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Financial Statements and Reports of the External Auditor for the Financial Year Ended 31 December 2023



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

INTERNATIONAL CIVIL AVIATION ORGANIZATION



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**FINANCIAL STATEMENTS AND
REPORT OF THE EXTERNAL AUDITOR
FOR THE YEAR ENDED 31 DECEMBER 2023**

INTERNATIONAL CIVIL AVIATION ORGANIZATION

FINANCIAL STATEMENTS AND REPORT OF THE EXTERNAL AUDITOR

FOR THE YEAR ENDED 31 DECEMBER 2023

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PART I: REPORTS BY THE SECRETARY GENERAL

INTERNATIONAL CIVIL AVIATION ORGANIZATION

PART I: REPORTS BY THE SECRETARY GENERAL

PRESENTATION

1. INTRODUCTION

1.1 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 2023 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 2023 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 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 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 2023.

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 2023 and 2022.

Table 1: Financial Position
(Thousands of CAD)

	2023	2022	Variance
ASSETS			
Current Assets	423 123	375 995	47 128
Non-Current Assets	10 659	10 907	(248)
TOTAL ASSETS	433 782	386 902	46 880
LIABILITIES			
Current Liabilities	309 915	270 110	39 805
Non-Current Liabilities	128 470	132 721	(4 251)
TOTAL LIABILITIES	438 385	402 831	35 554
NET ASSETS (ACCUMULATED DEFICIT)	(4 603)	(15 929)	11 326
TOTAL LIABILITIES AND NET ASSETS	433 782	386 902	46 880

2.4 **Statement I** reports assets totalling CAD 433.8 million at 31 December 2023 (2022: CAD 386.9 million), mainly composed of cash, cash equivalents, and investments amounting to CAD 405.5 million (2022: CAD 342.6 million) and of assessed contributions receivable from Member States totalling to CAD 5.2 million ¹ (2022: CAD 20.4 million). Total liabilities amount to CAD 438.4 million (2022: CAD 402.8 million), which include an amount of CAD 269.8 million (2022: CAD 225.4 million) representing advanced receipts mostly for Capacity Development and Implementation Programme (CDIP) activities, and an amount of CAD 135.4 million (2022: CAD 142.2 million) representing the estimated liability for employee benefits, recognized in accordance with IPSAS.

2.5 The financial ratios for 2023 and 2022, as summarized below, indicate a healthy overall financial position for ICAO in terms of liquidity. The quick ratio of 1.32 and current ratio of 1.37 indicate that the Organization has sufficient assets to pay off its current liabilities.

	2023	2022
Current ratio		
Current assets: current liabilities	1.37	1.39
Quick ratio¹		
Current assets less inventories, receivables, advances and other current assets: current liabilities	1.32	1.33

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 2023. Table 2 below provides a high-level summary of the Statement II for the years ended 2023 and 2022.

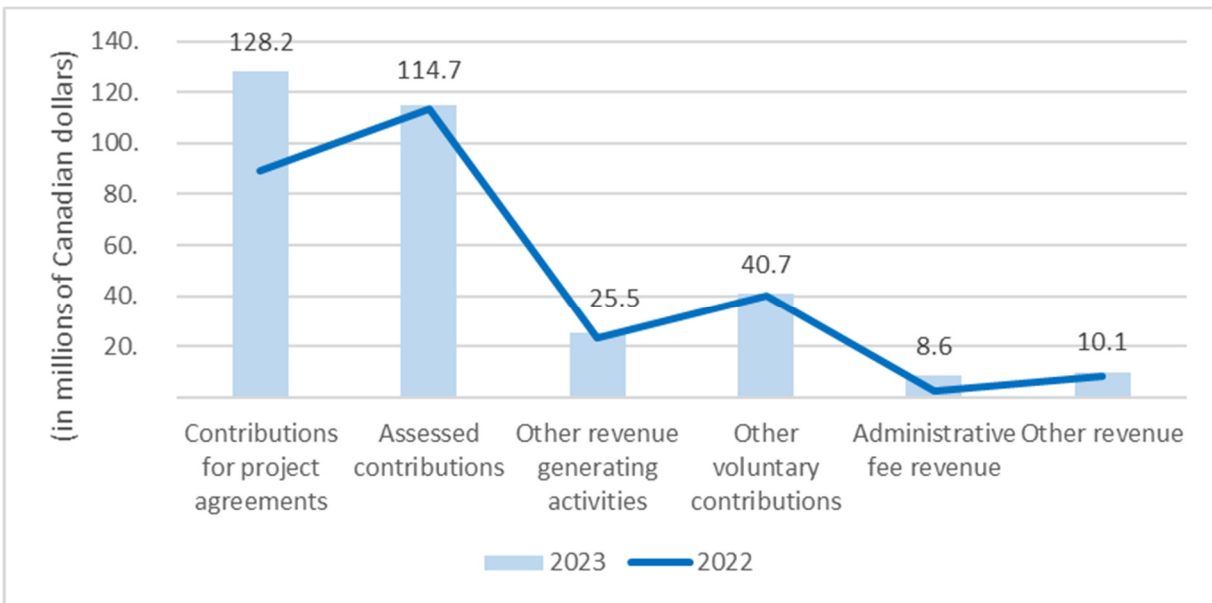
Table 2: Financial Performance

(Thousands of CAD)

	2023	2022	Variance
Total Revenue	327 786	277 686	50 100
Total Expenses	325 887	269 733	56 154
Surplus/(Deficit) for the year	1 899	7 953	(6 054)

2.7 Total revenue increased by CAD 50.1 million from CAD 277.7 million in 2022 to CAD 327.8 million in 2023, due to higher levels of contributions for project agreements (CAD 38.7 million), administrative fee revenue (CAD 5.9 million), other revenue generating activities (CAD 2.3 million), other revenue (CAD 1.5 million), assessed contributions (CAD 1.0 million), and voluntary contributions (CAD 0.7 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 2023 and 2022

2.8 Total expenses showed an increase of CAD 56.2 million from CAD 269.7 million in 2022 to CAD 325.9 million in 2023, driven by growth in expenses related to subcontracts (CAD 34.9 million), personnel (CAD 8.3 million, of which CAD 6.8 million relates to professional and general service staff), travel costs (CAD 4.3 million) and general operating expenses (CAD 3.8 million), other expenses (CAD 3.7 million of which CAD 2.0 million relates to exchange losses), training (CAD 0.7 million), and meetings (CAD 0.4 million).

2.9 Revenue exceeded expenses by CAD 1.9 million in 2023 (2022: CAD 8.0 million). The total 2023 operating surplus is mainly attributable to the surplus in AOSC Funds (CAD 8.6 million), ARGF Funds (CAD 2.1 million), and SAFE Funds (CAD 1.8 million), partially offset by the deficit in the Regular Budget Funds (CAD 5.4 million) and Revolving Fund (CAD 5.3 million). Explanations on the financial results of the main funds referred above are provided in Section 3.

2.10 **Statement III** reports net assets accumulated deficit of CAD 4.6 million as at 31 December 2023 (2022: deficit of CAD 15.9 million). The variance in net assets in 2023 amounting to CAD 12.7 million, was mainly attributable to the surplus of the year CAD 1.9 million and actuarial gain of CAD 11.3 million on After-Service Health Insurance (ASHI).

2.11 **Statement IV** is a breakdown of movements in cash and cash equivalents, which decreased by CAD 82.4 million from CAD 317.4 million at 31 December 2022 to CAD 235.0 million at 31 December 2023. The decrease was mainly caused by a reduction of CAD 129.5 million from investing activities partly offset by an increase of CAD 47.0 million increase in cash from operating 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** 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 2023, in thousands of CAD, are summarized below:

Original Appropriations (A41-28)	117 032
2022 Outstanding commitments	18 214
Carry-over from 2022	7 465
Approved 2023 Appropriations	<hr/> 142 711
2023 Outstanding commitments	(18 374)
Carry-over to following year (2024)	(7 867)
Revised 2023 Appropriations	<hr/> 116 470 <hr/>

3.2 **2022 Outstanding Commitments.** In accordance with Financial Regulation 5.7, an amount of CAD 18.2 million was approved by the Secretary General to supplement the 2023 appropriations, primarily for payment of outstanding commitments for the year ended 31 December 2022.

3.3 **Carry-over from 2022.** Unutilized appropriations for the year ended 2022 amounted to a total of CAD 7.5 million, which is less than 10 per cent of the 2022 approved appropriation. In accordance with Financial Regulation 5.6, the Secretary General authorized to carryover the balance to supplement the 2023 appropriations.

3.4 **2023 Outstanding Commitments.** The value of commitments at the end of 2023 for which delivery is expected in 2024 amounted to CAD 18.4 million. Pursuant to Financial Regulation 5.7, this amount has been reserved and carried forward to 2024, in order to meet existing legal obligations (also see Table 3, column (d).

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

3.6 **Carry-over from 2023.** Unutilized 2023 appropriations amounted to CAD 7.9 million, or 5.5 per cent of the 2023 Approved Appropriations of CAD 142.7 million. Under Financial Regulation 5.6, the Secretary General authorized to carry-over CAD 7.9 million for mission-critical and priority activities that were not funded in the 2024 budget, including those activities that had to be deferred due to unavoidable implementation delays in 2023.

3.7 As a result of the changes outlined in the preceding paragraphs, the Revised Appropriation for the year amounted to CAD 116.5 million.

3.8 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)

	<u>2023 Budget¹</u>	<u>Actual²</u>	<u>Exchange Differences³</u>	<u>2023 Outstanding Commitments</u>	<u>Actual on a comparable basis</u>	<u>Difference</u>
	(a)	(b)	(c)	(d)	(e) = (b)+(c)+(d)	(f) =(a)-(e)
REVENUE AND TRANSFERS						
Assessed Contributions	103 920	114 692	(12 577)		102 115	1 805
Other Revenue						
Transfer from ARGF Surplus	8 082	8 082			8 082	
Operational Reserve	2 364	2 364			2 364	
Reimbursement from AOSCF	1 829	1 829			1 829	
Incentive Scheme	57	57			57	
Miscellaneous Income	780	4 136			4 136	(3 356)
Currency exchange difference		8	(8)			
	117 032	131 168	(12 585)		118 583	(1 551)
EXPENSES						
Staff salaries and employment benefits	110 044	105 156	(10 078)	7 984	103 062	6 982
Supplies, consumables and others	2 252	1 163	(61)	409	1 511	741
General operating expenses	24 129	15 098	(588)	9 887	24 397	(268)
Travel	4 442	4 502	(313)		4 189	253
Meetings	1 451	1 542	(187)	85	1 440	11
Grants and other transfers						
Administrative overhead charges						
Other expenses	393	291	(55)	9	245	148
Currency exchange difference		1 815	(1 815)			
	142 711	129 567	(13 097)	18 374	134 844	7 867

Details may not add to totals due to rounding

¹ 2023 Budget-Expenses include carryover approved by the Secretary General (and commitments) from prior year of CAD 25.7 million.

² Revenues include transfers from the Operational Reserve Fund (CAD 2.4 million) and the Incentive Scheme Fund (CAD 0.1 million). Expenditures exclude Operational Reserve Fund (CAD 4.5 million).

³ Includes (1) budget exchange gain of CAD 12.6 million due to impact of US dollar transactions budgeted at USD1.00=CAD1.00, (2) budget exchange difference of CAD 11.3 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, and (3) currency exchange difference of CAD 1.8 million for revaluation of assets and liabilities.

3.9 **Explanation of Differences – Revenues and Transfers.** The overall budget of CAD 117.0 million (Table 3, column (a)) includes six main funding sources of the Regular Budget for 2023: Assessed Contributions, transfers of ARGF Surplus, Operational Reserve and Incentive Scheme, Miscellaneous Income, and Reimbursement from AOSC Fund. The difference between the budget and actual amounts on a comparable basis of CAD 1.8 million for the assessed contributions pertains to the discounted amount of the long-term contributions receivable, and the difference of CAD 3.4 million for miscellaneous income was mainly due to higher interest earned in 2023 than budgeted for.

3.10 **Explanation of Budget.** The overall budget of CAD 142.7 million (Table 3, column (a)) includes the 2023 original appropriations of CAD 117.0 million and CAD 25.7 million relating to the carry-over of unutilized appropriations and of 2022 Outstanding Commitments.

3.11 **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 12.6 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 2023 (the date when invoices were raised in USD) was higher than the rate used in the 2023 budget, resulting in a positive difference to total assessed contributions of CAD 12.6 million; and
- b) The exchange difference of CAD 11.3 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 included in Table 3, column (e).

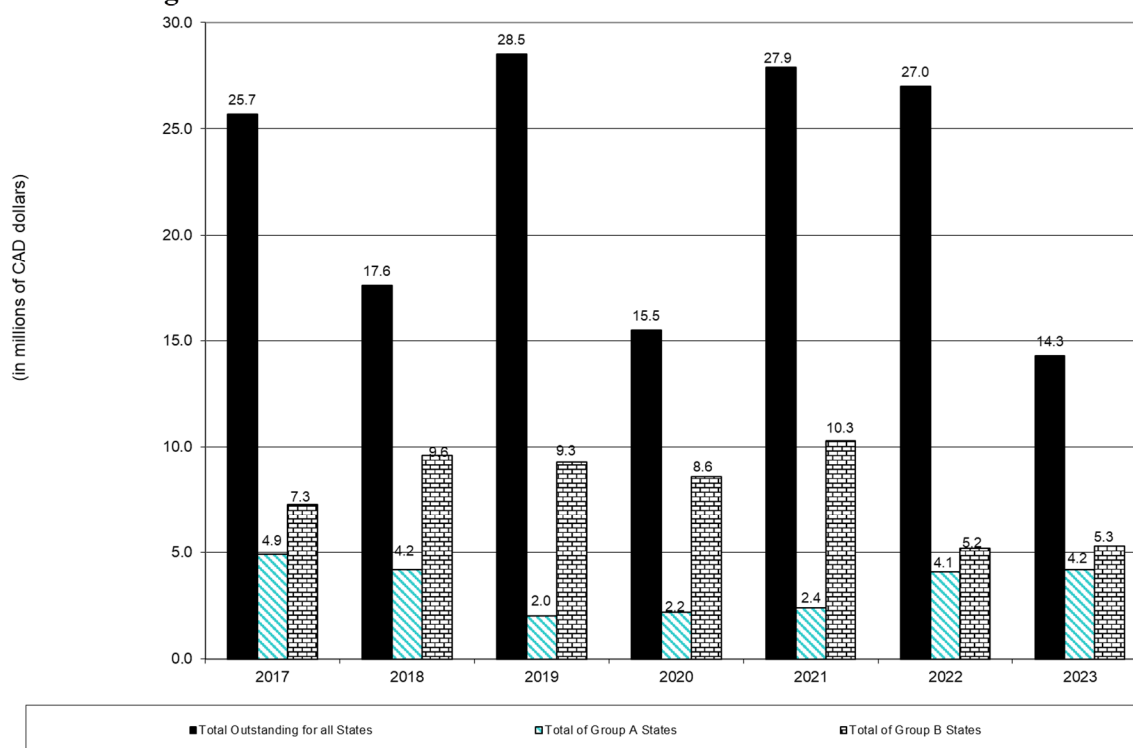
3.12 In this manner, the budgetary savings i.e., difference between budget and actual expenses, have been appropriately adjusted, as shown in Table 3, column (f). The currency exchange difference of CAD 1.8 million (Table 3, column (c)) recognized on the IPSAS basis, relates mainly to negative differences from the revaluation of assets and liabilities in CAD initially recorded in other currencies.

Assessment and Reporting Currencies

3.13 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

3.14 During the year 2023, assessments totalling CAD 112.3 million were received and a balance of CAD 4.2 million remained outstanding at the year-end against the current year's assessments. At the beginning of the year, CAD 25.6 million was receivable from States in respect to 2022 and prior years; payment of CAD 16.2 million was received, leaving a balance outstanding of CAD 9.4 million. The assessment receivable for all years totalled CAD 13.5 million as at 31 December 2023 (including the Working Capital Fund (WCF)) and exchange adjustments amounted to CAD 0.8 million from conversion of the USD component of assessments converted at CAD 1.319 for a re-valued assessment receivable balance of CAD 14.3 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 90.3 per cent. Figure 2 shows the status of the assessed contributions receivable at the end of each year since 2017.

Figure 2: Assessments Receivable from Member States Trend 2017-2023

3.15 Of the total outstanding contributions of CAD 14.3 million at 31 December 2023, CAD 0.8 million pertained to States represented on the Council. The following table provides details of the assessments receivable by group of States:

Table 4: Assessments Receivable by Group of States

(Thousands of CAD)

	Number of States 2023	Amount Outstanding as at 31 Dec 2023	Number of States 2022	Amount Outstanding as at 31 Dec 2022
Group A: States that have concluded agreements with the Council to liquidate their arrears over a period of years	8	4 237	8	4 070
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	9	5 349	10	5 184
Group C: States with contributions in arrears for less than three full years	13	2 288	7	1 426
Group D: States with contributions outstanding only for the current year	25	1 783	20	15 603
Sub-total	55	13 657	45	26 283
The Former Socialist Federal Republic of Yugoslavia	-	674	-	693
Total Outstanding Contributions	55	14 331	45	26 976

3.16 As at 31 December 2023, 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 2023.

3.17 Major contributions received for the Regular Budget and other Funds in Regular Activities segment for 2023 are summarized in table 5 below:

Table 5: Top Twenty Contributions in Regular Activities*

(Thousands of CAD)

Member State	Assessments Received for 2023	Voluntary Contributions**	Gratis Personnel	Donated Right to Use - Premises	Total
United States	25 280	3 997	2 119		31 396
Canada	2 491	154		23 244	25 889
China**	16 224	1 394	2 349		19 967
Japan	7 252	1 081	167		8 500
France	3 971	772	1 171	829	6 743
United Kingdom	4 295	1 460			5 755
Germany	5 536				5 536
Republic of Korea	3 784	910	247		4 941
Brazil	1 740	2	1 669		3 411
Thailand	510	41	319	2 346	3 216
Italy	2 639				2 639
Russian Federation	2 165	321			2 486
United Arab Emirates	2 286	35	68		2 389
Qatar	1 911	136	171		2 218
Saudi Arabia	1 250		852		2 102
Spain	1 934		103		2 037
Singapore	867	229	906		2 002
Netherlands	1 806	158			1 964
Mexico**	1 134	627	162		1 923
Australia	1 907				1 907
	88 982	11 317	10 303	26 419	137 021

* Refunds not deducted.

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

3.18 Total expenses in 2023, including those for seconded staff, gratis personnel, and premises provided without charge, by Strategic Objective, Transformational 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 the table 6 below:

Table 6: Expenses by Strategic Objective, Transformational Objective and Supporting Strategy for the year 2023 (Thousands of CAD)

	Safety	Air Navigation Capacity and Efficiency	Security and Facilitation	Economic Development of Air Transport	Environmental Protection	Supporting Strategy	Transformational Objective	Others	Total
Regular Budget	39 097	24 395	17 493	5 391	8 033	35 078	2 805	1 816	134 108
Voluntary Funds and other Regular									
Activity funds	2 159	744	5 915	175	1 077	2 974	397	35 496	48 937
Donated Right to Use - Premises						27 253			27 253
Gratis Personnel	4 389	4 562	670	186	575	1 948	103		12 433
Total Expenses	45 645	29 701	24 078	5 752	9 685	67 253	3 305	37 312	222 731

Accumulated Surplus/Deficit, Cash Surplus, and Reserves

3.19 The cumulative surplus, excluding reserves in Net Assets for the Regular Budget at 31 December 2023 reflected in Table A of Part IV to this document, amounted to CAD 31.4 million. Cumulative surplus less assessments receivable from Member States of CAD 13.5 million resulted in a cash surplus of CAD 17.9 million at 31 December 2023.

3.20 Reserved surplus for the Regular Budget totalling CAD 27.8 million includes an amount of CAD 18.4 million to finance 2023 outstanding commitments carried over to 2024, a balance of CAD 7.2 million in the Operational Reserve, a historical WCF balance of CAD 8.1 million, plus unrealized cumulative exchange gain of CAD 3.3 million, offset by an unrealized discount and provision on assessments receivable of CAD 9.2 million.

3.21 Combined net accumulated surplus and deficits of all ICAO's Funds including reserves represent a deficit of CAD 4.6 million as at 31 December 2023. These amounts are presented in Statements I and III with additional details in Table A and Table C of Part IV to this document.

Revolving Fund

3.22 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 2023, the accumulated deficit of the Fund including reserves reached CAD 132.1 million at the end of the year as follows:

	Net Accumulated Deficit at end of 2022	CAD 138.1 million
Add:	Employee benefits accrued during the year	CAD 9.4 million
Deduct:	Benefits paid during the year	CAD 4.1 million
Deduct:	Actuarial gain on ASHI for 2023	<u>CAD 11.3 million</u>
	Net Accumulated Deficit at end of 2023	<u>CAD 132.1 million</u>

3.23 The ASHI liability is very sensitive to changes in actuarial assumptions. The actuarial gain on ASHI is mainly the result of changes in the per capita claims assumption (CAD 7.5 million) and the medical inflation assumption (CAD 4.4 million).

3.24 The accumulated ASHI and other employee benefits liabilities remain unfunded, and the pay-as-you-go approach continues pending a decision.

Ancillary Revenue Generation Fund (ARGF)

3.25 In 2023, ARGF operating revenue amounted to CAD 24.0 million, while expenses amounted to CAD 13.7 million. This resulted in an operating surplus of CAD 10.4 million (17 per cent above budget). After transfers of the required contribution of CAD 8.1 million to the Regular Budget, further contribution of CAD 0.6 million to ICAO Work Programmes, and expenses of CAD 0.2 million for projects funded from ARGF reserves, the net annual surplus amounted to CAD 1.5 million.

Table 7: ARGF Budgetary Comparison

(Thousands of CAD)

ARGF (excluding TRAINAIR PLUS and Commissariat)	Actual	Budget	\$ Variance	% Variance
Revenue	24 041	23 844	197	1%
Expense	13 662	14 973	(1 311)	-9%
Operating Surplus	10 379	8 871	1 508	17%

3.26 TRAINAIR PLUS reported an operating surplus of CAD 0.6 million in 2023, which helped to partially replenish the operational reserve, depleted in previous years as a result of the deficits caused by the COVID pandemic. The Commissariat fund reported an operating surplus of CAD 39 thousand. A summary of the revenue and expenses for ARGF, TRAINAIR PLUS and the Commissariat fund in 2023 is presented in Table 8 below:

Table 8: ARGF Revenue and Expense

(Thousands of CAD)

	Revenue	Expense	Surplus / (Deficit)
Publications and Digital Content Sales	5 735	1 994	3 741
Printing and Distribution	848	889	(41)
Events	2 986	1 971	1 015
Training	5 697	4 730	967
Licensing	3 414	612	2 802
Delegation and Conference Services	3 272	2 495	777
Product Management and Marketing	1 523	971	552
ARGF Programme Support	566	0	566
Total ARGF Operations	24 041	13 662	10 379
Amount Transferred to Regular Budget		8 082	(8 082)
Further Contribution to ICAO Work Programmes		621	(621)
Projects Funded from ARGF Reserves		239	(239)
Total ARGF after Contributions to RB	24 041	22 604	1 437
TRAINAIR PLUS	2 947	2 351	596
Commissariat	390	351	39
Net Surplus for the Year	27 378	25 306	2 072

3.27 The accumulated surplus and reserves for ARGF, TRAINAIR PLUS and Commissariat as at 31 December 2023 amounted to CAD 9.6 million. This amount includes CAD 8.7 million of restricted surplus and reserves, including operational reserves of 5.6 million, and CAD 3.1 million of reserves earmarked for the funding of ongoing projects (business development projects for CAD 0.6 million and Transformational Objective projects for CAD 2.5 million).

Table 9: ARGF Surplus

(Thousands of CAD)

	2023	2022
Net Assets as at 1 January	8 122	9 021
Impact of IPSAS 41 adoption	(584)	
Adjusted Net Assets as at 1 January	7 538	9 021
Revenue	27 378	25 478
Expenses and transfers to RB	25 306	26 377
Net surplus / (deficit) for the year	2 072	(899)
Subtotal Net Assets as at 31 December	9 610	8 122
Restricted Surplus / Reserves		
Operational reserve	5 594	4 511
Earmarked for special projects	3 095	956
Restricted surplus to protect risks due to COVID		789
Subtotal Restricted Surplus / Reserves	8 689	6 256
Adjusted Accumulated Surplus as at 31 December	921	1 866

Administrative and Operational Services Cost Fund (AOSC)

3.28 The AOSC Fund is established to meet the cost of administration and operation of ICAO's CDIP and is primarily financed from support costs charged to CDIP 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 Statement V and Table 10.

3.29 Supplemental to the AOSC Fund, the Capacity Development and Implementation 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 CDI 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 CDIP in responding to Contracting States' needs. The expenditure for CDI Efficiency and Effectiveness Fund amounted to CAD 207 thousand in 2023 and the accumulated surplus stood at CAD 810 thousand as at 31 December 2023.

3.30 In addition, a Special Reserve Fund ("SRF") was established (C-DEC 200/2) for the CDIP 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 3.35. There were no amounts drawn from the SRF since its inception in 2014. The SRF balance

is 1.6 million as at 31 December 2023. 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 2023¹

(Thousands of CAD)

AOSC budget estimates submitted to Assembly ²	9 300		
	Budget³	Actual	Variance
Budget / Income	17 516	20 233	(2 717)
Expenditures	10 102	11 448	(1 346)
Surplus / (deficit) for the year	7 414	8 785	(1 371)

¹ Excludes CDI Efficiency and Effectiveness Fund (total expenses in CAD 207,000 for the year 2023).

² Approved by the Assembly in 2022 (A41).

³ Noted by the Council at its 230th Session (TC-WP/155).

3.31 As indicated above, the Assembly approved the indicative budget estimates of the AOSC Fund amounting to CAD 9.3 million for the financial year 2023. During the year, pursuant to Financial Regulation 9.5, the Secretary General submitted to the Council an update of the 2023 Estimates for income (CAD 17.5 million) and expenditure (CAD 10.1 million) in TC-WP/155.

3.32 The actual AOSC Fund² financial performance showed an excess of CAD 2.7 million in AOSC income versus the revised budget (230th Session), mainly as the result of an increase in administrative income from a higher implementation volume, as well as an increase in investment income due to higher interest rates in 2023. The above resulted in the amount of CAD 8.8 million excess in income over expenditure.

3.33 The accumulated surplus for AOSC as at 31 December 2023 reflected in Table A of Part IV to this document is CAD 20.6 million.

Table 11: AOSC Surplus

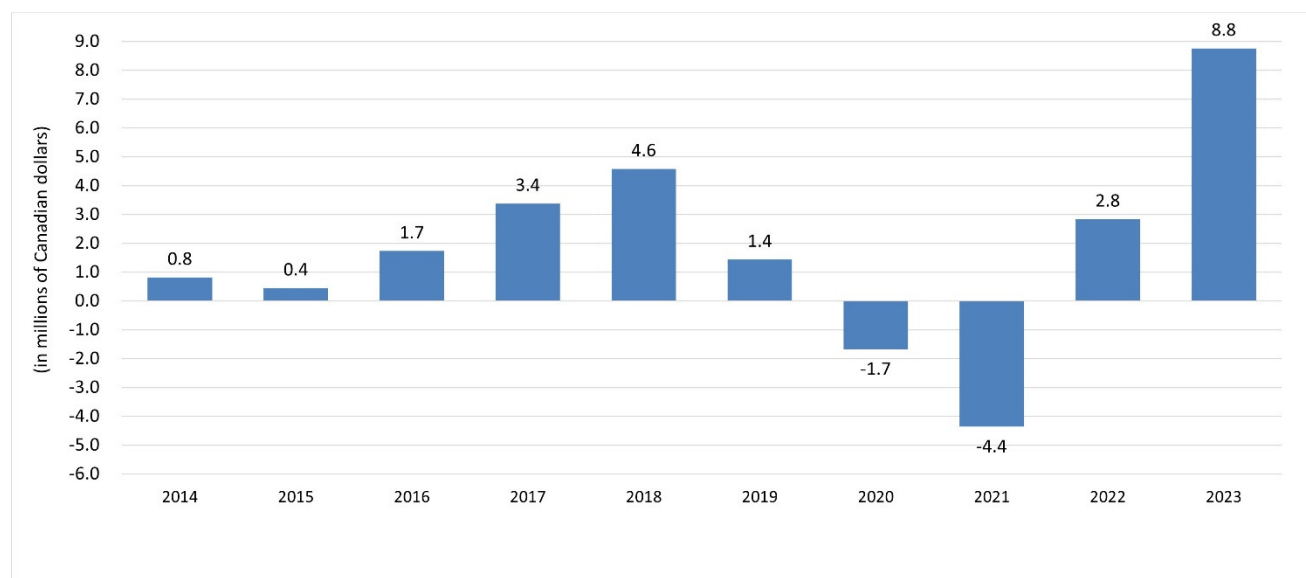
(Thousands of CAD)

	2023	2022
Accumulated surplus as at 1 January	11 998	9 217
Revenue	20 233	12 598
Expenses	11 654	9 817
<i>Net surplus / (deficit) for the year</i>	<i>8 579</i>	<i>2 781</i>
Sub-total accumulated surplus / (deficit) as at 31 December	20 577	11 998
Restricted surplus		
Efficiency and Effectiveness Fund	810	1 017
Special Reserve Fund	1 560	0
Sub-total restricted surplus	2 370	1 017
Adjusted surplus / (deficit) as at 31 December	18 207	10 981

² Exclude TCB Efficiency and Effectiveness and Special Reserve Funds

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

Figure 3: AOSC Fund Surplus and Shortfall Trend 2014-2023



3.35 During the 41st Session of the Assembly, the Administrative Commission recommended that the question of sharing costs between the Regular Budget and AOSC Fund be reported to the Council for review. The Council had considered this issue and approved the amount of CAD 1.8 million to be recovered annually from the AOSC Fund for Regular Budget support directly related to projects continuing for the 2023-2025 triennium.

Capacity Development and Implementation Programme

3.36 The CDI Bureau manages the CDIP, 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.

3.37 A rolling three-year Operating Plan for CDI Bureau is prepared in close coordination with the Technical Co-operation and Implementation Support 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's CDIP activities. Consequently, continued efforts are being undertaken to ensure the sustained improvement of the AOSC financial situation through the diversification of CDIP'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 CDIP's organizational structure in line with its Business Model, and the introduction of cost savings and efficiency measures.

3.38 CDIP represents one of the activities of the Organization. Projects are financed by governments and other donors with inflows of CAD 125.7 million and outflows of CAD 126.1 million in 2023. These figures show an improvement over the results of the last two years (2021-2022) 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 pre-pandemic triennium 2017-2019. Tables C to E in Part IV of this document provide more details on CDIP, summarized by the following figures in millions of CAD.

Figure 4: CDIP Expenses by Geographic Region

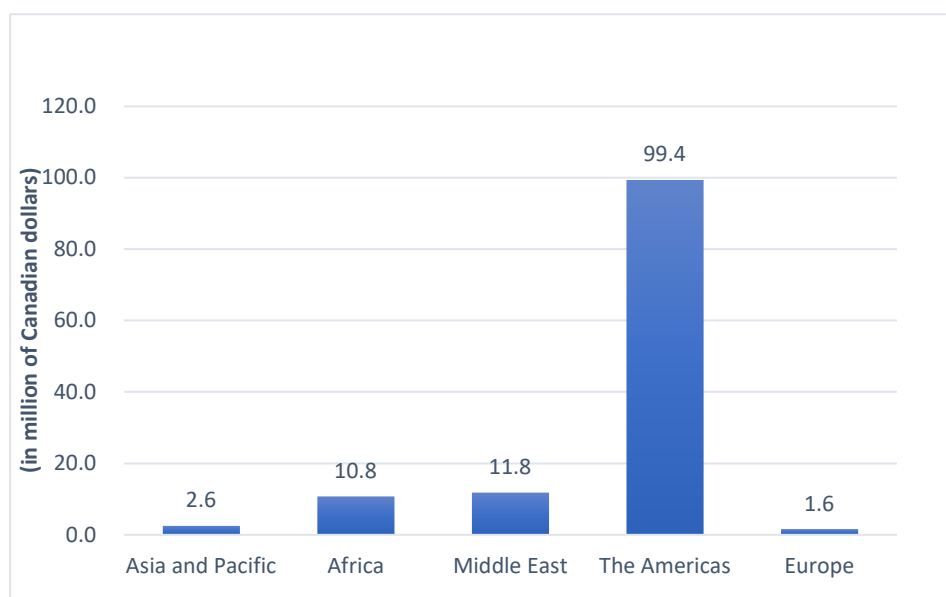
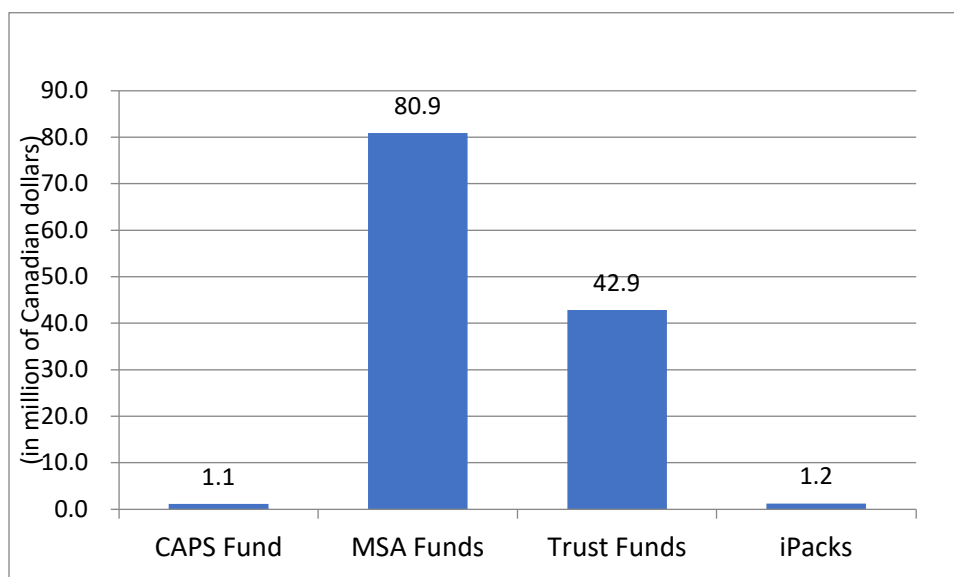


Figure 5: CDIP Expenses by Type of Project



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 2023.



Juan Carlos Salazar
Secretary General

Montréal, Canada
2 April 2024

STATEMENT OF INTERNAL CONTROL (SIC)

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 and Strategic Objectives. 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 them 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 which ended on 31 December 2023, and up to the date of the approval of the Organization's 2023 financial statements.

6. The following provides an overview of the actions undertaken or matters considered to solidify the internal control systems and processes in 2023.

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 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 Partnerships (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 2023, the focus was on the development of risk training for all staff, the monitoring of corporate risks of the Organization, and integration of the risk management processes 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. No significant internal control weaknesses were declared and the results of the 2023 MASD were consistent with the results from 2022.

Significant matters arising during the year

12. Control weaknesses identified in individual internal oversight reports, referred to in the 2023 Annual Report of the Office of Internal Oversight (CG-WP/20) 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 Management Action Plans that are regularly monitored by the respective oversight units.

13. The Office of Internal Oversight (OIO) noted the key risks/challenges facing ICAO were due to the lack of resources, organizational setting, and organizational culture. To address these, ICAO's objectives, business plans, and budgets will need to be prepared in an integrated manner to further enhance a sound and robust financial management system, ensure the Transformational Objective (TO) achieves its objectives, operationalize the ICAO adopted People Strategy to attract and retain talent for the current and future human capital needs of ICAO, establish a comprehensive crisis management mechanism, enhance an effective cooperation between the first-line IT operations and the second-line Information Security function,

strengthen data protection and data management procedures and further develop ERM, Results-Based Management (RBM), Staff Performance Management system, and Strategic Planning to achieve a fully integrated organizational performance system. In addition, timely implementation of recommendations arising from internal and external audits was a challenge across ICAO in 2023.

14. Two new corporate risks relating to the TO were reported in 2023. One previous corporate risk was eliminated since the previous report. As a result, ICAO currently has 15 corporate risks. In addition, the scores of two remaining corporate risks have been reduced. The key risks faced by ICAO in 2023 and corresponding mitigation actions are summarized in the following four risk categories:

14.1. **Strategic Risks:** The key risks ICAO faced in 2023 are primarily due to insufficient resources to manage the impact of exogenous factors such as developments in global aviation, increasing pressure from Member States to serve their needs and expectations, and global crises that have put additional pressure on the Organization to be able to meet its Business Plan targets. Furthermore, the introduction of the new Transformational Objective (TO), of which the implementation commenced in 2023, resulted in the addition of two new strategic risks. The first new risk relates to insufficient financial and human resources to implement ICAO's large-scale initiatives, some of which remain partially funded or unfunded. The funding gap poses a great risk to the effective completion of all the TO projects. Also, the risk of insufficient cultural shift achieved at ICAO is highlighted. This may dilute the benefits and positive impact of the TO and increase the risk that new ways of working may not be sustained upon completion of the TO projects.

Control and mitigation:

- a) Ongoing controls and mitigation actions were reviewed in 2023 but not fully implemented due to competing priorities. Ongoing enhancements to the Corporate Performance and Monitoring Reporting (CPMR) tool developed in 2022 will be supported by dedicated dashboards to enable improved monitoring of management actions on the achievement of KPI targets and deliverables. The tool will also allow tracking the Council Decisions (C-DECs), identifying C-DECs that are not covered under the approved budget for further advice and guidance from the Council.
- b) Enhanced reporting on the deliverables from the CPMR will allow the Secretariat to take mitigating actions to better align the workforce to the priorities of the Organization, including the priority focus areas (C-DEC 229/1).
- c) Although all Bureaus and 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 could be improved. With the implementation of the People Strategy during the 2023-2025 triennium, it is anticipated that additional recruitment, training, and accountability mechanisms will be in place to mitigate the risk of insufficient workforce planning.
- d) For the two new TO risks identified in December 2023, the controls and mitigation actions include the identification of the approved and underfunded projects for the purpose of resource mobilization.

14.2. **Operational Risks:** Technology risks continue to be monitored at ICAO in 2023, including risks relating to the migration of data to the Cloud and the implementation of the new Enterprise Resource Planning system (ERP). Controls and mitigation actions were completed in 2023 to address the specific risk that disaster recovery back-up and technology support for in-house applications were not meeting the business' recovery time objectives, thereby reducing this risk to a low level. Cyber information security

risks, including risks relating to potential data breaches, technical and cultural challenges, lack of confidentiality, integrity and availability of data, remain an operational risk, requiring further strengthening of organizational resilience, including crisis management and disaster recovery. Three operational risks continued to be monitored in 2023. These relate to ICAO continuing to face budgetary constraints to implement core tasks and relying on the use of non-staff personnel over the long term (consultants and secondments) to perform core activities, the unauthorized use of, and limitations on the effective protection of ICAO's intellectual property, and not having a centralized document management system that could result in the potential loss of original documents and institutional memory.

Control and mitigation:

- a) Outsourcing of some ICT services to the United Nations International Computing Centre (UNICC) continued in 2023 and included migrating to a cloud environment and enhancing disaster recovery. The implementation of the Information Security Roadmap was on track in 2023 with no significant cyber-attacks reported. Nevertheless, it will be prudent to continue ongoing staff training to raise more cybersecurity awareness.
- b) Further mitigation actions to address the reliance on non-staff personnel were pending further review by the Secretariat as part of the People Strategy implementation to identify the core functions that will enable HR to implement a Strategic Workforce plan that realistically meets ICAO's resource requirements.
- c) The project to update the ICAO-NET platform in this triennium will include development of a technical solution and procedures to better protect ICAO's data, products and services. In addition, the SARPs and Document Management System project under the Digital Transformation started in 2023 and is currently underway.

14.3. Compliance/Legal Risk: The risks 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 many States have not ratified all of the three most recent aviation security treaties (Beijing Convention of 2010, Beijing Protocol of 2010, Montreal Protocol of 2014), which resulted in challenges for ICAO 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) continued in 2023 to mitigate ICAO's potential internal conflicts of interest. In addition, to fully operationalize and embed the ICAO Framework on Ethics, continuous training is a prerequisite for creating a harmonious and ethical work environment for managers and staff. Although awareness exists among staff about the AFAC Policy, processes and mechanisms to regularly monitor and report on potential fraud and corruption activities are still 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 in 2023 and dependent on the reporting of the selected candidate for the position responsible for coordinating the activities pertaining to the AFAC Policy and related staff training.

b) The Legal Affairs and External Relations Bureau (LEB) continued its outreach to States in 2023 to promote understanding and acceptance of the treaties that remain unratified through regional seminars, workshops, coordination with Regional Directors and presentation at high-level regional events. In the meantime, the Secretary General and the President of the Council continue to promote the 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 implementation of policies and governance dealing with cost recovery mechanisms to reimburse funding for support services provided between Regular Budget and extra-budgetary projects; and
- c) The Capacity Development and Implementation (CDI) Bureau not being able to generate a consistent surplus in the Administrative and Operational Services Cost (AOSC) fund every year resulting from reductions of implementation support projects and programmes.

Control and mitigation:

15. Although the above-mentioned risks did not impact ICAO's cash flow in 2023, 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 taken include:

- a) The first financial risk is inherent and has ongoing mitigation actions that includes, periodic monitoring of the status of the assessments collection and follow-up with States, as well as continuously monitoring the cash position and ensuring that the expenses are maintained within the available financial resources. Notably, the assessment collection rate increased from 84.7 per cent in 2022 to 96.4 per cent in 2023; and
- b) Although the Cost Recovery Policy was approved in 2023, mitigation actions on the cost recovery risk are in the initial stages of being addressed. Such actions will depend on the evaluation of functionality available in the new ERP system that is being implemented as part of the TO Digital Transformation. The assessment will inform the development of an implementation plan for consideration by the Council.
- c) Lastly, although the AOSC Fund achieved a surplus in 2023, as a result of improved performance and implementing several mitigating controls and actions, CDI maintains an inherent risk that they may not be able to generate a consistent surplus every year, even as it continues to expand its portfolio of products and services.

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 2023, 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/15525) refers); and

e) Council's observations and decisions.

17. The period covered by this statement saw the adoption and development in ICAO of new plans for transformation and planned investments in IT systems and changes to modernize and make ICAO a more efficient organization. The delivery of significant business transformation remains a top risk with dependencies on sufficient staff capacity and capability supported by sufficient financial and human resources to deliver the programme and the six Transformational Objective outputs contained in the 2023-2025 Business Plan. New initiatives in 2023 covered the TO three pillars on people and culture, digital, and operational transformation. Prioritization of the most important and beneficial elements of the ICAO's change programmes will ensure that, in the event of limited resources, ICAO will be able to achieve the most important elements early thereby securing the greatest benefits in supporting better workforce agility, providing 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 2023.



Juan Carlos Salazar
Secretary General
Montréal, Canada
22 March 2024

PART II: OPINION OF THE EXTERNAL AUDITOR



Ref. 951.23376.003

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 2023, 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 2023 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, 15 April 2024

SWISS FEDERAL AUDIT OFFICE

(External Auditor)



Jeannet Eric-Serge NJRIBJ
15.04.2024

Info: admin.ch/esignature | validator.ch

Eric-Serge Jeannet

Vice-President



Koehli Martin OMQKGC
15.04.2024

Info: admin.ch/esignature | validator.ch

Martin Köhli

Head of Competence Centre

PART III: FINANCIAL STATEMENTS

INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT I
STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2023
(Thousands of CAD)

	Notes	2023	2022
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2.1	234 994	317 415
Investments	2.1	170 466	25 173
Assessed contributions receivable from Member States	2.2	4 206	17 283
Receivables, advances and other current assets	2.3	13 166	15 687
Inventories	2.4	291	437
		423 123	375 995
NON-CURRENT ASSETS			
Assessed contributions receivable from Member States	2.2	952	3 068
Receivables	2.3	1 563	172
Property, plant and equipment	2.5	4 572	4 620
Intangible assets	2.6	3 572	3 047
		10 659	10 907
TOTAL ASSETS		433 782	386 902
LIABILITIES			
CURRENT LIABILITIES			
Advanced receipts	2.8	268 353	225 373
Accounts payable and accrued liabilities	2.9	31 336	33 324
Employee benefits	2.10	8 334	9 444
Credits to contracting/servicing governments	2.11	1 892	1 969
		309 915	270 110
NON-CURRENT LIABILITIES			
Advanced receipts	2.8	1 449	
Employee benefits	2.10	127 021	132 721
		128 470	132 721
TOTAL LIABILITIES		438 385	402 831
NET ASSETS			
Accumulated deficit		(72 089)	(79 884)
Reserves	2.12	67 486	63 955
NET ASSETS (ACCUMULATED DEFICIT)		(4 603)	(15 929)
TOTAL LIABILITIES AND NET ASSETS		433 782	386 902

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 2023
(Thousands of CAD)

	Notes	2023	2022
REVENUE			
Contributions for project agreements	3.2	128 174	89 507
Assessed contributions	3.2	114 693	113 722
Other revenue generating activities	3.2	25 508	23 215
Other voluntary contributions	3.2	40 728	39 984
Administrative fee revenue	3.2	8 577	2 697
Other revenue	3.2	10 106	8 561
TOTAL REVENUE		327 786	277 686
EXPENSES			
Salaries, employee benefits and project personnel	3.3	177 461	169 120
Subcontracts, supplies and consumables	3.3	75 252	40 343
General operating expenses	3.3	51 276	47 446
Travel	3.3	13 125	8 841
Meetings		2 677	2 274
Training		2 104	1 388
Other expenses	3.3	3 992	321
TOTAL EXPENSES		325 887	269 733
SURPLUS/(DEFICIT) FOR THE YEAR		1 899	7 953

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 2023
(Thousands of CAD)

	Notes	Accumulated Deficit	Reserves	Net Assets (Net Accumulated Deficit)
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)
Impact of IPSAS 41 adoption	9	(1 345)		(1 345)
Net assets as at 1 January 2023		(81 229)	63 955	(17 274)
Movements in fund balances and reserves in 2023				
Variation to carry forward balance	2.12	(160)	160	
Variation of actuarial gain/(loss) on ASHI	2.12		11 317	11 317
Transfer of Incentive Scheme's reserve	2.12	57	(57)	
Transfer of Operational Reserve	2.12	2 364	(2 364)	
Utilization of Operational Reserve	2.12	4 544	(4 544)	
Transfer of ARGF operational reserve	2.12	(1 083)	1 083	
Utilization of ARGF restricted surplus	2.12	(1 350)	1 350	
Variation of unrealized losses	2.12	3 440	(3 440)	
Other adjustments and transfers		(610)		(610)
Variation of translation adjustment and other rounding difference	2.12	39	26	65
Surplus/(Deficit) of the year		1 899		1 899
Total movements during the year		9 140	3 531	12 671
Balance at 31 December 2023		(72 089)	67 486	(4 603)

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 2023
(Thousands of CAD)

	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:			
Surplus/(Deficit) for the year		1 899	7 953
<i>Non-cash movements and other adjustments</i>			
Depreciation and amortization	2.5 & 2.6	1 647	1 838
ASHI actuarial gain (loss)	2.10	11 316	56 005
Interest income	3.2	(18 001)	(5 939)
Adjustments and other additions to PPE/Intangibles	2.5	8	(172)
Adjustments to net assets	9 & Stat. III	(1 955)	38
Net (gain)/loss on disposal of PPE			(17)
Impairment loss and disposal	2.6	78	696
Cash flow on WCF presented as financing activities		(104)	(8)
<i>Changes in assets and liabilities</i>			
(Increase) decrease in contributions receivable	2.2	13 077	(2 714)
(Increase) decrease in receivables, advances and other current assets	2.3	2 521	(2 219)
(Increase) decrease in inventories	2.4	146	20
(Increase) decrease in non-current contributions receivable (net of discount)	2.2	2 116	1 085
(Increase) decrease in non-current receivables and advances	2.3	(1 390)	40
Increase (decrease) in advanced receipts	2.8	42 980	59 156
Increase (decrease) in accounts payable and accrued liabilities	2.9	(1 988)	(10 953)
Increase (decrease) in short-term employee benefits	2.10	(1 110)	543
Increase (decrease) in credits to contracting/servicing governments	2.11	(77)	365
Increase (decrease) in long-term advanced receipts	2.8	1 449	
Increase (decrease) in long-term employee benefits	2.10	(5 700)	(52 018)
Foreign currency translation adjustment and rounding	2.12	65	21
NET CASH FLOWS FROM OPERATING ACTIVITIES		46 977	53 720
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of property, plant and equipment and Intangibles	2.5 & 2.6	(2 210)	(1 327)
Proceeds from disposal of property, plant and equipment			17
(Increase)/decrease in investment	2.1	(145 293)	(11 675)
Interest received	3.2	18 001	5 939
NET CASH FLOWS FROM INVESTING ACTIVITIES		(129 502)	(7 046)
CASH FLOWS FROM FINANCING ACTIVITIES:			
(Increase) decrease in WCF contributions receivable		104	8
NET CASH FLOWS FROM FINANCING ACTIVITIES		104	8
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(82 421)	46 682
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	2.1	317 415	270 733
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	2.1	234 994	317 415

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

INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT V
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 2023
(Thousands of CAD)

	Original Budget*	Final Budget**	Actual on a comparable basis	Difference between Final Budget and Actual on comparable basis
Regular Budget (RB)				
REVENUE AND TRANSFERS				
Regular Budget General Fund				
Assessed contributions	103 920	103 920	102 115	1 805
Other (incl. Transfers)	13 112	13 112	16 468	(3 356)
Total RB General Fund	117 032	117 032	118 583	(1 551)
EXPENSES				
Regular Budget General Fund				
Safety	38 611	37 722	35 572	2 150
Air Navigation Capacity and Efficiency	25 381	24 276	22 492	1 784
Security and Facilitation	18 358	17 250	15 934	1 316
Economic Development of Air Transport	5 841	5 665	5 240	425
Environmental Protection	8 703	8 832	8 149	683
Transformational Objective	8 041	9 578	9 346	232
Support to Strategic Objectives	17 947	17 803	16 811	992
Management & Administration	19 829	21 585	21 300	285
Total RB General Fund	142 711	142 711	134 844	7 867
Administrative and Operational Services Cost (AOSC)				
REVENUE				
AOSC (excluding Efficiency/Effectiveness and Special Reserve Funds)				
Administrative Fee	7 960	8 406	9 473	(1 067)
Other Revenue	2 540	9 110	10 760	(1 650)
Total AOSC	10 500	17 516	20 233	(2 717)
EXPENSES				
AOSC (excluding Efficiency/Effectiveness and Special Reserve Funds)	9 300	10 102	11 448	(1 346)
Less: AOSC Inter-Fund transfer			207	(207)
Other AOSC Funds				
Total AOSC	9 300	10 102	11 655	(1 553)

*Original Budget includes carryover of appropriations from prior year (unspent and/or commitments) as approved by authority of Financial Regulations for the Budget Year.

**Final Budget includes transfers and changes in appropriations as approved by authority of Financial Regulations during the Budget Year.

Note: Explanation of material differences between budgets and actual amounts can be found in Note 4 to the Financial Statements and Reports by the Secretary General - Presentation.

Details may not add to totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION

Notes to Financial Statements 31 December 2023

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 2023. 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 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 Capacity Development and Implementation Bureau (formerly 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, Communications³, 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,

³ Communications Section transferred to the Legal Affairs and External Relations Bureau, effective 12 February 2024

decisions, Standards and Recommended Practices (SARPs), regional air navigation plans and provide technical assistance when requested.

Reporting Entity

7. The financial statements include the operations of ICAO only. ICAO does not have interests in associates or jointly controlled entities.
8. The ICAO's Medical Benefits Plan (MBP) is a self-insured health insurance plan which provides medical and dental benefits to ICAO's and other participating organizations' staff members, retirees and their covered dependents worldwide. The MBP is managed through a nonconsolidated fund and by an advisory body, the Health and Life Insurance Committee (HLIC), which includes members appointed by the ICAO administration and members elected by plan participants. The processing of all individual and health care providers' claims incurred for the participants of the MBP is done by a third-party administrator, Cigna International Health Services BV. The MBP is financed by the contributions made by the participants and the participating organizations, and from investment income.

Basis of preparation and authorization for issue

9. 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:	Comparison of Budget and Actual Amounts

10. 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.
11. 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 consolidated figures reported in the audited financial statements.
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; and the fact that neither the Assembly nor the Council has taken a decision to cease the operations of ICAO. Furthermore, ICAO continues monitoring its cash position closely, and ensures that its expenses are maintained within the available financial resources.
14. The financial statements have been prepared on the historical cost measurement basis unless otherwise stated.
15. The Cash Flow Statement (Statement IV) has been 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, with exception of Joint Financing Funds, 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 Capacity Development and Implementation Programme (CDIP) and Joint Financing Funds is the United States dollar (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 CDIP and other Funds that utilize the USD as the functional currency are translated to CAD at the closing rate of 1.319 (2022: 1.356). Revenues and expenses in the statement of financial performance are translated to CAD at the average rate of 1.350 (2022: 1.299). Differences arising on the translation of these balances 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 inclusion 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 to 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.

Adopted Accounting Standards

24. ICAO adopted *IPSAS 41: Financial Instruments* at the required start date of 1 January 2023. Changes resulted from the adoption of this standard were accounted for on that date, thus not requiring restatement of prior period amounts.

New classification and measurement principles for financial assets

The new IPSAS introduces a principles-based approach to the classification of financial assets and requires the use of two criteria: the entity's model for managing its financial assets and the contractual cash-flow characteristics of those assets. Depending on these criteria, financial assets are classified in the following categories: 'financial assets at amortised cost' (AC), 'financial assets at fair value through net assets/equity' (FVNA), or 'financial assets at fair value through surplus or deficit' (FVSD).

New impairment model

Whereas the previous impairment model was based on incurred losses, IPSAS 41 has introduced a forward-looking impairment model based on expected credit losses (ECL) over the lifetime of the financial asset. The ECL takes into account possible default events and the evolution of the credit quality of the financial assets. The new impairment model applies to all financial assets measured at AC or at FVNA.

25. In addition, *IPSAS 42: Social benefits*, came into effect on 1 January 2023. Currently, there are no such social benefits applicable to the Organization and thus, this standard does not impact ICAO's financial statements.

Future Accounting Standards

26. The IPSAS Board published the following new standards which will be effective on the dates indicated below.

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. 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 terms meeting the criteria defined in the Standard. ICAO plans to adopt this standard at the required start date of 1 January 2025 and assessment of its impact on ICAO's financial statements is ongoing.

IPSAS 44: Non-current assets held for sale and discontinued operations will come into effect on 1 January 2025. The standard specifies the accounting for assets held for sale and the presentation and disclosure of discontinued operations. Its impact on the financial statements is not anticipated to be significant. Formal assessment will be completed by the mandatory adoption date.

IPSAS 45: Property, plant and equipment, with an effective date of 1 January 2025, replaces IPSAS 17: Property, Plant, and Equipment and adds new guidance for heritage and infrastructure assets and their measurement. Its impact on the financial statements will be assessed before the effective date.

IPSAS 46: Measurement, with an effective date of 1 January 2025, provides new guidance in a single standard addressing how commonly used measurement bases should be applied in practice. Its impact on the financial statements will be assessed before effective date.

IPSAS 47: Revenue, replaces *IPSAS 9: Revenue from exchange transactions*, *IPSAS 11: Construction contracts*, and *IPSAS 23: Revenue from non-exchange transactions*, and becomes a single consolidated revenue accounting standard that targets to improve financial reporting and support effective public sector financial management. IPSAS 47 will be effective from 1 January 2026. Its impact on the financial statements will be assessed before the effective date.

IPSAS 48: Transfer expenses, provides accounting guidance for transfer expenses, which account for a significant portion of expenditures for many public sector entities. This new Standard fills a significant gap in the IPSASB's literature and will become effective from 1 January 2026. Its impact on the financial statements will be assessed before the effective date.

IPSAS 49: Retirement Benefits Plans, provides accounting guidance on the measurement of investments and the presentation and disclosure of financial information related to retirement benefit plans and will become effective from 1 January 2026. Its impact on the financial statements will be assessed before the effective date.

II. SIGNIFICANT ACCOUNTING POLICIES

Cash, Cash Equivalents, and Investments

27. 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. These 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. In line with IPSAS 41 requirements, cash, cash equivalents, and investments are adjusted at each reporting date to reflect lifetime ECL calculated using weighted long-term average default rates per the financial rating of the banking institutions in which the cash and cash equivalents are held.
28. Interest revenue is recognized as it accrues, taking into account the effective yield.

Financial Instruments

29. 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 obligations) to receive (or to pay) cash flows from those assets (liabilities) have expired or have been transferred (settled). ICAO classifies its financial assets at amortized cost based on its management model and the contractual cash flow characteristics of the financial assets. Financial assets are initially recognized at cost at the transaction date.

30. 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.
31. Following the forward-looking impairment model, ICAO assesses the ECL associated with its financial assets as the present value of the difference between the contractual cash flows and the cash flows that ICAO expects to receive. The ECL incorporates reasonable and supportable information available without undue cost or effort at the reporting date. The asset's carrying amount is reduced by the amount of the impairment lifetime loss, which is recognised in the statement of financial performance. If, in a subsequent period, the amount of the impairment loss decreases, the previously recognised impairment loss is reversed through the statement of financial performance.
32. Financial liabilities include trade payables, funds held on behalf of 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

33. Publications, Commissariat items, and other items held for sale or distribution at the end of the financial period are recorded as inventories. Inventory items held for sale are valued at either the cost or the net realizable value, whichever is the lowest. Publications for distribution at no charge or for a nominal charge are valued at either the cost or the current replacement cost, whichever is the lowest.
34. The cost of publications includes purchase cost and all other costs incurred in bringing the items to a saleable or distributable state. The cost of Commissariat items and other items held for sale is determined using the weighted average cost basis.
35. 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.

Receivables

36. Assessed contributions are recognized as revenue on the first day of the year to which they relate. Assessed contributions receivable represents the uncollected revenue from the Member States, at the reporting date and are measured at the fair value net of an ECL allowance computed using a discounting formula to reflect the time value of money.
37. Other receivables include primarily uncollected revenue from voluntary contributions owed to the Organization from donors, amounts for goods or services provided to other entities, amounts receivable for leased-out assets and receivables from staff. Material balances of these receivables are subject to specific review and an ECL allowance is assessed on the basis of recoverability and aging.

Heritage Assets

38. 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

39. 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

40. 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.
41. 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.
42. An item of PP&E is removed from the asset class (derecognized) once its disposal has been approved.

Intangible Assets

43. 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. Costs incurred for configuration, customization and subscription fees in connection with cloud-based software-as-a-service solutions are recognized as operating expenses when the services are received, since the systems utilized do not meet the criteria for recognition as controlled assets.
44. 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

45. Licenses, rights, and copyrights are amortized over the validity periods of the licenses, rights, and copyrights.

46. 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

47. ICAO records the following categories of advanced receipts:
- Contributions received before the implementation of CDIP;
 - Balances of unutilized contributions to be remitted to the 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

48. 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.
49. 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.
50. ASHI is accounted for as a defined-benefit plan where the Organization's obligation is to provide agreed benefits, 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.
51. 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 portion of these benefits are presented as current liabilities within the statement of financial position.
52. Repatriation benefits and accumulated annual leave due to CDIP 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.

53. 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.
54. 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.
55. 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 Fund. 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

56. 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.
57. 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.
58. Contributions for CDIP activities are revenue from exchange transactions recognized on the basis of the stage of completion related to the delivery of goods or rendering of services. Administrative fees applied to CDIP are presented as revenue in the Administrative and Operational Services Cost (AOSC) Fund and as expenses in the respective projects and are eliminated in the consolidated statement of financial performance (Statement II). Revenue from administrative fees generated by CDIP is recognized based on the stage of completion, as follows:

- For the purchase of equipment, ninety per cent of the fee is progressively recognized until and when a purchase order for equipment is issued and the remaining 10 per cent is recognized upon full payment of all invoices relating to the PO; and
 - For services, the administrative fee is recognized on the basis of costs incurred.
59. According to Financial Regulation 7.6 b), interest earned by Funds established in support of CDIP 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.
 60. Other sources of revenue from exchange transactions include mainly revenue from ICAO training delivery, and other revenue generating activities such as sales of publications, events and symposia, licensing fees, 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 the goods and services are delivered. The outstanding balances receivable are presented in receivables, advances, and other current assets.
 61. An increase or decrease in the ECL allowance is reflected as an expense for the period and is reported in the statement of financial performance.
 62. 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

63. 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 settle the present obligation at the reporting date.
64. Other commitments that 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

65. 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) CDIP 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 transactions are eliminated for the purpose of consolidated financial statements.

66. 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 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.
67. 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 generating activities, other voluntary contributions, and administrative fees.
68. 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, 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 costs, arising from the actuarial revaluation, and adjustments to reserves relating to 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 following 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 and includes, a) the **Special Reserve Fund (SRF)** and b) the **CDI Efficiency and Effectiveness Fund** described below. The AOSC Fund recovers the costs of administration, operation and support of CDIP. In the event that the AOSC operation in any given year ends in a financial deficit, such deficit is to be met firstly 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 CDIP.
 - 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 the Regular Budget (calculated using an approved formula) in excess of the approved level of annual transfer to the Regular Budget. If, in any year, there is a shortfall in the AOSC Fund reimbursement to the 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) **CDI Efficiency and Effectiveness Fund:** established by the Council to authorize the Director of the Capacity Development and Implementation Bureau 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 Capacity Development and Implementation Bureau in responding to Contracting States' needs.
- **Aviation Security and Facilitation (AVSEC/FAL) Activities:** includes earmarked funds as well as Special Accounts/Funds which were 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 Africa-Indian Ocean (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 and digital travel documents. 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):** established to strengthen the ICAO's presence in the Asia and Pacific (APAC) Region. The purpose of the sub-regional office in the APAC region is to improve airspace organization and management in order to maximize air traffic management (ATM) performance across the region. The APAC Regional 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, in 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.

69. The CDIP Activities segment comprises Funds established by the Secretary General under Financial Regulation 9.1 to administer the CDIP. The main funding sources of the segment are contributions specified in agreements.
70. The CDIP activities include Management Service Agreements (MSA), Civil Aviation Purchasing Services Agreements (CAPS) and trust funds, which are designed to cover a broad range of services. ICAO also enters into CDIP 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 CDIP arrangements, ICAO also offers implementation packages (iPacks) to Member States since 2020.

NOTE 2: ASSETS AND LIABILITIES

Note 2.1: Cash and Investments

71. 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)		
	2023	2022
Cash in banks	37 790	44 054
Term deposits	197 204	273 361
Total Cash and Cash Equivalents	234 994	317 415
Investments	170 466	25 173
Total Cash and Investments	405 460	342 588

72. In 2023, USD cash in banks had an average interest rate of 4.741 per cent (2022: 1.937 per cent) and the corresponding figure for CAD cash in banks was 5.001 per cent (2022: 2.166 per cent). The term deposits (including those classified as investments) were primarily held in USD and CAD with an average interest rate of 5.423 per cent and 5.168 per cent respectively (2022: 1.916 per cent and 2.181 per cent). As at 31 December 2023, investments had an average term maturity of 191 days (2022: 128 days).
73. The total cash, cash equivalents and investments, broken down by currency, are as follows:

Cash, cash equivalents, and investments by currency (Thousands of CAD)				
	2023		2022	
Canadian dollars (CAD)	68 115	17%	69 125	20%
United States dollars (USD)	323 213	80%	259 338	76%
Other Currencies	14 132	3%	14 125	4%
Total	405 460	100%	342 588	100%

74. As at 31 December 2023, CAD 275.3 million (2022: CAD 236.8 million) represents CDIP funds and cash that is restricted for use specified by legislative action, including the unexpended balance held in the PKD Fund, International Registry Fund, Joint Finance Funds, Trust Funds, etc. The amount of CAD 16.5 million (2022: CAD 16.3 million) held on behalf of the 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 130.2 million (2022: CAD 105.8 million).

Note 2.2: Assessed Contributions Receivable from Member States

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

Net assessed contributions receivable (Thousands of CAD)		
	2023	2022
Current	4 206	17 283
Non-current	952	3 068
Total	5 158	20 351

76. The gross and net amounts of contributions receivable are as follows:

Net assessed contributions receivable (Thousands of CAD)		
	2023	2022
Assessed contributions receivable	14 331	26 976
Less:		
ECL Allowance	(9 173)	(6 625)
Total Net Assessed Contributions Receivable	5 158	20 351

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

Assessed contributions receivable (Thousands of CAD)				
Year of Assessment	2023	%	2022	%
2023*	4 111	28.7		
2022	1 593	11.1	17 464	64.7
2021	1 050	7.3	1 374	5.1
2020	662	4.6	881	3.3
2019 and earlier	6 915	48.3	7 257	26.9
Total	14 331	100	26 976	100

* The USD portion of the 2023 Assessment has been revalued at the 31 December 2023 exchange rate. The historical amount is CAD 4.2 million (refer to Table B).

78. 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.

79. The result of applying IPSAS 41's impairment model to the assessed contributions receivable is shown in the table below and the effect on the opening balance is explained in Note 9.

ECL Allowance (Thousands of CAD)				
	2022	Utilization	Increase/ (Decrease)	2023
Total ECL allowance	6 625		2 548	9 173

80. The total ECL allowance includes the amount of CAD 8.5 million relating 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 remained valid and properly recognized in the accounts, the

receivable balance of those States with impact on their voting rights if an Assembly session is deemed to be held or held in the financial year needed to be further reduced.

81. The total ECL allowance also includes the amount of CAD 0.7 million owing to ICAO by the former Socialist Federal Republic of Yugoslavia. The resolution of the United Nations General Assembly⁴ determined the allocation of outstanding assessed contributions from the Former Yugoslavia up to 27 April 1992, to its successor states. Additionally, it authorized the write-off of recorded balances after that date. Nevertheless, as of the time this document was written, no consensus had been reached among the successor states regarding the allocation matter.
82. There were no write-offs of contributions receivable during 2023.

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

Receivables, advances, and other current assets (Thousands of CAD)		
	2023	2022*
Receivables from delegations	1 603	910
Receivables from United Nations Agencies	1 452	1 033
Receivables Training	1 442	1 812
Other	1 218	1 781
Receivable from EU**	894	813
Receivables PKD membership fees	613	586
Subtotal financial instruments*	7 222	6 935
ECL allowance	(2 177)	(551)
Net financial instruments	5 045	6 384
Advances to United Nations Agencies	2 282	2 239
Advances to suppliers for CDIP	2 817	4 080
Advances to employees	1 293	1 265
Recoverable taxes*	1 002	662
Prepaid expenses	727	1 057
Subtotal non-financial instruments	8 121	9 303
Total Receivables, advances and other current assets	13 166	15 687

Details may not add to totals due to rounding

**Certain comparative information has been reclassified to conform with the current year's presentation*

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

83. ICAO's receivables (excluding contributions receivables) primarily arise from exchange transactions related to services provided to delegations, UN agencies, and International Organizations, as well as training services and other revenue-generating activities. When applying the IPSAS 41 impairment model, these receivables are subject to ECL of CAD 2.2 million as shown in the table below. The total ECL allowance includes an amount of CAD 2.1 million related to balances outstanding for more than 2 years. Further details regarding the impact on the opening balance can be found in Note 9.

ECL Allowance (Thousands of CAD)				
	2022	Utilization	Increase/ (Decrease)	2023
Total ECL allowance	551	(265)	1 891	2 177

² General Assembly resolution A/RES/63/249

84. Receivables from United Nations Agencies include CAD 1.1 million at the end of 2023 (2022: CAD 1.0 million) representing compensation payments made on behalf of the United Nations Development Programme (UNDP) to surviving spouses of project personnel who died while working on UNDP-financed projects. 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.
85. Other receivables include mainly amounts due from revenue generation activities such as the sales of publications and the rental of conference rooms and space to delegations.
86. Advances to employees are for education grants, rental subsidies, travel, and other staff entitlements.
87. Advances to United Nations Agencies refer to cash advanced to UNDP to execute payments on ICAO's behalf through the Service Clearing Account.
88. The details of the non-current portion of receivables are presented in the below table:

Receivables non-current (Thousands of CAD)		
	2023	2022
Receivables from EU*	1 449	-
Receivables from AFCAC	121	187
ECL allowance	(7)	(15)
Total	1 563	172

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

Note 2.4: Inventories

89. ICAO inventories include the stock of published documents that 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 the APAC Regional Office's Souvenir boutique.
90. The table below shows the total value of inventories as at 31 December.

Inventories (Thousands of CAD)					
	Publications	Printing supplies	Commissariat	Souvenir boutique	Total
Opening inventory as at 1 January 2022	149	67	229	12	457
Purchase/produced	353	256	226		836
Sold/consumed	(357)	(262)	(214)	(1)	(835)
Impairment and write-offs	(18)	(2)	(1)		(21)
Total inventory as at 31 December 2022	127	59	240	11	437
Purchase/produced	498	257	229		984
Sold/consumed	(527)	(267)	(293)	(5)	(1 092)
Impairment and write-offs	(38)				(38)
Total inventory as at 31 December 2023	60	49	176	6	291

Details may not add to totals due to rounding

91. Publications, printing supplies, Commissariat, and APAC Regional Office's souvenir boutique items and quantities derived from ICAO's inventory tracking systems were validated by physical stock count in 2023.

92. Inventories are valued net of any identified impairments. During 2023, impaired inventories included obsolete publications of CAD 38 thousand (CAD 18 thousand in 2022). 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)

93. The cost of PP&E includes items held at ICAO Headquarters (HQ) in Montreal, Canada 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.
94. The net book value of PP&E as at 31 December 2023 was CAD 4.6 million (2022: CAD 4.6 million). The total cost of acquisitions during 2023 was CAD 1.2 million (2022: CAD 1.0 million).
95. An impairment review was conducted, and no significant impairment was identified.
96. The following table presents PP&E capitalized in the accounts in accordance with IPSAS.

Property, plant and equipment: 2023
(Thousands of CAD)

	Furniture & Fixtures	IT Equipment	Motor Vehicles	Machinery & equipment	Leasehold Improvements	Leasehold Improvements & others in Progress	Total
Cost as at 1 Jan 2023	242	5 236	645	2 442	6 136	551	15 253
Additions	8	46	44	218		897	1 213
Transfer		30		(15)		(15)	
Disposals			(35)				(35)
Cost as at 31 Dec 2023	250	5 312	654	2 645	6 136	1 433	16 431
Accumulated depreciation as at 1 Jan 2023	(169)	(4 248)	(512)	(1 817)	(3 888)		(10 633)
Depreciation	(15)	(474)	(41)	(192)	(538)		(1 260)
Disposals			35				35
Accumulated depreciation as at 31 Dec 2023	(184)	(4 722)	(518)	(2 009)	(4 426)		(11 858)
Net carrying amount as at 1 Jan 2023	74	988	134	625	2 248	551	4 620
Net carrying amount as at 31 Dec 2023	66	590	137	636	1 710	1 433	4 572

Details may not add to totals due to rounding

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 to totals due to rounding

97. Commitments relating to leases are presented in Note 6.1.

98. 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. During 2023, a Pensive Athena tablet and a Metal Horse Sculpture were donated and installed at the ICAO Headquarters. Additional aircraft models were donated to the Organization. Heritage assets 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

99. The net book value of intangible assets as at 31 December 2023 was CAD 3.6 million (2022: CAD 3.0 million). The total costs of additions and amortization during 2023 were CAD 1.0 million (2022: 0.6 million) and CAD 0.4 million (2022: CAD 0.4 million), respectively. ICAO currently holds fully amortized intangible assets that are not in use (original cost CAD 0.6 million). These assets remain on the records until they receive approval for derecognition (2022: 0.4 million derecognized in 2023).

100. During the year, additions of CAD 0.7 million (2022: CAD 0.5 million) were capitalized to assets under development and a total of CAD 0.4 million in assets under development were completed and became operational software.

101. An impairment review was conducted for all intangible assets, resulting in the identification of a CAD 0.1 million impairment during the year. Associated intangible assets (original cost of CAD 0.5 million) remain on the records until they receive approval for derecognition (2022: nil).

102. The following table presents the value of intangible assets recognized in the accounts.

Intangible assets: 2023

(Thousands of CAD)

	Software	Licenses & rights	Software Developed Internally	Other Intangible Assets	Software Under development	Total
Cost as at 1 Jan 2023	1 761	453	1 277	465	1 829	5 786
Additions	328				669	997
Transfers			430		(430)	
Adjustment		(8)				(8)
Disposals and Impairment	(21)		(351)			(372)
Cost as at 31 Dec 2023	2 068	445	1 356	465	2 068	6 403
Accumulated amortization as at 1 Jan 2023	(1 250)	(384)	(796)	(308)		(2 738)
Amortization	(154)	(41)	(181)	(10)		(387)
Disposals and Impairment	(37)	(20)	351			295
Accumulated amortization as at 31 Dec 2023	(1 441)	(445)	(627)	(318)		(2 831)
Net carrying amount as at 1 Jan 2023	511	69	481	157	1 829	3 047
Net carrying amount as at 31 Dec 2023	627	0	730	147	2 068	3 572

Details may not add to totals due to rounding

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 to totals due to rounding

Note 2.7: Financial Instruments

2.7.1 Financial Assets and Liabilities

103. 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 CDIP refer to operations whose risks are absorbed by the projects/funds.

Financial Instruments

(Thousands of CAD)

	2023				2022			
	Regular Activities /s1	Other Regular Activities /s2	CDIP	Total	Regular Activities /s1	Other Regular Activities /s2	CDIP	Total
Cash and cash equivalents	49 587	37 828	147 579	234 994	97 121	37 232	183 062	317 415
Investments	85 232		85 234	170 466	12 204		12 969	25 173
Assessed contributions receivable (current)	4 206			4 206	17 283			17 283
Assessed contributions receivable (non-current)	952			952	3 068			3 068
Receivables (current) /s3	2 638	1 299	1 108	5 045	4 548	790	1 046	6 384
Receivables (non-current)	1 563			1 563	172			172
Sub-total financial assets	144 178	39 127	233 921	417 226	134 396	38 022	197 077	369 495
Accounts payable and accrued liabilities /s4	6 456	18 842	5 918	31 216	8 768	17 470	6 362	32 600
Sub-total financial liabilities	6 456	18 842	5 918	31 216	8 768	17 470	6 362	32 600
Financial instruments - net exposure	137 722	20 285	228 003	386 011	125 628	20 552	190 715	336 895

Details may not add to totals due to rounding

*1 - Excludes funds where risks are not assumed by ICAO.

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

*3 - Certain comparative information has been reclassified to conform with the current year's presentation.

*4 - Excludes provisions that are separately presented under accrued liabilities (note 2.9): the amount CAD 0.1 million removed from 2023 Accounts payable and accrued liabilities (2022: CAD 0.7 million).

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

2.7.2 Market Risk

105. 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 CDIP and other funds that utilize the USD as the functional currency.
106. 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.
107. For CDIP 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 CDIP's financial performance. To reduce the impact on projects' expenditures whereby purchase orders pertaining to CDIP 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.

108. At 31 December 2023, those financial instruments exposed to market risk assumed by ICAO, are denominated as follows:

Financial instruments denomination
(Thousand of CAD)

Currency	USD	Others	CAD	Total
Cash and cash equivalents, and investments	81 695	2 677	50 447	134 819
Percent of cash and cash equivalents by currency	61%	2%	37%	100%
Assessed contributions receivable (current)	1 779		2 427	4 206
Assessed contributions receivable (non-current)			952	952
Receivables (current)	2 044		594	2 638
Receivables (non-current)	114	1 449		1 563
Sub total receivables	3 937	1 449	3 973	9 359
Percent of assets by currency	42%	15%	43%	100%
Accounts payable and accrued liabilities	1 285	83	5 088	6 456
Percent of accounts payable and accrued liabilities by currency	20%	1%	79%	100%
Net risk 2023	84 347	4 043	49 332	137 722
Net risk 2022	67 532	3 910	54 848	126 290

Details may not add to totals due to rounding

109. 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 CDIP 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
(Thousands of CAD)

	2023			2022		
	USD	Others	Impact on Net Assets	USD	Others	Impact on Net Assets
Net risk	84 347	4 043		67 532	3 910	
Impact +5%	4 217	202	4 419	3 377	196	3 572
Impact -5%	(4 217)	(202)	(4 419)	(3 377)	(196)	(3 572)

110. 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 2022) 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 2023, interest rates increased; the average interest rates and term maturity are provided in Note 2.1.

2.7.3 Credit Risk

111. 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.
112. Credit and liquidity risks associated with cash and investments are minimized 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. An estimated expected credit loss was calculated utilizing the weighted long-term average loss for similar grades calculated by an independent rating agency. However, given the short duration and low default probabilities, the ECL from cash, cash equivalents and investments are negligible. Moreover, there is no history of non-collection in the past, as a result, no impairment allowance is recognized. Balances held with financial institutions at the reporting dates are as follows:

Cash and Investments credit ratings
(Thousands of CAD)

	AA	A	B	Not rated	Total
Balance at 31 December 2023	388 509	13 971	2 478	502	405 460
Balance at 31 December 2022	332 675	6 423	3 411	79	342 588

AA includes: AA-

A includes: A+, A and A-

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

113. Contributions receivable is comprised of assessed amounts due from Member States and voluntary contributions from governmental donors based on binding agreements with each donor. Details of assessed contributions receivable are provided in Note 2.2. As indicated in Notes 1 and 2.2, long-term assessed contributions are stated at amortized (discounted) cost using the effective interest method. The allowance is based on lifetime ECL. 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.
114. Details of receivables other than assessed contributions and corresponding ECL allowance are provided in Note 2.3. Based on prior experience, ICAO considers its credit risk to be low.
115. 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

116. 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 that investments are held primarily in liquid short-term deposits. At 31 December 2023, ICAO's total cash, cash equivalents and investments amounting to CAD 405.5 million (2022: CAD 342.6 million), were sufficient to settle current liabilities, which totaled CAD 311.4 million (2022: CAD 270.1 million). The liquidity situation is regularly monitored to ensure that all short-term liabilities are settled in a timely manner.

117. 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.
118. 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. The 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)		
	2023	2022
Current		
Contributions for CDIP	229 398	191 912
Assessed contributions received in advance	14 255	10 408
Advance payment for voluntary contributions	15 943	14 716
Deferred revenue	3 355	2 553
ARGF Publication Sales	1 154	1 098
Public Key Directory	2 708	3 246
Other advances	1 540	1 440
Sub-total	268 353	225 373
Non-current		
Deferred revenue	1 449	-
Total	269 802	225 373

Note 2.9: Accounts Payable and Accrued Liabilities

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

Accounts payable and accrued liabilities (Thousands of CAD)		
	2023	2022
Trade payables	8 694	9 020
Funds held on behalf of MBP (see note 2.1 restricted cash)	16 460	16 322
Accrued liabilities and other provisions	4 665	5 627
Payables to employees	1 517	2 356
Total	31 336	33 324

120. 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 2023.
121. 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 0.1 million (2022: CAD 0.7 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 and other provisions balance.

Provisions (Thousands of CAD)				
	Administration of Justice	Commercial	Other	Total
Provisions as at 31 December 2022	690		35	725
Additional provisions made	85			85
Amounts reversed	(690)			(690)
Amounts used				
Provisions as at 31 December 2023	85		35	120
Current	85		35	120
Non-current	-			
Total	85		35	120

Note 2.10: Employee Benefits

122. 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 CDIP international experts.

Employee benefits liabilities (Thousands of CAD)		
	2023	2022
Current		
Accumulated Annual Leave	1 716	1 873
Repatriation	2 308	2 398
ASHI	2 686	2 635
Other benefits for international experts	1 624	2 538
Sub-total	8 334	9 444
Non-current		
Accumulated Annual Leave	10 270	10 332
Repatriation	13 697	13 606
ASHI	103 054	108 783
Sub-total	127 021	132 721
Grand Total	135 355	142 165

2.10.1 Defined-benefit Plans

123. ICAO offers to its employees and former employees the following defined-benefit plans.
124. ASHI plan: the Organization has an obligation to provide after-service medical benefits to its staff members. Retiring staff members and their spouses, dependent children and survivors are eligible for ASHI coverage. 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 at least ten years of service in the plan. The Organization pays 50 per cent of the costs for retirees who have accumulated at least 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.
125. 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.

126. 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.
127. 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.
128. 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 CDIP project staff upon separation. Such project staff benefits are covered by the ICAO Field Service Staff Rules.

2.10.2 Actuarial Valuation Results

129. The movement of employee benefits liabilities during 2023 and comparative movements for 2022 are as follows:

Actuarial valuation 2023: movement in post employment benefits liabilities

(Thousands of CAD)

	Balance 1 Jan 2023	Benefits Paid	Current Service (net of employee contributions)	Interest Cost	Actuarial Loss/(Gain)	Balance 31 Dec 2023
Post-retirement plan (ASHI)	111 418	(2 086)	3 521	4 202	(11 316)	105 739
End of service – annual leave	12 205	(724)	701	442	(639)	11 985
End of service – repatriation benefits	16 004	(1 161)	694	572	(103)	16 007
Other employee benefits – international experts	2 538	(78)	(836)			1 624
Grand Total	142 165	(4 049)	4 080	5 216	(12 058)	135 355

Details may not add to totals due to rounding

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

Details may not add to totals due to rounding

130. Comparative analyses of actuarial losses (and gains) for 2023 and 2022 are as follows:

Actuarial gains and losses 2023

(Thousands of CAD)

Actuarial Adjustments 2023	ASHI	Annual Leave	Repatriation Grant	Total
Loss (Gain) due to experience	470	(783)	604	291
Loss (Gain) due to changes in demographic assumptions	31	(1)	(882)	(852)
Loss (Gain) due to changes in financial assumptions	(11 817)	145	175	(11 497)
Total Loss (Gain) on Accrued Benefit Obligation as at December 31, 2023	(11 316)	(639)	(103)	(12 058)

Details may not add to totals due to rounding

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)

Details may not add to totals due to rounding

131. 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 CDIP, total CAD 9.4 million in 2023 (2022: CAD 7.5 million) and are included in the expense of the Revolving Fund. The accumulative ASHI actuarial gain amounted to CAD 19.5 million at the end of 2022 is increased by ASHI actuarial gain of CAD 11.3 million in 2023. At the end of 2023, the accumulative ASHI actuarial gain of CAD 30.8 million is recorded against reserve in the Revolving Fund.

2.10.3 Employee Benefits Liabilities – Sensitivity Analysis

132. 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
ASHI		
Effects: Current service cost + interest cost	(459)	548
Effects: Accrued benefit obligation	(16 119)	20 849
Repatriation Grant		
Effects: Current service cost + interest cost	51	(57)
Effects: Accrued benefit obligation	(920)	1 044
Annual Leave		
Effects: Current service cost + interest cost	41	(47)
Effects: Accrued benefit obligation	(723)	826

133. Sensitivity analysis for the Medical and Dental Trend Rates, as described in Note 2.10.5, for the post-retirement health 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	1 771	(1 344)
Effects: Accrued benefit obligation	19 922	(15 752)

134. 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	256	(255)
Effects: Accrued benefit obligation	3 947	(3 909)

135. 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.
136. During 2023, there were no major changes to the health plan. There were no plan amendments in 2022.

2.10.4 Cost during Current and Future Periods

137. The expected contribution of ICAO to the defined benefits plan in 2024 is CAD 7.0 million, which is determined by the independent actuary based on expected benefit payments for 2023.

Actual and expected costs
(Thousands of CAD)

	Post-retirement plan (ASHI)	End of service – annual leave	End of service - repatriation grants	Total
Expected cost during 2024	2 785	1 779	2 393	6 957
Actual cost 2023	2 086	724	1 161	3 971
Actual cost 2022	1 937	637	731	3 305

138. The costs in the table above are included in the annual cash flow related to these employee benefit obligations and are 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 mostly covered by the Organization's Regular Budget which is itself 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.

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

	2023	2022
ASHI	9.80 years	9.59 years
Annual Leave	7.50 years	7.39 years
Repatriation Grant	7.40 years	7.44 years

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

	2023	2022
ASHI	17.2 years	17.5 years
Annual Leave	6.5 years	6.3 years
Repatriation Grant	6.2 years	6.2 years

2.10.5 Actuarial Assumptions and Methods

141. Liabilities arising from end of service benefits for staff members at 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 2023.

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	3.69 per cent for accounting and funding based on composite CAD and USD government bond rates weighted based on currency of post-employment liability (2022: 3.70 per cent).
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 3.20 per cent over a period of 10 years (2022: 8.0 per cent to 3.70 per cent, 10 years), annual increase for dental range from 3.65 per cent in USD and 3.20 per cent in CAD (2022: 3.70 per cent).
Expected Return on Assets	Not applicable.
Exchange Rate Used	USD 1.00 for CAD 1.319 (CAD 1.356 in the 2022 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 2.6 thousand for drugs (CAD 2.7 thousand in 2022), from CAD 0.4 thousand to CAD 1.5 thousand for dental (CAD 0.4 thousand to CAD 1.6 thousand in 2022), and from CAD 0.7 thousand to 8.0 thousand for health care (CAD 0.7 thousand to CAD 8.2 thousand in 2022).
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 (no change from 2022). ➤ Health care in Canada to range from 2.0 per cent up at age 40 to 64 down to 0.50 per cent at age 85 and up (2022: 2.0 per cent up to age 84 down to 0.75 per cent at age 85 and up). ➤ 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 2022). <p>Assumed decreases for:</p> <ul style="list-style-type: none"> ➤ Dental care by 0.5 per cent per year (no change from 2022). ➤ Cost of drugs at age 65 for those covered by a public drug plan in Canada by 65 per cent (no change from 2022).
Annual Administrative Costs	For the first three months in 2023 is USD 27.83 per Certificate per month, then: a) from 1 April 2023 – 31 March 2024 (year 3): USD 28.39 per month, per Certificate; b) from 1 April 2024 – 31 March 2025 (year 4): USD 28.96 per month, per Certificate. Inflation at 2.2 per cent per year, (2.4 per cent in 2022).
Mortality Table	2017 UN ASHI headcount-weighted mortality table. Mortality rates are unchanged from 2022.
Withdrawal Rates	2023 UNJSPF assumptions vary by General Service vs Professional, starting in 2019. All participants (Professional and

General Service) with 0-1 year of service: reduction in withdrawal rates. General Service male participants with 2-3 years of service: reduction in withdrawal rates.

Retirement Age

2023 UNJSPF assumptions vary by General Service vs Professional, starting in 2019. All participants with Normal Retirement Age (NRA) of 60: reduce retirement rates at some ages. All participants with NRA of 62: reduction at ages 62, 63, 64; increase the rate at age 65.

Coverage of Dependents at Retirement

60 per cent (same in 2022). Wives are assumed to be four years younger than their male spouses (2022: five years). 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

3.67 per cent per year (3.70 per cent in 2022) based on government bond rates in Canada and in the United States. Currency mix: 43% CAD/57% USD.

Salary Increase

2.60 per cent per year, based on UNJSPF assumptions (2022: 2.50 per cent).

Net Accrual in Annual Leave Balance

From 7.5 (2022: 8) days during the first year to none for 30 years of service and more (2022: 35 years), up to a maximum of 60 days.

Withdrawals Due to Voluntary Leave

15 per cent (10 per cent in 2022).

Removal of Effects on Repatriation

USD 18.0 thousand per employee with eligible family members (no change from 2022), USD 13.0 thousand per employee without eligible family members (same in 2022). Inflation at 2.2 per cent per year (2.4 per cent in 2022).

Travel Costs

CAD 8.3 thousand per employee (CAD 7.5 thousand per employee in 2022). Inflation at 2.2 per cent per year (2.4 per cent in 2022).

142. ICAO uses a combination of the Canadian government bond rate and the United States of America's 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 (currency mix of CAD: 43 per cent and USD: 57 per cent). ICAO uses the same Canadian to 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.

143. 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.
144. The 2023 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 2021 to 2023 adjusted for historical trend rates and anticipated adjustments due to aging. The valuation per capita claims costs are based on an average of these adjusted per capita costs trended with the 2023 estimated medical inflation.
145. 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 2023 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.
146. 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 2023 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.
147. The 2023 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 (unchanged from 2022), respectively, at time of retirement. MBP Class 3 members will select class 2, 4/6, or 5 with probabilities of 6 per cent, 68 per cent and 26 per cent (unchanged from 2022), respectively, at time of retirement.
148. 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

149. 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 2023, cash amounting to CAD 1.7 million is reflected in the Revolving Fund (CAD 1.6 million at 31 December 2022) following the 37th Assembly's approval of initial funding for ASHI using cash surplus from the 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”)

150. 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.
151. 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.
152. The latest actuarial valuation for the Fund was completed as of 31 December 2021, and the valuation as of 31 December 2023 is currently being performed. A roll forward of the participation data as of 31 December 2021 to 31 December 2022 was used by the Fund for its 2023 financial statements.
153. The actuarial valuation as of 31 December 2021 resulted in a funded ratio of actuarial assets to actuarial liabilities of 117.0%. The funded ratio was 158.2% when the current system of pension adjustments was not taken into account.
154. 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.
155. 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 (2020, 2021 and 2022) amounted to USD 8,937.68 million, of which 0.68 per cent was contributed by ICAO.
156. During 2023, contributions paid to the Fund by ICAO amounted to USD 22.2 million equivalent to CAD 29.9 million (USD 21.0 million equivalent to CAD 27.3 million in 2022). Contributions due in 2024 are expected to be at the same level.
157. 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.

158. 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

159. 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

160. 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 1.9 million (2022: CAD 2.0 million).
161. The Danish and Icelandic Joint Financing Agreements accounts include an amount of CAD 0.8 million (2022: CAD 0.8 million) due to the Provider State, a reserve interest amount of CAD 0.3 million (2022: CAD 0.3 million), and an amount of CAD 0.2 million (2022: CAD 0.1 million) assessments due from Contracting Governments. 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.
162. The North Atlantic Height Monitoring System accounts include a liability of CAD 1.0 million (2022: CAD 1.0 million). A new Agreement is expected to take effect in 2024 at which time the current Agreement will be phased out and the disposition of the remaining balances will be determined.

Note 2.12: Net Assets (Net Accumulated Deficit)

163. 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.

Reserves

(Thousands of CAD)

	2023	2022
Regular Activities		
Accumulated actuarial gain/(loss) on ASHI (Note 2.10.2)	30 763	19 446
Carry forward of Appropriations (Note 4) - Commitments	18 374	18 214
Restricted Surplus for WCF ⁵	8 075	8 080
Operational Reserve	7 240	14 148
Operational reserve for ARGF, TRAINAIR PLUS and Commissariat	5 594	4 511
Restricted surplus for ARGF	3 095	1 745
Amounts reserved in the Incentive Fund	182	239
Reserved deficit for unrealized differences	(5 884)	(2 449)
Sub-total	67 439	63 934
Translation difference	47	21
Total	67 486	63 955

164. The decrease of the Operational Reserve balance relates to CAD 4.5 million of funds utilized in 2023 and CAD 2.4 million transferred to 2023-2025 Regular Budget per Resolution A41-28.
165. Reserved deficit for unrealized differences represents unrealized gains and losses on assets and on exchange differences set aside until the corresponding assets are realized.
166. A balance of CAD 5.6 million (CAD 4.5 million in 2022) is in the operational reserve for ARGF, TRAINAIR PLUS and Commissariat in accordance with Financial Regulations 7.3 and the Council Decision C-DEC 190/5.
167. Restricted surplus for ARGF includes an amount of CAD 3.1 million earmarked for ongoing projects (CAD 1.7 million in 2022).
168. The reduction in the Incentive Fund balance relates to the 2023 portion transferred to 2023-2025 Regular Budget, as per Resolution A41-28.

NOTE 3: REVENUES AND EXPENSES**Note 3.1: Contributions – In-Kind**

169. 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 ICAO premises located in their respective countries. The estimated fair value of these contributions in-kind is recorded in revenue and in general operating expenses.
170. 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:

⁵ Excludes unrealized differences as these are presented in the Reserved deficit for unrealized differences line.

In-kind contributions (Thousands of CAD)		
	2023	2022
Canada	23 244	23 194
Egypt	95	134
France	829	758
Peru	435	419
Senegal	304	273
Thailand	2 346	2 172
Total	27 253	26 950

171. 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 2022) from the Government of Quebec towards the provision of offices in the Bell Tower in Montreal, for the Capacity Development and Implementation Bureau.
172. 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, respectively. The contributions received in 2023 amounted to CAD 0.3 million from CAAC and CAD 0.6 million from the Government of Mexico (CAD 0.3 million and CAD 0.5 million in 2022), and are included as revenue in the statement of financial performance.
173. Staff services and travel, provided free of charge by States for Regular Activities and estimated at CAD 17.5 million in 2023 (CAD 12.3 million in 2022), are not recognized in the statement of financial performance as the Organization elected only to disclose them in the Notes.
174. 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.
175. Other buildings occupied by ICAO are under operating leases or nominal leases, which are described in Note 6.1.

Note 3.2: Revenue

176. The main sources of revenue recognized during the year are contributions for CDIP that were implemented during the year (refer to Note 5.3 and Table C) and assessed contributions.
177. Total revenue related to contributions for project agreements recognized during the year is presented below:

Contributions for project agreements (Thousands of CAD)		
	2023	2022
Trust Fund and Management Service Agreements	123 640	86 455
Public Key Directory	3 377	2 066
Civil Aviation Purchase Services and others	1 157	986
Total	128 174	89 507

178. Assessed contributions of CAD 114.7 million (2022: CAD 113.7 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)

	2023	2022
Assessments on States as resolved by the Assembly	103 920	101 058
Exchange Differences*	12 578	10 053
Assessment (table B)	116 498	111 111
Increase/(decrease) from cumulative discount on long-term receivables	(1 805)	2 611
Amount reported in Statement II: assessed contributions	114 693	113 722

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

179. The following table for revenue generating activities reflects incremental improvements in revenue generation after the COVID-19 pandemic. Activities could only resume in full after the remaining restrictions to in-person events and training were lifted in mid-2022.

Other revenue generating activities

(Thousands of CAD)

	2023	2022
Training courses, assessment & membership fees	7 345	6 172
Licensing	3 414	3 214
Delegation and conference services	3 327	2 956
Events	3 115	2 682
Publications	2 565	3 196
Publication royalties	2 308	1 436
Websites/digital e-products	1 348	1 375
Subscription fees	931	935
Printing and distribution services	760	510
Commissariat sales	390	285
Advertising	5	454
Total	25 508	23 215

180. Revenue from other voluntary contributions includes unconditional voluntary contributions received in cash and the progressive revenue recognized for conditional voluntary contributions as conditions are fulfilled. The donated rights to use for premises are recorded as revenue corresponding to the fair rental value equivalent in the respective years (refer to Note 3.1 in kind contribution).

Other voluntary contributions

(Thousands of CAD)

	2023	2022
Donated right to use - premises	27 253	26 950
Voluntary contributions	13 475	13 034
Total	40 728	39 984

181. Other Revenue comprises the following:

Other revenue

(Thousands of CAD)

	2023	2022
Interest income*	6 957	2 463
Service fees	2 007	1 081
Exchange gains**	503	4 607
Others	639	410
Total	10 106	8 561

*The interest income excludes CAD 8.6 million (CAD 2.7 million in 2022) reported under administrative fee revenue in AOSC, and CAD 2.4 million (CAD 0.9 million in 2022) reported under CDIP advanced receipts (Regulation 7.6 b)).

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

182. 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

183. Salaries include remuneration paid to employees of the Organization, international field experts, and experts under Operational Assistance Agreement (OPAS) for CDIP. 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 CDIP 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 CDI 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)

	2023	2022
Professional and General Service Staff	124 878	118 120
Project Personnel – National Professional	21 177	22 309
Consultancies & Contractors	16 720	15 691
CDIP OPAS Experts	8 120	6 485
CDIP International Field Experts	3 305	3 118
Project Personnel – National Admin Support	1 822	1 993
Others	1 439	1 404
Total	177 461	169 120

3.3.2 Subcontracts, Supplies, and Consumables

184. Expenses of CAD 75.3 million for subcontracts, supplies and consumables (2022: CAD 40.3 million) comprise mostly the procurement of goods and services for Trust Funds, Management Service Agreements, Civil Aviation Purchasing Services, and iPack projects under the CDIP.

3.3.3 General Operating Expenses

General operating expenses

(Thousands of CAD)

	2023	2022*
Contribution In-Kind - Premises	27 253	26 950
Outsourcing Services	9 226	6 701
Audits, Insurance, Services and UN Studies	3 915	2 616
IT Hardware/Software Maintenance and Purchases	3 886	3 182
Rental and Maintenance of Premises	3 782	4 114
Depreciation and Amortization*	1 725	1 821
Others*	1 489	2 061
Total	51 276	47 446

* Certain comparative information has been reclassified to conform with the current year's presentation

3.3.4 Travel

185. Travel expense refers to mission travel, which includes airfares, daily subsistence allowances, and terminal allowances amounted to CAD 13.1 million in 2023 (2022: CAD 8.8 million). Travel expenses in 2023 have continuously increased in comparison to 2021 and 2022, gradually reaching their pre-pandemic level as a result of the lifting of COVID-19 related travel restrictions.

3.3.5 Other Expenses

Other expenses

(Thousands of CAD)

	2023	2022
Exchange losses*	2 906	78
Bank charges	419	350
Services for conferences and seminars	489	309
Others	178	(416)
Total	3 992	321

*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

186. 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 CDIP 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 CDIP 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)/losses

(Thousands of CAD)

	2023	2022
Realized exchange (gains)/losses	2 938	(2 508)
Un-realized exchange (gains)/losses	(527)	(2 022)
Total Exchange (gains)/losses*	2 411	(4 530)

Note*: Includes CAD 0.5 million of exchange gain reported under Other Revenue.

NOTE 4: STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

187. 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 CDIP. These two budgets are publicly available and may be subsequently amended by the Council or through the exercise of delegated authority. Statement V shows a comparison between the original budget, the final budget and the actual amounts on a comparable basis incurred during 2023.
188. The Original Budget (CAD 142.7 million) on Statement V is comprised of budget approved by the Assembly (appropriations) for the year (CAD 117.0 million), 2022 appropriations carried over to 2023 to cover outstanding commitments (CAD 18.2 million) and carryover of unutilized appropriations from prior year (CAD 7.5 million). The Final Budget includes transfers and changes in appropriations approved during the year. The Statement V also presents the status of appropriations by the results-based management structure of the Business Plan as voted by the Assembly.
189. In Statement V, the difference of CAD 1.6 million between budget as approved by the Assembly (CAD 117.0 million) and the actual revenue and transfers on comparable basis (CAD 118.6 million) is due to the increase in miscellaneous income (CAD 3.4 million) and decrease from cumulative discounted receivables (CAD 1.8 million) which were not budgeted for. The budget difference of CAD 12.6 million between actual revenue and transfers on comparable basis as reported in Statement V (CAD 118.6 million) and that reported in Table A (CAD 131.2 million), comprising of revenue (CAD 128.7 million) and transfers (CAD 2.4 million) for the Regular Budget, is mainly attributable to exchange gains (CAD 12.6 million) resulting from the split assessment system adopted by the Organization's under which Member States are assessed partly in CAD and in USD.
190. Statement V compares the Original Budget for the Regular Budget (CAD 142.7 million) and the actual expenditures on a comparable basis (CAD 134.8 million), and this results in a carry-over of unutilized appropriations to the following year of CAD 7.9 million. The budget difference of CAD 0.7 million between actual expenditures on a comparable basis (CAD 134.8 million) and the corresponding expenses recorded under General Fund in Table A at the UNORE (CAD 134.1 million) is mainly explained by: (a) the reduction due to the exchange difference from application of the budget rate of exchange and the UNORE (CAD 11.3 million); (b) the reduction due to the net currency exchange difference from the revaluation of assets and liabilities recognized on the IPSAS basis (CAD 1.8 million); (c) the reduction due to the Operational Reserve Fund expenditures that are presented under the Regular Budget in Table A but not reported in Statement V as these are not budgeted for in the 2023 Regular Budget (CAD 4.5 million) and (d) the recognition of outstanding commitments, for budget utilization purposes, foreseen to be incurred only in the following year (CAD 18.4 million).
191. Budget estimates (final revised) are also compared to actual amounts in Statement V 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.

The Reconciliation to the Statement of Cash Flow

192. A reconciliation between the actual amounts on a comparable basis in the Statement of Comparison of Budget and Actual Amounts for all Funds of the Organization that have Publicly Available Budgets (Statement V) and the actual amounts in the Statement of Cash Flow (Statement IV) for the year ended 31 December 2023 is presented below:

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

	Operating	Investing	Financing	Total
Actual on a Comparable Basis (Statement V):				
Revenue Regular Budget	118 583	-	-	118 583
Revenue AOSC	20 233	-	-	20 233
Expenses Regular Budget	(134 844)	-	-	(134 844)
Expenses AOSC	(11 655)	-	-	(11 655)
Budget Differences: (par. 189 and 190 above)				
i) Net exchange differences on budgeted assessments and expenses	1 305	-	-	1 305
ii) Outstanding commitments not requiring an outlay of funds	18 374	-	-	18 374
iii) Currency exchange - revaluation of balance sheet items	(1 816)	-	-	(1 816)
iv) Transfer from other Funds	(2 421)	-	-	(2 421)
Entity Differences (par. 193 below)	(5 860)	-	-	(5 860)
Presentation Differences (par. 194 below)	45 078	(129 502)	104	(84 320)
Actual Amounts in the Statement of Cash Flow (Statement IV)	46 977	(129 502)	104	(82 421)

Details may not add to totals due to rounding

193. **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 178.8 million) less expenses (CAD 184.7 million) that are included in the statement of financial performance (Statement II) and relate to other Regular Activities and CDIP activities. These activities and projects are generally funded by extra-budgetary resources and are excluded from the Regular Budget and the AOSC budgetary process.
194. **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 Amounts (Statement V)). 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

195. 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 CDIP Activities 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.

196. The Regular Activities segment includes administrative fee revenue and other revenue of CAD 9.0 million (CAD 8.8 million in 2022) charged by the AOSC Fund to CDIP. An equivalent amount is included as administrative overhead charges, travel, and other expenses in the CDIP Activities segment. The Administrative fee is charged based on the percentages agreed to in the CDIP agreements. Funds are transferred from Regular Budget and Voluntary contributions to CDIP for iPacks and implementation support projects. Such transfers, amounting to CAD 1.6 million (CAD 2.8 million in 2022), are reflected as revenue from contributions in CDIP Activities segment (CAD 0.4 million), revenue generating activities (CAD 0.7 million) and other revenue (CAD 0.5 million). The corresponding Regular Activities segment expenses are presented as subcontractors (CAD 1.1 million), travel (CAD 0.1 million), and other expenses (CAD 0.4 million). The amount due from CDIP segment by the Regular Activities segment at 31 December 2023 amounted to CAD 0.9 million (CAD 2.0 million at 31 December 2022). These amounts are eliminated for presentation purposes.

INTERNATIONAL CIVIL AVIATION ORGANIZATION
FINANCIAL POSITION BY SEGMENT
 AT 31 DECEMBER 2023
 (Thousands of CAD)

NOTE 5.2

	Notes	Regular Activities		Capacity Development and Implementation Programme Activities		Elimination		Total	
		2023	2022	2023	2022	2023	2022	2023	2022
ASSETS									
CURRENT ASSETS									
Cash and cash equivalents	2.1	87 415	134 353	147 579	183 062			234 994	317 415
Investments	2.1	85 232	12 204	85 234	12 969			170 466	25 173
Assessed contributions receivable from Member States	2.2	4 206	17 283					4 206	17 283
Inter-segment balances		854	2 038			(854)	(2 038)		
Receivables, advances and other current assets	2.3	7 931	8 255	5 235	7 432			13 166	15 687
Inventories	2.4	291	437					291	437
		185 929	174 570	238 048	203 463	(854)	(2 038)	423 123	375 995
NON-CURRENT ASSETS									
Assessed contributions receivable from Member States	2.2	952	3 068					952	3 068
Receivables	2.3	1 563	172					1 563	172
Property, plant and equipment	2.5	4 572	4 620					4 572	4 620
Intangible assets	2.6	3 572	3 047					3 572	3 047
		10 659	10 907					10 659	10 907
TOTAL ASSETS		196 588	185 477	238 048	203 463	(854)	(2 038)	433 782	386 902
LIABILITIES									
CURRENT LIABILITIES									
Advanced receipts	2.8	38 955	33 461	229 398	191 912			268 353	225 373
Accounts payable and accrued liabilities	2.9	25 418	26 962	5 918	6 362			31 336	33 324
Employee benefits	2.10	6 710	6 907	1 624	2 537			8 334	9 444
Inter-segment balances				854	2 038	(854)	(2 038)		
Credits to contracting/servicing governments	2.11	1 892	1 969					1 892	1 969
		72 975	69 299	237 794	202 849	(854)	(2 038)	309 915	270 110
NON-CURRENT LIABILITIES									
Advanced receipts	2.8	1 449						1 449	
Employee benefits	2.10	127 021	132 721					127 021	132 721
		128 470	132 721					128 470	132 721
TOTAL LIABILITIES		201 445	202 020	237 794	202 849	(854)	(2 038)	438 385	402 831
NET ASSETS									
Accumulated deficit		(72 296)	(80 477)	207	593			(72 089)	(79 884)
Reserves	2.12	67 439	63 934	47	21			67 486	63 955
NET ASSETS/(ACCUMULATED DEFICIT)		(4 857)	(16 543)	254	614			(4 603)	(15 929)
TOTAL LIABILITIES AND NET ASSETS		196 588	185 477	238 048	203 463	(854)	(2 038)	433 782	386 902

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 2023
(Thousands of CAD)

	Notes	Regular Activities		Capacity Development and Implementation Programme Activities		Elimination		Total	
		2023	2022	2023	2022	2023	2022	2023	2022
REVENUE									
Contributions for project agreements	3.2	3 376	2 066	125 237	88 867	(439)	(1 426)	128 174	89 507
Assessed contributions	3.2	114 693	113 722					114 693	113 722
Other revenue generating activities	3.2	26 187	24 067			(679)	(852)	25 508	23 215
Other voluntary contributions	3.2	40 728	39 958		26			40 728	39 984
Administrative fee revenue	3.2	17 548	11 516			(8 971)	(8 819)	8 577	2 697
Other revenue	3.2	10 091	8 858	486	256	(471)	(553)	10 106	8 561
TOTAL REVENUE		212 623	200 187	125 723	89 149	(10 560)	(11 650)	327 786	277 686
EXPENSES									
Salaries, employee benefits and project personnel	3.3	141 716	133 102	35 745	36 018			177 461	169 120
Subcontracts, supplies and consumables	3.3	1 335	1 180	74 965	40 005	(1 048)	(842)	75 252	40 343
General operating expenses	3.3	50 441	47 976	835	585		(1 115)	51 276	47 446
Travel	3.3	9 843	6 307	3 419	2 647	(137)	(113)	13 125	8 841
Meetings		2 677	2 274					2 677	2 274
Training		10		2 094	1 388			2 104	1 388
Administrative overhead charges				8 980	8 698	(8 980)	(8 698)		
Other expenses	3.3	4 276	1 092	111	111	(395)	(882)	3 992	321
TOTAL EXPENSES		210 298	191 931	126 149	89 452	(10 560)	(11 650)	325 887	269 733
SURPLUS/(DEFICIT) FOR THE YEAR		2 325	8 256	(426)	(303)			1 899	7 953

Details may not add to the totals due to rounding

Note 6: Commitments and Contingencies

Note 6.1: Lease and Contractual Commitments

Leases

197. The Organization has entered into several operating lease agreements for offices and equipment. While some of the agreements are under commercial terms, others are for space provided to ICAO by host Governments on a free-of-charge or nominal-fee basis. The in-kind rental value equivalent was estimated and recognized as expense and as voluntary contributions revenue in the statement of financial performance. As at 31 December 2023, there are no significant lease commitments for ICAO with regard to HQ or Regional Offices' premises as explained in Note 3.1 (2022: CAD 118 thousand related to Mexico office).

Leasing arrangements where ICAO is the lessor

198. The future minimum lease revenues under non-cancellable operating leases total CAD 2.5 million for 2023 (2022: CAD 2.5 million). These lease revenues comprise the rental of premises to Delegations and other organizations.
199. Under the lease agreement between ICAO and European Civil Aviation Conference (ECAC) signed on 23 November 2023, 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 272 thousand (EUR 186 thousand) for the current lease that expires on 31 December 2024.
200. The United Nations Capital Development Fund (UNCDF) also occupies the same building. Under the lease agreement between UNCDF and ICAO signed on 6 September 2023, 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 5.2 thousand (EUR 3.5 thousand) for the current lease that expires on 31 July 2024.

Contractual commitments

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)		
	2023	2022
Property, plant and equipment	981	1 879
Intangible	1 127	967
Good and services	9 242	8 219
Total open contractual commitments	11 350	11 065

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 2023, 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)

(Thousands of CAD)

	Number of Individuals	Compensation and Post Adjustment	Entitlements	Pension and Health Plans	Total Remuneration	Outstanding Advances Against Entitlements	Outstanding Loans
Year 2023	12	2 888	334	920	4 142	94	-
Year 2022	11	2 645	272	817	3 734	121	-

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 personnel 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.
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.

NOTE 9: CHANGE IN ACCOUNTING POLICY

209. Effective 1 January 2023, the ICAO adopted IPSAS 41: Financial instruments. The changes from the initial adoption of the Standard are effective on that date thus not requiring the restatement of the prior period amounts. As a result, the financial assets and liabilities as at 31 December 2022 presented in these financial statements have been accounted for in accordance with the accounting policies as stated in the 2022 financial statements.
210. The application of IPSAS 41 impairment model to the Assessed Contribution receivables showed that ICAO's current policy to discount assessed contributions receivable from Member States having lost the right to vote under Article 62 complies with the ECL model for the purposes of IPSAS. To ensure full alignment, ICAO opted to update the policy of valuation of the long-term assessments receivable in Groups A and B effective on 1 January 2023, which resulted in a decrease of the fair value of the opening balance of the receivables by CAD 0.8 million.

ECL Allowance
(Thousands of CAD)

	Allowance and cumulative discount at 31 Dec 2022	ECL adjustment at 1 Jan 2023	Lifetime ECL at 1 Jan 2023
Assessed Contributions Receivable	6 625	761	7 386

211. The application of IPSAS 41 classification criteria led to the reclassification of Cash and cash equivalent from 'Fair Value through Surplus or Deficit FVSD' to Amortized Cost (AC). On 1 January 2023, the new impairment model to the financial assets classified as AC, led to the recognition of additional ECL allowance on Assessed Contributions receivables, and Receivables other than assessed. The estimated ECL on cash and cash equivalents, and investments is considered negligible. The below table shows the original measurement categories under IPSAS 29 as applied to the 2022 financial statements and the new measurement categories under IPSAS 41 for ICAO's financial assets and liabilities as at 1 January 2023. In addition, the table analyses the impact of the transition to IPSAS 41 for ICAO's financial assets and liabilities and reconciles the carrying amounts from their previous measurement category under IPSAS 29 as applied to the 2022 financial statements, to their new measurement categories upon transition to IPSAS 41 on 1 January 2023:

Measurement categories, reconciliation of statement of financial position balances: IPSAS 29 to IPSAS 41
(Thousands of CAD)

	Measurement category IPSAS 29	Net carrying amount at 31 Dec 2022	Measurement category IPSAS 41	Re- measurement	Net carrying amount at 1 Jan 2023
Cash and cash equivalents (Note 2.1)	FVSD	317 415	AC		317 415
Investments (Note 2.1)	AC	25 173	AC		25 173
Assessed contributions receivable (Note 2.2)	AC	20 351	AC	(761)	19 590
Receivables other than assessed contributions (current) (Note 2.3)	AC	6 384	AC	(584)	5 800
Receivables other than assessed contributions (non-current) (Note 2.3)	AC	172	AC		172
Total Financial Assets		369 495		(1 345)	368 150
Accounts payable and accrued liabilities (Note 2.9)	AC	32 600	AC		32 600
Total Financial Liabilities		32 600			32 600

212. The following table analyses the impact of the transition to IPSAS 41 on ICAO's Net Assets as at 1 January 2023

Impact on net assets

(Thousands of CAD)

	Balance at 31 Dec 2022	Impact on net assets	Balance at 1 Jan 2023
Accumulated surplus/(Deficit)			
Opening balance brought forward	(79 884)		(79 884)
Remeasurement of assets and liabilities		(1 345)	(1 345)
Total Net Assets	(79 884)	(1 345)	(81 229)

213. The following table reconciles the prior period's closing impairment allowance to the new ECL allowance measured in accordance with IPSAS 41 at 1 January 2023:

Allowance reconciliation

(Thousands of CAD)

	Impairment allowance at 31 Dec 2022	12-months ECL	Lifetime ECL at 1 Jan 2023	Total ECL allowance at 1 Jan 2023
Financial assets at amortized cost				
Cash, cash equivalent and investments	Nil		Nil	Nil
Assessed Contributions Receivables	6 625		7 386	7 386
Receivables other than Assessed Contributions (current)	551		1 135	1 135
Receivables other than Assessed Contributions (non-current)	15		15	15
Total	7 191		8 536	8 536

PART IV: TABLES (UNAUDITED)

IV - 1

Table A

INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR ACTIVITIES BY FUND
ASSETS, LIABILITIES, NET ASSETS AT 31 DECEMBER 2023 AND
REVENUE, EXPENSES AND SURPLUS (DEFICIT) FOR 2023
(Thousands of CAD)

	Regular Budget	Capital Fund	Revolving Fund	Ancillary Revenue Generation Funds	Administrative/Op erational Services Cost Funds	AVSEC Activities	AFI Plan Fund	Environment Funds	Joint Finance Funds
ASSETS									
CURRENT ASSETS									
Cash and cash equivalents	177		1 661	10 989	20 414	10 226	578	3 379	2 588
Investments	72 232								
Assessed contributions receivable from Member States	4 206								
Inter-fund balances	290				106				
Receivables, advances and others	3 007			2 433	123	538		894	153
Inventories				291					
	79 912		1 661	13 713	20 643	10 764	578	4 273	2 741
NON-CURRENT ASSETS									
Assessed contributions receivable from Member States	952								
Receivables	114								
Property, plant and equipment		4 572						1 449	
Intangible assets		3 572							
	1 066	8 144						1 449	
TOTAL ASSETS	80 978	8 144	1 661	13 713	20 643	10 764	578	5 722	2 741
LIABILITIES									
CURRENT LIABILITIES									
Advanced receipts	14 528			2 445		368		893	
Accounts payable and accrued liabilities	4 777	2		1 487	66	38	4	169	849
Employee benefits			6 710						
Inter-fund balances				171					
Credits to contracting/servicing governments									1 892
	19 305	2	6 710	4 103	66	406	4	1 062	2 741
NON-CURRENT LIABILITIES									
Advance receipts								1 449	
Employee benefits			127 021						
			127 021					1 449	
TOTAL LIABILITIES	19 305	2	133 731	4 103	66	406	4	2 511	2 741
NET ASSETS									
Accumulated surplus/(deficit)	31 447	8 142	(162 833)	921	20 577	10 266	482	3 211	
Transfers to/from other funds	2 421					92	92		
Reserves	27 805		30 763	8 689					
NET ASSETS/(ACCUMULATED DEFICIT)	61 673	8 142	(132 070)	9 610	20 577	10 358	574	3 211	
TOTAL LIABILITIES AND NET ASSETS	80 978	8 144	1 661	13 713	20 643	10 764	578	5 722	2 741
REVENUE									
Contributions for project agreements									
Assessed contributions	114 693								
Other revenue generating activities	29			26 655					
Other voluntary contributions				73		3 709		1 288	
Administrative fee revenue					17 628				
Other revenue	14 025	2 205	4 061	650	2 605	571	34	230	109
TOTAL REVENUE	128 747	2 205	4 061	27 378	20 233	4 280	34	1 518	109
EXPENSES									
Salaries, employee benefits and project personnel	106 616		9 390	12 554	10 035	2 280		658	4
Subcontracts, supplies and consumables	1 494			186		136			
General operating expenses	17 643	1 725		10 533	1 285	321		10	
Travel	4 524			1 248	194	1 932	137	125	105
Meetings	1 715			77		65	8	60	
Training									
Administrative overhead charges				87		181		74	
Other expenses	2 116			621	140	274	17	58	
TOTAL EXPENSES	134 108	1 725	9 390	25 306	11 654	5 189	162	985	109
NET SURPLUS/(DEFICIT) FOR THE YEAR	(5 361)	480	(5 329)	2 072	8 579	(909)	(128)	533	

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 2023 AND
REVENUE, EXPENSES AND SURPLUS (DEFICIT) FOR 2023
(Thousands of CAD)

Table A
(continued)

	Resource Mobilization Funds	Public Key Directory	Regional Sub- Office	Safe Fund	Transformational Fund	Other Funds	Total	Elimination/ Adjustments	2023	2022
ASSETS										
CURRENT ASSETS										
Cash and cash equivalents	3 889	3 484	1 805	5 769	1 356	17 642	83 955	3 460	87 415	134 353
Investments							72 232	13 000	85 232	12 204
Assessed contributions receivable from Member States							4 206		4 206	17 283
Inter-fund balances							396	458	854	2 038
Receivables, advances and others		555	34			195	7 931		7 931	8 255
Inventories							291		291	437
	3 889	4 039	1 839	5 769	1 356	17 837	169 011	16 918	185 929	174 570
NON-CURRENT ASSETS										
Assessed contributions receivable from Member States							952		952	3 068
Receivables							1 563		1 563	172
Property, plant and equipment							4 572		4 572	4 620
Intangible assets							3 572		3 572	3 047
							10 659		10 659	10 907
TOTAL ASSETS	3 889	4 039	1 839	5 769	1 356	17 837	179 670	16 918	196 588	185 477
LIABILITIES										
CURRENT LIABILITIES										
Advanced receipts		2 708				707	21 649	17 306	38 955	33 461
Accounts payable and accrued liabilities	131	1 331	55	2	11	37	8 958	16 460	25 418	26 962
Employee benefits							6 710		6 710	6 907
Inter-fund balances							171	(171)		
Credits to contracting/servicing governments							1 892		1 892	1 969
	131	4 039	55	2	11	744	39 380	33 595	72 975	69 298
NON-CURRENT LIABILITIES										
Advanced receipts							1 449		1 449	132 721
Employee benefits							127 021		127 021	132 721
							128 470		128 470	132 721
TOTAL LIABILITIES	131	4 039	55	2	11	744	167 850	33 595	201 445	202 020
NET ASSETS										
Accumulated surplus/(deficit)	4 803		1 784	4 907	1 345	16 911	(58 040)	(16 677)	(74 717)	(80 477)
Transfers to/from other funds	(1 045)			860			2 421		2 421	
Reserves						182	67 439		67 439	63 934
	3 758		1 784	5 767	1 345	17 093	11 820	(16 677)	(4 857)	(16 543)
NET ASSETS (ACCUMULATED DEFICIT)	3 758		1 784	5 767	1 345	17 093	11 820	(16 677)	(4 857)	(16 543)
TOTAL LIABILITIES AND NET ASSETS	3 889	4 039	1 839	5 769	1 356	17 837	179 670	16 918	196 588	185 477
REVENUE										
Contributions for project agreements		3 376					3 376		3 376	2 066
Assessed contributions							114 693		114 693	113 722
Other revenue generating activities						353	27 038	(851)	26 187	24 067
Other voluntary contributions	734		1 089	2 452	984	4 041	14 370	26 358	40 728	39 958
Administrative fee revenue							17 628	(80)	17 548	11 516
Other revenue	297	194	32	213	55	1 806	27 087	(16 996)	10 091	8 858
	1 031	3 570	1 121	2 665	1 039	6 200	204 192	8 431	212 623	200 187
TOTAL REVENUE	1 031	3 570	1 121	2 665	1 039	6 200	204 192	8 431	212 623	200 187
EXPENSES										
Salaries, employee benefits and project personnel	172	3 095	341	39	91	3 000	148 276	(6 560)	141 716	133 102
Subcontracts, supplies and consumables	12		16	301		21	2 167	(832)	1 335	1 180
General operating expenses	63	176	422	0		606	32 784	17 657	50 441	47 976
Travel	755	48	105	180		491	9 843		9 843	6 307
Meetings	613	10	23	26		234	2 832	(155)	2 677	2 274
Training	10						10		10	
Administrative overhead charges	23	126	4	172	69	(104)	632	(632)		
Other expenses	678	115	93	150		171	4 433	(157)	4 276	1 092
	2 326	3 570	1 004	868	160	4 419	200 977	9 321	210 298	191 931
TOTAL EXPENSES	2 326	3 570	1 004	868	160	4 419	200 977	9 321	210 298	191 931
NET SURPLUS/(DEFICIT) FOR THE YEAR	(1 295)		117	1 797	879	1 781	3 215	(890)	2 325	8 256

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 2023

(Thousands of CAD)

Member States Assembly Resolutions A41-28 and A41-29	General Fund					Total Balances Receivable	Cumulative Exchange	Total Adjusted Balances Receivable	Contributions Received in Advance
	Scales 2023	Assessments 2023	Assessments Received for 2023	Balance of Assessments Receivable for 2023	Balance of Prior Years' Assessments Receivable				
Afghanistan	0.06	70		70	178	248	1	249	
Albania	0.06	70	70						
Algeria	0.08	90	90						
Andorra	0.06	70	70						
Angola	0.06	68		68		68	(1)	67	
Antigua and Barbuda (*)	0.06	70		70	1 241	1 311	197	1 508	
Argentina	0.52	586		586		586	(6)	580	
Armenia	0.06	70	70						71
Australia	1.66	1 907	1 907						1 955
Austria	0.56	653	653						
Azerbaijan	0.16	196	196						
Bahamas	0.06	70	70						
Bahrain	0.08	92	92						
Bangladesh	0.12	143	143						
Barbados	0.06	70	70						
Belarus	0.06	70	68	2		2		2	
Belgium	0.68	790	790						
Belize	0.06	70	70						
Benin	0.06	70	70						
Bhutan	0.06	70	70						
Bolivia (Plurinational State of)	0.06	70	70						
Bosnia and Herzegovina	0.06	70	70						
Botswana	0.06	70		70	130	200	1	201	
Brazil	1.56	1 740	1 740						
Brunei Darussalam	0.06	70	70						
Bulgaria	0.06	70	70						
Burkina Faso	0.06	70	70						
Burundi	0.06	70		70	3	73	(1)	72	
Cabo Verde	0.06	70	70						
Cambodia	0.06	70	29	41		41		41	
Cameroon	0.06	70	70						
Canada	2.17	2 491	2 491						2 556
Central African Republic	0.06	70	70						
Chad	0.06	70	70						
Chile	0.44	516	516						
China	13.71	16 224	16 224						
Colombia	0.30	347	347						5
Comoros	0.06	70	70						
Congo	0.06	70	70						
Cook Islands	0.06	70	70						
Costa Rica	0.06	70	70						71
Côte d'Ivoire	0.06	70	70						
Croatia	0.06	70	70						
Cuba	0.07	83		83	2	84	(1)	83	
Cyprus	0.06	70	70						
Czechia	0.24	280	280						
Democratic People's Republic of Korea	0.06	70		70		70	(1)	69	
Democratic Republic of the Congo	0.06	70	9	61		61	(1)	60	
Denmark	0.41	477	477						
Djibouti**	0.06	70		70	978	1 048	163	1 211	
Dominica	0.06	70		70	235	305	1	306	
Dominican Republic	0.06	70	70						71
Ecuador	0.06	69	(1)	70	76	146		146	
Egypt	0.19	217	217						
El Salvador	0.06	70	70						
Equatorial Guinea	0.06	70	70						
Eritrea	0.06	70	70						
Estonia	0.06	70	70						
Eswatini	0.06	70	69	1		1		1	
Ethiopia	0.42	511	511						
Fiji	0.06	70	70						
Finland	0.38	439	439						448
France	3.43	3 971	3 971						
Gabon	0.06	70	70						
Gambia	0.06	70		70	254	324		324	

INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME
ASSESSMENTS RECEIVABLE FROM MEMBER STATES
AND CONTRIBUTIONS RECEIVED IN ADVANCE
AS AT 31 DECEMBER 2023

(Thousands of CAD)

Member States Assembly Resolutions A41-28 and A41-29	General Fund					Total Balances Receivable	Cumulative Exchange	Total Adjusted Balances Receivable	Contributions Received in Advance
	Scales 2023	Assessments 2023	Assessments Received for 2023	Balance of Assessments Receivable for 2023	Balance of Prior Years' Assessments Receivable				
Georgia	0.06	70	70						71
Germany	4.78	5 536	5 536						
Ghana	0.06	70	70						
Greece	0.24	275	275						282
Grenada *	0.06	70	70		212	212	13	225	
Guatemala	0.06	70	70						
Guinea **	0.06	70	70	70	87	157	12	169	
Guinea-Bissau	0.06	70	70						
Guyana	0.06	70	70						
Haiti (*)	0.06	70	70		343	343	()	343	
Honduras	0.06	70	1	69		69	(1)	68	
Hungary	0.29	344	344						
Iceland	0.06	68	68						
India	0.99	1 158	1 158						
Indonesia	0.51	585	585						
Iran (Islamic Republic of)	0.32	371	(2)	373	553	925	5	931	
Iraq	0.09	104	104						
Ireland	0.64	737	737						
Israel	0.47	552	552						234
Italy	2.28	2 639	2 639						
Jamaica	0.06	70	70						
Japan	6.26	7 252	7 252						
Jordan	0.06	70	70						71
Kazakhstan	0.11	124	124						
Kenya	0.07	83	83						
Kiribati	0.06	70		70	5	75	(1)	75	
Kuwait	0.18	206		206		206	(2)	204	
Kyrgyzstan	0.06	70	70						
Lao People's Democratic Republic	0.06	70		70	67	137		137	
Latvia	0.06	70	70						71
Lebanon	0.06	70		70	130	200	1	201	
Lesotho	0.06	70	70						
Liberia**	0.06	70		70	104	174	17	191	
Libya	0.06	70	70						8
Lithuania	0.06	70	70						71
Luxembourg	0.47	568	568						
Madagascar	0.06	70	70						
Malawi	0.06	70		70	982	1 052	77	1 129	
Malaysia	0.42	478	478						
Maldives	0.06	70	70						
Mali	0.06	70	70						
Malta	0.06	70	70						
Marshall Islands	0.06	70	29	41		41		41	
Mauritania	0.06	70	70						
Mauritius	0.06	70	70						
Mexico	1.05	1 218	1 134	84		84	(2)	81	
Micronesia (Federated States of)	0.06	70	70	70		70	(1)	69	
Monaco	0.06	70							
Mongolia	0.06	70		70		70	(1)	69	
Montenegro	0.06	70	70						
Morocco	0.09	102	102						
Mozambique	0.06	70		70		70	(1)	69	
Myanmar	0.06	70	69	1		1		1	
Namibia	0.06	70	70						69
Nauru	0.06	70		70		70	(1)	69	
Nepal	0.06	70	70						
Netherlands	1.54	1 806	1 806						1 812
New Zealand	0.30	345	345						356
Nicaragua	0.06	70	70						
Niger	0.06	70	70						
Nigeria	0.13	146	146						5
Norway	0.52	591	591						
Oman	0.11	124	124						75
Pakistan	0.13	148	(3)	151	74	226		226	
Palau	0.06	70		70	813	883	26	909	

INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME
ASSESSMENTS RECEIVABLE FROM MEMBER STATES
AND CONTRIBUTIONS RECEIVED IN ADVANCE
AS AT 31 DECEMBER 2023

(Thousands of CAD)

Member States Assembly Resolutions A41-28 and A41-29	General Fund					Total Balances Receivable	Cumulative Exchange	Total Adjusted Balances Receivable	Contributions Received in Advance
	Scales 2023	Assessments 2023	Assessments Received for 2023	Balance of Assessments Receivable for 2023	Balance of Prior Years' Assessments Receivable				
Panama	0.11	127	127						1
Papua New Guinea	0.06	70		70	37	107	(1)	106	
Paraguay	0.06	70	70						
Peru	0.15	170	170						
Philippines	0.27	306	306						
Poland	0.61	712	712						
Portugal	0.34	393	393						400
Qatar	1.59	1 911	1 911						
Republic of Korea	3.16	3 784	3 784						
Republic of Moldova	0.06	70	70						71
Romania	0.23	277	277						
Russian Federation	1.89	2 165	2 165						
Rwanda	0.06	70	70						
Saint Kitts and Nevis	0.06	70	70						
Saint Lucia	0.06	70	70						2
Saint Vincent and the Grenadines	0.06	70	45	25		25	(1)	24	
Samoa	0.06	70	70						
San Marino	0.06	70	70						
Sao Tome and Principe	0.06	70		70	1 143	1 213	132	1 346	
Saudi Arabia	1.07	1 250	1 250						
Senegal	0.06	70	70						
Serbia	0.06	70	70						41
Seychelles	0.06	70	69						
Sierra Leone **	0.06	70		70	73	143	12	155	
Singapore	0.76	867	867						894
Slovakia	0.11	128	128						129
Slovenia	0.06	70	70						
Solomon Islands	0.06	70		70	104	174	1	174	
Somalia	0.06	70	29	41		41		41	
South Africa	0.21	236	236						
South Sudan(*)	0.06	70		70	367	437	(1)	435	
Spain	1.67	1 934	1 934						
Sri Lanka	0.07	80	80						
Sudan	0.06	70	70						
Suriname	0.06	70	70						
Sweden	0.61	704	704						
Switzerland	0.96	1 113	1 113						
Syrian Arab Republic	0.06	70		70	601	671	13	684	
Tajikistan	0.06	70	68	2		2		2	
Thailand	0.45	510	510						
The Republic of North Macedonia	0.06	70	70						
Timor-Leste	0.06	70		70	5	75	(1)	74	
Togo	0.06	70	70						
Tonga	0.06	70	70						
Trinidad and Tobago	0.06	70	70						
Tunisia	0.06	70	70						
Turkiye	1.37	1 571	1 571						25
Turkmenistan	0.06	70		70		70	(1)	69	
Tuvalu	0.06	70		70	17	87	(1)	86	
Uganda	0.06	70	70						
Ukraine	0.06	68	68						
United Arab Emirates	1.98	2 286	2 286						
United Kingdom of Great Britain and Northern Ireland	3.73	4 295	4 295						4 393
United Republic of Tanzania	0.06	70	70						
United States	21.70	25 410	25 280	130		130	(4)	127	
Uruguay	0.06	70	70						
Uzbekistan	0.06	70	70						1
Vanuatu	0.06	70	68	1		1		1	
Venezuela (Bolivarian Republic of)	0.12	97	97						
Viet Nam	0.17	197	197						
Yemen	0.06	70		70	40	109	(1)	109	
Zambia	0.06	70	44	26		26	()	25	
Zimbabwe	0.06	70		70		70	(1)	69	
The former Socialist Federal Republic of Yugoslavia (1)					501	501	173	674	
TOTAL (****)	100.00	116 498	112 339	4 160	9 355	13 515	816	14 331	14 255

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.

** States which had not met their obligations according to the terms of their agreements as at 31 December 2023.

** Receivable amounts include Working Capital Fund.

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

INTERNATIONAL CIVIL AVIATION ORGANIZATION

Table C

CAPACITY DEVELOPMENT AND IMPLEMENTATION PROJECT ACTIVITIES BY GROUP OF FUNDS

ASSETS, LIABILITIES, NET ASSETS AT 31 DECEMBER 2023 AND

REVENUE, EXPENSES AND SURPLUS (DEFICIT) FOR 2023

(Thousands of CAD)

	United Nations Development Programme	iPACK Funds	Trust Funds, Management Service Agreements and Others	Civil Aviation Purchasing Services Funds	Elimination	2023	2022
ASSETS							
CURRENT ASSETS							
Cash and cash equivalents		965	134 886	11 728		147 579	183 062
Investments			85 234			85 234	12 969
Inter-fund balances			1 633		(1 633)		
Receivables, advances and other	2 302		2 933			5 235	7 432
TOTAL ASSETS	2 302	965	224 686	11 728	(1 633)	238 048	203 463
LIABILITIES							
CURRENT LIABILITIES							
Advanced receipts		71	217 849	11 478		229 398	191 912
Accounts payable and accrued liabilities	195	66	5 407	250		5 918	6 362
Employee benefits	194		1 430			1 624	2 537
Inter-fund balances	1 858	629			(1 633)	854	2 038
TOTAL LIABILITIES	2 247	766	224 686	11 728	(1 633)	237 794	202 849
NET ASSETS							
Accumulated surplus/(deficit)	1	206				207	593
Reserves*	54	(7)				47	21
NET ASSETS (ACCUMULATED DEFICIT)	55	199				254	614
TOTAL LIABILITIES AND NET ASSETS	2 302	965	224 686	11 728	(1 633)	238 048	203 463
REVENUE							
Contributions for project agreements		38	124 044	1 155		125 237	88 867
Other voluntary contributions							26
Other revenue			486			486	256
TOTAL REVENUE		38	124 530	1 155		125 723	89 149
EXPENSES							
Salaries, employee benefits and project personnel		60	35 646	39		35 745	36 018
Subcontracts, supplies and consumables		389	73 515	1 061		74 965	40 005
General operating expenses		2	833			835	585
Travel			3 397	22		3 419	2 647
Training			2 094			2 094	1 388
Administrative overhead charges		13	8 935	32		8 980	8 698
Other expenses			110	1		111	111
TOTAL EXPENDITURE		464	124 530	1 155		126 149	89 452
SURPLUS/(DEFICIT) FOR THE YEAR		(426)				(426)	(303)

*Reserves include 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 2023
(Thousands of USD)

	Type of Fund	Balance as at 01/01/2023*	Adjustment	Receipts		Expenses		Transfer from or to Other Funds	Refund of Contributions	Unrealized Exchange Gain or Loss	Balance as at 31/12/2023
				Contributions ⁽¹⁾	Interest and Other Income	Project Costs	Administrative Overhead				
Andorra	MSA	8									8
Angola	MSA	20 906		993		848	823			0	20 229
Argentina	MSA	30 976		10 164	329	27 123	1 000	(9)	(5)	(85)	13 247
Barbados	IPAV	5		2		0	0				7
Bolivia	MSA	916		846		236	22	(6)	(157)	0	1 341
Brazil	MSA										
Colombia	MSA	31		30		46	2			0	13
Costa Rica	MSA	435			11						446
Cyprus	MSA	107		119		100	10				117
Dominican Republic	MSA			405		182	18			0	205
East Timor	MSA										
Ecuador	MSA	447			12	116	8				335
Greece	MSA	1 323		1 016	2	819	82			(0)	1 440
Guatemala	MSA	313			8						322
Haiti	MSA										
Honduras	MSA	16			1						17
India	MSA			186		92	9			0	84
Indonesia	MSA	724			15	218	18			1	504
Italy	MSA	14			1						14
Kenya	MSA	378			8	165	12			0	208
Kuwait	MSA	1 262		3 261		1 078	108			0	3 338
Lebanon	MSA	234			12	404	40	650			452
Mali	MSA	13				6	1				7
Mauritania	MSA	11						(11)			
Mexico	MSA	250		361	6	221	20			0	376
Mexico	TF	3 371		306		992	99			0	2 586
Namibia	MSA	189						(189)			0
Nepal	MSA					21	2				(23)
Nigeria	MSA			738		21	2				715
Oman	MSA			2 858		785	79			0	1 994
Panama	MSA	1 886		1 098		1 417	117	(25)		0	1 425
Panama	TF	19 228		65 910	765	24 230	1 923			1	59 750
Paraguay	MSA	2 641				1 428	84			0	1 130
Peru	MSA	12 662		12 455	14	8 583	796	(10)		8	15 750
Philippines	MSA										
Qatar	MSA	0		6							6
REGIONAL FOR AFRICA	MSA	4 398		503	45	2 083	59			145	2 949
REGIONAL FOR ASIA	MSA	508		97	12	117	12			(1)	488
REGIONAL FOR ASIA	TF	6 715		981	171	1 091	131			2	6 647
REGIONAL FOR EUROPE	TF	57			2	17	2	(40)			0
REGIONAL FOR EUROPE AND MIDDLE EAST	MSA	612		324	16	182	42				728
REGIONAL FOR EUROPE AND MIDDLE EAST	TF	303		165	7	284	28			0	162
REGIONAL FOR LATIN AMERICA	IPAV										
REGIONAL FOR LATIN AMERICA	MSA	797		699	11	535	34	20		0	959
REGIONAL FOR LATIN AMERICA	TF	3 919		2 837	106	2 803	215	121		1	3 965
Republic of Korea	MSA	4									4
Republic of the Congo	MSA	378				278	19			(0)	80
Sao Tome and Principe	MSA					0	0				(0)
Saudi Arabia	MSA	9 123		7 262	368	5 098	510	0		6	11 151
Singapore	MSA			28		0					28
Singapore	TF	6		262	3	108	5				157
Somalia	MSA	6 214	(7)			2 250	131	550		0	4 377
Somalia	TF	804			15			(550)			269
South Sudan	MSA	8			0						9
Spain	MSA	21		92	2	91	5			(0)	19
Sudan	MSA			2 063		0	0	17	(17)		2 063
United Republic of Tanzania	MSA	994				439	33	300		0	822
Uruguay	MSA	1 289		700	28	1 181	118	(80)	(111)	1	528
Venezuela (Bolivarian Republic of)	MSA	111			3	0	0	(113)			(0)
	LS	917			3	17	2	27	(68)		861
Funds held on behalf of third parties		2 748	296						(189)		2 855
Total		138 275	289	116 765	1 974	85 706	6 619	650	(548)	81	165 162
Equivalent Canadian Dollars		185 233	381	154 013	2 615	115 704	8 935	858	(723)	109	217 849

* Certain comparative information has been adjusted to conform with the current year's presentation

(1): On Cash Basis

Details may not add to totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION
CAPACITY DEVELOPMENT AND IMPLEMENTATION PROJECT ACTIVITIES
CIVIL AVIATION PURCHASING SERVICE FUNDS
RECEIPTS, EXPENSES AND BALANCE OF ADVANCE RECEIPTS
FOR THE PERIOD ENDING 31 DECEMBER 2023
(Thousands of USD)

	Type of Fund	Balance as at 01/01/2023	Adjustment	Income		Expenditure		Transfer from or to Other Funds	Refund of Contributions	Unrealized Exchange Gain or Loss	Balance as at 31/12/2023
				Contributions ⁽¹⁾	Interest and Other Income	Project Costs	Administrative Overhead				
Afghanistan	CAPS	636			16						652
Bahamas	CAPS	14			1						15
Ethiopia	CAPS	881			18	663	12	(51)			174
Jamaica	CAPS	116						(20)			96
Lebanon	CAPS	247		7 000	110	168	4	(650)	(55)		6 481
Macao Special Administrative Region of China	CAPS	47			2						49
Mozambique	CAPS	4						(4)			
Nigeria	CAPS	303			8	3	7				301
Oman	CAPS	17			1			(17)			
Russian Federation	CAPS	3						(3)			
Sudan	CAPS							104	(104)		
Suriname	CAPS	6									6
Syrian Arab Republic	CAPS	762			20						782
Trinidad and Tobago	CAPS	143			4						146
Uganda	CAPS										
Yemen	CAPS	19			1			(20)			
Total		3 199		7 000	180	833	24	(662)	(159)		8 702
Equivalent Canadian Dollars		4 246		9 233	238	1 123	32	(873)	(210)		11 478

(1): On Cash Basis

Details may not add to the totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION

CAPACITY DEVELOPMENT AND IMPLEMENTATION PROJECT ACTIVITIES
IPACK FUNDS INCOME, EXPENSES AND BALANCE
FOR THE PERIOD ENDING 31 DECEMBER 2023
(Thousands of USD)

iPACK Type ⁽¹⁾	Beginning Balance as at 1 Jan 2023	Income	Expenses	Surplus/(Deficit) as at 31 Dec 2023
FAL	35		29	6
AVSEC	111	20	98	33
ADRM	128		133	(5)
PHC	52		32	20
ASRM	62		24	38
IPK	78	8	28	58
NASP				
UAS				
NOTAM				
USOAP CMA				
Total USD:	466	28	343	151
Equivalent Canadian Dollars ⁽²⁾	632	38	464	206

Details may not add to totals due to rounding

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

(2): Beginning balance USD 466 thousand converted to 2023 year end exchange rate resulted in CAD 39 thousand exchange gain

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 2023 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 2023 Financial Statements

International Civil Aviation Organization (ICAO)

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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 2 March 2023

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.

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Audit of the 2023 Financial Statements

International Civil Aviation Organization (ICAO)

Executive summary

1. The Swiss Federal Audit Office (SFAO) has completed the audit of the 2023 financial statements. It performed the audit procedures onsite at ICAO Headquarter in Montréal and at the regional offices in Lima and Bangkok. It obtained further audit evidence through remote work via virtual meetings and online access to ICAO's systems. SFAO would like to thank Management and the staff of ICAO for their commitment and efforts undertaken. SFAO has been able to communicate openly with the Secretary General, 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 issued on 30 October 2023.

Unqualified audit opinion

4. SFAO issued an unqualified audit opinion on the 2023 financial statements. These financial statements have been prepared in accordance with ICAO's Financial Regulations and the International Public Sector Accountings Standards (IPSAS). All audit differences have been corrected by ICAO during the audit.
5. As per ICAO Management's assessment, the financial statements have been prepared on a going concern basis. Nothing has come to the attention of SFAO showing that the organization may not be able to continue as a going concern until the end of 2024.

Recommendations for improvement

6. 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. As in previous years, IT remains an area of concern with need for improvement. 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 19 out of 42 recommendations in 2023. The pending 23 recommendations, of which 10 are overdue, refer mainly to ICT.

Execution of the Audit

Audit Objectives and Scope

7. The objective of the financial audit is to express an opinion on the financial statements of ICAO, based on International Public Sector Accountings Standards (IPSAS), for the year ended 31 December 2023.
8. 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.
9. The audit has been 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.
10. SFAO visited ICAO's HQ in September 2023, December 2023 and March 2024. It also visited the regional offices SAM in Lima in September 2023 and APAC in Bangkok in November-December 2023. SFAO gathered further audit evidence through virtual meetings, email exchanges and online access to ICAO's systems.

Areas of focus for the audit

11. SFAO has conducted a risk assessment for the purpose of the audit. Based on this analysis, the areas of focus have been identified that constitute significant risks or require a specific audit response. They are included in the audit planning report issued on 30 October 2023. SFAO implemented the audit approach as planned.
12. ISA specifies the role that auditors must play in relation to the risk of misstatements in the 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 geopolitical environment and economic situation at the Member States may have consequences on the Organization's activities and cash balances.	§ 73ff
2	<i>Management override of controls</i> Management may invalidate or override controls, requirements or directives.	§ 40ff
3	<i>Application of IPSAS</i> The financial statements could not fully comply with IPSAS requirements.	§ 69ff

#	Description of risk (as per audit planning report)	Audit findings
4	<i>ERP system</i> The IT systems may not be adequately designed or maintained, which increases the risk of errors or fraud.	§ 40ff
5	<i>Revenue recognition</i> Revenue from contracts 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
6	<i>Procurement</i> Expenses may not be accounted for correctly or completely. Expenditures may be done under wasteful or improper conditions.	§ 50ff
7	<i>Payroll</i> Staff related expenses (including employee benefits) may not be accounted for correctly and completely.	§ 93ff
8	<i>Treasury</i> Payments may not be justified or authorized. Assets may not exist.	§ 77ff

Communication with Management and governing bodies

13. The areas of focus for the audit have been presented to Management, OIO, EAAC and the Secretary General. During the audit, SFAO conducted meetings with the Secretary General, Management and key personnel of the organization. Overall, SFAO emphasizes the excellent cooperation and transparent communication during the audit.
14. SFAO communicated the audit findings to Finance Branch (11 April 2024) and the Secretary General (12 April 2024), and discussed them with EAAC (22 April 2024). The results of the audit shall be presented to the Finance Committee and the Council.
15. Other minor issues which have been clarified and discussed with the persons in charge during the audit are not mentioned in this report.

Collaboration with the Office of Internal Oversight





































16. SFAO noted the work carried out by OIO. In accordance with ISA 610, OIO's audit results with relevance to SFAO's audit procedures have been 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





17. SFAO identified several areas for improvement. This report contains the major findings regarding the accounting, the IT environment and the Internal Control System.
18. This report includes 7 new recommendations. SFAO discussed them with Management and sought comments from the Secretary General. Management is responsible for monitoring their implementation.
19. SFAO also followed up the audit recommendations issued during the previous external audits. The details are provided in § 109ff.

Internal Control System

20. 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.
21. The ICS is an important element to provide reasonable assurance about the achievement of ICAO's objectives with regards 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 has been considered in order to avoid duplication with SFAO's work.

Process	Overall assessment			
	2020	2021	2022	2023
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.
-  The process has not been covered during the external audit (rotation principle).

22. 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

23. 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 has been based on interviews with key personnel, analysis of internal documentation and testing.

Control environment

24. In order to establish integrity and ethical principles and values, ICAO has 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 Advisor, who is independent from all other services and functions, while reporting administratively to the Secretary General, assumes a key advisory role in implementing this framework and submits an annual report to the Council. The ICAO Ethics Office launched mandatory trainings, discussions of ethical dilemmas with staff and a series of monthly ethical awareness messages to all staff on ICAO's principles, values and standards of conduct.
25. ICAO established an Ombudsperson and an Alternate Ombudsperson for its personnel. The current Ombudsperson also serves as the Head of Travel Unit and the current Alternate Ombudsperson as Chief of the Interpretation Section. The mandate of both Ombudsperson and Alternate Ombudsperson expired end of 2023 and has been extended. ICAO opened a vacancy announcement for the position of an independent Ombudsperson, who will report directly to the Secretary General, to both external and internal candidates in December 2023.
26. ICAO gives importance to its standards of conduct and compliance with them. In addition to the policies mentioned above, the ICAO Anti-fraud and Anti-corruption policy, the Code of Conduct for the President of the Council and the Secretary General as well as the Vendor Sanction Policy and the Procurement Code provide additional frameworks.
27. ICAO established some procedures to identify and avoid conflicts-of-interest situations. Each activity outside ICAO has to be authorized by the Secretary General. ICAO developed an annual financial disclosure program administrated by the Ethics Advisor. The organization has a regulated whistleblowing process also administered by the Ethics Advisor. The United Nations Ethics Office (UNEO), based on an agreement, conducts independent reviews of no prima facie determinations in alleged cases of retaliation or threat of retaliation involving the President of the Council, the Secretary General or the ICAO Ethics Advisor, conducts preliminary assessments of requests for protection against retaliation, as well as provides capacity-building and backup support.
28. ICAO has outsourced the receipt, handling and investigation of allegations of misconduct to the Investigations Division of the United Nations Office for Internal Oversight Services (OIOS). ICAO personnel must, therefore, report all concerns relating to misconduct directly to OIOS. The rules and procedures for further disciplinary measures are defined. ICAO has established a process of administration of justice by an internal appeals board. In 2023, ICAO decided to move to the jurisdiction of the United Nations Dispute Tribunal (UNDT) as ICAO's first instance level of justice for employment related disputes, as replacement of the internal appeals board. ICAO plans to sign the related agreement in 2024.
29. ICAO continued the development of its projects of Results-Based Management (RBM) and Corporate Performance Management Framework (CPMR). ICAO implemented the

first phase of a CPMR tool in this context. This shall allow the organization to better measure its performance. ICAO is recruiting an RBM Officer to apply the RBM approach throughout the organization and its strategic and business processes.

Assessment by SFAO

ICAO has an effective control environment. The Ombudsperson and the Alternate Ombudsperson are not completely independent from the organization since they also hold an operational position within the organization. With the appointment of a new Ombudsperson currently underway, SFAO emphasizes the importance to segregate the position of Ombudsperson from any other operational positions or services. Preference should be given to external candidates. Mandatory trainings on ethics are in progress.

Risk assessment

30. ICAO established an 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. Since 2021 ICAO has employed a consultant to help in the implementation and execution of the Risk Management. In 2024, ICAO launched staff training on ERM. ICAO is still in the process of hiring an ERM Officer who will take over the ERM activities and embed risk management into business processes.
31. Risk registers are maintained at ICAO-wide level (“corporate risk register”), at the bureau/office level and at the Transformational Objective portfolio, programme and project level. In order to better assess the risks, ICAO included key risk indicators, their targets and results in the risk registers in 2023. The ERM Reference Group, formed by the Senior Management Group and chaired by the Secretary General, reviews and approves the corporate risk register. EAAC is informed about the ERM framework, its implementation and the corporate risk register. The corporate risk assessment update is performed twice a year. The Council receives an annual progress report on ERM.
32. 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, a basic architecture and some reporting and repeatable management processes. ICAO tends to reach the level 3 “established” by end 2024.
33. SFAO examined the corporate and financial risk registers, dated June 2023. It raised questions and comments on the risk descriptions and the key risk indicators with the related owners of the registers. SFAO was of the opinion that some key risk indicators in both registers should be added or adjusted to better assess the risks. ICAO refined the corporate risk register, e.g. risk descriptions and scoping of the risks, and presented it to the Council through its progress report on Enterprise Risk Management (ERM).

Assessment by SFAO

ICAO has made continuous progress concerning its ERM. The implementation of the ERM framework is ongoing. With the forthcoming engagement of an ERM officer, ICAO should strengthen the risk culture within the organization and recover the knowledge owned today by external consultants.

Control activities

34. The key control activities with an impact on the financial statements are documented through the Financial Policies and Procedures Manual (FPPM). They are more process-oriented than risk- and control-oriented. This manual is updated at least annually.

Assessment by SFAO

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

Information and communication

35. Information and communication mainly relate to the ICAO information systems. The process for the preparation of the financial statements is defined. Information comes from various sources. The main system used is the ERP "Agresso". SFAO refers to the audit work on IT General controls (§ 40).
36. SFAO also refers to the performance audits in the IT domain (separate audit reports) and ICAO's ongoing related Transformational Objectives, which SFAO will follow up.

Monitoring of internal control

37. The roles and responsibilities of the second line function are allocated to the Strategic Planning, Coordination and Partnerships (SPCP) Office. According to the ERM Framework, SPCP shall assess the design and operating effectiveness of internal controls. It coordinates the annual Management Assurance Statement and Declaration (MASD) provided by each bureau/office. Based on the consolidated declarations, it develops the SIC on behalf of the Secretary General. SPCP continues to develop and improve the monitoring of internal control. Since the beginning of 2024, it also has organized trainings on internal control. The digitalization of the MASD process has been put on hold due to insufficient resources and has been added to the Transformation Output 3.
38. SFAO analyzed the elaboration of the SIC based on the MASD and identified minor deficiencies: not all MASD scores provided supporting evidence and one MASD did not report using the right scale ("implemented" instead of "partially implemented" or "fully implemented"), which complicated the evaluation.
39. OIO acts as the third line function within the organization and works independently from Management. OIO establishes its own oversight work program which is submitted to the Council for approval. OIO presents its reports to EAAC and an annual report on the performance and activities of the Office to the Council.

Assessment by SFAO

ICAO continues to make progress in the monitoring of the ICS. SPCP is working on expanding its activities to further strengthen the ICS within the organization. The forthcoming engagement of the ERM officer should contribute to improve this process. Despite documentation findings mentioned above, SFAO did not identify material inconsistencies between the individual MASD and the SIC.

IT General Controls

40. 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 2023, but remains relatively low and still needs significant improvements.

SFAO has identified deficiencies and vulnerabilities that lead to an elevated risk for IT continuity, data confidentiality and data integrity. SFAO points out that the relevant recommendations should be implemented quickly.

Follow-up of previous audit recommendations

41. Out of 9 recommendations open during the previous ITGC audits (i.e. IT-related findings during SFAO's audits of the financial statements), 4 were implemented in 2023 and 5 are still pending. The latter refer to the following findings: password policy enforcement to be improved, version of Agresso Finance database no longer supported, network segmentation to be implemented, physical access to be logged and periodically reviewed and failed backups for the Agresso database.
42. In addition, 14 recommendations issued during SFAO's performance audits and relating to IT (information security, IT governance and strategic IT management, new ICT strategy, segregation of email accounts, new ERP system) remain pending.

Logical access – Access rights changes based on reference users

43. ICAO does not base every access rights request or change on roles or other concrete access rights, but often still on reference users.

Assessment by SFAO

This method elevates the risk of assigning incorrect access rights. SFAO had already previously issued a recommendation on that topic, which ICAO subsequently implemented. However, several such cases occurred again in 2023.

Recommendation No. 1 (priority 2)

SFAO recommends that ICAO base every access rights request or change on roles or other concrete access rights.

Comment by the Secretary General

The recommendation is accepted.

The procedure of granting ERP access rights was put in place in 2023 but was not strictly followed. The procedure requires to explicitly list the roles essential for the new user. To enhance compliance, ICAO has performed a refresher training on the procedure to the staff involved with granting access to ERP system.

Unit: ADB/ICT

Target Date: Implemented in March 2024

Logical Access – Critical vulnerabilities on the Agresso servers

44. SFAO identified several critical vulnerabilities on the Agresso webserver, like critical patches not having been installed, program components not supported anymore and outdated versions vulnerable to attacks. The detailed findings have been communicated to ICT and are not mentioned in the present report for security reason.

Assessment by SFAO

The vulnerabilities lead to an elevated risk for IT security (cyberattacks, data confidentiality and data integrity).

Recommendation No. 2 (priority 1)

SFAO recommends that ICAO install security patches, upgrade the program components to a supported version and deactivate outdated versions on the webserver, as well as update the Unit4 ERP system to the current version on the application server.

Comment by the Secretary General

The recommendation is accepted.

The JAVA components, used by the Alito application and running on Agresso's webserver, have been decommissioned. The remaining components mentioned by the auditors (Java, SSL V1, SSL V2), will be uninstalled/deactivated on the webserver in the second quarter of 2024.

The Agresso application is planned to be updated to the latest version later in 2024.

Unit: ADB/ICT

Target Date: 31 October 2024

Logical access – Agresso backups

45. The endpoint security solution, including data security, network security, advanced threat prevention, forensics, endpoint detection and response (EDR) and remote access VPN solutions, has been uninstalled from the Agresso backup server to speed up its performance.

Assessment by SFAO

The Agresso backup server was not well protected against malicious events. SFAO highlighted that ICAO should again install the endpoint security solution on this backup server. As ICAO took the appropriate measure during the audit, SFAO renounces to issue a recommendation.

Operations – Restore capability of the ERP system

46. In case of outages in the ERP system, restore capabilities are key. In 2023, at least 4 such outages occurred. ICAO did not test the restore from a backup media outside ICT's data center.

Assessment by SFAO

The ability to restore data of database, application and web servers from an external backup media should be tested at least annually.

Recommendation No. 3 (priority 1)

SFAO recommends that ICAO perform at least annually a restore test from the external backup media concerning the Agresso database, application and web servers.

Comment by the Secretary General

The recommendation is accepted.

ICT performed tests on the recovery of the database, which has been proven successful. Taking into consideration the adoption of the new ERP solution slated for early 2025, the exercise to fully restore the current ERP (Agresso) database will not be performed, as expected benefits are not commensurate with high costs and extensive efforts required to implement the recommendation.

Unit: ADB/ICT

Target Date: n/a

Revenue recognition process

47. SFAO tested key controls in the revenue recognition processes for other voluntary contributions and concluded that the internal controls with regards to reliability of financial reporting are adequately designed and applied. SFAO identified an area for improvement, as presented below.
48. SFAO tested a sample of new contracts for Capacity Development and Implementation (CDI) projects signed in 2023, transactions for other voluntary contributions accounted for in 2023, as well as the calculation and accounting entries for the assessed contributions 2023. It did not identify misstatements.

Calculation of the overhead fees on CDI projects

49. SFAO did not identify any key internal controls related to the calculation of the overhead fees on the CDI projects and the timing of their posting based on the internal procedures. For expenses with purchase orders, the process to calculate and recognize the overhead fees is mainly manual and time consuming.

Assessment by SFAO

There is a risk of error in the calculation or the recording of the overhead fees. In 2022, SFAO identified several misstatements in the recognition of overhead fees on CDI projects. Although these misstatements were not individually significant, they highlight the need to improve the process. SFAO recommended that ICAO review and consistently apply the policies and procedures for the recognition of the overhead fees

on CDI projects. The review should clearly identify the roles and responsibilities considering the latest organizational structure.

In 2023, FOS and PRO discussed how the process could be simplified and automated as much as possible. As no changes have been implemented yet, SFAO maintains its recommendation thereon (refer to § 111).

Procurement process

50. SFAO tested key controls in the procurement 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.

Four-eyes principle in the fund check within CDI

51. The checking whether sufficient funds are available for the realization of a project (fund check) within CDI is performed by two employees. In case of absence of one of these persons, the check is performed only by the other one.

Assessment by SFAO

This check is important to mitigate the risk that ICAO signs a contract and commits for expenses without having the necessary funding. If this check is only being performed by one person, the four-eyes principle is not applied.

Recommendation No. 4 (priority 2)

SFAO recommends that ICAO systematically ensure the four-eyes principle for the fund check and assess the opportunity to automate this budget check. Substitutes for the respective roles should be designated.

Comment by the Secretary General

The recommendation is accepted.

The four-eyes principle has been implemented. The Agresso workflow was modified by ICT to ensure that a staff member is not able to approve funds availability twice in the ERP system.

The opportunity for automation of budget/funds check was assessed for the new ERP.

Unit: CDI

Target Date: Implemented in March 2024

Access to the folder used for the payment files

52. Several security incidents occurred in 2023, when payment files for accounts payable (AP link) generated by Agresso were not completely transferred or disappeared. ICAO did not find any rationale for these incidents. SFAO investigated them and found out that the access rights to the folder to which Agresso exports the AP link files were not sufficiently restricted. This restriction should only allow the Agresso application to have a write access to this folder. The access for all other users that need to see the respective information should be changed to read-only access.

53. The implementation and the analysis made on the access logs of those folders were insufficient. SFAO is of the opinion that all write accesses to these folders must be logged and that the corresponding logs should be automatically transmitted to the InfoSec log monitoring ecosystem. In addition, these logs should be reviewed periodically by the CISO. Log reports have been implemented in the meantime.
54. These comments on logs also apply mutatis mutandis to the folders used for the salary payments. Logging was already in place for the folders used for the payroll payments, but the implementation was inadequate as only read and execution access was logged, but not writing/modifying access. The log reports have been adjusted in the meantime.

Assessment by SFAO

Insufficiently restricted access increases the risk of errors or improper manipulation of payment files, including those for salaries.

Recommendation No. 5 (priority 1)

SFAO recommends that ICAO restrict access rights to the relevant folders used by Agresso for payment files, so that only Agresso has write access (except the necessary administrators). To mitigate the risk related to the administrators, SFAO further recommends that ICAO automatically transmit the logs of these transactions to the InfoSec log monitoring ecosystem for regular review by the CISO.

Comment by the Secretary General

The recommendation is accepted.

ICAO has already restricted access to the relevant folders for payment files, limiting write access to Agresso and essential administrators. Additionally, transaction logs are automatically transmitted to Infosec for regular review.

Unit: ADB/ICT

Target Date: Implemented in April 2024

Payroll process

55. SFAO tested key controls in the payroll process and concluded that the internal controls with regards to reliability of financial reporting are adequately designed and applied.

Fixed assets process

56. The fixed assets process was not in SFAO's audit rotation plan for 2023. SFAO performed a walkthrough and did not identify any significant changes in the process. It concluded that the internal controls with regards to reliability of financial reporting remain adequately designed.

Follow-up of previous audit recommendations

57. Out of 4 recommendations outstanding from previous financial statements audits, 2 were implemented in 2023 and 2 remain pending.

58. In 2023 ICAO implemented documentation requirements, including the use of checklists within the inventory check process to ensure documentation evidence of the performed controls. Furthermore, the control performer and reviewer now have to evidence the performed controls by signing the control documentation. As part of the inventory check ICAO requests information on the status of the fixed assets items to gain an understanding with regards to the useful life of the asset. SFAO considers its 2 recommendations thereon as implemented (refer to § 110).
59. The other 2 recommendations remain pending and should only be implemented with the new ERP system and the related process update (refer to § 111).

Regional office SAM in Lima

60. In September 2023, SFAO visited the South American regional office in Lima (SAM) and identified some areas for improvement, as presented below.

Treasury – Monthly bank reconciliation and petty cash count

61. The monthly bank reconciliation and the petty cash count are performed by two employees to ensure the four-eyes principle. For two months in 2023, these controls have been done by only one employee because of annual leave. SFAO recommended that ICAO systematically apply the four-eyes principle.

Fixed assets – Segregation of duties and documentation of the inventory count

62. The annual inventory count is performed every year by both employees in charge of the inventory management and two other employees. In 2022 they used lists to document their work but did not keep this control documentation. To ensure a proper segregation of duties, the employees managing the inventory should not perform the inventory count. SFAO recommended that ICAO request other employees to count the annual inventory and to keep the supporting documentation. SFAO also identified minor discrepancies in the inventory list which were corrected during the audit.

Assessment by SFAO

SFAO recommended improvements onsite. ICAO agreed and took appropriate measures. SFAO followed up and confirms the correct implementation of these recommendations.

Regional office APAC in Bangkok

63. In November-December 2023, SFAO visited the Asia and Pacific regional office in Bangkok (APAC) and held a virtual meeting with the regional sub-office in Beijing (RSO). It identified some areas for improvement, as presented below.

IT systems – Vulnerabilities, password policy, server room and backup

64. SFAO asked for the vulnerability scan report on both Bangkok office and Beijing sub-office. Hundreds of vulnerabilities have been identified in this report, half of which were classified as critical or high risks. SFAO found critical issues such as unpatched

servers, weak communication protocols, outdated certificates, outdated and unused services. SFAO recommended that ICAO analyze the vulnerability scan report, implement remedy measures and rerun the vulnerability scan report to ensure the effectiveness of the measures.

65. The password complexity settings for local Windows accounts on the file server did not follow HQ administrative instructions. SFAO recommended that ICAO set the password policy for those accounts according to these instructions.
66. SFAO observed that the doors to the server room were open and that the server racks were unlocked. SFAO recommended that ICAO restrict this physical access.
67. ICAO HQ has set up a backup routine for the file server located at APAC onto another server located at HQ. SFAO recommended that ICAO perform annually a restore test of its file server.

Fixed assets – Disposal of IT equipment

68. When disposing the laptops, the IT department did not follow the administrative instruction about disposal of electronic devices. If the devices are not properly wiped, there is a risk that external parties may access to sensitive information. SFAO recommended that ICAO strictly follow the procedure regarding the correct disposal of electronic devices outlined in the instruction.

Assessment by SFAO

SFAO recommended improvements onsite. ICAO agreed and took measures. SFAO followed up and confirms the correct implementation of these recommendations, except the following.

Recommendation No. 6 (priority 2)

SFAO recommends that ICAO analyze the vulnerability scan report for RO APAC and implement remedy measures. Afterwards the CISO shall rerun the vulnerability scan report to ensure that the measures are effective.

Comment by the Secretary General

The recommendation is accepted.

ICAO will analyze the vulnerability scan report for APAC RO and implement the remedy measures.

Unit: APAC/RO

Target Date: 31 December 2024

Significant findings on the financial statements

- 69. SFAO concluded that the 2023 financial statements had been prepared in accordance with the International Public Sector Accounting Standards (IPSAS) and the ICAO Financial Regulations. SFAO issued an unqualified audit opinion on these financial statements.
- 70. The organization put again considerable effort into the preparation of good quality financial reporting. The financial statements are in accordance with the standards as regards presentation and transparent disclosures. SFAO identified some findings, as presented below.
- 71. ICAO simplified the presentation of the statement of comparison of budget and actual amounts in 2023. It merged both previous statements V and V-A and aggregated information accordingly. SFAO analyzed the new presentation and concluded that it complies with the requirements of IPSAS 24.
- 72. SFAO identified some audit differences. Management corrected all of them during the audit (refer to § 109).

Going concern assumption

- 73. As per ICAO Management's assessment the financial statements have been prepared on a going concern basis.
- 74. According to the cash forecast for 2024, the organization shall dispose of sufficient liquidity to meet its operating needs until the end of 2024.
- 75. 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.
- 76. ICAO has shown negative net assets for several years, mainly due to the accumulated actuarial loss on employee benefits. This loss decreased significantly in 2023 again, mainly as a consequence of changes in the financial assumptions. In total, the net accumulated deficit decreased by CAD 11 million in 2023.

Assessment by SFAO

Nothing has come to the attention of SFAO showing material uncertainties with regards to the organization's ability to continue as a going concern until the end of 2024. The organization should continue to produce adequate cash forecasts.

Cash, cash equivalents and investments

Bank confirmations

- 77. 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.

Expected credit loss on cash, cash equivalents and investments

78. With the implementation of the new IPSAS 41 *Financial Instruments* in 2023, ICAO now calculates the default risk on cash, cash equivalents and investments according to the Expected Credit Loss model (ECL), which focuses on both historical and forward-looking data. For 2023 ICAO considered the ECL as immaterial and did not recognize any allowance.

Assessment by SFAO

SFAO estimated the ECL on cash, cash equivalents and investments at CAD 0.2 million as at 31 December 2023. This risk mainly arises from a not rated bank used for a CDI project. As this amount is not significant, no allowance is required. This practice is common in other UN organizations.

Assessed contributions receivable

Revised calculation of the opening balance as at 1 January 2023

79. With the implementation of IPSAS 41, ICAO amended the classification and measurement principles for the assessed contributions receivable from Member States. The allowance for doubtful accounts is now based on the ECL model.
80. Accordingly, ICAO revised the opening balance as at 1 January 2023 without restating the 2022 comparative figures. The allowance for doubtful assessed contributions receivable increased by CAD 0.8 million and the net assets decreased by the same amount.
81. ICAO accounted for the opening balance adjustment in the surplus for the year, through the statement of financial performance. As per IPSAS, this adjustment represents a change in accounting method and should have been recognized directly in equity as at 1 January 2023. The missing restatement leads to an audit difference.

Assessment by SFAO

The new policy on classification and measurement of the assessed contributions receivable complies with IPSAS requirements. The revised calculation as at 1 January 2023 is in accordance with the new policy. SFAO considers its previous audit recommendation thereon as implemented (refer to § 110). ICAO has corrected the audit difference of CAD 0.8 million (refer to § 107).

Receivables, advances and other current assets

Revised calculation of the opening balance as at 1 January 2023

82. With the implementation of IPSAS 41, ICAO amended the classification and measurement principles for the receivables (other than assessed contributions receivable).
83. Accordingly, ICAO revised the opening balance as at 1 January 2023 without restating the 2022 comparative figures. The allowance for doubtful receivables increased by CAD 0.6 million and the net assets decreased by the same amount.

84. Similarly to assessed contributions, ICAO accounted for the opening balance adjustment in the surplus for the year, through the statement of financial performance. As per IPSAS, this adjustment represents a change in accounting method and should have been recognized directly in equity as at 1 January 2023. The missing restatement leads to an audit difference.

Assessment by SFAO

The new policy on classification and measurement of the receivables (other than assessed contributions receivable) complies with IPSAS requirements. The revised calculation as at 1 January 2023 is in line with the new policy. SFAO considers its previous audit recommendation thereon as implemented (refer to § 110. ICAO has corrected the audit difference of CAD 0.6 million (refer to § 107).

Receivable from UNDP regarding compensation payments made by ICAO

85. ICAO is processing monthly payments to surviving spouses of project personnel who died while working on United Nations Development Programme (UNDP) financed projects and reporting such charges to UNDP through Project Clearing Account (PCA). The annual cost was CAD 0.1 million in 2023. Since 2010, UNDP has not reimbursed these amounts to ICAO. The receivable balance accumulated to CAD 1.1 million as at 31 December 2023. The review of this claim is ongoing, without any conclusion so far.

Assessment by SFAO

The payments made on behalf of UNDP remain at ICAO's charge, as there have not been any repayments from UNDP since 2010. As the reasons for the non-payment by UNDP have not been clarified, there remains a risk of ongoing non-compensation by UNDP (refer to § 101). The valuation of this receivable in ICAO's 2023 financial statements is correct.

Recommendation No. 7 (priority 2)

SFAO recommends that ICAO further pursues the recovery of claim compensations from UNDP for the payments made by ICAO to surviving spouses of project personnel who died while working on UNDP-financed projects.

Comment by the Secretary General

The recommendation is accepted.

ICAO actively pursues the recovery of claim compensations from UNDP and has escalated its resolution to the UNDP Administrator's level. The response from UNDP is pending.

Unit: FIN

Target Date: 31 March 2025

Intangible assets

Lifetime of intangible assets

86. Intangible assets are amortized as per ICAO's accounting policies. SFAO noted that some assets had not been amortized according to these policies, but over a shorter or longer period based on the estimated useful life provided by IT personnel as technical experts.

Assessment by SFAO

There is no significant misstatement of the intangible assets value as at 31 December 2023. SFAO encourages ICAO to update the accounting policy to reflect the current useful life of the intangible assets.

Disposals of intangible assets

87. In 2023 ICAO presented disposals of intangible assets for a gross amount of CAD 0.4 million (net carrying amount of CAD 0.1 million). ICAO disposed additional intangible and fully amortized assets for a gross amount of CAD 1.1 million. As the disposal process was still ongoing at year-end, these assets have not been derecognized. During the audit ICAO added an explanation in note 2.6.

Assessment by SFAO

The gross amounts presented in the table of note 2.6 are overstated by CAD 1.1 million. As these assets have already been fully amortized, the net carrying amount remains correct as at 31 December 2023. SFAO encourages ICAO to speed up the disposal process to avoid period cut-off issues in the accounting of disposals.

Capitalization of work-in-progress

88. Work-in-progress for intangible assets are capitalized based on purchase orders made throughout the year. However, the effective hours spent on development within a financial year do not always reflect the contracted hours within the purchase orders. SFAO identified a non-significant amount which has been capitalized in 2023 for development work that was not yet carried out.

Assessment by SFAO

SFAO encourages ICAO to review the process of how the capitalized amount is assessed for a financial year to ensure that no material deviations occur between the effective development cost and the budgeted and capitalized development cost. Cumulative deviations in capitalizations of work-in-progress may lead to an excessive capitalized amount in the statement of financial position.

Advanced receipts

Non-current advanced receipts

89. The European Union finances an ICAO project that will last from 2024 to 2026. The advanced receipts have to be split between current and non-current liabilities, i.e. between the portion that will be used within one year and the portion that will be used thereafter. ICAO has presented the whole amount in the current liabilities.

Assessment by SFAO

The portion of advanced receipts that will be used after more than one year has to be reclassified as non-current liabilities. ICAO corrected this audit difference of CAD 1.4 million during the audit (refer to § 107).

Accounts payable and accrued liabilities

Litigation and arbitration

90. ICAO had recorded a provision of CAD 0.7 million for claims brought by former employees before the United Nations Appeals Tribunal (UNAT). By the end of March 2024, UNAT granted ICAO's appeal for a significant case. As per ICAO's Legal Affairs and External Relations Bureau (LEB), no further appeal is possible. This post-balance sheet event required the release of the provision for CAD 0.6 million in the 2023 financial statements. ICAO adjusted the amount of the provision during the audit.
91. In January 2024, ICAO received a notice of arbitration in connection with a technical project in Panama. As ICAO has been acting as an agent under hold harmless conditions, LEB assessed that no direct liability for ICAO should arise from this claim.
92. ICAO also faces several legal disputes brought by former employees of CDI 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 CDI project. ICAO considers that all these claims are unfunded or that an outflow is possible but not probable. Therefore, it has not recorded any provision.

Assessment by SFAO

ICAO released the provision for claims by CAD 0.6 million during the audit (refer to § 113). The estimates made by ICAO for the remaining litigation and arbitration cases are appropriate. The accounting treatment and the disclosure are correct after the adjustment of the provision.

Employee benefits

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

After-Service Health Insurance (ASHI)

94. 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.
95. 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. Upon SFAO's advice ICAO has implemented an analytical and sample review of the medical claims which occurred in 2023. These claims are recorded at MBP. The review is ongoing as per year-end audit. As per most recent update, ICAO is not allowed to view evidence related to the selected claims due to the confidentiality of the data. Furthermore, OIO has planned to perform audit procedures related to the medical claims processed by Cigna in 2024. Based on the results which are to be acquired from the performed review and audit, ICAO will decide how to perform monitoring and assurance over medical claims processed through Cigna in the future.
96. The medical claims play a role in the calculation of the liability related to ASHI in the ICAO financial statements as they flow into the assessment of the assumption for future claims to be expected. However, as they are considered as an average of claims over multiple years and only partially impacting the assumptions, the impact of some improper claims would not be significant. Nevertheless, it is important for ICAO to ensure that any expenses related to the medical claims are justified. Therefore, SFAO encourages ICAO to continue its analytical and sample reviews depending on the results achieved.
97. The ASHI is categorized as a post-employment benefit plan as defined in 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.
98. Liabilities for ASHI in the statement of financial position decreased by 5.2 % in 2023. This is mainly due to the update of the financial assumptions (claims per capita and medical inflation). This decrease 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 unfunded ASHI liability represents a potential financial risk for the organization. SFAO invites ICAO to closely monitor the situation year by year.

SFAO encourages ICAO to ensure the review of the selected claims by including OIO's upcoming audit results in the process. Furthermore, SFAO encourages ICAO again to assess the benefits of requesting an ISAE 3402 report from Cigna to ensure that the risk of improper treatment of claims is adequately covered. This could be best done through a collective request with other UN entities that use the services of this provider.

Annual leave

99. 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.
100. 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.

Accrual for international experts

101. For CDIP international experts ICAO records a short-term liability (accrual) which accounts for any repatriation benefits and annual leave cost upon separation of the CDIP project staff. Such benefits are covered by the ICAO Field Service Staff Rules. The accrual is used for settlement of separation payments and any excess released. In 2023 a material portion of the accrual has been released.

Assessment by SFAO

ICAO did not record a specific accrual in relation to the workers' compensation payments. SFAO invites ICAO to assess whether and how long such compensation payments are to be continued and to record an accrual.

United Nations Joint Staff Pension Fund (UNJSPF)

102. 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.
103. The characteristics of the UN pension scheme are outlined in the note 2.10.7 to the financial statements. In its latest published 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

North Atlantic Height Monitoring System agreement

104. ICAO manages a fund to account for the financial transactions made under the provision of the agreement for the North Atlantic Height Monitoring System. This fund presented a balance of CAD 1.0 million as at 31 December 2023 after an audit adjustment of CAD 0.3 million (refer to § 107). This agreement should end and be replaced with a new agreement to be signed by all parties in 2024. In the meantime, the current agreement continues to be operational. The new draft agreement does not include any information about the distribution of the remaining balance of the current agreement. It is expected that this balance does not remain at ICAO, as this agreement is a cost recovery program. Discussions about the closure of the fund and the distribution of the remaining balance have started in 2024.

Assessment by SFAO

The current agreement remained valid in 2023. SFAO will follow the discussions on its closure, the distribution of the remaining balance, as well as the implementation of the new agreement in 2024.

General operating expenses

Implementation costs for the new ERP system

105. ICAO signed a Memorandum of Understanding (MoU) with UNDP to implement the new ERP system “Quantum”. UNDP invoiced the first onboarding and implementation costs related to this project to ICAO in 2023 for an amount of CAD 1.2 million. Given that ICAO does not have control over the ERP system, criteria for recognition as an intangible asset are not met. Furthermore, this contract is a service contract and does not classify as a lease. These costs have been fully recognized as expenses through general operating expenses. Either UNDP or ICAO can terminate the MoU with a 6-months’ notice.

Assessment by SFAO

The accounting treatment of this transaction in 2023 is correct. Considering the evolution of the project and the upcoming configuration and customization of the ERP system, SFAO invites ICAO to reassess if the accounting treatment remains adequate during the next phases of the project. SFAO also invites ICAO to assess the risk related to the clause to terminate the MoU with a 6-months’ notice.

Audit differences

106. 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 0.24 million. The impact of errors on the interpretation of the financial statements as a whole is deemed to be material if they exceed CAD 3 million in total.

Summary of corrected and uncorrected misstatements

107. SFAO found some audit differences. Management has corrected all of them during the audit.

Description	(Deficit) / Surplus for the year (millions of CAD)	(Negative) net assets (millions of CAD)
Balance before audit differences	(0.026)	(5.183)
<u>Corrected audit differences</u>		
Restatement of the opening balance for IPSAS 41 (CAD 0.8 million, refer to § 81, and CAD 0.6 million, refer to § 84)	1.345	—
Reclassification of non-current portion of advanced receipts (CAD 1.4 million, refer to § 89)	—	—
Release of provision for legal case (CAD 0.6 million, refer to § 92)	0.580	0.580
Reclassification from credits to contracting/servicing governments to accounts payable (CAD 0.3 million, refer to § 104)	—	—
Reclassification between advances to suppliers and accounts payable (CAD 0.5 million)	—	—
Balance after corrected audit differences (as per financial statements)	1.899	(4.603)
<u>Uncorrected audit differences</u>		
None.	—	—
<u>Impact of the audit differences from previous year that have been corrected during the current year</u>		
None.	—	—
Balance after all audit differences	1.899	(4.603)

Insufficient information or incorrect presentation

108. SFAO found some misstatements in the disclosures of the 2023 financial statements. Management has corrected all of them during the audit.

Follow-up of previous recommendations

109. SFAO followed up the recommendations outstanding from previous external audits (financial statements and performance audits). Out of a total of 42 recommendations 19 have been implemented and 23 remain pending as at 31 March 2024. The details are available in the tool “Symbiant” managed by OIO.

Recommendations implemented

110. SFAO considers that the following recommendations were implemented in the last 12 months.

Report and recommendations (reference to Symbiant)
Is the ICAO recruitment process efficient and effective? (EA-REP-2016-B) Rec 1: ADB/HR – documentation of administrative instructions
The Cybersecurity Framework at ICAO (EA-REP-2017-B) Rec 3: ADB/ICT – log management system
Efficiency and effectiveness of the Human Resources management (EA-REP-2019-B) Rec 1: CDI – organization of the HR
Audit of the 2020 financial statements (EA-REP-2020-A) Rec 7: ADB/ICT – review of the access rights
Information Security (EA-REP-2020-B) Rec 1: ADB/ICT – implementation of the information security roadmap Rec 3: ADB/ICT – set up of an operational level agreement
Audit of the 2021 financial statements (EA-REP-2021-A) Rec 10: ADB/PCL – review of expected useful lives for fixed assets Rec 11: ADB/PCL – control documentation of fixed assets Rec 12: FIN – measurement of receivables
IT Governance & Strategic IT Management (EA-REP-2021-B) Rec 4: ADB/ICT – transparency of the budgeting and control process Rec 7: ADB/ICT – incident monitoring
Rapid Assessment on the new ICT Strategy and Action Plan (EA-REP-2022-A) Rec 1: ADB/ICT – include technical level Rec 2: ADB/ICT – project budget planning Rec 3: ADB/ICT – business case for the replacement of legacy on premise applications with cloud applications Rec 4: ADB/ICT – align strategy with new TOM

Report and recommendations (reference to Symbiant)
Audit of the 2022 financial statements (EA-REP-2022-B) Rec 1: ADB/ICT – assessment of the risks of changes Rec 4: ADB/ICT – patch management policy Rec 5: ADB/ICT – patch of critical operating systems Rec 7: FIN – valuation policy of assessed contributions receivable Total: 19 recommendations implemented

Recommendations pending

111. SFAO considers that the following recommendations remain pending as at 31 March 2024. This list also includes the recommendations that have an implementation deadline after that date.

Report and recommendations (reference to Symbiant)
Audit of the 2020 financial statements (EA-REP-2020-A) Rec 3: ADB/ICT – password policy (overdue)
Information Security (EA-REP-2020-B) Rec 5: ADB/ICT – administrative remote access policies (overdue) Rec 6: ADB/ICT – deficiencies on windows clients, servers and databases
Audit of the 2021 financial statements (EA-REP-2021-A) Rec 1: ADB/ICT – database security Rec 4: ADB/ICT – network segmentation (overdue) Rec 9: ADB/PCL – simplification of the fixed assets process (overdue)
IT Governance & Strategic IT Management (EA-REP-2021-B) Rec 3: ADB/ICT – assessment of the definition of the ICT business plan indicators and their achievement (overdue) Rec 5: ADB/ICT – model of the future state of the Enterprise Architecture according to strategic objectives (overdue) Rec 6: ADB/ICT – project portfolio management Rec 8: ADB/ICT – policy framework
Project Management “NAM19801” of the ICAO Technical Cooperation Programme (EA-REP-2021-C) Rec 1: CDI – automated query of the actual project costs
Rapid Assessment on the new ICT Strategy and Action Plan (EA-REP-2022-A) Rec 5: ADB/ICT – cost-benefit analysis (overdue) Rec 6: ADB/ICT – planning of the signature projects (overdue)

Report and recommendations (reference to Symbiant)
Audit of the 2022 financial statements (ER-REP-2022-B) Rec 2: ADB/ICT – periodic review of the physical access to the server room Rec 3: ADB/ICT – failed backups for the Agresso database (overdue) Rec 6: ADB/PCL – tool for the inventory of non-IT equipment Rec 8: CDI – recognition of the overhead fees on CDI projects (overdue)
Audit of the process of technical segregation of e-mail accounts from ICAO Secretariat staff and Delegation (EA-REP-2023-A) Rec 1: ADB/ICT – destruction or wiping of the original hard disks Rec 2: ADB/ICT – hardware likely to contain the November 2020 backup data
New ERP System Implementation – Interim Audit Results (EA-REP-2023-B) Rec 1: ADB/ICT – coverage of business requirements by the Quantum solution Rec 2: ADB/ICT – revision of the budget and project reserve Rec 3: ADB/ICT – full cost budget for operational costs Rec 4: ADB/ICT – review of agreements
Total: 23 recommendations pending

* * *

112. 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, 1 May 2024

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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.

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