The External Auditor observes that most of his recommendations have been taken into account in the recent revision of ICAO's Service Code.
77. Concerning the type and duration of contracts, the new Service Code makes provision for three types of contracts:
- Temporary appointments for a period normally not exceeding one year, non-renewable apart from exceptions which cannot exceed 24 months;
 - Fixed-term appointments for a period of one to five years, "with no expectancy of renewal", although they may be renewed indefinitely if ICAO so decides;
 - Continuing appointments lasting an indefinite period, which may be given to staff who have served on ICAO contracts for a minimum of five years. This third form of

⁸ Recommendation 2: "One simplification that could be considered would be to end the exceptional mechanism introduced on 20 January 2009 (Decision C-DEC 186/1) whereby the written approval of the Chairman of the Council is required for the appointment of staff in categories P4 and P5." (Recommendation 2)

appointment has not yet been approved by the United Nations, and is therefore not currently used.

78.

3.3. IT

84. The External Auditor performed a review of IT within ICAO in Montreal from 17 to 28 January 2011. The aim was, on the one

Section therefore did not match up in 2010, since other management services could

- Three G5 staff financed by the ICT Fund, working in the finance and human resources services to set up the IRIS management software. They will fall under the ICT Section budget from 2011;
- The staff in charge of IT under the budgets of each of the regional offices; there are 8 such staff.

100. In addition, at 31 December 2010 there were 13 consultants working for the Section, representing 15.6 per cent of the consultants within the Organization.
101. The budget estimate for the outsourcing of IT services (including consultants) grew by 93.7 per cent in real terms in the 2008-2010 triennium.

**Table 20: Estimated budget and expenditure related to outsourcing
(In Canadian dollars)**

	Allotment for outsourcing	Accounting expenditure in the year (including payments for obligations from the previous year)	Percentage of total accounting expenditure for the year
2008	888,950	244,710	8.4
2009	1,419,808	1,138,549	22
2010	1,722,591	668,936 ^{a)}	15.2
2011	852,314 ^{b)}	unknown	unknown

a) At 25 January 2010, unclosed accounts.

b) Initial allotment only.

102.

Observation 5: There is still no stable, formalized view of the balance to be achieved between the functions requiring on-going in-house competencies and the functions that can be outsourced without risk or even that it would be desirable and worthwhile to outsource. This is particularly the case for all aspects of the core service support function (Service Desk).

Recommendation 5: A specialist consultancy study should be undertaken of the user support function (Service Desk), comprising a cost-benefit analysis, to gain a better understanding of the quality of service rendered to users, identify their needs and work out a better balance between in-house functions and outsourcing.

In its response to the preliminary report, ICAO indicates that “a service management specialist consultancy will be contracted to assess the ICAO user support functions and the balance between in-house functions and outsourced services, provided the necessary resources can be found”.

3.3.5. IT strategy

111. The observations on budget matters (dispersion of the IT function), human resources matters (increasing proportion of outsourcing) and organizational matters (dispersion of responsibilities according to the nature of IT projects) are largely derived from the lack of a unified overall IT strategy.
112. The ICT Section is the main entity capable of implementing IT projects. Contrary to what its name suggests, the Information and Communication Technology Section is responsible only for technical aspects (IT and telecommunications infrastructure and applications). Neither information (in the sense of information management) nor internal and external communication form part of its responsibilities.
113. Although a new vision for IT constructed around the principle of building "One ICAO-ICT" was drawn up in the second half of 2010, it is not based on the Organization-wide identification or prioritization of the specific needs of user services or on overall consideration of the volume and structure of the resources deployed to meet these needs. This confirms in practice the dispersion of IT observed in budgetary matters, particularly in terms of project management.
114. Since 2009, a process of reflection on the role and activity of the ICT Section has begun, traces of which are found in a number of the documents mentioned below. A list of strategic objectives and actions, along with a calendar, was presented to the Full Senior Management Group (FSMG) on 24 September 2010, following the provision of an increase of 2 million Canadian dollars for new projects by the ICT Section. This document recommended:
ofeds of userpMG) on 248S-18.5972 -1.15 Tnlu037Td0.12 B dra0.2

115. A document issued after the FSMG meeting, entitled “IT Strategy Planning”, describes an IT strategy for the 2011-2013 triennium with three main objectives:
- Objective 1: Implement IT solutions that align with the ICAO business environment, policy, goals and statutory requirements;
 - Objective 2: Deliver and maintain a robust, flexible, secure and efficient technology portfolio;
 - Objective 3: Enhance the overall management of information technology and customer service delivery.
116. This strategy is also presented in a business plan and an operational plan. But these plans were drawn up without systematic user consultation, and therefore without taking account of the changing priorities of the ICT user services.
117. At the time of the audit, no stable strategic framework nor any IT master plan had been prepared with the technical bureaux that would enable the Organization to define the priorities resulting from trade-offs made by the Secretary General based on resources available, and provide an overview of the medium-term objectives for IT. The lack of any such master plan, which could be decided only at the level of the Secretary General with the involvement of all users and the ICT Section, most of the time means that the users and ICT Section run their various projects in the dark, to the detriment of any rational, controlled organization of the IT function.
118. Thus the Air Navigation Bureau is preparing a project to harmonize the safety and air navigation databases made available to external users (Safety Web project). This project, which is of strategic importance in view of the forthcoming 12th Conference on Air Navigation planned for November 2012, was not as such part of the IT strategy at the end of 2010, though the strategy does include a web management project (consolidation of all ICAO’s websites and intranet sites by the end of 2013), which overlaps it partially.
119. Consequently the ICT Section was unable to devote to the Safety Web project the resources necessary from 2011 for the complete overhaul of the internet architecture. A decision taken belatedly meant that a special dynamic website for safety issues would be set up, on top of existing structures. Consequently, for at least two years, two parallel projects will coexist, one on safety websites, the other on all the Organization’s websites, and there is at present no joint steering committee to guarantee their cohesion.
120. Moreover, the systematic lack of feasibility studies and cost-benefit analyses before launching new IT projects means that there is no guarantee that adjudication between the various demands made by the services is based on the best cost or properly assessed priorities.

Observation 6: The IT function is currently scattered across ICAO, in spite of the recent

implementation schedule. The Secretary General would have an important catalyst role to play, being the only person able to mobilize all the user services and the ICT Section and to make trade-offs when needed, between priorities and resources available.

The ICAO draft Secretariat Action Plan states that an: "IT medium-term master plan will be produced".

4. REGIONAL OFFICES

121. The purpose of the audits carried out by the External Auditor at the Regional Offices since 2008 has been to examine activity and management in terms of both "regularity" and "performance"¹⁴. The audits were carried out in accordance with the provisions set out in Articles 13.4 and 13.5 of ICAO Financial Rules, and Article 6 of Appendix B, and concerned the following offices in chronological order:
- Dakar (WACAF - West and Central Africa), 13-23 May 2008. Created in 1963, this office is accredited to 24 States.
 - Paris (EURNAT - Europe North Atlantic), 9-17 June 2008. Created in 1947, this is the oldest of ICAO's Regional Offices. It is accredited to 56 States.
 - Lima (SAM - South America), 9-20 March 2009. This office was created in 1948 and is accredited to 13 States.
 - Bangkok (APAC - Asia-Pacific), 15-26 June 2009. Created in 1955, this office is accredited to 38 States.
 - Mexico City (NACC - North America Central and Caribbean), 18-28 May 2010. The regional office in Mexico City was set up in 1957. It covers a region comprising 21 States and 11 Territories.
 - Cairo (MID – Middle East), 14-25 June 2010. The MID regional office was created in 1953 and is accredited to 15 States, 3 of which are in Africa and 12 in Asia.
 - Nairobi (ESAF - East & South Africa), 11-22 October 2010. Created in 1983, the

124. Overall figures for budget allocation and actual

shown in the chart" and refers to "an attached report taken from Agresso" which was not, in fact, attached to the comments on the External Auditor's preliminary report¹⁵.

127. In fact, the discrepancies between the figures provided by the Finance Branch and reports of regional directors are due to the fact that the latter include not only expenditures but also commitments (purchase orders, SSAs, etc.).
128. Table 21 shows that, apart from Paris and Nairobi, budget allocations for regional offices were well in excess of the amounts actually used, particularly in the case of Mexico City and Dakar. This point should no doubt be examined more closely to optimize the organization's budget resource allocation. Dakar insists on the fact that "a significant proportion of outstanding expenses planned for the period was related to new Regional Office premises to be provided by the host State, Senegal. The project commenced in 2004 but was delivered only in December 2010".
129. In the following table, the actual expenditure of regional offices charged to the regular budget is broken down into broad categories (staff costs, travel expenses, other expenditure). The figures are based on 2009 data as the final 2010 figures were unavailable at the time expenditure was broken down into the broad categories shown in the table.

Table 22: Regional office expenditure in 2009

(In thousands of Canadian dollars)

Canadian dollars thousands	Bangkok	Nairobi	Paris	Cairo	Mexico City	Lima	Dakar	Total
Staff costs	2 179	1 665	2 882	1 616	1 970	1 929	1 798	14 038
Travel expenses	136	138	190	76	117	62	143	863
Other expenditure	547	682	828	333	399	475	397	3 660
Ratio b+c/a	31%	49%	35%	25%	26%	28%	30%	32%
Total	2 862	2 484	3 890	2 025	2 486	2 466	2 338	18 561

Source: Agresso

130. During the audit of the AFI Comprehensive Implementation Programme (ACIP), carried out by the External Auditor at the same time as the Nairobi office audit, and on which a report was examined by the Council on 16 March 2011, the person in charge of the AFI plan pointed out that, according to one of his management criteria, based on personal professional experience, 65 per cent could be considered an "optimal" ratio of missions to staff costs and other expenditures within the context of regional coordination activities, in that it was considered to reflect an 85 per cent rate for occupation of the management team and technical officers in a region. Based on the figures in the table, the average ratio is only 32 per cent which is well below the criterion mentioned above.
131. The External Auditor is, however, unable to confirm objectively whether the 65 per cent ratio, determined empirically within the context of ACIP and which cannot therefore constitute an auditable standard, is based on objective criteria and can be transposed to all the regional offices. Moreover, in ICAO's general comments on the External Auditor's preliminary report, Dakar insists on the fact that "ACIP was a programme addressing safety,

¹⁵ In its comment on the preliminary report, the Lima Regional Office also heavily insists on mentioning that the 2010 figures include an early 2010 CAD 270,000 assignment "which HQ failed to inform [the Regional Office] about". Although this clear criticism of HQ addressed to the External Auditor by a Regional Office maybe interesting in itself, it must be remembered that, when auditing Regional Offices, the Auditor's aim was not to be a "referee" in internal battles between Regional Offices and HQ, but to base his judgment solely on the overall performance of the organization.

with a specific mandate for a defined period. The same context may not fit the Regional Offices (Nairobi/Dakar) in which it has been integrated since January 2011". Consequently, the relatively low ratio observed above can only be regarded as a possible indicator of suboptimal use of the human and budgetary re

135. In the same response, Dakar RO comments, about the seven missions in 2009, “it should be noted some State missions are multidisciplinary, involving more than one expert or technical field, and could hence be viewed as multiple missions”, without proposing any form of calculations.
136. Under the earlier target set by ICAO (Art. 2.10.2.1 of the Regional Office Manual, no longer valid), the offices should, overall, make 201 visits per year (one annual visit per State/Territory to which ROs are accredited). Using theoretical “optimal” (one annual visit per specialist field per State/Territory), the total increases to 361. In reality, subject to the above-mentioned comments, they make 78 visits per year.
137. Mexico RO notes that “Territories have a lower priority than States for ICAO RO missions, and are therefore rarely visited. They should therefore not be considered in the analysis for the North American and Caribbean Region and number would drop to 20 from 32.
138. Based on the same table, the difference between the “optimal” value or Regional Office Manual standard value and reality (except for Lima in 2009) is so great that it raises doubts as to whether the theoretical target of one State visit every three years, for each specialist field represented at the office and for each State in the region is realistic. It raises the same doubts concerning the standard value given in the Regional Office Manual which, in fact, does not specify which technical areas should be given priority during these missions. This is confirmed, in the case of Cairo, by a remark from MID office included in ICAO's comments on the preliminary report: "Please note that the optimal number of missions that are required from the MID Office per year is not reasonable. To achieve this figure, each one of our Regional Officers will have to conduct approximately two missions per month. In real life, this is not possible, as it does not take into account the meetings/workshops/seminars that are conducted 138 early. It also gives no time for 006 Tc0.08g TD

professional skills to work? Unfortunately, without pointing any fingers, the External Auditor did observe some local situations where this was the case.

141. However, the External Auditor wishes to consider a remark, in ICAO's general comment on

4.2. Role of Regional Directors

149. Regional Directors have a representative function that they generally perform directly, as well as office management and coordination functions that they share to a varying extent with their deputies.
150. As part of their representative function, Regional Directors contact and take part in meetings with State authorities, international organizations and representative service provider associations involved in civil aviation active in the regions. Two full Senior Management Group (FSMG) meetings are planned annually at headquarters which they also attend. Notes on these activities are produced with the exception of FSMG which is held at HQ and attended by all senior staff, during which a report is produced and decisions are taken.
151. This representative function can be measured in quantitative terms through the Regional Directors' actual travel expenses. The following figures differ slightly from those given in table 22 above, as they do not include travel expenses charged to the headquarters' budget:

Table 24: Regional Directors' actual travel expenses in 2009

d) To conduct State Missions when requested by headquarters to establish official government contacts;

e) To attend meetings which are not held in the Regional Office at the request of headquarters;

Please refer to Regional Offices Manual dated 5 March 2010, para.1.6.11. As can be seen, the travel is missions and not State missions which is purely for a visit to State(s)".

154. To the extent that he understands the scope of this remark, the External Auditor:

a) Admits, of course, that there is no clear line between "missions" and "travel expenses", but recalls that the data in the above table were provided by ICAO under these two separate headings. If there is a problem of definition, it is for ICAO to solve. The External Auditor can base his analysis only on the data and definitions provided for by the organization itself;

b) Recalls that the point relates not to the content of travels and/or missions, but

representation function as well as the management of technical and administrative teams, leaving the Deputy on the sidelines. In another office, the Regional Director was frequently away on business, so the Deputy took charge of day-to-day management of technical officers and administrative staff. In the last case, the Deputy was, in fact, a promoted technical officer who continued for the most part working in his specialist field.

Observation 8: The role and activity of Regional Directors and their Deputies vary considerably from one office to another. As regional offices are lightweight organizations (each office employs a staff of 20 or so), the personal profile of each Regional Director will inevitably have a strong impact on how Regional Offices work. Nevertheless, this impact is definitely excessive at present. In particular, the balance between the budgetary resources used by the Regional Director and by the technical officers is at times skewed in one direction or the other.

Recommendation 8: Following on from the previous recommendation, the Council should request the Secretary General to propose concrete steps to standardize the activity of Regional Directors, above and beyond the theoretical standards defined in the Regional Office Manual, taking into account their personal profiles, but giving greater consideration to specific regional requirements, in particular, by defining standards in each region for distributing budgetary resources between management and technical officers and State missions by technical field.

The draft Secretariat Action Plan accepts this recommendation and indicates that “the job description for Regional Director has been amended recently and reflects some of the changes”. It adds “ICAO will review the evolving role of the Regional Offices and the responsibilities and accountabilities of the Regional Directors. This includes the clarification of their role in assessing deficiencies in the regions (infrastructure, ATM and compliance with SARPS) and in working with States for their resolution”

4.3. Role of technical officers

160. The External Auditor familiarized himself with various Council activities, in particular those arising from the decision of 23 October 2009 to carry out a Working Group on Efficiency (WGOE) organizational review of ICAO's Regional Programme, for which a working paper (C-WP/13403) was issued on 27 August 2009. He also looked at more recent work on the Regional Programme and Regional Offices (C-WP/13403 and C-WP/13664). These documents systematically review the technical action undertaken with respect to old and new strategic objectives. The External Auditor therefore considered that he should not examine the implementation of ICAO's Regional Programme, but rather focus instead on the day-to-day activity of technical officers at Regional Offices. The following table provided by headquarters and corrected by Paris (it appeared the initial figures given by headquarters on Regional Office staff, and reproduced in the External Auditor's preliminary report,

**Table 25: Distribution of technical officers among the 7 regional offices
(As at 30 June 2010)**

As at 30 June 2010	APAC	ESAF	EUR/NAT	MID	NACC	SAM	WACAF	ACIP	TOTAL
ATM	1	2	4	2	2	2	2	0	15
FS	1	1	1	1	1	0	2	0	7
CNS	2	1	0	1	1	1	1	0	7
AGA	1	1	0	1	1	1	0	1	6
AVSEC	1	1	1	0	1	0	1	0	5
MET	1	0	1	0	0	1	1	0	4
				0	0	0	1	0	1
				0	0	0	0	0	1
				1	1	1	1	0	7
				6	7	6	9	1	53
TOTAL RO	22	19	25	18	20	20	22	3	149

staff of 165, nearly 90 employees are assigned to administrative services, the rest being made up of directors, their deputies and the technical officers/assistants, which means that the ratio is slightly higher than one administrative staff for each operational staff.

164. It is difficult to determine whether this ratio is currently at a suitable level, based on the actual local situations observed. Considering the example of the last three regional offices audited, where ratios were comparable, the administrative services fulfilled their functions correctly in two cases (Mexico City and Cairo), while in the third case deficiencies were evident (Nairobi)¹⁸.
165. During the last regional office audits (Mexico, Cairo and Nairobi), the Agresso software was still not operational locally, and the end of June 2010 deadline was not met¹⁹. Consequently, this matter cannot be reviewed until the next audits.

Observation 10: The critical mass of regional offices seems to be the chief problem in terms of administrative support. With a staff of 20 or so per office (Paris apart), it is hard to envisage any significant drop in the administrative-to-operational staff ratio.

detect and rectify any shortcomings relating to air navigation. Their reports are presented to the Air Navigation Commission

174. Examination of this database shows that, unlike the observations of the USOAP centralized procedure, based on a high-level audit of State compliance with civil aviation obligations, the GANDD deficiency lists are very specific and more concerned with the activity of service providers and other parties involved: poor equipment performance at airports, unsuitable communication procedures, incorrect equipment maintenance, or failure to comply with procedures. Despite this fundamentally different approach, Mexico City technical officers observe that the lack of a link between the USOAP audit findings and GANDD deficiencies is

Oman	12	3
------	----	---

5. T

to this role of banker concerns a limited number of projects for which the partner State elects to pay the suppliers and service providers selected by TCB on its behalf directly, paying TCB only the overhead fees due to ICAO.

192. TCB acts as authorized purchaser for States that have chosen to authorize ICAO to represent them in preparing and executing various public purchases of civil aviation equipment and services . This authorization may take, with regard to a State, the form of a general Civil Aviation Purchasing Service (CAPS) agreement, but may also be granted to ICAO as part of a Management Service Agreement (MSA). Projects of this type that were reviewed included PHI/08/701 (purchase of an instrument landing system for the Philippines), PER/08/802 (purchase of radars for Peru), ETH/04/701 (purchase of radars for Ethiopia); and COS/06/803 (purchase of master plan and feasibility study for 24 airports in Costa Rica).
193. TCB's role is that of a consultancy firm when it provides, under MSAs, technical expertise for construction (construction control) or the design and installation of national administrative structures for civil aviation. The file examined for this purpose was Project PAN/03/902 (construction control assistance for waste water disposal at Tocumen airport).
194. Also within the MSA framework, TCB may play a training role by organizing various training programmes adapted to the specific requirements of certain States. A project of this type was chosen for the audit sample, namely BRA/01/801 (MSA covered, among other things, various training operations for employees of the Brazilian national civil aviation agency).
195. Finally, in a more limited number of cases, TCB acts as a temporary employment agency, since some projects make ICAO responsible for hiring and paying national staff selected by States to work with the national civil aviation administration. Project BRA/01/801 mentioned above also includes temporary employment of national staff, as do Projects BOL/09/801 for Bolivia and PER/07/801 for Peru, also part of the audit sample.

5.3. Projects audited

196. In total, the sample analysed by the External Auditor included the following 10 projects:

BRA/01/801
 PAN/03/902
 ETH/04/701
 VEN/04/801, 04/806 and 05/801
 COS/06/803
 PER/07/801 and 08/802
 BOL/09/801

5.4.

States, even though TCB itself admits to having no idea, even approximately, of ICAO's corresponding project management cost.

212. Finally, beyond the individual projects, the lack of cost accounting also makes it impossible to ascertain whether the regular budget debits from the AOSC Fund an overall amount that is equal to, greater, or less than the resources actually dedicated by ICAO to TCB activities, not only by project, as indicated above, but also for the entire technical cooperation effort as a whole. As indicated in the External Auditor's opinion on the 2009 financial statements, it is impossible, given ICAO's failure to collect and adequately process data for the technical cooperation effort, to determine if transfers between the regular budget and AOSC funds faithfully reflect the amount of resources actually dedicated to technical cooperation. With this significant reservation, the AOSC Fund accounts show, as has been well known since 2008, a negative balance:

Table 29: "Margin" of TCB activity

(In Canadian dollars)

Year	2008	2009	2010
TCB overhead fees + re-invoiced services ^{a)}	8,816,563.60	9,194,207.33	8,251,837.43
Regular budget costs ^{b)}	10,147,001.52	10,067,396.85	9,575,735.13
Exchange rate loss (-) or gain ^{c)}	+999,020.10	-1,977,104.06	+511,269.76
Income	-331,417.82	-2,850,293.58	-812,627.94

a) Accounts for Funds 2101 and 2201, class 4 + Account 81120;

b) Accounts for Funds 2101 and 2201, 50000 to 89999;

c) Accounts for Funds 2101 and 2201, 30130 and 30135.

(Source: Agresso)

213. Since 2008, AOSC's accounts have been kept in Canadian dollars: if they were still in US dollars, the income for technical cooperation would have had a very different profile, with respectively -\$1,403,142.29 in 2008, -\$65,705.04 in 2009, and -\$1,279,128.20 in 2010, which somewhat changes the apparent improvement seen in 2010: independently of the currency used for accounting purposes, debits from the AOSC Fund are mainly in Canadian dollars while credits are mainly in US dollars, implying a foreign exchange risk. In 2008 and 2009, credits in US dollars did not entail the purchase of Canadian dollars, resulting in exchange rate differences that were due not to TCB activity, but to management of exchange rate risk by the Finance Branch, resulting in an exchange surplus of 999,000 Canadian dollars in 2008 and an exchange rate loss of 1,977,000 Canadian dollars in 2009. Beginning in 2010, the Finance Branch decided on a monthly provision in Canadian dollars for AOSC income, which led to a significant, albeit lower, exchange rate difference in 2010 ovi).4(o)-0.3

ICAO in the financial year 2010, recorded 90 per cent of the fees related to purchase

219. To summarize these developments:

- 1) Over the period 2008-2010 there has been a significant deterioration in average fees in relation to the average volume of projects, while the average cost per project is assumed to remain nearly constant;
- 2) Due to the lack of cost accounting, which ICAO has consistently found inappropriate given the burden and cost involved, the type, quantity and cost of resources actually dedicated to a given project are still unknown. As a result, TCB's managers do not know, even after the fact, if a project did, is to or will break even, or show a profit, or a loss;
- 3) The same observation is valid for the entire technical cooperation effort: in this instance, the unknown element covers the entirety of ICAO expenditure charged to the AOSC Fund. Currently, nothing guarantees that the balance of this account faithfully reflects the real results of technical cooperation activity.

Observation 13: Self-financing of activity has long constituted a precondition imposed by the Assembly and the Council for pursuing technical cooperation activity. Recent trends show a decrease in the ratio of overhead fees/value of technical cooperation projects. In this context, neither TCB nor the Finance Branch currently has a management tool to provide break-even estimates for each project being negotiated; in addition, AOSC is not a reliable instrument for measuring the financial outcome of the technical cooperation effort. Taken together, this constitutes a major financial risk for ICAO, which currently lacks a concrete plan for its control.

221. This audit showed that:
- The initial tender was organized with three firms, Indra, Selex and Thales;
 - ICAO concluded its evaluation of proposals in a note dated 25 January 2008, from TCB's Director addressed to ECAA's Director General. This evaluation recommended that Indra be awarded the contract;
 - During 2008, ECAA performed additional analyses and evaluations that resulted in a different choice. In a letter dated 29 September 2008 addressed to the Director of TCB, ECAA's Director General reported the conclusions of the national committee, which led to Selex being awarded the contract;
 - ECAA justified the choice, which differed from TCB's, on Indra's recent agreement with Northrop Grumman to produce the equipment jointly, and the Ethiopian authorities made known their reticence to be the first to try the new alliance. The rationale was officially notified to TCB, which took action in consequence in an interoffice memorandum of 6 November 2008 noting that the contract had been given to Selex, for whom TCB should issue a PO.
222. In his report the External Auditor recommended "...clearly setting out, in the Procurement Code, what rules should be applied when the customer contests the vendor chosen by ICAO."
223. The present audit has revealed that the new Procurement Code, dated 1 November 2010, includes a provision that allows ICAO, when the partner State holds a different view, to withdraw from the advisory procedure while retaining the overhead fees for the work performed²⁶.

5.5.2. Government employees on international contracts under technical cooperation agreements

224. Projects BOL/09/801 (MSA providing financing through ICAO, up to approximately 80 per cent of the amount of the contract, for Bolivian administrative staff assigned to the Bolivian civil aviation authority over the period 2009-2012) and PER/07/801

were successful, and the recruitment of Brazilian nationals for this project was halted. This case nevertheless reveals an important risk when local citizens are employed on international contracts.

227. Current projects with Bolivia BOL/09/801 and Peru PER/07/801 rely on the same logic. Pay levels and benefits (immunity, etc.) are intended to encourage hiring of the best staff.
228. The contracts present a possible difficulty for ICAO in that the country chooses its own candidates. To ensure that they meet the profiles and skills needed, TCB must be especially watchful, since in the past it has had to refuse to hire staff that were not suitable for a project, but were nevertheless put forward by the Government. In certain cases, TCB observed that certain posts were unrelated to civil aviation, or that the employees hired at the Government's request did not have the necessary skills profile.
229. In addition, the past example of Brazil shows that, for all MSAs, it is essential that ICAO be forewarn itself against subsequent litigation by indicating clearly the exceptional nature of international contracts given to nationals. The MSA signed with Bolivia included a clause of this type (2.4.2). On the other hand, there is no evidence of this in the MSA signed with Peru. Special attention must be paid to this point.
230. Finally, the logic of such cooperation require that it should be terminated quickly to avoid prolonging exceptional situations. With Brazil, there have been no more contracts of this type not so much because of the legal risk arising from retirement plans but because the court cases showed that the Brazilian civil service pay scale now includes a suitable salary level for civil aviation specialists.

<p>Observation 14: To circumvent national rules for paying civil servants considered incompatible with the level required for recruiting national civil aviation specialists, various contracts provide recourse for ICAO, which plays the role of a temporary employment agency that pays higher rates. It is not the External Auditor's role to assess the correctness of this procedure with regard to the national laws of the States concerned. On the other hand, the</p>
--

way considered ICAO staff. Furthermore the terms and conditions of Special Services Agreements clearly stipulate that the personnel are not entitled to pension after separation. Both the current and draft revised MSA include the hold harmless clause. The draft revision has further strengthened it in stipulating that the obligation does not lapse upon termination or completion of the agreement."

5.5.3. Insurance and

amounted to USD 72,500²⁹ for the 2009 reporting period (CAD 83,593 recorded for this purpose in the AOSC Fund for the 2009 reporting period). The difference between the amount collected from the one half of one per cent and the single fixed premium paid, or USD 291,839, constitutes income to the AOSC Fund to be recorded in 2010. This difference, which is justified as constituting a form of ICAO self-insurance to cover deductibles (is approximately equal to the deductible for a single claim during the year) and remains in AOSC if there is no litigation.

236. The “hold harmless” clause was not always systematically inserted and does not appear in the oldest MSAs still in effect. The limited duration of contracts signed under MSAs means that few of them lack this clause and, at any rate, they will gradually come to an end. It is thus not necessary to renegotiate them. On the other hand, some may be prolonged, extended or supplemented. In this case, it is necessary to amend the original text and insert a no liability clause.

Observation 15: ICAO’s responsibility for TCB's activities is assumed to be covered by various contractual clauses and by PLI. No risk protection assessment was provided to the External Auditor.

Recommendation 15: ICAO should:

- When extending, prolonging, or supplementing old MSAs, include a hold harmless clause, as provided by Article 17 of the template contract and, if necessary, renegotiate the agreement for this purpose;
- Regularly examine and review the terms of the Lloyds PLI contract and ensure that it is in line with the various risks incurred;
- More generally, conduct a legal assessment of the adequacy and robustness of the liability protection measures currently in place.

The draft Secretariat Action Plan accepts this observation, repeating that "both the current and the draft revised MSA include the hold harmless clause", but adds that "certain States in the past did not agree with it and requested that the clause be removed. When renegotiating with these States, FOS will ensure that the clause is reintroduced into the agreements"

Concerning PLI, ICAO makes the following comment: "PLI is an insurance covering procurement only. PRO is currently preparing a call for tender for a new insurance broker that will be engaged to handle insurance for all of ICAO (not just PLI). PRO shall submit the terms of reference to LEB for review and request their participation in the evaluation of submissions.

INTERNATIONAL CIVIL AVIATION ORGANIZATION

**PART VI: SECRETARIAT ACTION PLAN IN RESPONSE TO THE REPORT OF THE
EXTERNAL AUDITOR**

**SECRETARIAT ACTION PLAN
RELATED TO THE ANNUAL REPORT 2010 OF THE EXTERNAL AUDITOR**

Rec. No.	Recommendation	Secretariat Response ¹	Secretariat Action Plan/Rationale ²	Officer(s) Responsible	Target Date
Finance and Budget (paragraphs 10 to 34)					
1	In view of the limited room for manoeuvre characteristic of ICAO's short-term financial position, which has become clearer with the application of IPSAS, it would be useful to prepare three-year cash forecasts so that the consequent financial constraints can be assessed more accurately. A tool of this kind would support management decision-making by providing a precise picture of the financial margin for manoeuvre, and would facilitate decision-making, particularly as regards policy on human resources, debt recovery and, where necessary, physical premises.	Not accepted	The risk of running out of cash is present only if ICAO were to overspend its appropriation or if a major contributor defaulted on its payment. ICAO's expenditure is very strictly monitored against appropriation. If the past is an indication, there is always unspent appropriation at year-end that is available to be carried over. On non-payment of dues, if a large contributor would default, it would immediately come to notice. Therefore, we believe that making cash forecasts simply adds to the administrative burden without adding value.		
2	The External Auditor recommends that productivity measurement tools be developed, as the only means of setting and monitoring targets for improving productivity, which are essential for the nominal execution of the 2011-2013 triennial budget.	Accepted	ICAO is implementing a project management and reporting tool; the ICAO Knowledge Sharing Network (IKSN). The tool will enable the reporting of project status against deliverables and timelines.	C/FIN	Dec. 2011
Human Resources (paragraphs 35 to 84)					
3	Within the framework of the planned development of activities financed by voluntary contributions (an objective recalled during the 192 nd session of the Council), arrangements should be made for the corresponding funds to pay the regular budget a contribution to the revolving fund to finance the social welfare costs accumulated in this way.	Accepted	Charging an administrative		

Rec. No.	Recommendation	Secretariat Response ¹	Secretariat Action Plan/Rationale ²	Officer(s) Responsible	Target Date
4	Se31Reresethe TrigiBu5-(dg)-5T(et.0.4	48.36858.5	695.28 ref50.4 743.1858648 695.262 0 sf50.88 78 3858648.4762 0 sf50.88 743.85864828 0.476		

Rec. No.	Recommendation	Secretariat Response¹	Secretariat Action Plan/Rationale²	Officer(s) Responsible	Target Date
	<p>State in each region, for each specialist field.</p> <p>The resulting raw data, which do not, however, take into account of significant qualitative factors, would indicate some adjustment is called for between available staff and the resources assigned for the performance of their duties.</p> <p>The External Auditor suggests that the Council should request the Secretary General to examine these two approaches further in order to define, justify and validate quantitative targets in terms of budgetary resources, technical staff and</p>				

Rec.

Rec. No.	Recommendation	Secretariat Response ¹	Secretariat Action Plan/Rationale ²	Officer(s) Responsible	Target Date
----------	----------------	-----------------------------------	--	------------------------	-------------

Notwithstanding the above, in 2010, a reform of the Procurement Section was undertaken based on a common UN procurement certification scheme. This reform saw a revised procurement code, the development of Procurement Procedures Manual and UNDP Procurement Certification through the United Kingdom's Chartered Institute of procurement and supply (CIPS), to address amongst others cost analysis.

With specific relation to the External Auditor's comments that TCB should perform a cost analysis, the following should be noted :

1. The role of TCB is to seek out competitive proposals from the largest pool available in the marketplace. Consequently a web based tendering system has also been put in place as part of its reform, which provides an open tendering process whereby any company from any providence, may bid without limitations, therefore diminishing any risk of collusion.
2. In accordance with UN guidelines and those of CIPS, Evaluation methods are performed on a lowest cost compliant proposal for goods and a weighted scoring method when services are procured

Rec. No.	Recommendation	Secretariat Response ¹	Secretariat Action Plan/Rationale ²	Officer(s) Responsible	Target Date
			<p>same or similar goods or services by the organization or by another UN organization</p> <ul style="list-style-type: none"> • is the offer the same as for another comparable customer • obtain breakdown of cost information from the supplier. <p>Furthermore all proposals are subject to both a technical and commercial evaluation which addresses cost analysis.</p>		
13	<p>So that ICAO can maintain the break-even point in TCB's technical cooperation effort, consideration must be given to:</p> <ul style="list-style-type: none"> - Rate-setting for technical cooperation; - The reliability of the AOSC Fund as a monitoring tool; - What management tools that are now lacking should be developed. 	Accepted	<p>TCB does not employ a true cost accounting method to determine the real cost to TCB of executing a project. In the absence of such a method, TCB is reviewing and formulating a new methodology in determining the appropriate Overhead rates to be applied in order to fully recover its direct and indirect cost for the AOSC.</p> <p>A new Project Portfolio Management (PPM) tool is in its developmental phase to address various issues such as reporting, risks and key performance indicators to properly measure TCB's outputs.</p>	D/TCB	Dec. 2011

14 - When projects involve assigning government staff to international posts, TCB should systematically ensure, by inserting appropriate clauses in the MSA, that the staff cannot later make any claims against it, including for retirement benefits;

- In all cases, this type of contract constitutes only a temporary solution, and ICAO should set timelimits for this practice, and avoid automatic renewal of this type of c ssues 4-5.1(m)9h3B9nhh (j)-2.5(eci)3.5((i)3.5no)-1.9()TJ0 -1.1437 TD-0.0076 Tc0.0092 TwPerou aua weurexcamau , he;

Rec. No.	Recommendation	Secretariat Response¹	Secretariat Action Plan/Rationale²	Officer(s) Responsible	Target Date
	- More generally, conduct a legal assessment of the adequacy and robustness of the liability protection measures currently in place.		currently preparing a call for tender for a new insurance broker that will be engaged to handle insurance for all of ICAO (not just PLI). PRO shall submit the Terms of Reference to LEB for review and request their participation in the evaluation of submissions.	D/TCB	Dec. 2011

