



ICAO

Doc 10198

Financial Statements and Reports of the External Auditor for the Financial Year Ended 31 December 2022



Documentation for the 42nd Session of the ICAO Assembly in 2025

INTERNATIONAL CIVIL AVIATION ORGANIZATION



| ICAO

Doc 10198

Financial Statements and Reports of the External Auditor for the Financial Year Ended 31 December 2022

Documentation for the 42nd Session of the ICAO Assembly in 2025

INTERNATIONAL CIVIL AVIATION ORGANIZATION

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

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

**Doc 10198, *Financial Statements and Reports of the External Auditor
for the Financial Year Ended 31 December 2022***

Order Number: 10198

ISBN 978-92-9275-189-0 (print version)

© ICAO 2023

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

**FINANCIAL STATEMENTS AND
REPORT OF THE EXTERNAL AUDITOR
FOR THE YEAR ENDED 31 DECEMBER 2022**

INTERNATIONAL CIVIL AVIATION ORGANIZATION

FINANCIAL STATEMENTS AND REPORT OF THE EXTERNAL AUDITOR

FOR THE YEAR ENDED 31 DECEMBER 2022

CONTENTS

	PAGE
PART I	REPORTS BY THE SECRETARY GENERAL
Presentation	I - 1
Statement on Internal Control	I - 16
PART II	OPINION OF THE EXTERNAL AUDITOR
	II - 1
PART III	FINANCIAL STATEMENTS
Statement I	Statement of Financial Position III - 1
Statement II	Statement of Financial Performance III - 2
Statement III	Statement of Changes in Net Assets III - 3
Statement IV	Statement of Cash Flow III - 4
Statement V/V-A	Statement of Comparison of Budget and Actual Amounts III - 5
Notes to the Financial Statements	III - 7
PART IV	TABLES
Table A	Regular Activities by Fund IV - 1
Table B	Regular Programme – Assessments Receivable from Member States IV - 3
Table C	Technical Co-operation Project Activities by Group of Funds IV - 6
Table D	Technical Co-operation Project Activities - Trust Funds and Management Service Agreements IV - 7
Table E	Technical Co-operation Project Activities – Civil Aviation Purchasing Service Funds IV - 8
Table F	Technical Co-operation Project Activities – iPACK Funds Income, Expenses and Balance IV - 9
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 2022 AND THE SECRETARY GENERAL’S COMMENTS IN RESPONSE TO THE REPORT OF THE EXTERNAL AUDITOR

PART I: REPORTS BY THE SECRETARY GENERAL

INTERNATIONAL CIVIL AVIATION ORGANIZATION

PART I: REPORTS BY THE SECRETARY GENERAL

PRESENTATION

1. INTRODUCTION

1.1 In accordance with Article 12.4 of the Financial Regulations, I have the honour to submit the ICAO financial statements for the year ended 31 December 2022 to the Council for consideration and recommendation to the Assembly for approval. As required by Article XIII of the Financial Regulations, the External Auditor's opinion, and his report on the 2022 financial statements are also submitted to the Council and Assembly, as well as my comments (reflected in the Secretary General's Comments) thereon.

2. FINANCIAL OVERVIEW

2.1 The ICAO prepared its financial statements on the accrual basis in accordance with the International Public Sector Accounting Standards (IPSAS). Unless otherwise indicated, the financial statements and the accompanying notes disclosures, which form an integral part of these financial statements, and this report, are presented in the Canadian dollars (CAD).

2.2 The report summarizes and further explains key information provided in the ICAO financial statements and trends related to the financial position, and the financial and budget performance of the Organization for 2022.

2.3 **Statement I** presents the financial position of the Organization. Table 1 below provides a high-level summary of the Statement I for the years ended 2022 and 2021.

Table 1: Financial Position

(Thousands of CAD)

	2022	2021	Variance
ASSETS			
Current Assets	375 995	312 724	63 271
Non-Current Assets	10 907	13 068	(2 161)
TOTAL ASSETS	386 902	325 792	61 110
LIABILITIES			
Current Liabilities	270 110	220 999	49 111
Non-Current Liabilities	132 721	184 739	(52 018)
TOTAL LIABILITIES	402 831	405 738	(2 907)
NET ASSETS (ACCUMULATED DEFICIT)	(15 929)	(79 946)	64 017
TOTAL LIABILITIES AND NET ASSETS	386 902	325 792	61 110

2.4 Statement I reports assets totalling CAD 386.9 million at 31 December 2022 (2021: CAD 325.8 million), mainly composed of cash, cash equivalents and investments amounting to CAD 342.6 million (2021: CAD 284.2 million) and of assessed contributions receivable from Member States totalling to CAD 20.4 million¹ (2021: CAD 18.7 million). Total liabilities amount to CAD 402.8 million (2021: CAD 405.7 million), which include an amount of CAD 225.4 million (2021: CAD 166.2 million) representing advanced receipts mostly for Technical Co-operation projects, and an amount of CAD 142.2 million (2021: CAD 193.6 million) representing the estimated a liability for employee benefits, recognized in accordance with IPSAS.

2.5 The financial ratios for 2022 and 2021, as summarized below, indicate a healthy overall financial position for ICAO in terms of liquidity. The quick ratio of 1.33 and current ratio of 1.39 indicate that the Organization has sufficient assets to pay off its current liabilities.

	2022	2021
Current ratio		
Current assets: current liabilities	1.39	1.42
Quick ratio¹		
Current assets less inventories, receivables, advances and other current assets: current liabilities	1.33	1.35

¹ The quick ratio measures the ability to meet short-term obligations with the most liquid assets (cash, cash equivalents, investments, and short-term contributions receivable).

2.6 **Statement II** presents the financial performance for the year 2022. Table 2 below provides a high-level summary of the Statement II for the years ended 2022 and 2021.

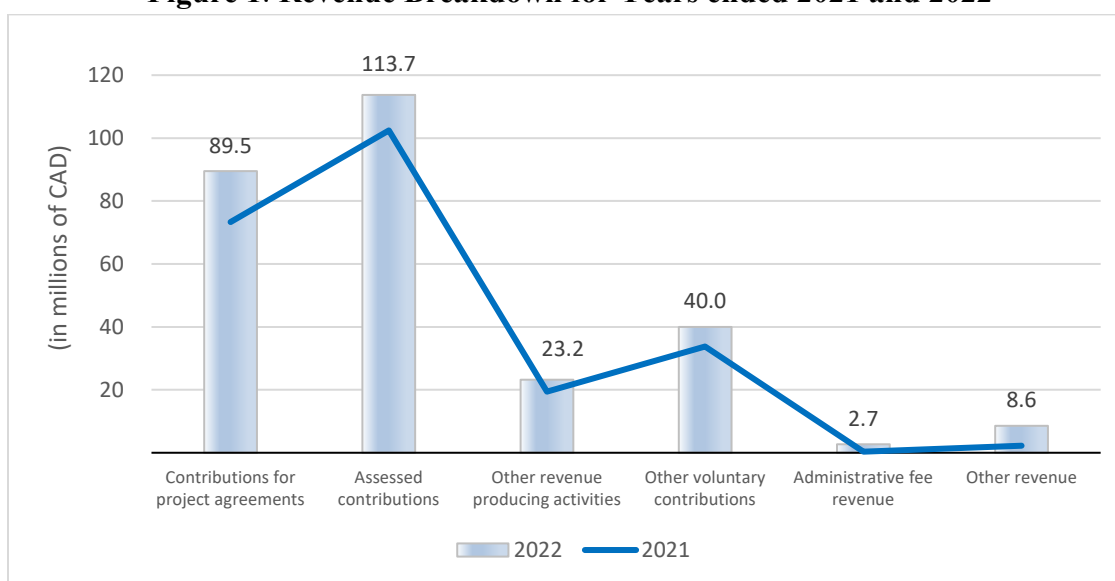
Table 2: Financial Performance

(Thousands of CAD)

	2022	2021	Variance
Total Revenue	277 686	231 565	46 121
Total Expenses	269 733	242 630	27 103
Surplus/(Deficit) for the year	7 953	(11 065)	19 018

2.7 Total revenue increased by CAD 46.1 million from CAD 231.6 million in 2021 to CAD 277.7 million in 2022, mainly due to higher levels of contributions for project agreements (CAD 16.2 million), assessed contributions (CAD 11.3 million), other voluntary contributions (CAD 6.2 million), and exchange gains (CAD 4.6 million).

¹ The amount of the long-term contributions-receivable has been discounted for presentation purposes to comply with IPSAS.

Figure 1: Revenue Breakdown for Years ended 2021 and 2022

2.8 Total expenses showed an increase of CAD 27.1 million from CAD 242.6 million in 2021 to CAD 269.7 million in 2022, mainly driven by growth in expenses related to personnel (CAD 11.8 million, of which CAD 7.8 million relates to project personnel), subcontracts (CAD 5.0 million) and travel costs (CAD 7.4 million).

2.9 Revenue exceeded expenses by CAD 8.0 million in 2022, compared with a deficit of CAD 11.1 million in 2021. The total 2022 operating surplus is mainly attributable to the surplus in the Regular Budget (CAD 5.6 million), the AOSC Funds (CAD 2.8 million), and the Resources Mobilization Fund (CAD 2.7 million), and partially offset by the deficit in the Revolving Fund of CAD 4.1 million. Explanations on the financial results of the above funds are provided in Section 4 below.

2.10 **Statement III** presents changes in net assets during the year. Reserves and accumulated deficit reduced by 80 per cent to CAD 15.9 million as at 31 December 2022 (2021: CAD 79.9 million). The variance of CAD 64 million is mainly attributable to the actuarial gain of CAD 56.0 million on After-Service Health Insurance (ASHI) and the surplus for the year of CAD 8.0 million.

2.11 **Statement IV** is a breakdown of movements in cash and cash equivalents, which increased by CAD 46.7 million in 2022, from CAD 270.7 million at 31 December 2021 to CAD 317.4 million at 31 December 2022. The increase was mainly caused by CAD 53.7 million increase in cash from operating activities, partly offset by a decrease of CAD 7.0 million from investing activities.

2.12 **Statement V** shows a comparison between the Regular Budget and actual amounts. This Statement also reflects the status of appropriations including transfers and the amounts charged against the appropriations as required by Financial Regulation 12.1. **Statement V-A** also includes the budget of the Administrative and Operational Services Cost Fund (AOSC), which is publicly available and must be disclosed in accordance with IPSAS. More information on budget performance is provided in the section 3.

3. BUDGET PERFORMANCE AND FINANCIAL HIGHLIGHTS

Appropriations for Regular Budget

3.1 The budgetary appropriations for 2022, in thousands of CAD, are summarized below:

Original Appropriations	112 457
2021 Outstanding commitments	17 634
Carry-over from 2021	13 434
Decrease of appropriations	(6 136)
Approved Revised Appropriations	137 389
2022 Outstanding commitments	(18 214)
Carry-over to following year (2023)	(7 465)
Final Revised 2022 Appropriations	111 710

3.2 **2021 Outstanding Commitments.** In accordance with Financial Regulation 5.7, an amount of CAD 17.6 million was approved by the Secretary General to supplement the 2022 appropriations, primarily for payment of outstanding commitments for the year ending as of 31 December 2021.

3.3 **Carry-over from 2021.** Unutilized appropriations for the year ended 2021 amounted to a total of CAD 13.4 million. In accordance with Financial Regulation 5.6, the Secretary General authorized to carryover CAD 12.9 million, representing 10 per cent of the 2021 approved appropriation, to supplement the 2022 appropriations, for mandatory and other mission-critical activities. The Council approved the allocation of the remaining balance of CAD 0.5 million to the Operational Reserve as one of the funding sources for the 2023-2024-2025 triennium (C-DEC 226/3).

3.4 **Decrease in Appropriations.** During the 226th Council Session on discussions for the 2023-2024-2025 triennium budget, the Council approved an additional transfer of CAD 5.6 million to the Operational Reserve from the 2022 appropriations (C-DEC 226/11) to be retained as one of the funding sources for the next triennium's budget. The 2022 appropriations were reduced by the total amount of transfer to the Operational Reserve of CAD 6.1 million, which includes CAD 0.5 million as explained in para 3.3.

3.5 **2022 Outstanding Commitments.** The value of commitments at the end of 2022 for which delivery is expected in 2023, amounted to CAD 18.2 million. Pursuant to Financial Regulation 5.7, this amount has been reserved and carried forward to 2023, in order to meet existing legal obligations (also see Table 3, column (e)).

3.6 **Transfers.** In compliance with Financial Regulation 5.9, the Secretary General authorized transfer of appropriations from one Strategic Objective or Supporting Strategy to another, up to an amount not exceeding 20 per cent of the annual appropriation for each of the Strategic Objective or Supporting Strategy to which the transfer is made.

3.7 **Carry-over to following year.** Unutilized 2022 appropriations amounted to CAD 7.5 million, or 5.4 per cent of the 2022 Approved Revised Appropriations of CAD 137.4 million. Under Financial Regulation 5.6, the Secretary General is authorized to carry-over CAD 7.5 million for mission-critical and priority activities that were not funded in the 2023 budget, including those activities that had to be deferred due to unavoidable implementation delays in 2022.

3.8 As a result of the changes outlined in the preceding paragraphs, the final revised appropriation for the year amounted to CAD 111.7 million.

3.9 Table 3 provides a comparison between Budget and Actual amounts for the Revenue and Expenses of the Regular Budget General Fund:

Table 3: Revenue and Expenses of the Regular Budget General Fund
(Thousands of CAD)

	2022 Budget ¹	Actual ²	Exchange Differences	Actual at Budget Rate ³	2022 Outstanding Commitments	Total	Difference
	(a)	(b)	(c)	(d) = (b)+(c)	(e)	(f) = (d)+(e)	(g) = (f)-(a)
REVENUE							
Assessed Contributions	101 058	113 722	(10 053)	103 669		103 669	2 611
Other Revenue							
Transfer from ARGF Surplus	9 649	9 648		9 648		9 648	(1)
Miscellaneous Income	548	2 012		2 012		2 012	1 464
Reimbursement from AOSCF	1 202	1 202		1 202		1 202	0
Currency exchange difference		2 825		2 825		2 825	2 825
	112 457	129 409	(10 053)	119 356		119 356	6 899
EXPENSES							
Staff salaries and employment benefits	102 643	99 090	(8 210)	90 880	8 570	99 450	(3 193)
Supplies, consumables and others	1 543	740	(65)	675	754	1 429	(114)
General operating expenses	24 474	15 154	(509)	14 645	8 786	23 431	(1 043)
Travel	4 696	3 675	(286)	3 389	0	3 389	(1 307)
Meetings	3 646	2 155	(134)	2 021	104	2 125	(1 521)
Other expenses	387	110	(10)	100	0	100	(287)
	137 389	120 925	(9 214)	111 710	18 214	129 924	(7 465)

¹ 2022 Budget-Expenses include carry-over approved by the Secretary General (and commitments) from prior year of CAD 18 796 thousand.

² From Table A, Financial Statements, excluding Working Capital Fund and Operational Reserve Fund.

³ Includes (1) budget exchange gain of CAD 10 053 thousand due to impact of USD transactions budgeted at USD1.00=CAD1.00, (2) budget exchange difference of CAD 9 214 thousand due to the difference in the rate of exchange used to prepare the budget versus the monthly UN rates of exchange applied to expenditures during the year.

3.10 **Explanation of Differences – Revenues.** The overall budget of CAD 112.5 million (Table 3, column (a)) includes four main funding sources of the Regular Budget for 2022: Assessed Contributions, transfer of ARGF Surplus, Miscellaneous Income, and Reimbursement from AOSC Fund. For the Assessed Contributions, the difference of CAD 2.6 million pertains to the discounted amount of the long-term contributions receivable. The difference in miscellaneous income was due to higher interest earned than budgeted for, and the lease revenue from the European Civil Aviation Conference that commenced in 2021 and was not budgeted for during the current triennium.

3.11 **Explanation of Budget.** The overall budget of CAD 137.4 million (Table 3, column (a)) includes the 2022 original appropriations of CAD 112.5 million, the carry-over from 2021 along with 2021 Outstanding Commitments for a total of CAD 31.0 million, offset by the transfer of CAD 6.1 million to the Operational Reserve (to be retained for the funding of the 2023-2024-2025 budget).

3.12 **Exchange Differences.** The exchange differences arise due to the need to convert transactions in currencies other than CAD to CAD using the UN rate of exchange in the preparation of the financial

statements under IPSAS, and to convert revenue and expenses at budget rate for comparison with approved budgets. Budget exchange differences in (Table 3, column (c)) are composed of the following:

- a) The exchange gain of CAD 10.1 million on assessments represents the calculated positive differences between assessments budgeted at budget rate for the triennium and at the UN operational rate of exchange when assessments are levied. Since 2010, the split assessment system is in place and Member States are being invoiced partly in USD and partly in CAD. The USD/CAD exchange rate on 1 January 2022 (the date when invoices were raised in USD) was higher than the rate used in the 2022 budget, resulting in a positive difference to total assessed contributions of CAD 10.1 million; and
- b) The exchange difference of CAD 9.2 million on expenses is due to the difference in the rate of exchange used to prepare the budget versus the monthly UN rates of exchange applied to expenses during the year. This exchange difference has been allocated to actual expenses in order to restate at the approved budget exchange rate. The total expenses restated at the budget rate are shown in Table 3, column (d).

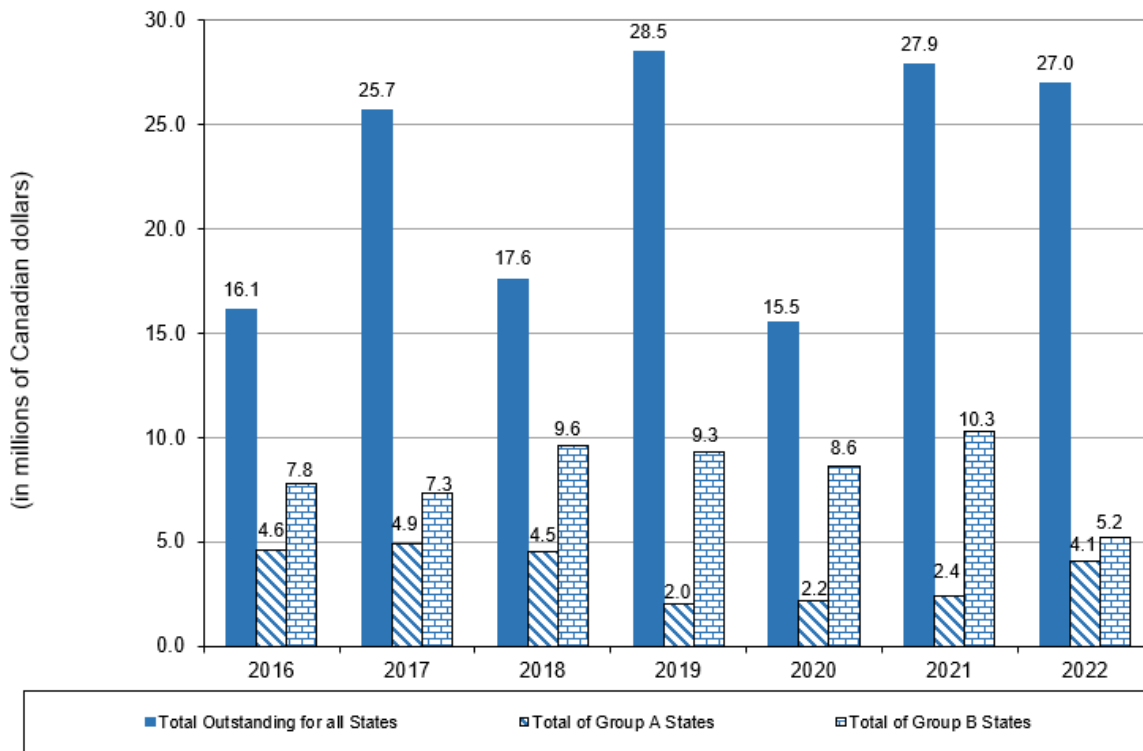
3.13 In this manner, the budgetary savings i.e., difference between budget and actual expenses, have been appropriately adjusted, as shown in Table 3, column (g). The currency exchange difference of CAD 2.8 million (Table 3, column (b)) recognized on the IPSAS basis, relates mainly to positive differences from the revaluation of assets and liabilities in CAD initially recorded in other currencies.

Assessment and Reporting Currencies

3.14 The Regular Budget assessments are determined using a split assessment system under which Member States are assessed partly in CAD and partly in USD based on estimated requirements in each currency in order to minimize the exposure to the exchange rate fluctuations. To ensure consistency and comparability between the approved budgets and the Accounts and Funds of the Organization, the financial statements are presented in CAD.

Assessments and Other Voluntary Contributions

3.15 Assessment receivables at end of 2022 amounted to 27.0 million. During the year 2022, assessments totalling CAD 94.1 million were received and a balance of CAD 17.1 million remained outstanding at the year-end against the current year's assessments. At the beginning of the year, CAD 27.2 million was receivable from States in respect to 2021 and prior years; payment of CAD 18.7 million was received, leaving a balance outstanding of CAD 8.5 million. The assessment receivable for all years totalled CAD 25.6 million as at 31 December 2022 (including the Working Capital Fund (WCF)) and exchange adjustments amounted to CAD 1.4 million from conversion of the USD component of assessments converted at CAD 1.356 for a re-valued assessment receivable balance of CAD 27.0 million. Details are provided in Table B of Part IV to this document. The percentage of receipts of contributions for the last four years in relation to the amount assessed averaged 87.1 per cent. Figure 2 shows the status of the assessed contributions receivable at the end of each year since 2016.

Figure 2: Assessments Receivable from Member States Trend 2016-2022

3.16 Of the total outstanding contributions of CAD 27.0 million at 31 December 2022, CAD 12.2 million pertained to States represented on the Council. The following table provides details of the assessments-receivable in thousands of CAD, by group of States:

Table 4: Assessments Receivable by Group of States

	Number of States 2022	Amount Outstanding as at 31 Dec 2022	Number of States 2021	Amount Outstanding as at 31 Dec 2021
Group A: States that have concluded agreements with the Council to liquidate their arrears over a period of years	8	4 070	6	2 437
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	10	5 184	17	10 314
Group C: States with contributions in arrears for less than three full years	7	1 426	12	1 830
Group D: States with contributions outstanding only for the current year	20	15 603	22	12 683
Sub-total	45	26 283	57	27 264
The Former Socialist Federal Republic of Yugoslavia		693		654
Total Outstanding Contributions	45	26 976	57	27 918

3.17 As at 31 December 2022, eight States had concluded agreements to liquidate their arrears over a period of years. The agreements provide for these States to effect payment of the current year's contribution as well as an annual instalment payment towards the prior year's arrears. The note on Table B of Part IV to this document, indicates the States that had not complied with the terms of their agreements at 31 December 2022.

3.18 Major contributions received for the Regular Budget and other Funds in Regular Activities segment for 2022 are summarized in table 5 below:

Table 5: Top Twenty Contributions in Regular Activities*

(Thousands of CAD)

Member State	Assessments Received for 2022	Voluntary Contributions	Gratis Personnel	Donated Right to Use - Premises	Total
Canada	2 789			23 194	25 983
China**	12 656	1 730	2 794		17 180
United States	11 389	3 243	1 223		15 855
France	4 067	7 037	1 063	758	12 925
Japan	7 378	312	62		7 752
United Kingdom	4 656	1 625			6 281
Germany	5 644				5 644
Brazil	2 522	5	979		3 506
Republic of Korea	2 456	595	224		3 275
Saudi Arabia	1 156	1 374	630		3 160
Thailand	644		141	2 172	2 957
Italy	2 711				2 711
United Arab Emirates	2 411		239		2 650
Netherlands	1 589	720			2 309
Australia	2 122				2 122
Spain	1 978				1 978
Singapore	1 033	245	661		1 939
Türkiye	1 778		88		1 866
Mexico**	1 222	472	100		1 794
Qatar	1 167	129			1 296
	71 368	17 487	8 204	26 124	123 183

* Refunds not deducted.

** Includes contribution in cash towards the rental of the Regional Sub-Office in Beijing and the Regional Office in Mexico City.

3.19 Total expenses in 2022, including those for seconded staff, gratis personnel, and premises provided without charge, by Strategic Objective and Supporting Strategy and for other activities (mainly relating to Revolving Fund, Ancillary Revenue Generation Fund, and Administrative and Operational Services Cost Fund which are detailed in the later part of the document) are shown in table 6 below:

Table 6: Expenses by Strategic Objective and Supporting Strategy for the year ended 2022

(Thousands of CAD)

	Safety	Air Navigation Capacity and Efficiency	Security and Facilitation	Economic Development of Air Transport	Environmental Protection	Supporting Strategy	Others	Total
Regular Budget	37 538	21 881	17 091	5 245	6 458	35 637		123 850
Voluntary Funds and other Regular								
Activity funds	2 240	1 391	3 834	105	725	1 220	31 615	41 130
Donated Right to Use - Premises						26 950		26 950
Gratis Personnel	4 033	3 206	350	106	328	1 492		9 515
Total Expenses	43 811	26 478	21 275	5 456	7 511	65 299	31 615	201 445

Accumulated Surplus/Deficit, Cash Surplus, and Reserves

3.20 The cumulative surplus, excluding reserves in Net Assets for the Regular Budget at 31 December 2022 reflected in Table A of Part IV to this document, amounted to CAD 29.7 million. Cumulative surplus less the Working Capital Fund balance of CAD 10.8 million and assessments receivable from Member States of CAD 25.6 million resulted in a cash deficit of CAD 6.7 million at 31 December 2022.

3.21 Reserved surplus for the Regular Budget totalling CAD 38.1 million includes an amount of CAD 18.2 million to finance 2022 outstanding commitments carried over to 2023, a balance of CAD 14.2 million in the Operational Reserve, historical WCF balance of CAD 8.1, plus unrealized cumulative exchange gain of CAD 6.8 million, offset by an unrealized discount and provision on assessments receivable of CAD 9.2 million.

3.22 Combined net accumulated surplus and deficits of all ICAO's Funds including reserves represent a deficit of CAD 15.9 million as at 31 December 2022. These amounts are presented in Table A and Table C of Part IV to this document.

Revolving Fund

3.23 The Revolving Fund was established effective 1 January 2008 under Financial Regulation 7.8 to record all transactions relating to after-service health insurance (ASHI) benefits, including related unfunded liabilities, and any other unfunded liabilities and deficits of the Organization following the application of IPSAS. After-service benefits reflected in this Fund are for ASHI, annual leave and repatriation benefits. Since its inception, the Fund has accumulated annual deficits because the annual funding by the Regular Budget for these benefits is not sufficient to finance the annual accrued benefits. During 2022, the accumulated deficit of the Fund including reserves reached CAD 138.1 million at the end of the year as follows:

	Net Accumulated Deficit at end of 2021	CAD 189.9 million
Add:	Employee benefits accrued during the year	CAD 7.5 million
Deduct:	Benefits paid during the year	CAD 3.3 million
Deduct:	Actuarial gain on ASHI for 2022	<u>CAD 56.0 million</u>
	Net Accumulated Deficit at end of 2022	<u>CAD 138.1 million</u>

3.24 The ASHI liability is very sensitive to changes in actuarial assumptions. The significant actuarial gain on ASHI was caused by the increase in the discount rate from 1.75 per cent in 2021 to 3.70 per cent, along with minor adjustments due to experience and alignment with the rest of the UN system on the mortality tables assumption.

3.25 The accumulated ASHI and other employee benefits liabilities remain unfunded and the pay-as-you-go approach continues pending a decision at the UN level.

Ancillary Revenue Generation Fund (ARGF)

3.26 ARGF reported an operating surplus of CAD 10.4 million in 2022. After transfers of the required contribution of CAD 8.1 million to the Regular Budget, further contribution of CAD 1.1 million to ICAO Work Programmes, and expenses of CAD 2.1 million approved from reserves, the net annual deficit amounts to CAD 0.9 million.

3.27 A summary of the ARGF revenue and expenses by business activities, including the Commissariat fund, is presented in table 7 below:

Table 7: ARGF Revenue and Expenses by Business Activity

(Thousands of CAD)

	Revenue	Expense	Surplus/(Deficit)
Publications and Digital Content Sales	6 209	1 743	4 466
Printing and Distribution Services	952	1 130	(178)
Events	2 653	1 588	1 065
Training (incl. TRAINAIR PLUS)	7 692	6 911	781
Licensing	3 214	266	2 948
Delegation and Conference Services	2 925	2 520	405
New Products	1 398	560	838
ARGF Operations and Admin. Fee & Support Costs	781	734	47
Commissariat	286	243	43
Operating Results	26 110	15 695	10 415
ARGF Inter-billing Elimination	(632)	(632)	0
	25 478	15 063	10 415
Amount Transferred to Regular Budget		8 082	(8 082)
Further Contribution to ICAO Work Programmes		1 144	(1 144)
	25 478	24 289	1 189
Expenses approved from reserves		2 088	(2 088)
Net surplus/(deficit) for the year	25 478	26 377	(899)

3.28 A budgetary comparison of the operating surplus is presented in table 8 below:

Table 8: ARGF Budgetary Comparison

(Thousands of CAD)

	Actual	Budget	Variance
Revenue	26 110	28 397	(2 287)
Expense	15 695	19 000	(3 305)
Surplus	10 415	9 397	1 018

3.29 The COVID-19 pandemic's direct impact on the aviation industry continued to negatively affect the ARGF performance during the first half of this reporting period. In 2022, ARGF operating revenue was lower than planned by CAD 2.3 million and amounted to CAD 26.1 million (92 per cent of the budget). Actual expenses of CAD 15.7 million (83 per cent of budget), were CAD 3.3 million lower than budget. This resulted in an operating surplus of CAD 10.4 million (111 per cent of budget).

The accumulated surplus for ARGF as at 31 December 2022, reflected in Table A of Part IV to this document, is CAD 8.1 million.

Table 9: ARGF Surplus

(Thousands of CAD)

	2022	2021
Accumulated surplus as at 1 January	9 021	13 773
Revenue	25 478	19 800
Expenses and transfers to RB	26 377	24 552
Net surplus / (deficit) for the year	(899)	(4 752)
Sub-total accumulated surplus as at 31 December	8 122	9 021
Restricted surplus / reserves		
Operational reserve	4 511	4 771
One-off Contribution to Regular Budget	-	1 567
Earmarked for special projects	956	1 478
Restricted surplus to protect risks due to COVID	789	1 122
Sub-total restricted surplus / reserves	6 256	8 938
Adjusted surplus as at 31 December	1 866	83

Administrative and Operational Services Cost Fund (AOSC)

3.30 The AOSC Fund is established to meet the cost of administration and operation of ICAO's Technical Co-operation Programme and is primarily financed from support costs charged to Technical Co-operation Projects, which are managed under various Trust Fund Agreements, Management Service Agreements (MSA), Civil Aviation Purchasing Services Agreements (CAPS) and ICAO Implementation Packages (iPacks) developments and deployments. The financial results for the AOSC Fund are reported in Table A of Part IV to this document. A budgetary comparison is presented in Table 10.

3.31 Supplemental to the AOSC Fund, the Technical Co-operation Bureau Efficiency and Effectiveness Fund was established by the Council (C-DEC 155/7 and increased in C/DEC 172/8) authorizing the Director of TCB to dispense, in any given year, up to 25 per cent of the AOSC Fund's annual surplus in the preceding year for the implementation of measures to improve the efficiency and effectiveness of TCB in responding to Contracting States' needs. The expenditure for TCB Efficiency and Effectiveness Fund amounted to CAD 53 thousand in 2022 and the accumulated surplus stood at CAD 1.0 million as at 31 December 2022.

3.32 In addition, a Special Reserve Fund ("SRF") was established (C-DEC 200/2) for the Technical Co-operation Programme to compensate for a possible shortfall caused by a decrease in the AOSC Fund income in any given year that would impact its ability to make the approved annual transfer to the Regular Budget as described in paragraph 3.36. There were no amounts drawn from the SRF since its inception in 2014. The SRF balance is nil as at 31 December 2022. The annual transfers to the Regular Budget during those periods have been covered from the AOSC accumulated surplus as per the approved reimbursement mechanism.

Table 10: AOSC Fund Budget and Expenditures for 2022¹

(Thousands of CAD)

AOSC budget estimates submitted to Assembly ²	10 829		
	Budget³	Actual	Variance
Budget / Income	8 257	12 598	4 341
Expenditures	9 558	9 764	206
Surplus / (deficit) for the year	(1 301)	2 834	4 135

¹ Excludes TCB Efficiency and Effectiveness Fund (total expenses in CAD 53,000 for the year 2022) and SRF;² Approved by the Assembly in 2019 (A40);³ Noted by the Council at its 227th Session (C-WP/15436).

3.33 As indicated above, the Assembly approved the indicative budget estimates of the AOSC Fund amounting to CAD 10.8 million for the financial year 2022. During the year, pursuant to Financial Regulation 9.5, the Secretary General submitted to the Council an update of the 2022 Estimates for income (CAD 8.3 million) and expenditure (CAD 9.6 million) in C-WP/15436.

3.34 The actual AOSC Fund² financial performance showed an excess of CAD 4.3 million in AOSC income versus the revised budget (227th Session), mainly as the result of an increase in administrative income from a higher Technical Co-operation implementation volume, as well as an increase in investment income due to higher interest rates in 2022. The above resulted in the amount of CAD 2.8 million excess in income over expenditure.

The accumulated surplus for AOSC at 31 December 2022 reflected in Table A of Part IV to this document is CAD 12.0 million.

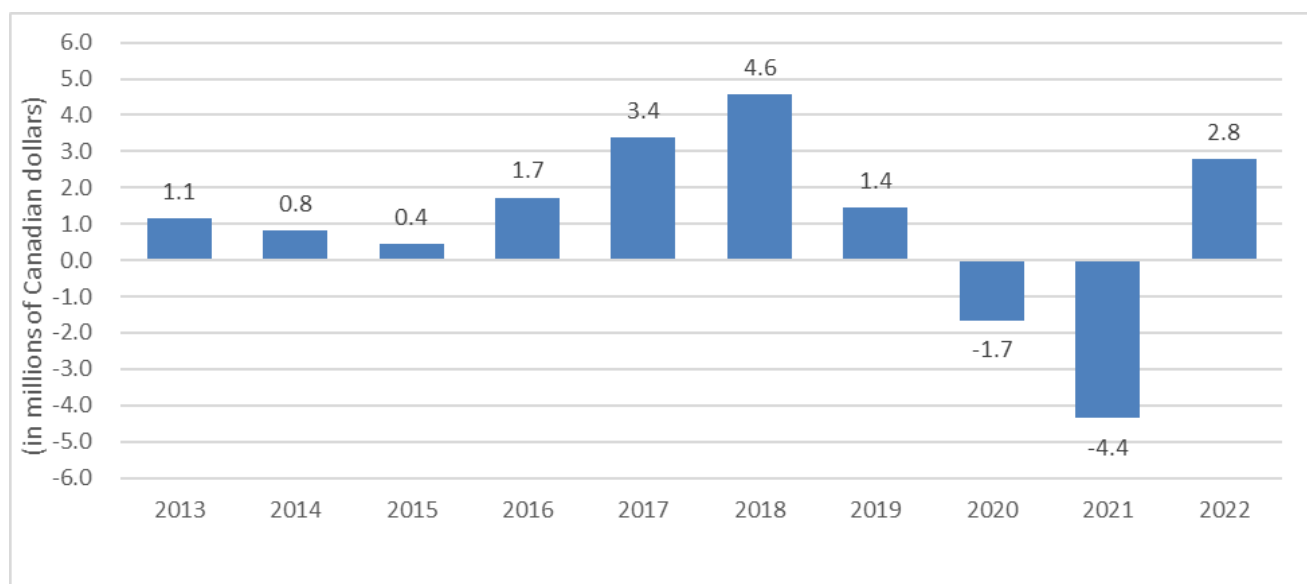
Table 11: AOSC Surplus

(Thousands of CAD)

	2022	2021
Accumulated surplus as at 1 January	9 217	13 781
Revenue	12 598	5 241
Expenses	9 817	9 805
<i>Net surplus / (deficit) for the year</i>	<i>2 781</i>	<i>(4 565)</i>
Sub-total accumulated surplus / (deficit) as at 31 December	11 998	9 217
Restricted surplus / reserves		
Efficiency and Effectiveness Fund	1017	1 070
Special Reserve Fund	0	0
Sub-total restricted surplus / reserves	1 017	1 070
Adjusted surplus / (deficit) as at 31 December	10 981	8 147

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

² Exclude TCB Efficiency and Effectiveness and Special Reserve Funds

Figure 3: AOSC Fund Surplus and Shortfall Trend 2013-2022

3.36 During the 37th Session of the Assembly, the Administrative Commission recommended that the question of sharing costs between the Regular Budget and the Technical Co-operation Programme be reported to the Council for review. The Council had considered this issue and based on a time survey, approved in 2012 the amount of CAD 1.2 million to be recovered annually by the Regular Budget from the AOSC Fund for Regular Budget support directly related to projects continuing for the 2020-2022 triennium.

Technical Co-operation Programme

3.37 The Technical Co-operation Bureau manages the Technical Co-operation Programme, a permanent priority activity of ICAO which complements the role of the Regular Programme by supporting Member States in their implementation of ICAO regulations, policies and procedures as stated in Assembly Resolution A36-17. Through this Programme, ICAO provides a broad spectrum of services, including: assistance to States in the review of the structure and organization of national civil aviation institutions; updating the infrastructure and services of airports; facilitating technology transfer and capacity building; promoting ICAO Standards and Recommended Practices (SARPs), and Air Navigation Plans (ANPs); and supporting remedial action resulting from the Universal Safety Oversight Audit Programme (USOAP) and the Universal Security Audit Programme (USAP) audits.

3.38 A rolling three-year Operating Plan for TCB is prepared in close coordination with the Technical Co-operation Committee, setting the goals and strategies to be followed during the current period with the aim of improving the governance, efficiency and quality of ICAO Technical Co-operation Programme activities. Consequently, continued efforts are being undertaken to ensure the sustained improvement of the AOSC financial situation through the diversification of TCB's products and services (i.e., iPacks), enhanced collaboration with Regional Offices leading to the identification of short-, medium-, and long-term opportunities for project implementation, increased implementation support through the alignment of technical assistance and technical co-operation activities, the review of TCB's organizational structure in line with its Business Model, and the introduction of cost savings and efficiency measures.

3.39 Technical Co-operation Projects represent one of the main activities of the Organization. Projects are financed by governments and other donors with inflows of CAD 89.1 million and outflows of CAD 89.5 million in 2022. These figures are an improvement over the results of the last two years (2020-2021) but still considerably less, due to numerous projects being delayed or cancelled altogether due to the pandemic and changes to governments' priorities, than the average achieved in the last triennium (2017-2019). Tables C to E in Part IV of this document provide more details on TC projects, summarized by the following figures in millions of CAD.

Figure 4: Technical Co-operation Project Expenses by Geographic Region

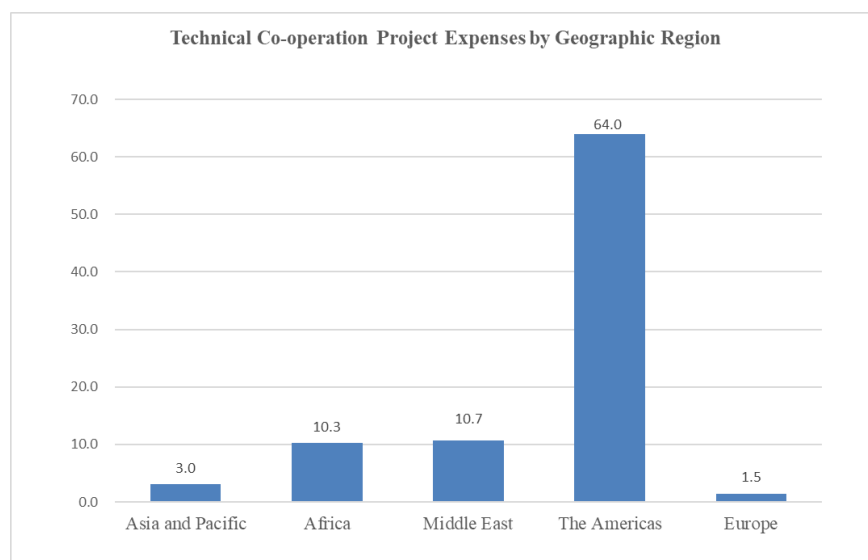
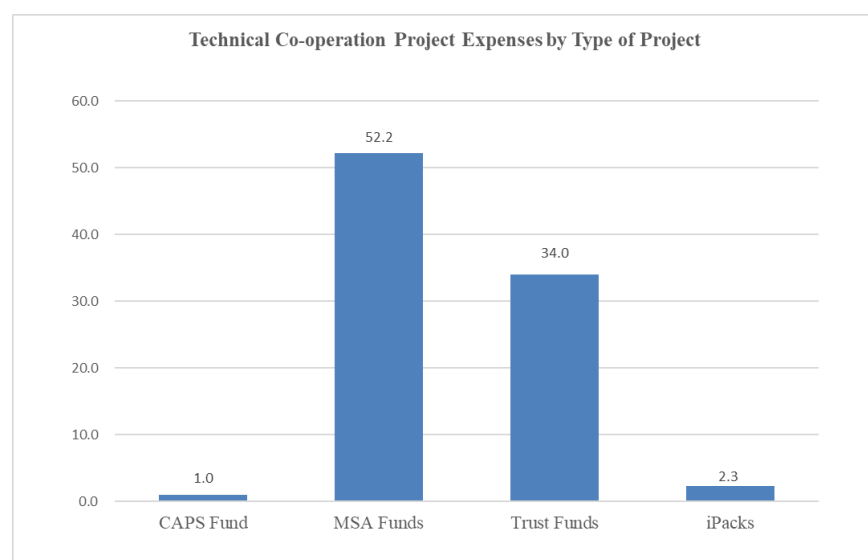


Figure 5: Technical Co-operation Project Expenses by Type of Project



4. RESPONSIBILITY OF MANAGEMENT

Pursuant to the ICAO Financial Regulation 12.1, the Secretary General is required to submit annual financial statements in accordance with the International Public Sector Accounting Standards (IPSAS) adopted by the United Nations organizations. The financial statements include: Statement of Financial Position (Statement I), Statement of Financial Performance (Statement II), Statement of Changes in Net Assets (Statement III), Statement of Cash Flow (Statement IV) and Statement of Comparison of Budget and Actual Amounts (Statement V). The financial statements also include the status of Regular Budget appropriations and credits not budgeted for by the Assembly are reflected in this document.

Management is responsible for the preparation, integrity and objectivity of the financial information included in the financial statements. These statements have been prepared in accordance with the IPSAS and include certain amounts that are based on management's best estimates and judgements. Financial information contained throughout this document is consistent with that in the audited financial statements. Management considers that the financial statements present fairly the Organization's financial position, financial performance and its cash flows, and that the information disclosed in the document is presented in accordance with IPSAS and the provisions of the ICAO Financial Regulations.

To fulfill its responsibility, the Organization maintains systems of internal controls, policies and procedures to ensure the reliability of financial information and the safeguarding of assets. The internal control systems are subject to both internal and external audit.

The 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, that to the best of my knowledge, information and belief, all material transactions have been properly charged in the accounting records and are properly reflected in the Financial Statements included in this document.

Olga Nam
Chief, Finance Branch

As the Secretary General of the International Civil Aviation Organization, I hereby approve and submit this financial report of ICAO, accompanied by the financial statements and tables for the year 2022.

Juan Carlos Salazar
Secretary General

Montréal, Canada
31 March 2023

STATEMENT OF INTERNAL CONTROL (SIC)

2022

Scope of responsibility

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

Purpose of the system of internal control

2. The system of internal control is designed to manage and mitigate to an acceptable level the key risks that may adversely impact the achievement of the Organization's mandate, Strategic Objectives, and goals. Therefore, the Statement on Internal Control (SIC) can only provide a reasonable and not absolute assurance on the effectiveness of the system of internal controls. It is based on an ongoing process designed to identify the key risks, evaluate the nature and extent of those risks, and manage these efficiently and effectively.

3. Internal control is a process, effected by the Governing Bodies, the Secretary General, senior management, and other personnel targeting for:

- Effectiveness and efficiency of operations and safeguarding of assets;
- Reliability of financial reporting;
- Compliance with applicable policies, procedures, regulations, and rules; and
- Effective communications and monitoring.

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

5. My current statement on ICAO's internal control processes applies for the year ended 31 December 2022, and up to the date of the approval of the Organization's 2022 financial statements.

6. The following provides an overview of the actions undertaken or matters considered to solidify the internal control systems and processes in 2022.

Risk management and control framework

7. ICAO's Enterprise Risk Management and Internal Control (ERM) Framework, endorsed by the Council in 2021 (C-DEC 222/4), sets out the guiding principles of risk management, roles and responsibilities, processes, monitoring and review of risks, and risk documentation. A key component of the Framework is the risk register process that was introduced in 2020 to provide a coordinated, structured, and methodical approach to managing risks. Risk registers are maintained at three levels: (1) ICAO-wide level risks, which are reported annually to the Council ("Corporate Risk Register"), (2) Bureau/Office level, where risks are mitigated and monitored by each Bureau/Office, and (3) Business Process level, where risks are identified and reported by Portfolio, Programme, and Project.

8. The ERM Reference Group comprises of Directors of Bureaus and Heads of Offices directly reporting to the Secretary General and provides oversight and guidance on the ERM Framework and its implementation.

9. The Strategic Planning, Coordination and Planning (SPCP) Office works closely with the Bureaus and Offices at Headquarters and Regional Offices to increase the risk knowledge and maturity of the Organization, based on annual roadmaps presented at each ERM Reference Group meeting to guide risk management activities every year. During 2022, the focus was put on refining the risk assessment process, the monitoring of corporate risks of the Organization, and integration of the ERM Framework in ICAO's processes and procedures.

10. ICAO continues to work closely with other entities of the United Nations (UN) system and actively participates in the High Level Committee on Management (HLCM) to ensure a continuous improvement of its ERM Framework, taking into account best practices and lessons learnt from other UN entities.

11. The Framework is supported by a range of assertions, confirmed by senior managers on key internal controls and compliance with policies, procedures and processes underpinned by appropriate ethical values, documented in the Management Assurance Statement and Declaration (MASD) self-assessment questionnaires and demonstrated in ICAO's day-to-day operations. As in previous years, senior management has submitted MASDs on the effectiveness of internal controls in their areas of responsibility.

Significant matters arising during the year

12. Control weaknesses identified in individual internal oversight reports, referred to in the 2022 Annual Report of the Office of Internal Oversight (CG-WP/013) to the Council, and in reports issued by the Evaluation and Audit Advisory Committee (EAAC) and the external auditor, the Swiss Federal Audit Office (SFAO), are being addressed through corresponding Secretariat Action Plans that are regularly monitored by the respective oversight units.

13. The Office of Internal Oversight (OIO) noted that while international civil aviation continued to recover from the COVID-19 pandemic, the year 2022 represented a period of increased geopolitical uncertainty and global conflicts that indirectly impacted ICAO's work.

14. No new risks were reported in 2022. ICAO currently has 14 corporate risks, a reduction with the elimination of 2 corporate risks since the previous report. In addition, the scores of 5 remaining corporate risks have been reduced. The key risks faced by ICAO in 2022 and corresponding mitigation actions are summarized in the following four risk categories:

14.1. **Strategic Risks:** Throughout 2022, the impact of the COVID-19 pandemic along with ongoing global issues have placed additional pressure on achieving approved annual work plan deliverables due to unfunded additional work demands. In addition, insufficient workforce availability resulted in some delays of projects/programmes.

Control and mitigation:

- a) Ongoing controls and mitigation actions were reviewed in 2022 but not fully implemented due to competing priorities. A new corporate performance and monitoring reporting (CPMR) tool was developed in 2022 that enables management to monitor staff working on planned and funded deliverables.
- b) Budgets and programme delivery are to be monitored more effectively to ensure agreed projects and operating plans are achieved within budget, which will facilitate timely action to be taken on risks and issues that may arise.
- c) Although all Bureaus/Offices are performing recruitment and Human Resources (HR) services in compliance with ICAO's procedures and policies, meeting the deadlines to complete the Performance and Competency Enhancement (PACE) Reports on time with staff could be improved. This contributes to the risk of insufficient workforce planning when performance activities are not reported on a timely basis. With the hiring of a Deputy Director Human Resources in 2022 and the creation of a new People Strategy to be implemented during the triennium, it is anticipated that additional recruitment, training, and accountability mechanisms will be in place to mitigate the insufficient workplace planning risk.

14.2. Operational Risks: While positive developments were noted in 2022 on the Information and Communication Technology (ICT) Strategy and outsourcing of Information and Technology (IT) services, cyber risks remain, requiring further strengthening of organizational resilience including crisis management and disaster recovery. Other operational risks include ICAO continuing to face budgetary constraints to carry core tasks and relying on the use of non-staff personnel over the long term (consultants/secondments) to perform core activities.

Control and mitigation:

- a) Outsourcing of some ICT services to the United Nations International Computing Centre (UNICC) was completed in 2022 for the migration of IT services to a cloud environment, including disaster recovery planned in 2023. The implementation of the Information Security Roadmap was on track in 2022 with no significant cyber-attacks reported. Nevertheless, it will be prudent to continue staff training to raise more cybersecurity awareness;
- b) Further mitigation actions to address the reliance on non-staff personnel were delayed in 2022 pending approval of the People Strategy, which will enable HR to implement a Strategic Workforce plan that realistically meets the resource requirements.

14.3. Compliance/Legal Risk: These include potential breaches of obligations in terms of upholding ethical behaviours, principles, and standards of conduct, as well as insufficient resources to support the implementation of the Anti-Fraud and Anti-Corruption (AFAC) Policy that aims to prevent potential fraud and corruption activities. Another compliance risk was external in nature, whereby 140+ States have not ratified the three most recent aviation security treaties (Beijing Convention of 2010, Beijing Protocol of 2010, Montreal Protocol of 2014), which resulted in ICAO being unable to establish a global framework to effectively deal with emerging aviation threats.

Control and mitigation:

a) Outsourcing of investigative services to the United Nations Office of Internal Oversight Services (OIOS) was completed in January 2022. Additional mandatory training is required for staff to better apply their knowledge of the Framework on Ethics. Although awareness exist among staff about the AFAC Policy, processes and mechanisms to regularly monitor and report on potential fraud and corruption activities are not in place. In early 2022, the Bureau of Administration and Services (ADB) was assigned responsibility for the new AFAC Policy, however, mitigation actions were not implemented pending recruitment of a position responsible for coordinating the activities pertaining to the AFAC Policy and related staff training.

b) Although funding for outreach activities to support ratification of pending treaties was provided in 2021, mitigations were not implemented last year due to the COVID-19 pandemic resulting in postponement of the planned outreach activities (regional seminars, workshops). In the meantime, the Secretary General and the President of the Council continue to promote ratification of these treaties.

14.4. **Financial Risks:** The following matters contribute to potential financial risks:

a) The Organization not having sufficient cash to meet its immediate operating needs due to late payments of assessments by Member States;

b) Insufficient policies/governance on cost recovery activities to reimburse funding for support services provided to extra budgetary projects by Bureaus/Offices; and

c) TCB not being able to generate a consistent surplus in the Administrative and Operational Services Cost (AOSC) Fund every year resulting from reductions of TCB projects and programmes.

Control and mitigation:

15. Although the above-mentioned risks did not impact ICAO's cash flow in 2022, they are inherent risks that are reviewed and assessed semi-annually to ensure sufficient cash flow is available for ICAO to deliver on its annual programme and project activities. Information on the status and mitigation actions are taken as follows:

a) The first financial risk is inherent and has ongoing mitigation actions, whereby the Secretary General continues to promote enforcement of Articles 61 and 62 of the Chicago Convention and Article 6.5 a) of the Financial Regulation and ensures monitoring and follow-up with States on the status of the assessments. In addition, ICAO continues monitoring the cash position closely and ensuring that the expenses are maintained within the available financial resources.

b) Mitigation actions on the cost recovery risk were not completed as planned in 2022 due to ongoing work on this project; the development of the draft cost recovery policy is expected to be completed in 2023.

c) Lastly, although the AOSC Fund achieved a surplus in 2022 as a result of several mitigating controls and actions, including: approval of the Implementation Support Policy; implementing a new business model; developing key performance indicators for new

products and services; and enhancing coordination with the Regional Offices; uncertainty around generating revenue and resource mobilization continues to affect the financial situation of ICAO.

Review of effectiveness

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

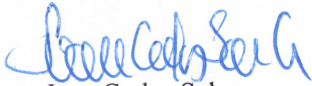
- a) The Directors of Bureaus and Heads of Offices who play an important role in the system of internal control and are accountable, within the delegated authority, for organizational outputs, program performance, managing their Bureaus/Office activities, and safeguarding the resources entrusted to them. Reliance is placed on the senior managers' personal written attestation in the MASD self-assessment questionnaires submitted for the year 2022, which identified control issues and remedial actions taken, and concluded on the effectiveness of the internal controls in their areas of responsibility. Additionally, reliance is placed on information shared during meetings held by the Senior Management Group (SMG) and the Full Senior Management Group (FSMG).
- b) The audit, evaluation and advisory reports of the Office of Internal Oversight (OIO), EAAC and the External Auditor, which provide reports on both the compliance of the accounts with the financial regulations and on the governance, risk management and internal controls, as well as the operational performance of selected areas of ICAO. These reports provide independent and objective information on compliance and programme effectiveness, together with recommendations for addressing risks and achieving operational improvements;
- c) The Ethics Officer who provides confidential advice and guidance to the management and staff on ethics and standards of conduct, as well as advice to the Council on policies and procedures related to ethics issues, promotes ethical awareness, administers the policy for the protection of staff against retaliation and administers the financial disclosure and conflict of interest declaration programme;
- d) The Evaluation and Audit Advisory Committee (EAAC) which reviews the accounting and financial reporting process, the system of internal control, the risk and audit process, and the compliance with financial regulations and rules, to advise the Council (Annual Report of the EAAC (C-WP/15453) refers); and
- e) Council's observations and decisions.

17. The organizational change and the multiplicity of change projects, together with the need to change culture in the Organization were identified as potential future risks for ICAO. In particular, effective HR changes will require a full commitment to compliance at all levels (in areas such as documentation of appraisal and development discussions and completion of mandatory training), especially by Senior Management, to demonstrate the organisational commitment to cultural change. Given the scarcity of resources, it is critical for the People strategy implementation to have clear prioritisation and success measures to deliver its plan and demonstrate the benefits of planned changes to support the delivery of cultural change. As 2022 was the last year of the 2020-2022 triennial Regular Budget, new initiatives to transform ICAO are underway for the next triennium in areas such as Results-based Management (RBM), People Strategy, and the consideration of a new accountability framework that will support greater workforce agility, improved business systems, more informed and evidence-based decision making, and greater clarity of strategy linked to resources.

18. A system of internal control, no matter how well designed, has however inherent limitations including the possibility of circumvention and, therefore, can provide only reasonable assurance. Furthermore, because of changes in conditions, the effectiveness of internal control may vary over time.

Statement

19. Based on the content of this statement and the evidence that underpins it, I consider that, to the best of my knowledge and information, there have been no material weaknesses that would affect the reliability of the Organization's financial statements, nor are there significant matters arising which would need to be raised in the present document pertaining to the financial year 2022.



Juan Carlos Salazar
Secretary General
Montréal, Canada
30 March 2023

PART II: OPINION OF THE EXTERNAL AUDITOR



Ref. 939.22362.003

External Auditor's Report

To the Assembly of the International Civil Aviation Organization (ICAO)

Report on the audit of the financial statements

Opinion

The Swiss Federal Audit Office (SFAO) has audited the financial statements of the International Civil Aviation Organization (ICAO), which comprise the Statement of financial position as at 31 December 2022, the Statement of financial performance, the Statement of changes in net assets, the Statement of cash flow and the Statement of comparison of budget and actual amounts for the year then ended, and the Notes to financial statements, including a summary of the significant accounting policies.

In the opinion of SFAO, the financial statements fairly present, in all material aspects, the financial position of ICAO as at 31 December 2022 and its financial performance and cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS) and the ICAO Financial Regulations.

Basis for opinion

SFAO conducted its audit in accordance with the International Standards on Auditing (ISA). Its responsibilities under those standards are further described in the section "Responsibilities of the External Auditor for the audit of the financial statements" of this report. SFAO is independent of ICAO in accordance with the rules of professional conduct that are relevant to the audit of financial statements in Switzerland, and it has fulfilled its other ethical responsibilities in accordance with these requirements. It believes that the audit evidence it has obtained is sufficient and appropriate to provide a basis for its opinion.

Other information

The Secretary General is responsible for the other information in the financial report. The other information comprises all information included in the financial report, but does not include the financial statements (part III of the financial report) and the External Auditor's reports thereon (parts II and V of the financial report).

The External Auditor's opinion on the financial statements does not cover the other information in the financial report and SFAO does not express any form of assurance conclusion thereon.

In connection with its audit of the financial statements, SFAO's responsibility is to read the other information in the financial report and, in doing so, consider whether the other information is

materially inconsistent with the financial statements or its knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work it has performed, SFAO concludes that there is a material misstatement of this other information, it is required to report that fact. SFAO has nothing to report in this regard.

Responsibilities of the Secretary General and Those charged with governance for the financial statements

The Secretary General is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and the ICAO Financial Regulations, and for such internal control as the Secretary General determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary General is responsible for assessing the ability of ICAO to continue as a going concern and disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Secretary General either intends to liquidate the organisation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the ICAO's financial reporting process.

Responsibilities of the External Auditor for the audit of the financial statements

The External Auditor's objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes its opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA, SFAO exercises professional judgement and maintains professional scepticism throughout the audit. In addition, SFAO also:

- Identifies and assesses the risk of material misstatements of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for its opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ICAO's internal control.
- Evaluates the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made.
- Concludes on the appropriateness of the Secretary General's use of the going concern basis of accounting and, based on the evidence obtained, whether a material uncertainty exists related

to events or conditions that may cast significant doubt on ICAO's ability to continue as a going concern. If SFAO concludes that a material uncertainty exists, it is required to draw attention in its auditor's report to the related disclosures in the notes to the financial statements or, if such disclosures are inadequate, to modify its opinion. Its conclusions are based on the audit evidence obtained to the date of the auditor's report. However, future events or conditions may cause ICAO to cease to continue as a going concern.

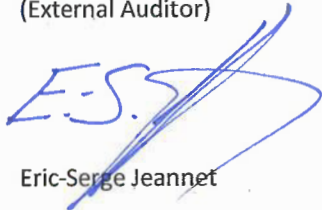
- Evaluates the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

SFAO communicates with the Secretary General and the Evaluation and Audit Advisory Committee (EAAC) of ICAO regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that it identifies during its audit.

Berne, 20 April 2023

SWISS FEDERAL AUDIT OFFICE

(External Auditor)



Eric-Serge Jeannot

Vice-President



Martin Köhli

Head of Competence Centre

PART III: FINANCIAL STATEMENTS

INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT I
STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2022
(Thousands of CAD)

	Notes	2022	2021 reclassified
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2.1	317 415	270 733
Investments	2.1	25 173	13 498
Assessed contributions receivable from Member States	2.2	17 283	14 568
Receivables, advances and other current assets	2.3	15 687	13 468
Inventories	2.4	437	457
		375 995	312 724
NON-CURRENT ASSETS			
Assessed contributions receivable from Member States	2.2	3 068	4 153
Receivables and advances	2.3	172	212
Property, plant and equipment	2.5	4 620	5 071
Intangible assets	2.6	3 047	3 632
		10 907	13 068
TOTAL ASSETS		386 902	325 792
LIABILITIES			
CURRENT LIABILITIES			
Advanced receipts	2.8	225 373	166 217
Accounts payable and accrued liabilities	2.9	33 324	44 277
Employee benefits	2.10	9 444	8 901
Credits to contracting/servicing governments	2.11	1 969	1 604
		270 110	220 999
NON-CURRENT LIABILITIES			
Employee benefits	2.10	132 721	184 739
		132 721	184 739
TOTAL LIABILITIES		402 831	405 738
NET ASSETS			
Accumulated deficit	2.12	(79 884)	(82 906)
Reserves	2.12	63 955	2 960
		(15 929)	(79 946)
NET ASSETS (ACCUMULATED DEFICIT)		(15 929)	(79 946)
TOTAL LIABILITIES AND NET ASSETS		386 902	325 792

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

III - 2

INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT II

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 DECEMBER 2022

(Thousands of CAD)

	Notes	2022	2021
REVENUE			
Contributions for project agreements	3.2	89 507	73 339
Assessed contributions	3.2	113 722	102 437
Other revenue producing activities	3.2	23 215	19 426
Other voluntary contributions	3.2	39 984	33 803
Administrative fee revenue		2 697	343
Other revenue	3.2	8 561	2 217
TOTAL REVENUE		277 686	231 565
EXPENSES			
Salaries, employee benefits and project personnel	3.3	169 120	157 346
Subcontracts, supplies and consumables	3.3	40 343	35 333
General operating expenses	3.3	47 446	46 022
Travel	3.3	8 841	1 462
Meetings		2 274	789
Training		1 388	429
Other expenses	3.3	321	1 249
TOTAL EXPENSES		269 733	242 630
SURPLUS/(DEFICIT) FOR THE YEAR		7 953	(11 065)

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

INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT III
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 31 DECEMBER 2022
(Thousands of CAD)

	Notes	Accumulated Deficit	Reserves	Net Assets (Net Accumulated Deficit)
Balance at 31 December 2020		(75 662)	(28 935)	(104 597)
Movements in fund balances and reserves in 2021				
Variation to carry forward balance	2.12	(8 680)	8 680	
Variation of actuarial gain/(loss) on ASHI	2.10		36 243	36 243
Utilization of Incentive Scheme's reserve	2.12	5	(5)	
Utilization of Operational Reserve	2.12	158	(158)	
Adjustment on ARGF operational reserve	2.12	1 132	(1 132)	
Utilization of ARGF restricted surplus	2.12	3 656	(3 656)	
Variation of unrealized losses	2.12	2 733	(2 733)	
Other reclassifications and transfers	2.12	(537)		(537)
Variation of translation adjustment and other rounding difference	2.12		10	10
Surplus/(Deficit) of the year		(11 065)		(11 065)
Total movements during the year		(12 598)	37 249	24 651
Balance at 31 December 2021		(88 260)	8 314	(79 946)
Reclassification for comparability to conform to 2022 presentation	2.12	5 354	(5 354)	
Comparable Balance at 31 December 2021		(82 906)	2 960	(79 946)
Movements in fund balances and reserves in 2022				
Variation to carry forward balance	2.12	(579)	579	
Variation of actuarial gain/(loss) on ASHI	2.10		56 005	56 005
Utilization of Incentive Scheme's reserve	2.12	(1)	6	5
Adjustment on Operational Reserve	2.12	(6 135)	6 135	
Utilization of Operational Reserve	2.12	2 928	(2 928)	
Adjustment on ARGF operational reserve	2.12	260	(260)	
Utilization of ARGF restricted surplus	2.12	2 422	(2 422)	
Variation of unrealized losses	2.12	(3 878)	3 878	
Other reclassifications and transfers	2.12	33		33
Variation of translation adjustment and other rounding difference	2.12	19	2	21
Surplus/(Deficit) of the year		7 953		7 953
Total movements during the year		3 022	60 995	64 017
Balance at 31 December 2022		(79 884)	63 955	(15 929)

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

INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT IV
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2022

(Thousands of CAD)

	Notes	2022	2021 reclassified
CASH FLOWS FROM OPERATING ACTIVITIES:			
Surplus/(Deficit) for the year		7 953	(11 065)
<i>Non-cash movements and other adjustments</i>			
Depreciation and amortization	2.5 & 2.6	1 838	1 672
ASHI actuarial gain (loss)	2.10	56 005	36 243
Interest income	3.2	(5 939)	(940)
Adjustments and other additions to property, plant and equipment	2.5	(172)	
Adjustments to net assets	2.12	38	(544)
Net (gain)/loss on disposal of property, plant and equipment		(17)	
Impairment loss and disposal	2.60	696	
Cash flow on WCF presented as financing activities	3.2	(8)	
Changes in assets and liabilities			
(Increase) decrease in contributions receivable	2.2	(2 714)	(10 487)
(Increase) decrease in receivables, advances and other current assets	2.3	(2 219)	266
(Increase) decrease in inventories	2.4	20	160
(Increase) decrease in non-current contributions receivable (net of discount)	2.2	1 085	853
(Increase) decrease in non-current receivables and advances	2.3	40	47
Increase (decrease) in advanced receipts	2.8	59 156	(22 943)
Increase (decrease) in accounts payable and accrued liabilities	2.9	(10 953)	13 742
Increase (decrease) in short-term employee benefits	2.10	543	916
Increase (decrease) in credits to contracting/servicing governments	2.11	365	10
Increase (decrease) in long-term employee benefits	2.10	(52 018)	(26 946)
Foreign currency translation adjustment and rounding	2.12	21	19
NET CASH FLOWS FROM OPERATING ACTIVITIES		53 720	(18 998)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of property, plant and equipment and Intangibles	2.5 & 2.6	(1 327)	(1 692)
Proceeds from disposal of property, plant and equipment		17	
(Increase) decrease in investment	2.1	(11 675)	(10 274)
Interest received	3.2	5 939	940
NET CASH FLOWS FROM INVESTING ACTIVITIES		(7 046)	(11 026)
CASH FLOWS FROM FINANCING ACTIVITIES:			
(Increase) decrease in WCF contributions receivable	3.2	8	
NET CASH FLOWS FROM FINANCING ACTIVITIES		8	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		46 682	(30 024)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	2.1	270 733	300 757
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	2.1	317 415	270 733

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

INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT V
REGULAR BUDGET GENERAL FUND
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(Thousands of CAD)

Strategic Objective / Supporting Implementation Strategy	<i>Approved Appropriations</i>					<i>Revisions</i>			<i>Expenditures</i>			Balance (l) =(h) - (k)	SG-approved Carry-over to 2023 ^f (m)	Proposed Carry-over to 2023 ^f (n)	Total Carry-over to 2023 (o) =(m)+(n)
	Assembly Resolution A40-34	Outstanding Commitments Prior Year ^a	Carry-over Prior Year ^a	Decrease of Appropriations ^b	Approved 2022 Appropriations (e) =(a)+(b)+(c)+(d)	2022 Outstanding Commitments ^c	Transfers among SO/SIS ^d	Revised 2022 Appropriations (h) =(e)+(f)+(g)	Total	Budget Exchange Difference ^e	At budget rate of exchange (k) =(i)+(j)				
	(a)	(b)	(c)	(d)		(f)	(g)		(i)	(j)					
Safety	33 218	3 759	4 317	(2 482)	38 812	(3 829)	(590)	34 393	35 990	(3 553)	32 436	1 957	1 957	0	1 957
Air Navigation Capacity and Efficiency	21 396	2 187	2 447	(1 185)	24 845	(2 249)	(1 725)	20 871	21 681	(2 482)	19 198	1 673	1 673	0	1 673
Security and Facilitation	15 433	1 800	1 788	(629)	18 392	(1 614)	85	16 863	16 369	(1 344)	15 025	1 838	1 838	0	1 838
Economic Development of Air Transport	5 096	629	608	(418)	5 915	(636)	(325)	4 954	4 987	(285)	4 701	253	253	0	253
Environmental Protection	6 539	1 080	684	(398)	7 905	(1 036)	(71)	6 799	6 440	(431)	6 009	790	790	0	790
Sub-Total	81 682	9 455	9 844	(5 113)	95 869	(9 363)	(2 625)	83 880	85 465	(8 096)	77 369	6 511	6 511	0	6 511
Programme Support	14 919	2 231	1 570	(455)	18 265	(3 084)	1 482	16 662	16 133	(425)	15 708	954	954	0	954
Management & Administration	15 856	5 948	2 020	(569)	23 256	(5 767)	1 144	18 633	19 326	(693)	18 633	0	0	0	0
Sub-Total	30 775	8 179	3 590	(1 024)	41 520	(8 851)	2 626	35 295	35 459	(1 118)	34 341	954	954	0	954
Total	112 457	17 634	13 434	(6 136)	137 389	(18 214)	0	119 175	120 925	(9 214)	111 710	7 465	7 465	0	7 465

^a Carry-over from 2021: CAD 17.6 million (2021 outstanding commitments) by authority of Fin. Reg. 5.7; CAD 12.9 million (other carry-over) approved by Secretary General authority Fin. Reg. 5.6; and CAD 0.5 million (other carry-over) approved by the Council authority Fin. Reg. 5.6.

^b Approved by Council to transfer to Operational Reserve (C-DEC 226/3 and C-DEC 226/11).

^c By authority of Financial Regulation 5.7.

^d Approved by the Secretary General, Financial Regulation 5.9.

^e Budget exchange difference: currency exchange gain of CAD 9.2 million due to the difference in the rate of exchange used to prepare the budget versus the monthly UN rates of exchange applied to expenditures during the year.

^f Secretary General has authority to approve up to a maximum of 10% of total approved appropriation, Fin. Reg. 5.6; balance will be for Council approval, Fin. Reg. 5.6

Details may not add to totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT V-A

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR ALL FUNDS OF THE ORGANIZATION THAT HAVE PUBLICLY-AVAILABLE BUDGETS
FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of Canadian Dollars)

	References	2022 Budgets*	Actual	Budget Difference	Actual on a comparable basis	Difference between Budget and Actual on comparable basis
		(a)	(b)	(c)	(d) (b) + (c)	(e) (a) - (d)
REVENUE						
Regular Budget						
Assessed contributions	DOC 10125; Tbl A	101 058	113 722	(10 053)	103 669	(2 611)
Other	DOC 10125; Tbl A	11 399	12 862		12 862	(1 463)
Currency Exchange Difference	DOC 10125; Tbl A		2 825		2 825	(2 825)
Total Regular Budget	DOC 10125; Tbl A	112 457	129 409		119 356	(6 899)
Working Capital Fund						
Total Regular Budget and Working Capital Fund:		112 457	129 409		119 356	(6 899)
AOSC (excluding Efficiency/Effectiveness and Special Reserve Funds)						
Administrative Fee	Table A;	4 744	11 571		11 571	(6 827)
Other Revenue	C-WP/15436	3 513	1 027		1 027	2 486
Total AOSC	C -WP/15436; Tbl A	8 257	12 598		12 598	(4 341)
EXPENSES						
Regular Budget						
All SO/SIS	St. V; Table A	137 389	120 925	(9 214)	111 710	25 679
Outstanding commitments	Statement V			18 214	18 214	(18 214)
Total Regular Budget	DOC 10125; Tbl A	137 389	120 925	8 999	129 924	7 465
Operational Reserve			2 926			
Working Capital Fund						
Total Regular Budget, Op. Reserve and Working Capital Fund:	Table A		123 850			
AOSC (excluding Efficiency/Effectiveness and Special Reserve Funds)	C-WP/15436	9 558	9 764		9 764	(206)
Other AOSC Funds			53		53	(53)
Total AOSC	C -WP/15436; Tbl A	9 558	9 817		9 817	(259)

* Comprised of publicly available budgets only

REFERENCES:

Table A (Tbl A) and Statement V (St. V) are included in the Financial Statements and Tables.

Details may not add to totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION
Notes to Financial Statements
31 December 2022

NOTE 1: ACCOUNTING POLICIES

I. INTRODUCTION

1. The International Civil Aviation Organization (ICAO) is a specialized agency of the United Nations and was created with the signing in Chicago, on 7 December 1944, of the *Convention on International Civil Aviation*. ICAO is the permanent body charged with the administration of the principles laid out in the Convention. It sets the standards for aviation safety, security, efficiency, and regularity, as well as for aviation environmental protection, and encourages their implementation.
2. ICAO's membership comprises 193 Member States as of 31 December 2022. Its Headquarters are in Montreal, Canada and it has regional offices in Bangkok, Cairo, Dakar, Lima, Mexico City, Nairobi, and Paris, as well as a regional sub-office in Beijing.
3. ICAO has a sovereign body, the Assembly, and a governing body, the Council. The Assembly, composed of representatives from all Member States, meets every three years, reviews in detail the complete work of the Organization, sets policy for the coming years and approves the financial statements issued since the last Assembly. It also decides on the triennial budget. The Assembly last convened in September 2022.
4. The Council, composed of representatives from 36 States, is elected by the Assembly for a three-year term and provides continuing direction to the work of ICAO. The Council is assisted by the Air Navigation Commission, the Air Transport Committee, the Finance Committee, the Aviation Security Committee, the Human Resources Committee, the Committee on Joint Support of Air Navigation Services, the Technical Co-operation and Implementation Support Committee, the Climate and Environment Committee, the Committee on Governance, the Relations with Host Country Committee, the Edward Warner Award Committee, and the Committee on Co-operation with External Parties.
5. The Secretary General is head of the Secretariat and chief executive officer of the Organization, responsible for the general direction of the work of the Secretariat.
6. The Secretariat consists of five main divisions: the Air Navigation Bureau, the Air Transport Bureau, the Technical Co-operation Bureau, the Legal Affairs and External Relations Bureau, and the Bureau of Administration and Services. The Secretary General is directly responsible for the management and effective work performance of the activities assigned to the Office of the Secretary General relating to Finance, Office of Internal Oversight, Ethics, Communications, Strategic Planning, Coordination, and Partnership, and the seven Regional Offices. The regional offices are primarily responsible for maintaining liaison with States to which they are accredited and with other appropriate organizations, regional civil aviation bodies and the United Nations Regional Economic Commissions. The regional offices promote implementation of ICAO policies, decisions, Standards and Recommended Practices (SARPs) and regional air navigation plans and provide technical assistance when requested.

II. OVERVIEW AND HIGHLIGHTS OF THE FINANCIAL STATEMENTS

7. The following financial statements have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS):

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

8. Also, in accordance with IPSAS, the financial statements include notes that provide narrative descriptions and disaggregation of items disclosed in the financial statements, and information about items that do not qualify for recognition in the statements. The notes also include the presentation of major activities of ICAO by segment, as required by IPSAS.
9. The tables included in Part IV of this document are not part of the audited financial statements. However, these tables offer valuable financial information, and support the combined figures reported in the audited financial statements.

Reporting Entity

10. The financial statements include only the operations of ICAO. ICAO does not have interests in associates or jointly controlled entities.
11. ICAO provides administrative services to the Medical Benefits Plan (MBP). The MBP is a non-consolidated entity independently governed by the Health and Life Insurance Committee (HLIC) which includes members appointed by the ICAO administration and members elected by plan participants. The MBP prepares its own financial statements that are not consolidated into those of ICAO. The Plan's assets and liabilities are owned by the MBP and, in the event of dissolution, its assets and liabilities would be distributed as determined by the HLIC. The MBP, with Cigna as the plan administrator, provides for the reimbursement of a major portion of expenses for medically recognized health care incurred by ICAO's and other participating organizations' staff members, retired staff members, delegates, and their eligible family members. MBP is financed by the contributions made by the participants and the Organizations and from investment income.

Basis of Preparation and Authorization for Issue

12. The financial statements of ICAO have been prepared on the accrual basis of accounting, in accordance with the ICAO Financial Regulations and IPSAS.
13. These financial statements are prepared on a going-concern basis of accounting. The going-concern assertion is based on: the approval of the Regular Budget appropriations for the triennium 2023-2025 (Resolution A41-28) by the Assembly; the positive historical trend of collection of assessed contributions over the past years; and the fact that neither the Assembly nor the Council has taken a decision to cease the operations of ICAO. Furthermore, ICAO continues monitoring the cash position closely, and ensures that the expenses are maintained within the available financial resources.
14. The financial statements have been prepared on the basis of historical cost measurement unless otherwise stated.

15. The Cash Flow Statement (Statement IV) is prepared using the indirect method.
16. In accordance with the Financial Regulation 12.4, these financial statements are certified by the Chief of the Finance Branch, approved by the Secretary General (on the date referred to in the Report by the Secretary General), and transmitted to the External Auditor for examination by 31 March following the end of the financial year. Thereafter, the financial statements and the report of the External Auditor are presented to the Council for consideration and recommendation to the Assembly for approval.

Functional and Presentation Currency

17. The presentation currency of ICAO is the Canadian dollar (CAD). Foreign currency transactions are translated into CAD using the United Nations Operational Rates of Exchange (UNORE). The financial statements are expressed in thousands of CAD unless otherwise stated.
18. The functional currency of ICAO Regular Activities is the CAD. For the Regular Activities Segment, transactions in a currency other than the functional currency are translated to CAD using the exchange rate at the transaction date. Monetary assets and liabilities in currencies other than CAD are revalued at the closing rate and non-monetary items are revalued at the exchange rate on the transaction date. Foreign currency differences arising upon revaluation are recognized in the statement of financial performance.
19. The functional currency of the Technical Co-operation Projects (TCP) activities and Joint Financing funds is the United States dollar (USD), because these activities are generally carried out in USD. Transactions in currencies other than USD, are translated to USD at the rate in effect on the transaction date. Monetary assets and liabilities in currencies other than USD are translated at the year-end closing rate.
20. Assets and liabilities of activities financed from TCP and other Funds that utilize the USD as the functional currency are translated to CAD at the closing rate of 1.356 (2021: 1.281), and revenues and expenses in the statement of financial performance are translated to CAD at the average rate of 1.299 (2021: 1.254). Differences arising on the translation of assets and liabilities and statement of financial performance are recognized in the reserved surplus.

Materiality and Use of Judgement and Estimations

21. Materiality is applied in the preparation and presentation of ICAO's financial statements. In general, an item is considered material if its omission or its aggregation would have an impact on the conclusions or decisions of the users of the financial statements.
22. Preparing financial statements in accordance with IPSAS requires use of estimates, judgments and assumptions in the selection and application of accounting policies and in the reported amounts of certain assets, liabilities, revenues and expenses.
23. Accounting estimates and underlying assumptions are reviewed on an ongoing basis, and revisions to estimates are recognized in the year in which the estimates are revised as well as in any future year affected. Significant estimates and assumptions that may result in material adjustments in future years include: actuarial measurement of employee benefits; selection of useful lives and the depreciation/amortization methods for property, plant and equipment/intangible assets; impairment of assets; classification of financial instruments; inflation and discount rates used in the calculation of the present value of provisions; and classification of contingent assets/liabilities.

Changes in Accounting Standards

24. In 2022, ICAO did not adopt any new accounting standards. The International Public Sector Accounting Board (IPSAS) has previously published the following new standards which will be effective on the dates indicated below:

IPSAS 41: Financial Instruments, which is applicable to ICAO, IPSAS 41 reduces complexity by replacing the existing classification and measurement categories for financial assets with three principle-based categories and modifies the process used to classify instruments based on how entities manage instruments, and the economic characteristics of the underlying cash flows of an instrument. ICAO is adopting this standard at the required start date of 1 January 2023. It is estimated that the implementation of IPSAS 41 will not have a significant impact on the 2023 financial statements resulting from the adoption of the Expected Credit Loss methodology that will change provisions for doubtful debts related to accounts receivable.

IPSAS 42: Social benefits, provides guidance on accounting for social benefits expenditure. It defines social benefits as cash transfers paid to specific individuals and/or households to mitigate the effect of social risk. Specific examples include State retirement benefits, disability benefits, income support and unemployment benefits. The new standard requires an entity to recognize an expense and a liability for the next social benefit payment. The implementation of IPSAS 42, Social benefits was deferred to 1 January 2023 due to the COVID-19 pandemic and the challenges it has created. Currently, there are no such social benefits applicable to the Organization.

IPSAS 43: Leases, which is applicable to ICAO, modifies the principles for the recognition, measurement, presentation, and disclosure of leases with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. ICAO plans to adopt this standard at the required start date of 1 January 2025. The implementation of IPSAS 43 may have an impact on the 2025 financial statements resulting from the recognition of right of use assets and lease liabilities pertaining to leases with lease term meet the criteria defined in the Standard.

IPSAS 44: Non-current assets held for sale and discontinued operations, specifies the accounting for assets held for sale and the presentation and disclosure of discontinued operations. It requires assets that meet the criteria for classification as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and depreciation; and presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance. IPSAS 44 will be effective from 1 January 2025. Its impact on the financial statements is not anticipated to be significant as ICAO currently has no assets that would be classified as held for sale and does not anticipate any discontinued operations.

Cash, Cash Equivalents, and Investments

25. Cash and cash equivalents comprise cash on hand and at banks and short-term, highly liquid investments with a maturity of three months or less from the date of acquisition. Investments include term deposits with an initial term of more than three months and are further classified in the Statement

of Financial Position into short-term investments, if maturing within twelve months of the reporting date, and long-term investments with terms longer than twelve months from the reporting date.

26. Interest revenue is recognized as it accrues, taking into account the effective yield.

Financial Instruments

27. Financial instruments are recognized when ICAO becomes a party to the contractual provisions of the instrument and until such time as the rights (or the obligation) to receive (to pay) cash flows from those assets (liabilities) have expired or have been transferred (settled).
28. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets. Receivables include contributions receivable in cash and other receivables. Long-term receivables, including assessments receivable, are stated at amortized cost using the effective interest method.
29. Financial liabilities include trade payables, payable to MBP, payables to employees, and accrued liabilities. All non-derivative financial liabilities are recognized initially at cost approximating fair value and, when applicable, subsequently measured at amortized cost using the effective interest method. All gains/losses on financial instruments are recognized in the statement of financial performance.

Inventories

30. Publications, Commissariat items, and other items held for sale or distribution at the end of the financial period are recorded as inventories. Publications are valued at either the cost or the current replacement cost, whichever is the lowest. Other inventory items are valued at either the cost or the net realizable value, whichever is the lowest.
31. The cost of publications includes purchase cost and all other costs incurred in bringing the publications to a saleable or distributable state. The cost of Commissariat items and other items held for sale or distribution are valued at the weighted average cost of acquisition.
32. Holdings of consumables and supplies for internal consumption are reflected as inventories only when material. Publications and other documents for internal use are expensed when produced.

Contributions Receivable

33. Contributions receivable, which are amounts owed to the Organization from Member States and donors, are shown net of allowance for doubtful accounts and discounting:
 - Allowance for doubtful accounts on contributions receivable is based on historical experience and on events that would indicate a donor is not capable of discharging its obligation at the reporting date; and
 - Discounted long-term contributions receivable represent the outstanding discounted balance of assessed contributions for which States have concluded agreements to liquidate their arrears over a period of years. Discounting is also applied to a number of other long outstanding contributions to reflect the probability that such agreements will be concluded to liquidate arrears. These receivables are presented net of the cumulative discount in accordance with the effective interest method.
34. An increase or decrease in the allowance for doubtful accounts is reflected as an expense for the period and is reported in the Statement of Financial Performance.

Heritage Assets

35. Heritage assets are not recognized in the financial statements, but appropriate disclosure is made in the notes to the consolidated financial statements.

Property, Plant and Equipment

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

<u>Class</u>	<u>Estimated Useful Life (Years)</u>
Buildings	5-50
Information Technology (IT) Equipment	3-10
Furniture, Fixtures and Fittings	5-10
Machinery and Office Equipment	3-10
Motor Vehicles	5-15

37. The capitalization threshold is CAD 3 thousand for PP&E items and CAD 25 thousand for leasehold improvements. The threshold level is reviewed periodically. Leasehold improvements are valued at cost and depreciated over the lesser of the remaining useful life of the improvements or the lease term.
38. Impairment reviews are undertaken for all PP&E at least annually and any impairment losses are recognized in the Statement of Financial Performance. Impairment indicators include the obsolescence and deterioration of PP&E as well as other events or circumstances where carrying amounts may not be recoverable.
39. An item of property, plant and equipment is removed from the asset class (derecognized) once its disposal has been approved.

Intangible Assets

40. Intangible assets are stated at historical cost less accumulated amortization and any impairment losses. Intangible assets are capitalized if their cost exceeds the CAD 5 thousand threshold, except for internally developed assets, for which the capitalization threshold is CAD 25 thousand.
41. Amortization is provided over the estimated useful life using the straight-line method. The estimated useful life for intangible asset classes is as follows:

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

42. Licenses, rights, and copyrights are amortized over the validity periods of the licenses, rights, and copyrights.
43. Annual impairment reviews of intangible assets are conducted where assets are under development or have an indefinite useful life. Other intangible assets are subject to impairment review only when indicators of impairment are identified. Impairment indicators include the obsolescence and the deterioration of the intangibles as well as other events or circumstances where carrying amounts may not be recoverable.

Advanced Receipts

44. ICAO record the following categories of advanced receipts:
 - Contributions received before the implementation of TCP;
 - Balances of unutilized contributions to be remitted to contributor and funds received before services are rendered or goods delivered by ICAO to third parties; and
 - Assessments received from Member States before the year to which they relate.

Employee Benefits

45. ICAO recognizes the following categories of employee benefits:
 - Short-term employee benefits due to be settled within twelve months after the end of the accounting period in which employees render the related service;
 - Post-employment benefits, such as after-service health insurance benefits (ASHI);
 - Other long-term employee benefits; and
 - Termination benefits.
46. Short-term employee benefits that are accrued but not paid at the reporting date are recognized as current liabilities within the Statement of Financial Position.
47. ASHI is accounted for as a defined-benefit plan where the Organization's obligation is to provide agreed benefits and therefore the Organization bears the actuarial risks. ICAO recognizes actuarial gains and losses related to ASHI in a reserve account in line with the requirements of IPSAS 39. The present value of the defined benefit obligations for this insurance is determined by an independent actuary using the projected unit cost method.
48. Repatriation benefits and accumulated annual leave commuted to cash upon separation from the Organization are accounted for as other long-term benefits. The present value of the liabilities is calculated by an independent actuary. A liability is recognized and measured as the actuarial present value of the expected benefit payments for settling these entitlements. The actuarial value of the total accumulated unused leave days of all staff members is recognized as a liability at the reporting date. Actuarial gains and losses are recognized at the reporting date and reflected in the Statement of Financial Performance. The short-term portions of these benefits are presented as current liabilities within the Statement of Financial Position.

49. Repatriation benefits and annual leave due to Technical Co-operation Project personnel upon separation are calculated by ICAO based on personnel data and past experience. Other long-term employee benefits include compensation payments in the case of death, injury or illness attributable to performance of duties in accordance with Staff Rule 106.5. Actuarial valuations are determined for cases where long-term payments are required. No such cases exist for ICAO at the reporting date.
50. Termination benefits are recognized as an expense only when ICAO is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate the employment of a staff member before the normal retirement date or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. Termination benefits to be settled within 12 months are reported at the amount expected to be paid. Where termination benefits fall due more than 12 months after the reporting date, they are discounted if the impact of discounting is significant.
51. ICAO is a member organization participating in the United Nations Joint Staff Pension Fund (the "Fund"), which was established by the United Nations General Assembly to provide retirement, death, disability, and related benefits to employees. The Fund is a funded, multi-employer defined benefit plan. As specified by Article 3(b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.
52. The Fund exposes organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual organizations participating in the plan. ICAO and the Fund, in line with the other participating organizations in the Fund, are not in a position to identify ICAO's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, ICAO has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39. ICAO's contributions to the Fund during the financial period are recognized as expenses in the Statement of Financial Performance.

Revenue

53. Assessed contributions represent a legal obligation of Member States. These contributions are revenue from non-exchange transactions recognized at the beginning of the year for which the assessments are levied. Contributions for TCP activities are revenue from exchange transactions recognized on the basis of signed agreements between ICAO and contributors and are determined by the stage of completion based on the delivery of goods or rendering of services. ICAO may, in some instances, consider the best estimate of stage of completion by referring to the phased schedule of payments applicable to the contracts for the projects.
54. Voluntary contributions are recognized upon the signing of a binding agreement with the donor. Revenue is recognized immediately if no condition is attached requiring that funds be utilized as specified in an agreement or returned to the contributing entity. If conditions are attached, revenue is recognized only upon satisfying the specified conditions based upon the level of expenditure of the contribution in accordance with the terms of the agreement. Until such conditions are met, a liability (deferred revenue) is recognized.
55. Administrative fees applied to TCP are presented as revenue in the Administrative and Operational Services Cost (AOSC) Fund and as expenses in the respective projects in the Statement of Financial

Performance by segment and are eliminated in the consolidated Statement of Financial Performance (Statement II). In accordance with IPSAS, revenue from administrative fees generated by TCP is recognized based on the stage of completion. The stage of completion is estimated as follows:

- For the Purchase of Equipment, ninety per cent of the fee is progressively recognized until and when a purchase order (PO) for equipment is issued and the remaining 10 per cent is recognized upon full payment of all invoices relating to the PO; and
 - For services, the administrative fee is recognized on the basis of costs incurred.
56. According to Financial Regulation 7.6 b), interest earned by Funds established in support of the TCP is credited to AOSC, or to the contributor when so specified in the terms of the agreement. The exception is legacy projects for which ICAO and the contributor share equally the interest earned from monthly average balance of project funds in excess of USD 100 thousand.
 57. Other sources of revenue from exchange transactions mainly include revenue from ICAO's Global Aviation Training (GAT) delivery, other revenue generating activities, such as sales of publications, events and symposia, licensing fee, royalties from ICAO's publications, rental of premises, and other miscellaneous revenue. Such revenues are measured at the fair value of the consideration received or receivable and are recognized as goods and services are delivered. The outstanding balances receivable are presented in receivables, advances, and other current assets.
 58. An increase or decrease in the allowance for doubtful accounts is reflected as an expense for the period and is reported in the Statement of Financial Performance.
 59. In-kind contributions are presented at fair value. Donated goods that directly support approved operations and activities and can be reliably measured are recognized in the accounts. ICAO has elected not to recognize in-kind contributions for personnel services and travel provided without charge, but to disclose these in the Notes to the Financial Statements. For donated right-to-use building arrangements, where ICAO does not have exclusive control and the arrangement has a specified term of less than 75% of the remaining useful life of the building, a revenue and an expense equivalent to the fair rental value are accounted for in the Statement of Financial Performance.

Provisions and Contingent Liabilities

60. Provisions are liabilities recognized for future expenditures of uncertain amount or timing. A provision is recognized if, as a result of a past event, ICAO has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount of the provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.
61. Other commitments, which do not meet the recognition criteria for liabilities, are disclosed in the notes to the financial statements as contingent liabilities when their existence is confirmed by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the control of ICAO.

Segment Reporting and Fund Accounting

62. A segment is a distinguishable group of activities for which financial information is reported separately in order to evaluate an entity's past performance in achieving its objectives and for making decisions about the future allocation of resources. ICAO classifies all projects, operations, and fund

activities into two segments: i) Regular Activities and ii) TCP Activities. ICAO reports on the transactions of each segment during the financial period and the balances held at the end of the period. Inter-segment charges are based on the terms of project agreements.

63. A fund is a self-balancing accounting entity established to account for the transactions relating to a specified purpose or objective. Funds are segregated for the purpose of conducting specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The financial statements are prepared on a fund accounting basis, showing the consolidated position of all ICAO's funds at the end of the year. Fund balances represent the accumulated residual of revenue and expenditures.
64. The Regular Activities Segment includes the General Fund and the Working Capital Fund of the Regular Budget, special accounts and funds established to administer voluntary contributions for aviation safety, security, environmental and other supporting activities of the Organization. Unutilized appropriations voted for the Regular Budget of the General Fund may be brought forward to the following financial year under certain conditions. Specific funds and special accounts are established by the Assembly or Council under Financial Regulation 7.1 mainly for contributions or resources earmarked for specific activities, the balances of which may be brought forward to the following financial period. The main funding sources of this segment are assessed contributions, revenue producing activities, other voluntary contributions, and administrative fees.
65. The Regular Activities Segment includes the following funds or groups of funds.
 - **The Regular Budget Fund** comprises the **General Fund** financed by assessed contributions from Member States according to the scale of assessments determined by the Assembly, by miscellaneous income, by transfers of surplus from the Ancillary Revenue Generation Fund (ARGF) and other Special Accounts and Funds, reimbursement from AOSC, and by any advances made from the **Working Capital Fund**. The Working Capital Fund was established by the Assembly for the purpose of making advances as necessary to the General Fund to finance budgetary appropriations pending receipt of contributions from Member States and to other funds in specific cases. The amounts advanced from the Working Capital Fund are reimbursed as soon as funds are available in the General Fund and other Funds. The Operational Reserve, authorized by the Council in 2021 and 2022, is recorded under the Regular Budget.
 - **Capital Fund** established for the purpose of recording the acquisitions, depreciation, and amortization of property, plant and equipment and intangible assets for the Regular Activities.
 - **Revolving Fund** established for the purpose of recording transactions relating to post-employment benefits of ICAO staff members, specifically ASHI, repatriation, and annual leave on separation, in line with IPSAS 39. The transactions include expenses relating to estimated current service cost, interest cost, as well as actuarial gains and losses of repatriation and travel, arising from the actuarial revaluation, and adjustments to reserves relating the actuarial gains and losses on ASHI. The Revolving Fund is reported separately within the Regular Activities segment.
 - **Ancillary Revenue Generation Fund (ARGF)** established to hold revenue generating and cost recovery activities in one Fund. Special Accounts and Funds within the ARGF are established by the Secretary General under Financial Regulation 7.2 to record all revenues and expenditures relating to self-financing activities. Any surplus not projected to be committed or expensed may be transferred to the General Fund and the balances may be brought forward to

the succeeding financial period. The main funding sources of this segment are the sales of publications, data and services.

- **Administrative and Operational Services Cost (AOSC)** established under Financial Regulation 9.4 also includes, a) the **Special Reserve Fund (SRF)** and b) the **TCB Efficiency and Effectiveness Fund** described below. The AOSC Fund recovers the costs of administration, operation and support of Technical Co-operation projects. In the event that the AOSC operation in any given year ends in a financial deficit, such deficit is to be met from the accumulated surplus of the AOSC Fund first and, as a last resort, from the Regular Budget. The AOSC Fund is primarily financed from administrative overhead charges to TCP.
 - a) **Special Reserve Fund (SRF)** established pursuant to Financial Regulation 7.1 to provide a mechanism to compensate for a potential shortfall caused by a decrease in the AOSC Fund income in any given year. Under a mechanism approved by the Council, effective from 2014, the SRF shall be financed from any adjustment to the amount of AOSC Fund reimbursement to Regular Budget (calculated using an approved formula) in excess of the approved level of annual transfer to Regular Budget. If, in any year, there is a shortfall in the AOSC Fund reimbursement to Regular Budget determined on the basis of the approved formula, the SRF shall be used to complement the approved annual AOSC Fund transfer to the Regular Budget.
 - b) **TCB Efficiency and Effectiveness Fund**, established by the Council to authorize Director of TCB to dispense, in any given year, up to 25 per cent of the AOSC annual surplus achieved in the preceding year for the implementation of measures to improve the efficiency and effectiveness of the Technical Co-operation Bureau in responding to Contracting States' needs.
- **Aviation Security and Facilitation (AVSEC/FAL) Activities**, which includes earmarked funds as well as Special Accounts/Funds, established to reflect the Council's approval of the Aviation Security Plan of Action (ASPA), comprising projects to be financed from funds within the Aviation Security and Facilitation Trust Funds. Activities relating to the ASPA projects are funded from voluntary and in-kind contributions.
- **The Comprehensive Regional Implementation Plan for Aviation Safety in Africa (AFI Plan)**, established to increase ICAO leadership and accountability in programme coordination and management across the AFI Region and to ensure effective implementation to rectify safety and infrastructure deficiencies.
- **The Joint Finance Funds** comprise Danish and Icelandic Joint Financing Agreements, which reflect the transactions of the Funds established to report on the ICAO supervision of the operation of air navigation services provided by the Government of Iceland, and in Greenland by the Government of Denmark, the costs of which are recovered by the service providers through user charges and assessments on contracting governments. User charges are collected by the United Kingdom and are due and directly remitted to the Governments of Iceland and Denmark. Assessments are levied and collected by ICAO for remittance to the servicing governments, therefore, these transactions are reflected in the accounts as assets and liabilities in the Statement of Financial Position. Also included is the **North Atlantic Height Monitoring System Fund (HMU)** to account for the financial transactions made under the provisions of the Arrangement on the Joint Financing of a North Atlantic Height Monitoring System. The operation and maintenance costs are recovered by the service providers through

user charges on civil aircraft making crossings over the North Atlantic. User charges collected by ICAO are directly payable to service providers and are therefore reflected as assets and liabilities in the accounts.

- **Incentive for the Settlement of Long-Outstanding Arrears Account** established to present in a separate account a portion of a payment of certain assessments in arrears from Contracting States to finance particular activities of the Organization.
 - **The Resource Mobilization Fund (RMF)**, established by the Council to support States, through the use of voluntary contributions, in strengthening their civil aviation systems. The voluntary funds facilitate capacity building around, and implementation of, ICAO SARPs and policies, and supplement ICAO's work programmes not covered, or underfunded, by the Regular Budget.
 - **Public Key Directory Fund (PKD)**, a cost-recovery fund established by the Council to report on the activities of a project to support interoperability of electronic-enhanced machine-readable passports. The operations are financed by voluntary contributions and, in accordance with the agreement, the balance of the Fund is recorded as an amount due to the participating States.
 - **Regional Sub-Office (RSO)** with the objective of strengthening the ICAO's presence in the Asia and Pacific (APAC) Region, a sub-regional office in the APAC region, whose purpose is to improve airspace organization and management to maximize air traffic management (ATM) performance across the region. The Asia and Pacific Region Sub-Office is located in Beijing, People's Republic of China. Under an Agreement between ICAO and the Civil Aviation Authority of China (CAAC), the CAAC is responsible for all operating expenses of the RSO.
 - **Safety Fund (SAFE)**, established by the Council with the objective of improving the safety of civil aviation through the use of a performance-based approach, which will limit administrative costs and will not impose any costs on the Regular Budget of the Organization, while ensuring that voluntary contributions to the fund are used in a responsible, useful, and timely manner.
 - **Transformational Fund**, established by the Council for the management of voluntary contributions, complementing the resources allocated in the Regular Budget, to support the implementation of the Transformational Objective (C-DEC 225/12).
 - **Other Funds** include the Administrative Fee for Joint Financing, the Universal Safety Oversight Audit Programme Fund, the International Registry Fund, the France Co-operation Fund, the Information and Communication Technology Fund, the Temporary Staff Salaries Fund (TSSF), the Human Resources Development Fund (HRDF), the ICAO Programme for Aviation volunteers (IPAV) Fund, and various funds for financing experts and junior professional officers.
66. The TCP Activities segment comprises TCP funds established by the Secretary General under Financial Regulation 9.1 to administer programmes of Technical Co-operation. The main funding sources of the segment are contributions specified in project agreements.
67. The TCP activities include Management Service Agreements (MSA) and Civil Aviation Purchasing Services Agreements (CAPS). Trust Funds and MSAs are designed to cover a broad range of

Technical Co-operation services and the CAPS agreements are designed to provide procurement services. ICAO also enters into Technical Co-operation contracts referred to as Lump Sum Agreements with Member States, for the provision of specific services or products. These differ from MSA and Trust Fund agreements in that they are for a fixed contract amount. Under or over recovery of actual expenditure is reflected in the AOSC Fund. As part of Technical Co-operation arrangements, ICAO also offers implementation packages (iPacks) to Member States since 2020.

NOTE 2: ASSETS AND LIABILITIES

Note 2.1: Cash and Investments

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

Cash and Investments (Thousands of CAD)		
	2022	2021
Cash in banks	44 054	20 387
Term deposits	273 361	250 346
Total Cash and Cash Equivalents	317 415	270 733
Investments	25 173	13 498
Total Cash and Investments	342 588	284 231

69. As at 31 December 2022, USD cash in banks had an average interest rate of 1.937 per cent (2021: 0.040 per cent), the corresponding figure for CAD cash in banks was 2.166 per cent (2021: 0.500 per cent). The term deposits (including those classified as investments) had a balance of USD 185.7 million and CAD 46.8 million (2021: USD 156.6 million and CAD 49.9 million), with an average interest rate of 1.916 per cent and 2.181 per cent, respectively (2021: 0.289 per cent and 0.500 per cent). The Guaranteed Investment Certificates (GICs) had an average term maturity of 86 days (2021: 74 days). Cash and cash equivalents include CAD 16.3 million held on behalf of MBP (2021: CAD 14.2 million).

70. The total cash, cash equivalents and investments, broken down by currency, are as follows:

Cash, cash equivalents, and investments by currency (Thousands of CAD)				
	2022		2021	
Canadian dollars (CAD)	69 125	20%	68 065	24%
United States dollars (USD)	259 338	76%	207 055	73%
Other Currencies	14 125	4%	9 111	3%
Total	342 588	100%	284 231	100%

71. As at 31 December 2022, CAD 236.8 million (2021: CAD 186.6 million) represents Technical Co-operation funds and cash that is restricted for use specified by legislative action, including the unexpended balance held in the PKD, International Registry Fund, and Joint Finance Funds etc. The amount of CAD 16.3 million (2021: CAD 14.2 million) held on behalf of MBP is also included in the restricted cash balance. The remaining total amount of cash and cash investments is held for ICAO's regular activities amounting to CAD 105.8 million (2021: CAD 97.6 million).

Note 2.2: Assessed Contributions Receivable from Member States

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

Net assessed contributions receivable (Thousands of CAD)		
	2022	2021
Current	17 283	14 568
Discounted non-current	3 068	4 153
Total	20 351	18 721

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

Net assessed contributions receivable (Thousands of CAD)		
	2022	2021
Assessed contributions receivable	26 976	27 918
Less:		
Allowance for doubtful accounts	(693)	(654)
Cumulative discount on non-current receivables	(5 932)	(8 543)
Total Net Assessed Contributions Receivable	20 351	18 721

74. The following table illustrates the composition of assessed contributions receivable for the Regular Budget:

Assessed contributions receivable (Thousands of CAD)				
Year of Assessment	2022	%	2021	%
2022*	17 464	64.7	-	
2021	1 374	5.1	15 622	56.0
2020	881	3.3	2 209	7.9
2019	692	2.6	1 668	6.0
2018 and earlier	6 565	24.3	8 419	30.1
Total	26 976	100	27 918	100

* The USD portion of the 2022 Assessment has been revalued at the 31 December 2022 exchange rate. The historical amount is CAD 17.1 million (refer to Table B).

75. There were no additions to the allowance for doubtful accounts on assessments during 2022. The amount of CAD 0.7 million represents the original amount of USD 0.5 million (equivalent of CAD 0.5 million set up in 2010) owing to ICAO by the former Socialist Federal Republic of Yugoslavia, adjusted by an exchange difference of CAD 39 thousand in 2022 (2021: CAD 1 thousand). The final resolution of the unpaid assessed contribution is subject to consideration by the United Nations General Assembly.

Allowance for doubtful accounts (Thousands of CAD)				
	2021	Utilization	Increase/ (Decrease)	2022
Total allowance for doubtful accounts	654	-	39	693

76. There were no write-offs of contributions receivable during 2022 or 2021.
77. The movements of the discounted non-current contributions receivable during 2022 are as follows:

Discounted non-current contributions receivables - movements
(Thousands on CAD)

	2021	Utilization	Increase/ (Decrease)	2022
Discounted non-current contributions receivable	4 153	(3 696)	2 611	3 068

78. The discounted long-term contributions relate to assessments receivable from States that have concluded agreements with the Council to liquidate their arrears over a period not exceeding twenty years, without interest (Group A), and States without agreements but with outstanding assessments exceeding three years (Group B). It was estimated that although all receivables related to States that have lost their voting rights remained valid and properly recognized in the accounts, the amortized costs of the receivable balance of those States which have lost their voting rights over one Assembly session needed to be further reduced. The cumulative discount of CAD 5.9 million (2021: CAD 8.5 million) on non-current receivables includes fully discounted receivables amounting to CAD 5.3 million (2021: CAD 6.9 million). Utilization of CAD 3.7 million (2021: CAD 2.0 million) is the reclassification of amounts in arrears as long-term less payments received during the course of the year. The increase of CAD 2.6 million (2021: decrease of CAD 2.8 million) in the discounted long-term accounts receivable balance represents a decrease in the cumulative discount, which is reflected in revenue.
79. The discount on long-term contributions receivable represents the amount which is required to adjust the receivable balance to amortized cost upon initial recognition using the effective interest rate methodology. Since the non-current portions are not expected to be collected within one year, they are discounted using the original effective interest rate approximated to Corporate BBB long-term bond index. This amount is reflected as a reduction of the long-term receivable balance and that is gradually recognized as revenue over the life of the receivable. The discount is computed by applying the rate of 5.55 per cent (2021: 3.65 per cent) to the scheduled future instalment payments.

Note 2.3: Receivables, Advances and Other Current and Non-current Assets

Receivables, advances, and other current assets
(Thousands of CAD)

	2022			2021 reclassified		
	Gross	Net	%	Gross	Net	%
Receivables GAT	1 812	1 350	25.5%	2 213	1 870	15.5%
Receivables from United Nations Agencies	1 033	1 033		888	888	
Receivables from delegations	910	892	1.9%	856	856	
Receivable from EU**	813	813		1 547	1 547	
Recoverable taxes	662	662		687	687	
Receivables PKD membership fees	586	586		653	653	
Other	1 781	1 710	4.0%	1 129	1 129	
Subtotal receivables*	7 597	7 046	7.3%	7 973	7 630	4.3%
Advances to suppliers for TCP	4 080	4 080		3 171	3 171	
Advances to United Nations Agencies	2 239	2 239		804	804	
Advances to employees	1 265	1 265		998	998	
Prepaid expenses	1 057	1 057		865	865	
Sub-total advances and prepayments	8 641	8 641		5 838	5 838	
Total reported in Statement I	16 238	15 687		13 811	13 468	

*Accounts receivable are presented in the statement of financial position net of doubtful accounts provision of CAD 0.6 million in 2022 and CAD 0.4 million in 2021.

**Conditional voluntary contribution offset 100% by liability for deferred revenue under IPSAS-23 as reflected in Note 2.8.

80. Prior to 2022, Other assets were reported separately from receivables and advances. In 2022, the presentation of information on receivables, advances and other current assets has been combined, and a separate subtotal for the elements recognized as financial instruments is provided in preparation for IPSAS 41 implementation in 2023. The 2021 comparative information has been modified for presentation consistency.
81. Receivables from United Nations Agencies represents the compensation payments made on behalf of United Nations Development Programme (UNDP) to surviving spouses of project personnel who died while working on UNDP-financed projects of CAD 1.0 million at the end of 2022 (2021: CAD 0.9 million). While the review of the claim is ongoing, at the reporting date there is insufficient information to assess the outcome of such a review and ICAO's ability to collect. The receivable will be re-evaluated at each reporting date.
82. Other receivables mainly include amounts due from revenue generation activities such as the sales of publications, rental of conference rooms and space to delegations.
83. The non-current portion of receivables is composed of an amount due from the African Civil Aviation Commission (AFCAC), a regional body. The discounted amount due from AFCAC reflected in the accounts totals to CAD 0.2 million in 2022 (2021: CAD 0.2 million).
84. Advances to employees are for education grants, rental subsidies, travel, and other staff entitlements.
85. Advances to United Nations Agencies refer to cash advanced to UNDP to execute payments on ICAO's behalf through the Service Clearing Account.

Note 2.4: Inventories

86. ICAO inventories include the stock of published documents which are printed in house for sale to the worldwide civil aviation community, the stock of duty-free items held by the Commissariat store for sale to individuals having diplomatic status, and the stock of APAC Souvenir boutique.
87. The table below shows the total value of inventories as at 31 December.

Inventories

(Thousands of CAD)

	Publications	Printing	Commissariat	APAC souvenir shop	Total
Opening inventory as at 1 January 2021	196	58	350	13	617
Purchased/produced	253	906			1 159
Sold/consumed	(284)	(897)	(121)	(1)	(1 303)
Impairment and write-offs	(16)				(16)
Total inventory as at 31 December 2021	149	67	229	12	457
Purchased/produced	353	1 035	226		1 614
Sold/consumed	(357)	(1 041)	(214)	(1)	(1 613)
Impairment and write-offs	(18)	(2)	(1)		(21)
Total inventory as at 31 December 2022	127	59	240	11	437

88. Publications, printing supplies, Commissariat, and APAC souvenir shop items and quantities derived from ICAO's inventory tracking systems were validated by physical stock count in 2022.

89. Inventories are valued net of any identified impairments. During 2022, impaired inventories included obsolete publications of CAD 18 thousand (CAD 16 thousand in 2021), obsolete printing supplies of CAD 2 thousand (nil in 2021), and impaired Commissariat stock of CAD 1 thousand (nil in 2021). These adjustments represent expenses for the period and are included in the “general operating expenses” line in the Statement of Financial Performance.

Note 2.5: Property, Plant & Equipment (PP&E)

90. The cost of PP&E includes items held at ICAO Headquarters (HQ) in Montreal as well as those held at the seven Regional Offices. These items provide benefits or service potential to the Organization which exercises full control over their acquisition, physical location, use and disposal.
91. The net book value of PP&E as at 31 December 2022 was CAD 4.6 million (2021: CAD 5.1million). The total cost of acquisitions during 2022 was CAD 1.0 million (2021: CAD 0.6 million).
92. An impairment review was conducted, and no other significant impairment was identified.
93. The following table presents PP&E capitalized in the accounts in accordance with IPSAS.

Property, plant and equipment: 2022

(Thousands of CAD)

	Furniture & Fixtures	IT Equipment	Motor Vehicles	Machinery & equipment	Leasehold Improvements	Leasehold Improvements & others in Progress	Total
Cost as at 1 Jan 2022	196	4 826	680	2 372	6 056	165	14 295
Additions	47	410		95	80	386	1 017
Adjustments				(24)			(24)
Disposals			(35)				(35)
Cost as at 31 Dec 2022	242	5 236	645	2 442	6 136	551	15 253
Accumulated depreciation as at 1 Jan 2022	(152)	(3 622)	(486)	(1 616)	(3 348)	–	(9 224)
Depreciation	(16)	-625	(43)	(207)	(540)	–	(1 433)
Adjustments				6			6
Impairment			(17)				(17)
Disposals			35				35
Accumulated depreciation as at 31 Dec 2022	(169)	(4 248)	(512)	(1 817)	(3 888)	–	(10 633)
Net carrying amount as at 1 Jan 2022	44	1 204	194	756	2 708	165	5 071
Net carrying amount as at 31 Dec 2022	74	988	134	625	2 248	551	4 620

Details may not add due to rounding

Property, plant and equipment: 2021

(Thousands of CAD)

	Furniture & Fixtures	IT Equipment	Motor Vehicles	Machinery & equipment	Leasehold Improvements	Leasehold Improvements & others in Progress	Total
Cost as at 1 Jan 2021	184	5 232	607	2 196	6 016	165	14 400
Additions	19	277	73	202	40		611
Disposals	(7)	(683)		(26)			(716)
Cost as at 31 Dec 2021	196	4 826	680	2 372	6 056	165	14 295
Accumulated depreciation as at 1 Jan 2021	(145)	(3 839)	(415)	(1 431)	(2 809)	–	(8 639)
Depreciation	(14)	(466)	(71)	(211)	(539)	–	(1 301)
Disposals	7	683		26			716
Accumulated depreciation as at 31 Dec 2021	(152)	(3 622)	(486)	(1 616)	(3 348)	–	(9 224)
Net carrying amount as at 1 Jan 2021	39	1 393	192	765	3 207	165	5 761
Net carrying amount as at 31 Dec 2021	44	1 204	194	756	2 708	165	5 071

Details may not add due to rounding

94. Commitments related to leases are presented in Note 6.1.
95. ICAO owns assets that are categorized as heritage assets because of their cultural, educational, or historical significance. Heritage assets were donated by Member States, organizations and companies over the years and are not held to generate any future economic benefits or service potential; accordingly, ICAO has elected not to recognize them in the Statement of Financial Position. Significant heritage assets owned by ICAO comprise aircraft models and prototypes, works of art, furniture and fixtures, books, maps, photographs, records, and documents of historical significance, etc.

Note 2.6: Intangible Assets

96. The net book value of intangible assets as at 31 December 2022 was CAD 3.0 million (2021: CAD 3.6 million). The total costs of additions and amortization during 2022 were CAD 0.6 million (2021: 1.1 million) and CAD 0.4 million (2021: CAD 0.4 million), respectively.
97. During the year, additions of CAD 0.5 million (2021: CAD 0.9 million) were capitalized to assets under development, a total of CAD 0.1 million assets under development were completed and became operational, CAD 0.2 million were reclassified to software acquired and CAD 0.05 million were expensed as did not meet capitalization criteria after completion.
98. Impairment review was conducted for all intangible assets under development and resulted in the identification of impairment of CAD 0.7 million. Of this amount, CAD 0.6 million is related to the impairment of Business Process Management Solution (BPM).
99. The following table presents the value of intangible assets recognized in the accounts since the adoption of IPSAS.

Intangible assets: 2022

(Thousands of CAD)

	Software	Licenses & rights	Software Developed Internally	Other Intangible Assets	Software under development	Total
Cost as at 1 Jan 2022	1 599	445	1 154	465	2 296	5 959
Additions	8	8			534	550
Transfers			123		(123)	-
Adjustment/Recategorization	154				(198)	(44)
Disposals and Impairment					(679)	(679)
Cost as at 31 Dec 2022	1 761	453	1 277	465	1 829	5 786
Accumulated amortization as at 1 Jan 2022	(1 133)	(327)	(569)	(298)		(2 327)
Amortization	(117)	(57)	(227)	(10)		(411)
Accumulated amortization as at 31 Dec 2022	(1 250)	(384)	(796)	(308)		(2 738)
Net carrying amount as at 1 Jan 2022	466	118	585	167	2 296	3 632
Net carrying amount as at 31 Dec 2022	511	69	481	157	1 829	3 047

*Details may not add due to rounding***Intangible assets: 2021**

(Thousands of CAD)

	Software	Licenses & rights	Software Developed Internally	Other Intangible Assets	Software under development	Total
Cost as at 1 Jan 2021	1 881	598	888	281	1 634	5 282
Additions			187	19	906	1 112
Transfers			79	165	(244)	-
Adjustment	(33)					(33)
Disposals and Impairment	(249)	(153)				(402)
Cost as at 31 Dec 2021	1 599	445	1 154	465	2 296	5 959
Accumulated amortization as at 1 Jan 2021	(1 294)	(418)	(365)	(281)		(2 358)
Amortization	(88)	(62)	(204)	(17)		(371)
Disposals	249	153				402
Accumulated amortization as at 31 Dec 2021	(1 133)	(327)	(569)	(298)		(2 327)
Net carrying amount as at 1 Jan 2021	588	179	522		1 634	2 923
Net carrying amount as at 31 Dec 2021	466	118	585	167	2 296	3 632

*Details may not add due to rounding***Note 2.7: Financial Instruments****2.7.1 Financial Assets and Liabilities**

100. The table below lists the financial instruments related to Regular Activities excluding funds where risks are not assumed by ICAO. Columns Other Regular Activities and Technical Co-operation Projects refer to operations whose risks are absorbed by the projects/funds.

Financial Instruments

(Thousands of CAD)

	2022				2021			
	<i>Regular Activities (Note 1)</i>	<i>Other Regular Activities (Note 2)</i>	<i>Technical Cooperation Projects</i>	<i>Total</i>	<i>Regular Activities (Note 1)</i>	<i>Other Regular Activities (Note 2)</i>	<i>Technical Cooperation Projects</i>	<i>Total</i>
Cash and cash equivalents	97 121	37 232	183 062	317 415	98 298	26 592	145 842	270 732
Investments	12 204		12 969	25 173			13 498	13 498
Assessed contributions receivable (current)	17 283			17 283	14 568			14 568
Assessed contributions receivable (non-current)	3 068			3 068	4 153			4 153
Receivables (current)	5 210	790	1 046	7 046	4 440	2 281	909	7 630
Receivables (non-current)	172			172	212			212
Sub-total financial assets	135 058	38 022	197 077	370 157	121 671	28 873	160 249	310 793
Accounts payable and accrued liabilities (Note 3)	8 768	17 470	6 362	32 600	9 897	15 000	19 158	44 055
Sub-total financial liabilities	8 768	17 470	6 362	32 600	9 897	15 000	19 158	44 055
Financial instruments - net exposure	126 290	20 552	190 715	337 557	111 774	13 873	141 091	266 738

Note 1 - Excluding funds where risks are not assumed by ICAO.

Note 2 - Includes Joint Finance funds, Public Key Directory, International Registry, some earmarked voluntary contributions fund, and MBP fund.

Note 3 - Excludes provisions that are separately presented under current liabilities, the amount 222 thousand is removed from 2021 Accounts payable and accrued liabilities.

101. ICAO is exposed to certain market, credit, and liquidity risks, as summarized in the following paragraphs.

2.7.2 Market Risk

102. Market risk is the risk arising from fluctuation of the fair value or future cash flows of financial instruments due to changing market prices. It includes foreign currency exchange risk, interest rate risk, and other price risks. ICAO is exposed to exchange and interest rate risks with respect to revenue from assessed, voluntary and project contributions, and expenses in currencies other than the CAD functional currency, namely TCP and other Funds that utilize the USD as the functional currency.
103. The Regular Budget assessments in the Regular Activities Segment are determined using a split assessment system under which Member States are assessed partly in CAD and partly in USD based on estimated requirements in each currency in order to minimize the exposure to the exchange rate fluctuations. With the adoption of the split assessment system, ICAO does not need to enter into forward exchange contracts for the purchase of USD for Regular Activities, as the exchange rate risk is largely mitigated.
104. For TCP and Joint Financing funds activities financed from project agreements, the currency used for accounting is the USD. Exchange gains or losses resulting from the utilization of currencies other than USD are absorbed in the project budgets and not assumed by ICAO. Currency fluctuation on purchase orders denominated in currencies other than the USD could have a material impact on TCP's financial performance. To reduce the impact on projects expenditures whereby purchase orders pertaining to TCP are denominated in currencies other than the USD, funds are purchased in the currency of the commitments. An exchange gain or loss is recognized as project revenue or expense equivalent to the difference between the UNORE and the spot rate in effect on the date that the

currencies are purchased. For Regular Activities financed from project agreements or voluntary contributions, the functional currency used for accounting is CAD; for some of these activities, exchange gains or losses resulting from the utilization of currencies other than CAD are absorbed by the funds. For the others where ICAO bears the exchange risk, the amounts are identified in the following paragraphs, and the impacts have been analyzed.

105. At 31 December 2022, those financial instruments exposed to market risk held by ICAO, are denominated as follows:

Financial Instruments denomination (In thousands of CAD)				
	<i>USD</i>	<i>Others</i>	<i>CAD</i>	<i>Total</i>
Cash and cash equivalents, and investments	56 668	3 062	49 595	109 325
Per cent of cash and cash equivalents by currency	52%	3%	45%	100%
Assessed contributions receivable (current)	10 824		6 459	17 283
Assessed contributions receivable (non-current)			3 068	3 068
Receivables (current)	1 862	878	2 470	5 210
Receivables (non-current)	172			172
Sub-total receivables	12 858	878	11 997	25 733
Per cent of assets by currency	50%	3%	47%	100%
Accounts payable and accrued liabilities	1 994	30	6 744	8 768
Per cent of accounts payable and accrued liabilities by currency	23%	0%	77%	100%
Net risk	67 532	3 910	54 848	126 290

106. The sensitivity analysis in the table below shows the effect that a change of +/- 5 per cent in the currency exchange rate between the CAD and the USD and other currencies in which financial instruments are held would have had on net assets/equity and on accumulated surplus and deficit. As indicated above, the impact of foreign exchange risks on the Technical Co-operation Projects is managed within the budgets financed by project donors and has minimal impact on ICAO's net assets/equity or net surplus and deficit.

Financial Instruments sensitivity analysis (In thousands of CAD)						
	2022			2021		
	USD	Others	Impact on Net Assets	USD	Others	Impact on Net Assets
Net risk	67 532	3 910		52 371	4 000	
Impact +5%	3 377	196	3 572	2 619	200	2 819
Impact -5%	(3 377)	(196)	(3 572)	(2 619)	(200)	(2 819)

107. ICAO also has a limited exposure to the risk of changes in interest rates. Its operating budget is financed primarily from revenue from Members' Assessed Contributions and reimbursement and transfers from other funds. Only 0.2 per cent of its operating budget (same as in 2021) is financed from revenue derived from investment income. Should investment revenue decrease or increase the funds available to finance the Regular Budget would be only minimally impacted. ICAO does not utilize financial instruments to hedge interest rate risk. ICAO is exposed to interest rate risk through term deposits. In 2022, interest rates increased; the average interest rate and term maturity are provided in Note 2.1.

2.7.3 Credit Risk

108. The credit risk is the risk that a counterparty for an asset held by ICAO does not fulfill its obligations. Financial instruments that potentially subject ICAO to concentrations of credit risk consist primarily of cash and investments, and accounts receivable. ICAO's credit risk is spread, and ICAO's risk management policies limit the amount of credit exposure to any one counterparty and include minimum credit quality guidelines.
109. Credit risk and liquidity risk associated with cash and investments is minimized substantially by ensuring that these financial assets are placed with major financial institutions that are rated highly by a primary rating agency and/or with other credit worthy counterparties in line with ICAO's principal investment objective of preservation of capital. Balances held with such institutions at the reporting dates are as follows:

Cash and Investments credit ratings

(In thousands of CAD)

	AA	A	B	Not rated	Total
Balance at 31 December 2022	332 675	6 423	3 411	79	342 588
Balance at 31 December 2021	273 507	7 902	2 321	501	284 231

AA includes: AA-

A includes: A+, A and A-

B includes: BBB+, BBB, BBB-, B+ and B

110. Contributions receivable comprise amounts due from sovereign nations and contributions from governmental donors based on binding agreements with the donor. ICAO therefore considers its credit risk to be minimal. Details of contributions receivable are provided in Note 2.2. As indicated in Notes 1 and 2.2, long-term contributions are stated at amortized (discounted) cost using the effective interest method. Since these receivables do not bear interest, the interest rate used to calculate the discounted cost is the rate applicable for corporate BBB long-term bond index.
111. Details of receivables and corresponding allowance for doubtful accounts are provided in Note 2.3. Based on prior experience ICAO considers its credit risk to be low.
112. ICAO's exposure to credit rate risks is also limited by the fact that its operating budget is primarily funded through Member States' assessed contributions and the sale of goods and services.

2.7.4 Liquidity Risk

113. The liquidity risk is the risk that ICAO will encounter difficulty fulfilling its obligations to meet its financial liabilities. ICAO's investment policy is to ensure investments are held primarily in liquid short-term deposits. At 31 December 2022, ICAO's total cash, cash equivalents and investments amounting to CAD 342.6 million (2021: CAD 284.2 million), were sufficient to settle current liabilities, which totaled CAD 270.1 million (2021: CAD 221.0 million). The liquidity situation is regularly monitored to ensure all short-term liabilities are settled in a timely manner.
114. Further, the Working Capital Fund, amounting to USD 8.0 million, serves the purpose of making advances as necessary to the General Fund to finance budgetary appropriations pending receipt of contributions from Member States, and to other Funds in specific cases. Funds are deposited in banks on a pooled investment basis, and funds not needed for immediate requirements are invested in term deposits.

115. In the face of an emergency cash shortage, ICAO has the authority to borrow up to CAD 3.0 million commercially, to bridge cash flow gaps, subject to prior authorization from the Finance Committee. Royal Bank of Canada provides an informal USD 3.0 million line of credit as part of their service package to ICAO. Thus far, it has not been necessary for ICAO to resort to such options.

Note 2.8: Advanced Receipts

Advanced Receipts (Thousands of CAD)		
	2022	2021
Contributions for TC Projects	191 912	142 055
Assessed contributions received in advance	10 408	8 130
Advance payment for voluntary contributions	14 716	7 971
Deferred revenue	2 553	2 520
ARGF Publication Sales	1 098	1 189
Public Key Directory	3 246	2 512
Other advances	1 440	1 840
Total	225 373	166 217

Note 2.9: Accounts Payable and Accrued Liabilities

116. Accounts payables and accrued liabilities are composed of the following:

Accounts Payable and Accrued Liabilities (Thousands of CAD)		
	2022	2021
Trade payables	9 020	22 177
Funds held on behalf of MBP (see note 2.1 restricted cash)	16 322	14 436
Accrued liabilities and other provisions	5 627	6 419
Payables to employees	2 356	1 245
Total	33 324	44 277

117. Trade payables are amounts invoiced for goods and services received. Accruals are liabilities for goods and services that have been received or provided to ICAO during the period and which have not been invoiced or paid in 2022.
118. The Organization is subject to a variety of claims that arise from time to time in the ordinary course of its operations. These claims are segregated into three main categories: administration of justice claims (cases brought by current or former ICAO staff members), commercial claims, and any other claims. Provisions at year end for a total of CAD 0.7 million (2021: CAD 0.2 million) were recognized in connection with various ongoing claims for which it was assessed that the probability of a pay-out was greater than 50 per cent. This amount is included in the accrued liabilities balance.

Provisions

(Thousands of CAD)

	<i>Administration of Justice</i>	<i>Commercial</i>	<i>Other</i>	<i>Total</i>
Provisions as at 31 December 2021	110	112	-	222
Additional provisions made	580	-	35	615
Amounts reversed	-	112	-	(112)
Amounts used	-	-	-	-
Provisions as at 31 December 2022	690	-	35	725
Current	690	-	35	725
Non-current	-	-	-	-
Total	690	-	35	725

Note 2.10: Employee Benefits

119. Employee benefits liabilities comprise ASHI benefits, end of service benefits for annual leave and repatriation benefits payable for ICAO staff members determined by actuarial valuation, and other short-term liabilities for repatriation and annual leave for Technical Co-operation international experts.

Employee benefits liabilities

(Thousand of CAD)

	2022	2021
Current		
Accumulated annual leave	1 873	1 439
Repatriation	2 398	2 835
ASHI	2 635	2 445
Other benefits for international experts	2 538	2 182
Sub-total	9 444	8 901
Non-current		
Accumulated annual leave	10 332	12 429
Repatriation	13 606	14 033
ASHI	108 783	158 277
Sub-total	132 721	184 739
Grand Total	142 165	193 640

2.10.1 Defined-benefit Plans

120. ICAO offers to its employees and former employees the following defined-benefit plans.
121. ASHI plan: the Organization has an obligation to provide after-service medical benefits to its staff members in the form of insurance premiums for the MBP. Retiring staff members and their spouses, dependent children and survivors are eligible for ASHI coverage. In accordance with the Organization's Staff Regulations and Rules, a share of 50% of the monthly medical insurance premium, including coverage for spouses and dependent children, is paid by the Organization for retirees that have accumulated ten years of service in the plan. The Organization pays 50 per cent of the costs for retirees who have accumulated 10 years (including the time since retirement) of membership in the plan. The retirees with less than 10 years but at least 5 years of participation pay the full premium for the remaining period to reach the 10 years.
122. The ICAO MBP: is a self-insured health insurance plan which provides medical and dental benefits to staff members and retirees worldwide and their covered dependants. Staff members/retirees of other UN agencies operating in Montreal also participate in the scheme. ASHI is part of the scheme

of social security established for staff and provides staff members who meet defined eligibility criteria with continued MBP insurance coverage throughout their retirement under the same health insurance scheme as active staff.

123. The Plan is administered by Cigna Health Benefits. Cigna acts as third-party administrator for the general management of the plan and for the adjudication of claims. All claims paid by Cigna are reimbursed by ICAO and, in addition, an administrative fee is paid to Cigna.
124. Repatriation benefits consist of a repatriation grant lump sum, travel of the staff member and eligible dependants and removal of their personal effects. Upon end of service, staff members who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a repatriation grant lump sum, which is based on length of service, dependency status, and salary level at the time of separation.
125. The Organization also has an obligation to provide 30 days of annual leave to all headquarters or regional office staff members and they may accumulate up to 60 days (18 days for temporary staff) of annual leave payable on separation from service. The liabilities for annual leave represent unused accumulated leave days that are projected to be settled via a monetary payment to employees upon their separation from ICAO.
126. Other employee benefits for international experts are calculated by ICAO based on personnel data and past experience. These benefits comprise estimated repatriation benefits and annual leave due to Technical Co-operation project staff upon separation. Such project staff benefits are not covered by the ICAO Staff Regulations and Rules, but by specific conditions under Technical Co-operation projects.

2.10.2 Actuarial Valuation Results

127. The movement of employee benefits liabilities during 2022 and comparative movements for 2021 are as follows:

Actuarial valuation 2022: movement in post employment benefits liabilities
(Thousands of CAD)

	Balance 1 Jan 2022	Benefits Paid	Current Service (net of employee contributions)	Interest Cost	Actuarial Loss/(Gain)	Balance 31 Dec 2022
Post-retirement plan (ASHI)	160 722	(1 937)	5 746	2 892	(56 005)	111 418
End of service – annual leave	13 868	(637)	757	243	(2 025)	12 205
End of service – repatriation benefits	16 868	(731)	899	286	(1 318)	16 004
Other employee benefits – international experts	2 182		356			2 538
Grand Total	193 640	(3 305)	7 758	3 421	(59 348)	142 165

Actuarial valuation 2021: movement in post employment benefits liabilities
(Thousands of CAD)

	Balance 1 Jan 2021	Benefits Paid	Current Service (net of employee contributions)	Interest Cost	Actuarial Loss/(Gain)	Balance 31 Dec 2021
Post-retirement plan (ASHI)	189 448	(1 994)	7 167	2 344	(36 243)	160 722
End of service – annual leave	12 986	(916)	821	159	818	13 868
End of service – repatriation benefits	14 993	(918)	978	179	1 636	16 868
Other employee benefits – international experts	2 243	(249)	188			2 182
Grand Total	219 670	(4 077)	9 154	2 682	(33 789)	193 640

128. Comparative analyses of actuarial losses (and gains) for 2022 and 2021 are as follows:

Actuarial gains and losses 2022

(Thousands of CAD)

Actuarial Adjustments 2022	ASHI	Annual Leave	Repatriation Grant	Total
Loss (Gain) due to experience	3 662	(408)	708	3 962
Loss (Gain) due to changes in demographic assumptions	(1 994)	-	-	(1 994)
Loss (Gain) due to changes in financial assumptions	(57 673)	(1 617)	(2 026)	(61 316)
Total Loss (Gain) on Accrued Benefit Obligation as at December 31, 2022	(56 005)	(2 025)	(1 318)	(59 348)

Actuarial gains and losses 2021

(Thousands of CAD)

Actuarial Adjustments 2021	ASHI	Annual Leave	Repatriation Grant	Total
Loss (Gain) due to experience	(575)	1 475	2 477	3 377
Loss (Gain) due to changes in demographic assumptions	(223)	31	1	(191)
Loss (Gain) due to changes in financial assumptions	(35 579)	(722)	(857)	(37 158)
Loss (Gain) due to fluctuations in currency exchange rates	134	34	15	183
Total Loss (Gain) on Accrued Benefit Obligation as at December 31, 2021	(36 243)	818	1 636	(33 789)

129. Actuarial gains/losses for annual leave and repatriation benefits, plus current service costs and interest costs, including those for ASHI and excluding those of international experts which are charged to the TCP, total CAD 7.5 million in 2022 (2021: CAD 14.1 million) and are included in the expense of the Revolving Fund. The accumulative ASHI actuarial loss amounted to CAD 36.6 million at the end of 2021 is offset by 2022 ASHI actuarial gain of CAD 56.0 million. At the end of 2022, the accumulative ASHI actuarial gain of CAD 19.4 million is recorded against reserve in the Revolving Fund.

2.10.3 Employee Benefits Liabilities – Sensitivity Analysis

130. The valuation of post-employment and other long-term employee liabilities is sensitive to variations in key assumptions such as the discount and health-care cost trend rates. The table below demonstrates the impact that a 1.0 per cent change in the single equivalent discount rate would have on the net defined benefit liability amounts.

Discount rate sensitivity analysis (Thousands of CAD)		
	Increase of 1% in Discount rate	Decrease of 1% in Discount rate
Effects: Current service cost + interest cost	(464)	566
Effects: Accrued benefit obligation	(18 872)	24 210

131. Sensitivity analysis for the Medical and Dental Trend Rates, as described in Note 2.10.5, for the post-retirement plan (ASHI) is presented in the following table:

Medical and dental costs sensitivity analysis (Thousands of CAD)		
	Increase of 1% in Trend rate	Decrease of 1% in Trend rate
Effects: Current service cost + interest cost	1 931	(1 461)
Effects: Accrued benefit obligation	21 279	(16 798)

132. Sensitivity analysis for the Mortality Table assumptions, as described in Note 2.10.5, for the post-retirement plan (ASHI) is presented in the following table:

Mortality sensitivity analysis (Thousands of CAD)		
	1 Year Further Mortality Table	1 Year Closer Mortality Table
Effects: Current service cost + interest cost	285	(282)
Effects: Accrued benefit obligation	4 229	(4 169)

133. Due to the fact that no plan assets have been recognized, ICAO is not exposed to significant risk from changes in the valuation of plan assets.
134. There were no plan amendments in 2022. During 2021, ICAO added one class to the Medical and Dental plan for retirees in Canada with Medicare.

2.10.4 Cost during Current and Future Periods

135. The expected contribution of ICAO in 2023 to the defined benefits plan is CAD 7.2 million, which is determined by the independent actuary based on expected benefit payments for 2022.

Actual and expected costs
(Thousands of CAD)

	Post-retirement plan (ASHI)	End of service – annual leave	End of service - repatriation grant	Total
Expected cost during 2023	2 733	1 942	2 487	7 162
Actual cost 2022	1 937	637	731	3 305
Actual cost 2021	1 994	916	918	3 828

136. The costs in the table above are included in the annual cash flow related to these employee benefit obligations and is limited to the payment of ICAO's 50% share of the ASHI benefits payable to the MBP administrator and actual payments for annual leave, repatriation (grants, travel, and shipping of personal effects) payable on separation from service. The annual costs are financed by the Organization's Regular Budget financed primarily by assessed contributions paid by its Member States. The cash flow may be impacted by a higher-than-normal number of terminations in a particular year and an adjustment in the premium as calculated by the MBP administrator.

137. The expected average remaining service life to retirement of active employees:

	2022	2021
ASHI	9.59 years	10.26 years
Annual Leave	7.39 years	8.84 years
Repatriation Grant	7.44 years	7.11 years

138. The maturity of each respective plan is as follows:

	2022	2021
ASHI	17.5 years	21.8 years
Annual Leave	6.3 years	9.2 years
Repatriation Grant	6.2 years	7.1 years

2.10.5 Actuarial Assumptions and Methods

139. Liabilities arising from end of service benefits for staff members in Headquarters and Regional Offices who are covered by ICAO Staff Rules, comprising annual leave, repatriation, and ASHI, are determined by independent professional actuaries. Each year, ICAO reviews and selects assumptions and methods that will be used by the actuaries in the year-end valuation to determine the expense and contribution requirements for ICAO's after-service benefits. Actuarial assumptions are disclosed in the financial statements in accordance with IPSAS 39 and the financial impact of each actuarial assumption is disclosed in absolute terms. The following key assumptions and methods have been used to determine the value of post-employment liabilities for ICAO as at 31 December 2022.

Assumptions Used for ASHI Plan:

Actuarial Method	ASHI: The projected unit credit cost method, prorated on years of service, up to the age the employee is fully eligible for retirement benefits.
Discount Rate	3.70 per cent for accounting and funding based on composite CAD and USD government bond rates weighted based on currency of post-employment liability (1.75 per cent in 31 December 2021 valuation).

Medical and Dental Trend Rates	Assumed increases in drug costs, health care costs, and other health care costs range from 8.0 per cent to 3.70 per cent (7.50 per cent to 3.85 per cent in 31 December 2021 valuation) over a period of 10 years (20 years in 2021), annual increase for dental of 3.70 per cent for 10 years (3.50 per cent in 31 December 2021 valuation for 20 years).
Expected Return on Assets	Not applicable.
Exchange Rate Used	USD 1.00 for CAD 1.356 (CAD 1.281 in 2021 valuation).
Medical and Dental Claims Cost	Based on the current experience of the ICAO's retirees: average annual costs per person at age 60 are CAD 2.7 thousand for drugs (2.5 thousand in 2021), from CAD 0.4 thousand to CAD 1.6 thousand for dental (CAD 0.4 thousand to CAD 1.6 thousand in 2021), and from CAD 0.7 thousand to 8.2 thousand for other health care (CAD 0.6 thousand to CAD 7.6 thousand in 2021).
Age Variation of Medical and Dental Costs	<p>Assumed annual increase for:</p> <ul style="list-style-type: none"> ➤ Cost of drugs in Canada to range from 5.8 per cent at age 40 to 64 down to 0 per cent at age 85 and up (2021: at age 40 to 59). ➤ Health care in Canada to range from 2.0 per cent up to age 84 down to 0.75 per cent at age 85 and up (2020: up to age 59). ➤ Health care outside Canada to range from 2.7 per cent at age 40 to 44 down to 0 per cent at age 90 and up (no change from 2021). <p>Assumed decreases for:</p> <ul style="list-style-type: none"> ➤ Dental care by 0.5 per cent per year (no change from 2021). ➤ Cost of drugs at age 65 for those covered by a public drug plan in Canada by 65 per cent (no change from 2021).
Annual Administrative Costs	For the first three months in 2022 is USD 27.28 per Certificate per month, then: a) from 1 April 2022 – 31 March 2023 (year 2): USD 27.83 per month, per Certificate; b) from 1 April 2023 – 31 March 2024 (year 3): USD 28.39 per month, per Certificate; c) from 1 April 2024 – 31 March 2025 (year 4): USD 28.96 per month, per Certificate. Inflation at 2.4 per cent per year, (2.5 per cent in 2021). Annual administrative costs are unchanged from 2021.
Mortality Table	2017 UN ASHI headcount-weighted mortality table. Mortality rates are unchanged from 2021.
Withdrawal Rates	2021 UNJSPF assumptions vary by General Service vs Professional, starting in 2019. Withdrawal rates are unchanged from 2021.
Retirement Age	2021 UNJSPF assumptions vary by General Service vs Professional, starting in 2019. Retirement age remains unchanged from 2021.
Coverage of Dependents at Retirement	60 per cent (60 per cent in 2021). Wives are assumed to be five years younger than their male spouses. No children per family at retirement age.

Assumptions Used for Annual Leave and Repatriation Benefits:

Actuarial Method	Annual leave and repatriation grant: actuarial present value of future benefits with salary projections.
Discount Rate	3.70 per cent per year (1.75 per cent in 2021) based on government bond rates in Canada and in the United States.
Salary Increase	2.50 per cent per year, based on UNJSPF assumptions and unchanged from 2021.
Net Accrual in Annual Leave Balance	From 8 days during the first year to none for 35 years of service and more, up to a maximum of 60 days.
Withdrawals Due to Voluntary Leave	10 per cent (10 per cent in 2021).
Removal of Effects on Repatriation	USD 18.0 thousand per employee with eligible family members (USD 18.0 thousand in 2021), USD 13.0 thousand per employee without eligible family members (USD 13.0 thousand in 2021). Inflation at 2.4 per cent per year, (2.5 per cent in 2021).
Travel Costs	CAD 7.5 thousand per employee (7.1 thousand per employee in 2021). Inflation at 2.4 per cent per year, (2.5 per cent in 2021).

140. ICAO uses a combination of the Canadian government bond rate and USA government bond rate to discount the liability related to After Service Health Insurance Liability. The composite discount rate is weighted to reflect the proportionate share of the post-employment benefit liability in each currency. ICAO uses the same Canadian/US Government composite bond rate to discount the liabilities for annual leave and repatriation benefits since these liabilities are partially disbursed in both currencies. Specifically, ICAO:

- Sets the discount rates for the Defined Benefit Obligation (past service liability) based on a yield curve approach.
- Determines the Service Costs (liabilities for benefits expected to be earned in the next year) and interest on the liability using the same discount rates developed for the Defined Benefit Obligation.

141. The assumed increase in health care costs (trend rates) is a market-based assumption consisting of an initial rate based on current market trends weighted by currency, and a final rate based on long-term market expectations through the UN Task force methodology. The grade down is assessed through the estimated timing of convergence for the underlying market data. Data used for estimating the ultimate rates and time to converge (general inflation and real GDP growth) are sourced through the Oxford Economics database.

142. The 2022 annual per capita claims costs for retirees and dependent spouses are adjusted for historical trend rates and anticipated utilization adjustments due to aging. These costs are normalized to age 60. It is assumed these costs will vary by age. The per capita claims costs were calculated based on actual claims and enrollment experience for calendar years 2018 to 2020 (trended with past medical

inflation rates). The valuation per capita claims costs are based on an average of these adjusted per capita costs trended with the 2022 estimated medical inflation.

143. All other significant economic assumptions are unchanged from those in the prior years' valuation. Though not an assumption per se, exchange rates play a key role in the valuation. The UN operational rates of exchange as of 31 December 2022 are used to convert medical and dental costs in USD to CAD. Similarly, the exchange rates are used to convert salary into CAD for the Repatriation Grant and Annual Leave. The valuation does not project for any future changes in these exchange rates.
144. In addition to the economic assumptions, the valuation uses demographic assumptions, which are assumptions about how the population will change over time. For the 31 December 2022 valuation, ICAO has adopted the 2017 UN ASHI headcount-weighted mortality table with UN projection scale as part of the efforts to harmonize with the valuation approach within the UN system entities.
145. The 2022 valuation is based on updated selection patterns: MBP Class 1 members will select class 2, 4/6, or 5 with probabilities of 87 per cent, 8 per cent and 4 per cent (75 per cent, 17 per cent, and 8 per cent in 2021), respectively, at time of retirement.
146. All other significant demographic assumptions are unchanged from those used in the prior valuation. All actuarial methods in the current valuation are unchanged from those in the prior valuation. All significant plan provisions are consistent with those in the prior valuation.

2.10.6 Funding for Employee Benefits Liability

147. The liability for post-employment benefits is not fully funded and no plan assets are- held in the Revolving Fund established for this purpose. At present, expenditures relating to the Organization's subsidy of the ASHI are funded on a "pay-as-you-go" basis. The ASHI liability represents the present value of the share of the Organization's medical insurance costs for retirees and the post-retirement benefit accrued to date by active staff through their service. As of 31 December 2022, cash amounting to CAD 1.6 million is reflected in the Revolving Fund (CAD 1.6 million at 31 December 2021) following the 37th Assembly's approval of initial funding for ASHI using cash surplus of year 2009. As the contributions to the Revolving fund are not pooled with other participating organizations operating in Montreal and as the plan is funded on a pay-as-you-go basis for all, the ICAO ASHI plan is a single-employer plan in accordance with IPSAS 39.

2.10.7 United Nations Joint Staff Pension Fund (the "Fund")

148. The Fund's Regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the Open Group Aggregate Method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Fund will be sufficient to meet its liabilities.
149. ICAO's financial obligation to the Fund consists of its mandated contribution, at the rate established by the United Nations General Assembly (currently at 7.9% for participants and 15.8% for member organizations) together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. Each member organization shall contribute to this deficiency an

amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

150. The latest actuarial valuation for the Fund was completed as of 31 December 2021, and a roll forward of the participation data as of 31 December 2021 to 31 December 2022 will be used by the Fund for its 2022 financial statements.
151. The actuarial valuation as of 31 December 2021 resulted in a funded ratio of actuarial assets to actuarial liabilities of 117.0% (107.1% in the 2019 valuation). The funded ratio was 158.2% (144.4% in the 2019 valuation) when the current system of pension adjustments was not taken into account.
152. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2021, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26.
153. Should Article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the Fund, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2019, 2020 and 2021) amounted to USD 8,505.27 million, of which 0.71 per cent was contributed by ICAO.
154. During 2022, contributions paid to the Fund by ICAO amounted to USD 21.0 million equivalent to CAD 27.3 million (USD 20.2 million equivalent to CAD 25.4 million in 2021). Contributions due in 2023 are expected to be at the same level.
155. Membership of the Fund may be terminated by decision of the United Nations General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the United Nations Joint Staff Pension Board based on an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities are included in the amount.
156. The United Nations Board of Auditors carries out an annual audit of the Fund and reports to the Pension Board and to the United Nations General Assembly on the audit every year. The Fund publishes quarterly reports on its investments, and these can be viewed by visiting the Fund at www.unjspf.org.

2.10.8 Social Security Arrangements for Personnel under Service Contracts

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

service contract. Service contract holders are not ICAO staff members and are not entitled to the normal staff member benefits.

Note 2.11: Credits to Contracting/Servicing Governments

158. The Credits include amounts assessed from contracting governments and collected by ICAO under the Danish and Icelandic Joint Financing Agreements, and user charges related to the North Atlantic Height Monitoring System. The balance of Credits to Contracting/Servicing Governments at year-end total CAD 2.0 million (2021: CAD 1.6 million).
159. The Danish and Icelandic Joint Financing Agreements accounts include an amount due to Provider State of CAD 0.8 million (2021: CAD 0.5 million), a CAD 0.3 million (2021: CAD 0.3 million) reserve interest amount and assessments that are due from Contracting Governments CAD 0.1 million (2021: CAD 0.1 million). The remaining credit balance has been accumulated over the life of the agreements from mainly foreign exchange gains and losses. In the unlikely event of termination of these Agreements, the disposition of this remaining balance will be determined.
160. The North Atlantic Height Monitoring System accounts include a liability of CAD 1.0 million (2021: CAD 0.9 million). A new Arrangement is expected to take effect in 2023 at which time the current Arrangement will be phased out and the disposition of the remaining balances will be determined.

Note 2.12: Net Assets (Net Accumulated Deficit)

161. Net assets comprise the accumulated deficit and reserves of the Organization at year-end. Closing balances are ICAO's residual interest in the assets after deducting all its liabilities. Variations to the accumulated deficit and reserves are presented in Statement III.
162. In 2022, the original value of the WCF balance (CAD 8.1 million), previously reflected in accumulated regular budget surplus, has been reclassified to the reserve account to reflect its restricted nature. On the other hand, unutilized appropriations carried over to 2023 (CAD 13.5 million) have been reclassified to accumulated regular budget surplus. The presentation of the 2021 amounts has been adjusted for consistent presentation, the net effect of CAD 5.4 million is disclosed in the Statement III in a separate line as reclassification for comparability.

Reserves

(Thousands of CAD)

	2022	2021 reclassified
Regular Activities		
Carry forward of Appropriations (Statement V) - Commitments	18 214	17 635
Operational Reserve (Statement V)	14 148	10 942
Reserved deficit for unrealized differences	(2 449)	(6 328)
Accumulated actuarial gain/(loss) on ASHI (Note 2.10.2)	19 446	(36 558)
Restricted Surplus for WCF ³	8 080	8 080
Operational reserve for ARGF	4 511	4 771
Restricted surplus for ARGF	1 745	4 167
Amounts reserved in the Incentive Fund	239	232
Sub-total	63 934	2 941
Translation difference	21	19
Total	63 955	2 960

³ Excludes unrealized differences as these are presented in the Reserved deficit for unrealized differences line.

163. The Operational Reserve balance of CAD 14.2 million includes CAD 8.1 million of Operational Reserve approved in 2021, CAD 5.6 million moved from Regular Budget to the Operational Reserve fund authorized by a Council Decision (C-DEC 226/11), and CAD 0.5 million authorized by a Council Decision (C-DEC 226/03) as carry-over from 2021 unspent appropriation to finance the 2023-2025 budget.
164. Reserved deficit for unrealized differences represents unrealized gains and losses on assets and on exchange differences set aside until the corresponding assets are realized.
165. A balance of CAD 4.5 million (CAD 4.8 million in 2021) is in the Operational Reserve of ARGF in accordance with Financial Regulations 7.3 and the Council Decision C-DEC 190/5.
166. Restricted surplus for ARGF includes an amount of CAD 1.7 million earmarked for ongoing special projects, and funds set aside to protect against risk of budgetary shortfalls due to the pandemic.
167. An amount of CAD 0.2 million of the Incentive Fund balance will be used to finance 2023-2025 Regular Budget, as approved by the Council C-WP/15288.

NOTE 3: REVENUES AND EXPENSES

Note 3.1: Contributions – In-Kind

168. Under separate agreements between the Governments of Canada, Egypt, France, Peru, Senegal, Thailand, Mexico, China 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 estimated fair value of these contributions in-kind is recorded in revenue and in general operating expenses.
169. The estimated fair value of the contributions in kind provided to the Regular Activities Segment based on the lease contracts, or on the estimated market value when there is no lease, is as follows:

In-kind contributions (Thousands of CAD)		
	2022	2021
Canada	23 194	22 872
Egypt	134	142
France	758	779
Peru	419	404
Senegal	273	327
Thailand	2 172	2 300
Total	26 950	26 824

170. The Government of Canada provides the HQ building, la Maison de l'OACI, to ICAO rent-free for 20 years commencing on 1 December 2016 and until 20 November 2036, and assumes 80 per cent of the operation and maintenance costs as well as 100 per cent of the property taxes. Also included in the above contribution in kind from Canada, is an amount equivalent to CAD 2.0 million (CAD 2.0 million in 2021) from the Government of Quebec towards the provision of offices in the Bell Tower in Montreal, for the Technical Co-operation Bureau.
171. The Civil Aviation Administration of China (CAAC) and the Government of Mexico provide a contribution in cash towards the rental of the Regional Sub-Office in Beijing and the Regional Office in Mexico City. The contributions received in 2022 amounted to CAD 0.3 million and

CAD 0.5 million from CAAC and Government of Mexico, respectively, (CAD 0.3 million and CAD 0.5 million in 2021) and are included as revenue in the Statement of Financial Performance.

172. Staff services and travel, provided free of charge by States for Regular Activities and estimated at CAD 12.3 million in 2022 (CAD 9.2 million in 2021), are not recognized in the Statement of Financial Performance as the Organization elected only to disclose in the notes.
173. ICAO owns 46 per cent of the property of the EURNAT Regional Office in Paris which is fully depreciated and the remaining 54 per cent of the property is under a nominal finance lease, which represents an in-kind contribution from the Government of France (see note 3.1). Other buildings occupied by ICAO are under operating leases or nominal leases, which are described in Note 6.1.

Note 3.2: Revenue

174. The main source of revenue recognized during the year comprises contributions for TCP that were implemented during the year (refer to Note 5.3 and Table C) and assessed contributions.
175. Total revenue related to contributions for TCP recognized during the year is presented below:

Contributions for project agreements
(Thousands of CAD)

	2022	2021
Trust Fund and Management Service Agreements	86 455	69 786
Public Key Directory	2 066	2 476
Civil Aviation Purchase Services and others	986	1 077
Total	89 507	73 339

176. Assessed contributions of CAD 113.7 million (2021: CAD 102.4 million) have been recorded in accordance with ICAO Financial Regulations and Rules, and relevant resolutions of the Assembly. A reconciliation of assessed contributions to gross amounts assessed to Member States is presented below.

Assessed contributions
(Thousands of CAD)

	2022	2021
Assessments on States as resolved by the Assembly	101 058	95 577
Exchange Differences*	10 053	9 672
Assessment (table B)	111 111	105 249
Increase/(decrease) from cumulative discount on long-term receivables	2 611	(2 812)
Amount reported in statement II: assessed contributions	113 722	102 437

*Exchange differences represent calculated positive differences between assessments at the budget rate and at the UNORE when assessments are levied.

177. The following details for Other Revenue Producing Activities reflect changes in product configurations that occurred in 2022. The comparatives for 2021 have been adjusted for consistent presentation.

Other revenue producing activities
(Thousands of CAD)

	2022	2021 reclassified
Training courses, assessment & membership fees	6 172	5 678
Publications	3 196	2 645
Licensing	3,214	3 198
Delegation and conference services	2 956	3 037
Events	2 682	384
Publication royalties	1 436	1 472
Websites/digital e-products	1 375	1 326
Subscription fees	935	1 078
Printing and distribution services	510	393
Advertising	454	66
Commissariat sales	285	149
Total	23 215	19 426

178. The COVID-19 pandemic continued to have an adverse impact on other revenue producing activities in the beginning of the year, especially on Events and Training, as all in-person events were either cancelled or postponed. These activities saw a strong rebound in the second part of the year.
179. Revenue from other voluntary contributions includes unconditional voluntary contributions received in cash and the progressive revenue recognized for conditional voluntary contributions while projects are implemented, and conditions are fulfilled. The increase reflects the Resource Mobilization efforts in 2022. The donated rights to use the premises are recorded as a revenue corresponding to the fair rental value equivalent in 2022 and 2021 (refer to note 3.1 in kind contribution).

Other voluntary contributions
(Thousands of CAD)

	2022	2021
Voluntary contributions	13 034	6 979
Donated right to use - premises	26 950	26 824
Total	39 984	33 803

180. Other Revenue comprises the following:

Other revenue
(Thousands of CAD)

	2022	2021
Exchange gains*	4 607	148
Service fees	1 081	1 150
Interest income**	2 463	451
Others	410	468
Total	8 561	2 217

*Exchange gains relate mainly to positive differences from the revaluation of assets and liabilities into CAD initially recognized in other currencies.

**The interest income excludes an amount of CAD 3.6 million (CAD 0.5 million in 2021) related to TCP advanced receipts recorded as administrative fee revenue in the AOSC.

181. There has been a steep increase in interest income caused by the higher market interest rates (detailed in Note 2.1).

Note 3.3: Expenses

3.3.1 Salaries, Employee Benefits and Project Personnel

182. Salaries include remuneration paid to employees of the Organization, international field experts, and experts under Operational Assistance Agreement (OPAS) for TCP. Employee benefits include other entitlements paid by the Organization such as health insurance, annual leave, repatriation, education, assignment and relocation grants, termination indemnities and ICAO's contribution to the UNJSPF. Project Personnel costs include remunerations paid through ICAO's TC capacity-building projects to national staff appointed by the local governments but authorized by ICAO. The national staff are selected in line with the guidelines and process developed by TCB to ensure that the project personnel selected contribute according to the deliverables of the relevant project documents.

Salaries, employee benefits and project personnel

(Thousands of CAD)

	2022	2021
Professional and General Service Staff	118 120	116 497
Consultancies & Contractors	15 691	14 147
TCP International Field Experts	3 118	2 582
TCP OPAS Experts	6 485	5 638
Project Personnel – National Professional	22 309	15 904
Project Personnel – National Admin Support	1 993	1 716
Others	1 404	862
Total	169 120	157 346

3.3.2 Subcontracts, Supplies, and Consumables

183. Expenses of CAD 40.3 million for subcontracts, supplies and consumables (2021: CAD 35.3 million) comprise mostly the procurement of goods and services for Trust Funds, Management Service Agreements, Civil Aviation Purchasing Services, and iPACK projects under the Technical Co-operation project activities.

3.3.3 General Operating Expenses

General operating expenses

(Thousands of CAD)

	2022	2021
Contribution In-Kind - Premises	26 950	26 824
Rental and Maintenance of Premises	4 114	2 738
IT Hardware/Software Maintenance and Purchases	3 182	3 096
Outsourcing Services	6 701	5 564
Settlement of Agreements		3 055
Audits, Insurance, Services and UN Studies	2 616	2 099
Depreciation and Amortization	1 821	1 672
Others	2 061	974
Total	47 446	46 022

3.3.4 Travel

184. Travel expense refers to mission travel, which includes airfares, daily subsistence allowances, and terminal allowances amounted to CAD 8.8 million in 2022 (2021: CAD 1.5 million). Even though travel expenses in 2022 were lower than their pre-pandemic level, there was a significant increase of costs in comparison to 2021 as a result of the lifting of COVID-19 related travel restrictions.

3.3.5 Other Expenses

Other expenses (Thousands of CAD)		
	2022	2021
Exchange losses*	78	1 250
Bank charges	350	321
Services for conferences and seminars	309	15
Others	(416)	(337)
Total	321	1 249

*Exchange losses relate to negative differences from the revaluation of assets and liabilities into CAD initially recognized in other currencies.

3.3.6 Exchange gains and losses

185. The Organization realizes exchange gains and losses on accounts payable and accounts receivable denominated in currencies other than its functional currencies (CAD for Regular Activities and USD for Technical Co-operation Project and Joint Financing funds) based on the applicable UN operational exchange rate at the date of the transaction. In addition, exchange gains and losses relating to the revaluation of bank accounts and other monetary assets and liabilities not held in CAD (at the exchange rate in effect on the reporting date) are recognized in surplus and deficit. The effect of exchange gains and losses is recognized as a component of revenue and expenses on the statement of financial performance. Monetary assets and liabilities related to TCP and Joint Financing funds are translated to CAD at the closing rate, and revenue and expense in the statement of financial performance are translated to CAD at an average rate.

Exchange gains (Thousands of CAD)		
	2022	2021
Realized exchange (gains)/losses	(2 508)	1 999
Un-realized exchange (gains)/losses	(2 022)	(749)
Total Exchange (gains)/losses*	(4 530)	1 250

Note*: Includes CAD77.7 thousand reported under Other Expenses.

NOTE 4: STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

186. The Organization's Assembly authorizes, separately for each year of a triennium, the expenditure in CAD for the Regular Budget and approves the total indicative budget estimates of the AOSC Fund of the Technical Co-operation Programme. These two budgets are publicly available and may be subsequently amended by the Council or through the exercise of delegated authority.
187. Statement V presents the variation of approved Regular Budget between original and final, and a comparison between final budgets and expenses on a budgeted basis classified by Strategic Objective and Supporting Implementation Strategy, as required by Financial Regulation 12.1. Statement V-A

provides a comparison between approved publicly available budgets and actual amounts on a comparable basis.

188. In Statement V-A, the difference between budgeted (CAD 112.5 million) and actual revenue (CAD 129.4 million) for the Regular Budget is CAD 16.9 million. This difference is mainly attributable to the split assessment system adopted by the Organization's under which Member States are assessed partly in CAD and in USD (CAD 10.1 million), as the exchange rate established to prepare the budget and the exchange rate used to recognize revenue when assessments are levied in compliance with IPSAS differ. In 2022, there is also currency exchange difference of CAD 2.8 million relating mainly to positive differences from the revaluation of assets and liabilities in CAD initially recorded in other currencies; these exchange differences are excluded from actual amounts for comparison purposes. Another difference, for actual revenue to be on a comparable basis, also not budgeted for, is the discounted receivables (CAD 2.6 million).
189. Statements V and V-A compare approved appropriations for the Regular Budget (CAD 137.4 million) at budget rate and the corresponding expenses for the General Fund of the Regular Budget at the UNORE (CAD 120.9 million). In order to compare approved Regular Budget with actual expenses, the following factors are taken into consideration: i) exchange difference (CAD 9.2 million) from the utilization of the budget rate of exchange and the UN rates of exchange applied during the year to expenses in compliance with IPSAS, bringing the actual amount of expenses at budget rate (CAD 111.7 million); and ii) the recognition of outstanding commitments, for budget purposes, foreseen to be incurred only in the following year (CAD 18.2 million). These factors have the effect of bringing expenses on a comparable basis to CAD 129.9 million for the Regular Budget. The net impact resulted in a carry-over of unutilized appropriations of CAD 7.5 million.
190. Budget estimates (final revised) are also compared to actual amounts in Statement V-A with regard to the AOSC Fund. The Presentation of the Secretary General on the financial statements included in this document provides further explanations of material differences between Regular Budget and AOSC budget and the actual amounts.
191. A reconciliation between the actual amounts on a comparable basis in the Statement of Comparison of Budget and Actual Amounts (Statement V-A) and the actual amounts in the Statement of Cash Flow (Statement IV) for the year ended 31 December 2022 is presented below:

Reconciliation of actual amounts on a comparable basis to statement of cash flows
(Thousands of CAD)

	Operating	Investing	Financing	Total
Actual on a Comparable Basis (Statement V-A, column (d)):				
Revenue Regular Budget	119 356			119 356
Revenue AOSC	12 598			12 598
Expenses Regular Budget	(129 924)			(129 924)
Expenses AOSC	(9 817)			(9 817)
Budget Differences (Statement V-A, column (c)):				
i) Net exchange differences on budgeted assessments and expenses (par. 188 and 189 above)	838			838
ii) Outstanding commitments not requiring an outlay of funds (par. 189 above)	18 214			18 214
Entity Differences (par. 192 below)	(3 312)			(3 312)
Presentation Differences (par. 193 below)	45 767	(7 046)	8	(38 729)
Actual Amounts in the Statement of Cash Flow (Statement IV)	53 720	(7 046)	8	(46 682)

192. **Entity differences** occur when the approved publicly available budgets process omits programmes or Funds that are part of an entity for which the financial statements are prepared. Entity differences represent revenue (CAD 135.7 million) less expenses (CAD 139.0 million) that are included in the Statement of Financial Performance (Statement II) and relate to other Regular Activities and TCP activities. These activities and projects are generally funded by extra-budgetary resources and are excluded from the Regular Budget and the AOSC budgetary process.
193. **Presentation differences** are due to the non-cash movements from Operating Activities, Investing Activities, and Financing Activities presented in Statement IV. They arise because non-cash items are not reflected in format and classification schemes adopted for the presentation of Statement of Cash Flows (Statement of Comparison of Budget and Actual Amount (Statement V-A)). The Statement of Cash Flows is prepared using the indirect method and reflects the impact of all receipts and disbursements; Statements of Comparison of Budgets and Actual Amounts present revenue and expenses for which expenses are authorized by the Assembly and Council. Since these statements cover the same financial year, there are no timing differences.

NOTE 5: SEGMENT REPORTING

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

194. Segment reporting is required under IPSAS and is described in Note 1. Financial Position by segment is shown in the next table followed by the Statement of Financial Performance by Segment. Some activities between the two segments, Regular Activities segment and Technical Co-operation Project Activities Segment (“TCP segment”), lead to accounting transactions that create inter-segment revenue and expense balances in the financial statements. Inter-segment transactions are reflected in the Segment Reports to accurately present these accounting transactions and then eliminated for presentation in Statements I and II.
195. The Regular Activities Segment includes administrative fee revenue and other revenue of CAD 8.8 million (CAD 4.2 million in 2021) charged by the AOSC Fund to Technical Co-operation projects. An equivalent amount is included as administrative overhead charges, travel, and other expenses in the TCP segment. The Administrative fee is charged based on the percentages agreed to in the Technical Co-operation project agreements. Funds are transferred from Regular Budget and Voluntary contributions to TCP for iPACKs and implementation support projects. Such transfers, amounting to CAD 2.8 million (2021 restated: CAD 2.4 million), are reflected as revenue from contributions in TCP Segment (CAD 1.4 million), other revenue producing activities (CAD 0.8 million) and other revenue (CAD 0.6 million). The corresponding Regular Activities Segment expenses are presented as Subcontractors (CAD 0.8 million), General operating expenses (CAD 1.1 million), and other expenses (CAD 0.9 million). The amount due from TCP segment by the Regular Activities segment at 31 December 2022 amounted to CAD 2.0 million (CAD 0.04 million at 31 December 2021). These amounts are eliminated for presentation purposes.

INTERNATIONAL CIVIL AVIATION ORGANIZATION

NOTE 5.2

FINANCIAL POSITION BY SEGMENT

AT 31 DECEMBER 2022

(Thousands of CAD)

	Notes	Regular Activities		Technical Co-operation Project Activities		Elimination		Total	
		2022	2021	2022	2021	2022	2021	2022	2021
ASSETS									
CURRENT ASSETS									
Cash and cash equivalents	2.1	134 353	124 891	183 062	145 842			317 415	270 733
Investments	2.1	12 204		12 969	13 498			25 173	13 498
Assessed contributions receivable from Member States	2.2	17 283	14 568					17 283	14 568
Inter-segment balances		2 038	38			(2 038)	(38)		
Receivables, advances and other current assets	2.3	8 255	8 478	7 432	4 990			15 687	13 468
Inventories	2.4	437	457					437	457
		174 570	148 432	203 463	164 330	(2 038)	(38)	375 995	312 724
NON-CURRENT ASSETS									
Assessed contributions receivable from Member States	2.2	3 068	4 153					3 068	4 153
Receivables and advances	2.3	172	212					172	212
Property, plant and equipment	2.5	4 620	5 071					4 620	5 071
Intangible assets	2.6	3 047	3 632					3 047	3 632
		10 907	13 068					10 907	13 068
TOTAL ASSETS		185 477	161 500	203 463	164 330	(2 038)	(38)	386 902	325 792
LIABILITIES									
CURRENT LIABILITIES									
Advanced receipts	2.8	33 461	24 162	191 912	142 055			225 373	166 217
Accounts payable and accrued liabilities	2.9	26 962	25 119	6 362	19 158			33 324	44 277
Employee benefits	2.10	6 907	6 719	2 537	2 182			9 444	8 901
Inter-segment balances				2 038	38	(2 038)	(38)		
Credits to contracting/servicing governments	2.11	1 969	1 604					1 969	1 604
		69 299	57 604	202 849	163 433	(2 038)	(38)	270 110	220 999
NON-CURRENT LIABILITIES									
Employee benefits	2.10	132 721	184 739					132 721	184 739
		132 721	184 739					132 721	184 739
TOTAL LIABILITIES		202 020	242 343	202 849	163 433	(2 038)	(38)	402 831	405 738
NET ASSETS									
Accumulated deficit	2.12	(80 477)	(83 784)	593	878			(79 884)	(82 906)
Reserves	2.12	63 934	2 941	21	19			63 955	2 960
NET ASSETS/(ACCUMULATED DEFICIT)		(16 543)	(80 843)	614	897			(15 929)	(79 946)
TOTAL LIABILITIES AND NET ASSETS		185 477	161 500	203 463	164 330	(2 038)	(38)	386 902	325 792

Details may not add to the totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION

NOTE 5.3

FINANCIAL PERFORMANCE BY SEGMENT
FOR THE YEAR ENDED 31 DECEMBER 2022
(Thousands of CAD)

	Notes	Regular Activities		Technical Co-operation Project Activities		Elimination		Total	
		2022	2021	2022	2021	2022	2021	2022	2021
REVENUE									
Contributions for project agreements	3.2	2 066	2 476	88 867	71 545	(1 426)	(682)	89 507	73 339
Assessed contributions	3.2	113 722	102 437					113 722	102 437
Other revenue producing activities	3.2	24 067	19 460			(852)	(34)	23 215	19 426
Other voluntary contributions	3.2	39 958	33 803	26	1 086		(1 086)	39 984	33 803
Administrative fee revenue		11 516	4 445			(8 819)	(4 102)	2 697	343
Other revenue	3.2	8 858	1 899	256	399	(553)	(81)	8 561	2 217
TOTAL REVENUE		200 187	164 520	89 149	73 030	(11 650)	(5 985)	277 686	231 565
EXPENSES									
Salaries, employee benefits and project personnel	3.3	133 102	129 168	36 018	28 178			169 120	157 346
Subcontracts, supplies and consumables	3.3	1 180	321	40 005	35 012	(842)		40 343	35 333
General operating expenses	3.3	47 976	42 390	585	3 666	(1 115)	(34)	47 446	46 022
Travel	3.3	6 307	1 158	2 647	327	(113)	(23)	8 841	1 462
Meetings		2 274	789					2 274	789
Training				1 388	429			1 388	429
Administrative overhead charges				8 698	4 159	(8 698)	(4 159)		
Other expenses	3.3	1 092	2 637	111	381	(882)	(1 769)	321	1 249
TOTAL EXPENSES		191 931	176 463	89 452	72 152	(11 650)	(5 985)	269 733	242 630
SURPLUS/(DEFICIT) FOR THE YEAR		8 256	(11 943)	(303)	878			7 953	(11 065)

Details may not add to the totals due to rounding

Note 6: Commitments and Contingencies

Note 6.1: Commitments

196. Lease commitments mainly pertain to ICAO premises.

Obligation for operating leases: minimum lease payments (Thousands of CAD)		
	2022	2021
Due in less than 1 year	101	95
Due in 1 – 5 years	17	111
Due after 5 years	-	-
Total Property Leases Obligations	118	206

197. The lease commitments above include the 30 per cent portion of the lease payable by ICAO for the Mexico Office. As at 31 December 2022, there are no other lease commitments for ICAO with regard to HQ or other Regional Offices' premises as explained in Notes 2.5 and 3.1.

198. The future minimum lease revenues under non-cancellable operating leases total CAD 2.5 million for 2022 (2021: CAD 2.3 million). These lease revenues comprise the rental of premises to Delegations.

199. Under the lease agreement between ICAO and European Civil Aviation Conference (ECAC) signed on 19 May 2022, ECAC occupies a building owned by France (54%) and ICAO (46%), and ECAC reimburses ICAO for the use of the building based on actual occupation. The rent for the period of occupancy is CAD 262 thousand (EUR 181 thousand) for the current lease that expires on 31 December 2023.

200. The United Nations Capital Development Fund (UNCDF) also occupies the same building owned by France (54%) and ICAO (46%). Under the lease agreement between UNCDF and ICAO signed on 3 August 2022, UNCDF reimburses ICAO for the use of the building based on actual occupation. The rent for the period of occupancy is EUR 0.5 thousand per month. The future lease revenues to receive from UNCDF is CAD 4.9 thousand (EUR 3.4 thousand) for the current lease that expires on 31 July 2023.

201. At year end, commitments funded by the Regular Budget for property, plant and equipment, intangible assets, and goods and services contracted but not delivered, were as shown below:

Contractual commitments (Thousands of CAD)		
	2022	2021
Property, plant and equipment	1 879	2 016
Intangible	967	842
Good and services	8 219	8 451
Total open contractual commitments	11 065	11 309

Note 6.2: Contingent Liabilities

202. Consistent with IPSAS, contingent liabilities are disclosed for pending claims where the probability of an obligation and the potential outflow of resources cannot be measured with sufficient reliability. As at 31 December 2022, there were administration of justice claims brought by former ICAO staff

members in which it has been determined that it is possible, but not probable, that the claims may ultimately be decided in favor of the claimants. The cases are still at the early stages of the proceedings and insufficient information exists to assess whether these claims are likely to result in any significant liability to ICAO at the reporting date.

NOTE 7: RELATED PARTY AND SENIOR MANAGEMENT DISCLOSURE

Note 7.1: Key Management Personnel (KMP)

	Number of Individuals	Compensation and Post Adjustment	Entitlements	Pension and Health Plans	Total Remuneration	Outstanding Advances Against Entitlements	Outstanding Loans
	<i>In thousands of CAD</i>						
Year 2022	11	2 645	272	817	3 734	121	-
Year 2021	17	2 679	802	833	4 314	18	-

203. The key management personnel (as defined by IPSAS 20) consist of: (i) the governing body of the Organization – the Council, including its President; and (ii) the members of the Senior Management Group (SMG) of the Secretariat. The Council consists of 36 Member States without personal appointment. The Senior Management Group comprises the head of the Secretariat, the Secretary General; Directors at Headquarters; and a number of Chiefs reporting directly to the Secretary General. The key management personnel have the authority and responsibility for planning, directing, and controlling the activities of ICAO and for the establishment of policies. Total remuneration reported above is paid to the President of the Council and members of the Senior Management Group. ICAO experienced some senior management staff changes in 2021, which explains the decrease in number of individuals reported as Key Management Personnel in 2022 compared with 2021.
204. The aggregate remuneration paid to key management personnel includes: net salaries, post adjustment, entitlements such as representation allowance, repatriation, and education grants, and also employer pension and current health insurance contributions. Outstanding advances against entitlements are composed of education grant advances.
205. Key management personnel also qualify for post-employment benefits (Note 2.10) at the same level as other employees. These benefits cannot be accurately quantified on an individual basis, thus are not included in the table above.
206. Key management personnel are ordinary members of UNJSPF with the exception of a number of D-2 level personnel and above who do not participate in the UNJSPF. Amounts paid by ICAO in lieu of contributions to the plan, which represents 15.8 per cent of the pensionable remuneration, are included in total remuneration.

Note 7.2: Related Party Transactions

207. Except as otherwise noted in these statements for revenue from non-exchange transactions, including contributions in-kind, all transactions made with third parties, including United Nations organizations, occur at arm's length on fair value terms and conditions.

NOTE 8: EVENTS AFTER THE REPORTING DATE

208. There were no material events, favourable or unfavourable, that occurred between the date of the financial statements and the date when the financial statements were authorized for issue that would have had material impact on these statements.

PART IV: TABLES (UNAUDITED)

IV - 1

Table A

INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR ACTIVITIES BY FUND
 ASSETS, LIABILITIES, NET ASSETS AT 31 DECEMBER 2022 AND
 REVENUE, EXPENSES AND SURPLUS (DEFICIT) FOR 2022
 (Thousands of CAD)

	Regular Budget	Capital Fund	Revolving Fund	Ancillary Revenue Generation Funds	Administrative/Operational Services Cost Funds	AVSEC Activities	AFI Plan Fund	Environment Funds	Joint Finance Funds
ASSETS									
CURRENT ASSETS									
Cash and cash equivalents	49 948		1 571	8 391	10 600	11 155	613	2 787	2 357
Investments	12 204								
Assessed contributions receivable from Member States	17 283								
Inter-fund balances	343				1 505				
Receivables, advances and others	2 777			3 610	45	52		813	157
Inventories				437					
	82 555		1 571	12 438	12 150	11 207	613	3 600	2 514
NON-CURRENT ASSETS									
Assessed contributions receivable from Member States	3 068								
Receivables and advances	172								
Property, plant and equipment		4 620							
Intangible assets		3 047							
	3 240	7 667							
TOTAL ASSETS	85 795	7 667	1 571	12 438	12 150	11 207	613	3 600	2 514
LIABILITIES									
CURRENT LIABILITIES									
Advanced receipts	10 558			2 307	3			813	
Accounts payable and accrued liabilities	7 499	5		1 592	149	33	4	110	546
Employee benefits			6 907						
Inter-fund balances				417					
Credits to contracting/service governments									1 968
	18 057	5	6 907	4 316	152	33	4	923	2 514
NON-CURRENT LIABILITIES									
Employee benefits			132 721						
			132 721						
TOTAL LIABILITIES	18 057	5	139 628	4 316	152	33	4	923	2 514
NET ASSETS									
Accumulated surplus/(deficit)	29 745	7 662	(157 504)	1 866	11 998	11 174	609	2 677	
Reserves	37 993		19 447	6 256					
NET ASSETS/(ACCUMULATED DEFICIT)	67 738	7 662	(138 057)	8 122	11 998	11 174	609	2 677	
TOTAL LIABILITIES AND NET ASSETS	85 795	7 667	1 571	12 438	12 150	11 207	613	3 600	2 514
REVENUE									
Contributions for project agreements									
Assessed contributions	113 722								
Other revenue producing activities				24 904					42
Other voluntary contributions				129		3 535	96	1 887	
Administrative fee revenue					11 571				
Other revenue	15 687	1 531	3 339	445	1 027	743	49	188	13
TOTAL REVENUE	129 409	1 531	3 339	25 478	12 598	4 277	145	2 075	55
EXPENSES									
Salaries, employee benefits and project personnel	100 566		7 480	11 974	9 623	2 304		502	5
Subcontracts, supplies and consumables	1 255			202		129			
General operating expenses	16 052	2 534		12 671	137	124		8	
Travel	3 712			828	57	792	113	113	
Meetings	2 155			35		30		11	
Administrative overhead charges				226		190	7	112	
Other expenses	110			441		1	1		50
TOTAL EXPENSES	123 850	2 534	7 480	26 377	9 817	3 570	121	746	55
NET SURPLUS/(DEFICIT) FOR THE YEAR	5 559	(1 003)	(4 141)	(899)	2 781	707	24	1 329	

Details may not add to the totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR ACTIVITIES BY FUND
ASSETS, LIABILITIES, NET ASSETS AT 31 DECEMBER 2022 AND
REVENUE, EXPENSES AND SURPLUS (DEFICIT) FOR 2022
(Thousands of CAD)

Table A
(continued)

	Resource Mobilization Funds	Public Key Directory	Regional Sub- Office	Safe Fund	Transformational Fund	Other Funds	Total	Elimination/ Adjustments	2022	2021
ASSETS										
CURRENT ASSETS										
Cash and cash equivalents	6 273	3 104	1 643	3 114	475	16 000	118 032	16 321	134 353	124 891
Investments							12 204		12 204	
Assessed contributions receivable from Member States							17 283		17 283	14 568
Inter-fund balances							1 847	191	2 038	38
Receivables, advances and others	35	601	31		3	129	8 255		8 255	8 478
Inventories							437		437	457
	<u>6 308</u>	<u>3 705</u>	<u>1 675</u>	<u>3 114</u>	<u>478</u>	<u>16 129</u>	<u>158 058</u>	<u>16 512</u>	<u>174 570</u>	<u>148 432</u>
NON-CURRENT ASSETS										
Assessed contributions receivable from Member States							3 068		3 068	4 153
Receivables and advances							172		172	212
Property, plant and equipment							4 620		4 620	5 071
Intangible assets							3 047		3 047	3 632
							<u>10 907</u>		<u>10 907</u>	<u>13 068</u>
TOTAL ASSETS	<u>6 308</u>	<u>3 705</u>	<u>1 675</u>	<u>3 114</u>	<u>478</u>	<u>16 129</u>	<u>168 965</u>	<u>16 512</u>	<u>185 477</u>	<u>161 500</u>
LIABILITIES										
CURRENT LIABILITIES										
Advanced receipts		3 246				679	17 606	15 855	33 461	24 162
Accounts payable and accrued liabilities	211	459	9	4	13	7	10 641	16 321	26 962	25 119
Employee benefits							6 907		6 907	6 719
Inter-fund balances							417	(417)		
Credits to contracting/service governments							1 969		1 969	1 604
	<u>211</u>	<u>3 705</u>	<u>9</u>	<u>4</u>	<u>13</u>	<u>686</u>	<u>37 540</u>	<u>31 759</u>	<u>69 298</u>	<u>57 604</u>
NON-CURRENT LIABILITIES										
Employee benefits							132 721		132 721	184 739
							<u>132 721</u>		<u>132 721</u>	<u>184 739</u>
TOTAL LIABILITIES	<u>211</u>	<u>3 705</u>	<u>9</u>	<u>4</u>	<u>13</u>	<u>686</u>	<u>170 261</u>	<u>31 759</u>	<u>202 020</u>	<u>242 343</u>
NET ASSETS										
Accumulated surplus/(deficit)	6 097		1 666	3 110	465	15 204	(65 230)	(15 247)	(80 477)	(83 784)
Reserves						239	63 934		63 934	2 941
NET ASSETS (ACCUMULATED DEFICIT)	<u>6 097</u>		<u>1 666</u>	<u>3 110</u>	<u>465</u>	<u>15 443</u>	<u>(1 296)</u>	<u>(15 247)</u>	<u>(16 543)</u>	<u>(80 843)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>6 308</u>	<u>3 705</u>	<u>1 675</u>	<u>3 114</u>	<u>478</u>	<u>16 129</u>	<u>168 965</u>	<u>16 512</u>	<u>185 477</u>	<u>161 500</u>
REVENUE										
Contributions for project agreements		2 066					2 066		2 066	2 476
Assessed contributions							113 722		113 722	102 437
Other revenue producing activities						219	25 165	(1 098)	24 067	19 460
Other voluntary contributions	3 922		905	195	600	9 467	20 735	19 223	39 958	33 803
Administrative fee revenue							11 571	(55)	11 516	4 445
Other revenue	267	261	9	217	10	2 394	26 178	(17 320)	8 858	1 899
TOTAL REVENUE	<u>4 189</u>	<u>2 327</u>	<u>914</u>	<u>412</u>	<u>610</u>	<u>12 080</u>	<u>199 437</u>	<u>750</u>	<u>200 187</u>	<u>164 520</u>
EXPENSES										
Salaries, employee benefits and project personnel	184	2 209	350	26	102	2 861	138 187	(5 085)	133 102	129 168
Subcontracts, supplies and consumables	98		15	241			1 940	(760)	1 180	321
General operating expenses	29	17	385			599	32 555	15 421	47 976	42 390
Travel	329	16	9	61		279	6 307		6 307	1 158
Meetings	73					28	2 333	(59)	2 274	789
Administrative overhead charges	245	84	4	14	42	712	1 636	(1 636)		
Other expenses	510	1	30			(39)	1 104	(12)	1 092	2 637
TOTAL EXPENSES	<u>1 468</u>	<u>2 327</u>	<u>793</u>	<u>342</u>	<u>144</u>	<u>4 440</u>	<u>184 062</u>	<u>7 869</u>	<u>191 931</u>	<u>176 463</u>
NET SURPLUS/(DEFICIT) FOR THE YEAR	<u>2 721</u>		<u>121</u>	<u>70</u>	<u>466</u>	<u>7 640</u>	<u>15 375</u>	<u>(7 119)</u>	<u>8 256</u>	<u>(11 943)</u>

Details may not add to the totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME
ASSESSMENTS RECEIVABLE FROM MEMBER STATES
AND CONTRIBUTIONS RECEIVED IN ADVANCE
AS AT 31 DECEMBER 2022

(in thousands of Canadian dollars)

Member States Assembly Resolutions A40-34 and A40-30	General Fund					Total Balances Receivable	Cumulative Exchange	Total Adjusted Balances Receivable	Contributions Received in Advance
	Scales 2022	Assessments 2022	Assessments Received for 2022	Balance of Assessments Receivable for 2022	Balance of Prior Years' Assessments Receivable				
Afghanistan	0.06	67		67	111	178	4	182	
Albania	0.06	67	67						
Algeria	0.11	122		122		122	3	125	
Andorra	0.06	67	67						
Angola	0.08	89	89						
Antigua and Barbuda (*)	0.06	67	67		1 241	1 241	225	1 465	
Argentina	0.70	778	778						
Armenia	0.06	67	67						70
Australia	1.91	2 122	2 122						1 905
Austria	0.55	611	611						
Azerbaijan	0.07	78	78						
Bahamas	0.06	67	67						70
Bahrain	0.09	100	100						
Bangladesh	0.09	100	100						
Barbados	0.06	67	67						
Belarus	0.06	67	67						
Belgium	0.70	778	700	77		77	5	82	
Belize	0.06	67	67						
Benin	0.06	67	67						
Bhutan	0.06	67	67						
Bolivia (Plurinational State of)	0.06	67	66				()		
Bosnia and Herzegovina	0.06	67	67						
Botswana	0.06	67		67	124	191	4	195	
Brazil	2.27	2 522	2 522						12
Brunei Darussalam	0.06	67	67						
Bulgaria	0.06	67	67						
Burkina Faso	0.06	67	67						
Burundi	0.06	67	64	3		3		3	
Cabo Verde	0.06	67	67						
Cambodia	0.06	67	67						
Cameroon	0.06	67	67						
Canada	2.51	2 789	2 789						1 488
Central African Republic	0.06	67	67						
Chad	0.06	67	67						
Chile	0.41	456	456						
China	11.39	12 656	12 656						
Colombia	0.32	356	356						
Comoros	0.06	67	67						
Congo	0.06	67	67						
Cook Islands	0.06	67	67						
Costa Rica	0.06	67	67						70
Côte d'Ivoire	0.06	67	67						
Croatia	0.06	67	67						
Cuba	0.06	67		67		67	2	68	
Cyprus	0.06	67	67						
Czechia	0.24	267	267						
Democratic People's Republic of Korea	0.06	67	67						
Democratic Republic of the Congo	0.06	67	67						9
Denmark	0.42	467	467						
Djibouti**	0.06	67		67	911	978	186	1 164	
Dominica(**)	0.06	67		67	169	235	4	240	
Dominican Republic	0.06	67	67						
Ecuador	0.07	78		77		77	2	79	
Egypt	0.23	256	256						
El Salvador	0.06	67	67						
Equatorial Guinea	0.06	67	67						
Eritrea	0.06	67	67						
Estonia	0.06	67	67						
Eswatini	0.06	67	65	1		1		1	
Ethiopia	0.22	244	244						
Fiji	0.06	67	67						
Finland	0.41	456	456						439
France	3.66	4 067	4 067						
Gabon	0.06	67	67						
Gambia	0.06	67		67	188	254	4	258	

INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME
ASSESSMENTS RECEIVABLE FROM MEMBER STATES
AND CONTRIBUTIONS RECEIVED IN ADVANCE
AS AT 31 DECEMBER 2022

(in thousands of Canadian dollars)

Member States Assembly Resolutions A40-34 and A40-30	General Fund			Balance of	Balance of Prior	Total Balances Receivable	Cumulative Exchange	Total Adjusted Balances Receivable	Contributions Received in Advance
	Scales 2022	Assessments 2022	Assessments Received for 2022	Assessments Receivable for 2022	Years' Assessments Receivable				
Georgia	0.06	67	67						
Germany	5.08	5 644	5 644						
Ghana	0.06	67	67						
Greece	0.28	311	311						
Grenada*	0.06	67	67		263	263	22	285	
Guatemala	0.06	67	67						
Guinea **	0.06	67	67	67	45	111	19	130	
Guinea-Bissau	0.06	67	67						
Guyana	0.06	67	67						
Haiti (*)	0.06	67	67		382	382	4	386	
Honduras	0.06	67	67						1
Hungary	0.23	256	256						
Iceland	0.08	89	89						
India	0.95	1 056	1 056						
Indonesia	0.59	656	656						
Iran (Islamic Republic of)	0.34	378		378	303	681	18	699	
Iraq	0.10	111	111						
Ireland	0.72	800	800						
Israel	0.43	478	478						
Italy	2.44	2 711	2 711						
Jamaica	0.06	67	67						
Japan	6.64	7 378	7 378						
Jordan	0.06	67	67						
Kazakhstan	0.15	167	167						
Kenya	0.06	67	67						
Kiribati	0.06	67		67	6	73	2	75	
Kuwait	0.21	233		233		233	6	239	
Kyrgyzstan	0.06	67	67						
Lao People's Democratic Republic	0.06	67		67		67	2	68	
Latvia	0.06	67	67						70
Lebanon	0.06	67		67	63	130	3	133	
Lesotho	0.06	67		67	124	191	4	195	
Liberia**	0.06	67		67	61	128	25	153	
Libya	0.06	67		67	2	69	2	70	
Lithuania	0.06	67	67						
Luxembourg	0.28	311	311						
Madagascar	0.06	67	67						
Malawi	0.06	67		67	915	982	92	1 074	
Malaysia	0.52	578	578						
Maldives	0.06	67	67						
Mali	0.06	67	67						
Malta	0.06	67	67						
Marshall Islands	0.06	67	67						1
Mauritania	0.06	67	67						
Mauritius	0.06	67	67						
Mexico	1.10	1 222	1 222						
Micronesia (Federated States of)	0.06	67		67	222	289	6	294	
Monaco	0.06	67	67						
Mongolia	0.06	67	67						
Montenegro	0.06	67	67						
Morocco	0.12	133	133						
Mozambique	0.06	67	67						
Myanmar	0.06	67	37	30		30		30	
Namibia	0.06	67	67						
Nauru	0.06	67	66						
Nepal	0.06	67	67						
Netherlands	1.43	1 589	1 589						
New Zealand	0.34	378	378						345
Nicaragua	0.06	67	67						
Niger	0.06	67	67						
Nigeria	0.18	200	200						
The Republic of North Macedonia	0.06	67	67						
Norway	0.66	733	733						
Oman	0.15	167	167						124
Pakistan	0.16	178		178	10	188	4	192	

INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME
ASSESSMENTS RECEIVABLE FROM MEMBER STATES
AND CONTRIBUTIONS RECEIVED IN ADVANCE
AS AT 31 DECEMBER 2022

(in thousands of Canadian dollars)

Member States Assembly Resolutions A40-34 and A40-30	General Fund			Balance of	Balance of Prior	Total Balances Receivable	Cumulative Exchange	Total Adjusted Balances Receivable	Contributions Received in Advance
	Scales 2022	Assessments 2022	Assessments Received for 2022	Assessments Receivable for 2022	Years' Assessments Receivable				
Palau	0.06	67		67	746	813	36	849	
Panama	0.12	133	133						
Papua New Guinea	0.06	67	30	37		37		37	
Paraguay	0.06	67	67						
Peru	0.19	211	211						
Philippines	0.35	389	389						
Poland	0.60	667	667						
Portugal	0.37	411	411						396
Qatar	1.05	1 167	1 167						
Republic of Korea	2.21	2 456	2 456						
Republic of Moldova	0.06	67	67						70
Romania	0.15	167	167						
Russian Federation	2.23	2 478		2 478		2 478	60	2 538	
Rwanda	0.06	67	67						
Saint Kitts and Nevis	0.06	67	67						
Saint Lucia	0.06	67	67						
Saint Vincent and the Grenadines	0.06	67	23	44		44		44	
Samoa	0.06	67	67						
San Marino	0.06	67	67						
Sao Tome and Principe	0.06	67		67	1 077	1 143	154	1 297	
Saudi Arabia	1.04	1 156	1 156						
Senegal	0.06	67	67						
Serbia	0.06	67	67						
Seychelles	0.06	67	67						
Sierra Leone **	0.06	67	5	62	39	100	16	116	
Singapore	0.93	1 033	1 033						866
Slovakia	0.11	122	122						128
Slovenia	0.06	67	67						
Solomon Islands	0.06	67		67	88	155	4	159	
Somalia	0.06	67	67						
South Africa	0.29	322	322						
South Sudan (*)	0.06	67	67		367	367	4	371	
Spain	1.78	1 978	1 978						
Sri Lanka	0.08	89	89						
Sudan	0.06	67	67						
Suriname	0.06	67	67						
Sweden	0.67	744	744						
Switzerland	1.01	1 122	1 122						
Syrian Arab Republic	0.06	67		67	535	601	21	622	
Tajikistan	0.06	67	67						
Thailand	0.58	644	644						
Timor-Leste	0.06	67	62	5		5		5	
Togo	0.06	67	67						
Tonga	0.06	67	67						
Trinidad and Tobago	0.06	67	67						
Tunisia	0.06	67	67						
Turkiye	1.60	1 778	1 778						
Turkmenistan	0.06	67	67						
Tuvalu	0.06	67		67	6	73	2	75	
Uganda	0.06	67	67						
Ukraine	0.08	89	89						
United Arab Emirates	2.17	2 411	2 411						
United Kingdom of Great Britain and Northern Ireland	4.19	4 656	4 656						4 341
United Republic of Tanzania	0.06	67	67						
United States	20.50	22 778	11 389	11 389		11 389	275	11 664	
Uruguay	0.06	67	67						
Uzbekistan	0.06	67	67						3
Vanuatu	0.06	67	67						
Venezuela (Bolivarian Republic of)	0.51	567	13	554		554	14	567	
Viet Nam	0.18	200	200						
Yemen	0.06	67	27	40		40		40	
Zambia	0.06	67	58	9		9		9	
Zimbabwe	0.06	67	64	2		2		2	
The former Socialist Federal Republic of Yugoslavia (1)					501	501	192	693	
TOTAL	100.00	111 111	94 058	17 053	8 500	25 553	1 423	26 976	10 408

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

* States which have entered into an agreement with ICAO to settle outstanding arrears and who have met their obligations according to the terms of their agreements as at 31 December 2022.

** States which had not met their obligations according to the terms of their agreements as at 31 December 2022.

(*) States which have entered into an agreement with ICAO in October 2022 during A41 to settle outstanding arrears.

(**) Receivable amounts include Working Capital Fund.

Details may not add to totals due to rounding.

INTERNATIONAL CIVIL AVIATION ORGANIZATION

Table C

TECHNICAL CO-OPERATION PROJECT ACTIVITIES BY GROUP OF FUNDS
 ASSETS, LIABILITIES, NET ASSETS AT 31 DECEMBER 2022 AND
 REVENUE, EXPENSES AND SURPLUS (DEFICIT) FOR 2022
 (Thousands of CAD)

	United Nations Development Programme	iPACK Funds	Trust Funds, Management Service Agreements and Others	Civil Aviation Purchasing Services Funds	Elimination	2022	2021
ASSETS							
CURRENT ASSETS							
Cash and cash equivalents		1 788	176 932	4 342		183 062	145 842
Investments			12 969			12 969	13 498
Inter-fund balances			1 726		(1 726)		
Receivables, advances and other	3 271		4 161			7 432	4 990
TOTAL ASSETS	3 271	1 788	195 788	4 342	(1 726)	203 463	164 330
LIABILITIES							
CURRENT LIABILITIES							
Advanced receipts		73	187 501	4 338		191 912	142 055
Accounts payable and accrued liabilities	159	430	5 769	4		6 362	19 158
Employee benefits	19		2 518			2 537	2 182
Inter-fund balances	3 156	608			(1 726)	2 038	38
TOTAL LIABILITIES	3 334	1 111	195 788	4 342	(1 726)	202 849	163 433
NET ASSETS							
Accumulated surplus/(deficit)		593				593	878
Reserves*	(63)	84				21	19
NET ASSETS (ACCUMULATED DEFICIT)	(63)	677				614	897
TOTAL LIABILITIES AND NET ASSETS	3 271	1 788	195 788	4 342	(1 726)	203 463	164 330
REVENUE							
Contributions for project agreements		1 280	86 601	986		88 867	71 545
Other voluntary contributions		26				26	1 086
Other revenue		1	255			256	399
TOTAL REVENUE		1 307	86 856	986		89 149	73 030
EXPENSES							
Salaries, employee benefits and project personnel		704	35 284	30		36 018	28 178
Subcontracts, supplies and consumables		886	38 370	749		40 005	35 012
General operating expenses		9	576			585	3 666
Travel		4	2 609	34		2 647	327
Training			1 388			1 388	429
Administrative overhead charges		3	8 522	173		8 698	4 159
Other expenses		4	107			111	381
TOTAL EXPENDITURE		1 610	86 856	986		89 452	72 152
SURPLUS/(DEFICIT) FOR THE YEAR		(303)				(303)	878

* Reserves comprise translation differences

Details may not add to the totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION
TRUST FUNDS AND MANAGEMENT SERVICE AGREEMENTS
RECEIPTS, EXPENSES AND BALANCE OF ADVANCE RECEIPTS
FOR THE YEAR ENDED 31 DECEMBER 2022
(Thousands of USD)

	Type of Fund	Balance as at 01/01/2022	Adjustment	Receipts		Expenses		Transfer from or to Other Funds	Refund of Contributions	Unrealized Exchange Gain or Loss	Balance as at 31/12/2022
				Contributions ⁽¹⁾	Interest and Other Income	Project Costs	Administrative Overhead				
Afghanistan	MSA										
Andorra	MSA	8									8
Angola	MSA	619		21 237		652	295			(3)	20 906
Argentina	MSA	10 330		28 423	32	5 488	1 963	(158)		(200)	30 976
Barbados	IPAV							5			5
Bolivia	MSA	818		267		120	11		(37)	(0)	916
Bolivia	TF										
Botswana	TF										
Brazil	MSA	276							(276)		
Colombia	MSA	110				75	4			(0)	31
Costa Rica	MSA	431			4						435
Cyprus	MSA	217				100	10				107
East Timor	MSA	177						(177)			
Ecuador	MSA	565			5	115	8				447
Ghana	MSA										
Greece	MSA	67		1 659	2	375	39			9	1 323
Guatemala	MSA	311			3						313
Haiti	MSA	7				0	0		(7)		(0)
Honduras	MSA	22			0	5	1				16
India	MSA	476				174	17		(284)		
Indonesia	MSA	663		418	4	336	21			(4)	724
Italy	MSA	13			0						14
Kenya	MSA			1 785	9	1 321	94			(0)	378
Kuwait	MSA	2 440				1 071	107			(0)	1 262
Lao People's Democratic Republic	MSA					15					(15)
Lebanon	MSA	612			3	275	28		(78)		234
Mali	MSA	14				1	0				13
Mauritania	MSA	11									11
Mexico	MSA	116		196	1	90	6	32			250
Mexico	TF	1 970		2 050		571	49	(30)		(0)	3 371
Namibia	MSA	197				7	1				189
Pakistan	MSA										
Panama	MSA	1 776		1 098	0	839	71	(78)		(1)	1 886
Panama	TF	20 775		19 416	191	19 861	1 291			(1)	19 228
Paraguay	MSA	6 220				3 492	86			(1)	2 641
Peru	MSA	7 986		15 079	5	9 326	1 068	(26)		11	12 662
Philippines	MSA	65						(65)			
Qatar	MSA	0									0
REGIONAL FOR AFRICA	MSA	5 752		596	37	3 364	210		(43)	1 630	4 398
REGIONAL FOR ASIA	MSA	2 155		350	20	625	42			257	2 115
REGIONAL FOR ASIA	TF	6 742		1 323	64	1 396	137	125		(6)	6 715
REGIONAL FOR EUROPE	TF	28		100	1	66	6				57
REGIONAL FOR EUROPE AND MIDDLE EAST	MSA	577		288	5	185	72			(0)	612
REGIONAL FOR EUROPE AND MIDDLE EAST	TF	315		273	4	263	26			(0)	303
REGIONAL FOR LATIN AMERICA	IPAV	37						(37)			
REGIONAL FOR LATIN AMERICA	MSA	927		500	4	592	41			(2)	797
REGIONAL FOR LATIN AMERICA	TF	4 274		1 856	39	2 383	198	333		(3)	3 919
Republic of Korea	MSA	4									4
Republic of the Congo	MSA	276				236	7	300		(0)	333
Sao Tome and Principe	MSA					19					(19)
Saudi Arabia	MSA	14 706		8	485	5 638	426	0		(12)	9 123
Seychelles	MSA										
Singapore	TF	116			1	106	5				6
Somalia	MSA	8 007	(3)			1 863	81	155		(0)	6 214
Somalia	TF	1 051			9			(256)			804
South Sudan	MSA	8			0						8
Spain	MSA	32		35	0	45	2			1	21
Sudan	MSA	17			0			(17)			
Suriname	TF										
Thailand	MSA	2				0	0		(2)		
United Republic of Tanzania	MSA	1 101		490		516	80			(1)	994
Uruguay	MSA	1 617		700	15	876	86	(80)		(1)	1 289
Venezuela (Bolivarian Republic of)	MSA	119			1	8	1			(0)	111
	LS	944			1	35	3	10		(0)	917
Funds held on behalf of third parties		2 555	128					65			2 748
Total		108 656	124	98 147	947	62 525	6 594	102	(727)	1 673	139 803
Equivalent Canadian Dollars		141 315	169	132 708	1 241	80 468	8 522	138	(986)	1 906	187 501

(1): On Cash Basis

Details may not add to totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION
TECHNICAL CO-OPERATION PROJECT ACTIVITIES
CIVIL AVIATION PURCHASING SERVICE FUNDS
RECEIPTS, EXPENSES AND BALANCE OF ADVANCE RECEIPTS
FOR THE PERIOD ENDING 31 DECEMBER 2022
(Thousands of USD)

	Type of Fund	Balance as at 01/01/2022	Adjustment	Income		Expenditure		Transfer from or to Other Funds	Refund of Contributions	Unrealized Exchange Gain or Loss	Balance as at 31/12/2022
				Contributions ⁽¹⁾	Interest and Other Income	Project Costs	Administrative Overhead				
Afghanistan	CAPS	710			6			(80)			636
Bahamas	CAPS	14									14
Ethiopia	CAPS	1 279			7	403	2				882
Jamaica	CAPS	116									116
Lebanon	CAPS	492			3	221	27				247
Libyan Arab Jamahiriya	CAPS	67						(67)			
Macao Special Administrative Region of China	CAPS	46			1						47
Mozambique	CAPS	4									4
Nigeria	CAPS	3		300	3	2	1				303
Oman	CAPS	17									17
Russian Federation	CAPS	3									3
Seychelles	CAPS										
Sudan	CAPS	103			1			(104)			
Suriname	CAPS	6									6
Syrian Arab Republic	CAPS	755			7						762
Trinidad and Tobago	CAPS	244			2		103				143
Uganda	CAPS										
United Republic of Tanzania	CAPS										
Yemen	CAPS	18									18
Total		3 877		300	31	626	133	(251)			3 199
Equivalent Canadian Dollars		5 214		407	43	813	172	(340)			4 338

(1): On Cash Basis

Details may not add to the totals due to rounding

Table F

INTERNATIONAL CIVIL AVIATION ORGANIZATION

TECHNICAL CO-OPERATION PROJECT ACTIVITIES
IPACK FUNDS INCOME, EXPENSES AND BALANCE
FOR THE PERIOD ENDING 31 DECEMBER 2022
(Thousands of USD)

iPACK Type⁽¹⁾	Beginning Balance as at 1 Jan 2022	Income	Expenses	Surplus/(Deficit) as at 31 Dec 2022
FAL	74	91	130	35
AVSEC	154	79	122	111
ADRM	184	16	72	128
PHC	127	139	214	52
ASRM	75	8	22	62
IPK	86	27	34	78
NASP		358	358	
UAS		205	205	
NOTAM		16	16	
USOAP CMA		67	67	
Total USD:	700	1 006	1 239	466
Equivalent Canadian Dollars:	896	1 307	1 610	593

Note:

(1): iPACK type description as follows

FAL - iPack Strengthening National Air Transport Facilitation Committees for the Re-Start and the Resilience of Civil Aviation

AVSEC - iPack COVID-19 Aviation Security Quality Control Oversight

ADRM - iPack Aerodromes Restart

PHC - iPack Establishing a Public Health Corridor

ASRM - iPack Aviation Safety Risk Management related to COVID-19 for Civil Aviation Authorities

IPK - iPack General Purpose Fund

NASP - iPack Developing a National Aviation Safety Plan

UAS - iPack Establishing a regulatory framework for Unmanned Aircraft Systems

NOTAM - iPack Improving the quality of NOTAM for Safe Flight Operations

USOAP CMA - iPack Preparing a State for ICAO USOAP CMA Activities

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 2022 AND THE SECRETARY GENERAL'S COMMENTS IN RESPONSE TO THE REPORT OF THE EXTERNAL AUDITOR

EIDGENÖSSISCHE FINANZKONTROLLE
CONTRÔLE FÉDÉRAL DES FINANCES
CONTROLLO FEDERALE DELLE FINANZE
SWISS FEDERAL AUDIT OFFICE



Audit of the 2022 Financial Statements

International Civil Aviation Organization (ICAO)

Table of contents

Executive summary	Paragraphs 1 – 7
Execution of the audit	Paragraphs 8 – 20
Internal Control System	Paragraphs 21 – 92
Significant findings on the financial statements	Paragraphs 93 – 127
Audit differences	Paragraphs 128 – 130
Follow-up of previous recommendations	Paragraphs 131 – 133

The Swiss Federal Audit Office (SFAO) has been appointed by the Council and confirmed by the Assembly as International Civil Aviation Organization (ICAO)'s External Auditors for the financial years 2020 to 2025 (period from 1 July 2020 to 30 June 2026).

The terms of reference are defined in Article 13 of the ICAO's Financial Regulations as well as by the Additional Terms of Reference Governing the External Audit annexed to those Regulations. The provisions of the audit mission are moreover stipulated in the engagement letter dated 21 August 2020.

SFAO carries out external audits of the financial statements of ICAO in a completely independent manner from its role as the supreme institution of financial supervision of the Swiss Confederation. SFAO employs a team of highly qualified professionals with broad experience of audits in international organizations.

For further information, please contact:

Swiss Federal Audit Office (SFAO)

Monbijoustrasse 45, CH-3003 Berne, Switzerland

Eric-Serge Jeannet, Vice-President, Tel. +41 58 463 10 39, eric-serge.jeannet@efk.admin.ch

Didier Monnot, Head of International Mandates, Tel. +41 58 463 10 48, didier.monnot@efk.admin.ch

Martin Köhli, Director of Audit ICAO mandate, Tel. +41 58 463 10 68, martin.koehli@efk.admin.ch

Audit of the 2022 Financial Statements

International Civil Aviation Organization (ICAO)

Executive summary

1. The Swiss Federal Audit Office (SFAO) has completed the audit of the 2022 financial statements. It performed the audit procedures partially onsite at ICAO's HQ in Montréal and at the regional offices in Paris and Mexico. It obtained further audit evidence through remote work via virtual meetings and online access to ICAO's systems. SFAO would like to thank the Management and the staff of ICAO for their commitment and efforts undertaken. SFAO was able to communicate openly with the Secretary General, the Management and the staff, the Office of Internal Oversight (OIO) and the Evaluation and Audit Advisory Committee (EAAC).
2. SFAO wishes to emphasize the excellent cooperation, spirit of openness and courtesy shown by all ICAO officials during its engagement.
3. SFAO has performed the audit in accordance with the International Standards on Auditing (ISA), ICAO's Financial Regulations and the risk analysis and audit approach presented in the audit planning report prepared in autumn 2022 and issued in January 2023.

Unqualified audit opinion

4. SFAO issued an unqualified audit opinion on the 2022 financial statements. These financial statements have been prepared in accordance with ICAO's Financial Regulations and the International Public Sector Accountings Standards (IPSAS).
5. As per ICAO Management's assessment, the financial statements have been prepared on a going concern basis. Audit procedures show that no material uncertainty exists regarding the organization's ability to continue as a going concern until the end of 2023.
6. A misclassification between cash equivalent and investments had been identified during the audit which had a significant impact on the presentation of the financial statements. It was corrected by ICAO. Other less significant findings were not adjusted.

Recommendations for improvement

7. This report contains SFAO's major findings regarding the accounting, the IT environment and the Internal Control System (ICS). SFAO identified several areas for improvement in ICS and issued recommendations. SFAO discussed the recommendations with Management and sought comments from the Secretary General.

SFAO followed up the recommendations issued during the previous external audits. It concluded that Management had implemented 23 out of 51 recommendations in 2022. The remaining open recommendations refer mainly to IT.

Execution of the Audit

Audit Objectives and Scope

8. The objective of the financial audit is to express an opinion on the financial statements of the International Civil Aviation Organization (ICAO), based on International Public Sector Accountings Standards (IPSAS), for the year ended 31 December 2022.
9. The financial statements comprise the Statement of Financial Position (statement I), the Statement of Financial Performance (statement II), the Statement of Changes in Net Assets (statement III), the Statement of Cash Flow (statement IV) and the Statement of Comparison of Budget and Actual Amounts (statement V) as well as the Notes to Financial Statements which include a presentation of the accounting policies and other explanatory notes.
10. The audit was carried out in accordance with the International Standards on Auditing (ISA) and observing ICAO's Financial Regulations, including Annex B "Additional Terms of Reference Governing the External Audit". These standards require planning and performing the audit so as to obtain reasonable assurance whether the financial statements are free from material misstatements.
11. SFAO visited ICAO's HQ in August-September 2022, November-December 2022 and March-April 2023. It also visited the regional offices EUR/NAT in Paris in September 2022 and NACC in Mexico City in November-December 2022. SFAO gathered further audit evidence through virtual meetings, email exchanges and online access to ICAO's systems. SFAO would like to thank the Management and the staff of ICAO for their commitment and efforts undertaken.

Areas of focus for the audit

12. SFAO has conducted a risk assessment for the purpose of the audit. Based on this analysis, the areas of focus were identified that constitute significant risks or require a specific audit response. They are included in the audit planning report issued in January 2023. SFAO followed the audit approach as planned.
13. ISA specify the role that auditors must play in relation to the risk of misstatements in financial statements, whether due to fraud or error (ISA 240). Consequently, SFAO has applied special procedures in this area.

#	Description of risk (as per audit planning report)	Audit findings
1	<i>Impact of the economic situation</i> The effects of the COVID-19 pandemic and the geopolitical environment may still have consequences on the organization's activities and cash balances.	§ 96ff
2	<i>Management override of controls</i> Management may invalidate or override controls, requirements or directives.	§ 41ff

#	Description of risk (as per audit planning report)	Audit findings
3	<i>Application of IPSAS</i> The financial statements could not entirely comply with IPSAS requirements.	§ 93ff
4	<i>ERP (Agresso)</i> The IT systems may not be adequately designed or maintained, which increases the risk of errors or fraud.	§ 41ff
5	<i>Revenue recognition</i> Contracts revenue may not be accounted for correctly (e.g., incorrect period cut-off, non-exchange transactions). Contracts for projects may contain harmful conditions for ICAO and may not be accounted for correctly. Collection of doubtful accounts receivable may increase needs for allowance or write-offs.	§ 47ff, 118ff, 123ff
6	<i>Procurement</i> Expenses may not be accounted for correctly or completely. Expenditures may be done under wasteful or improper conditions.	§ 49ff
7	<i>Payroll</i> Staff related expenses (including employee benefits) may not be accounted for completely.	§ 55ff, 108ff
8	<i>Treasury</i> Payments may not be justified or authorized. Assets may not exist.	§ 61ff, 101ff

Communication with Management and governing bodies

14. The areas of focus have been presented to ICAO's Management, OIO, EAAC and the Secretary General. During its audit, SFAO conducted meetings with the Secretary General, the Management and key personnel of the organization. Overall, SFAO emphasizes the excellent cooperation and transparent communication during the audit.
15. The audit findings were communicated to the Management of Finance Branch (13 April 2023) and the Secretary General (14 April 2023). They were discussed with EAAC (24 April 2023).
16. Other minor issues which were clarified and discussed with the persons in charge in the course of our audit work are not mentioned in this report.

Collaboration with the Office of Internal Oversight

17. SFAO noted the work carried out by OIO. In accordance with ISA 610, OIO's audit results with relevance to SFAO's audit procedures were taken into account. SFAO had regular




























exchanges with OIO in order to coordinate the audit and oversight roles within the organization. SFAO wishes to emphasize the excellent collaboration with OIO.

Audit recommendations

18. SFAO identified several areas for improvement. This report contains the major findings regarding the accounting, the IT environment and the Internal Control System.
19. This report includes 8 new recommendations. SFAO discussed them with Management and sought comments from the Secretary General. Management is responsible for monitoring their implementation.
20. SFAO also followed up the audit recommendations issued during the previous external audits. The details of this follow-up are provided in § 131ff.

Internal Control System

21. The Secretary General shall maintain an Internal Control System (ICS) to ensure the regular use of the organization's resources, as stated in article XI of ICAO's Financial Regulations.
22. The ICS is an important element to provide reasonable assurance about the achievement of ICAO's objectives with regard to the reliability of financial reporting. SFAO selected the major processes on which the financial reporting is based. The table below summarizes the main audit focus and results. SFAO selects the business processes to audit on a rotation basis. The work done by OIO was considered in order to avoid duplication with SFAO's work. SFAO shall capitalize on the results and sharpen the audit scope for the next financial statements' audits.

Process	Overall assessment		
	2020	2021	2022
Entity-level controls			
IT General Controls			
Revenue recognition			
Procurement			
Payroll			
Treasury and cash management			
Fixed assets			
Travel claims			
Closing and financial statements			

Key



There is a material deficiency and an urgent need to take action.



There is room for improvement which should be implemented by Management.



The results meet the expectations of SFAO. There is no need or minor need for action.



Key process not covered during the external audit (rotation principle).

23. The Secretary General issues a financial report ("presentation") and a statement on internal control (SIC) accompanying the financial statements. In accordance with ISA 720, SFAO read this information to identify material inconsistencies, if any, with the audited financial statements. SFAO has nothing to report in this regard.

Entity-level controls

24. SFAO has analyzed the control components set up at entity-level (control environment, risk assessment, control activities, information and communication and monitoring of

internal controls). This analysis was based on interviews with key personnel involved in these areas, analysis of internal documentation and testing.

Control environment

25. In order to establish integrity and ethical values, ICAO put in place several policies and guidance applicable to all ICAO personnel. The ICAO Service Code, including the ICAO Ethics Framework, the Standards of Conduct for the International Civil Service, the ICAO Staff Rules and the Personnel Instructions provide a large framework for ethics within the organization. The Ethics Officer, who is independent from all other services, while reporting administratively to the Secretary General, assumes a key role in implementing this framework and submits an annual report to the Council.
26. The Ethics Framework includes procedures against retaliation. ICAO started to collaborate with the United Nations Ethics Office (UNEO) in 2022. The mandate requires that UNEO conducts independent reviews of no prima facie determinations in alleged cases of retaliation or threats of retaliation made by the ICAO Ethics Officer, conducts preliminary assessments of requests for protection against retaliation, as well as provides capacity-building and backup support.
27. ICAO established an Ombudsperson and Alternate Ombudsperson for its staff members. The current Ombudsperson also serves as the Head of Travel Unit, and the current Alternate Ombudsperson also serves as Acting Chief of the Interpretation Section.
28. ICAO gives importance to the rules of conduct. In addition to the policies mentioned above, the ICAO Anti-fraud and Anti-corruption policy, as well as the Code of Conduct for the President of the Council and the Secretary General provide an additional framework.
29. ICAO monitors the conflicts of interests. Each activity outside ICAO has to be authorized by the Secretary General. ICAO developed an annual financial disclosure program administrated by the Ethics Officer.
30. ICAO has outsourced the intake and investigation of misconduct cases to the Investigations Division of the United Nations Office for Internal Oversight Services (OIOS). ICAO personnel should therefore report all concerns relating to misconduct directly to OIOS, using the dedicated channels. The rules and procedures for further disciplinary measures are defined. ICAO has established a process of administration of justice, with the establishment of an internal appeals board.

Assessment by SFAO

ICAO has an effective control environment. The position of the Ombudsperson is not completely independent from the organization, since he also holds an operational position within the organization. However, the staff members have sufficient other channels to interact if needed.

SFAO encourages ICAO to further develop the trainings on ethics.

Budget for the triennium 2023-2025 includes transformational objective for the implementation of the Ethics Framework.

Risk assessment

31. ICAO established in 2020 a new Enterprise Risk Management and Internal Control Framework (“ERM Framework”). This framework aims to create a coordinated, structured and methodical approach to managing risks. It defines the process and procedures as well as the roles and responsibilities for the risk assessment and management process.
32. The implementation of the ERM Framework started in 2021. Risk registers are maintained at ICAO-wide level (“corporate risk register”) and at the bureau/office level. The ERM Reference Group, formed by the senior management group and chaired by the Secretary General, reviews and approves the corporate risk register. The EAAC is informed about the ERM framework, its implementation and the corporate risk register. The risk assessment update is performed twice a year. The Council receives an annual progress report on ERM.
33. Based on the JIU benchmarks published in 2020, ICAO assessed its risk maturity level at the level 2 “developing” by the end of 2021, out of 5 JIU levels. This means that ICAO has a structured implementation, basic architecture and some reporting and repeatable management processes. ICAO tends to reach the level 3 “established” by mid-2023.
34. Based on the review of the 2021 corporate risk register communicated to the Council and a sample of 2 bureaus' risks registers (ADB and FIN), SFAO noted that the risk description was not always a risk, but the cause of the risk. For some of the risks, the mitigation actions were not actions, but information about the topic treated. ICAO considered these comments in its 2022 Progress report on ERM presented to the Council in February 2023.

Assessment by SFAO

SFAO recognizes the progress made by ICAO in the Enterprise Risk Management. The framework has been designed and its implementation is ongoing. ICAO shall now continue to strengthen the risk culture within the organization.

The updated risk formulations and descriptions ensure that the Council is adequately informed about the risks. The better presentation of mitigation actions allows the organization to efficiently mitigate the risks.

Control activities

35. The key control activities with an impact on the financial statements are documented through the Financial Policies and Procedures Manual (FPPM). This manual is updated at least annually. They are more oriented on processes than on risks and controls.
36. At the organizational level, ICAO set up corporate key performance indicators (KPIs). ICAO has developed a new Results-based-Management for the triennium 2023-2025. This allows the organization to better measure the performance of the entity.

Assessment by SFAO

The control activities meet the objective to have an effective Internal Control System in place.

Information and communication

37. Information and communication mainly relate to the ICAO information systems. SFAO refers to the audit work on IT General controls (refer to § 41).
38. SFAO also refers to the performance audits in the IT domain (refer to separate audit reports thereon) and ICAO's ongoing related Transformational Objectives, which SFAO will follow up.

Monitoring of internal control

39. With the development of the ERM Framework, the roles and responsibilities of the second line of defense has been allocated to the Strategic Planning, Coordination and Partnerships (SPCP) Office. According to this framework, SPCP shall assess the design and operating effectiveness of internal controls. Since 2021, it has coordinated the annual Management Assurance Statement and Declaration (MASD) provided by each bureau and office. Based on the consolidated declarations, it develops the Statement of Internal Control for the Secretary General.
40. The Office of Internal Oversight (OIO) acts as the third line function and works independently from the management. OIO establishes its own oversight work program which is submitted to the Council for approval. The OIO reports are presented to the Evaluation and Audit Advisory Committee (EAAC). OIO presents to the Council with an annual report on the performance and activities of the Office.

Assessment by SFAO

The monitoring of the Internal Control System has progressed during the previous years. To strengthen the ICS, SFAO encourages SPCP to expand its activities to assess the design and operating effectiveness of internal controls.

IT General Controls

41. The audit of IT General Controls (ITGC) includes an assessment of applications relevant to financial data. SFAO examined ICAO's ERP system "Agresso", its database and the underlying Windows servers.

Assessment by SFAO

ITGC are effective since compensating controls are in place. SFAO considers that the maturity level of the IT at ICAO slightly improved in 2022, but remains relatively low and still needs significant improvements. SFAO identified deficiencies, with an impact on the quality of ICAO's administrative processes supported by Agresso (e.g., finance, accounting, HR). As they have a negative effect on the IT processing effectiveness and efficiency, SFAO recommends that ICAO remediate them thoroughly and urgently, as stated in detail in the following paragraphs. The findings mentioned below also show needs for improvement based on best practices. They should help increase IT maturity. In some cases, the collaboration of the business is necessary to resolve the weaknesses identified.

Follow-up of previous audit recommendations

42. Out of 8 recommendations open during the previous ITGC audits, 4 were implemented in 2022 and 4 are still pending. These remaining recommendations refer to the following findings: password policy enforcement needs to be improved, access rights in Agresso should be reviewed on a regular basis by the units, the version of Agresso Finance database is no longer supported and a network segmentation should be implemented.

Change Management – Risk management for changes

43. SFAO noted that the risk management for changes was not performed according to best practices. For the changes it inspected, SFAO could not see 1) the impact and probability that determine the risk; and 2) the respective change types (standard, normal and emergency change) that result from a clean risk analysis and urgency.

Assessment by SFAO

ICAO may not be able to identify and adequately track the significant risks in case of changes.

Recommendation No. 1 (priority 2)

SFAO recommends that ICAO correctly identify the risks of changes by using the notions of impact and probability. Then, based on the correct definition of risks and urgency, the appropriate change type such as normal, standard and emergency ought to be determined.

Comment by the Secretary General

The recommendation is accepted.

ICAO is currently revising its Change Management process and strengthening the role of the Change Advisory Board (CAB) with additional resources dedicated to Quality Assurance of changes and to the control of changes. In this framework, ICAO will identify the risks of changes by using the notions of impact and probability and define change types, accordingly, following enterprise risk management and assessment processes.

Unit: ADB/ICT

Target Date: October 2023

Physical Access – Access to the server room regarding external personnel

44. The physical access to the server room is limited with regards to ICAO personnel. Only authorized ICAO ICT personnel and building security personnel had access to the server room. But SFAO observed that personnel from the building security services had accessed the server room and ICT hadn't performed any formalized physical access rights review. A process specifying the reasons/approvals for entry of this non-ICT personnel is not in place and, therefore, their access is not approved by ICT.

Assessment by SFAO

The justification and the review of access to the server room regarding external personnel (e.g., building management) should be improved.

Recommendation No. 2 (priority 2)

SFAO recommends that ICAO perform a periodic review of the physical access to the server room, implement a process for reviewing access of non-ICT personnel (e.g., building management) and log the names behind the impersonal access cards for review and approval by ICT.

Comment by the Secretary General

The recommendation is accepted.

ICT will perform twice per year a review of physical access in the server room, and log the functions performed by non-ICT personnel.

Unit: ADB/ICT

Target Date: June 2023

Operations – Missing backups

45. SFAO observed consistent failures of backups for the productive Oracle Agresso database. After backup failures, successful backups are performed later. As a result, this may negatively impact the tolerable data loss.

Assessment by SFAO

If backups fail during a long period, ICAO may lose a volume of data that exceed the recovery point objective (tolerable data loss).

Recommendation No. 3 (priority 1)

SFAO recommends that ICAO identify and resolve the root causes of the failed backups for the Agresso database.

Comment by the Secretary General

The recommendation is accepted and implemented.

The root cause has been identified and a new proxy server was implemented to improve the resilience of the current back-up process.

Unit: ADB/ICT

Target Date: Implemented

Operations – Critical System Security Patches missing

46. ICAO has written a policy on patch management, but has not approved it. Most systems have been left unpatched for a long period. SFAO identified missing critical security patches for servers. As a result, servers have several critical vulnerabilities.

Assessment by SFAO

Missing patches significantly increase the risk of cyberattacks.

Recommendation No. 4 (priority 1)

SFAO recommends that ICAO urgently approve its patch management policy.

Comment by the Secretary General

The recommendation is accepted.

The patching management policy has been drafted and will be reviewed by the ICAO Information Management Committee (IMC).

Unit: ADB/ICT

Target Date: June 2023

Recommendation No. 5 (priority 1)

SFAO recommends that ICAO patch all critical operating systems on a regular basis.

Comment by the Secretary General

The recommendation is accepted and implemented.

In 2022, ICT together with its partner, started to catch up on the patching of systems, that was achieved by end of April. Patches are now applied monthly to keep ICAO systems up-to-date.

Unit: ADB/ICT

Target Date: May 2023

Revenue recognition process

47. SFAO tested key controls in the revenue recognition processes (assessed contributions, TC projects and other voluntary contributions) and concluded that the internal controls with regards to reliability of financial reporting are adequately designed and applied.
48. SFAO also tested a sample of new contracts for TC projects signed in 2022, transactions for other voluntary contributions and cash receipts, as well as the calculation and accounting entries of the revenue from assessed contributions. It did not identify misstatements, but noted a mismatch between the rules out of the Finance branch and those of the Procurement section for the recognition of the overheads on TC projects (refer to § 118).

Procurement process

49. The Procurement process was not in SFAO's audit rotation plan for 2022. Following some organizational changes within PRO in 2022, SFAO performed a walkthrough of sub-processes subject to potential changes. SFAO did not identify any significant changes in the sub-processes.

Threshold for procurements at the regional offices

50. Open international competition is the standard modality for all procurements with a value above CAD 10 000. These procurement requests must be processed through the

ICAO tendering portal and on UNGM, except if the need can be covered with an existing and valid Long-Term Agreement (LTA).

51. In the regional offices, the entire procurement process via HQ has to be followed for all amounts above the threshold. This process can take a long time, up to many months.
52. The whole procurement process (purchase requisition (PR), the shopping solicitation, assessment of the offers from suppliers, creation of the purchase order (PO), approval of the procurement, etc.) could be managed by the requisitioner and approved by the allotment holder (i.e. the regional director).
53. A higher threshold may result in efficiency gains while still mitigating the risk of significant misstatements. This would require previous training of the employees concerned (requisitioner, allotment holder). The threshold for delegated direct purchase orders (DPO) for HQ would remain the same.
54. SFAO recommended that ICAO assess if the threshold for purchases done by regional offices (currently CAD 10 000) can be increased. C/PRO performed this assessment and concluded that the effect of a change would result only in a minor effect. Therefore, ICAO has kept the existing threshold.

Payroll process

55. SFAO tested key controls in the payroll services and concluded that the internal controls with regards to reliability of financial reporting are adequately designed and applied. SFAO identified some areas for improvement, as presented below.

Validation of changes in the Payment and Deduction Register

56. SFAO identified an issue with regards to the Payment and Deduction Register (P&D Register). This register contains all payroll master data and formulas which are key for the payroll calculation. The Payroll Officer and the Integrated Resources Information System (IRIS) team had write access rights to this register. IRIS made changes upon request from the Payroll Officer, who then validated them by email. Agresso did not require approval for the change by a second person.
57. SFAO recommended that ICAO introduce a 4-eyes principle for any changes made to the P&D Register. Every modification carried out in this register must be traceable and approved by another person.
58. ICAO removed the write access of the Payroll Officer to pay codes during the audit. It will implement in 2023 a new procedure to ensure the traceability and validation of changes in the pay codes.

Assessment by SFAO

ICAO took action during the audit and plans to implement a new procedure in 2023 to ensure the traceability and validation of changes in the pay codes. SFAO will follow up this during the next audit.

Access to payroll payment folder

59. Several users had access rights (read and write) to the payroll payment folder through which the payment files are exported from Agresso: administrators, ERP ICT team, the payroll and treasury teams. This increased the risk of error or fraud in the payroll files. The setting with regards to auditing was disabled. This auditing function allows to verify who accessed and/or modified contents in a folder. This function is highly relevant for critical contents.
60. SFAO recommended that ICAO restrict the write access rights to the payroll payment folder to the Agresso application and the administrators concerned. Furthermore, SFAO recommended that ICAO enable the auditing function for this folder.

Assessment by SFAO

ICAO agreed with these recommendations and took measures during the audit. SFAO tested the correct implementation of ICAO's measures and agreed with it.

Treasury and cash management process

61. SFAO has tested key controls in the treasury process and concluded that the internal controls with regards to reliability of financial reporting are adequately designed and applied. SFAO identified some areas for improvement, as presented below.

Authorized signatories

62. In 2020, SFAO recommended that ICAO review the authorized signatories on every bank account based on the documents provided by the banks. This review must also cover the online accesses (e-banking), where applicable, and check the two-envelope system (no individual signatory authority). In 2022, the Treasury Office completed this review.
63. In 2022, SFAO noted that specimens of signatures are not available at HQ for all authorized signatories in the regional offices. Such specimens would complement the documentation of authorized signatories at HQ and support in case of verification of payments made by cheques or by bank with manual signature. SFAO tested a sample of transactions and verified the signatures based on alternative documents such as passport, etc.

Assessment by SFAO

Authorized signatories on bank accounts are up-to-date. Treasury Officer at HQ may benefit from maintaining the specimens of signatures of the regional offices.

Fixed assets process

64. SFAO has tested key controls in the fixed assets process and concluded that the internal controls with regards to reliability of financial reporting are not all adequately designed and applied. SFAO identified some areas for improvement, as presented below.

General need for process review

65. During the previous audit, SFAO observed that the fixed assets process involved multiple parties from different units as well as regional offices. It recommended that ICAO review the fixed assets process, simplify it and appoint an officer who is responsible for the yearly update as well as the completeness and accuracy of the information recorded in the Inventory Management System.
66. In 2022, the Finance Branch and Property Control Unit (PCL) agreed on a new “fixed assets process flowchart” and an “asset management form”.
67. SFAO identified one intangible asset that was not in use anymore due to replacement in 2021. The Finance Branch was not informed about the change in the asset status and therefore was not able to update the system. As this asset had already been fully depreciated, the PP&E was not overstated. The disclosure of the gross value in the notes to the financial statements (cost and accumulated depreciation) should be reduced by CAD 351 000.

Assessment by SFAO

The new documents seem adequate. However, at the time of the audit, the new workflow had not been implemented yet. SFAO encourages ICAO to implement it as soon as possible. SFAO also reminds ICAO of the audit recommendations issued during the previous audit to improve the fixed assets process.

Threshold for the monthly review for capitalization

68. ICAO performs a monthly review of the purchases to identify the items that would require a capitalization. For doing so, an automatic posting trigger picks up all the amounts above CAD 2 000 that were recorded in a qualified expense account. As per ICAO’s asset capitalization policy, only items above CAD 3 000 need to be considered (if the conditions for a capitalization are met).

Assessment by SFAO

SFAO did not see an added-value in reviews for acquisitions of between CAD 2 000 and 3 000 and recommended that ICAO assess the need for reviewing capitalization of acquisitions between CAD 2 000 (present practice) and CAD 3 000 (threshold for capitalization). ICAO has accepted the recommendation and increased the threshold during the audit.

Record of the useful life in Agresso

69. During the capitalization of the item, the Associate Finance Analyst selects the asset category. Agresso then proposes the useful life according to the useful life table stored in the system.
70. However, this useful life can be modified by the Associate Finance Analyst. This is justified for example when leaseholds must be adjusted to the termination date of the lease. Any changes have an impact on the statement of financial performance (also refer to § 107).

Assessment by SFAO

Any such changes should be subject to an additional control (4-eyes principle) or be blocked in the system. SFAO recommended that ICAO implement a 4-eyes check for any changes in the useful life of an asset or block the possibility for such changes in Agresso. ICAO has accepted the recommendation and implemented it directly during the audit.

Inventory Management System (IMS)

71. ICT uses a web-based tool for managing the inventory of the IT equipment. The Property Control and Logistic (PCL) unit applies an IMS which is based on excel for managing the non-IT assets. The use of an excel file increases the risk of errors, does not ensure the traceability of the transactions and the accuracy of the database, as well as provides less possibility for controls (e.g. accuracy of the access rights, 4-eyes principle, etc.) than the web-based tool. The latter could be used by all employees in charge of the inventories throughout ICAO, including regional offices.

Assessment by SFAO

The use of the same tool for all equipment seems more efficient.

Recommendation No. 6 (priority 2)

SFAO recommends that ICAO evaluate the benefits of replacing the current tool for the inventory of non-IT equipment by the one used for IT equipment.

Comment by the Secretary General

The recommendation is accepted.

With the approval of the Service Management project by the ICAO Information Management Committee in April 2023, ICAO has launched the implementation of ServiceNow which will include a module to manage all equipment. It is expected that the module will be available in 2024. Business requirements for a new inventory management system (IT and non-IT equipment) are being gathered. In the meantime, PCL is in the process of data clean-up to ensure smooth data migration.

Unit: ADB

Target Date: The module to manage both IT and non-IT equipment as part of ServiceNow implementation is expected to be available during second quarter of 2024.

Travel claims process

72. SFAO has tested key controls in the travel claims process and concluded that the internal controls with regards to reliability of financial reporting are adequately designed and applied. SFAO identified some areas for improvement, as presented below.

Manual treatment of the travel claims

73. The processing for the travel authorizations and travel claims is almost entirely manual. SFAO is of the opinion that the current process is very time-consuming. ICAO should consider implementing a travel management system. OIO has also made

recommendations in this sense. ICAO has emphasized that the UN rules for travel are binding and complex. There is no standard solution on the market. The customization of Agresso to UN rules would be expensive.

74. ICAO informed SFAO that a project for implementing a travel management system had been launched. This project is now on hold as ICAO plans to change its ERP system within the next years.

Regional office EUR/NAT in Paris

75. SFAO performs audit procedures at the regional offices of ICAO on a rotation basis. In September 2022, SFAO visited the regional office EUR/NAT in Paris and identified some areas for improvement, as presented below.

Assessment by SFAO

SFAO communicated these areas for improvements to the Management of the regional office EUR/NAT and HQ at the end of its visit and provided it with recommendations. ICAO agreed with these recommendations and took rapidly the necessary measures to implement all the recommendations. SFAO followed up and confirmed the correct implementation of these measures.

Treasury – e-banking and payments

76. Two employees had the authorization to approve the payments in the local e-banking system. If one of them is the beneficiary of the payment, then the other should release the payment. SFAO recommended that ICAO implement strict segregation of duties for the payments' approval when a staff member is the beneficiary of the payment.
77. The control made in case of changes in the supplier master database in the local e-banking system was not documented. SFAO recommended that ICAO document them. For example, the approver of the recording and modification could send a confirmation by email to the accounting assistant.
78. The payments were taking place several times a week, depending on the invoices. SFAO considered this high frequency as inefficient given the size of the regional office and was of the opinion that weekly payments may be sufficient.

Document storage

79. The invoices and other supporting documents were uploaded and attached to the posting entries in Agresso. ICAO also printed them. SFAO was of the opinion that printing all invoices, good received notes (GRN), etc. and keeping them for 10 years is not necessary anymore.

Procurement – Approval of invoices

80. The staff member entered the GRN in Agresso and forwarded the invoice to accounting. However, the accounting assistant uploaded the invoice to Agresso at a later stage. When the allotment holder approved the GRN, it was mandatory for him/her to view the invoice as a supporting document to the GRN. SFAO recommended that the person

who enters the GRN in Agresso also upload systematically the invoice to Agresso. The allotment holder has to review the invoice before he/she validates the GRN.

Fixed assets – Annual inventory observation

81. Each fixed asset (above CAD 3 000) and other PP&E and special items of an attractive nature above CAD 300 had to be registered in the inventory, which was held on an excel file. The General Services team was responsible for the GSU Inventory (furniture) and the Information & Communication Technologies team was responsible for the IT inventory. Once a year, an inventory observation was done by the inventory manager. If needed, changes were directly carried out in the excel file, which was converted into a PDF and signed by the Regional Director. The Regional Director then sent the signed inventory to HQ as part of the regular year-end activities. SFAO recommended that the inventory observation at the regional office be not done by the inventory manager. The inventory differences should be listed and attached to the inventory. The documents must then be signed and dated by the person who did the inventory observation.

IT – Network equipment storage

82. The network equipment was stored in a closed cabinet in an office accessible by IT and GSU. For security and proper functioning of the equipment, SFAO was of the opinion that ICAO should consider moving the network equipment to a dedicated room with appropriate physical access controls.

Travel – Mission database

83. The Mission database is an in-house database set up by the regional office EUR/NAT to manage the entire Travel process. The Information & Communication Technologies team at the regional office manages this application. There was no process in place for changes in the access rights nor for changes in the mission database. As a result, traceable testing evidence for changes in the mission database was lacking and documentation for access right changes (granting, changing, revoking) did not exist. As a consequence, changes and access rights were not controlled and reliance on application controls was not given at the current state of maturity of the critical change and access management processes in the mission database. SFAO recommended that ICAO document the processes in place for changes in access rights and managing changes in the mission database. The processes should be applied consistently and effectively. Change management includes, among others, proper testing and approval. Access rights management encompasses proper approval and logical binding of access rights to organizational roles.
84. The two IT administrators were both using the (same) account from a former IT administrator for the maintenance and the upgrades of the mission database. SFAO recommended that these IT administrators generate their own access accounts for the administration tasks.

Regional office NACC in Mexico City

85. In November-December 2022, SFAO visited the regional office NACC in Mexico City and identified some areas for improvement, as presented below.

Assessment by SFAO

SFAO communicated these areas for improvements to the Management of the regional office NACC and HQ at the end of its visit and provided it with recommendations. ICAO agreed with these recommendations and took rapidly the necessary measures to implement all the recommendations. SFAO followed up and confirmed the correct implementation of these measures.

Treasury – Authorized signatories in the e-banking system

86. During the site visit, SFAO observed that only one person had the access to upload the payments in the e-banking system. In the absence of this person, no payment (transfer) could be issued. Further, 2 people had the authorization to release the payments in the e-banking system and one of them was leaving at the end of 2022. ICAO informed that the procedure was ongoing to have additional authorized access to the e-banking system. SFAO recommended that ICAO rapidly finalize the procedure to have additional people authorized to enter or release payments.

Fixed assets – Annual inventory observation

87. The inventory observation was done on a yearly basis by the fixed assets inventory manager and the IT inventory manager, except for the two years of COVID-19 pandemic when the inventory observation period spread throughout the whole year. If fixed assets were moved from one place to another throughout the year, an observation could not be done correctly and this may lead to double count or missing count.
88. SFAO recommended that ICAO concentrate the inventory observation on a shorter time period and document the work done as evidence for the control performed. SFAO also recommended that ICAO instruct another employee to perform the inventory observation in order to ensure segregation of duties.

Fixed assets – Valuation at year-end

89. The fixed assets process at ICAO is multi-steps and lengthy. The management of fixed assets inventory, including IT assets, is done at regional office level. At year-end the regional office has to communicate all acquisitions and disposals for the financial year to HQ as part of the financial year-end procedures for entity level validation of the balances to be reported in the financial statements. The accounting in Agresso is done at HQ for both, assets capitalization and derecognition, the latter taking place once HQ Property Management has approved the disposal of the respective items and the regional office has confirmed disposal.
90. Only upon approval by HQ, the items can locally be disposed of, which leads to unnecessary usage of storage space. Furthermore, the write-off is only accounted for upon approval, which may lead to the risk that the write-off is recorded in later accounting periods. An example is the disposal request made by the regional office NACC for 2021, for which the disposal and write-off approval from HQ was still outstanding as at 31 December 2022. Furthermore, the complex process leads to the involvement of various inventory management employees at various levels. This increases the time needed to process and record any acquisitions and disposals. It also

results in various inventory lists for fixed assets at regional level and at HQ that have to be maintained with additional resources.

91. SFAO recommended that ICAO streamline and speed up the process to ensure correct accounting and presentation of fixed assets and related positions in the financial statements. This recommendation is not specifically related to the regional office NACC and is considered in comments made on the fixed asset process at ICAO in general (refer to § 64).

Physical backup of local servers

92. Despite the automatic backup performed daily by HQ on the cloud (main IT security procedure), ICAO performed an additional regular manual backup of the server on two external hard disks (on a rotation basis) and kept one disk at the home of an employee. The disks were not encrypted. SFAO recommended that ICAO assess the need to continue with the manual backup besides the backup on the cloud and if so, encrypt the physical backup on the external hard disks.

Significant findings on the financial statements

93. SFAO concluded that the 2022 financial statements had been prepared in accordance with the International Public Sector Accounting Standards (IPSAS). SFAO issued an unqualified audit opinion on these financial statements.
94. The organization put considerable effort into the improvement of the financial reporting. The financial statements are in accordance with good quality standards as regards presentation and transparent disclosures. SFAO identified some findings, as presented below.
95. SFAO identified one material misstatement in the presentation of the statement of cashflow. ICAO corrected it during the audit (refer to § 102 and § 129).

Going concern assumption

96. As per ICAO Management's assessment the financial statements have been prepared on a going concern basis.
97. After a period with negative operating cash flows, these have been again positive in 2022. The main reason is the increase of advanced receipts for TC projects and voluntary contributions. ICAO maintained a low level of investment in fixed assets and intangible assets in 2022.
98. According to the cash forecast for 2023, the organization shall dispose of sufficient liquidity to meet its operating needs until the end of 2023.
99. The Working Capital Fund (WCF), which serves as a buffer in a critical cash situation, only represents about one month of expenditures for the regular program. The level of the WCF may not be sufficient to cover any significant unplanned expenditure.
100. ICAO showed negative net assets for several years, mainly due to the accumulated actuarial losses on employee benefits. The actuarial loss decreased significantly in 2022, mainly because of changes in financial assumptions (discount rate). Therefore, the net accumulated deficit decreased by CAD 64 million in 2022.

Assessment by SFAO

Audit procedures on the cash forecast for the year 2023 prepared by ICAO show that no material uncertainties exist regarding the organization's ability to continue as a going concern until the end of 2023.

Cash, cash equivalents and investments

Bank confirmations

101. As requested in Annex B to the Financial Regulations, SFAO required and received confirmations from all banks. It did not identify any unexplained differences between these bank confirmations and the accounting records.

Classification of fixed term deposits

102. As per ICAO's accounting principles and IPSAS, fixed term deposits with an initial maturity up to three months are classified as cash and cash equivalent. Deposits with a maturity over three months are classified as investments. As at 31 December 2022, ICAO presented deposits with an initial maturity of three months as investments for a total amount of CAD 87 648 000.

Assessment by SFAO

ICAO should present fixed term deposits with an initial maturity of three months as cash equivalents. ICAO corrected the classification during the audit (refer to § 129).

Assessed contributions receivable

103. ICAO refined the estimates in the valuation of assessed contributions receivable in 2022. The assessed contributions receivable for Member States which lose their voting rights over one Assembly are fully provided for. Other changes in estimates relate to the valuation of the receivables from Member States that have signed an agreement to pay their arrears ("group A") but do not respect it and from Member States with arrears of three full years or more that have not signed an agreement ("group B"). Until 2021, these receivables were discounted over 20 years. In 2022, these receivables are discounted over 3 years.

Assessment by SFAO

SFAO reviewed the revised estimates and partially agrees to them. The revised estimates do not fully cover the credit risk exposure on the receivables from Member States who have signed an agreement ("group A") but do not respect it and from those who have not signed any agreement ("group B"). The valuation difference is considered as non-significant for 2022.

Recommendation No. 7 (priority 1)

SFAO recommends that ICAO amend the policy regarding the valuation of assessed contributions receivable to better reflect the credit risk exposure.

Comment by the Secretary General

The recommendation is accepted.

The Secretariat will conduct a thorough review of the current policy to identify areas for improvement and ensure the updated policy will adequately reflect the credit risk associated with the long-term assessment receivables.

Unit: FIN

Target Date: March 2024

Receivables and advances

Valuation of the accounts receivable from other revenue generating activities

104. Receivables (other than assessed contributions) are comprised of different types of outstanding items. Even for receivables from Member States that are willing to pay, the recovery of these balances is very slow. SFAO recommended in 2021 that ICAO consider a more conservative approach in the measurement of other receivables (receivables other than assessed contributions) and proactively review its valuation policy in the outlook of the Expected Credit Loss Model to apply with the upcoming IPSAS 41.
105. ICAO updated its valuation policy in 2022. It now applies a lump sum allowance of 2.8 %, calculated based on an analysis of receivables since 2008, over all outstanding receivables (simplified method), in order to reflect the credit risk on doubtful accounts.

Assessment by SFAO

ICAO should refine the calculation of the allowance based on the ageing of the accounts receivable to better reflect the risk of non-collection. This risk is higher on items overdue for a long period. SFAO maintains the recommendation from a previous audit on that matter.

Property, plant and equipment

106. During the annual review of PP&E records in 2022, ICAO identified assets that should have already been capitalized in a prior period. ICAO should have treated this as a correction of error from prior period. But, as the net amount of CAD 84 000 is not significant, it has included it in the current additions in 2022.

Assessment by SFAO

The accounting treatment of this correction is acceptable as the amount of the correction is not significant.

Intangible assets

Lifetime of intangible assets

107. Intangible assets are amortized over the estimated useful life, as described in ICAO's accounting policies. SFAO noted that some assets have not been amortized over these policies, but over a longer period based on the estimate of the useful life provided by IT personnel as technical experts.

Assessment by SFAO

There is no significant misstatement of these assets as at 31 December 2022, based on their respective net book value. SFAO encourages ICAO to apply the useful life as set in its accounting policies for every asset.

Employee benefits

108. Employee benefit liabilities comprise After-Service Health Insurance (ASHI), repatriation benefits and annual leave.

After-Service Health Insurance (ASHI)

109. ASHI is part of the scheme of social security established for employees who meet the given criteria. It provides medical insurance coverage throughout the eligible employee's retirement under the same health scheme as for active employees. ICAO Medical Benefit Plan (MBP) is a self-funded scheme. MBP prepares its own financial statements that are not consolidated into those of ICAO. It is independently governed by the Health and Life Insurance Committee.
110. The MBP is administered by a third-party service provider (Cigna). It proceeds to the reimbursement of medically recognized health care incurred by ICAO's and other participating organizations' plan participants. Cigna does not deliver to MBP assurance about proper service provision through an ISAE 3402 report issued by its independent auditors. ICAO depends on Cigna to mitigate the risk of improper reimbursement of claims. For confidentiality reasons ICAO has no access to detailed medical claims information and thus is not in a position to perform its own checks.
111. The ASHI is categorized as a post-employment benefit plan as defined by IPSAS 39. The actuarial valuation is performed by an independent external expert. The accounting for a defined benefit plan is complex and impacted by various assumptions. SFAO discussed these assumptions with Management and assessed their plausibility and accordance with IPSAS 39.
112. Liabilities for ASHI in the statement of financial position significantly decreased in 2022. This is mainly due to the increase of the discount rate from 1.75 % to 3.70 %. This increase has been accounted for directly in the net assets.

Assessment by SFAO

The actuarial assumptions for the calculation of ASHI are plausible and in accordance with IPSAS 39.

The Medical Benefit Plan represents a potential financial risk for the organization. SFAO invites ICAO to closely monitor the situation year by year.

SFAO encourages ICAO to assess the benefits of requesting an ISAE 3402 report from Cigna to ensure that for example the risk of improper treatment of claims is adequately covered. This could be best done through a collective request with other UN entities using the services of this provider.

Annual leave

113. The liabilities related to the annual leave balance have been calculated using an actuarial calculation method including several assumptions such as salary increase, expectations of changes in annual leave balance, etc. The annual leave is granted based on the service days delivered so far and can be used at any time in the following year. It represents an ordinary vacation balance.

114. The actuarial calculation on the annual leave liabilities is based on the population data as at 31 October. Considering that the liability should best represent the liability as at 31 December, using the data as at 31 December would show a more accurate result of the actual annual leave balance to that date. Any movements in annual leave liabilities are recorded through the statement of financial performance and thus impacted by changes in the assumptions used.

Assessment by SFAO

The actuarial assumptions for the calculation of annual leave are plausible and in accordance with IPSAS 39.

United Nations Joint Staff Pension Fund (UNJSPF)

115. ICAO as a member organization is affiliated to the United Nations Joint Staff Pension Fund (UNJSPF) through its employees. Contrary to the ASHI scheme, ICAO does not account for pension liabilities for this pension scheme. It is not considered as a defined benefit plan under IPSAS 39 as the UNJSPF is not in a position to calculate the pension obligations for the insured person or organization individually. Accordingly, it is not possible to reliably estimate the corresponding risk borne by ICAO. Therefore, no actuarial liabilities for this pension scheme appear in ICAO's financial statements.
116. The characteristics of the UN pension scheme are outlined in the note 2.10.7 to the financial statements. In its latest actuarial valuation performed as at 31 December 2021, UNJSPF concluded that there was no requirement for deficiency payments under Article 26 of the Regulations of the Fund. Should Article 26 be invoked due to an actuarial deficiency in the future, deficiency payments would be required from ICAO. This situation represents a potential financial risk to ICAO.

Assessment by SFAO

The UNJSPF represents a potential financial risk for the organization and needs to be monitored year by year. SFAO invites ICAO to closely monitor the situation.

Credits to contracting/servicing governments

117. ICAO manages one fund to account for the financial transactions made under the provision of the agreement for the North Atlantic Height Monitoring System. This fund presents a balance of CAD 1 006 000 as at 31 December 2022. This arrangement will end and be replaced with a new agreement in 2023. The new arrangement does not include any information about the distribution of the remaining balance of the current arrangement. It is expected that this balance does not remain at ICAO, as this agreement is a cost recovery program.

Assessment by SFAO

SFAO encourages ICAO to discuss the closure of the current agreement as well as the distribution of the remaining balance.

Technical cooperation projects

Overhead fees on TC projects

118. SFAO reviewed the revenue recognition of overhead fees on a sample of TC projects in 2022. It identified some misstatements and potential improvements.
119. According to ICAO's procedures, the overhead fees for procurements are recognized progressively based on the degree of advancement of the procurement process ("tollgates"). A total of 90 % of the overhead fees is accounted for after the signature of the contract. In one case, the contract for the purchase of a specific equipment was signed on 11 January 2023. ICAO accounted for 90 % of the overhead fees in 2022, as it had substantially done the work and issued the GRN at that time. As per procurement procedure, only 70 % should have been accounted for. The difference amounts to CAD 422 000.
120. SFAO also noted that the current process to recognize the overhead fees on TC projects for procurements includes lots of manual procedures, verifications and calculations. This is time-consuming and leads to an increased risk of error. Extractions used by the Finance branch to verify and account for the overhead fees do not include complete information. Further enquiries are always needed. The recognition of overhead fees does not use consistently the same references through the process ("tollgates") for the same purchase. This makes it difficult to consistently link the overhead fees accounted for in connection with the different references. SFAO noted some errors despite the exhaustive manual process in place to reconcile the transactions.

Assessment by SFAO

SFAO identified several misstatements in the recognition of overhead fees on TC projects. Although these misstatements are individually not significant, this shows the need to improve the process on recognition of the overhead fees.

Recommendation No. 8 (priority 2)

SFAO recommends that ICAO review and consistently apply the policies and procedures for the recognition of the overhead fees on TC projects. The review should clearly identify the roles and responsibilities considering the latest organizational structure.

Comment by the Secretary General

The recommendation is accepted.

The process for the recognition of revenue for procurement contracts will be reviewed considering the transfer of the Procurement Section from the Technical Cooperation Bureau to the Bureau of Administration and Services.

Unit: TCB in coordination with FIN and PRO

Target Date: December 2023

Litigation and arbitration

121. ICAO has recorded a provision of CAD 690 000 for claims brought by former employees before the UN Appeals Tribunal (UNAT).

122. ICAO also faces several legal disputes brought by employees on former TC projects, who claim additional payments beyond the considerations provided for under their contracts. In addition, ICAO faces several claims before the Appeals Board for various disputes with former employees. ICAO also faces a claim for alleged outstanding payments on a TC project. ICAO considers that all these claims as unfounded or that an outflow is possible but not probable. Therefore, it has not recorded any provision.

Assessment by SFAO

The estimates made by ICAO for the financial impact of litigation are appropriate. The accounting treatment and the disclosure comply with IPSAS.

Other voluntary contributions

Renovation of the regional office EUR/NAT in Paris

123. ICAO signed a contract with the French government in 2022 for the renovation of the regional office EUR/NAT building in Paris. As per this contract, and under certain conditions, France paid two installments for a total amount of EUR 4.6 million (CAD 6.3 million) in 2022. A further contribution will be necessary to complete the project, to be agreed during the implementation stages managed by ICAO.

Assessment by SFAO

The accounting treatment in 2022 of this contract is correct.

Financial instruments

Implementation of IPSAS 41

124. In 2021, the IPSAS Board published the new standard IPSAS 41 for the financial instruments. This standard became effective on 1 January 2023 and is applied retrospectively in accordance with IPSAS 3, with an exemption to restate prior periods. ICAO shall restate the opening balance as of 1 January 2023.
125. IPSAS 41 reduces complexity by replacing the existing classification and measurement categories for financial assets with three principle-based categories (amortized cost, fair value through net assets/equity and fair value through surplus/deficit). The process for classifying instruments is based on how the organization manages instruments and the economic characteristics of the underlying cash flows of an instrument.
126. One particular impact for ICAO is the measurement of financial assets. The impairment model is no longer based only on historical evidence of credit losses. The new Expected Credit Loss Model focuses on both historical and forward-looking data that provides entities with information about the credit losses that are likely over the life of the instrument. The entity has to calculate the expected loss for all financial instruments. Simplified methods can be applied.
127. In 2022, ICAO has analyzed the potential impact of this new standard and shared a draft memorandum with SFAO. SFAO made comments with regards to the valuation of assessed contributions receivable and other receivables (refer to § 103 and § 104).

ICAO will further work on it until the adoption of the standard in the 2023 financial statements.

Assessment by SFAO

ICAO has to continue its efforts towards the implementation of IPSAS 41, Financial Instruments.

Audit differences

128. Errors, including omissions, are considered material when it is reasonable to expect that, individually or cumulatively, they could influence the economic decisions which users of the financial statements make based on them. SFAO considers an individual misstatement to be material if it exceeds CAD 100 000. The impact of errors on the interpretation of the financial statements as a whole is deemed to be material if they exceed CAD 2 million in total.

Summary of corrected and uncorrected misstatements

129. SFAO found one significant misclassification (audit difference) that was corrected by the Management during the audit.

Description	Surplus for the year (CAD)	Net assets (CAD)
Balance before audit differences	7 953 000	(15 929 000)
<u>Corrected audit differences</u>		
Reclassification of fixed term deposits with an initial maturity of 3 months (CAD 87 648 000, refer to § 102).	0	0
Balance after corrected audit differences (as per financial statements)	7 953 000	(15 929 000)
<u>Uncorrected audit differences</u>		
None.	0	0
<u>Impact of the audit differences from previous year that were corrected during the current year</u>		
Correction of booking entry and cut-off related to advances to suppliers.	51 000	0
Additional accrual for OPEX.	169 000	0
Balance after all audit differences	8 173 000	(15 929 000)

Insufficient information or incorrect presentation

130. SFAO found some misstatements in the disclosures of the 2022 financial statements. All material items were corrected during the audit.

Follow-up of previous recommendations

131. SFAO followed up the recommendations from previous external audits. Out of a total of 51 recommendations remaining from previous audits or issued in the meantime in the context of performance audits, 23 have been implemented and 28 remain open as at 31 March 2023. The details are available in the tool “Symbiant” managed by OIO.

Recommendations implemented

132. SFAO considers that the following recommendations have been implemented since the last audit.

Ref. (Symbiant)	Report	Recommendations	#
EA/REP/2019/B	Efficiency and effectiveness of the Human Resources management	Rec 2	1
EA/REP/2019/C	Procurement at ICAO: how to enhance the efficiency and effectiveness of the process	Rec 7	1
EA/REP/2019/D	Ethics framework at ICAO	Rec 2, 4, 7 to 9	5
EA/REP/2020/A	Audit of the 2020 financial statements	Rec 2, 5, 13, 20	4
EA/REP/2020/B	Information Security	Rec 2, 4	2
EA/REP/2021/A	Audit of the 2021 financial statements	Rec 2, 3, 5 to 8	6
EA/REP/2021/B	IT Governance & Strategic IT Management	Rec 1, 2, 9	3
EA/REP/2021/C	Project Management “NAM19801” of the ICAO Technical Cooperation Programme	Rec 2	1
	Total recommendations implemented		23

Recommendations pending

133. SFAO considers that the following recommendations remain pending as at 31 March 2023. This list also includes the recommendations that have an implementation deadline in 2023 or later and recommendations resulting from performance or special audits which will need a specific follow-up.

Ref. (Symbiant)	Report	Recommendations	#
EA/REP/2016/B	Is the ICAO recruitment process efficient and effective?	Rec 1	1
EA/REP/2017/B	The Cybersecurity Framework at ICAO	Rec 3	1
EA/REP/2019/B	Efficiency and effectiveness of the Human Resources management	Rec 1	1
EA/REP/2020/A	Audit of the 2020 financial statements	Rec 3, 7	2
EA/REP/2020/B	Information Security	Rec 1, 3, 5, 6	4
EA/REP/2021/A	Audit of the 2021 financial statements	Rec 1, 4, 9 to 12	6

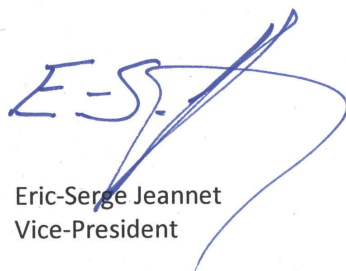
Ref. (Symbiant)	Report	Recommendations	#
EA/REP/2021/B	IT Governance & Strategic IT Management	Rec 3 to 8	6
EA/REP/2021/C	Project Management "NAM19801" of the ICAO Technical Cooperation Programme	Rec 1	1
EA/REP/2022/B	Rapid Assessment on the new ICT Strategy and Action Plan	Rec 1 to 6	6
	Total recommendations pending		28

* * *

134. SFAO wishes to emphasize the excellent cooperation and spirit of openness which characterized the auditing process. It expresses its appreciation for the courtesy shown by all ICAO officials during its engagement.

Berne, 8 May 2023

SWISS FEDERAL AUDIT OFFICE
(External Auditor)


Eric-Serge Jeannet
Vice-President


Martin Köhli
Head of Competence Centre

Prioritization of SFAO recommendations

SFAO prioritizes its recommendations on the basis of defined risks (1 high, 2 medium, 3 low). Risks include, for example, unprofitable projects, breaches of legality and regularity, liability cases and reputational damage. The risk impact and the probability of occurrence are assessed.

ISBN 978-92-9275-189-0

