

FINANCIAL STATEMENTS

AND

REPORT OF THE EXTERNAL AUDITOR

FOR THE FINANCIAL PERIOD ENDING 31 DECEMBER 2008



DOCUMENTATION
for the 37th Session of the Assembly in 2010

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

INTERNATIONAL CIVIL AVIATION ORGANIZATION

FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2008

TABLE OF CONTENTS

PART I:	REPORT OF THE SECRETARY GENERAL, CERTIFICATION, APPROBATION AND SUBMISSION OF THE FINANCIAL STATEMENTS FOR THE YEAR 2008	Page I-1
PART II:	AUDITOR'S REPORT/OPINION OF THE EXTERNAL AUDITOR	II -1
PART III:	FINANCIAL STATEMENTS	
Statement I	Statement of Income and Expenditure	III-1
Statement II	Statement of Assets, Liabilities and Fund Balances	III-2
Statement III	Statement of Cash Flow	III-3
Statement IV	Statement of Appropriations	III-4
Statement V	Statement of Cumulative Surplus	III-5
Schedule A	Regular Programme - Assessments Receivable from Contracting States	III-6
Schedule B	Other ICAO Proprietary Funds – Schedule of Income & Expenditures	III-9
Schedule B.1	AOSC and TCB Efficiency Fund – Schedule of Income & Expenditures	III-10
Schedule C	Technical Co-operation Programme Funds – Schedule of Income and Expenditures	III-11
Schedule C.1	United Nations Development Programme – Schedule of the Status of Funds	III-12
Schedule C.1.1	United Nations Development Programme - Expenditure by Country and Region	III-13
Schedule C.2	Trust Funds and Management Service Agreements - Schedule of Income, Expenditure and Fund Balances	III-14
Schedule C.3	Civil Aviation Purchasing Service Funds - Schedule of Income, Expenditure and Fund Balances	III-16
Schedule D	Other Trust Funds Managed on Behalf of Third Parties - Schedule of Income, Expenditure, Assets, Liabilities and Fund Balances	III-17
Schedule D.1	Schedule of Assessments, Balances Receivable and Credits to Contracting Governments in respect of Danish & Icelandic Joint Financing Agreements	III-18
Schedule E	International Financial Facility for Aviation Safety Fund - Schedule of Income, Expenditure, Assets, Liabilities and Fund Balances	III-20
	Notes to the Financial Statements	III-21
PART IV:	ANNEXES	
	Notes on Annexes	IV-1
Annex A	Other ICAO Proprietary Funds - Aviation Security Trust Funds	IV-3
Annex B	Other ICAO Proprietary Funds – Others	IV-4
PART V¹:	REPORT OF THE EXTERNAL AUDITOR TO THE ASSEMBLY ON THE AUDIT OF THE FINANCIAL STATEMENTS OF THE INTERNATIONAL CIVIL AVIATION ORGANIZATION FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2008 AND SECRETARY GENERAL'S RESPONSE TO THE REPORT OF THE EXTERNAL AUDITOR	

¹ French version prevails over all other languages in case of a discrepancy.

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

INTERNATIONAL CIVIL AVIATION ORGANIZATION
REPORT OF THE SECRETARY GENERAL, CERTIFICATION, APPROBATION AND
SUBMISSION OF THE FINANCIAL STATEMENTS FOR THE YEAR 2008

1. The Financial Statements of the International Civil Aviation Organization for the year ended 31 December 2008 reflect the results of operations of ICAO and the financial performance of projects and activities managed by ICAO on behalf of third parties. The format and presentation of this report and the accompanying financial statements have been significantly changed due to the introduction of International Public Sector Accounting Standards (IPSAS) for expenditures and for presentation content. As IPSAS is further introduced through 2010, more changes will be made. Furthermore, this is the first year the financial statements are being presented in Canadian dollars. The Funds reported in the financial statements have been grouped to distinguish between those used for ICAO's own operational activities and those that are administered on behalf of third parties.

2. The magnitude of ICAO's financial operations, in terms of expenditures incurred, is indicated below against each Fund or group of Funds, and a summary is provided in Figure 1. Summary information relating to income, expenditures, assets and liabilities on the main ICAO Funds and the combined total of all Funds are shown in Statements I and II. Statement III reflects the cash flow for Regular Programme only, since changes in currency, account/fund grouping and prior formatting do not permit overall comparability. Statement IV presents appropriations and expenditure by Strategic Objective and Supporting Implementation Strategy for the Regular Programme General Fund. Statement V reflects the change in accumulated surplus for all Fund groups. The report also provides highlights of ICAO's financial activities in 2008. All amounts in this report, the Financial Statements and Notes to the Financial Statements are reported in thousands of Canadian dollars unless otherwise specified.

	Total Expenditure excluding administrative overhead (in thousands of Canadian dollars)	
	2008	2007
The expenditure relating to ICAO Funds comprises:		
a) Regular Programme Funds appropriated by the Assembly or by the Council;	67 256	75 374
b) Other Proprietary Funds, including Aviation Security Plan of Action, the Universal Safety Oversight Audit Programme, the International Financial Facility for Aviation Safety Fund (IFFAS) and other Funds/Special Accounts;	30 563	23 827
c) The Technical Co-operation Programme comprising:		
i) Trust Fund, Management Service Agreements Funds, provided by various contributors for Technical Co-operation Projects executed by ICAO and ICAO objectives implementation mechanism;	67 703	149 848
ii) Civil Aviation Purchasing Service Funds provided by various contributors for civil aviation purchases on their behalf; and	4 281	3 511
iii) United Nations Development Programme Funds, mainly contributed by governments to UNDP under cost-sharing arrangements.	3 823	5 764
d) Other Trust Funds for the activities managed or administered on behalf of third parties, including Joint Financing Agreements, France-ICAO/Cooperation, and the Public Key Directory.	56 462	40 302
Total	<u>230 088</u>	<u>298 626</u>

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

FIGURE 1: TOTAL EXPENDITURE - ALL FUND GROUPS

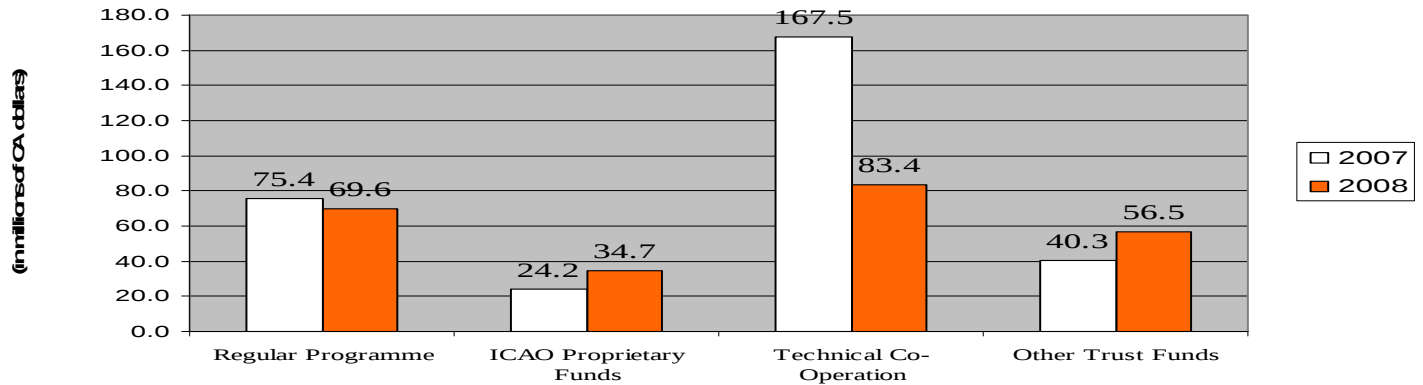


FIGURE 2: TECHNICAL CO-OPERATION PROGRAMME FUNDS

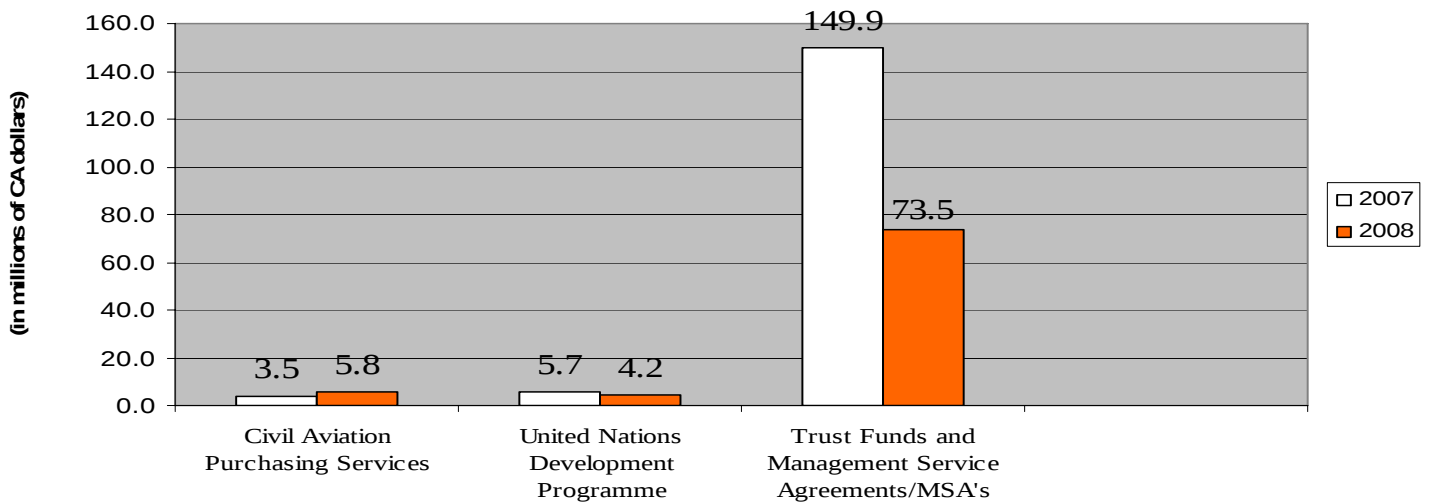
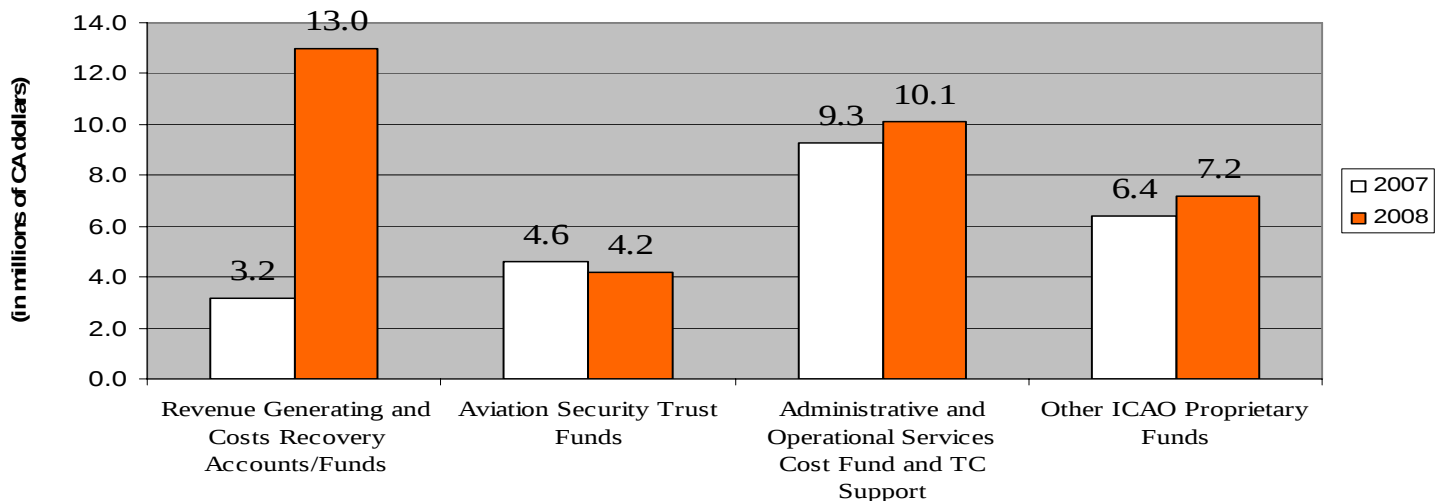


FIGURE 3: OTHER ICAO PROPRIETARY FUNDS



4. REGULAR PROGRAMME

4.1 Appropriations

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

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

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

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

- a) \$ 4 262 to the Temporary Staff Salaries Fund (TSSF) for language requirements;
- b) \$ 1 374 to the Comprehensive Regional Implementation Plan for Aviation Safety in Africa (AFI Plan);
- c) \$ 589 to the Group on International Aviation and Climate Change (GIACC) – Environmental Fund;
- d) \$ 981 to the ICT Fund for the Integrated Resources Information System (IRIS);
- e) \$ 981 return of loan taken by the TSSF.

4.1.4 2008 Outstanding Commitments. Under the International Public Sector Accounting Standards (IPSAS), outstanding commitments are no longer to be recognized as expenses until the goods/services have been received. Purchase obligations of \$ 1 167 were entered into in 2008 but delivery against which is only expected in 2009. This amount has been reserved and carried forward to 2009 to satisfy legal obligations arising from delivery against these Purchase Orders. As the amounts are less than 10 per cent of the annual appropriation by Strategic Objectives (SO) and Supporting Implementation Strategies (SIS), the Secretary General, pursuant to Financial Regulation 5.6 and 5.7, has approved this.

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

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

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

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

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

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

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

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

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

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

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

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

4.2.3 **New Enterprise Resource Planning (ERP) System**

The Organization approved the implementation of a new Enterprise Resource Planning (ERP) system from Agresso. The functionality includes the recording and presentation of all financial transactions and information that will be used for the preparation of the Financial Statements from 2008 onward. The Agresso Financial Modules were live from 8 January 2008 (Phase I) and by the end of the year, all financial transactions had been recorded in Agresso. Phase I also included Procurement and Project Management modules. Phase II started in April 2008 and its estimated date of completion is the end of 2009. The Scope of Phase II includes budget planner, fixed assets, sales of publications, travel, human resources and payroll. Among the several benefits that the implementation of an ERP system bring to the Organization is the capacity to record transactions on the IPSAS basis. Furthermore, financial information will be produced in a more timely and efficient manner. Phase III which is the rollout of Agresso to Regional Offices will take place starting later in 2009.

4.2.4 **Adoption of International Public Sector Accounting Standards**

As reported in Note 3 to the Financial Statements, the United Nations (UN) and the UN system’s Chief Executive Board (CEB) have adopted International Public Sector Accounting Standards (IPSAS) to be implemented on or before 1st January 2010. IPSAS are a set of independently developed accounting standards, which require adoption of accounting on a ‘full accruals’ basis. Full accruals 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. IPSAS will be implemented at ICAO gradually during the triennium (2008- 2010). The Notes to the Financial Statements provide an overview of the impact of IPSAS adoption on the content and presentation of the Financial Statements.

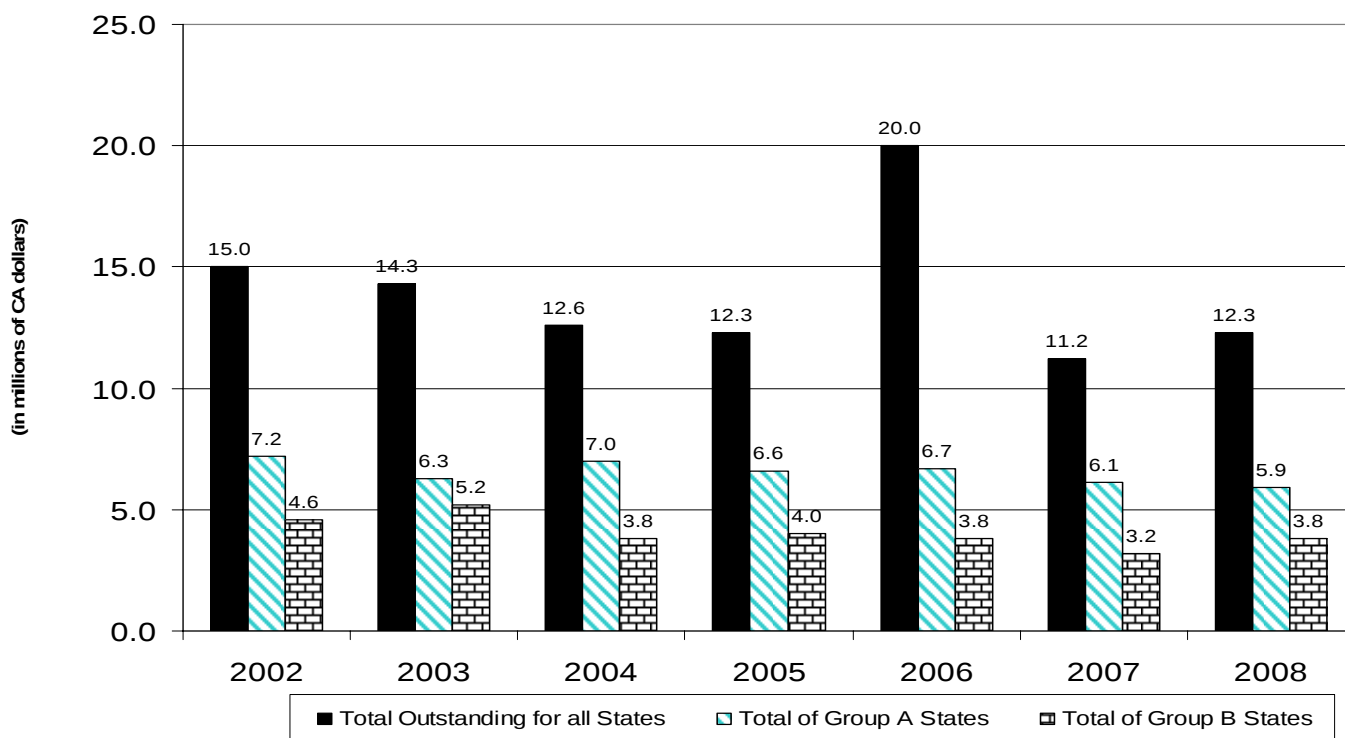
4.3 Income and Assessments

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

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

FIGURE 4

ASSESSMENTS RECEIVABLE FROM CONTRACTING STATES AS AT 31 DECEMBER



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

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

4.3.4 As at 31 December 2008, 26 States had concluded agreements to liquidate their 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 years arrears. The note on Schedule A indicates the States that had not complied with the terms of their agreements at 31 December 2008.

4.3.5 Major contributions (*) received for the Regular Programme and other Proprietary Funds for 2008 are summarized as follows:

MAJOR CONTRIBUTORS - 2008				
Contracting State	Regular Programme		Proprietary Funds	Total
	Assessment Received	Contributions In-Kind (Premises)	Contributions In Cash and In Kind Including AVSEC	
United States of America	18 546		651	19 197
Canada	1 840	13 818	276	15 934
Japan	9 021			9 021
Germany	5 252		16	5 268
France	3 835	1 017	285	5 137
United Kingdom	4 407		237	4 644
Italy	2 752		145	2 897
Republic of Korea	1 818		216	2 034
Thailand	415	1 263	4	1 682
China	1 795		319	2 114
Spain	1 766			1 766
Netherlands	1 454		13	1 467
Total	52 901	16 098	2 162	71 161

(*) Twelve highest contributions

4.4 **Surplus**

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

4.5 **Cash Balances**

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

4.6 **Forward Purchase of Currency**

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

5. **OTHER ICAO PROPRIETARY FUNDS**

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

5.1.1 The AOSC Fund is established to meet the costs of administration and operations of the Technical Co-operation Programme (TCP), and is primarily financed from administrative overhead charges on UNDP, CAPS, Trust Fund and MSA projects. The financial results for the AOSC Fund are reported in Schedule B and B.1 and the budgetary comparison is presented in the following table:

FIGURE 5
AOSC FUND BUDGET AND EXPENDITURES FOR 2008
(in thousands of CA Dollars)

	Submitted to the Assembly	Revised Budget 2008 ²	Expenditure/ Income 2008 ³	Balance of Revised Budget
Appropriation/Expenditure				
Major Programme X	\$ 9 723 ¹	\$ 10 052	\$ 9 920	\$ 132
Income	-----	\$ 10 108	\$ 8 799	
Excess/(Deficit) of Income over Expenditure	-----	\$ 56	(\$ 1 121)	

¹ Approved by the Assembly in 2007 (A36)

² Noted by the Council at its 185th Session (C-WP/13210)

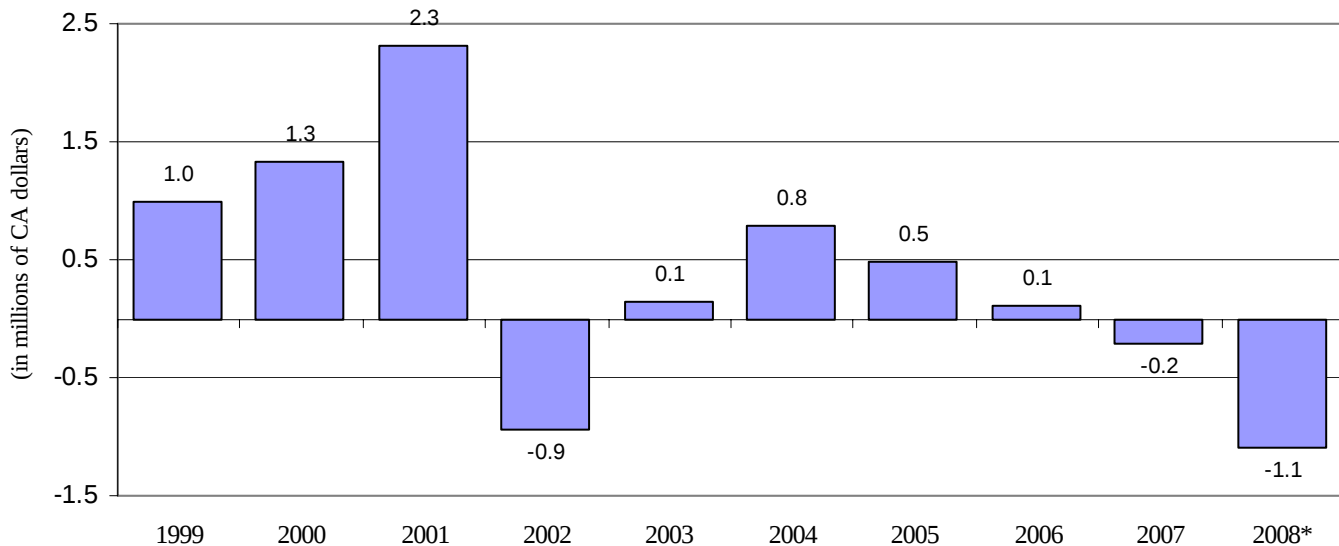
³ Not including Efficiency and Effectiveness Fund

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

5.1.3 Total expenditures presented in the Financial Statements for the TCP excluding administrative overhead charges amounted to \$ 75 809 in 2008 compared with \$ 159 124 in 2007. During 2008, programmes expenditures for projects included equipment expenditures amounting to \$ 16 599 as compared to \$ 109 638 in 2007, the difference being mainly attributable to the cessation of accounting of Unliquidated Obligations (ULO's) as expenditures. The AOSC Fund income from recovery of administrative overhead amounted to \$ 7 620 in 2008 compared to \$ 8 341 in 2007. The AOSC Fund total income for 2008 was \$ 8 799 representing a decrease of \$ 265 (2.8%) compared with 2007. The actual AOSC Fund expenditures, on the other hand, amounted to \$ 9 920 representing an increase of \$ 626 (6.7%) compared to 2007. Actual expenditures include non-budgeted gains on exchange of \$ 32 in 2008 and \$ 1 022 in 2007. Although the revised budget noted by Council at its 185th Session had estimated a small surplus of \$ 56, the AOSC Fund did not fully recover its costs for the year 2008 and incurred a shortfall of \$ 182 (after taking into account a currency revaluation gain of \$ 939), which was deducted from the balance of the AOSC Fund, amounting to \$ 5 526 at the end of 2008. It should be noted that the introduction of IPSAS for expenditures, had a significant reducing impact on AOSC results for 2008 (refer to Note 2 (d) below).

Figure 6 reports on the trend in the annual excess (shortfall) over the last ten years.

FIGURE 6
AOSC FUND SURPLUS AND SHORTFALL AS AT 31 DECEMBER



* Note that the 2008 amount does not include the 2008 AOSC currency gain of \$ 939.

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

6. TECHNICAL CO-OPERATION PROGRAMME FUNDS (NON-PROPRIETARY FUNDS)

6.1 The Technical Co-operation Programme, a permanent priority activity of ICAO as stated in Assembly Resolution A36-17, provides a broad spectrum of services, including assistance to States in the review of the structure and organization of national civil aviation institutions, updating the infrastructure and services of airports, facilitating technology transfer and capacity building, promoting ICAO Standards and Recommended Practices (SARPs), Air Navigation Plans (ANPs) and supporting remedial action resulting from the Universal Safety Oversight Audit Programme (USOAP) and the Universal Security Audit Programme (USAP) audits. The Technical Co-operation Programme Funds are reported in Schedule C.

6.2 The Financial Regulations and Rules of the United Nations Development Programme (UNDP) provide that executing agencies, which are organizations of the United Nations system, transmit to the UNDP Administrator the accounts of funds allocated to them by the UNDP Administrator and the Report of the External Auditor thereon for submission to the UNDP Executive Board. The accounts for 2008 in respect of the UNDP projects executed by ICAO are included in Schedule C.1 of the Financial Statements of the Organization and the Report of the External Auditor accordingly encompasses the UNDP project accounts. These accounts are submitted for approval by the Assembly and subsequent submission to the Administrator of the UNDP.

7. OTHER TRUST FUNDS

7.1 The Public Key Directory Fund (PKD)

The Fund was established by the Council in 2005 (C-DEC 174/1). ICAO supervises the development of the project to support interoperability of electronic-enhanced machine readable passports, which includes the establishment of a Public Key Directory (PKD) under the aegis of ICAO to manage exchange of electronic keys for decryption of the digital signatures imbedded in the 'e-passports'. Up to the end of 2008, twelve States contributed to the PKD fund. The PKD Development or "Establishment" contract was awarded to a private company, for complete design and development of the ICAO Public Key Directory. ICAO has now commenced (Phase 2) the second part of the project, a PKD Operations Phase Contract. Transactions are reflected in Schedule D to the Financial Statements.

7.2 **Joint Financing Agreements**

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

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

The Secretary General is required by the Financial Regulations to maintain such accounting records as are necessary and to submit financial statements showing the income and expenditure of all the International Civil Aviation Organization Funds during the financial year and their respective financial positions at the end of the year, as well as the status of appropriations (Regular Programme General Fund) and credits not budgeted for by the Assembly. He is also required to give such other information as may be appropriate to indicate the current financial position of the Organization.

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

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

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

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



Rahul Bhalla
Chief, Finance Branch

As the Secretary General of the International Civil Aviation Organization, I hereby approve and submit the financial report of ICAO, accompanied by the Financial Statements, the Schedules and the Annexes for the year 2008.



Taïeb Cherif
Secretary General

Montreal, Canada
15 May 2009

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

Cour des comptes

Le Premier président

Paris, June, 3rd 2009

To the Assembly of the International Civil
Aviation Organization

AUDIT OPINION

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

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

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

In my opinion, the financial statements present fairly, in all material respects, the financial position of ICAO as at 31 December 2008 and the results of its operations and its cash flow for the year then ended, in accordance with the United Nations system accounting standards.

Without affecting the opinion expressed above, I draw your attention to the change in the method of accounting for the expenses as explained in the note 4.1.4. to the financial statements.

Furthermore, in my opinion, the transactions of ICAO that have come to our notice, which we have tested as part of our audit, have in all significant respects been in accordance with the ICAO Financial Regulations and Rules and legislative authority.



Philippe SÉGUIN

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

INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT OF INCOME AND EXPENDITURE
FOR THE PERIOD ENDING 31 DECEMBER 2008
(expressed in thousands of Canadian dollars)

	Note	Regular Programme General Fund and Working Capital Fund		Other ICAO Proprietary Funds (Refer Schedule B&E)		Sub-total ICAO Funds		Technical Co-operation Programme Funds (Refer Schedule C)		Other Trust Funds (Refer Schedule D)		Elimination		Total	
		2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
INCOME AND EXPENDITURE															
INCOME															
Assessed Contributions		74,184	65,827			74,184	65,827			546	595			74,730	66,422
Voluntary Contributions				4,084	5,994	4,084	5,994	117		747	277			4,949	6,271
Sales of publication	4		5,334	5,465		5,465	5,334							5,465	5,334
Other Revenue Producing Activities	4			6,292	2,295	6,292	2,295							6,292	2,295
Contributions for Project Agreement				61		61		135,512	165,461					135,573	165,461
Administrative Fee Revenue		213	38	8,094	8,341	8,306	8,379					(8,306)	(8,379)		
Internal Revenue				1,849		1,849						(1,849)			
Interest Income		637	1,183	783	1,387	1,420	2,570	4,339	6,994	84	204			5,843	9,769
User Charge Revenue		44		669	865	712	865			44,651	48,274			45,363	49,139
Other/Miscellaneous Income	5	3,953	3,127	2,479	1,613	6,432	4,740	6,080	7,259	72		(3,947)	(352)	8,637	11,648
TOTAL INCOME		79,032	75,509	29,775	20,495	108,807	96,005	146,049	179,714	46,101	49,351	(14,102)	(8,731)	286,853	316,338
EXPENDITURE															
Staff/Expert Salaries and Costs		57,766	62,457	23,512	15,858	81,278	78,315	43,767	38,789	480	701			125,525	117,805
General Operating Expenses	5	6,383	7,285	8,095	4,888	14,477	12,173	1,722	2,589	67	120	(3,851)		12,415	14,882
Travel		2,259	2,497	2,338	1,519	4,597	4,016	3,189	3,046	95	118			7,880	7,180
Outsourcing ARGF	4	2,321				2,321						(2,321)			
Meetings		432	1,056	52		484	1,056							484	1,056
Sub-Contracts								9,493	3,730					9,493	3,730
Technical Training								912	1,302					912	1,302
Equipment	6	134	1,789	270	622	405	2,411	16,599	109,638					17,004	112,049
Grants and Other Transfers				96	619	96	619					(96)	(352)		267
Service Cost										55,820	39,363			55,820	39,363
Depreciation and Amortization															
Administrative Overhead Charges				213	23	213	23	7,620	8,341		15	(7,834)	(8,379)		
Finance Costs															
Other expenses		281	290	146	673	428	963	126	30					554	993
TOTAL EXPENDITURE		69,577	75,374	34,723	24,202	104,300	99,576	83,429	167,465	56,462	40,317	(14,102)	(8,731)	230,088	298,626
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE		9,455	135	(4,948)	(3,707)	4,507	(3,571)	62,619	12,249	(10,361)	9,034			56,767	17,714
Foreign currency revaluation gain / (loss)	7	4,953		6,730		11,682		28,687		677				41,046	
SURPLUS/DEFICIT FOR THE PERIOD		14,408	135	1,782	(3,707)	16,189	(3,571)	91,307	12,249	(9,684)	9,034			97,814	17,714

III-1

STATEMENT I

The accompanying notes and schedules are an integral part of the financial statements.
Details may not add to totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
AS AT 31 DECEMBER 2008
(expressed in thousands of Canadian dollars)

	Note	Regular Programme General Fund and Working Capital Fund		Other ICAO Proprietary Funds (Refer Schedule B&E)		Sub-total ICAO Funds		Technical Co-operation Programme Funds (Refer Schedule C)		Other Trust Funds (Refer Schedule D)		Elimination		Total	
		2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
ASSETS															
CURRENT ASSETS															
Cash and Cash Equivalents	8	26,138	30,534	34,586	1,287	60,723	31,821	195,465	163,463	5,030	2,499			261,219	197,783
Assessed Contributions Receivable from Contracting States (Schedule A)	9	12,277	11,220			12,277	11,220							12,277	11,220
Inter-fund Balances	2b	611		13,775	25,231	14,386	25,231	3,504		215	183	(18,105)	(25,414)		
Inventories	10			232	139	232	139							232	139
Receivables and Advances	11	4,023	2,698	4,619	2,787	8,642	5,485	16,398	2,854	3,885	12,830			28,925	21,168
Receivable from Regional Bodies: AFCAC	12	1,024	1,024			1,024	1,024							1,024	1,024
Other Current Assets		1,668	1,353	48	731	1,716	2,084	1,014	250					2,730	2,334
TOTAL CURRENT ASSETS		45,741	46,829	53,260	30,175	99,000	77,004	216,381	166,567	9,130	15,512	(18,105)	(25,414)	306,407	233,668
NON-CURRENT ASSETS															
Property, Plant, and Equipment		1,145	1,145			1,145	1,145							1,145	1,145
Derivative Asset	14	9,068				9,068								9,068	
TOTAL NON-CURRENT ASSETS		10,213	1,145			10,213	1,145							10,213	1,145
TOTAL ASSETS		55,953	47,974	53,260	30,175	109,213	78,149	216,381	166,567	9,130	15,512	(18,105)	(25,414)	316,621	234,813
LIABILITIES															
CURRENT LIABILITIES															
Contributions Received in Advance (Schedule A)	9	616	4,711			616	4,711							616	4,711
Unliquidated Obligations	3	187	2,156	1,585	2,851	1,772	5,007	15,287	32,287					17,058	37,294
Account Payable		7,257	6,614	5,915	1,588	13,172	8,202	20,890	36,851	471	51			34,533	45,105
Inter-fund Balances	2b		526	6,806		6,806	526	11,071	24,888	227		(18,105)	(25,414)		
Due to Regional Bodies: ECAC	12	42	402			42	402							42	402
Credits to Contracting/service Governments (schedule D)										4,203	1,532			4,203	1,532
Advance Receipts			890	1,415		1,415	890	462						1,877	890
Deferred Revenue	11							5,913						5,913	
Other Current and Financial Liabilities	13	712	309	841	203	1,553	512	693						2,247	512
TOTAL CURRENT LIABILITIES		8,814	15,608	16,563	4,643	25,377	20,251	54,316	94,027	4,901	1,583	(18,105)	(25,414)	66,490	90,447
NON-CURRENT LIABILITIES															
Derivative Liability	14		162				162								162
TOTAL NON-CURRENT LIABILITIES			162				162								162
TOTAL LIABILITIES		8,814	15,770	16,563	4,643	25,377	20,413	54,316	94,027	4,901	1,583	(18,105)	(25,414)	66,490	90,608
NET ASSETS/EQUITY															
Accumulated Surpluses/(Deficit)		26,747	26,239	36,495	25,332	63,242	51,571	162,065	72,540	3,792	13,441			229,099	137,552
Reserved Surplus		20,392	5,964	202	201	20,594	6,165			438	488			21,032	6,653
TOTAL NET ASSETS/EQUITY		47,140	32,204	36,697	25,532	83,836	57,736	162,065	72,540	4,230	13,929			250,131	144,205
TOTAL LIABILITIES AND NET ASSETS/EQUITY		55,953	47,974	53,260	30,175	109,213	78,149	216,381	166,567	9,130	15,512	(18,105)	(25,414)	316,621	234,813

The accompanying notes and schedules are an integral part of the financial statements.
Details may not add to totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION
STATEMENT OF CASH FLOW
FOR THE PERIOD ENDING 31 DECEMBER 2008

(expressed in thousands of Canadian dollars)

	Regular Programme General Fund and Working Capital Fund	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net excess (shortfall) of income over expenditure (Statement I)	9 455	135
(Increase) decrease in contributions receivable	(1 057)	8 802
(Increase) decrease in other accounts receivable	(1 325)	(362)
(Increase) decrease in other assets	(315)	
(Increase) decrease in inter-fund balances receivable	(611)	(293)
Increase (decrease) in contributions received in advance	(4 095)	2 944
Increase (decrease) in unliquidated obligations	(1 969)	30
Increase (decrease) in accounts payable	(606)	4 001
Increase (decrease) in inter-fund balances payable	(526)	(716)
Less : Interest income	(637)	(1 183)
Other credit balances and provisions	402	
(Increase) decrease in derivative asset/liability	(8 906)	6 152
Other adjustments to reserves and fund balances	8 906	(6 152)
Foreign currency revaluation gain / (loss)	4 953	
NET CASH FLOWS FROM OPERATING ACTIVITIES	3 669	13 357
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income	637	1 183
NET CASH FLOWS FROM INVESTING ACTIVITIES	637	1 183
CASH FLOWS FROM FINANCING ACTIVITIES:		
Adjustment of prior periods' obligations		373
Transfers (to)/from other funds	(8 694)	(2 197)
Increase (Decrease) in Working Capital Fund	(7)	3
Refund of contributions		
Translation Adjustment		161
NET CASH FLOWS FROM FINANCING ACTIVITIES	(8 701)	(1 660)
NET INCREASE (DECREASE) IN CASH AND TERM DEPOSITS	(4 396)	12 880
CASH AND TERM DEPOSITS, BEGINNING OF PERIOD	30 534	17 654
CASH AND TERM DEPOSITS, END OF PERIOD	26 138	30 534

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

Details may not add to totals due to rounding

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

(expressed in thousands of Canadian Dollars)

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

III - 4

STATEMENT IV

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

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

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

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

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

INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT OF CUMULATIVE SURPLUS

AS AT 31 DECEMBER 2008

(expressed in thousands of Canadian dollars)

	Regular Programme General Fund and Working Capital Fund		Other ICAO Proprietary Funds (Refer Schedule B and E)		Sub-total ICAO Funds		Technical Co-operation Programme Funds (Refer Schedule C)		Other Trust Funds (Refer Schedule D)		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
CUMULATIVE SURPLUS												
Cumulative Surplus, Beginning of year	19,201	17,083	25,332	26,955	44,533	44,038	72,540	66,421	13,441	4,407	130,513	114,866
Net excess(shortfall) of Income over Expenditure	9,455	135	(4,948)	(3,707)	4,507	(3,571)	62,619	12,249	(10,361)	9,034	56,767	17,714
Foreign currency revaluation gain / (loss)	4,953		6,730		11,682		28,687		677		41,046	
Transactions not recognized in Statement of Income/Expenditures												
Adjustment for prior year's expenditure		21		(13)		8						8
Write-offs		(58)				(58)						(58)
Cancellation of prior year's unliquidated obligation		411	(19)		(19)	411					(19)	411
Regular Programme appropriations carry over from prior year	5,964	9,776			5,964	9,776					5,964	9,776
Outstanding commitments	(1,167)				(1,167)						(1,167)	
Regular Programme appropriations carry over to following year	(10,157)	(5,964)			(10,157)	(5,964)					(10,157)	(5,964)
Refund of contribution				(119)		(119)	(1,663)	(6,251)			(1,663)	(6,370)
Refund of interest												
Transfer to / from other funds	(8,694)	(2,197)	8,788	2,197	94		(119)	(180)	(20)	180	(45)	
Transfer to / from reserved surplus												
Reserved from/to Joint Financing									50	(97)	50	(97)
To and from Incentive Scheme Reserved Surplus												
Change in accounting policy			595		595						595	
Translation Adjustment		157		(46)		111		301	5	(83)	5	327
Derivative liability	162	(162)			162	(162)					162	(162)
Reserved for Miscellaneous Income projects												
Reserved in Incentive Scheme for Long-outstanding Arrears			17	65	17	65					17	65
Sub-total	19,717	19,201	36,495	25,332	56,211	44,533	162,065	72,540	3,792	13,441	222,068	130,513
Contributed capital relating to land and buildings	1,145	1,145			1,145	1,145					1,145	1,145
Working Capital Fund												
Beginning balance	5,893	5,886			5,893	5,886					5,893	5,886
Adjustment	(7)	7			(7)	7					(7)	7
Balance end of year	5,886	5,893			5,886	5,893					5,886	5,893
Total Cumulative Surplus at end of year	26,747	26,239	36,495	25,332	63,242	51,571	162,065	72,540	3,792	13,441	229,099	137,552
RESERVED SURPLUS												
Reserved in Regular Programme for Derivative Asset												
Beginning balance		5,990				5,990						5,990
Transfers (to)/from Regular Programme	9,068	(5,990)			9,068	(5,990)					9,068	(5,990)
Balance end of year	9,068				9,068						9,068	
Reserved AOSC / Joint Financing Funds Surplus												
Beginning balance									488	399	488	399
Translation Adjustment										(8)		(8)
Transferred to/from reserve									(50)	97	(50)	97
Balance end of year									438	488	438	488
Regular Programme Appropriations Carried Forward												
Beginning balance	5,964	9,776			5,964	9,776					5,964	9,776
Transferred to Regular Programme for current year	(5,964)	(9,776)			(5,964)	(9,776)					(5,964)	(9,776)
Appropriations carried forward to future year	11,324	5,964			11,324	5,964					11,324	5,964
Balance end of year	11,324	5,964			11,324	5,964					11,324	5,964
Reserved in Incentive Scheme for Long-Outstanding Arrears												
Beginning balance			201	260	201	260					201	260
Translation Adjustment				5		5						5
Cancellation of prior year's unliquidated obligation			19		19						19	
Expenditures			(17)	(65)	(17)	(65)					(17)	(65)
Balance end of year			202	201	202	201					202	201
Reserved Surplus at end of year	20,392	5,964	202	201	20,594	6,165			438	488	21,032	6,653
TOTAL BALANCE OF FUNDS	47,140	32,204	36,697	25,532	83,836	57,736	162,065	72,540	4,230	13,929	250,131	144,205

III-5

STATEMENT V

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

Details may not add to totals due to rounding

III-6

SCHEDULE A

INTERNATIONAL CIVIL AVIATION ORGANIZATION

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

(in thousands of Canadian dollars)

Contracting States Assembly Resolutions A36-32 and A36-29	General Fund			Balance of Assessments Receivable for 2008	Balance of Prior Years' Assessments Receivable	Balance of Advances due to the Working Capital Fund	Total Balances Receivable **	Contributions Received in Advance
	Scales 2008	Assessments 2008	Contributions Received for 2008					
AFGHANISTAN	0.06	45		45	26		71	
ALBANIA	0.06	45	29	15			15	
ALGERIA	0.08	59	59					
ANDORRA	0.06	45	9	36			36	
ANGOLA	0.06	45	43	1			1	
ANTIGUA AND BARBUDA	0.06	45		45	536		580	
ARGENTINA	0.33	245	245					
ARMENIA	0.06	45	45					
AUSTRALIA	1.77	1 313	1 313					
AUSTRIA	0.74	549	549			1	1	
AZERBAIJAN	0.06	45	45					
BAHAMAS	0.06	45	34	10			10	
BAHRAIN	0.07	52	51	1			1	
BANGLADESH	0.08	59		59			59	
BARBADOS	0.06	45	45					
BELARUS (*)	0.06	45		45	40		84	
BELGIUM	0.83	616	616					
BELIZE	0.06	45	45					
BENIN (*)	0.06	45	45		54		54	
BHUTAN	0.06	45		45			45	
BOLIVIA	0.06	45		45			45	
BOSNIA AND HERZEGOVINA	0.06	45	45					1
BOTSWANA	0.06	45		45			45	
BRAZIL	0.92	682	682					
BRUNEI DARUSSALAM	0.06	45		45			45	
BULGARIA	0.06	45	45					1
BURKINA FASO (*)	0.06	45	45		155		155	
BURUNDI	0.06	45	45					
CAMBODIA	0.06	45	45		167		167	
CAMEROON	0.06	45	45					
CANADA	2.48	1 840	1 840					
CAPE VERDE	0.06	45		45			45	
CENTRAL AFRICAN REPUBLIC (*)	0.06	45	45		315		315	
CHAD	0.06	45	45					9
CHILE	0.26	193	193					
CHINA	2.42	1 795	1 795					
COLOMBIA	0.21	156	156					
COMOROS (*)	0.06	45	45		406		406	
CONGO	0.06	45	45		281		281	
COOK ISLANDS	0.06	45	45		85		85	
COSTA RICA	0.06	45		45			45	
COTE D'IVOIRE (*)	0.06	45	45		93		93	
CROATIA	0.06	45	45					
CUBA	0.07	52	52					
CYPRUS	0.06	45	45					
CZECH REPUBLIC	0.18	134	132	1			1	
DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA	0.06	45	45					
DEMOCRATIC REPUBLIC OF THE CONGO (*)	0.06	45		45	381		425	
DENMARK	0.56	415	415					
DJIBOUTI	0.06	45		45	551		596	
DOMINICAN REPUBLIC	0.06	45	45					
ECUADOR	0.06	45	45					11
EGYPT	0.17	126	126					6
EL SALVADOR	0.06	45		45			45	
EQUATORIAL GUINEA	0.06	45	45					
ERITREA	0.06	45		45			45	
ESTONIA	0.06	45	45					44
ETHIOPIA	0.07	52	51	1			1	
FIJI	0.06	45	43	2			2	
FINLAND	0.48	356	356					348
FRANCE	5.17	3 835	3 835					
GABON (*)	0.06	45	45		79		79	
GAMBIA (*)	0.06	45		45	282		326	
GEORGIA	0.06	45	45		340		340	
GERMANY	7.08	5 252	5 252					

III-7

SCHEDULE A
(continued)

INTERNATIONAL CIVIL AVIATION ORGANIZATION

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

(in thousands of Canadian dollars)

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

SCHEDULE A
(continued)

III-8

INTERNATIONAL CIVIL AVIATION ORGANIZATION

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

(in thousands of Canadian dollars)

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

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

* States which had not met their obligations according to the terms of their agreements as at 31 December 2008.

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

INTERNATIONAL CIVIL AVIATION ORGANIZATION
OTHER ICAO PROPRIETARY FUNDS
SCHEDULE OF INCOME, EXPENDITURE, ASSETS, LIABILITIES AND FUND BALANCES
FOR THE PERIOD ENDING 31 DECEMBER 2008
(in thousands of Canadian dollars)

	Ancillary Revenue Generation Fund (ARGF)	Aviation Security Plan of Action (Refer Annex A)	Universal Safety Oversight Audit Programme	Funds for Support of Technical Co- operation	Others (Refer Annex B)	TOTAL	
						2008	2007
INCOME AND EXPENDITURE							
INCOME							
Voluntary Contributions		1,863	956		978	3,797	5,541
Sales of publication	5,465					5,465	
Other Revenue Producing Activities	6,292					6,292	2,295
Administrative Fee Revenue	472			7,620		8,092	8,341
Internal Revenue	1,849					1,849	
Interest Income	95	166	1	47	401	711	1,238
User Charge Revenue					669	669	865
Other/Miscellaneous Income	1,169	170	9	1,139	51	2,539	1,613
TOTAL INCOME	15,343	2,199	967	8,806	2,099	29,415	19,893
EXPENDITURE							
Staff/Expert Salaries and Costs	5,154	2,947	1,015	9,281	5,058	23,454	15,848
General Operating Expenses	7,078	91	3	609	312	8,095	4,888
Travel	353	1,203	97	203	483	2,338	1,519
Meetings	46				6	52	
Equipment	231	6		32	2	270	622
Administrative Overhead Charges					213	213	23
Other expenses	130	1		11	4	146	627
TOTAL EXPENDITURE	12,992	4,247	1,115	10,136	6,078	34,569	23,527
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	2,352	(2,048)	(148)	(1,330)	(3,979)	(5,153)	(3,633)
Foreign currency revaluation gain / (loss)	824	1,240	35	999	2,995	6,093	
SURPLUS/DEFICIT FOR PERIOD	3,176	(808)	(114)	(331)	(984)	940	(3,633)
ASSETS, LIABILITIES, AND NET ASSETS/EQUITY							
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	7,386	6,920	206	42	16,499	31,054	1,279
Inter-fund Balances		20		9,118	4,634	13,773	22,598
Inventories	232					232	139
Receivables and Advances	2,263	64	552	1,614	126	4,619	2,787
Other Current Assets	7	20	4	14	3	48	731
TOTAL CURRENT ASSETS	9,888	7,025	763	10,788	21,262	49,726	27,535
TOTAL ASSETS	9,888	7,025	763	10,788	21,262	49,726	27,535
LIABILITIES							
CURRENT LIABILITIES							
Unliquidated Obligations					1,585	1,585	2,851
Account Payable	592	72	472	4,259	520	5,915	1,588
Inter-fund Balances	1,168	656	102		4,830	6,755	
Advance Receipts	1,140			275		1,415	
Other Current and Financial Liabilities	118	65	1	630	26	841	203
TOTAL CURRENT LIABILITIES	3,018	793	575	5,164	6,961	16,511	4,643
TOTAL LIABILITIES	3,018	793	575	5,164	6,961	16,511	4,643
NET ASSETS/EQUITY							
Accumulated Surplus/(Deficit)	6,870	6,232	188	5,624	14,099	33,013	22,691
Other Reserves					202	202	201
TOTAL NET ASSETS/EQUITY	6,870	6,232	188	5,624	14,301	33,215	22,892
TOTAL LIABILITIES AND NET ASSETS/EQUITY	9,888	7,025	763	10,788	21,262	49,726	27,535

Details may not add to totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION
ADMINISTRATIVE AND OPERATIONAL SERVICES COST FUND
SCHEDULE OF INCOME, EXPENDITURE, ASSETS, LIABILITIES AND FUND BALANCES
FOR THE PERIOD ENDING 31 DECEMBER 2008

(in thousands of Canadian dollars)

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

Details may not add to totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION

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

	United Nations Development Programme (Refer to Schedule C.1)	Trust Funds and Management Service Agreements (Refer to Schedule C.2)	Civil Aviation Purchasing Services Funds (Refer to Schedule C.3)	Total	
				2008	2007
INCOME AND EXPENDITURE					
INCOME					
Voluntary Contributions		117		117	
Other Revenue Producing Activities					
Contributions for Project Agreement		96,903	38,609	135,512	165,461
Interest Income		3,533	806	4,339	6,994
Other/Miscellaneous Income	4,773	1,307		6,080	7,259
TOTAL INCOME	4,773	101,861	39,415	146,049	179,714
EXPENDITURE					
Staff / Expert Salaries and Costs	3,416	39,961	390	43,767	38,789
General Operating Expenses	160	1,333	229	1,722	2,589
Travel	154	3,023	12	3,189	3,046
Sub-Contracts	172	9,232	89	9,493	3,730
Technical Training	(47)	942	18	912	1,302
Equipment	(35)	13,175	3,458	16,599	109,638
Administrative Overhead Charges	347	5,776	1,497	7,620	8,341
Other expenses	5	37	85	126	30
TOTAL EXPENDITURE	4,171	73,480	5,778	83,429	167,465
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	601	28,381	33,637	62,619	12,249
Foreign currency revaluation gain / (loss)	(166)	20,652	8,201	28,687	
SURPLUS/DEFICIT FOR THE PERIOD	435	49,033	41,839	91,307	12,249
ASSETS, LIABILITIES, AND NET ASSETS/EQUITY					
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	3,882	140,722	50,861	195,465	163,463
Inter-fund Balances	3,502	2		3,504	
Receivables and Advances	1,699	9,818	4,881	16,398	2,854
Other Current Assets	461	553		1,014	250
TOTAL CURRENT ASSETS	9,545	151,094	55,742	216,381	166,567
TOTAL ASSETS	9,545	151,094	55,742	216,381	166,567
LIABILITIES					
CURRENT LIABILITIES					
Contributions Received in Advance (Schedule A)					
Unliquidated Obligations	124	13,895	1,268	15,287	32,287
Account Payable	11,798	8,082	1,010	20,890	36,851
Inter-fund Balances		11,054	17	11,071	24,888
Advance Receipts	411	51		462	
Deferred Revenue		5,913		5,913	
Other Current and Financial Liabilities	132	560	1	693	
TOTAL CURRENT LIABILITIES	12,466	39,555	2,296	54,316	94,027
TOTAL LIABILITIES	12,466	39,555	2,296	54,316	94,027
NET ASSETS/EQUITY					
Accumulated Surpluses/(Deficit)	(1,467)	110,161	53,374	162,069	72,543
Translation Adjustment	(1,454)	1,378	72	(5)	(3)
TOTAL NET ASSETS/EQUITY	(2,921)	111,539	53,446	162,065	72,540
TOTAL LIABILITIES AND NET ASSETS/EQUITY	9,545	151,094	55,742	216,381	166,567

Details may not add to totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION

UNITED NATIONS DEVELOPMENT PROGRAMME
SCHEDULE OF THE STATUS OF FUNDS
FOR THE PERIOD ENDING 31 DECEMBER 2008

(in thousands of Canadian dollars)

	2008		2007	
OPERATING FUND				
Fund balance at beginning of year	(1 903)	(1 903)	(25)	(25)
Add:				
Cash drawings from UNDP	6 096		9 207	
Project Clearing Account	(719)		(4 063)	
Miscellaneous income and exchange adjustments	(770)		(875)	
Translation Adjustment	(1 454)		194	
Miscellaneous items charged/refunded to UNDP		3 153	(101)	4 363
		1 250		4 338
Deduct:				
Expenditure during the year (Schedule C.1.1)				
For projects				
Disbursements	3 824		5 285	
Unliquidated obligations			478	
Support costs	347	4 171	478	6 241
Total expenditure		4 171		6 241
Fund balance at end of year		(2 921)		(1 903)
REPRESENTED BY:				
Cash in banks, on hand and in transit	3 896		10 210	
Due from other Funds	3 502		11 020	
Accounts receivable and sundry debit balances	2 147	9 545	2 732	23 963
		9 545		23 963
Less:				
Due to other Funds			683	
Accounts payable and sundry credits balances	12 466		24 749	
Unliquidated obligations - current year		12 466	434	25 866
		12 466		25 866
Fund balance at end of year		(2 921)		(1 903)

Certified:

Rahul Bhalla
 Rahul Bhalla
 Chief, Finance Branch

Approved:

Taleb Chérif
 Taleb Chérif
 Secretary General

INTERNATIONAL CIVIL AVIATION ORGANIZATION

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

(in thousands of Canadian dollars)

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

Details may not add to totals due to rounding

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

Fund	Type of Fund	Balance as at 01.01.2008	Income		Expenditure		Transfer from or to Other Funds	Refund of Contributions	Unrealized Exchange Gain/Loss and Translation Adjustment	Balance as at 31.12.2008
			Contributions	Interest and Other Income	Project Costs	Administrative Overhead				
Afghanistan	MSA	1 864	15 481	181	1 036	291	0	0	1 636	17 835
Andorra	MSA	1	0	0	0	0	0	0	0	1
Angola	MSA	0	78	1	51	5	0	0	9	32
Argentina	MSA	4 654	14 161	514	12 228	657	293	(32)	4 136	10 841
Argentina	TF	229	0	7	0	0	(293)	0	57	0
Bahamas	TF	34	0	1	2	0	0	0	8	41
Bangladesh	TF	16	0	0	0	0	0	0	4	20
Barbados	TF	63	0	2	14	2	0	0	15	64
Bhutan	MSA	2	0	0	0	0	0	0	1	3
Bolivia	TF	312	3 116	24	2 758	269	(85)	0	410	750
Bosnia and Herzegovina	TF	36	0	4	(7)	0	0	0	33	80
Botswana	TF	545	0	15	294	30	0	0	245	481
Brazil	MSA	11 110	3 296	843	11 600	602	0	0	97	3 144
Cambodia	MSA	16	0	0	14	2	0	0	1	1
Cape Verde	MSA	0	65	0	24	2	0	0	12	51
China	TF	36	0	1	(1)	0	0	0	9	47
Colombia	MSA	(2)	51	0	70	3	0	0	(4)	(28)
Costa Rica	MSA	851	183	24	320	28	0	0	193	903
Costa Rica	TF	4	0	0	0	0	0	0	1	5
Cuba	TF	78	0	1	9	1	0	(69)	1	1
Cyprus	MSA	15	9	0	5	1	0	0	3	21
Czech Republic	MSA	35	0	0	0	0	0	0	7	42
Côte d'Ivoire	TF	3	0	0	0	0	0	0	1	4
Democratic Republic of the Congo	MSA	265	811	19	771	78	0	0	179	425
Djibouti	MSA	0	0	0	(43)	0	0	0	59	102
Dominican Republic	MSA	214	0	1	29	3	0	(25)	33	191
East Timor	TF	1	0	0	0	0	0	0	2	3
Ecuador	TF	9	0	0	0	0	0	0	1	10
Egypt	MSA	211	0	5	104	11	0	0	37	138
El Salvador	TF	1	0	0	0	0	0	0	0	1
Fiji	MSA	86	36	2	71	7	0	0	10	56
Fiji	TF	1	0	0	0	0	0	0	0	1
Finland	MSA	1	0	0	(1)	0	0	0	1	3
Gabon	MSA	0	818	7	167	17	0	0	156	797
Ghana	MSA	1	0	0	0	0	0	0	0	1
Greece	MSA	50	648	4	575	63	0	0	48	112
Guatemala	MSA	6 891	0	369	7 527	608	0	0	1 731	856
Guyana	TF	7	0	0	0	0	0	0	2	9
Haiti	MSA	0	101	2	79	8	0	0	76	92
Haiti	TF	62	0	2	(5)	(1)	0	0	17	87
Inter-Regional	TF	111	285	7	79	10	0	0	74	388
Iceland	MSA	0	109	1	50	5	0	0	5	60
India	MSA	562	428	25	158	14	0	0	237	1 080
Indonesia	MSA	6	1 676	1	0	0	0	0	(13)	1 670
Iraq	MSA	41	0	1	0	0	0	0	10	52
Iraq	TF	38	0	0	0	0	0	0	9	47
Jamaica	TF	6	0	0	0	0	0	0	1	7
Jordan	TF	1	0	0	1	0	0	0	0	0
Lao People's Democratic Republic	MSA	12	0	0	11	2	0	0	0	(1)
Latvia	TF	15	0	0	3	0	0	0	4	16
Lebanon	MSA	866	0	25	19	2	0	0	216	1 086
Lesotho	TF	125	0	4	0	0	0	0	31	160
Liberia	MSA	9	0	0	0	0	0	0	2	11
Libyan Arab Jamahiriya	MSA	49	0	1	0	0	0	0	12	62
Libyan Arab Jamahiriya	TF	1	0	0	0	0	0	0	0	1
Lithuania	TF	1	0	0	0	0	0	0	0	1
Macao Special Administrative Region of China	TF	38	0	1	(1)	0	(31)	0	12	21
Mexico	MSA	221	71	6	203	17	0	0	36	114
Mexico	TF	34	0	1	(1)	0	0	0	6	42
Morocco	TF	67	0	2	0	0	0	0	17	86
Mozambique	MSA	63	0	2	2	0	0	0	16	79

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

Fund	Type of Fund	Balance as at 01.01.2008	Income		Expenditure		Transfer from or to Other Funds	Refund of Contributions	Unrealized Exchange Gain/Loss and Translation Adjustment	Balance as at 31.12.2008
			Contributions	Interest and Other Income	Project Costs	Administrative Overhead				
Namibia	MSA	0	363	1	127	14	0	0	3	226
Nauru	TF	(3)	0	0	0	0	0	0	(1)	(4)
Nepal	MSA	0	6	0	0	0	0	0	1	7
Nicaragua	MSA	0	392	2	47	5	0	0	34	376
Nigeria	MSA	435	0	14	(7)	1	0	0	123	578
Nigeria	TF	9	0	0	0	0	0	0	2	11
Oman	MSA	0	18	0	2	0	0	0	3	19
Oman	TF	86	426	6	173	16	0	0	30	359
Pakistan	MSA	0	93	1	62	6	0	0	7	33
Panama	MSA	4 839	9 366	148	1 105	409	0	0	1 013	13 852
Panama	TF	6 500	13 171	498	5 871	683	0	0	4 524	18 139
Peru	MSA	456	5 802	8	5 254	302	0	0	268	978
Philippines	MSA	22	72	1	11	2	0	0	2	84
Philippines	TF	1 324	3 442	43	1 402	200	(37)	0	218	3 388
Portugal	TF	(1)	0	0	0	0	0	0	0	(1)
Qatar	MSA	9	0	0	0	0	0	0	2	11
Regional for Africa	MSA	4 100	3 154	130	2 099	198	(6)	0	1 020	6 101
Regional for Africa	TF	2	0	0	0	0	0	0	0	2
Regional for Asia	MSA	436	167	10	346	24	0	0	91	334
Regional for Asia	TF	2 140	1 342	69	1 311	172	89	0	599	2 756
Regional for Europe	MSA	100	96	4	121	9	0	0	20	90
Regional for Europe	TF	66	51	3	37	4	0	0	19	98
Regional for Europe and Middle East	MSA	590	603	18	846	84	0	0	171	452
Regional for Latin America	MSA	99	284	4	331	12	11	0	16	71
Regional for Latin America	TF	1 138	3 488	42	1 864	161	74	(89)	314	2 942
Republic of Korea	MSA	26	0	1	0	0	0	0	5	32
Romania	MSA	41	0	1	0	0	0	0	10	52
Russian Federation	MSA	3	0	0	0	0	0	0	1	4
Rwanda	MSA	78	0	1	49	4	0	0	7	33
Saudi Arabia	MSA	1 673	5 574	615	5 321	353	0	(30)	621	2 779
Seychelles	MSA	108	0	1	93	9	0	0	5	12
Singapore	MSA	7	51	1	28	3	0	0	9	37
Singapore	TF	172	125	5	107	11	(25)	0	24	183
Somalia	TF	5 236	5 299	192	0	0	0	(1 418)	1 851	11 160
South Africa	MSA	293	648	10	385	43	0	0	56	579
Sri Lanka	MSA	203	0	6	(4)	0	0	0	52	265
Sri Lanka	TF	10	0	0	0	0	0	0	2	12
Sudan	MSA	37	0	1	0	0	0	0	9	47
Syrian Arab Republic	MSA	150	0	5	(16)	(1)	0	0	41	213
Thailand	MSA	1 689	196	56	644	92	0	0	392	1 597
Thailand	TF	35	0	1	(2)	0	0	0	9	47
Trinidad and Tobago	TF	9	0	0	0	0	0	0	2	11
UN Department of Peacekeeping Operations	MSA	6	0	0	0	0	0	0	1	7
United Nations Mission in Kosovo	MSA	368	704	22	525	59	0	0	187	697
Uganda	MSA	0	171	0	1	0	0	0	0	170
United Republic of Tanzania	MSA	11	0	0	0	0	0	0	3	14
Uruguay	TF	6	0	0	0	0	0	0	1	7
Venezuela (Bolivarian Republic of)	MSA	46	62	32	405	127	0	0	256	(136)
Viet Nam	MSA	6	0	0	(1)	0	0	0	2	9
Viet Nam	TF	14	0	0	0	0	0	0	3	17
Yemen	MSA	0	233	1	(18)	1	0	0	13	264
Lump-Sum Contracts	LS	342	295	10	293	28	(84)	0	87	329
Total		62 886	97 116	4 075	67 035	5 776	(94)	(1 663)	22 030	111 539

Details may not add to totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION

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

Fund	Balance as at 01.01.2008	Income		Expenditure		Transfer from or to Other Funds	Refund of Contributions	Unrealized Exchange Gain/Loss and Translation Adjustment	Balance as at 31.12.2008
		Contributions	Interest and Other Income	Project Costs	Administrative Overhead				
Afghanistan	4 518		125	208	98			1 090	5 427
Angola		23		38	4			(3)	(22)
Bangladesh	237		7					58	302
Bolivia	5								5
Brazil	14							3	17
Canada	37		1					9	47
Cape Verde	38		1					8	47
Costa Rica	3 311	11 356	168	78	179			1 915	16 493
Cuba	9	22		7				3	27
Democratic People's Republic of Korea	6							2	8
Egypt	(2)							(1)	(3)
Ethiopia	288	53	25	296	346			208	(68)
Fiji		68		55	6			11	18
Guinea		49	1	6	1			9	52
India	23		1					6	30
Lebanon		24 184	331	2 766	590			3 589	24 748
Lesotho	147	127	5	24	113			31	173
Libyan Arab Jamahiriya	63		2		1			16	80
Lithuania	(4)							(1)	(5)
Macao Special Administrative Region of China	941		23	652	54			182	440
Mozambique	20		1					5	26
Myanmar	652		19	18	6	(26)		153	774
Nigeria	64		2					16	82
Pakistan	6	1 400	15	22	44			256	1 611
Republic of Moldova	2								2
Russian Federation		61							61
Rwanda	4								4
Seychelles	8	390	3	3				48	446
Sudan	95		3					23	121
Suriname	6							2	8
Syrian Arab Republic	481		25	(16)				197	719
Trinidad and Tobago	(30)		2	39				37	(30)
United Nations Mission in Kosovo	23		8	63				73	41
Uruguay	577	876	37	16	52			321	1 743
Yemen	24		1	6	1			4	22
Total	11 563	38 609	806	4 281	1 497	(26)		8 273	53 446

Details may not add to totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION

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

(in thousands of Canadian dollars)

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

Details may not add to totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION

**SCHEDULE OF ASSESSMENTS, BALANCES RECEIVABLE AND CREDITS TO CONTRACTING GOVERNMENTS
IN RESPECT OF DANISH JOINT FINANCING AGREEMENT
FOR THE PERIOD ENDING 31 DECEMBER 2008**

(in thousands of Danish Kroner)

	Balances at beginning of period (Credits)	Assessments for 2008	Contributions received	Transfer from (to) Icelandic Joint Financing Agreement	Balances at end of period Receivable (Credits)
Belgium	(77)	1			77
Canada	56	142	198		
Cuba	(3)	1			2
Denmark	3	6	7	2	
Egypt		6		6	
Finland	(11)	5			6
France	47	101	245		97
Germany		144		144	
Greece	(16)	5			10
Iceland		34		34	
Ireland		15		15	
Italy		38	38		
Japan	(6)	(9)			15
Kuwait		1		1	
Netherlands		56	56		
Norway		5		4	1
Russian Federation	(49)	(12)			62
Singapore		9		9	
Spain		14		14	
Sweden		5		5	
Switzerland	85	49			134
United Kingdom		252		252	
United States		891		891	
	28	1,758	543	1,377	136 269
Equivalent in U.S. dollars	6	344	106	269	26 52
Equivalent in Canadian dollars	6	420	128	330	32 64

Details may not add to totals due to rounding

III-18

SCHEDULE D.1

INTERNATIONAL CIVIL AVIATION ORGANIZATION

**SCHEDULE OF ASSESSMENTS, BALANCES RECEIVABLE AND CREDITS TO CONTRACTING GOVERNMENTS
IN RESPECT OF ICELANDIC JOINT FINANCING AGREEMENT
FOR THE PERIOD ENDING 31 DECEMBER 2008**

(in thousands of United States dollars)

	Balances at beginning of period (Credits)	Assessments for 2008	Contributions received	Transfer to (from) Danish Joint Financing Agreement	Balances at end of period Receivable (Credits)
Belgium					
Canada		13	13		
Cuba	(3)				3
Denmark					
Egypt	(3)	1		1	1
Finland	(18)				18
France		5	5		
Germany	(79)	7		29	43
Greece	(23)				23
Iceland	(32)	3		7	23
Ireland	(6)	(1)		3	4
Italy		1	1		
Japan	(22)	(4)			26
Kuwait	(6)				6
Netherlands		1	1		
Norway	(1)			1	
Pakistan	(4)				4
Russian Federation	(29)	(5)			34
Singapore	(3)			2	1
Spain	(15)	2		3	10
Sweden	(10)	(1)		1	10
Switzerland	(1)	5			5
United Kingdom	(308)	10		51	246
United States	(479)	79		182	218
	<u>(1,041)</u>	<u>118</u>	<u>21</u>	<u>281</u>	<u>5 667</u>
Equivalent in Canadian dollars	<u>(1,269)</u>	<u>144</u>	<u>22</u>	<u>343</u>	<u>6 810</u>

Details may not add to totals due to rounding

III-19

SCHEDULE D.1
(continued)

INTERNATIONAL CIVIL AVIATION ORGANIZATION

INTERNATIONAL FINANCIAL FACILITY FOR AVIATION SAFETY FUND
 SCHEDULE OF INCOME, EXPENDITURE, ASSETS, LIABILITIES AND FUND BALANCES
 FOR THE PERIOD ENDING 31 DECEMBER 2008
 (in thousands of Canadian dollars)

	<u>2008</u>	<u>2007</u>
INCOME AND EXPENDITURE		
INCOME		
	0	
Voluntary Contributions	287	453
Interest Income	72	149
TOTAL INCOME	<u>359</u>	<u>0 602</u>
EXPENDITURE		
Staff/Expert Salaries and Costs	58	10
Grants and Other Transfers	96	619
Other expenses		46
TOTAL EXPENDITURE	<u>154</u>	<u>0 675</u>
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	<u>204</u>	<u>0 (73)</u>
Foreign currency revaluation gain / (loss)	637	0
SURPLUS/DEFICIT FOR PERIOD	<u>841</u>	<u>(73)</u>
ASSETS, LIABILITIES, AND NET ASSETS/EQUITY		
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	3,532	8
Inter-fund Balances	0	2,633
TOTAL CURRENT ASSETS	<u>3,532</u>	<u>0 2,640</u>
TOTAL ASSETS	<u>3,532</u>	<u>2,640</u>
LIABILITIES		
CURRENT LIABILITIES		
Inter-fund Balances	51	0
TOTAL CURRENT LIABILITIES	<u>51</u>	<u>0 0</u>
TOTAL LIABILITIES	<u>51</u>	<u>0</u>
NET ASSETS/EQUITY		
Accumulated Surplus/(Deficit)	3,481	2,640
TOTAL NET ASSETS/EQUITY	<u>3,481</u>	<u>2,640</u>
TOTAL LIABILITIES AND NET ASSETS/EQUITY	<u>3,532</u>	<u>2,640</u>

Certified

Approved:

 Rahul Bhalla
 Chief, Finance Branch

 Walter Amaro
 Secretary, IFFAS Governing Body

III-21
INTERNATIONAL CIVIL AVIATION ORGANIZATION

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

(in thousands of Canadian dollars)

1. THE ORGANIZATION'S MANDATE

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

2. SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES

a) Basis of Presentation

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

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

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

b) Fund and Account Grouping

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

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

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

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

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

- The **Ancillary Revenue Generation Fund (ARGF)**, which was established on 1 January 2008 to hold all revenue generating and cost recovery activities in one fund.
- **Aviation Security Plan of Action** (details of which are shown in Annex A). This comprises earmarked funds as well as Special Accounts/Funds established in 2002 to reflect Council approval of the Aviation Security Plan of Action (ASPA), comprising projects to be financed from funds within the Aviation Security Trust Funds. Activities relating to the ASPA projects are funded from general as well as earmarked contributions.
- The **Universal Safety Oversight Audit Programme Fund (USOAP)**, was launched on 1 January 1999 pursuant to Assembly Resolution A32-11, to promote global aviation safety through auditing Contracting States, on an ongoing basis, to determine the status of States' implementation of safety oversight and relevant ICAO Standards and Recommended Practices (SARPs), associated procedures, guidance material and safety-related practices. The USOAP funds comprise earmarked funds for experts seconded by the United States, Republic of Korea, Switzerland, Austria, the United Kingdom and Germany.
- The **Administrative and Operational Services Cost Fund (AOSC)**, which was established under the provisions of Article IX of the ICAO Financial Regulations to support the Technical Cooperation Programme. The AOSC Fund is utilized to meet the full cost of administration, operation and support of technical cooperation programmes. This Fund is primarily financed from administrative overhead charges to the United Nations Development Programme (UNDP), Trust Funds and Management Service Agreements, and Civil Aviation Purchasing Service Funds. It is presented together with the TCB Efficiency and Effectiveness Fund in Schedule B and B.1.
- **Other Proprietary Funds** such as the Administrative Fee for Joint Financing, the Comprehensive Regional Implementation Plan for Aviation Safety in Africa (AFI) Fund, the Environmental Fund, the International Registry Fund and the Temporary Staff Salaries Fund, all of which are shown in Annex B.
- The **International Financial Facility for Aviation Safety Fund (IFFAS)** is contained in Schedule E. It was established by the Council in 2002, in accordance with the principles and guidelines contained in Assembly Resolution A33-10, with the objective of financing safety-related projects for which States cannot otherwise provide or obtain the necessary financial resources.

Non-proprietary Funds include the **Technical Co-operation Programme (TCP)** Funds and other Trust Funds. **Technical Co-operation Programme Funds** are shown in Schedules C. They reflect the technical co-operation projects administered by ICAO on behalf of third parties and financed by governments and other contributors. They 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 programme comply with both ICAO and UNDP directives. Trust Fund 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.

Other Trust Funds are shown in Schedule D. They comprise funds for special activities managed by ICAO on behalf of third parties, including:

- The **Public Key Directory Fund (PKD)** is a cost-recovery fund established by the Council (C-DEC 174/1) in 2005 to report on the activities of a project to support interoperability of electronic-enhanced machine readable passports.

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

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

c) **Income Recognition**

i) **Assessed Contributions**

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

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

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

iii) **User Charges**

Income from user charges is recognized on an accrual basis.

iv) **AOSC Income**

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

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

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

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

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

In prior years, the Organization's expenditures included amounts for goods and services received, as well as amounts of legal obligations arising from orders placed and contracts awarded during the financial year for which funds have been provided in approved budgets of the current year. The amount pertaining to the outstanding legal obligation for goods and services yet to be received by the Organization was reflected as liabilities, mainly under unliquidated obligations. Any unliquidated obligation which remained from twelve to twenty-four months after the end of the financial year of its establishment was cancelled if no more valid, credited to surplus and reflected as an adjustment of prior year's unliquidated obligations.

Effective 1 January 2008, amounts of legal obligations arising from orders placed and contracts awarded during the financial year for which goods or services were not received are no longer recognized as unliquidated obligations and expenditure of the current year but are instead recognized in the year the goods and services are received. This change in the Organization's accounting policy was applied prospectively in accordance with UNSAS and, therefore, is reflected in the expenditures of the current year. Unliquidated obligations presented as liabilities at 31 December 2008 represent the balance of valid obligations not yet liquidated at the end of the current year that were issued in prior years in accordance with the previous accounting policy.

The Organization considers the abolition of unliquidated obligations, which recognized expenditures based on issued purchase orders or awarded contracts for which goods or services were not received, appropriate because it results in a progressive recognition of expenditure on the accrual basis, which is in accordance with IPSAS and accepted under UNSAS.

Expenditures total \$ 230.1 million in 2008 compared to \$ 298.6 million in 2007 and liabilities for unliquidated obligations and accounts payable total \$ 51.6 million at the end of the 2008 year compared to \$ 82.4 million at 31 December 2007. Had the policy applied in previous year for expenditure recognition been maintained in 2008, it is estimated that expenditures for the year and the balance of unliquidated obligations at the end of 2008 would have increased by \$ 63.4 million.

This change in accounting policy also impacted the AOSC Fund income for 2008 because administrative fee revenue is calculated on the basis of expenditures recognized in technical cooperation projects. Had the policy applied in previous years for expenditure recognition been maintained in 2008, it is estimated that administrative fee revenue presented in the AOSC Fund for 2008 would have increased by \$ 0.4 million.

Under joint financing agreements, service costs for the current year are estimated by the Governments providing the services and approved by the Council. Adjustments to estimated service costs for a given year are approved by Council and are accounted for in the year of settlement.

e) **Foreign Currencies**

Within the Agresso system, two “companies” were established, one recording in Canadian dollars for the ICAO Proprietary Funds and one recording in United States dollars for Technical Co-operation Funds and other Trust Funds.

Transactions are carried out in a number of currencies. Transactions during the year are recorded at the United Nations Operational Rate of Exchange (UNORE) effective at the time of the transactions and monetary balances at the end of the year are expressed in Canadian dollars at the UNORE effective 31 December, for the purpose of these Financial Statements.

The Organization enters into derivative financial instruments in the form of forward currency contracts to manage the foreign exchange rate exposure of United States dollars and Euros so as to stabilize costs at the budgeted rate of exchange. The difference between the UNORE and the forward purchase contract rate is charged to expenditure when the contract is exercised. At the end of the year, any unrealized gain and loss resulting from the difference between the UNORE and the rate of exchange negotiated in forward contracts held for hedging purposes and not yet exercised, sold or terminated at the end of the year is recorded as an asset or liability relating to derivatives and the corresponding amount is reported as reserved surplus.

Purchase Orders pertaining to CAPS and MSA agreements are sometimes denominated in currencies other than US dollars. In order to limit exposure to currency fluctuations, a policy on hedging was adopted in 2003, whereby funds are purchased in the currency of the commitment at the time that the Purchase Order is issued, in those cases where currency fluctuation could have a material impact on the financial position. An exchange gain or loss is recognized equivalent to the difference between the UN rate of exchange and the spot rate in effect on the date that the funds are purchased.

f) **Contributions in Kind**

The Organization does not record contributions in kind in the accounts. The estimated fair value of contributions in kind are disclosed further below.

g) **Employee End of Service and Post-retirement Benefits**

The Organization’s employees are entitled, under their conditions of employment, to payment for unused annual leave, as well as termination and repatriation benefits based on the number of years of service. In addition, the Organization provides certain health care benefits to eligible retirees. The Organization does not recognize in its financial accounts the liabilities for after-service health insurance costs, or for other types of end-of-service payments payable to staff members when they leave the Organization e.g. accumulated annual leave. Therefore, ICAO has not created any reserve to fund these liabilities. Such expenses are budgeted for in the annual budget on a funding basis and the actual costs incurred in each financial period are reported as current year expenditure when staff members separate and payments become due.

h) **Non-Expendable Property (NEP)**

The cost of NEP, which includes furniture, vehicles, computers and other office equipment, is charged to expenditure in the year the items are ordered. NEP is defined as any item having a cost of five thousand Canadian dollars or more and whose life expectancy exceeds one financial year. The cost of non-expendable property includes items held at the ICAO Headquarters in Montreal as well as those held at the seven Regional Offices. These items and other items are owned by the Organization, which exercises full control over their acquisition, physical location, use and disposal. The values are listed in the notes below.

3. **ADOPTION OF INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS)**

The United Nations (UN) and the UN System's Chief Executive Board (CEB) have approved the replacement of the United Nations System Accounting Standards (UNSAS) with the International Public Sector Accounting Standards (IPSAS) to be applied to the accounts and the financial statements on or before 1 January 2010. In the Assembly Working Paper A36-WP/45, the Council of ICAO reported to the Assembly that IPSAS would be implemented by the Organization gradually during the next triennium (2008-2010) in order to be in line with other United Nations organizations.

The implementation of IPSAS will have a significant impact on the content and presentation of the Organization's financial statements. The accounting principles will change from the cash basis and obligation concepts to the full accrual basis of accounting.

With the adoption of IPSAS, major changes will be made to the financial statements and the accounts. These changes will include: i) how the Organization reports its own financial activities and those performed on behalf of third parties; ii) the recognition of additional assets, such as equipment; and iii) additional liabilities such as after service benefits payable to employees. Also, the concept of services rendered and goods received (delivery principle) will be applied for the recognition of revenue and expenditures. All revenue will be recorded on an accrual basis. A major difference on expenditures will be that the obligation concept, including unliquidated obligations (ULOs), will no longer be applied in the Financial Statements.

As mentioned in Note 2(d) above, compliance with UNSAS requires that obligations once issued, be recorded as expenditures. With IPSAS adoption, ULOs recorded under UNSAS had to be reviewed and recorded as expenditures only in the year services and goods are received. This is what took place during 2008. There are no new ULO's arising in 2008. Of the USD 46 578 of ULO's carried from 2007, CAD 17 058 remains as at 31 December 2008.

Another example is the inventory of publications including printing supplies that are not recorded in 2008 (except in the Notes) but will be recorded in future years as an asset in addition to other assets such as equipment which is subject to depreciation as per IPSAS. Important additions to liabilities are the provisions for end of service benefits and for after service health insurance benefits which are currently presented in Notes to the financial statements. IPSAS requires that these liabilities be recorded and directly presented on the face of the Financial Statements. The financial impact on the Regular Programme and the AOSC fund will be significant since these liabilities are not currently funded.

It is important to note that further amendments are planned in other areas and in most of the Funds of the Organization and those managed on behalf of third parties, and these amendments will be reflected in the records once available and established. For example, the impact of IPSAS implementation on the accounts and financial statements of ICAO and other UN organizations' participation in the United Nations System Joint Staff Pension Plan is still under review at the UN level.

UNSAS allow organizations to gradually adopt IPSAS by 2010. An organization is deemed to comply with UNSAS, so long as the organization complies with the IPSAS individual standard(s) in its entirety and all remaining UNSAS requirements. This means that ICAO can gradually implement specific IPSAS standards and still comply with UNSAS until 1 January 2010.

For efficiency purposes, the adoption of IPSAS is scheduled with the functionality available in the new Agresso/ERP system, which is being implemented in two phases, Phase I in 2008 and Phase II in 2009, and also on the pace of development and guidance provided to UN organizations by the CEB Task Force on accounting standards.

4. **ANCILLARY REVENUE GENERATION FUND (ARGF)**

At the beginning of 2008 the Ancillary Revenue Generation Fund was established to consolidate the various income generating functions in ICAO.

Several items which had previously appeared in the Regular Programme now appear under this fund. Sales of Publications income totaling \$ 5 465 in 2008 is the largest item, but separately under the heading of Other Revenue Producing Activities we report income of \$ 6 292.

Under Expenditures in Statement I, the line Outsourcing ARGF refers to the billing by ARGF to the Regular Budget for services with the equivalent amount included in Revenue for ARGF (total \$ 2 321).

5. **GENERAL OPERATING EXPENSES**

The Regular Programme miscellaneous income for 2008 includes \$ 3 851 of revenue transfer from the ARGF which is included as General Operating Expense in the ARGF. These items are eliminated in the combined Financial Statement.

6. **EQUIPMENT PURCHASES**

The Equipment line totalling \$ 17 004 represents equipment purchased and delivered in 2008, mostly for Technical Cooperation Projects. In 2007, the figure was \$ 112 049 since under UNSAS, obligations (undelivered purchase orders) were recorded as expenditures.

7. **FOREIGN CURRENCY REVALUATION**

Foreign Currency revaluation gain totaling \$ 41 046 is the result of ICAO switching to the Canadian Dollar as the reporting currency (a change in accounting policy). The net gain is shown in Statement I as a separate item since it does not pertain to normal operational activities during 2008. It is an unrealized exchange gain on the monetary assets held in currencies other than Canadian Dollars as at 31 December 2008, which explains why the TCP figure is very high with their cash holdings of US Dollars, almost entirely on behalf of project sponsors.

8. **CASH AND CASH EQUIVALENTS**

As at 31 December 2008, the term deposits had an average interest rate of 1.4 % (4.93% in 2007) and an average term maturity of 59 days (51 days in 2007).

	<u>2008</u>	<u>2007</u>
Cash in banks	\$ 51 781	\$ 130 833
Term deposits	<u>209 438</u>	<u>66 950</u>
Total	\$ <u>261 219</u>	\$ <u>197 783</u>

Funds are deposited in banks on a pooled investment basis and funds not needed for immediate requirements are invested in term deposits. The amount so invested increased substantially at the end of 2008.

9. **GENERAL FUND ASSESSED CONTRIBUTIONS RECEIVABLE**

The aging of assessed contributions receivable from contracting states as at 31 December 2008 and 2007 is summarized as follows:

<u>Years</u>	<u>2008</u>	<u>2007</u>
1982-2002	\$ 7 318	\$ 7 790
2003	430	460
2004	307	337
2005	518	570
2006	521	664
2007	<u>841</u>	<u>-----</u>
Total previous years	<u>\$ 9 935</u>	<u>\$ 9 821</u>
Current year	<u>2 317</u>	<u>1 393</u>
Total Assessed Contributions Receivable	\$ 12 252	\$ 11 214
Working Capital Advances Receivable	<u>25</u>	<u>6</u>
Total	<u>\$ 12 277</u>	<u>\$ 11 220</u>

During 2008, contributions receivable in advance shown under current liabilities were significantly less than in 2007 since some member States did not pay early as before.

10. INVENTORIES

Inventories from the Commissariat totalling \$ 232 are shown in the Financial Statements, within the ARGF at the lower of cost or replacement value.

Inventories belonging to the Sale of Publications area are made up of ICAO published documents for sale. The total value as at 31 December 2008 was \$ 819 at the lower of costs or replacement value. It will be recorded in the Financial Statements in future years.

11. RECEIVABLES AND ADVANCES

The balance of accounts receivable and advances for all funds comprises:

	<u>2008</u>	<u>2007</u>
Employees	\$ 1 842	\$ 2 188
UN Agencies	2 602	2 550
User Charges	3 847	6 853
Advances to Servicing Governments	38	6 064
Others *	<u>20 596</u>	<u>3 513</u>
Total	<u>\$ 28 925</u>	<u>\$ 21 168</u>

* The increase is mainly due to advances to suppliers against P.O.'s and the new practice of setting up TCP receivables for income due.

Prior to 2008, invoices were manually issued to TCP Project contributors, but were not recorded as Receivables. Starting in 2008 these amounts were invoiced and recorded and are shown as Deferred Revenue and Receivables in Statement II. The amount for the year is \$ 5 913.

12. RECEIVABLES FROM REGIONAL BODIES

a) An agreement was signed on 5 February 2007 between ICAO and African Civil Aviation Commission (AFCAC) for the settlement of outstanding advances owed by AFCAC over a period of 20 years commencing in January 2008. Effective 1 January 2007, AFCAC has assumed full responsibility for financial transactions and operations previously performed by ICAO on its behalf. No payments were made by AFCAC in 2008. The balance as at 31 December 2008 remains at \$ 1 024.

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

13. **LIABILITY FOR STAFF LITIGATION**

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

14. **DERIVATIVES FOR EXCHANGE RISK HEDGING**

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

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

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

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

(b) **Realized gains**

Total realised exchange gains across all funds resulted in an overall credit of \$1736 in 2008 (a credit of \$8342 in 2007). This includes the gains from forward purchase currency contracts for those contracts which were realised in 2008, amounting to \$932. The gains which are attributable to the Regular Programme and AOSC Fund total \$954 most of which arose from these forward purchase contracts. These gains are reflected as reductions in the expenditure lines and do not show as a separate item in Statement I.

15. **CONTRIBUTIONS IN KIND**

a) **Regular Programme**

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

The estimated fair value of the contributions in kind, based on the lease contracts or on the estimated market value when there is no lease, is shown as follows:

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

The Government of Mexico provides a contribution in cash towards the rental of the Regional Office in Mexico City. The contribution in 2008 amounted to \$ 158 (\$ 93 in 2007). Included in the contribution from Canada is an amount equivalent to \$ 1 876 (\$ 1 818 in 2007) from the Government of Quebec towards provision of premises in the Bell Tower office in Montreal.

b) Other ICAO Proprietary Funds

Below is the value of contributions in kind (composed of staff services and travel) provided by States for each of the following group of Funds:

	<u>2008</u>	<u>2007</u>
Aviation Security Plan of Action	\$ 426	\$ 328
ICAO Universal Safety Oversight Audit Programme Fund	\$ 951	\$ 1 251

These contributions are valued based on the cost to the donating State.

16. END OF SERVICE AND POST-RETIREMENT BENEFITS

a) End of service benefits

End of service benefits comprise termination indemnity, repatriation grant, removal of personal effects, travel on separation and accrued leave. The liability in respect of the Regular Programme staff are estimated at \$ 13 900 as at 31 December 2008 (\$ 16 750 as at 31 December 2007). The estimate for leave and termination indemnity is based on historical experience over the last 6 years. The other estimates for separation payments are based on the actual entitlements for professional staff at 31 December 2008, valued at the average historical cost of the benefit. The actual amount paid in the current year amounted to \$ 1 717.

End of service benefit entitlements accrued to AOSC Fund staff are estimated at \$ 4 500 as at 31 December 2008 (\$ 4 700 as at 31 December 2007). The actual amount paid for the year ended 31 December 2008 was \$ 142 (\$ 365 for 2007).

b) Post-retirement benefits

The contingent liability resulting from the after-service health insurance that the Organization may have to pay to its staff members in future years has been determined by actuarial valuation in April 2007. The actuarial valuation of the contingent liability for health benefits in future years (including both medical and dental care) is estimated at \$ 57 029 (\$ 54 179 in 2007). The liability as at 31 December 2008 is broken down between the Regular Programme for an amount of \$ 49 759 and the AOSC Fund for \$ 7 270.

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

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

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

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

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

18. LONG-TERM LEASE COMMITMENTS

As at 31 December 2008, the Organization had an average commitment of approximately \$ 4 400 per annum for 8 years, for a total commitment of \$ 35 200 relating to its share of the basic rent and operating and maintenance costs of the Headquarters premises.

As at 31 December 2008, the Organization had outstanding purchases and long term lease agreements for the supply of equipment and rental of facilities which are due between 2009 and 2014. The total commitment amounts to \$ 705. The committed payments under leases for telephone systems, equipment and photocopiers are as follows:

2009	2010	2011	2012	2013	2014	TOTAL
\$ 171	\$ 144	\$ 137	\$ 119	\$ 101	\$ 33	\$ 705

19. COMMITMENTS AGAINST FUTURE FINANCIAL PERIODS

At the end of December, ICAO issues contracts for the forthcoming year for field projects. These are contractual commitments which do not become expenditures until the new year.

Commitments that were not accrued in the accounts of the current period, as at 31 December 2008 for the UNDP Fund amounted to \$ 563 for internationally recruited staff contracts.

Commitments relating to international and national staff contracts as at 31 December 2008 for the Trust Funds and MSAs amounted to \$ 11 842, mainly for projects in South America, Europe and the Middle East.

Commitments to suppliers for items ordered but not yet delivered, which previously would have been recorded as ULO's, total \$ 63 million.

20. CONTINGENT LIABILITIES

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

21. NON-EXPENDABLE PROPERTY

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

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

	Opening Balance <u>1 January 2008</u>	<u>Additions</u>	<u>Disposals</u>	Closing Balance <u>31 December 2008</u>
Furniture	\$ 34	\$ 19	\$ (0)	\$ 53
Equipment	2 558	235	(213)	2 580
Vehicles	<u>432</u>	<u>108</u>	<u>(60)</u>	<u>80</u>
Total	\$ <u>3 024</u>	\$ <u>362</u>	\$ <u>(273)</u>	\$ <u>3 113</u>

No depreciation is calculated on NEP since the cost of these items is directly charged to expenditure.

PART IV: ANNEXES (UNAUDITED)

Annexes A and B: Related to ICAO Proprietary Funds

Annex A Aviation Security Plan of Action Related Funds

- 1) **The Aviation Security Trust Fund** (known as the AVSEC Mechanism) was established in 1989 aimed at strengthening the aviation security functions within the Secretariat to support the implementation of an aviation security programme. It comprised earmarked funds received in 1989 from, inter alia, the United Kingdom and the United States, for specific purposes, such as the funding of professional posts in the aviation security field, and non-earmarked funds received from States as voluntary contributions for the General Trust Fund established in 1990 to finance general implementation activity of the AVSEC Mechanism.
- 2) **The Aviation Security Plan of Action Fund** was introduced in 2002 as the Enhanced AVSEC Mechanism fund, which superseded the General Trust Fund, to record the revenue and expenses for projects approved by the Council in C-WP/11799 following the High-level Ministerial Conference on Aviation Security held in February 2002 to address the events that took place on 11 September 2001. The Earmarked Training Programme comprises funds received from Belgium under the former AVSEC Mechanism for specific projects that are generally related to the implementation of the AVSEC Plan of Action.
- 3) **The Korea Expert Fund** was established in 2003 to provide voluntary funding for an Aviation Security Expert to support the AVSEC Plan of Action.
- 4) **Other Earmarked AVSEC Funds** - The Awareness Training Programme was established in 2004 by Canada to earmark voluntary funding for specific agreed-upon aviation security projects in the North American, Central American and Caribbean (NACC) and South American (SAM) regions as specified in various agreements with ICAO.
- 5) **The National Projects Fund** is part of the funds received from Belgium under the former AVSEC Mechanism. It was established in 2003 for transactions relating to activities outside the scope of the Plan of Action, but which are earmarked for specific projects.
- 6) **The Standardized Training Programme Fund** (formerly fund 6F, Belgian Trust Fund) was established in 1989 for Belgium to provide funds to support the activities of the Aviation Security Training Centre (ASTC) in Belgium, as well as to support ICAO in specific aviation security-related activities as approved by the Director of the ASTC. This fund also includes the income from sales of ICAO Aviation Security Training Packages.

Annex B Other ICAO Proprietary Funds

1. **The Administrative Fee for Joint Financing Agreements** was established by the Council (C-DEC 136/22) to recover, through an administrative fee, the full costs incurred by ICAO for facilities and services provided for the administration of the Danish and Icelandic Joint Financing Agreements. It is also used to recover costs of administering the North Atlantic Height Monitoring System Fund.
2. The **Comprehensive Regional Implementation Plan for Aviation Safety in Africa (AFI Plan)** was approved in 2007. The objectives in the plan are to increase ICAO leadership and accountability in the programme coordination and management across the AFI Region and to ensure effective implementation to rectify safety and infrastructure deficiencies. A fund was established in 2007 for this purpose.

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

INTERNATIONAL CIVIL AVIATION ORGANIZATION

AVIATION SECURITY FUNDS
SCHEDULE OF INCOME, EXPENDITURE, ASSETS, LIABILITIES AND FUND BALANCES
FOR THE PERIOD ENDING 31 DECEMBER 2008

(in thousands of Canadian dollars)

AVIATION SECURITY PLAN OF ACTION						OTHER EARMARKED AVSEC FUNDS			TOTAL	
Earmarked Training Programme	Enhanced Mechanism	Korea Expert	United Kingdom	United States	SUB - TOTAL	Awareness Training Programme	National Projects	Standardized Training Programme	2008	2007
INCOME AND EXPENDITURE										
INCOME										
Voluntary Contributions	1,614	113	136		1,863				1,863	3,878
Interest Income	24	115	6	3	148	3	6	9	166	357
User Charge Revenue										
Other/Miscellaneous Income	26	30	1	4	63	1		106	170	386
TOTAL INCOME	50	1,759	119	140	2,074	4	6	115	2,199	4,621
EXPENDITURE										
Staff/Expert Salaries and Costs	3	2,527	141	118	2,923			24	2,947	3,132
General Operating Expenses	5	80		2	87	4			91	45
Travel		1,117			1,117	74		12	1,203	1,320
Equipment	5	1			6				6	17
Other expenses		1			1				1	113
TOTAL EXPENDITURE	13	3,726	141	120	4,134	78		35	4,247	4,627
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	37	(1,967)	(22)	19	(2,060)	(74)	6	80	(2,048)	(6)
Foreign currency revaluation gain / (loss)	213	822	45	(2)	1,085	19	54	82	1,240	
SURPLUS/DEFICIT FOR THE PERIOD	249	(1,144)	24	17	(975)	(55)	60	162	(808)	(6)
ASSETS, LIABILITIES, AND NET ASSETS/EQUITY										
ASSETS										
CURRENT ASSETS										
Cash and Cash Equivalents	1,087	4,578	277	28	6,037	102	281	501	6,920	20
Inter-fund Balances	20				20		1		20	6,522
Receivables and Advances	17	22	11	5	64				64	24
Other Current Assets		9			10	10			20	724
TOTAL CURRENT ASSETS	1,123	4,609	288	33	6,131	112	281	501	7,025	7,291
TOTAL ASSETS	1,123	4,609	288	33	6,131	112	281	501	7,025	7,291
LIABILITIES										
CURRENT LIABILITIES										
Unliquidated Obligations										42
Account Payable		70			71	1			72	107
Inter-fund Balances		523	60	16	640	16			656	
Other Current and Financial Liabilities		63			64			2	65	
TOTAL CURRENT LIABILITIES		656	60	16	775	16		2	793	149
TOTAL LIABILITIES		656	60	16	775	16		2	793	149
NET ASSETS/EQUITY										
Accumulated Surplus/(Deficit)	1,123	3,953	228	17	5,356	95	281	499	6,232	7,142
TOTAL NET ASSETS/EQUITY	1,123	3,953	228	17	5,356	95	281	499	6,232	7,142
TOTAL LIABILITIES AND NET ASSETS/EQUITY	1,123	4,609	288	33	6,131	112	281	501	7,025	7,291

Details may not add to totals due to rounding

IV-3

ANNEX A
(Unaudited)

OTHER ICAO PROPRIETARY FUNDS
SCHEDULE OF INCOME, EXPENDITURE, ASSETS, LIABILITIES AND FUND BALANCES
FOR THE PERIOD ENDING 31 DECEMBER 2008
(in thousands of Canadian dollars)

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

Details may not add to totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION

**PART V: REPORT OF THE EXTERNAL AUDITOR TO THE ASSEMBLY ON THE
AUDIT OF THE FINANCIAL STATEMENTS OF THE INTERNATIONAL CIVIL
AVIATION ORGANIZATION FOR THE FINANCIAL PERIOD ENDED
31 DECEMBER 2008 AND THE SECRETARY GENERAL'S RESPONSE TO THE
REPORT OF THE EXTERNAL AUDITOR**

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

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

Table of Contents

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

I. Introduction

1. The External Auditor has audited the financial statements and ICAO's transactions for the financial period ended on 31 December 2008. The accounts were audited in accordance with Article XIII of the ICAO Financial Regulations and the Additional Terms of Reference Governing the External Audit, and by applying the joint accounting audit standards of the Mixed Group of External Auditors of the United Nations Organization, its specialized agencies and the International Atomic Energy Agency. These standards stipulate that the External Auditor should plan and carry out the audit so as to be reasonably certain that there are no major errors in the financial statements.
2. Checks were carried out in order to determine whether the expenditures listed in the financial statements for the financial period ended 31 December 2008 corresponded to the objectives approved by the Council, whether the revenues and expenditures were classified and recorded in accordance with the Financial Regulations, and whether the financial statements were an accurate reflection of the financial situation as of 31 December 2008. The audit consisted of an overall examination of the financial systems and of the internal controls as well as audit testing of the accounts and other supporting documents.
3. The observations and conclusions of the External Auditor were the subject of meetings with the Secretariat, the views of which were duly taken into consideration.
4. The External Auditor would like to emphasize that Article 12.4 of the Financial Regulations stipulates that the accounts shall be submitted for examination no later than 31 March following the end of the financial year. In fact, this provision was not respected, which was detrimental to the proper conduct of the audit.

II. Key items for the financial period 2008

1. Change of the accounting information system

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

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

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

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

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

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

2. Reconceptualization of the accounting plan

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

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

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

4. Change of currency in the presentation of accounts

9. In order to save harmless against the risks of change and to preserve the purchasing power of the Organization's budget (the main expenditures being made in Canadian dollars), transactions have been recorded in Canadian dollars since 1 January 2008. This change affects only ICAO's own funds. Funds administered on behalf of third parties, such as those established for the management of technical cooperation projects, are still kept in United States dollars.

5. Transition to IPSAS standards

10. In June 2006, the United Nations General Assembly approved the adoption of the IPSAS as the new accounting standards of the United Nations, for application starting, at the latest, with the financial year beginning on 1 January 2010. In order to be in conformity with this decision, the Council of ICAO had opted for a progressive establishment of the repository during the 2008-2010 triennium (A36/WP45). Expenditures and revenues not included in voluntary contributions will hereinafter be recorded in "accrual accounting". The standards IPSAS 19, relating to the reserves, contingent assets and contingent liabilities, and IPSAS 14, relating to post-closure events, were also adopted in 2008.

6. Change of method for recording expenditures

11. With the application of the IPSAS standards, the expenditures will hereinafter be recorded at the time when the service is rendered or the good is delivered by the provider. Until 2007, the expenditure was recorded at the time of commitment thereto.
12. Outstanding commitments stem from the notion of commitment accounting. The charge is recorded during the reservation of financial resources, which corresponds, in reality, to the order. Such a procedure was not compatible with the principle of accrual accounting, in which the charge is recorded when the service is implemented. In 2008, no new outstanding commitments were recorded. The outstanding commitments at the end of the 2007 financial year (45.7 million Canadian dollars) were included in 2008 at the time when the service was rendered or the good was delivered.

7. Partial change in method with regard to receipt accounting

13. The contributions paid in the framework of technical cooperation projects are accounted for using a cash basis, as was the case in 2007. The reason for this status quo is the fact that the projects do not start until ICAO has collected the funds.
14. Revenues other than contributions (publications sales, mainly commissariat) are accounted for this year, for the first time, on the basis of accrual accounting.

III. Observations

1. General observations on the accounting standards used by ICAO

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

Recommendation No. 1 ICAO should provide greater detail with respect to the financial rules in order to clarify the applicable provisions.

Secretary General's comment: It is clear from Article 6.2 of the Financial Regulations that the surplus referred therein pertains to the Regular Programme surplus, since it is referred to as being the difference in accumulated surplus in the General Fund and the assessments received from Contracting States.

Article IX of the Financial Regulations, which pertains to Technical Cooperation, specifies in Article 9.4 that "funds received by the Organization [...] shall be administered by the Secretary General under the applicable provisions of these Financial Regulations (emphasis added) through a consolidated Administrative and Operational Services Costs (AOSC) Fund, which shall be utilized to meet the full cost of such administration, operation and support of the Organization's programmes of technical cooperation."

As indicated earlier, the dispositions of surplus under Regulation 6.2 pertain only to the General Fund. Regulation 9.2 of the Financial Regulations covers the AOSC. The AOSC fund is not considered to be part of the accumulated surplus.

It is not clear from Article 6.2 of the Financial Regulations that this article applies only to the Regular Programme funds. The footnote on in Article I does stipulate that Articles IV, V and VI relate to the regular budget fund, but it also provides for exceptions, the list of which is not restrictive². Furthermore, as specified below, Article 9.2 stipulates with respect to the AOSC Fund that "*Funds received by the Organization as a result of such (technical cooperation) charges shall be administered by the Secretary General under the applicable provisions of these*

¹ "the financial administration of technical assistance programmes shall fall within the framework of these rules"

² "Articles IV, V and VI govern the Regular Programme budget and its formulation, adoption, execution and financing. These articles do not apply to Technical Cooperation Programme funds. Nevertheless, certain provisions apply to the Administrative and Operational Services Costs Fund, specifically paras. 4.1, 4.2, 4.4 to 4.9, 5.1, 5.5, 5.7 and 5.8."

Financial Regulations". Therefore, the regulation concerning the surplus in Article 6.2 should apply.

17. The rules for the distribution of costs for certain services shared among the funds are not specified. A certain number of financial services and human resources employees, most of whom work for the Regular Programme, are paid by the AOSC Fund. In the absence of a distribution of costs for staff as a function of the time actually spent on each of the activities, the salaries of certain employees are drawn entirely from the AOSC Fund, whereas other employees also working for the AOSC Fund are paid through the regular budget. This distribution remains approximate.

Recommendation No. 2 ICAO should specify the rules of apportionment of costs among the funds.

Secretary General's comment: It is true that presently, rules for the apportionment of costs for support services provided by the Regular Programme to other Funds including the AOSC fund are not officially promulgated. However, it needs to be noted that a pilot study has been undertaken by the firm KPMG for the development of a harmonized cost recovery policy applicable to all extra-budgetary activities of the Organization, in accordance with the Terms of Reference approved by the Council. A presentation of their interim report will be made to a joint TCC and FIC meeting during the 187th Session of the Council (May 2009).

The External Auditor has taken note that the apportionment of costs among the funds is presently the subject of a study.

18. The audit highlighted the fact that invoices were received without a purchase order having previously been issued. In the cases in question, the purchase orders were simply created within Agresso in order to be able to make the payment.

Recommendation No. 3 ICAO should that commitments to expenditures cannot be made without prior issuance of a purchase order.

Secretary General's comment: Not all disbursements are preceded by a Purchase Order but ICAO attempts to make sure that a PO is always issued. ICAO is trying to enforce this discipline even if after the event.

2. Observations on the establishment of Agresso

2.1. Deployment of Agresso in the regional offices

19. Presently, Agresso can only be used at ICAO Headquarters. It has not yet been deployed in the regional offices and does not affect the technical cooperation projects. It will be deployed at the end of phase 2, when all of the modules have been installed at Headquarters.
20. Commitments to expenditures are made in the regional offices and for "field" projects as follows:
 - a request is made and arrives at Headquarters to be processed in Agresso;

- an authorization to commit to the expenditure is sent back after approval. It serves as a purchase order.

21. Every month, Headquarters integrates the cash book of the regional offices and the technical cooperation offices into Agresso. As mentioned above, managers at Headquarters frequently authorize the payment of invoices without purchase orders. Thus the control measures envisaged by this software package, namely the expenditure authorization procedures, are currently not effective.

2.2. Project management

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

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

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

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

3.1. Assets

a) Treasury

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

I. Multiplicity of accounts and managers

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

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

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

Secretary General's comment: Agreed.

ii. Bank reconciliations

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

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

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

iii) Advances for petty expenses – cash accounts

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

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

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

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

28. It was determined that the Treasurer issues movement orders by telephone and without any written confirmation. Given the significance of fixed-term deposit amounts (CAD 209.4 million at 31/12/2008), an authorization procedure should be established.

Recommendation No. 8: ICAO should establish a system for systematic authorization of the movements made with respect to fixed term deposits. The Financial Regulations should include procedures for fixed-term deposits.

Secretary General's comments: For efficiency and convenience, the Treasurer is authorized to make deposits over the phone. The Treasurer operates within written treasury guidelines. We would also like to clarify that "Trustee Securities" under the Financial Regulations are defined as "financial instruments approved by the Finance Committee (...) other than term deposits". The Organization has not made any investments in trustee securities.

iv) Rules applicable to the regional offices and to the technical cooperation projects

29. The financial operation of the regional offices is not satisfactory insofar as certain information is still unknown to ICAO Headquarters. In addition to the absence of bank statements already mentioned, it was not possible for bank procurations to be presented for four of the seven regional offices. Thus only the procurations of the staff of the offices in Paris, Lima and Bangkok are kept by the Treasury service at Headquarters.
30. It is essential for all of the documents concerning the operation, procurations, and the financial situation of the regional offices to be sent to ICAO.

31. Finally, the Financial Regulations stipulate that the balance of the bank accounts of the regional offices should correspond to approximately two months of operating expenditures. This is, in fact, still not the case.

Recommendation No. 9: The regional offices should be monitored more carefully by Headquarters. The monitoring should involve cash inventories and bank reconciliations produced on a monthly basis.

Secretary General's comments: Agreed that not all bank documentation and signatory records were held at HQ. They will be collected and maintained in future. Cash balances are monitored and requested at the time of replenishment but exceptions can occur in special situations, e.g. Afghanistan.

v) Currency purchases

32. It was determined that there is no procedure for authorizing forward currency purchases. Given the significance of the amounts in question (the amounts for each purchase operation are approximately USD 1.5 million for forward dollar purchasing and 0.2 million euros for forward euro purchasing; forward currency purchases at 31/12/2008 came to USD 36.6 million and 4.7 million euros), an authorization procedure should be established.

Recommendation No. 10: ICAO should establish an authorization procedure for forward currency purchases.

Secretary General's comments: As a general rule, ICAO only hedges currency to protect its budget. It is not done for speculative purposes.

b) Contributions

33. The mandatory contributions accounted for in the nominal account have increased by CAD 12.1 million, from CAD 62.1 million as of 31 December 2007 to CAD 74.2 million as of 31 December 2008. This increase is not related to an increase in the number of Member States, but to the overall increase in States' assessed contributions.

The main contributing States are listed below:

MEMBER STATE	Mandatory contributions 2008 (in thousands of CAD)	Mandatory contributions 2007 (in thousands of CAD)	Change in thousands of CAD	Change %
United States	18 546	15 508	3 038	20%
Japan	9 021	8 927	94	1%
Germany	5 252	4 373	879	20%
United Kingdom	4 407	3 455	952	28%
France	3 835	3 139	696	22%
Italy	2 752	2 208	544	25%
Canada	1 840	1 538	302	20%
Republic of Korea	1 818	1 489	329	22%
China	1 795	1 253	542	43%
Spain	1 766	1 278	488	38%
Netherlands	1 454	1 154	300	26%
Australia	1 313	999	314	31%
Mexico	1 083	757	326	43%
Singapore	920	775	145	19%
Switzerland	742	695	47	7%
Brazil	682	844	(162)	-19%
Belgium	616	502	114	23%
Sweden	571	465	106	23%
Austria	549	440	109	25%
Russian Federation	542	378	164	43%
TOTAL	59 504	50 177	9 327	19%
TOTAL – ALL CONTRIBUTING STATES	74 184	62 098	12 086	19%

2007 converted at the rate of US \$1 = CAD 1.0204816

34. Between 31/12/2007 and 31/12/2008, receivable contributions had increased by CAD 1 057 K, going from CAD 11 220 K to CAD 12 277 K. This increase reveals a failure to follow up on debt obligations.

The following table details the main payments in arrears, organized according to date:

MEMBER STATE	1982 to 1989	1990 to 1999	2000 to 2005	2006	2007	2008	Total
Iraq		752	230	36	36	45	1 099
Somalia	85	267	181	36	36	45	650
Djibouti	32	267	181	36	36	45	597
Antigua and Barbuda	16	267	181	36	36	45	581
Guinea-Bissau	124	267	181				572
Sao Tome and Principe	49	239	127	36	36	45	532
Former Yugoslavia	501						501
Nauru		142	181	36	36	45	440
Democratic Republic of the Congo		158	151	36	36	45	426
Comoros	22	267	117				406
Georgia		159	181				340
Gambia		187	59		36	45	327
Central African Republic	76	209	30				315
Congo		164	117				281
Malawi		13	152	36	36	45	282

Sierra Leone	8	209	30			5	252
Sub-total main States in arrears	913	3 567	2 099	288	324	410	7 601
General Total	927	5 028	2 618	521	842	2 342	12 278
Distribution percentage according to date	8%	41%	21%	4%	7%	19%	100%

Data in thousands of CAD

35. The measures taken by ICAO to urge payment of contributions in arrears are limited to the sending of general letters which are not addressed to any State in particular. These letters were sent three times to all States having contributions in arrears in 2008. Certain States, moreover, sign agreements to pay their respective contributions in instalments. It was not possible to verify the implementation of these agreements.

Secretary General's comments: Under Rule 106.7, a working paper is transmitted to the Assembly listing the states whose contributions are in arrears. Under regulation 6.8, the Council is required to submit to each session of the Assembly a report on the collection of contributions together with a statement of action taken to secure payment of arrears. States in arrears run the risk of losing their privileges including voting power (reference: Assembly Resolution A36-33).

Despite the measures in place, there is a growing number of contributions in arrears, which demonstrates a lack of effectiveness in the contribution collection policy. As illustrated by the table above, the contributions in arrears in excess of one year account for 80 per cent of the debt at 31/12/2008, or CAD 9.9 million out of CAD 12.3 million.

3.2 Liabilities

a) Reserve for risks

36. Since the 2008 financial year and the adoption of IPSAS standard 19, all liabilities must be entered into the accounts. A liability is "a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential."
37. It should be noted that on 31/12/2008 no reserve for risks had been entered into the accounts. This was because ICAO had deemed that there were no obligations fitting the description above. Certain risks were, however, revealed during the audit, which led to the proposal that adjustments should be made to the accounts. These were taken into account by ICAO.

i) Litigation review and risk assessment procedures at the year-end closing of accounts

38. The last general review of the disputed claims and litigation involving the Organization was carried out on 20 March 2008 and presented before the Council representatives on 3 June 2008. No 2008 litigation review was carried out at the beginning of 2009 to determine if it was necessary to enter a reserve into the

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

ii) Pending litigation in 2008

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

39. In 2008, the UNAT rendered two decisions concerning ICAO officers. One was in the amount of US\$ 130K, and the other, US\$ 3 000. The two decisions resulted in payments in 2009, but no reserve had been entered for them in the 2008 books. The External Auditor ensured that the correct reserve amount was included in the final version of the Financial Statements.

40. To date, one decision remains pending: the case of an officer contesting the refusal of promotion to a post. The officer is questioning both content (refusal based on medical reasons) and form (the officer was the only candidate who was not given an interview) of this decision. However, the appeal brought before the Advisory Joint Appeals Board (AJAB) in September 2001 was not considered by said authority until December 2007, which is to say, six years later. While the Board turned down the complainant's petition, it nevertheless recommended compensation in view of the excessive duration of the proceedings. In a previous case, ICAO was ordered to pay USD 2 500.

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

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

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

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

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

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

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

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

iv) Pension restoration

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

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

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

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

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

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

Secretary General's comments: Pertaining to Human Resources (HR) information system. Many of HRB's follow-ups are currently done manually. However, we are expecting the implementation of the Agresso HR/Payroll module in June 2009. This new system would help HRB to develop a system of electronic follow-ups. We agree there is room for improvement in this area.

b) Accounts payable

54. No reserve for staff premiums has been entered. The beneficiaries for the year 2008 are not yet known, but the global resource envelope has been determined. The expense can thus be considered as certain and a reserve for it must thus be provided for.

Further to the External Auditor's observations, a reserve of CAD 60K has been accounted for in the definitive version of the Financial Statements.

55. An AOSC liability account serves to fund the deductible feature for possible disputed claims associated with the establishment of technical co-operation projects. This deductible comes to CAD 250K per case. The account actually corresponds to the surplus resulting from States' participation in this insurance, which represents 0.5 per cent of the total amount of the project, and the exact amount of the insurance premium paid by the Technical Co-operation Bureau. This principle raises three points:

- i) Reserve estimate: The amount of CAD 488K, or slightly less than the equivalent of two deductibles, was provided. The Technical Co-operation Bureau estimated that that two significant legal actions could arise. This estimate is not based on a calculation of probabilities. Moreover, a look at past litigation reveals that the last legal action reported took place approximately 15 years ago. The argument according to which the activity of the Technical Co-operation Bureau is increasing is not convincing, as TCB's revenue has fallen by CAD 14.5M between 2007 and 2008, going from CAD 150M to CAD 135.5M.

Secretary General's comments: The level of the reserve is based on prudence and conservatism. The potential liability should not be determined just by looking at a single year. Past years should be looked at cumulatively to determine the size of ICAO's exposure.

The observation refers to a period that is considerably greater than one year, since it includes the fact that the last legal dispute took place approximately 15 years ago.

- ii) Carrying forward of CAD 200K and entry as other revenue. Insofar as this account balance corresponds to the surplus of States' payments, it would seem advisable to inform States of the use that is made of this surplus. Further to the External Auditor's observations, a paragraph explaining the use of this surplus has been added to the final version of the Financial Statements.
- iii) Entry in an allowance account. The risk of having to pay a deductible should not be entered in an account reserved for expenses due and accrued, as is the case for the AOSC general balance. This risk does not take on the character of a reserve in the IPSAS 19 sense insofar as the obligation is not certain because the legal action is not reported. These deductible features must thus be reclassified in a self-insured reserve account.

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

Secretary General's comments: Noted for the future.

4. Observations on the internal audit service

4.1. Status and funds

56. The internal audit service is associated with the office of the Secretary General. In spite of its very broad scope of responsibilities, its personnel is limited.
57. Additionally, the material funds it has for carrying out its missions are also limited: a budget of CAD 17,000 for travel and of CAD 15,000 for the use of external consultants.
58. The low amount of funds for the internal audit service was noted in the report of the Advisory Group on Evaluation and Audit (AGEA) presented at the 185th session of the Council: *"EAO³ is a small office consisting of a Chief, two professional staff and two administrative staff. It is responsible for Internal Audit (IA). The current CMM⁴ level for IA is between 1 and 2, which is between initial and basic. The low rating reflects the fact that EAO is completely understaffed and lacking human and financial resources, not only for its audit tasks, but even more so given all the additional activities it is doing. EAO is currently responsible for a number of non-audit activities such as opening bids, liaising with the JIU⁵, and doing the follow-up of external audit and JIU recommendations."*

4.2 Internal audit work conducted in 2008

59. The work programme for 2008 (C-WP/13039) included two internal financial audit missions which were particularly important with respect to accounting quality. These missions were as follows:
- √ verification of ICAO's compliance with IPSAS standards, and
 - √ an examination of revised work processes and internal controls relating to the new financial accounting system.
60. As the report of the internal audit office for the year 2008 indicates, *"the envisioned work programme was too ambitious given the resources made available to EAO in 2008"*.
61. As a result, the two above-mentioned missions were not undertaken, since already the deployment of AGRESSO and the progressive adoption of the IPSAS were two major issues for the 2008 financial period.

³ Internal Audit Service

⁴ Capability Maturity Models (CMM) which make it possible to assess various areas and functions of ICAO such as internal audit, risk management, and the internal control framework, etc.

⁵ External Auditor

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

In 2008, ICAO adopted 3 IPSAS standards, including one (No. 19) concerning reserves for risks. Moreover, the Organization has gone from commitment accounting to accrual accounting, which is a significant accounting change possibly requiring internal auditing.

Recommendation No. 14: ICAO should allocate funds to the internal audit service in a manner appropriate to the size and structure of the Organization.

IV. Acknowledgements

62. The External Auditor would like to thank the Secretariat and the entire staff of ICAO for their assistance and for the cooperation provided to the External Auditor during the mission.

