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## Financial Statements and Reports of the External Auditor for the Financial Year Ended 31 December 2020

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INTERNATIONAL CIVIL AVIATION ORGANIZATION

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**FINANCIAL STATEMENTS AND  
REPORTS OF THE EXTERNAL AUDITOR  
FOR THE YEAR ENDED 31 DECEMBER 2020**



**INTERNATIONAL CIVIL AVIATION ORGANIZATION**

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

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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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 to the Council for approval, and for consideration and recommendation to the Assembly, the financial statements of ICAO for the year ended 31 December 2020. As required by Article XIII to the Financial Regulations, the External Auditor's opinion and his report on the 2020 financial statements are also submitted to the Council and Assembly, as well as my comments (reflected in the Secretary General's Comments) thereon.

1.2 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.

1.3 ICAO's membership comprises 193 Member States as of 31 December 2020. Its Headquarters are in Montreal and it has regional offices in Bangkok, Cairo, Dakar, Lima, Mexico City, Nairobi and Paris as well as a regional sub-office in Beijing.

1.4 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 met in September 2019.

1.5 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 Committee on Unlawful Interference, the Human Resources Committee, the Committee on Joint Support of Air Navigation Services, the Technical Co-operation Committee, the Relations with Host Country Committee, the Edward Warner Award Committee, and the Committee on Cooperation with External Parties.

1.6 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.

1.7 The Secretariat consists of five main divisions: the Air Navigation Bureau, the Air Transport Bureau, the Technical Co-operation Bureau, the Legal Affairs and External Relations Bureau, and the Bureau of Administration and Services. The Secretary General is directly responsible for the management and effective work performance of the activities assigned to the Office of the Secretary General relating to Finance, Office of Internal Oversight, Ethics, Communications, Strategic Planning, Coordination and Partnership, and seven Regional Offices. The regional offices are primarily responsible for maintaining liaison with States to which they are accredited and with other appropriate organizations, regional civil aviation bodies and the United Nations Regional Economic Commissions. The regional offices promote implementation of ICAO policies, decisions, Standards and Recommended Practices (SARPs) and regional air navigation plans, and provide technical assistance when requested.

1.8 Unless otherwise indicated, the financial statements and the accompanying note disclosures, which form an integral part of these financial statements, and this report, are presented in thousands of Canadian dollars (CAD).

## 2. OVERVIEW AND HIGHLIGHTS OF THE FINANCIAL STATEMENTS

2.1 The following financial statements have been prepared in accordance with IPSAS:

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

2.2 Also in accordance with IPSAS, the financial statements include Notes that provide narrative descriptions and disaggregation of items disclosed in the financial statements and information about items that do not qualify for recognition in the statements. The Notes also include the presentation of major activities of ICAO by segment as required by IPSAS. Two segments are included in the audited financial statements. The first segment covers on-going regular activities of the Organization, such as the Regular Programme, the revenue generating activities, and the administration and support of the Technical Co-operation Programme. The second segment covers the activities of all Technical Co-operation projects, generally conducted by ICAO at the request of individual States.

2.3 Tables are not part of the audited financial statements. However, since these tables offer more detailed information and support the combined figures reported in the audited financial statements, they are included in Part IV of this document.

2.4 The following paragraphs summarize key information on the financial situation and performance of the Organization for 2020.

2.5 **Statement I** presents the financial position of the Organization. Assets totalling CAD 336.4 million at 31 December 2020 are mainly composed of cash and cash equivalents and investments amounting to CAD 305.8 million and of assessments and other amounts receivable totalling CAD 20.0 million. Total liabilities amount to CAD 441.0 million, which include an amount of CAD 189.2 million representing advanced receipts mostly for Technical Co-operation projects, and an amount of CAD 211.7 million representing the estimated long-term liability for employee benefits, recognized in accordance with IPSAS.

2.6 This statement also shows an accumulated deficit of CAD 75.7 million, which results from recognition of the employee benefit liabilities under IPSAS. It should be noted that current assets exceed current liabilities by an amount of CAD 93.1 million, and therefore, it is not foreseen that additional funding will be necessary on a short-term basis to cover the accumulated deficit.

2.7 **Statement II** presents the financial performance for the year 2020. Revenue from project agreements is recognized on the basis of services rendered and goods delivered to Technical Co-operation Projects (TCP). Revenue from assessed contribution is recognized when assessments are levied, generally at the beginning of the year when they become due and payable by Member States. There is also a temporary adjustment made to assessed contributions revenue in 2020 for an amount of CAD 1.1 million. IPSAS requires this adjustment to reflect the current fair value of future payments due under agreements with States to repay long-term contributions in arrears.

2.8 Total 2020 surplus amounts to CAD 1.9 million net of inter-fund eliminations. Table A shows the result by Fund or Group of Funds for the regular activities segment. Expenses include an amount of CAD 12.6 million recorded in the Revolving Fund to recognize employee benefits expense (ASHI, annual leave and repatriation benefits) on an accrual basis. In 2020, CAD 3.1 million was paid for those

benefits and this amount is presented in the Revolving Fund as a funding source from other Funds. The difference of CAD 9.5 million between benefits accrued and benefits paid is reflected in that Fund's deficit for the year. Explanations on the financial results and surplus of the Regular Budget Fund of the Regular Programme (CAD 12.9 million), the deficit of the ARGF Fund (CAD 4.8 million), and the deficit of the AOSC Fund (CAD 1.8 million) are provided in Section 3 below.

2.9 With regard to the Technical Co-operation Projects segment, there is no annual surplus or deficit for the year 2020 because revenue is recognized based on the stage of completion of projects, which is generally determined based on the costs incurred in each project. The cost of administration, operation and support to these projects is recognized in each project and the recovery of these administrative fees is recognized as revenue in the AOSC Fund.

2.10 **Statement III** provides changes in net assets during the year. The balance of Net Assets including reserves at the beginning of the year amounted to a net accumulated deficit of CAD 68.4 million. The balance of the net accumulated deficit at the end of 2020 was CAD 104.6 million, a net increase of CAD 36.2 million. This increase is attributable to the actuarial loss of CAD 38.1 million on After-Service Health Insurance (ASHI), which is offset by the surplus of the year of CAD 1.9 million.

2.11 **Statement IV** gives the breakdown of the decrease of CAD 40.6 million of cash flow from CAD 343.2 million at 31 December 2019 to CAD 302.6 million at 31 December 2020. The overall decrease arises from a reduction of TCP cash balance of CAD 53.7 million, due to a reduced level of advanced receipts for TC Projects in 2020, and an increase in regular activities cash balance of CAD 13.1 million, due to a significant decrease in assessments receivable at the end of 2020. As permitted by IPSAS, the indirect method is used, consistent with the method adopted by ICAO in previous years.

2.12 **Statement V** shows a comparison between the Regular Programme budget and actual amounts. This Statement also reflects the status of appropriations including transfers and the amounts charged against the appropriations as required by Financial Regulation 12.1. **Statement V-A** includes all funds of the Organization and shows a comparison between budget and actual amounts for funds for which the budgets are publicly available. This statement reconciles with the other financial statements and tables. These statements and Note 4 to the Financial Statements reflect the budget information required by IPSAS.

2.13 The outbreak of the COVID-19 pandemic in mid-March 2020 became a global challenge and impacted the global economy and the civil aviation industry in an unprecedented manner. ICAO quickly adjusted to these unforeseen circumstances and focused on both COVID-19 fast response and the effective implementation of our mandates.

2.13.1 Since the early stages of the COVID-19 outbreak, ICAO has called upon States and the civil aviation industry to observe relevant global aviation standards and the International Health Regulations, while providing support, guidance, as well as advice on desirable measures to be applied in response to critical arising issues. Recognizing the urgency of the situation and the need to deliver an expedited and timely result, the Secretariat COVID-19 Emergency Programme Group (SCEPG) has been formed with a key role of coordinating the Secretariat's COVID-19-related activities across all ICAO Bureaus and Regional Offices. The Secretariat also put in place infrastructure and policies to support virtual meetings and remote working.

2.13.2 In April 2020, the Council established the COVID-19 Aviation Recovery Task Force (CART) to identify and recommend strategic priorities and policies for States and industry operators. This task force, composed of representatives from States, and international, regional and industry organizations, was tasked to identify and recommend strategic priorities and policies to support States and industry around three pillars, i.e. coping with the challenges in the immediate term; facilitating the restart of aviation operations in a sustainable, safe, secure and orderly manner as soon as practicable; and building a more resilient aviation system in the longer term. Dedicated Secretariat support has been provided for the CART activities through the continuous reprioritization and adjustment of work programmes, key activities and resources.

2.13.3 The delay in the receipt of assessments caused a liquidity crisis in 2020 unmatched in the Organization's history. The delay in receipt of a significant 2019 contribution during that year, combined with further delays in the collection of the 2020 assessments until the last two months of 2020, created the almost constant risk of a liquidity crisis, where cash inflows and outflows for Regular Programme activities had to be carefully managed. The Secretariat took mitigation measures to actively manage the budget and cash situation. Intensive efforts to collect assessments, with the assistance of the Regional Offices and the Council, along with continual efforts to reprioritize activities and take cost containment measures, such as freezing of recruitment and consultancies and on-boarding of selected candidates etc., enabled the Secretariat to successfully manage the budget and expenditure within available cash available. Although payment of assessments improved dramatically in the last quarter of 2020, the mitigation measures and continuing COVID-19 restrictions had a very severe negative impact on ICAO's ability to implement the programme activities approved by the Assembly.

2.13.4 The liquidity crisis highlighted ICAO's vulnerability in the event of unforeseen events that affect cash inflows, and the importance of assessing lessons learnt to enhance operational flexibility, to improve methods aimed at prompt payment of assessments by States, and to forecast cash and budgets. The Working Capital Fund is only sufficient to meet one month's cash expenditure and there is no alternative cash source to meet Regular Programme needs in the event of delays in the payment of assessments. During this period of unprecedented risk, the Secretariat expended a lot of effort to reprioritize activities and manage the situation. Furthermore, despite the improvement in the liquidity position by the end of 2020, COVID-19 restrictions continue to impact implementation of the programme

2.13.5 Swift repositioning of resources and reprioritization of activities focused on the management and mitigation of the COVID-19 crisis, in close cooperation with Member States, UN organizations and the industry, and in coordination between HQ and Regional Offices. These efforts have generated numerous positive results in navigating the restart and recovery of operations, including but not limited to: harmonization of measures globally/regionally which are also mutually accepted by States; wider use of a multilayer risk management strategy by States; more structured and coordinated assistance provided to States; increased availability of information to States on COVID-19 developments impacting aviation through the provision of data, publications and webinars; and sharing of best practices to address emerging challenges. Amongst the many such activities were:

- a. supporting the development of recommendations and guidance of the CART Report, High-Level Cover Document and "Take-Off" Guidance Document (first and second editions) in light of latest developments arising from the COVID-19 crisis;
- b. developing and implementing a Global Implementation Roadmap (GIR), which identifies priority activities of the Secretariat, aimed at supporting, coordinating and monitoring the implementation of CART recommendations and guidance by States and industry;
- c. developing and deploying four ICAO implementation packages (iPACKS) and new online courses and webinars;
- d. issuing new guidelines on the mitigation of COVID-19 aviation safety risks and launching the global COVID-19 airport status tool;
- e. developing guidelines on aviation threats and risks and on measures to harmonize aviation security contingency, supported by webinars;
- f. providing targeted assistance and support to States in need for the effective implementation of the CART recommendations and guidance;
- g. launching the COVID-19 Response and Recovery Implementation Centre (CRRIC) which incorporates the latest information on COVID-19-related activities by ICAO and to monitor the implementation of the CART recommendations and guidance;
- h. implementing the ICAO "COVAX action plan" to facilitate the transportation and distribution of vaccines;
- i. collecting and analyzing feedback from States on challenges encountered during their implementation of the CART recommendations, which were reported back to CART;

- j. participating in outreach and advocacy activities at high-level events in aviation, economic, health and tourism at the global and regional levels, as well as organizing technical meetings with international and regional organizations and industry stakeholders to share and exchange various initiatives related to the containment of COVID-19 in international air travel.

2.14 Where evident on ICAO's financial performance for the 2020 fiscal year, the financial impact of the pandemic has been disclosed in the notes to the affected financial statement. Specifically, the TCP segment was negatively impacted, both financially and in terms of the expected completion dates of projects, by the economic environment and physical access restrictions. Global Aviation Training delivery and ARGF events suffered from cancellation and postponement, although virtual means were adopted whenever possible. Detailed data are included in the Budget Performance and Financial Highlights below.

### 3. BUDGET PERFORMANCE AND FINANCIAL HIGHLIGHTS

#### Appropriations for Regular Programme

3.1 The 40<sup>th</sup> Session of the Assembly (2019), under Clause C of Resolution A40-34, voted appropriations of CAD 103 312 thousand for the year 2020. Details of appropriations, transfers, actual expenditure and unobligated balances of appropriations by Strategic Objective and Supporting Strategies are given in Statement V.

3.2 The budgetary appropriations for 2020, in thousands of Canadian dollars, are summarized as follows.

<b>Original Appropriations</b>	<b>103 312</b>
2019 Outstanding Commitments	16 441
Carry-over from 2019	<u>7 225</u>
<b>Approved Revised Appropriations</b>	<b><u>126 978</u></b>
2020 Outstanding Commitments	(9 690)
Carry-over to following year	<u>(23 798)</u>
<b>Final Revised 2020 Appropriations</b>	<b><u>93 490</u></b>

3.3 **2019 Outstanding Commitments.** In accordance with Financial Regulation 5.7, an amount of CAD 16 441 thousand was approved by the Secretary General to supplement the 2020 appropriations, in order to pay for commitments outstanding at the end of the year ending 31 December 2019.

3.4 **Carry-over from 2019.** In accordance with Financial Regulation 5.6, an amount of CAD 7 225 thousand was approved by the Secretary General to supplement the 2020 appropriations, financed by savings from 2019, for mandatory and other mission-critical activities that were not budgeted for in 2020.

3.5 **2020 Outstanding Commitments.** The value of obligations entered into in 2020, but delivery against which is only expected in 2021, is CAD 9 690 thousand. Therefore, an amount of CAD 9 690 thousand (also see Figure 1, column (e)), has been reserved and carried forward to 2021, pursuant to Financial Regulation 5.7 in order to clear legal obligations incurred during 2020.

3.6 **Transfers.** In compliance with Financial Regulation 5.9, the Secretary General authorized transfer of the appropriations from one Strategic Objective (SO) or Supporting Implementation Strategy

(SIS) to another, up to an amount not exceeding 20 per cent of the annual appropriation for each of the SO or SIS to which the transfer is made.

**3.7 Carry-over to Following Year.** Under Financial Regulation 5.6, the Secretary General is authorized to carry over unspent appropriations, not exceeding 10 per cent per appropriation for each SO or SIS. The unprecedented situation (COVID-19 pandemic) described in 2.13, that continued from the first quarter of 2020 until the year end (and into 2021), and late payment of assessed contributions in the last quarter of 2020 prevented implementation of planned activities approved in the Budget for 2020. The year 2020 ended with much higher level of unutilized appropriations for the year, resulting in CAD 23 798 thousand, or 18.7% of the Approved Revised 2020 Appropriations of CAD 126 978 thousand being carried over to 2021. The amount that the Secretary General is authorized to carryover to 2021 is CAD 12 698 thousand (maximum limit of 10 per cent according to Financial Regulations 5.6) and the remaining balance of CAD 11 100 thousand requires approval by the Council.

**3.7.1** The Secretary General has approved use of carry-over of unutilized appropriations for mission-critical and priority activities that were not funded by the 2021 budget. Carry-over funds were used to address urgent COVID-specific matters, meet reprioritized operational requirements, and mitigate some of the critical risks identified in the Corporate Risk Register, including to: start the implementation of cybersecurity activities defined in the Information Security Roadmap 2020-2022; improve internet and web conferencing in order to better support working from home and more virtual meetings; study options for backup disaster recovery; establish a new staff appeal system; put in place the Ethics Framework; implement Enterprise Risk Management; protect ICAO's intellectual property rights; and improve key aspects of financial management processes and related systems/tools (which relates to the Council's endorsement of the Finance Committee (FIC) Guidance Package).

**3.8** As a result of the increases and transfers outlined in the preceding paragraphs, the final revised appropriation for the year amounted to CAD 93 490 thousand.

**3.9** Figure 1 provides a comparison between Budget and Actual amounts for the Revenue and Expenses of the Regular Programme General Fund:

**FIGURE 1**

	<u>2020</u> <u>Budget</u> <sup>1</sup>	<u>Actual</u> <sup>2</sup>	<u>Exchange</u> <u>Differences</u>	<u>Actual</u> <u>at Budget Rate</u> <sup>3</sup>	<u>2020</u> <u>Outstanding</u> <u>Commitments</u>	<u>Total</u>	<u>Difference</u>
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
				= (b)+(c)		= (d)+(e)	= (f) - (a)
<b>REVENUE</b>							
Assessed Contributions	91 970	103 061	( 9 946)	93 115		93 115	1 145
Other Revenue							
ARGF	9 649	9 649		9 649		9 649	
Miscellaneous	491	600		600		600	109
Reimbursement from AOSC	1 202	1 202		1 202		1 202	
Currency exchange difference		1 561		1 561		1 561	1 561
	<b>103 312</b>	<b>116 074</b>	<b>( 9 946)</b>	<b>106 128</b>		<b>106 128</b>	<b>2 816</b>
<b>EXPENSES</b>							
Staff salaries and employment benefits	101 916	90 764	( 8 768)	81 996	5 640	87 636	( 14 280)
Supplies, consumables and others	978	290	( 44)	247	127	373	( 605)
General operating expenses	18 535	10 449	( 483)	9 966	3 911	13 877	( 4 658)
Travel	3 957	947	( 77)	870		870	( 3 087)
Meetings	1 214	409	( 84)	325	12	337	( 876)
Other expenses	378	90	( 4)	86		86	( 292)
Currency exchange difference							
	<b>126 978</b>	<b>102 949</b>	<b>( 9 459)</b>	<b>93 490</b>	<b>9 690</b>	<b>103 180</b>	<b>( 23 798)</b>

<sup>1</sup> 2020 Budget-Expenses include carryover (and commitments) from prior year of CAD 23 665 thousand.

<sup>2</sup> From Table A, Financial Statements, excluding Working Capital Fund

<sup>3</sup> Includes (1) budget exchange gain of CAD 9 947 thousand due to impact of US dollar transactions budgeted at USD1.00=CAD1.00, and (2) currency exchange difference of CAD 9 459 thousand due to the difference in the rate of exchange used to prepare the budget versus the monthly UN rates of exchange applied to expenditures during the year.



3.10 **Explanation of Differences – Revenues.** The overall budget of CAD 103 312 thousand (Figure 1, column (a)) includes four main funding sources of the Regular Programme Budget for 2020: Assessed Contributions, transfers from ARGF, Miscellaneous Income, and Reimbursement from AOSC Fund. For the *Assessed Contributions*, the difference of CAD 1 145 thousand pertains to the discounted amount of the long-term contributions receivable. For the *Miscellaneous*, the difference is mainly due to higher interest earned than had been budgeted.

3.11 **Explanation of Differences – Expenses.** The overall budget of CAD 126 978 thousand (Figure 1, column (a)) includes the 2020 original appropriations of CAD 103 312 thousand, the carry-over from 2019 along with 2019 Outstanding Commitments of CAD 23 665 thousand. Savings from 2020 (unutilized appropriations) of CAD 23 798 thousand may be carried over to 2021, depending on the approval of the Council for the amount (CAD 11 100 thousand) exceeding the Secretary General's authority.

3.12 **Exchange Differences.** The exchange differences arise due to the need to convert transactions in currencies other than CAD to CAD using the UN rate of exchange in the preparation of the financial statements under IPSAS, and to convert revenue and expenses at budget rate for comparison with approved budgets. Budget exchange differences in (Figure 1, column (c)) are composed of the following:

- a) The exchange gain of CAD 9 946 thousand 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 2020 (the date when invoices were raised in USD) was higher than the rate used in the 2020 budget, resulting in a positive difference to total assessed contributions of CAD 9 946 thousand; and
- b) The exchange difference of CAD 9 459 thousand 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 them to the approved budget exchange rate. The total expenses restated at the budget rate are shown in Figure 1, column (d).

In this manner, the budgetary savings i.e. difference between budget and actual expenses, have been appropriately adjusted, as shown in Figure 1, column (g). The currency exchange difference of CAD 1 561 thousand (Figure 1, column (b)) recognized on the IPSAS basis, relates mainly to positive differences from the revaluation of assets and liabilities in CAD initially recorded in other currencies.

### **Assessment and Reporting Currencies**

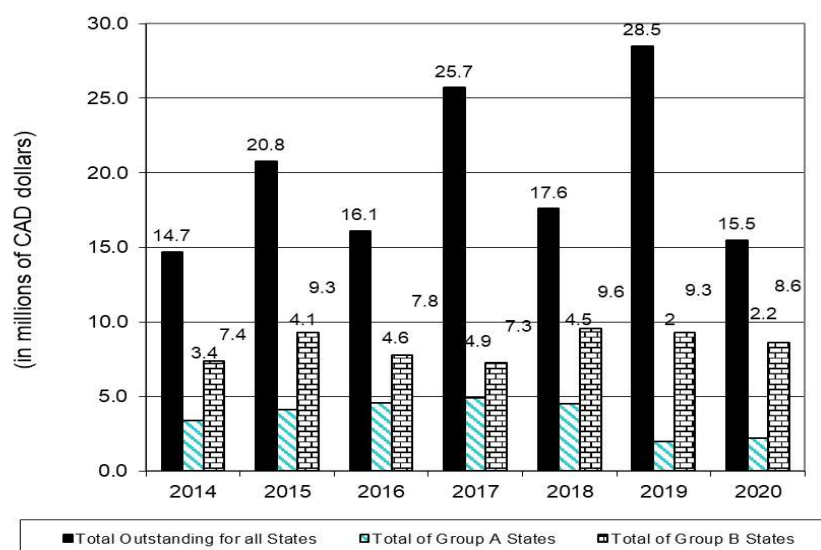
3.13 Assessments on Member States and other estimated sources of revenue were established in Canadian dollars for 2008 and for 2009. In 2010, a split assessment was introduced, with approximately three quarters payable in Canadian dollars and one quarter payable in U.S. dollars. To ensure consistency and comparability between the approved budgets and the Accounts and Funds of the Organization, transactions are reflected in Canadian dollars and the financial statements are presented in Canadian dollars from 2008 onwards. This change is applicable to most of the Funds of the Organization for regular activities presented in Segment 1, while Funds presented in Segment 2, relating to Technical Co-operation Projects, are recorded in U.S. dollars, but presented in Canadian dollars in the financial statements. During 2020, the rate of Canadian dollar against the U.S. dollar fluctuated, for example the rate was CAD 1.309 at the beginning of the year and CAD 1.278 at the end of the year.

### **Assessments and Other Voluntary Contributions**

3.14 During the year 2020, assessments totalling CAD 96 958 thousand were received and a balance of CAD 4 946 thousand remained outstanding at the year-end against the current year's assessments. At the beginning of the year, CAD 27 764 thousand was receivable from States in respect to 2019 and prior years; payment of CAD 17 918 thousand was received, leaving a balance outstanding of

CAD 9 846 thousand. The assessments receivable for all years totalled CAD 14 792 thousand as at 31 December 2020 (including the Working Capital Fund). CAD 14 792 thousand includes a USD assessment component converted at CAD 1.278 yielding a re-valued assessment receivable balance of CAD 15 472 thousand. 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 90.0 per cent. Figure 2 shows the status of the assessed contributions receivable at the end of each year since 2014.

**FIGURE 2**  
Assessments Receivable from Member States as at 31 December 2020



3.15 Of the total outstanding contributions of CAD 15 472 thousand at 31 December 2020, CAD 1 266 thousand pertained to States represented on the Council. The following figure provides details of the assessments receivable in thousands of CAD, by group of States:

	Number of States 2020	Amount Outstanding as at 31 Dec 2020	Number of States 2019	Amount Outstanding as at 31 Dec 2019
<b>Group A:</b> States that have concluded agreements with the Council to liquidate their arrears over a period of years	8	2 202	8	1 994
<b>Group B:</b> States with contributions in arrears of three full years or more that have not concluded agreements with the Council to liquidate their arrears	14	8 641	14	9 278
<b>Group C:</b> States with contributions in arrears for less than three full years	7	954	7	749
<b>Group D:</b> States with contributions outstanding only for the current year	32	3 022	19	15 776
Sub-total	61	14 819	48	27 797
The Former Socialist Federal Republic of Yugoslavia	-	653	-	669
<b>Total Outstanding Contributions</b>	<b>61</b>	<b>15 472</b>	<b>48</b>	<b>28 466</b>

3.16 As at 31 December 2020, 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 2020.

3.17 Major contributions (\*) received for the Regular Programme and other Funds in Regular Activities segment for 2020 are summarized in thousands of CAD below:

**FIGURE 4**

<b>Member State</b>	<b>Regular Budget Assessment Received</b>	<b>Contributions In-Kind (Premises)</b>	<b>Other Contributions in Cash and In-kind</b>	<b>Total</b>
Canada	2 548	24 773		27 321
United States	20 836		3 554	24 390
China	11 969		2 941	14 910
Japan	6 677		847	7 524
France	3 681	783	979	5 443
Germany	5 135			5 135
United Kingdom	4 262		656	4 918
Republic of Korea	2 255		1 277	3 532
Thailand	590	2 502		3 092
Brazil	2 243		509	2 752
Italy	2 454			2 454
Russian Federation	2 216		156	2 372
	<b>64 866</b>	<b>28 058</b>	<b>10 919</b>	<b>103 843</b>

(\*) Twelve highest contributions (refunds not deducted)

3.18 Total expenses in 2020, including those for seconded staff, gratis personnel, and premises provided without charge, by Strategic Objective and Supporting Implementation Strategies (SIS) 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 thousands of CAD below:

**FIGURE 5**

	<b>Safety</b>	<b>Air Navigation Capacity and Efficiency</b>	<b>Security and Facilitation</b>	<b>Economic Development of Air Transport</b>	<b>Environmental Protection</b>	<b>Supporting Strategy</b>	<b>Others</b>	<b>Total</b>
<b>Regular Budget</b>	32 222	20 214	13 787	4 431	5 626	26 669		102 949
<b>Voluntary Funds and other Regular Activity funds</b>	2 895	1 744	2 668	131	608	944	36 376	45 366
<b>Premises</b>						29 373		29 373
<b>Gratis Personnel <sup>(1)</sup>:</b>								
China	782	239				788		1 809
Singapore	501	377				185		1 063
United States	454	278				225		957
France	295	282	228					805
Brazil	228	95		186				509
Japan		227	185					412
Republic of Korea		176					228	404
Turkey		185		154				339
Dominican Republic	228							228
Kenya			185					185
<i>States - Others</i>	195	332	159					686
<i>Non-States - Others</i>	361	227						588
Sub-total Others <sup>(2)</sup>	556	559	159					1 274
<b>Sub-total Gratis Staff</b>	3 044	2 418	757	340		1 198	228	7 985
<b>Total Expenses</b>	<b>38 161</b>	<b>24 376</b>	<b>17 212</b>	<b>4 902</b>	<b>6 234</b>	<b>58 184</b>	<b>36 604</b>	<b>185 673</b>

(1): Ten highest contributions (refunds not deducted)

(2): Including contributions from private sectors, international organizations, NGOs, etc. without excluding refunds

### Accumulated Surplus/Deficit, Cash Surplus, and Reserves

3.19 The cumulative surplus, excluding reserves in Net Assets for the Regular Programme Budget at 31 December 2020 reflected in Table A of Part IV to this document, amounted to CAD 24.8 million. Cumulative surplus less the Working Capital Fund balance of CAD 10.2 million and assessments receivable from Member States of CAD 14.8 million resulted in a cash deficit of CAD 0.2 million at 31 December 2020.

3.20 Reserved surplus for the Regular Programme totalling CAD 29.9 million includes an amount of CAD 33.5 million to finance 2020 outstanding commitments and appropriations carried over to 2021, plus unrealized cumulative exchange gain of CAD 2.8 million, offset by an unrealized discount and provision on assessments receivable of CAD 6.4 million.

3.21 Combined net accumulated surplus and deficits of all ICAO's Funds including reserves represent a deficit of CAD 104.6 million as at 31 December 2020. These amounts are presented 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 Programme for these benefits is not sufficient to finance the annual accrued benefits. During 2020, the accumulated deficit of the Fund including reserves continued to grow to reach CAD 215.9 million at the end of the year as follows:

	Net Accumulated Deficit at end of 2019	CAD 168.3 million
Add:	Employee benefits accrued during the year	CAD 12.6 million
Deduct:	Current service costs paid during the year	CAD 3.1 million
Add:	Actuarial loss on ASHI for 2020	<u>CAD 38.1 million</u>
	Net Accumulated Deficit at end of 2020	<u>CAD 215.9 million</u>

3.23 The significant actuarial loss on ASHI was mainly caused by the revision of a number of actuarial assumptions, inter alia, the reduction in discount rate from 1.85% to 1.20%, alignment with the rest of the UN system on the mortality tables assumption, and the selection pattern probability assumption at the time of retirement. ICAO's actuary is closely monitoring the appropriateness of the key assumptions in light of information available relating to the impact of COVID-19. Noting that short-term impact, such as excess mortality risk, is already reflected in the annual census updates, the actuary has not recommended any specific changes in assumptions due to the pandemic.

3.24 In April 2016, a Working Paper (C-WP/14478) was presented to the Council proposing a number of options for funding ASHI. In June 2016, the Council requested the Secretariat to explore the feasibility of incentivizing retirees to opt-out of the ASHI scheme as one option to deal with the ASHI liability (C-DEC 208/11). The Council also requested the Secretariat to continue monitoring developments at the UN level vis-à-vis finding a solution to this important issue and to present any viable options for funding ICAO's growing ASHI liability for the Council's consideration at a later stage.

3.25 During 2018, the Secretariat conducted a stakeholder survey of active staff and retirees on the feasibility of opting out of the ASHI scheme. The result showed that a great majority of active staff and

retirees wished to remain under the current ASHI arrangement. In 2019, the Council acknowledged the potential risk the ASHI-related liability could pose to ICAO and decided that it would not be in the best interest of the Organization to pursue any proposal to incentivize retirees or staff to opt-out of the ASHI scheme and that the Secretariat should therefore continue to apply the “pay-as-you-go” approach (C-DEC 217/16 refers). ICAO will continue to work closely with other UN organizations on the ASHI matter and will keep the Council abreast on any developments.

### Ancillary Revenue Generation Fund (ARGF)

3.26 ARGF reported an operating surplus of CAD 7 981 thousand in 2020. After transfers of the required contribution of CAD 8 083 thousand to the Regular Programme Budget, further contribution of CAD 1 403 thousand to ICAO Work Programme, and expenses of CAD 3 342 thousand approved from reserves, the net annual deficit amounts to CAD 4 847 thousand.

3.27 A summary of the ARGF revenue and expenses by business activities, including the Commissariat fund, in thousands of CAD is as follows:

FIGURE 6

	Revenue	Expense	Surplus
Publications and Digital Content Sales	5 756	1 614	4 142
Printing and Distribution Services	1 355	1 545	(190)
Events	146	782	(636)
Training (incl. TRAINAIR PLUS)	5 368	4 911	457
Licensing	3 252	289	2 963
Delegation and Conference Services	3 042	2 355	687
New Products	1 383	618	765
ARGF operations and admin. fee & support costs	420	609	(189)
Commissariat	200	218	(18)
<b>Operating results</b>	<b>20 922</b>	<b>12 941</b>	<b>7 981</b>
ARGF inter-billing elimination	(632)	(632)	-
	<b>20 290</b>	<b>12 309</b>	<b>7 981</b>
Amount transferred to Regular Programme budget		8 083	(8 083)
Further contribution to ICAO work programmes		1 403	(1 403)
	<b>20 290</b>	<b>21 795</b>	<b>(1 505)</b>
Expenses approved from reserves		3 342	(3 342)
<b>Net deficit for the year</b>	<b>20 290</b>	<b>25 137</b>	<b>(4 847)</b>

3.28 A budgetary comparison of the operating surplus is presented in the figure below in thousands of CAD:

FIGURE 7

	Actual	Budget	Variance
Revenue	20 922	28 896	(7 974)
Expense	12 941	19 083	6 142
<b>Surplus (Deficit)</b>	<b>7 981</b>	<b>9 813</b>	<b>(1 832)</b>

3.29 The performance of the ARGF in 2020 was impacted by the decline in the aviation industry as a result of the COVID-19 pandemic. For the year, ARGF achieved an operating revenue of CAD 20 922 thousand (72% of budget) and an operating surplus of CAD 7 981 thousand (81% of budget). Actual expenses of CAD 12 941 thousand (68% of budget) were CAD 6 142 thousand lower than budget.

3.30 The cumulative surplus excluding reserves in the Net Assets for ARGF at 31 December 2020 reflected in Table A of Part IV to this document is CAD 47 thousand. Reserves of CAD 13 726 thousand are comprised of:

ARGF 25% Operational Reserve (FIN REG 7.3 & C-DEC 190/5)	5 903
Reserve for additional one-time contribution to RP 2021-2022 budget	3 133
Restricted surplus to protect against risk of budgetary shortfall due to COVID-19	989
Surplus balance earmarked for special projects	<u>3 701</u>
<b>Total</b>	<b><u>13 726</u></b>

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

3.31 The AOSC Fund is established to meet the cost of administration and operation of ICAO's Technical Cooperation Programme (TCP), and is primarily financed from support costs charged to TC Projects, which are managed under various Trust Fund Agreements, Management Service Agreements (MSA) and Civil Aviation Purchasing Services Agreements (CAPS). The financial results for the AOSC Fund are reported in Table A of Part IV to this document. A budgetary comparison is presented in Figure 8 in thousands of CAD.

3.32 Supplemental to the AOSC Fund, the Technical Cooperation Bureau (TCB) Efficiency and Effectiveness Fund was established by the Council (C-DEC 155/7 and increased in C/DEC 172/8) authorizing the Director of TCB to dispense, in any given year, up to 25 per cent of the AOSC Fund's annual surplus in the preceding year for the implementation of measures to improve the efficiency and effectiveness of TCB in responding to Contracting States' needs. The TCB Efficiency and Effectiveness Fund's accumulated surplus stood at CAD 1.3 million as at 31 December 2020.

3.33 In addition, a Special Reserve Fund ("SRF") was established (C-DEC 200/2) for the Technical Cooperation Programme to compensate for a possible shortfall caused by a decrease in the AOSC Fund income in any given year that would impact its ability to make the approved annual transfer to the Regular Budget as described in paragraph 3.37. In this regard, no amount had been drawn from the SRF since its inception in 2014 due to the AOSC Fund's income levels during the reporting periods. The SRF's balance, which stood at CAD 2.6 million as at 31 December 2019, was automatically transferred to the AOSC accumulated surplus at the closing of the triennium. Due to the shortfall in the AOSC Fund's results in the current reporting period, the SRF has not been replenished and its balance, therefore, is nil as at 31 December 2020, however, the annual transfer to the Regular Budget was absorbed by the AOSC accumulated surplus as per the approved reimbursement mechanism.

**FIGURE 8**

#### **AOSC Fund Budget and Expenditures for 2020<sup>1</sup>**

	Submitted to the Assembly <sup>2</sup>	Revised Budget 2020 <sup>3</sup>	Actual Expenditure/ Income 2020	Balance of Revised Budget
Appropriation/Expenditure				
Major Programme	10 520	<u>10 048</u>	<u>10 161</u>	<u>(113)</u>
Income		<u>7 500</u>	<u>8 493</u>	
<b>Deficit of Income over Expenditure</b>		<b><u>(2 548)</u></b>	<b><u>(1 668)</u></b>	

<sup>1</sup> Excludes TCB Efficiency and Effectiveness Fund and Special Reserve Fund (SRF).

<sup>2</sup> Approved by the Assembly in 2019 (A40).

<sup>3</sup> Noted by the Council at its 221st Session (C-WP/15085).

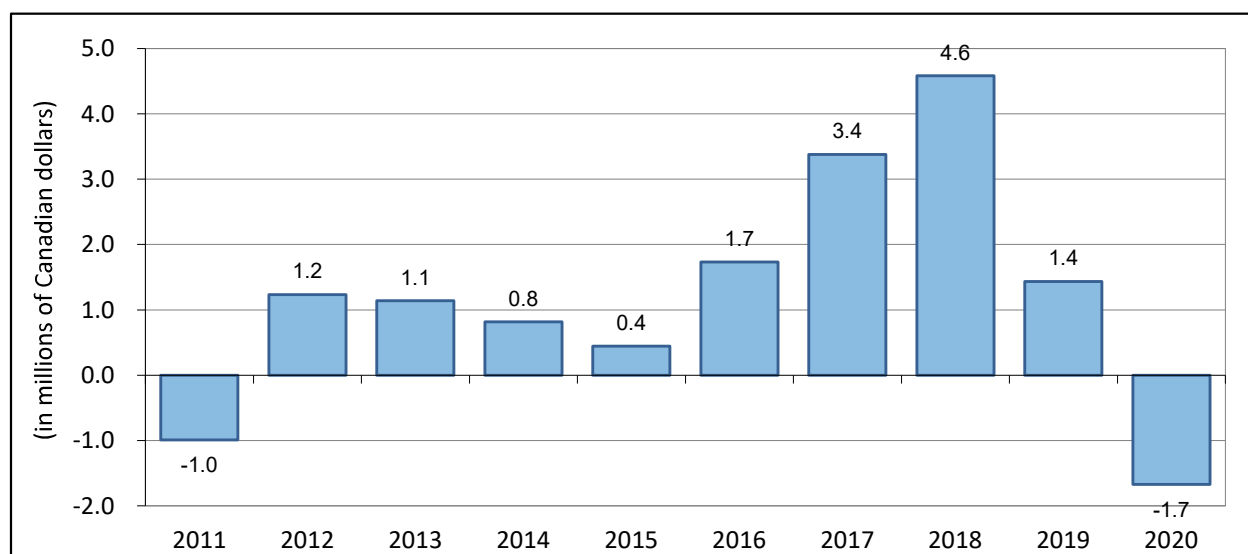
3.34 As indicated above, the Assembly approved the Indicative Budget Estimates (expenditure) of the AOSC Fund amounting to CAD 10 520 thousand for the financial year 2020. During the year, pursuant to Financial Regulation 9.5, the Secretary General submitted to the Council an update of the 2020 Budget Estimates (expenditure) in C-WP/15085. The revised estimated expenditures for 2020 amounted to CAD 10 048 thousand and the estimated income to CAD 7 500 thousand.

3.35 There is an excess of CAD 993 thousand in AOSC income versus revised budget (221<sup>st</sup> Session) mainly as the result of an increase in administrative income from technical cooperation purchasing services. On the expenditure side, total expenses (mainly on staff costs) slightly exceeded the revised budgeted amount by CAD 113 thousand (savings in the amount of CAD 359 thousand compared to the original indicative budget of CAD 10 520 thousand) and the overall result was a total negative variance of CAD 1 668 thousand between income and expenditures.

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

**FIGURE 9**

**AOSC Fund Surplus and Shortfall as at 31 December**



3.37 During the 37<sup>th</sup> Session of the Assembly, the Administrative Commission recommended that the question of sharing costs between the Regular Programme and the Technical Cooperation (TC) Programme be reported to the Council for review. The Council had considered this issue and based on a time survey, approved in 2012 the amount of CAD 1 202 thousand to be recovered annually by the Regular Programme from the AOSC Fund for Regular Programme Support directly related to projects continuing for the 2020-2022 triennium.

**Technical Cooperation Programme**

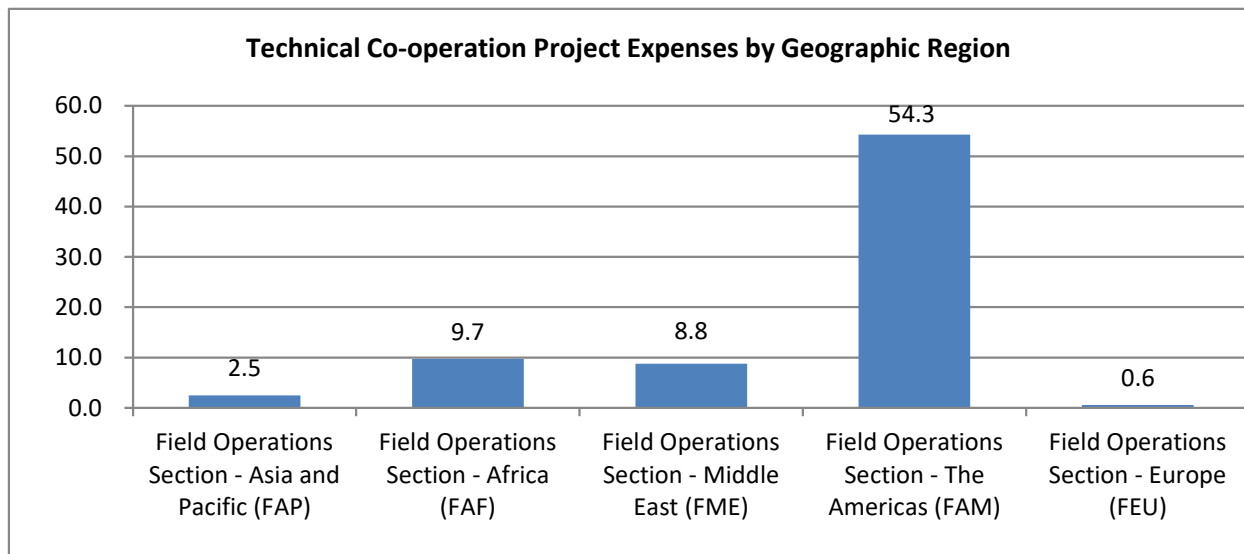
3.38 The Technical Cooperation Bureau (TCB) manages the Technical Cooperation Programme, a permanent priority activity of ICAO which complements the role of the Regular Programme by supporting Member States in their implementation of ICAO regulations, policies and procedures as stated in Assembly Resolution A36-17. Through this Programme, ICAO provides a broad spectrum of services, including: assistance to States in the review of the structure and organization of national civil aviation institutions; updating the infrastructure and services of airports; facilitating technology transfer and capacity building; promoting ICAO Standards and Recommended Practices (SARPs), and Air Navigation

Plans (ANPs); and supporting remedial action resulting from the Universal Safety Oversight Audit Programme (USOAP) and the Universal Security Audit Programme (USAP) audits.

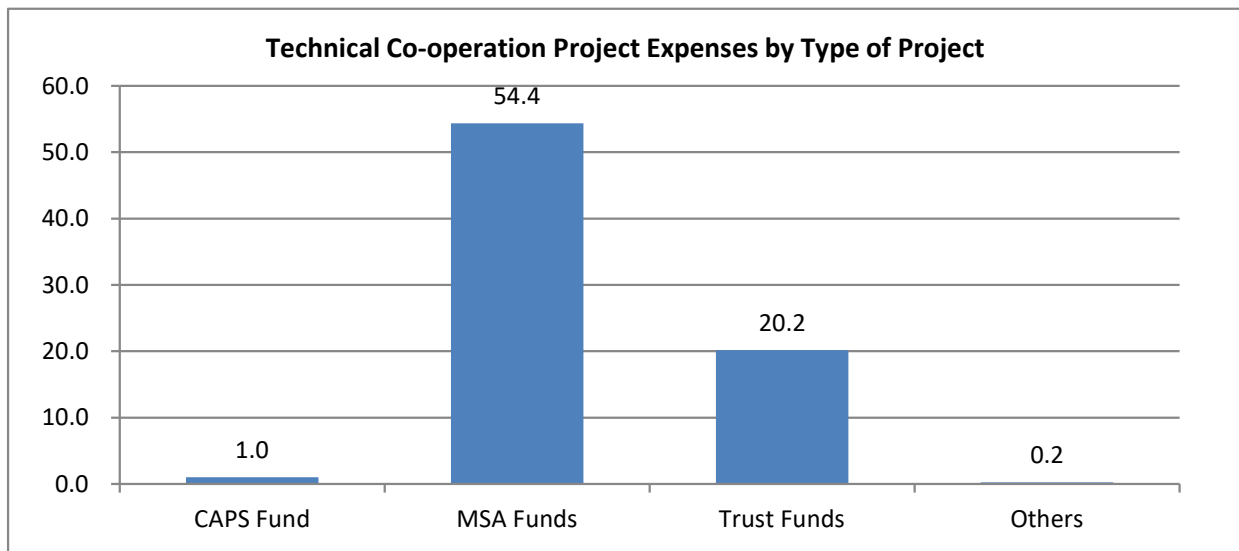
3.39 A rolling three-year Operating Plan for TCB is prepared in close coordination with the Technical Cooperation Committee, setting the goals and strategies to be followed during the current period with the aim of improving the governance, efficiency and quality of ICAO Technical Cooperation Programme activities. Consequently, continued efforts are being undertaken to ensure the sustained improvement of the AOSC financial situation through a review of the TCB organizational structure, staffing levels, cost savings and efficiency measures.

3.40 Technical Cooperation Projects represent one of the main activities of the Organization. Projects are financed by governments and other donors and the inflows and outflows of financial resources totalled CAD 75.8 million in 2020. These results are considerably less than the average of CAD 147.2 million achieved in the last triennium, which is the result of numerous projects being delayed or cancelled altogether due to the pandemic. Tables C to E in Part IV of this document provide more details on these projects, summarized by the following figures in millions of CAD.

**FIGURE 10**



**FIGURE 11**





#### 4. RESPONSIBILITY OF MANAGEMENT

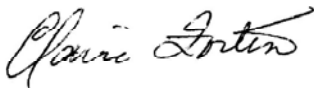
The Secretary General is required by the Financial Regulations to maintain such accounting records as are necessary and to submit annual financial statements in accordance with the accounting standards adopted by the United Nations organizations. These financial statements are: Statement I – Statement of Financial Position, Statement II – Statement of Financial Performance, Statement III – Statement of Changes in Net Assets, Statement IV – Statement of Cash Flow and Statement V – Statement of Comparison of Budget and Actual Amounts. The status of appropriations (Regular Programme General Fund) and credits not budgeted for by the Assembly are reflected in this document.

Management is responsible for the preparation and integrity of the Financial Statements. These statements have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS), and necessarily include certain amounts that are based on management's best estimate and judgement. Financial information contained throughout this document is consistent with that in the audited financial statements. Management considers that the financial statements present fairly the financial position of the Organization, its financial performance and its cash flows, and that the information disclosed in this document is presented in accordance with 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 External Auditor has audited the Financial Statements, including Notes, and his accompanying report indicates the scope of his audit and his opinion on the Financial Statements.

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

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



Claire Fortin  
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 2020.



Fang Liu  
Secretary General

Montréal, Canada  
31 March 2021

## **Statement on Internal Control (SIC)**

**2020**

### **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. Internal control is designed to reduce, manage, and mitigate to an acceptable level, the risk of failure to achieve the Organization's aims, objectives and related policies. Therefore, it can provide reasonable but not absolute assurance of effectiveness. 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 through which the Secretary General, senior management and other personnel provide reasonable assurance to Governing Bodies regarding the achievement of the following general internal control objectives:

- a) effectiveness and efficiency of operations;
- b) safeguarding of assets;
- c) reliability of financial reporting; and
- d) compliance with applicable regulations and rules.

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, operated continually at all levels within the Organization through internal control processes to ensure the above objectives.

### **Capacity to handle risk**

5. Despite a challenging year due to the COVID 19 pandemic, a new Enterprise Risk Management (ERM) and Internal Control Framework ("ERM Framework") incorporating both risk management and internal controls was developed in 2020 and endorsed by Council in February 2021. The ERM Framework, together with a new risk register process, will establish a coordinated, structured, and methodical approach to managing risks throughout ICAO.

6. The new risk registers are maintained at two levels: (1) ICAO-wide level risks are reported to the Council ("Corporate Risk Register"), and (2) at the Bureau/Office level where risks will be mitigated and monitored by each respective Bureau/Office. In December 2020, 56 risk registers were completed by sections and offices across bureaus and Regional Offices in ICAO from which the ICAO's Corporate Risk Register was developed. In addition, a library of internal controls was introduced as part of the new risk register process in February 2021 and will continually be updated to ensure mitigation actions are appropriate and effective.

7. As the Secretary General of the Organization, in collaboration with the Senior Management Group (SMG), composed of my key managers, I am responsible for establishing and enhancing a sound control environment and providing the discipline and structure for achieving ICAO's mission and Strategic Objectives, as well as to implement projects/programmes and key activities outlined in the Business Plan. In 2020, ICAO's Corporate Risk Register was shared at every Council Session. The Secretariat is committed to the adequacy of the ICAO Corporate Risk Register and to ensure that the Risk Management

process (identifying, assessing, mitigating, monitoring and reporting), is adequate and functions as intended to help achieve strategic and operational objectives of ICAO.

### **New ERM Framework**

8. The ERM Framework follows International Organization for Standardization (ISO) 31000 Standard and Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control-Integrated Framework as best practices, and sets out the key principles to the management of key risks across ICAO by:

- a) defining the enterprise-wide framework for identifying, assessing, mitigating, reporting, monitoring and escalating risks;
- b) describing the management roles and governance organizational structures responsible for risk management and internal control; and
- c) delineating and defining the inventory of risks that ICAO faces.

9. The Framework is supported by a range of assertions confirmed by senior managers and a range of policies, procedures and processes underpinned by appropriate ethical values documented in the Management Assurance Statement and Declaration (MASD) questionnaires and demonstrated in ICAO's day-to-day operations.

10. In addition, ICAO is following JIU's "Enterprise risk management: approaches and uses in United Nations system organizations" published in 2020 and the UN's "Reference Maturity Model (RMM) for Risk Management". In 2020, ICAO achieved four of JIU's ten ERM Benchmarks which puts ICAO's ERM at "Level 1 Initial" and "Level 2 Developing" stages of the RMM. These best practice guidelines will further help ICAO to align with other UN agencies in the next two years.

11. I and Senior Management Members are committed to a continuous improvement program to strengthen the system of internal controls across the Organization.

### **Review of effectiveness**

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

- a) Directors of Bureaus and Chiefs of Offices who play an important role in the system of Internal Controls and are accountable, within the delegated authority, for organizational expected results, program performance and controlling their Bureaus/Office activities and the resources entrusted to them. The information channels rely mainly on periodic meetings held by the Senior Management Group (SMG) and the full SMG of the Secretariat. For the year ended 31 December 2020, control issues, together with remedial actions, have been identified through a self-assessment process and also the application of best practices, as confirmed by my senior managers' personal written attestation;
- b) the audit, evaluation and advisory reports of the Office of Internal Oversight (OIO) and the External Auditor, who reviews the Statement of Internal Control for material inconsistencies, if any, with the audited financial statements, and provides reports on both the compliance of the accounts with the financial regulations and on the performance of selected areas of ICAO. These reports provide independent and objective information on compliance and program effectiveness, together with recommendations for improvement;
- c) the Ethics Officer, who provides advice and guidance to the Organization and its staff on ethics and standards of conduct, promotes ethical awareness, administers the policy for the protection

of staff against retaliation as well as the financial disclosure and conflict of interest declaration programme;

- d) the Evaluation and Audit Advisory Committee (EAAC) whose duty is to advise the Council on risk management, financial and internal controls, and the related functions of oversight has provided input to ensure consistency with the issues covered at the SIC meetings; and
- e) Council's observations and decisions.

### **Internal control issues**

13. As in previous years, senior management has submitted MASDs on the effectiveness of internal controls in their areas of responsibility. The 2020 statements of assurance on the effectiveness of internal control, reported by senior management, show the following areas of improvements to ensure:

- a) management and staff are aware of and adhere to ICAO's new ERM Framework and the Anti-Fraud and Corruption Policy;
- b) management and staff are aware of all internal policies and procedures that are related to performing all significant administrative processes specific to their Bureau/Office's operations;
- c) Performance and Competency Enhancement (PACE) Reports are prepared for each staff member on a yearly basis;
- d) the new risk assessment controls are put in place to ensure risk registers are kept up to date and reviewed at least three times a year, the likelihood of occurrence and potential impact (strategic, operational, compliance, and/or financial) have been evaluated, and ensuring risks have been scored (rated) after controls and mitigation actions are documented;
- e) projects/programmes and key activities are reviewed three times a year (i.e. the same cycle and schedule of ICAO's Council sessions) to identify and assess risks and appropriate mitigation actions are developed to address these risks;
- f) awareness that an executive information system exists in order to provide timely information and reports to ensure report details are appropriate for the level of management and that data is summarized to facilitate decision making; and
- g) risks, controls, and related mitigation actions are monitored regularly by staff and reported to their respective Risk Owners/Approvers and to SPCP to coordinate updates of the Corporate Risk Register to ensure they remain relevant and current at all times.

14. The new internal controls library and risk register process will ensure proper controls are in place at ICAO to address some of the above internal control weakness areas. ICAO will continue to build its risk culture and integrate risk management in ICAO programmes, processes, and activities to improve its risk and internal control capabilities.

15. In addition, 16 corporate risks were identified in February 2021 indicating further risk management and internal control work in 2021 in order to address these risks. This will also include an update of the MASD questionnaire to reflect learnings from the implementation of the new ERM Framework and risk register process to effectively align ICAO's risks and internal control processes.

16. OIO has submitted to Council its 2020 Annual Report of the Chief of the Office of Internal Oversight (C-WP/15143). Summarized below are the top five risks/challenges and control issues contained in the report that aim at improving internal controls. All control weaknesses identified through internal

audits and evaluations are addressed through corresponding Secretariat Action Plans that are regularly monitored by OIO:

- a) **Financial Stability:** The COVID-19 pandemic in 2020 had an adverse impact on the Secretariat's ability to undertake and fully complete many activities in the Business Plan. In particular, cash flow and liquidity risks and the need to implement cost containment measures exacerbated existing budgetary and human resource constraints. Projected deficits on the ARGF and AOSC will continue to have an adverse impact on the implementation of regular programme activities and on ICAO effectively achieving its mandate with regard to technical assistance to Member States and preserving its strategic position in the global aviation community. On the positive side, the Organization has successfully handled the transition to remote working despite the fact that robust Business Continuity Plans and Disaster Recovery arrangements have not yet been fully developed for Headquarters' operations.
- b) **Cybersecurity:** Cybersecurity remains a top risk for the Organization, particularly during the pandemic. It requires continued, concerted effort by all ICAO bureaus in close cooperation with ICT to further enhance not only the technical infrastructure but also to enhance awareness among ICAO staff of cybersecurity issues. While a considerable number of recommendations made in OIO reports have been implemented since 2018, implementation of the Information Security Roadmap is progressing slowly. Many of the recommendations raised in other oversight and externally-commissioned reports have yet to be fully implemented due to a lack of adequate human and financial resources.
- c) **Enterprise Risk Management (ERM):** ICAO has made some good progress in establishing an organization wide ERM in 2020. However, full implementation will require active involvement and buy-in from Senior Management, appropriate allocation of financial and human resources, and a realistic timeline to successfully complete this crucial initiative, which is also closely linked to the implementation of an accountability framework and results-based management, both of which are still at the early stages of development.
- d) **Organizational Management and Culture:** ICAO is facing challenges in attracting, retaining and developing talent, filling vacancies, and ensuring smooth succession, particularly in key positions. This is exacerbated by the vacancies in key positions which impedes an effective management and has an adverse impact on the control environment of the Organization. Strong managerial direction and oversight is essential to ensure effective compliance with policies and procedures, especially during the current pandemic, and to establish a strong ethical working environment, with accountability for actions taken. The recent revision of the ICAO Framework on Ethics is a positive step; however, it now needs to be finalized and its provisions fully operationalized and embedded in practice.
- e) **Timely Implementation of Oversight Recommendations:** Despite the good efforts of the Secretary General, partly due to financial constraints and rather low prioritization of recommendations in the operating plans, ICAO still faces challenges in implementing oversight recommendations in a timely manner to bring about the expected improvements/enhancements to its systems, procedures and processes.

I have noted these significant risks/challenges and committed to ensuring the Organization mitigates these control issues.

17. The Evaluation and Audit Advisory Committee (EAAC) in its Annual Reports to the Council draws the attention of the Secretariat to a need to further enhance the system of internal controls in ICAO. I fully agree with the EAAC's view that managing and engaging effectively with risk is critical to the success of an organization and embedding a positive risk culture within an organization is an iterative process that takes time to mature. The EAAC reaffirmed the need for a strong commitment from senior management to the integration of ERM in strategic and business planning. Recognizing the significance of the SIC as an

accountability document, EAAC will continue to advise ICAO and the new External Auditors (Swiss Federal Audit Office) to further support enhancements to the SIC.

18. As already noted above, effective internal control, no matter how well designed, has 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.

19. Based on the above, I conclude to the best of my knowledge and information, that ICAO's system of Internal Controls exist and operate as intended for the year ended 31 December 2020 and up to the date of approval of the financial statements.

20. In 2021, ICAO will continue its work on further enhancing a culture of risk management and embedding risk and internal control processes within the Organization to help strengthen the management decision making process.

A handwritten signature in black ink, appearing to be 'Fang Liu' in Chinese characters, written in a cursive style.

Fang Liu  
Secretary General

Montréal, Canada  
31 March 2021

## **PART II: OPINION OF THE EXTERNAL AUDITOR**







Ref. 939.20404.003

# ***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 2020, the Statement of financial performance, the Statement of changes in net assets, the Statement of cash flows 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 2020 and its financial performance and cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS) and ICAO's Financial Regulations.

### ***Basis for opinion***

SFAO conducted its audit in accordance with the International Standards on Auditing (ISAs). Its responsibilities under those standards are further described in the section "Responsibilities of the external auditor for the financial statements audit" 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 financial statements for the previous year were audited by another External Auditor. In its report of 15 October 2020, the former External Auditor issued an unqualified audit opinion.

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 IPSASs and ICAO's 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 ISAs 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 ISAs, 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.

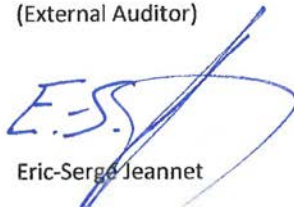
- Concludes on the appropriateness of the Secretary General's use of the going concern basis of accounting and, based on the evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on ICAO's ability to continue as a going concern. If SFAO 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, 21 April 2021

SWISS FEDERAL AUDIT OFFICE

(External Auditor)



Eric-Serge Jeannet  
Vice-President



Martin Köhli

Head of Competence Centre



### **PART III: FINANCIAL STATEMENTS**



## INTERNATIONAL CIVIL AVIATION ORGANIZATION

**STATEMENT I**  
**STATEMENT OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2020**  
(in thousands of Canadian dollars)

	Notes	2020	2019
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	2.1	302 580	343 180
Investments	2.1	3 224	3 185
Assessed contributions receivable from Member States	2.2	4 081	16 599
Receivables and advances	2.3	10 660	12 584
Inventories	2.4	617	696
Others	2.3	1 251	1 674
		<b>322 413</b>	<b>377 918</b>
<b>NON-CURRENT ASSETS</b>			
Assessed contributions receivable from Member States	2.2	5 006	4 322
Receivables and advances	2.3	259	312
Property, plant and equipment	2.5	5 761	6 369
Intangible assets	2.6	2 923	2 003
		<b>13 949</b>	<b>13 006</b>
<b>TOTAL ASSETS</b>		<b>336 362</b>	<b>390 924</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Advanced receipts	2.8	189 160	242 425
Accounts payable and accrued liabilities	2.9	30 535	43 320
Employee benefits	2.10	7 985	7 648
Credits to contracting/servicing governments	2.11	1 594	1 635
		<b>229 274</b>	<b>295 028</b>
<b>NON-CURRENT LIABILITIES</b>			
Employee benefits	2.10	211 685	164 329
		<b>211 685</b>	<b>164 329</b>
<b>TOTAL LIABILITIES</b>		<b>440 959</b>	<b>459 357</b>
<b>NET ASSETS</b>			
Accumulated deficit	2.12	(75 662)	(71 540)
Reserves	2.12	(28 935)	3 107
		<b>(104 597)</b>	<b>(68 433)</b>
<b>NET ASSETS (ACCUMULATED DEFICIT)</b>		<b>(104 597)</b>	<b>(68 433)</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<b>336 362</b>	<b>390 924</b>

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

## INTERNATIONAL CIVIL AVIATION ORGANIZATION

**STATEMENT II**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**  
(in thousands of Canadian dollars)

	Notes	2020	2019
<b>REVENUE</b>			
Contributions for project agreements	3.2	72 287	138 172
Assessed contributions	3.2	103 049	109 824
Other revenue producing activities	3.2	19 633	25 395
Other voluntary contributions	3.2	16 569	16 511
Administrative fee revenue		1 143	3 644
Other revenue	3.2	4 417	3 760
<b>TOTAL REVENUE</b>		<b>217 098</b>	<b>297 306</b>
<b>EXPENSES</b>			
Salaries, employee benefits and project personnel	3.3	159 104	172 118
Subcontracts, supplies and consumables	3.3	36 685	86 791
General operating expenses	3.3	15 487	19 993
Travel	3.3	2 329	13 927
Meetings		491	2 679
Training		92	1 390
Other expenses	3.3	1 021	6 368
<b>TOTAL EXPENSES</b>		<b>215 209</b>	<b>303 266</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>1 889</b>	<b>(5 960)</b>

*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 2020**  
(in thousands of Canadian dollars)

	Notes	Accumulated Deficit	Reserves	Net Assets (Net Accumulated Deficit)
<b>Balance at 31 December 2018</b>		<b>( 53 911)</b>	<b>( 3 866)</b>	<b>( 57 777)</b>
<b>Movements in fund balances and reserves in 2019</b>				
Variation to carry forward balance	2.12	1 206	( 1 206)	
Variation of actuarial loss on ASHI	2.10		( 3 611)	( 3 611)
Utilization of Incentive Scheme's reserve	2.12	334	( 334)	
Adjustment on ARGF operational reserve	2.12	( 339)	339	
Transfer to ARGF restricted surplus	2.12	( 12 142)	12 142	
Other reclassifications and transfers		( 968)		( 968)
Variation of unrealized losses	2.12	240	( 240)	
Variation of translation adjustment	2.12		( 117)	( 117)
Deficit of the year		( 5 960)		( 5 960)
<b>Total movements during the year</b>		<b>( 17 629)</b>	<b>6 973</b>	<b>( 10 656)</b>
<b>Balance at 31 December 2019</b>		<b>( 71 540)</b>	<b>3 107</b>	<b>( 68 433)</b>
<b>Movements in fund balances and reserves in 2020</b>				
Variation to carry forward balance	2.12	( 9 822)	9 822	
Variation of actuarial loss on ASHI	2.10		( 38 055)	( 38 055)
Adjustment on ARGF operational reserve	2.12	327	( 327)	
Utilization of ARGF restricted surplus	2.12	4 319	( 4 319)	
Variation of unrealized losses	2.12	( 834)	834	
Variation of translation adjustment and rounding difference	2.12	( 1)	3	2
Surplus of the year		1 889		1 889
<b>Total movements during the year</b>		<b>( 4 122)</b>	<b>( 32 042)</b>	<b>( 36 164)</b>
<b>Balance at 31 December 2020</b>		<b>( 75 662)</b>	<b>( 28 935)</b>	<b>( 104 597)</b>

*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 2020**

(in thousands of Canadian dollars)

	Notes	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
<b>Surplus/(Deficit) for the year</b>		<b>1 889</b>	<b>( 5 960)</b>
<i>Non-cash movements and other adjustments</i>			
Depreciation and amortization	2.5 & 2.6	1 586	1 137
ASHI actuarial gain (loss)	2.10	( 38 055)	( 3 611)
Interest income	3.2	( 2 532)	( 7 775)
Adjustments to net assets			( 968)
(Gain)/loss on disposal of property, plant and equipment		( 5)	( 18)
Cash flow on WCF presented as financing activities	3.2	12	( 21)
<i>Changes in assets and liabilities</i>			
(Increase) decrease in contributions receivable	2.2	12 518	( 13 752)
(Increase) decrease in receivables and advances	2.3	1 924	4 882
(Increase) decrease in inventories	2.4	79	( 146)
(Increase) decrease in other assets	2.3	423	503
(Increase) decrease in non-current contributions receivable (net of discount)	2.2	( 684)	1 641
(Increase) decrease in non-current receivables and advances	2.3	53	61
Increase (decrease) in advanced receipts	2.8	( 53 265)	( 62 519)
Increase (decrease) in accounts payable and accrued liabilities	2.9	( 12 785)	14 113
Increase (decrease) in short-term employee benefits	2.10	337	( 296)
Increase (decrease) in credits to contracting/servicing governments	2.11	( 41)	73
Increase (decrease) in long-term employee benefits	2.10	47 356	13 328
Foreign currency translation adjustment and rounding	2.12	3	( 117)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>( 41 187)</b>	<b>( 59 445)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Acquisition of property, plant and equipment and Intangibles	2.5 & 2.6	( 1 899)	( 4 419)
Proceeds from disposal of property, plant and equipment		5	19
Decrease/(increase) in investment	2.1	( 39)	122 621
Interest received	3.2	2 532	7 775
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>599</b>	<b>125 996</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Assessments received for WCF			21
Adjustment on WCF relating to new Member States	3.2	( 12)	
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>( 12)</b>	<b>21</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>( 40 600)</b>	<b>66 572</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	2.1	343 180	276 608
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	2.1	<b>302 580</b>	<b>343 180</b>

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

## INTERNATIONAL CIVIL AVIATION ORGANIZATION

**STATEMENT V**  
**REGULAR PROGRAMME GENERAL FUND**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

(in thousands of Canadian Dollars)

Strategic Objective / Supporting Implementation Strategy	Appropriations										Expenditures			Balance
	Original A40-34	2019 Outstanding Commitments <sup>a</sup>	Carry-over from Prior Year <sup>b</sup>	2020 Appropriations Before Transfers	2020 Outstanding Commitments <sup>a</sup>	Transfers among SO/SIS <sup>c</sup>	SG-Approved Carry-Over to 2021 <sup>b</sup>	Proposed Carry-Over to 2021 <sup>d</sup>	Total Carried Over to Following Year	2020 Appropriations Revised	Total <sup>1</sup>	Budget Exchange Difference <sup>2</sup>	At Budget Rate of Exchange	
<b>Safety</b>	31 590	4 658	3 341	<b>39 589</b>	( 2 429)	( 635)	( 3 959)	( 4 042)	( 8 001)	<b>28 524</b>	32 222	( 3 698)	<b>28 524</b>	
<b>Air Navigation Capacity and Efficiency</b>	19 747	2 702	1 359	<b>23 808</b>	( 1 518)	( 125)	( 2 381)	( 2 173)	( 4 554)	<b>17 611</b>	20 214	( 2 603)	<b>17 611</b>	
<b>Security and Facilitation</b>	13 844	1 569	1 243	<b>16 656</b>	( 1 003)	( 105)	( 1 666)	( 1 415)	( 3 081)	<b>12 467</b>	13 787	( 1 320)	<b>12 467</b>	
<b>Economic Development of Air Transport</b>	5 111	576	461	<b>6 148</b>	( 367)	( 73)	( 615)	( 944)	( 1 559)	<b>4 149</b>	4 431	( 282)	<b>4 149</b>	
<b>Environmental Protection</b>	5 165	1 245	608	<b>7 018</b>	( 599)	23	( 701)	( 546)	( 1 247)	<b>5 195</b>	5 626	( 431)	<b>5 195</b>	
<b>Sub-Total</b>	<b>75 457</b>	<b>10 750</b>	<b>7 012</b>	<b>93 219</b>	<b>( 5 916)</b>	<b>( 915)</b>	<b>( 9 322)</b>	<b>( 9 120)</b>	<b>( 18 442)</b>	<b>67 946</b>	<b>76 280</b>	<b>( 8 334)</b>	<b>67 946</b>	
<b>Programme Support</b>	12 898	1 622	213	<b>14 733</b>	( 922)	263	( 1 473)	( 1 240)	( 2 713)	<b>11 361</b>	11 801	( 440)	<b>11 361</b>	
<b>Management &amp; Administration</b>	14 957	4 069		<b>19 026</b>	( 2 852)	652	( 1 903)	( 740)	( 2 643)	<b>14 183</b>	14 868	( 685)	<b>14 183</b>	
<b>Sub-Total</b>	<b>27 855</b>	<b>5 691</b>	<b>213</b>	<b>33 759</b>	<b>( 3 774)</b>	<b>915</b>	<b>( 3 376)</b>	<b>( 1 980)</b>	<b>( 5 356)</b>	<b>25 544</b>	<b>26 669</b>	<b>( 1 125)</b>	<b>25 544</b>	
<b>Total</b>	<b>103 312</b>	<b>16 441</b>	<b>7 225</b>	<b>126 978</b>	<b>( 9 690)</b>		<b>( 12 698)</b>	<b>( 11 100)</b>	<b>( 23 798)</b>	<b>93 490</b>	<b>102 949</b>	<b>( 9 459)</b>	<b>93 490</b>	

<sup>a</sup> Approved by the Secretary General, Financial Regulations 5.7; re-stated to reflect the allocation of certain programme-related services to Strategic Objectives as presented in the 2020-2022 Approved Budget<sup>b</sup> Approved by the Secretary General, Financial Regulations 5.6; re-stated to reflect the allocation of certain programme-related services to Strategic Objectives as presented in the 2020-2022 Approved Budget<sup>c</sup> Approved by the Secretary General, Financial Regulation 5.9.<sup>d</sup> For Council approval under Financial Regulation 5.6<sup>1</sup> Expenditures other than Canadian dollars are reflected at the UN rate of Exchange<sup>2</sup> Exchange difference: currency exchange gain of CAD 9 459 thousand due to the difference in the rate of exchange used to prepare the budget versus the monthly UN rates of exchange applied to expenditures during the year.*The accompanying notes are an integral part of the financial statements.*

## INTERNATIONAL CIVIL AVIATION ORGANIZATION

**STATEMENT V-A**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**FOR ALL FUNDS OF THE ORGANIZATION**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**  
(in thousands of Canadian Dollars)

	References	2020 Budgets*	Actual	Budget Difference	Actual on a Comparable Basis	Difference between Budget and Actual on Comparable Basis	Actual without IPSAS Requirements
		(a)	(b)	(c)	(d) (b) + (e)	(e) (a) - (d)	(f)
<b>REVENUE</b>							
Regular Budget							
Assessed contributions	Figure 1; Tbl A	91 970	103 061	( 9 946)	93 115	( 1 145)	101 916
Other	Figure 1; Tbl A	11 342	13 013		13 013	( 1 671)	13 013
<i>Total Regular Budget</i>	Figure 1; Tbl A	103 312	116 074		106 128	( 2 816)	114 929
Working Capital Fund			( 260)				( 260)
<i>Total Regular Budget and Working Capital Fund:</i>			115 814				114 669
AOSC (excluding Efficiency/Effectiveness and Special Reserve Funds)							
Administrative Fee	Table A	4 250	7 352		7 352	( 3 102)	7 352
Other Revenue	Table A	3 250	1 150		1 150	2 100	1 150
<i>Total AOSC</i>	Figure 8; Tbl A	7 500	8 502		8 502	( 1 002)	8 502
Other Regular Activity Funds			38 290				33 347
Total Revenue - Regular Activities (RA)	Table A		162 606				156 517
<i>Less: Elimination of Inter-Fund - Regular Activities Balances</i>	Table A		( 12 402)				( 7 459)
Total Net Revenue - Regular Activities (RA)	Note 5.3		150 204				149 059
Technical Cooperation Project (TCP)	Note 5.3		75 829				75 829
Total Revenue - Regular Activities and TCP			226 033				224 888
<i>Less: Elimination of Inter-Fund Balances RA and TCP</i>	Note 5.3		( 8 935)				( 8 935)
<b>TOTAL REVENUE</b>	Statement II		<b>217 098</b>				<b>215 953</b>
<b>EXPENSES</b>							
Regular Budget							
All SO/SIS	St. V; Table A	126 978	102 949	( 9 459)	93 490	33 488	107 892
Outstanding commitments	Statement V		9 690	9 690	9 690	( 9 690)	
<i>Total Regular Budget</i>	Figure 1; Tbl A	126 978	102 949	231	103 180	23 798	107 892
AOSC (excluding Efficiency/Effectiveness and Special Reserve Funds)	Figure 8	10 048	10 347		10 347	( 299)	10 347
Other AOSC Funds							
Other Regular Activity Funds			52 045				( 253)
Total Expenses - Regular Activities (RA)	Table A		165 342				117 986
<i>Less: Elimination of Inter-Fund - Regular Activities Balances</i>	Table A		( 17 027)				( 17 027)
Total Net Expenses - Regular Activities (RA)	Note 5.3		148 315				100 959
Technical Cooperation Project (TCP)	Note 5.3		75 829				75 829
Total Expenses - Regular Activities and TCP			224 144				176 788
<i>Less: Elimination of Inter-Fund Balances RA and TCP</i>	Note 5.3		( 8 935)				( 8 935)
<b>TOTAL EXPENSES</b>	Statement II		<b>215 209</b>				<b>167 853</b>
<b>SURPLUS FOR THE YEAR</b>	Statement II		<b>1 889</b>				<b>48 100</b>
<b>NET IMPACT</b>							
							( 46 211)
<b>SURPLUS FOR THE YEAR</b>							<b>1 889</b>

\* Comprised of publicly available budgets only

The figures in the last column do not take into account International Public Sector Accounting Standards (IPSAS) replacing previous United Nations Accounting Standards (UNSAS) for the Regular Activities with the following impact:

ADD:	Notes	
Increase in discounted long-term receivables	2.2	1 145
Capitalization of fixed assets	2.5	651
Intangible Assets	2.6	1 248
ASHI - Utilization	2.10	2 176
End of Service - Annual Leave - Utilization	2.10	287
End of Service - Repatriation benefits - Utilization	2.10	581
DEDUCT:		
Variation of inventories capitalized	2.4	( 79)
Depreciation	2.5	( 1 259)
Amortization of Intangible Assets	2.6	( 327)
ASHI - Expense	2.10	( 47 003)
End of Service - Annual Leave - Expense	2.10	( 2 862)
End of Service - Repatriation benefits - Expense	2.10	( 769)

## REFERENCES:

Figures 1 and 8 refer to the Presentation by the Secretary General included in this document;

Table A (Tbl A), Note 5.3, Statement II and Statement V (St. V) are included in the Financial Statements and Tables.

Details may not add to totals due to rounding

**INTERNATIONAL CIVIL AVIATION ORGANIZATION**  
**Notes to Financial Statements**  
**31 December 2020**

**NOTE 1: ACCOUNTING POLICIES**

**Reporting Entity**

1. The International Civil Aviation Organization (ICAO) is a specialized agency of the United Nations created with the signing of the Convention on International Civil Aviation on 7 December 1944. ICAO is the permanent body charged with the administration of the principles laid out in the Convention and it sets the standards for aviation safety, security, efficiency and regularity, as well as for aviation environmental protection, and encourages their implementation. ICAO operates from Headquarters in Montreal, Canada, seven regional offices, and one regional sub-office.
2. The financial statements include only the operations of ICAO. ICAO does not have interests in associates or jointly controlled entities.
3. ICAO provides administrative services to the following non-consolidated entities:
  - The European Civil Aviation Conference (ECAC)
  - Medical Benefit Plan (MBP)

These entities are governed by their own constitution and governance structure which are not controlled by ICAO. They prepare their own financial statements and undergo separate certification process. Assets and liabilities are owned by the respective entity; in the event of dissolution, the division of all assets and liabilities amongst members and partner organizations shall be agreed by pre-defined constitution, bylaws and governance structure.

In April 2020, ECAC formally informed ICAO to start transitioning the provision of most administrative services to EUROCONTROL. The transition period ended on 31 August 2020, after which ICAO continued to provide a limited scope of HR and accounting services (but no treasury services) to ECAC. All provision of administrative services to ECAC would cease in February 2021.

**Basis of Preparation and Authorization for Issue**

4. The financial statements of ICAO have been prepared on the accrual basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS).
5. These financial statements are prepared on a going-concern basis, supported by the approval by the Assembly of the regular budget appropriations for the triennium, the positive historical trend of collection of assessed and other contributions over the past years, and the fact that the Assembly has taken no decision or expressed the intention to cease the operations of ICAO.
6. In accordance with Financial Regulation 12.4, these financial statements are certified by the Chief of the Finance Branch, approved by the Secretary-General, and transmitted to the External Auditor for examination by 31 March following the end of the financial year. In accordance with Financial Regulation 13.3, the reports of the External Auditor on the annual audit, addressed to the Assembly, shall be delivered to the Council with the comments of the Secretary-General, together with the audited financial statements, by 15 May following the end of the financial year.
7. Unless otherwise stated in these statements, the measurement basis used in preparing the financial statements is the historical cost.

8. The Cash Flow Statement (Statement IV) is prepared using the indirect method.
9. The reporting currency of ICAO is the Canadian dollar (CAD). The functional currency of ICAO regular activities is the CAD. The functional currency of the Technical Co-operation Projects (TCP) activities is the United States dollar (USD) because these activities are generally carried out in USD. Transactions in currencies other than CAD, and other than the USD for TCP, are translated at the prevailing United Nations Operational Rates of Exchange (UNORE) at the time of transaction, which reasonably approximates the spot rate. Monetary assets and liabilities in currencies other than CAD, and other than USD for the TCP, are translated at the prevailing year-end closing UNORE. Resulting gains or losses are accounted for in the Statement of Financial Performance except for unrealized differences, including those arising from the translation of TCP activities into CAD for financial statement presentation purposes, which are reflected in Reserves in the Statement of Financial Position. For financial statements presentation, assets and liabilities for the TCP are translated into CAD using the yearend closing UNORE while revenue and expenses for the TCP are translated into CAD using average rate for the year which approximates the exchange rates at the dates of the transactions.
10. The progress and impact of the following significant future IPSAS Board accounting pronouncements on ICAO's financial statements continues to be monitored:
  - Revenue and Transfer Expenses: the aim is to develop one or more IPSAS to address the accounting requirements for all revenue transactions (exchange and non-exchange) and transfer expenses which are currently included in IPSAS 9: Revenue from exchange transactions, IPSAS 11: Construction contracts, and IPSAS 23: Revenue from non-exchange transactions (taxes and transfers);
  - Leases: the project is to issue a new IPSAS standard on leases which will be converged with the underlying International Financial Reporting Standard ("IFRS") 16, Leases, to the extent appropriate. The new IPSAS will replace IPSAS 13, Leases, and will cover requirements for lease accounting on both lessors and lessees. The development of the new IPSAS is expected to be finalized in the course of year 2022;
  - Property, Plant and Equipment revisions: the objective is to revise IPSAS 17, Property, plant and equipment, for decisions arising from the Heritage, Infrastructure, and Measurement projects;
  - Public Sector Measurement: the objectives of the project include (i) issuing amended IPSAS standards with revised requirements for measurement at initial recognition, subsequent measurement and measurement-related disclosure; (ii) providing more detailed guidance on the implementation of replacement cost and cost of fulfilment and the circumstances under which these measurement bases will be used; and (iii) addressing transaction costs, including the specific issue of the capitalizing or expensing of borrowing costs;
  - Non-current Assets Held for Sale and Discontinued Operations: the objective of the project is to develop an IPSAS aligned with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations.
11. The IPSAS Board published the pronouncement on COVID-19: Deferral of Effective Dates, which delays the effective dates of recently published Standards and Amendments to IPSAS by one year to 1 January 2023. The Standards and Amendments which are impacted include:
  - IPSAS 41, Financial Instruments;
  - IPSAS 42, Social Benefits;
  - Amendments to IPSAS 36, Long-term Interests in Associates and Joint Ventures;

- Amendments to IPSAS 41, Prepayment Features with Negative compensation;
- Amendments to IPSAS 19, Collective and Individual Services; and
- Improvements to IPSAS, 2019.

It is assessed that there is currently no impact on ICAO from the application of IPSAS 42, amendments to IPSAS 36 and IPSAS 19. IPSAS 41 substantially improves the relevance of information for financial assets and financial liabilities. It will replace IPSAS 29: Financial Instruments: Recognition and Measurements, and improves the Standard's requirements by introducing:

- simplified classification and measurement requirements for financial assets;
- a forward-looking impairment model; and
- a flexible hedge accounting model.

IPSAS 41 will be effective from 1 January 2023. Its impact on the financial statements will be assessed prior to that date, and ICAO will be ready for its implementation by the time it becomes effective.

### **Cash and Investments**

12. 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 for which the initial term is more than three months and are further classified into short-term investments and long-term investments in the Statement of Financial Position depending on the maturity period of the deposits.
13. Interest revenue is recognized as it accrues, taking into account the effective yield.

### **Financial Instruments**

14. Financial instruments are recognized when ICAO becomes a party to the contractual provisions of the instrument and until such time as the rights (or the obligation) to receive (to pay) cash flows from those assets (liabilities) have expired or have been transferred (settled).
15. 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.
16. Except for assessed contributions received in advance, all liabilities are derived from exchange transactions. All non-derivative financial liabilities are recognized initially at fair value and, when applicable, subsequently measured at amortized cost using the effective interest method.

### **Inventories**

17. Publications, Commissariat items, and other items held for sale or distribution at the end of the financial period are recorded as inventories. Publications are valued at the lower of cost and current replacement cost. Other inventory items are valued at the lower of cost and net realizable value.
18. The cost of publications includes purchase cost and all other costs incurred in bringing the publications to a saleable or distributable state. The cost of Commissariat items and other items held for sale or distribution represents the purchase price on the weighted average basis.

19. 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 and Revenue

20. Assessed contributions represent a legal obligation of Member States. These contributions are revenue from non-exchange transactions recognized at the beginning of the year for which the assessments are levied. Contributions for TCP activities are revenue from exchange transactions recognized on the basis of signed agreements between ICAO and contributors, and are determined by the stage of completion based on the delivery of goods or rendering of services. ICAO may, in some instances, consider the best estimate of stage of completion by referring to the phased schedule of payments applicable to the contracts for the projects. Other voluntary contributions are generally non-exchange transactions recognized as revenue when confirmed in writing by donors, or otherwise when received. For voluntary contributions which place conditions on the transferred asset, a liability is recognized simultaneously with the recognition of the asset in respect of the condition attached; the liability is reduced at the time that revenue is progressively recognized, in the reporting period in which the condition is satisfied.
21. Administrative fees recovered on Technical Co-operation Projects are presented as revenue in the Administrative and Operational Services Cost (AOSC) Fund and as expenses in the respective projects. In accordance with IPSAS, revenue from administrative fees generated by TC projects is recognized based on the stage of completion. The stage of completion is estimated as follows:
- Ninety per cent of the fee is progressively recognized until and when a purchase order (PO) for equipment is issued and the remaining 10 per cent is recognized upon full payment of all invoices relating to the PO; and
  - For services, the administrative fee is recognized on the basis of cost incurred.
22. An arrangement for sharing of interest income was introduced in 2011 under which ICAO retains generally fifty per cent of interest earned from deposit of project funds with a monthly average balance in excess of USD 100 thousand. This income is presented in Administrative Fee Revenue of the AOSC Fund.
23. Other sources of revenue from exchange transactions mainly include revenue from ICAO's Global Aviation Training delivery, other revenue generating activities, such as, sales of publications, events and symposia, licensing fee, royalties from ICAO's publications, rental of premises, and other miscellaneous revenue. Such revenues are measured at the fair value of the consideration received or receivable, and are recognized as goods and services are delivered. Their balances receivable are presented in receivables and advances.
24. Contributions receivable are shown net of allowances related to reductions in contribution revenue, doubtful accounts and amortization (discount):
- Allowance for reductions in voluntary contribution revenue are reductions of contributions receivable and revenue when the funding is no longer needed by the project to which the contributions was directed or is otherwise unavailable;
  - Allowance for doubtful accounts on assessed contributions is based on historical experience and on events that would indicate a Member State is not capable of discharging its obligation; and
  - Discounted long-term contributions receivable represent the outstanding balance of assessed contributions for which States have concluded agreements to liquidate their arrears over a period of years. Discounting is also applied to a number of other long



outstanding contributions considering the probability that such agreements will be concluded to liquidate arrears. These receivables are stated at amortized (discounted) cost using the effective interest method and are therefore presented net of the cumulative discount.

25. 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. Services provided without charges are not recognized in the accounts, but are presented in the Notes to the Financial Statements for information purposes. These contributions include use of premises, transport and personnel.

### **Property, Plant and Equipment**

26. 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><b>Class</b></u>	<u><b>Estimated Useful Life (Years)</b></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

27. PP&E are capitalized if their cost is greater or equal to the threshold limit set at CAD 3 thousand and CAD 25 thousand in the case of 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.
28. 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.

### **Intangible Assets**

29. Intangible assets are stated at historical cost less accumulated amortization and any impairment losses. Intangible asset recognition requires meeting strict criteria with respect to being identifiable, being under ICAO's control and contributing future economic benefits or service potential which can be reliably measured. Remaining useful life is also a consideration. Specific criteria were also developed to exclude items acquired below a cost of CAD 5 thousand, and CAD 25 thousand for internally developed assets due to the difficulty in the accurate measurement of the amounts of internal operational and research costs to be expensed and development costs to be capitalized.
30. 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><b>Class</b></u>	<u><b>Estimated Useful Life (Years)</b></u>
Software Acquired Externally	3-6
Software Developed Internally	3-6
Licenses and Rights and Other Intangibles	2-6
Copyrights	3-10

31. Licenses, rights and copyrights are amortized over the licenses, rights and copyrights periods.
32. 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**

33. Voluntary contributions received before the implementation of Technical Co-operation Projects are recorded as advanced receipts. Revenue is recognized when contributors' requirements are fulfilled, generally when services are rendered by ICAO or when goods are delivered to the project in accordance with the terms of the agreement between contributors and the Organization.
34. Balances of unutilized contributions to be remitted to contributors and funds received before services are rendered or goods delivered by ICAO to third parties are included in advanced receipts.
35. Assessments received from Member States before the year to which they relate are presented under advanced receipts.

### **Employee Benefits**

36. 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.
37. Short-term employee benefits comprise first-time employee benefits (assignment grants), regular remunerations, compensated absences and other short-term benefits (education grant, reimbursement of taxes, and home leave travel) provided to current employees on the basis of services rendered, or to their beneficiaries (death grant). All such benefits that are accrued but not paid at the reporting date are recognized as current liabilities within the Statement of Financial Position.
38. The following benefits are accounted for as defined-benefit plans: ASHI (post-employment benefits), repatriation benefits (other long-term benefits) and accumulated annual leave that is commuted to cash upon separation from the Organization (other long-term benefits). The short-term portions of these benefits are presented as current liabilities within the Statement of Financial Position. Defined-benefit plans are those where the Organization's obligation is to provide agreed benefits and therefore the Organization bears the actuarial risks. ICAO recognizes actuarial gains and losses related to ASHI in a reserve account in line with the requirements of IPSAS 39. For other separation-related benefits, such as annual leave and repatriation benefits, actuarial gains and losses are recognized immediately and reflected in the Statement of Financial Performance.
39. ASHI is part of the scheme of social security established for staff and provides staff members who meet defined eligibility criteria with continued Medical Benefit Plan (MBP) insurance coverage throughout their retirement under the same health insurance scheme as active staff. The ICAO MBP is a self-funded scheme administered by a third-party administrator, Cigna. MBP provides medical and dental benefits to staff members and retirees worldwide and their covered dependants. Staff members/retirees of other UN agencies operating in Montreal also participate in the scheme. 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. The Organization pays 50 per cent of the costs for retirees who have accumulated 10 years (including the time since retirement) of membership in the plan. The retirees who has less than 10 years but at least 5 years of participation pays the full premium for the remaining period to reach the 10 years. 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 2020, cash at amount of CAD 1.5 million are reflected in the Revolving Fund following the 37<sup>th</sup> Assembly's approval on initial funding for ASHI using cash surplus of year 2009. As the contributions to the Revolving fund are not pooled with other participating organizations operating in Montreal and 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.

40. 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. A liability is recognized and measured as the actuarial present value of the expected benefit payments for settling these entitlements.
41. 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. The actuarial value of the total accumulated unused leaves days of all staff members, up to a maximum of 60 days (18 days for temporary staff), is recognized as a liability at the reporting date.
42. 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.
43. 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.
44. ICAO is a member organization participating in the United Nations Joint Staff Pension Fund (the UNJSPF or 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.
45. The Fund exposes organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual organizations participating in the plan. ICAO and the UNJSPF, 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.

### Provisions and Contingent Liabilities

46. Provisions are made for future liabilities and charges where ICAO has a present legal or constructive obligation as a result of past events, when it is probable that ICAO will be required to settle the obligation and when the amount can be reliably estimated.
47. Other commitments, which do not meet the recognition criteria for liabilities, are disclosed in the notes to the financial statements as contingent liabilities when their existence is confirmed by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the control of ICAO.

### Segment Reporting and Fund Accounting

48. 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) Technical Co-operation Project activities. ICAO reports on the transactions of each segment during the financial period, and the balances held at the end of the period. Inter-segment charges are based on project agreements.
49. A fund is a self-balancing accounting entity established to account for the transactions relating to a specified purpose or objective. Funds are segregated for the purpose of conducting specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The financial statements are prepared on a fund accounting basis, showing at the end of the year the consolidated position of all ICAO's funds. Fund balances represent the accumulated residual of revenue and expenditures.
50. The Regular Activities segment includes the General Fund and the Working Capital Fund of the Regular Programme, special accounts and funds administered for aviation safety, security, environmental and other supporting activities of the Organization. Unutilized appropriations voted for the Regular Programme Budget of the General Fund may be brought forward to the following financial year under certain conditions. Specific funds and special accounts are established by the Assembly or Council under Financial Regulation 7.1 mainly for contributions or resources earmarked for specific activities, the balances of which may be brought forward to the following financial period. The main funding sources of this segment are assessed contributions, revenue producing activities, other voluntary contributions and administrative fees.
51. The Regular Activities segment includes the following Funds or groups of Funds.
  - **The Regular Budget Fund (RB)** 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 Ancillary Revenue Generation Fund (ARGF) surplus, 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.
  - **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 and other long-term employment benefits, such as ASHI, in line with IPSAS 39, thereby presenting these transactions separately within the Regular Activities segment.
- **Ancillary Revenue Generation Fund (ARGF)** established to hold revenue generating and cost recovery activities in one Fund. Special Accounts and Funds within the ARGF are established by the Secretary General under Financial Regulation 7.2 to record all revenues and expenditures relating to self-financing activities. Any surplus not projected to be committed or expensed may be transferred to the General Fund and the balances may be brought forward to the succeeding financial period. The main funding sources of this segment are the sales of publications, data and services.
- **Administrative and Operational Services Cost (AOSC)** established under Financial Regulation 9.4 includes also a) the **Special Reserve Fund (SRF)** and b) the **TCB Efficiency and Effectiveness Fund** described below. The AOSC Fund recovers the costs of administration, operation and support of Technical Co-operation projects. In the event that the AOSC operation in any given year ends in a financial deficit, such deficit is to be met from the accumulated surplus of the AOSC Fund first and, as a last resort, from the Regular Budget. The AOSC Fund is primarily financed from administrative overhead charges to Technical Co-operation Projects.
  - 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 AOSC Fund reimbursement amounts (calculated using an approved formula) in excess of the approved level of annual transfer to Regular Budget. If, in any year, there is a shortfall in the AOSC Fund reimbursement determined on the basis of the approved formula, the SRF shall be used to complement the approved annual AOSC Fund transfer to the Regular Budget.
  - b) **TCB Efficiency and Effectiveness Fund**, established by the Council to authorize Director of TCB to dispense, in any given year, up to 25 per cent of the AOSC annual surplus achieved in the preceding year for the implementation of measures to improve the efficiency and effectiveness of the Technical Co-operation Bureau in responding to Contracting States' needs.
- **Aviation Security and Facilitation (AVSEC/FAL) Activities**, which includes earmarked funds as well as Special Accounts/Funds, established to reflect the Council's approval of the Aviation Security Plan of Action (ASPA), comprising projects to be financed from funds within the Aviation Security and Facilitation Trust Funds. Activities relating to the ASPA projects are funded from voluntary and in-kind contributions.
- **The Comprehensive Regional Implementation Plan for Aviation Safety in Africa (AFI Plan)**, established to increase ICAO leadership and accountability in programme coordination and management across the AFI Region and to ensure effective implementation to rectify safety and infrastructure deficiencies.
- **The Joint Finance Funds** comprise Danish and Icelandic Joint Financing Agreements, which reflect the transactions of the Funds established to report on the ICAO supervision of the operation of air navigation services provided by the Government of Iceland, and in Greenland by the Government of Denmark, the costs of which are recovered by the service providers through user charges and assessments on contracting governments. User charges are collected by the United Kingdom and are due and directly remitted to the Governments of Iceland and Denmark. Assessments are levied and collected by ICAO for remittance to the servicing governments,

therefore, these transactions are reflected in the accounts as assets and liabilities in the Statement of Financial Position. Also included is the **North Atlantic Height Monitoring System Fund (HMU)** to account for the financial transactions made under the provisions of the Arrangement on the Joint Financing of a North Atlantic Height Monitoring System. The operation and maintenance costs are recovered by the service providers through user charges on civil aircraft making crossings over the North Atlantic. User charges collected by ICAO are directly payable to service providers and are therefore reflected as assets and liabilities in the accounts.

- **Incentive for the Settlement of Long-Outstanding Arrears Account** established to present in a separate account a portion of a payment of certain assessments in arrears from Contracting States to finance particular activities of the Organization.
- **The Resource Mobilization Fund (RMF)**, established by Council to support States, through use of voluntary contributions, in strengthening their civil aviation systems. The voluntary funds will facilitate capacity building around, and implementation of, ICAO SARPs and policies, and supplement ICAO's work programmes not covered, or underfunded, by the Regular Budget.
- **Public Key Directory Fund (PKD)** a cost-recovery fund, established by the Council to report on the activities of a project to support interoperability of electronic-enhanced machine readable passports. The operations are financed by voluntary contributions and, in accordance with the agreement, the balance of the Fund is recorded as an amount due to the participating States.
- **Regional Sub-Office (RSO)** with the objective of strengthening the ICAO's presence in the Asia and Pacific (APAC) Region, a sub-regional office in the APAC region, whose purpose is to improve airspace organization and management to maximize air traffic management (ATM) performance across the region. The Asia and Pacific Region Sub-Office is located in Beijing, People's Republic of China. Under an Agreement between ICAO and the Civil Aviation Authority of China (CAAC), the CAAC is responsible for all operating expenses of the RSO.
- **Safety Fund (SAFE)**, established by the Council with the objective of improving the safety of civil aviation through the use of a performance-based approach, which will limit administrative costs and will not impose any costs on the Regular Budget of the Organization, while ensuring that voluntary contributions to the fund are used in a responsible, useful and timely manner.
- **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.
- Under an agreement of 1969 between ICAO and the **European Civil Aviation Conference (ECAC)**, composed of a number of ICAO's Member States, ICAO provides certain secretariat services to ECAC. Disbursements are financed initially from ECAC's revenue and, when necessary from the General Fund of the Regular Budget funds, which are then reimbursed to ICAO. The net amount receivable or payable for all transactions effected on ECAC's behalf is included in the receivable or payable accounts. The secretariat services provided by ICAO HQ were transitioned to EUROCONTROL in August 2020 except for limited scope of HR and accounting services (but no treasury services) remained but would cease in February 2021.
- ICAO's health insurance scheme, **Medical Benefit Plan (MBP)**, with Cigna as the plan administrator, has its own governance structure and provides for the reimbursement of a major portion of expenses for medically recognized health care incurred by ICAO and other participating organizations' staff members, retired staff members, delegates, and their eligible family members. MBP is financed by the contributions made by the participants and the Organizations and from

investment income. The net amount for all transactions effected on MBP's behalf is reflected as assets and liabilities in the accounts.

52. The Technical Co-operation Project Activities segment comprises Technical Co-operation (TC) project funds established by the Secretary General under Financial Regulation 9.1 to administer programmes of Technical Co-operation. The main funding sources of the segment are voluntary contributions for project agreements.
53. The TC projects include UNDP arrangements and projects managed under Trust Funds agreements, Management Service Agreements (MSA) and Civil Aviation Purchasing Services Agreements (CAPS). Trust Funds and MSAs are designed to cover a broad range of Technical Co-operation services and the CAPS agreements are designed to provide procurement services. ICAO also enters into Technical Co-operation contracts referred to as Lump Sum Agreements with Member States, for the provision of specific services or products. These differ from MSA and Trust Fund agreements in that they are for a fixed contract amount. Under or over recovery of actual expenditure is reflected in the AOSC Fund. As part of Technical Co-operation arrangements, ICAO also offers implementation packages (iPacks) to Member States since 2020.

## NOTE 2: ASSETS AND LIABILITIES

### Note 2.1: Cash and Investments

54. 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:

	2020	2019
	<i>In thousands of CAD</i>	
Cash in banks	35 055	37 922
Term deposits	267 525	305 258
<b>Total Cash and Cash Equivalents</b>	<b>302 580</b>	<b>343 180</b>
<b>Investments</b>	<b>3 224</b>	<b>3 185</b>
<b>Total Cash and Investments</b>	<b>305 804</b>	<b>346 365</b>

55. As at 31 December 2020, cash in banks had an average interest rate of 0.339 per cent (1.891 per cent on 31 December 2019). The term deposits (including those classified as investments) had an average interest rate of 0.863 per cent (2.417 per cent on 31 December 2019) and an average term maturity of 80 days (103 days in 2019). Term deposit amounts include USD 162 million held in investment savings accounts (USD 145 million on 31 December 2019) with an average interest rate of 0.816 per cent (2.397 per cent on 31 December 2019). Term deposits at year end include CAD 13 386 thousand held on behalf of MBP.

### Note 2.2: Assessed Contributions Receivable from Member States

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

	2020	2019
	<i>In thousands of CAD</i>	
Current	4 081	16 599
Discounted non-current	5 006	4 322
<b>Total Net Contributions Receivable</b>	<b>9 087</b>	<b>20 921</b>

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

	2020	2019
	<i>In thousands of CAD</i>	
Assessed contributions –Regular Programme	15 472	28 466
Less:		
Allowance for doubtful accounts	(653)	(669)
Cumulative discount on long-term receivables	(5 732)	(6 876)
<b>Total Net Assessed Contributions Receivable</b>	<b>9 087</b>	<b>20 921</b>

58. The following table illustrates the composition of assessed contributions receivable for the Regular Programme:

Year of Assessment	2020		2019	
	<i>In thousands of CAD</i>	%	<i>In thousands of CAD</i>	%
2020	4 899	31.7	-	
2019	1 895	12.2	17 643	62.0
2018	1 374	8.9	1 501	5.3
2017	1 085	7.0	1 296	4.5
2016 and earlier	6 219	40.2	8 026	28.2
<b>Total</b>	<b>15 472</b>	<b>100.0</b>	<b>28 466</b>	<b>100.0</b>

59. There were no additions to the allowance for doubtful accounts on assessments during 2020.

	2019	Utilization	Increase/ (Decrease)	2020
	<i>In thousands of CAD</i>			
Total allowance for doubtful accounts	669	-	(16)	653

The amount of CAD 653 thousand represents the original amount of USD 511 thousand (equivalent of CAD 501 thousand set up in 2010) owing to ICAO by the former Socialist Federal Republic of Yugoslavia, adjusted by an exchange difference of CAD 16 thousand in 2020, the resolution of which remains under active discussions at the United Nations General Assembly where it is an expectation that successor States will cover the debt.

60. There were no write-offs of contributions receivable during 2020. An increase or decrease in the allowance for doubtful accounts is reflected as an expense for the period and is reported in the Statement of Financial Performance.

61. The movements of the discounted long-term contributions receivable during 2020 are as follows:

	2019	Utilization	Increase/ (Decrease)	2020
	<i>In thousands of CAD</i>			
Discounted long-term contributions receivable	4 322	(461)	1 145	5 006



62. The discounted long-term contributions relate to assessments receivable from States in Group A that have concluded agreements with the Council to liquidate their arrears over a period not exceeding twenty years, without interest and States in Group B without agreements but with outstanding assessments exceeding three years. It was estimated that although all those receivables remained valid and properly recognized as such in the accounts, the fair market value of the receivable balance of those States which have lost their voting rights over two consecutive Assembly sessions needed to be further reduced. Consequently, such receivables are fully discounted by an amount of CAD 5 105 thousand in 2020. Utilization of CAD 461 thousand is the reclassification of amounts in arrears as long-term less payments received during the course of the year. The increase of CAD 1 145 thousand in the discounted long-term accounts receivable balance represents a decrease in the cumulative discount, which is reflected in revenue.
63. The discount on long-term contributions receivable represents the amount which is required to adjust the receivable balance to fair value upon initial recognition. Since the non-current portions are not expected to be collected within one year, they are discounted using the original effective interest rate approximated to long-term Canadian government bond rate. This amount is reflected as a reduction of the long-term receivable balance. This difference is then gradually recognized as revenue over the life of the receivable. The discount is computed by applying the rate of 1.20 per cent to the scheduled future instalment payments.

### Note 2.3: Receivables, Advances and Other Assets

64. Short-term receivables and advances are comprised of:

	2020	2019
	<i>In thousands of CAD</i>	
Advances to employees	1 344	1 505
Receivables from United Nations Agencies	883	1 421
Advances to suppliers for TC projects	3 786	4 053
Others	4 647	5 605
<b>Total</b>	<b>10 660</b>	<b>12 584</b>

65. Advances to employees are for education grants, rental subsidies, travel and other staff entitlements.
66. Receivables from UN Agencies are related to other international organizations, mainly United Nations organizations.
67. Other receivables mainly include amounts due from revenue generation activities such as the sales of publications, rental of conference rooms and space to delegations.
68. Other current assets are comprised of:

	2020	2019
	<i>In thousands of CAD</i>	
Recoverable provincial sales tax	289	511
Recoverable federal sales tax	103	275
Prepaid expenses	768	774
Recoverable United States income tax	2	31
Recoverable regional offices sales tax	89	83
<b>Total</b>	<b>1 251</b>	<b>1 674</b>

69. The non-current portion of receivables is composed of an amount due from the African Civil Aviation Commission (AFCAC), a regional body. This amount results from negotiations and discussions between ICAO and AFCAC for the settlement of amounts owed by AFCAC to the Organization. Effective 1 January 2007, AFCAC assumed full responsibility for financial transactions and operations previously performed by ICAO on its behalf. The undiscounted receivable amounts to CAD 294 thousand at 31 December 2020 (CAD 361 thousand as at 31 December 2019). The discounted amount due from AFCAC reflected in the accounts totals CAD 259 thousand, which represents the non-current portion of the receivable (CAD 312 thousand as at 31 December 2019).

#### Note 2.4: Inventories

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

	2020	2019
	<i>In thousands of CAD</i>	
Publications on hand-finished goods	196	208
Raw material and work in progress	58	77
<b>Total Publications</b>	<b>254</b>	<b>285</b>
<b>Total Commissariat Items</b>	<b>350</b>	<b>411</b>
<b>Total APAC Souvenir Items</b>	<b>13</b>	
<b>Total Inventories</b>	<b>617</b>	<b>696</b>

72. Further details of movements in main inventory items are shown below.

	2020	2019
	<i>In thousands of CAD</i>	
<b>Publications</b>		
<b>Opening Balance</b>	285	372
Direct material	168	355
Direct labour	809	1 086
Indirect costs	323	446
<b>Total inventory purchased and produced</b>	<b>1 585</b>	<b>2 259</b>
Less: Cost of publications sold	(1 279)	(1 898)
Less: Impairments	(52)	(76)
<b>Closing Balance</b>	<b>254</b>	<b>285</b>

	2020	2019
<b>Commissariat Items</b>	<i>In thousands of CAD</i>	
<b>Opening Balance</b>	411	178
Inventory purchased	103	558
Total inventory purchased	514	736
Less: Cost of items sold	(164)	(325)
<b>Closing Balance</b>	<b>350</b>	<b>411</b>

73. Publications and Commissariat items and quantities derived from ICAO's inventory tracking systems are validated by physical stock count. Physical access to perform complete physical inventory verification counts were limited by COVID related restrictions imposed by local authorities or for the safety of staff. As a result, alternative verification methods were applied and the restrictions did not impact the numbers presented in the financial statements.
74. Inventories are valued net of any identified impairments. During 2020, impaired publication inventory including disposal of overstock publications valued at CAD 52 thousand was identified and removed from the inventory records. This adjustment represents an expense for the period and is included in the "general operating expenses" line in the Statement of Financial Performance.

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

75. The cost of PP&E includes items held at ICAO Headquarters (HQ) in Montreal as well as those held at the seven Regional Offices. These items provide benefits or service potential to the Organization which exercises full control over their acquisition, physical location, use and disposal.
76. The following table presents PP&E capitalized in the accounts in accordance with IPSAS.

#### Property, Plant and Equipment: 2020

(Thousands of Canadian dollars)

	Furniture & Fixtures	IT Equipment	Motor Vehicles	Machinery & Equipment	Leasehold Improvements	Leasehold Improvements in Progress	Total
<b>Cost as at 1 Jan 2020</b>	<b>180</b>	<b>5 263</b>	<b>633</b>	<b>1 900</b>	<b>5 762</b>	<b>36</b>	<b>13 774</b>
Additions	4	17		248	254	129	651
<b>Cost as at 31 Dec 2020</b>	<b>184</b>	<b>5 231</b>	<b>633</b>	<b>2 196</b>	<b>6 016</b>	<b>165</b>	<b>14 425</b>
<b>Accumulated depreciation as at 1 Jan 2020</b>	<b>( 132)</b>	<b>( 3 380)</b>	<b>( 364)</b>	<b>( 1 249)</b>	<b>( 2 281)</b>		<b>( 7 405)</b>
Depreciation	( 13)	( 459)	( 77)	( 182)	( 528)		( 1 259)
<b>Accumulated depreciation as at 31 Dec 2020</b>	<b>( 145)</b>	<b>( 3 839)</b>	<b>( 441)</b>	<b>( 1 431)</b>	<b>( 2 809)</b>		<b>( 8 664)</b>
<b>Net carrying amount</b>							
1 January 2020	48	1 883	270	651	3 481	36	6 369
<b>31 December 2020</b>	<b>39</b>	<b>1 392</b>	<b>192</b>	<b>765</b>	<b>3 208</b>	<b>165</b>	<b>5 761</b>

**Property, Plant and Equipment: 2019**

(Thousands of Canadian dollars)

	<b>Furniture &amp; Fixtures</b>	<b>IT Equipment</b>	<b>Motor Vehicles</b>	<b>Machinery &amp; Equipment</b>	<b>Leasehold Improvements</b>	<b>Leasehold Improvements in Progress</b>	<b>Total</b>
<b>Cost as at 1 Jan 2019</b>	<b>159</b>	<b>3 936</b>	<b>554</b>	<b>1 769</b>	<b>3 553</b>	<b>1 034</b>	<b>11 005</b>
Additions	21	1 406	141	131	2 209	36	3 945
Disposals		( 79)	( 62)				( 141)
Transfers						( 1 034)	( 1 034)
<b>Cost as at 31 Dec 2019</b>	<b>180</b>	<b>5 263</b>	<b>633</b>	<b>1 900</b>	<b>5 762</b>	<b>36</b>	<b>13 774</b>
<b>Accumulated depreciation as at 1 Jan 2019</b>	<b>( 118)</b>	<b>( 3 191)</b>	<b>( 350)</b>	<b>( 1 070)</b>	<b>( 1 884)</b>		<b>( 6 613)</b>
Depreciation	( 14)	( 268)	( 74)	( 179)	( 397)		( 932)
Disposals		79	61				140
<b>Accumulated depreciation as at 31 Dec 2019</b>	<b>( 132)</b>	<b>( 3 380)</b>	<b>( 363)</b>	<b>( 1 249)</b>	<b>( 2 281)</b>		<b>( 7 405)</b>
<b>Net carrying amount</b>							
1 January 2019	40	745	204	698	1 670	1 034	4 391
<b>31 December 2019</b>	<b>48</b>	<b>1 883</b>	<b>270</b>	<b>651</b>	<b>3 481</b>	<b>36</b>	<b>6 369</b>

77. In response to COVID-19, certain equipment were acquired in 2020. The limitation on physical movements that applied in many of the locations where ICAO operates resulted in a majority of staff and personnel working remotely. This sudden change to remote working was facilitated by an accelerated changeover to increased use of mobile office tools, particularly, laptops, which were purchased in the first few months of 2020. The office equipment above the capitalisation threshold are captured in the table above. Although most of the locations where ICAO operates were only partly occupied in 2020, it was decided that use of the office space will resume in the post pandemic period. Physical verification of the fixed assets was carefully planned and carried out despite of the restrictions. No impairment of PP&E was identified in 2020.
78. Commitments related to leases are presented in Note 6.
79. The HQ property – Maison de l'OACI, was constructed in 1995 and purchased by the Government of Canada in 2016. The entire building is provided to ICAO rent-free for 20 years commencing on 1 December 2016 and until 30 November 2036.
80. ICAO owns 46 per cent of the property of the EURNAT Regional Office in Paris at an original cost of CAD 1 145 thousand and the remaining 54 per cent of the property is under a nominal finance lease, which represents contributions for services in kind as shown in Note 3.1. Other buildings occupied by ICAO are under operating leases or nominal leases also shown in Note 3.1 and Note 6.
81. ICAO owns assets that are categorized as heritage assets because of their cultural, educational, or historical significance. Heritage assets were donated from Member States, organizations and companies over the years and are not held to generate any future economic benefits or service potential; accordingly, ICAO has elected not to recognize them in the Statement of Financial Position. Significant heritage assets owned by ICAO comprise aircraft models and prototypes, works of art, furniture and fixtures, books, maps, photographs, records and documents of historical significance, etc.

**Note 2.6: Intangible Assets**

82. The following table presents intangible assets recognized in the accounts since adoption of IPSAS.

**Intangible Assets: 2020**

(Thousands of Canadian dollars)

	Software Acquired	Licenses & rights	Software Developed Internally	Other Intangible Assets	Software Under Development	Total
<b>Cost as at 1 Jan 2020</b>	<b>1 443</b>	<b>591</b>	<b>536</b>	<b>281</b>	<b>1 183</b>	<b>4 034</b>
Additions	438	7	352		523	1 320
Adjustment					( 72)	( 72)
<b>Cost as at 31 Dec 2020</b>	<b>1 881</b>	<b>598</b>	<b>888</b>	<b>281</b>	<b>1 634</b>	<b>5 282</b>
<b>Accumulated amortization as at 1 Jan 2020</b>	<b>( 1 153)</b>	<b>( 353)</b>	<b>( 244)</b>	<b>( 281)</b>		<b>( 2 031)</b>
Amortization	( 141)	( 65)	( 121)			( 327)
<b>Accumulated amortization as at 31 Dec 2020</b>	<b>( 1 294)</b>	<b>( 419)</b>	<b>( 365)</b>	<b>( 281)</b>		<b>( 2 358)</b>
<b>Net carrying amount</b>						
1 January 2020	290	237	292		1 183	2 003
<b>31 December 2020</b>	<b>588</b>	<b>179</b>	<b>522</b>		<b>1 634</b>	<b>2 923</b>

**Intangible Assets: 2019**

(Thousands of Canadian dollars)

	Software Acquired	Licenses & rights	Software Developed Internally	Other Intangible Assets	Software Under Development	Total
<b>Cost as at 1 Jan 2019</b>	<b>1 124</b>	<b>585</b>	<b>536</b>	<b>281</b>		<b>2 526</b>
Additions	319	6			1 183	1 508
<b>Cost as at 31 Dec 2019</b>	<b>1 443</b>	<b>591</b>	<b>536</b>	<b>281</b>	<b>1 183</b>	<b>4 034</b>
<b>Accumulated amortization as at 1 Jan 2019</b>	<b>( 1 113)</b>	<b>( 277)</b>	<b>( 155)</b>	<b>( 281)</b>		<b>( 1 826)</b>
Amortization	( 40)	( 76)	( 89)			( 205)
<b>Accumulated amortization as at 31 Dec 2019</b>	<b>( 1 153)</b>	<b>( 353)</b>	<b>( 244)</b>	<b>( 281)</b>		<b>( 2 031)</b>
<b>Net carrying amount</b>						
1 January 2019	12	307	381			700
<b>31 December 2019</b>	<b>290</b>	<b>238</b>	<b>292</b>		<b>1 183</b>	<b>2 003</b>

83. No impairment of intangible assets was identified in 2020.

**Note 2.7: Financial Instruments****2.7.1 Financial Assets and Liabilities**

84. At the reporting date, ICAO was exposed with respect to the financial instruments summarized in the following table.

	2020	2019
	<i>In thousands of CAD</i>	
Cash and cash equivalents	302 580	343 180
Investments	3 224	3 185
Assessed contributions receivable (current)	4 081	16 599
Assessed contributions receivable (non-current)	5 006	4 322
Receivables and advances (current)	10 660	12 584
Receivables and advances (non-current)	259	312
Other Receivables	483	900
<b>Sub-total financial assets</b>	<b>326 293</b>	<b>381 082</b>
Accounts payable and accrued liabilities	30 535	43 320
<b>Sub-total financial liabilities</b>	<b>30 535</b>	<b>43 320</b>
<b>Financial instruments - net exposure</b>	<b>295 758</b>	<b>337 762</b>

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

### 2.7.2 Market Risk

86. The market risk is the risk arising from fluctuation of the fair value or future cash flows of the financial instruments on account of changing market prices. It includes the foreign currency exchange risk, the interest rate risk, and other price risks. ICAO is exposed to exchange and interest rate risks. It receives revenue from assessed, voluntary and project contributions and incurs expenses in currencies other than its functional currencies (CAD for regular activities and USD for TCP activities).
87. For regular activities, in order to minimize the exposure of the USD fluctuations, the Organization moved to a split assessment system under which Member States are assessed partly in USD and partly in CAD based on foreseen needs of both currencies. With the adoption of the split assessment system, management believes that there is no need to enter into forward exchange contracts for the purchase of USD for Regular Budget as the exchange rate is largely mitigated.
88. For TCP activities, a vast majority of the projects contributions and expenses are denominated in USD. When purchase orders pertaining to Technical Co-operation projects are denominated in currencies other than the CAD or USD, and in cases where currency fluctuation could have a material impact on the financial performance of the project, a policy on hedging has been adopted, whereby funds are purchased in the currency of the commitment at the time the Purchase Order is issued. An exchange gain or loss is recognized equivalent to the difference between the UNORE and the spot rate in effect on the date that the funds are purchased.
89. At 31 December 2020, cash, cash equivalent and investments are denominated in CAD (26 per cent) and in USD (72 per cent) which are the base currencies used by the Organization (19 per cent in the CAD and 78 per cent in USD base currencies at 31 December 2019). Non-CAD or USD holdings have the primary objective of supporting operating activities in other currencies than CAD. ICAO maintains a minimum level of assets in local currencies to the extent practicable. In addition, 50 per cent of contributions receivable are denominated in CAD and 50 per cent are in USD base currencies at 31 December 2020 (49 per cent in CAD and 51 per cent in USD base currencies at 31 December 2019).

90. A strengthening or weakening of USD exchange rate as at the reporting date would have affected the measurement of cash and investments denominated in a foreign currency and increased or decreased the net assets and surplus or deficit by the amount shown below. This sensitivity analysis is based on the effect of a 5% variation in the USD exchange rates with CAD on Regular Activities segment and TCP segment respectively.

	At 31 December 2020		At 31 December 2019	
	Variation -5%	Variation +5%	Variation -5%	Variation +5%
<i>In thousands of CAD</i>				
<b>Regular Activities</b>				
Currency USD/CAD	( 2 459)	2 459	( 2 857)	2 857
<i>In thousands of USD</i>				
<b>TCP Activities</b>				
Currency CAD/USD	( 12)	12	( 6)	6

91. ICAO is exposed to interest rate risk through term deposits. In 2020, the average interest rate and term maturity are provided in Note 2.1. Interest rates were decreased in 2020.

### 2.7.3 Credit Risk

92. The credit risk is the risk that a counterparty for an asset held by ICAO does not fulfill its obligations. ICAO's credit risk is spread widely and ICAO's risk management policies limit the amount of credit exposure to any one counterparty and include minimum credit quality guidelines.
93. Credit risk and liquidity risk associated with cash and investments is minimized substantially by ensuring that these financial assets are placed with major financial institutions that have been accorded strong investment grade ratings by a primary rating agency and/or with other credit worthy counterparties in line with ICAO's principal investment objective of preservation of capital. Balances held with such institutions at the reporting dates are as follows:

	AA	A	Regional	Not rated	Total
<i>In thousands of CAD</i>					
Balance at 31 December 2020	294 368	3 723	7 689	24	305 804
Balance at 31 December 2019	335 835	3 691	6 831	8	346 365

94. Contributions receivable comprise primarily amounts due from sovereign nations. ICAO therefore considers its credit risk to be minimal. Other than late payment of contributions in the latter part of 2020, no adverse impact on overall collectability was experienced as a result of the economic conditions due to COVID-19. Details of contributions receivable are provided in Note 2.2. As noted in Note 1 and 2.2, long-term contributions are stated at amortized (discounted) cost using the effective interest method. Since these receivables do not bear interest, the interest rate used to calculate the discounted cost is the rate applicable for long-term Canadian government bonds.

## 2.7.4 Liquidity Risk

95. The liquidity risk is the risk that ICAO has difficulty fulfilling its obligations to meet its financial liabilities. ICAO's investment policy is to ensure investments are held primarily in liquid short-term deposits. At 31 December 2020, ICAO's cash and cash equivalents, amounting to CAD 302 580, were sufficient to settle current liabilities, which totaled CAD 229 274. The liquidity situation is regularly monitored to ensure all short-term liabilities are settled in a timely manner.
96. 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.
97. 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. RBC provides a CAD 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

98. Advanced receipts comprise:

	2020	2019
	<i>In thousands of CAD</i>	
Voluntary contributions for TC Projects	166 214	216 472
Assessed contributions received in advance	9 880	6 861
Other advances	13 066	19 092
<b>Grand Total</b>	<b>189 160</b>	<b>242 425</b>

99. Advanced receipts of voluntary contributions for TC Projects represent receipts of contributions less related expenses at year-end (refer to Table D and E). Other advances include advance payments of CAD 7 723 thousand for voluntary contributions and grants from Member States and private companies, CAD 1 224 thousand from publication sales, CAD 2 310 thousand from Member States for PKD activities, deferred revenue and other advances.

### Note 2.9: Accounts Payables and Accrued Liabilities

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

	2020	2019
	<i>In thousands of CAD</i>	
Accrued liabilities	6 965	14 076
Payables to employees	1 591	1 495
Trade payables	8 598	10 694
Due to MBP	13 381	7 135
Due to ECAC		9 920
<b>Grand Total</b>	<b>30 535</b>	<b>43 320</b>

101. Accounts payable to suppliers 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. Amounts due to MBP and ECAC are cash balances held by ICAO on their behalf (refer to Note 2.1).



**Note 2.10: Employee Benefits**

102. Employee benefits liabilities comprise ASHI benefits, end of service benefits for annual leave, repatriation benefits payable and other short-term amounts. The description of ASHI benefits, annual leave and repatriation benefits are provided in Note 1.

	2020	2019
	<i>In thousands of CAD</i>	
<b>Composition:</b>		
Current	7 985	7 648
Non-current	211 685	164 329
<b>Grand Total</b>	<b>219 670</b>	<b>171 977</b>

**2.10.1 Valuation of Employee Benefit Liabilities**

103. Liabilities arising from end of service benefits, annual leave and repatriation benefits, and ASHI benefits are determined by independent consulting actuaries. These employee benefits are established for staff members in Headquarters and Regional Offices who are covered by ICAO Staff Rules.
104. Other employee benefits are calculated by ICAO based on personal data and past experience. These benefits comprise estimated repatriation benefits and annual leave due to Technical Co-operation project staff upon separation. Such project staff benefits are not covered by the ICAO Staff Regulations and Rules, but by specific conditions under Technical Co-operation projects.
105. The movement of employee benefits liabilities during 2020 is as follows:

	Opening Balance 1 Jan 2020	Utilization	Increase/ (Decrease)	Actuarial Loss/(Gain)	Ending Balance 31 Dec 2020
	<i>In thousands of CAD</i>				
Post-retirement plan (ASHI)	144 621	(2 176)	8 948	38 055	189 448
End of service – annual leave	10 411	(287)	1 062	1 800	12 986
End of service – repatriation benefits	14 805	(581)	1 272	(503)	14 993
Other employee benefits for international experts	2 140	(155)	258		2 243
<b>Grand Total</b>	<b>171 977</b>	<b>(3 199)</b>	<b>11 540</b>	<b>39 352</b>	<b>219 670</b>

106. The utilization column represents payments made during the year. The increase (decrease) for ASHI, annual leave, repatriation benefits and other employee benefits for international experts are comprised as follows:

	<b>Current Service Costs</b>	<b>Interest Cost</b>	<b>Total 2020</b>	<b>Total 2019</b>
<i>In thousands of CAD</i>				
Post-retirement plan (ASHI)	6 180	2 768	8 948	9 536
End of service – annual leave	862	200	1 062	904
End of service – repatriation benefits	1 000	272	1 272	1 165
Other employee benefits	258		258	( 9)
<b>Grand Total</b>	<b>8 300</b>	<b>3 240</b>	<b>11 540</b>	<b>11 596</b>

For comparison purposes, actuarial losses (and gains) were as follows:

	<b>2020</b>	<b>2019</b>
<i>In thousands of CAD</i>		
Post-retirement plan (ASHI)	38 055	3 611
End of service – annual leave	1 800	992
End of service – repatriation benefits	(503)	897
<b>Grand Total</b>	<b>39 352</b>	<b>5 500</b>

107. Actuarial gains/losses for Annual Leave and Repatriation Benefits, plus current service costs and interest cost, including those for ASHI, total CAD 12 579 in 2020 (CAD 13 494 in 2019) and are included in the expense of the Revolving Fund.

## 2.10.2 Employee Benefits Liability – Sensitivity Analysis

108. Sensitivity analysis for the discount rate for the employee benefits liabilities is presented in the following table:

	<b>Increase of 1% in Discount rate</b>	<b>Decrease of 1% in Discount rate</b>
<i>In thousands of CAD</i>		
Effects: Current service cost + interest cost	(952)	1 233
Effects: Accrued benefit obligation	(38 668)	52 043

109. Sensitivity analysis for the Medical and Dental Trend Rates, as described in Note 2.10.4, for the post-retirement plan (ASHI) is presented in the following table:

	<b>Increase of 1% in Trend rate</b>	<b>Decrease of 1% in Trend rate</b>
	<i>In thousands of CAD</i>	
Effects: Current service cost + interest cost	2 911	(2 099)
Effects: Accrued benefit obligation	45 900	(34 936)

110. Sensitivity analysis for the Mortality Table assumptions, as described in Note 2.10.4, for the post-retirement plan (ASHI) is presented in the following table:

	<b>1 Year Further Mortality Table</b>	<b>1 Year Closer Mortality Table</b>
	<i>In thousands of CAD</i>	
Effects: Current service cost + interest cost	452	(439)
Effects: Accrued benefit obligation	9 646	(9 342)

### 2.10.3 Expected Cost During 2021

111. The expected contribution of ICAO in 2021 to the defined benefits plan is CAD 5 742 thousand, which is determined based on expected benefit payments for 2021.

	<b>Post- retirement plan (ASHI)</b>	<b>End of service – annual leave</b>	<b>End of service - repatriation benefits</b>	<b>Total</b>
	<i>In thousands of CAD</i>			
Expected contributions during 2021	2 549	1 156	2 037	5 742

### 2.10.4 Actuarial Assumptions and Methods

112. 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 benefit plans (post-employment benefits and other separation-related benefits). Actuarial assumptions are required to be disclosed in the financial statements in accordance with IPSAS 39. In addition, each actuarial assumption is required to be disclosed in absolute terms. The following key assumptions and methods have been used to determine the value of post-employment and other separation-related employee liabilities for ICAO as at 31 December 2020.

**Assumptions Used for ASHI Plan:**

<b>Actuarial Method</b>	ASHI: The projected unit credit cost method, prorated on years of service, up to the age the employee is fully eligible for retirement benefits.
<b>Discount Rate</b>	1.2 per cent for accounting and funding (1.85 per cent in 31 December 2019 valuation).
<b>Medical and Dental Trend Rates</b>	Assumed increases in drugs and other health care range from 8 per cent to 3.5 per cent (8 per cent to 4 per cent in 31 December 2019 valuation) over a period of 20 years, Annual increase for dental of 3.5 per cent for 20 years (4 per cent in 31 December 2019 valuation).
<b>Expected Return on Assets</b>	Not applicable.
<b>Exchange Rate Used</b>	USD 1.00 for CAD 1.278 (CAD 1.308 in prior valuation).
<b>Medical and Dental Claims Cost</b>	Based on the current experience of the ICAO's retirees: average annual costs per person at age 60 are CAD 2.7 thousand for drugs, from CAD 0.4 thousand to CAD 1.7 thousand for dental, and from CAD 0.6 thousand to 7.6 thousand for other health care.
<b>Age Variation of Medical and Dental Costs</b>	Assumed annual increase to the cost of drugs in Canada range from 5.8 per cent at age 40 to 59 down to 0 per cent at age 85 and up. For health care in Canada, annual increases range from 2.0 per cent up to age 59 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 down to 0 per cent at age 90 and up. Dental care is assumed to decline by 0.5 per cent per year. Reduction of drug cost at age 65 for those covered by a public drug plan in Canada, 65 per cent (65 per cent in 2019).
<b>Annual Administrative Costs</b>	USD 32.22 per Certificate Per Month (USD 31.60 in 2019). Inflation at 2 per cent per year, (2.5 per cent in 2019).
<b>Mortality Table</b>	2017 UN ASHI headcount-weighted mortality table (CMM 2014 with Projection Scale MI 2017 used in 31 December 2019 valuation).
<b>Withdrawal Rates</b>	2019 UNJSPF assumptions vary by General Service vs. Professional, starting in 2019
<b>Retirement Age</b>	2019 UNJSPF assumptions vary by General Service vs Professional, starting in 2019
<b>Coverage of Dependents at Retirement</b>	60 per cent (60 per cent in 2019). Wives are assumed to be five years younger than their male spouses. No children per family at retirement age.

**Assumptions Used for Annual Leave and Repatriation Benefits:**

<b>Actuarial Method</b>	Annual leave and repatriation grant: actuarial present value of future benefits with salary projections.
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<b>Discount Rate</b>	1.2 per cent per year (1.85 per cent in 2019).
<b>Salary Increase</b>	2.50 per cent per year.
<b>Net Accrual in Annual Leave Balance</b>	From 8 days during the first year to none for 35 years of service and more, up to a maximum of 60 days.
<b>Withdrawals Due to Voluntary Leave</b>	10 per cent (10 per cent in 2019).
<b>Removal of Effects on Repatriation</b>	USD 18.9 thousand per employee with eligible family members, USD 13.7 thousand per employee without eligible family members. Annual increases of 2.50 per cent per year thereafter.
<b>Travel Costs</b>	CAD 6.0 thousand per employee with annual increase at 2.50 per cent per year.

113. ICAO is using the Canadian government bond rate to discount the liability related to staff benefits. In some jurisdictions, there is no deep market for government bonds or government bonds are more risky than high quality corporate bonds. In such cases the use of the corporate bond rate would be more appropriate, being closer to a risk free rate. This matter was considered by ICAO's actuaries and it was determined that, in the case of ICAO, the use of the Canadian bond rate is more appropriate than the corporate bond rate for the reasons provided under paragraph 88 of IPSAS 39 and because of the existence of a deep market for government bonds in Canada. Therefore, ICAO has continued to use the government bond rate to discount the liability. Specifically, ICAO:

- Set the discount rates for the Defined Benefit Obligation (past service liability) based on a yield curve approach, using yields on Government of Canada bonds and the expected cash flows of ICAO's plans.
- Determined 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.

The resulting discount rates at 31 December 2020 are 1.2 per cent as compared to 1.85 per cent at 31 December 2019.

114. The assumed increases in medical costs (trend rates) are selected with reference to the latest Global Medical Trend Rates survey produced by ICAO's actuary, UN Economic Assumptions for Retiree Medical Plans and the increases that are expected to be sustainable over the long run. For the 31 December 2020's After-Service Health Insurance plan (ASHI) valuation, the initial trend rates for Class 2 Drugs (adjusted from 7.5 per cent for 2020 to 8.0 per cent for 2021) and Classes 4 and 5 Health Care costs (adjusted from 8.0 per cent for 2020 to 7.5 per cent for 2021) are revised, the ultimate trend rates for all costs on all classes are also reduced downwards from 4.0 per cent to 3.5 per cent and the trend rate for Other Health Care for Classes 2, 2A and 2B remains unchanged.
115. Medical costs are a key valuation assumption for ASHI valuation. These assumptions are selected with reference to ICAO's recent experience adjusted for historical medical trend rates, and anticipated utilization adjustments due to aging. For the ASHI valuation, the medical costs changed and are detailed in the assumptions table above. ICAO's expected ASHI claims are based on an average of three years' claims, trended forward to the year after the valuation date and adjusted to a spot USD/CAD exchange rate at the valuation date. Because of COVID-19's acute impact on claims during 2020, it was decided to use the 31 December 2019 claim costs, adjusted for trend and USD/CAD exchange rate. It is believed that the prior year study would be a better estimator of

long-term benefit payments. During 2020, appreciation of the CAD against the USD had a favourable impact.

116. Inflation applicable to administrative fees charged by the plan administrator was reduced from 2.5 per cent to 2 per cent. ICAO has adopted this inflation rate developed by the UNJSPF. This is one of the assumptions developed to be implemented on ASHI plans under the UN for a harmonized valuation approach.
117. 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 2020 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.
118. 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 2020 valuation, ICAO has adopted the 2017 UN ASHI headcount-weighted mortality table with UN projection scale as part of the efforts to harmonize valuation approach within the UN system entities. In March 2020, the World Health Organization (WHO) declared a state of global pandemic linked to the 2019 coronavirus disease (COVID-19). So far, the COVID-19 pandemic in Canada has been accompanied by 2 successive waves of disease-related deaths. The net effect on short- and long-term mortality from COVID-19 remains unknown at this time due to the uncertainty surrounding the effectiveness of the implementation of containment measures, the development of treatments and vaccines, and the magnitude of side effects. Faced with this uncertainty, our view of basic mortality as well as the impact on the future progression of life expectancy remains unchanged and the mortality assumption has not been revised as a result of COVID-19. The impact of COVID-19 will, however, affect the results of future valuations as the experience from actual deaths will differ from that expected.
119. Based on updated selection patterns, MBP Class 1 members will select class 2, 4, or 5 with probabilities 75 per cent, 17 per cent, and 8 per cent, respectively, at time of retirement in the 2020 valuation. The assumption was changed from 90 per cent, 5 per cent and 5 per cent, respectively, used in the 2019 valuation.
120. For the 31 December 2020 valuation, the removal of personal effects cost of USD 18 000 / 13 000 per Family / Single employee, respectively, as of November 2018, were increased by inflation of 2.5 per cent per year to USD 18 911 / 13 658, respectively. Based on average historical repatriation travel costs for separations from 2013 to 2018 adjusted for general inflation, repatriation travel costs were assumed to be CAD 6 005 per staff member for 2020. This was increased by inflation of 2.5 per cent.
121. 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.

#### **2.10.5 United Nations Joint Staff Pension Fund (UNJSPF)**

122. The UNJSPF'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 Pension Fund will be sufficient to meet its liabilities.

123. ICAO's financial obligation to the UNJSPF consists of its mandated contribution, at the rate established by the United Nations General Assembly (currently at 7.9 per cent for participants and 15.8 per cent for member organizations) together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. 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.
124. The latest actuarial valuation for the Fund was completed as of 31 December 2019, and a roll forward of the participation data as of 31 December 2019 to 31 December 2020 will be used by the Fund for its 2020 financial statements.
125. The actuarial valuations as of 31 December 2019 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 144.2 per cent (139.2 per cent in the 2017 valuation). The funded ratio was 107.1 per cent (102.7 per cent in the 2017 valuation) when the current system of pension adjustments was taken into account.
126. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2019, 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.
127. Should Article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the UNJSPF pension plan, 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 UNJSPF during the preceding three years (2017, 2018 and 2019) amounted to USD 7 546.92 million, of which 0.77 per cent was contributed by ICAO.
128. During 2020, ICAO's contributions paid to UNJSPF amounted to USD 19.9 million equivalent to CAD 26.7 million (USD 20.3 million equivalent to CAD 26.9 million in 2019). Contributions due in 2021 are expected to be at the same level.
129. Membership of the Fund may be determined 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.
130. The United Nations Board of Auditors carries out an annual audit of the UNJSPF and reports to the UNJSPF Pension Board on the audit every year. The UNJSPF publishes quarterly reports on its investments and these can be viewed by visiting the UNJSPF at [www.unjspf.org](http://www.unjspf.org).

## 2.10.6 Social Security Arrangements for Employees Under Service Contracts

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

### Note 2.11: Credits to Contracting/Servicing Governments

132. The credits comprise amounts assessed from contracting governments and collected by ICAO on behalf of servicing governments under the Danish and Icelandic Joint Financing Agreements, which are to be remitted to contracting/servicing governments. Also included in the liability, are user charges collected by ICAO on behalf of service governments under the arrangement on Joint Financing of a North Atlantic Height Monitoring System.

### Note 2.12: Net Assets (Net Accumulated Deficit)

133. 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.
134. Reserves are composed of:

	2020	2019
	<i>In thousands of CAD</i>	
Regular Activities		
Carry forward of Appropriations (Statement V)	33 488	23 666
Reserved deficit for unrealized differences	(3 594)	(4 428)
Accumulated actuarial gain/(loss) on ASHI (Note 2.10.1)	(72 801)	(34 746)
Operational reserve for ARGF	5 903	6 229
Restricted surplus for ARGF	7 823	12 142
Amounts reserved in the Incentive Fund	237	237
	(28 944)	3 100
Technical Co-operation Project Activities	9	7
<b>Total</b>	<b>(28 935)</b>	<b>3 107</b>

135. Reserved deficit for unrealized differences represents unrealized gains and losses on assets and on exchange differences set aside until the corresponding assets are realized.
136. An amount of CAD 5 903 thousand is included in the Operational Reserve of ARGF in accordance with Financial Regulations 7.3 and the Council Decision C-DEC 190/5.
137. Restricted surplus for ARGF includes the remaining amount of CAD 3 133 thousand out of the initial one-time CAD 4 700 thousand contribution set aside to finance the Regular Programme budget for the triennium 2020-2022 with reference to Assembly Resolution A40-34; and an amount of CAD 4 690 thousand earmarked for ongoing special projects, and funds set aside to protect against risk of budgetary shortfalls due to the pandemic.



138. Included in the Technical Co-operation Project Activities Reserves is the translation adjustment from USD to CAD to reflect the Technical Co-operation Project Activities in the reporting currency (CAD).

### NOTE 3: REVENUES AND EXPENSES

#### Note 3.1: Contributions – Services in Kind

139. Under separate agreements between the Governments of Canada, Egypt, France, Peru, Senegal, Thailand and Mexico and the Organization, these governments undertake to bear all or part of the costs of the rental of the premises located in their respective countries. Contributions in kind are not recorded in the accounts but presented for information purposes in notes below.
140. The estimated fair value of the contributions in kind provided to regular activities based on the lease contracts or on the estimated market value when there is no lease is as follows:

	2020	2019
	<i>In thousands of CAD</i>	
Canada	24 773	25 179
Egypt	137	115
France	783	747
Peru	842	825
Senegal	336	270
Thailand	2 502	2 489
<b>Total</b>	<b>29 373</b>	<b>29 625</b>

141. The Government of Canada provides the HQ building to ICAO rent free and assumes 80 per cent of the operation and maintenance costs as well as 100 per cent of the property taxes. Included also in the above contribution in kind from Canada, is an amount equivalent to CAD 1 845 thousand (CAD 1 899 thousand in 2019) from the Government of Quebec towards the provision of premises in the Bell Tower office in Montreal provided for the Technical Co-operation Bureau.
142. Also, the Government of Mexico provides a contribution in cash towards the rental of the Regional Office in Mexico City. The contribution in 2020 amounted to CAD 440 thousand (CAD 429 thousand in 2019) and is included in revenue in the Statement of Financial Performance.
143. Staff services and travel are also provided free of charge by States for regular activities. These contributions are estimated at CAD 8 646 thousand in 2020 (CAD 8 110 thousand in 2019).

#### Note 3.2: Revenue

144. The main source of revenue recognized during the year comprises contributions for Technical Co-operation projects that were implemented during the year (refer to Note 5.3 and Table C) and assessed contributions. Assessed contributions are levied partially in Canadian dollars and in United States dollars to finance a major part of appropriations. Revenue recognized during the year is comprised as follows:

	2020	2019
	<i>In thousands of CAD</i>	
Assessments on States as resolved by the Assembly	91 970	96 181
Adjustment on WCF*	(12)	115
Exchange Differences**	9 946	12 287
Increase on cumulative discount on long-term receivables	1 145	1 241
<b>Total</b>	<b>103 049</b>	<b>109 824</b>

\*With additional assessments collected from two new member states (Tuvalu joined in 2017 and Dominica joined in 2019) on WCF, the amount of WCF exceeded USD 8 million as of end of 2019. The adjustment is made in 2020 (the start of the new triennium) to bring back the WCF amount to USD 8 million.

\*\*Exchange differences represent calculated positive (negative) differences between assessments budgeted at budget rate and at the UN operational rate of exchange when assessments are levied.

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

	2020	2019
	<i>In thousands of CAD</i>	
Training/assessments, courses & membership fees	5 304	6 029
Publication sales and printing services	4 465	5 160
Delegation services	2 832	2 685
Dangerous goods licensing fee	2 618	3 003
Publication royalties	1 467	1 474
Websites and Digital e-Products	391	408
User charge/Subscription fee	990	870
Licensing	634	620
Events and Symposia incl. Sponsorship	313	3 115
Commissariat sales	200	409
Periodicals/Digital Content advertising sales	72	746
Others	347	876
<b>Total</b>	<b>19 633</b>	<b>25 395</b>

COVID-19 pandemic had an adverse impact on other revenue producing activities, especially on Events and Training, as all in-person events were either cancelled or postponed. The revenue generated on Training and Events was largely from virtual means.

146. Revenue from other voluntary contributions includes unconditional voluntary contributions received in cash and the progressive revenue recognized for conditional voluntary contributions while projects are implemented and conditions are fulfilled. The sharp decrease is caused by the overall reduced level of contributions following the outbreak of the pandemic as well as the postponement of certain projects implementation activities due to COVID-related restrictions.

For conditional voluntary contributions, ICAO does not recognize the receivable and the corresponding liability at the time of signing the agreement. Receivables are only recognized when donors confirm that the conditions are satisfied and further installments are therefore payable. As of the reporting date, in accordance with a signed contribution agreement with the European Union, a maximum of EUR 1 064 thousand (equivalent of CAD 1 668 thousand) can be further requested as pre-financing for the project.

147. Other Revenue comprises the following:

	2020	2019
	<i>In thousands of CAD</i>	
Exchange gains*	1 855	62
Service fees	1 235	924
Interest income**	798	2 267
Others	529	506
<b>Total</b>	<b>4 417</b>	<b>3 760</b>

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

\*\*The interest income excludes an amount of CAD 1 734 thousand related to non-proprietary funds (mainly TC Projects) since they are presented as advanced receipts and as administrative overhead fee revenue in the AOSC.

There has been a steep decline in interest income caused by the lower interest rate in 2020 (detailed in Note 2.1) due, in part, to the economic situation brought about by the pandemic.

### Note 3.3: Expenses

#### 3.3.1 Salaries, Employee Benefits and Project Personnel

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

	2020	2019
	<i>In thousands of CAD</i>	
Professional and General Service Staff	114 994	116 127
Consultancies & Contractors	15 406	17 213
TC International Field Experts	2 854	4 681
TC OPAS Experts	5 817	5 843
Project Personnel – National Professional	17 530	24 871
Project Personnel – National Admin Support	1 604	2 205
Others	899	1 178
<b>Total</b>	<b>159 104</b>	<b>172 118</b>

#### 3.3.2 Subcontracts, Supplies, and Consumables

149. These expenses comprise the procurement of goods and services for Trust Funds, Management Service Agreements, Civil Aviation Purchasing Services, UNDP and iPACK projects under the Technical Co-operation project activities.

### 3.3.3 General Operating Expenses

150. General Operating Expenses mainly comprise rental, maintenance and operation of premises, information technology and printing expenses. Also included is depreciation cost of CAD 1 259 thousand on PP&E and amortization cost of CAD 327 thousand on intangible assets (CAD 932 thousand and CAD 205 thousand, respectively, in 2019).

### 3.3.4 Travel

151. Travel expense is composed of mission travel, which includes airfares, daily subsistence allowances and terminal allowances. The sharp decrease in 2020 is a result of travel bans and restrictions, and the cancellation or postponement of duty travel.

### 3.3.5 Other Expenses

152. Other expenses comprise the following:

	2020	2019
	<i>In thousands of CAD</i>	
Exchange losses*	496	5 103
Bank charges	398	477
ARGF services for conferences and seminars	20	551
Special Implementation Projects costs	10	148
Others	97	89
<b>Total</b>	<b>1 021</b>	<b>6 368</b>

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

## NOTE 4: STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

153. The Organization's Assembly authorizes, separately for each year of a triennium, the expenditure in Canadian dollars for the Regular Programme and approves the total indicative budget estimates of the AOSC Fund of the Technical Cooperation Programme. These two budgets are publicly available and may be subsequently amended by the Council or through the exercise of delegated authority.
154. Statement V presents the variation of approved Regular Programme budgets between original and final, and a comparison between final budgets and expenses on a budgeted basis classified by Strategic Objective and Supporting Implementation Strategy, as required by Financial Regulation 12.1. Statement V-A provides a comparison between approved publicly available budgets and actual amounts on a comparable basis, and reconciles revenue and expenses with actual amounts for all Funds of the Organization presented in the Statement of Financial Performance (Statement II).
155. In Statement V-A, the difference between budgeted and actual revenue for the Regular Programme (CAD 9 946 thousand) is mainly attributable to the Organization's practice of assessing contributions in Canadian dollars (CAD) and in US dollars (USD). The exchange rate established to prepare the budget and the exchange rate used to recognize revenue when assessments are levied in compliance with IPSAS differ. Consequently this exchange difference is excluded from actual amounts for comparison purposes. Another difference, for actual revenue to be on a comparable basis, also not budgeted for, is composed of discounted receivables (difference of CAD 1 145 thousand).

156. Statements V and V-A compare approved appropriations for the Regular Programme (CAD 126 978 thousand) at budget rate and the corresponding expenses for the General Fund of the Regular Programme at the UNORE (CAD 102 949 thousand). In order to compare approved Regular Programme budget with actual expenses, the following factors are taken into consideration: i) exchange difference (CAD 9 459 thousand) from the utilization of the budget rate of exchange and the UN rates of exchange applied during the year to expenses in compliance with IPSAS, bringing the actual amount of expenses at budget rate (CAD 93 490 thousand); and ii) the recognition of outstanding commitments, for budget purposes, foreseen to be incurred only in the following year (CAD 9 690 thousand). These factors have the effect of bringing expenses on a comparable basis (CAD 103 180 thousand) for the Regular Programme. The net impact resulted in a carry-over of unutilized appropriations (CAD 23 798 thousand).
157. Budget estimates (final revised) are also compared to actual amounts in Statement V-A with regard to the AOSC Fund. The Presentation of the Secretary General on the financial statements included in this document provides further explanations of material differences between Regular Programme and AOSC budgets and the actual amounts.
158. A reconciliation between the actual amounts on a comparable basis in the Statement of Comparison of Budget and Actual Amounts (Statement V-A) and the actual amounts in the Statement of Cash Flow (Statement IV) for the year ended 31 December 2020 is presented below:

	Operating	Investing	Financing	Total
	<i>In thousands of CAD</i>			
Actual on a Comparable Basis (Statement V-A, column (d)):				
Revenue Regular Programme	106 128			106 128
Revenue AOSC	8 502			8 502
Expenses Regular Programme	(103 180)			(103 180)
Expenses AOSC	(10 347)			(10 347)
Budget Differences (Statement V-A, column (c)):				
i) Net exchange differences on budgeted assessments and expenses (par. 155 and 156 above)	487			487
ii) Outstanding commitments not requiring an outlay of funds (par. 156 above)	9 690			9 690
Entity Differences (par. 159 below)	(9 390)			(9 390)
Presentation Differences (par. 160 below)	(43 076)	599	(12)	(42 489)
<b>Actual Amounts in the Statement of Cash Flow (Statement IV)</b>	<b>(41 187)</b>	<b>599</b>	<b>(12)</b>	<b>(40 600)</b>

159. **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 92 522 thousand) less expenses (CAD 101 912 thousand) reported in Statement V-A that are included in the Statement of Financial Performance (Statement II), and

relate to other Regular Activities and Technical Cooperation Project activities. These activities and projects are generally funded by extra-budgetary resources and are excluded from the Regular Programme and the AOSC budgetary process.

160. **Presentation differences** are due to differences in the format and classification schemes adopted for the presentation of Statement of Cash Flows (Statement IV) and Statement of Comparison of Budget and Actual Amount (Statement V-A). The Statement of Cash Flows is prepared using the indirect method and reflects the impact of all receipts and disbursements; Statements of Comparison of Budgets and Actual Amounts present revenue and expenses for which expenses are authorized by the Assembly and Council. Since these statements cover the same financial year, there are no timing differences.

## NOTE 5: SEGMENT REPORTING

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

161. Segment reporting is required under IPSAS and is described in Note 1. Financial Position by segment is shown in the next table followed by the Statement of Financial Performance by Segment. Some activities between the two segments, Regular Activities segment and Technical Co-operation Project Activities segment (“TCP segment”), lead to accounting transactions that create inter-segment revenue and expense balances in the financial statements. Inter-segment transactions are reflected in the Segment Reports to accurately present these accounting transactions and then eliminated to reconcile with Statements I and II.
162. The Regular Activities segment includes administrative fee revenue and other revenue of CAD 6.2 million (CAD 7.5 million in 2019) charged by the AOSC Fund to Technical Co-operation projects. An equivalent amount is included as administrative overhead charges, travel and other expenses in the TCP segment. The Administrative fee is charged based on the percentages agreed to in the TC project agreements. The Regular Activity segment transfers a portion of voluntary contributions to Technical Co-operation projects for implementation at country level. Such transfers, amounting to CAD 2.7 million (CAD 1.7 million in 2019), are reflected as revenue from contributions in TCP segment and as other expenses in Regular Activities segment. The amount due from TCP segment by the Regular Activities segment at 31 December 2020 totalled CAD 229 thousand (CAD 240 thousand at 31 December 2019). These amounts are eliminated for presentation purposes.

## INTERNATIONAL CIVIL AVIATION ORGANIZATION

NOTE 5.2

## FINANCIAL POSITION BY SEGMENT

AT 31 DECEMBER 2020

(in thousands of Canadian dollars)

	Notes	Regular Activities		Technical Co-operation Project Activities		Elimination		Total	
		2020	2019	2020	2019	2020	2019	2020	2019
<b>ASSETS</b>									
<b>CURRENT ASSETS</b>									
Cash and cash equivalents	2.1	132 866	119 812	169 714	223 368			302 580	343 180
Investments	2.1			3 224	3 185			3 224	3 185
Assessed contributions receivable from Member States	2.2	4 081	16 599					4 081	16 599
Inter-segment balances		229			240	( 229)	( 240)		
Receivables and advances	2.3	5 998	7 773	4 662	4 811			10 660	12 584
Inventories	2.4	617	696					617	696
Others	2.3	1 245	1 670	6	4			1 251	1 674
		145 036	146 550	177 606	231 608	( 229)	( 240)	322 413	377 918
<b>NON-CURRENT ASSETS</b>									
Assessed contributions receivable from Member States	2.2	5 006	4 322					5 006	4 322
Receivables and advances	2.3	259	312					259	312
Property, plant and equipment	2.5	5 761	6 369					5 761	6 369
Intangible assets	2.6	2 923	2 003					2 923	2 003
		13 949	13 006					13 949	13 006
<b>TOTAL ASSETS</b>		158 985	159 556	177 606	231 608	( 229)	( 240)	336 362	390 924
<b>LIABILITIES</b>									
<b>CURRENT LIABILITIES</b>									
Advanced receipts	2.8	22 946	25 953	166 214	216 472			189 160	242 425
Accounts payable and accrued liabilities	2.9	21 624	30 331	8 911	12 989			30 535	43 320
Employee benefits	2.10	5 742	5 508	2 243	2 140			7 985	7 648
Inter-segment balances			240	229		( 229)	( 240)		
Credits to contracting/servicing governments	2.11	1 594	1 635					1 594	1 635
		51 906	63 667	177 597	231 601	( 229)	( 240)	229 274	295 028
<b>NON-CURRENT LIABILITIES</b>									
Employee benefits	2.10	211 685	164 329					211 685	164 329
		211 685	164 329					211 685	164 329
<b>TOTAL LIABILITIES</b>		263 591	227 996	177 597	231 601	( 229)	( 240)	440 959	459 357
<b>NET ASSETS</b>									
Accumulated deficit	2.12	(75 662)	(71 540)					(75 662)	(71 540)
Reserves	2.12	(28 944)	3 100	9	7			(28 935)	3 107
<b>NET ASSETS/(ACCUMULATED DEFICIT)</b>		(104 606)	(68 440)	9	7			(104 597)	(68 433)
<b>TOTAL LIABILITIES AND NET ASSETS</b>		158 985	159 556	177 606	231 608	( 229)	( 240)	336 362	390 924

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 2020  
(in thousands of Canadian dollars)

	Notes	Regular Activities		Technical Co-operation Project Activities		Elimination		Total	
		2020	2019	2020	2019	2020	2019	2020	2019
<b>REVENUE</b>									
Contributions for project agreements	3.2	84		74 943	139 868	(2 740)	(1 696)	72 287	138 172
Assessed contributions	3.2	103 049	109 824					103 049	109 824
Other revenue producing activities	3.2	19 633	25 395					19 633	25 395
Other voluntary contributions	3.2	16 569	16 511					16 569	16 511
Administrative fee revenue		7 287	11 010			(6 144)	(7 366)	1 143	3 644
Other revenue	3.2	3 582	3 533	886	410	( 51)	( 183)	4 417	3 760
<b>TOTAL REVENUE</b>		150 204	166 273	75 829	140 278	(8 935)	(9 245)	217 098	297 306
<b>EXPENSES</b>									
Salaries, employee benefits and project personnel	3.3	127 887	129 840	31 217	42 278			159 104	172 118
Subcontracts, supplies and consumables	3.3	23	2 863	36 662	83 928			36 685	86 791
General operating expenses	3.3	14 782	18 884	705	1 109			15 487	19 993
Travel	3.3	1 620	10 667	760	3 443	( 51)	( 183)	2 329	13 927
Meetings		491	2 679					491	2 679
Training				92	1 390			92	1 390
Administrative overhead charges				6 182	7 372	(6 182)	(7 372)		
Other expenses	3.3	3 512	7 300	211	758	(2 702)	(1 690)	1 021	6 368
<b>TOTAL EXPENSES</b>		148 315	172 233	75 829	140 278	(8 935)	(9 245)	215 209	303 266
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>1 889</b>	<b>(5 960)</b>					<b>1 889</b>	<b>(5 960)</b>

Details may not add to the totals due to rounding



**NOTE 6: COMMITMENTS AND CONTINGENCIES****Note 6.1: Commitments**

163. Lease commitments mainly pertain to ICAO premises.

	<b>2020</b>	<b>2019</b>
	<i><b>In thousands of CAD</b></i>	
Minimum obligations for property leases:		
Less than 1 year	94	96
1 – 5 years	205	306
Beyond 5 years	-	-
<b>Total Property Leases Obligations</b>	<b>299</b>	<b>402</b>

164. The lease commitments above include the 30 per cent portion of the lease payable by ICAO for Mexico Office. As at 31 December 2020, there are no other lease commitments for ICAO with regard to HQ or Regional Offices' premises as explained in Notes 2.5 and 3.1.

165. The future minimum lease revenues under non-cancellable operating leases total CAD 2.3 million for 2020 (CAD 2.2 million for 2019). These lease revenues comprise rental of premises to Delegations.

166. Under an agreement between ICAO and European Civil Aviation Conference (ECAC), ECAC occupies a building owned by France (54%) and ICAO (46%), and ECAC reimburses ICAO for the use of the building based on the percentage of occupation. This agreement ended on 31 December 2020. Decision on the future possible lease of the premises have not yet been made.

167. At year end, commitments, funded by regular budget, for property, plant and equipment, intangible assets and goods and services contracted but not delivered were as shown below:

	<b>2020</b>	<b>2019</b>
	<i><b>In thousands of CAD</b></i>	
Property, plant and equipment	1 445	1 631
Intangible	357	1 695
Good and services	2 776	3 015
<b>Total open contractual commitments</b>	<b>4 578</b>	<b>6 341</b>

**Note 6.2: Legal or Contingencies**

168. 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 2020, 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 favour of the claimants. The cases are still at 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.

169. A number of legal actions and claims have been brought against the Organization in relation to Technical Co-operation projects in South America. These are mainly claims by individuals

demanding additional payments under local labour laws beyond what was provided for under their contract of employment. The total of such claims is USD 2.6 million (USD 2.6 million at 31 December 2019). It has been assessed as unlikely that ICAO would incur financial liabilities given that the governments concerned have committed to the underlying project.

170. In accordance with Financial Regulation 5.6, the Secretary General is authorized to carry over unspent appropriations not exceeding 10 per cent per appropriation, for each Strategic Objective or Supporting Implementation Strategy. The carry over above 10 per cent, as detailed in Statement V, is subject to the Council's approval in June 2021.

## NOTE 7: RELATED PARTY AND SENIOR MANAGEMENT DISCLOSURE

### Note 7.1: Key Management Personnel (KMP)

	Number of Individuals	Compensa- tion and Post Adjustment	Entitlements	Pension and Health Plans	Total Remun- eration	Outstanding Advances Against Entitlements	Outstanding Loans
<i>In thousands of CAD</i>							
Year 2020	12	2 594	526	838	3 958	16	-
Year 2019	12	2863	337	909	4109	16	-

171. The key management personnel (as defined by IPSAS 20) consist of: (i) the governing body of the Organization – the Council, including its President; and (ii) the members of the Senior Management Group (SMG) of the Secretariat. The Council consists of 36 Member States without personal appointment. The Senior Management Group comprises the head of the Secretariat, the Secretary General; Directors at Headquarters; and a number of Chiefs reporting directly to the Secretary General. The key management personnel have the authority and responsibility for planning, directing and controlling the activities of ICAO and for the establishment of policies. Total remuneration reported above is paid to the President of the Council and members of the Senior Management Group.
172. 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.
173. 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.
174. 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**

175. 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: COVID -19 AND EVENTS AFTER THE REPORTING DATE**

176. In March 2020, the World Health Organization classified the outbreak of COVID-19 as a global pandemic. In response, ICAO activated the Business Continuity Plan (BCP) with teleworking and virtual meetings for most of the year 2020 at the HQ and in most of the regional offices. Non-essential travel was suspended and the work programmes were re-prioritized accordingly. The impact of the pandemic and the measures for which accounting recognition criteria were met prior to 31 December 2020 are recognized, and disclosed if necessary, in the financial statements.

ICAO's reporting date is 31 December 2020. Before signing of the financial statements by the Secretary General, the impact of the ongoing COVID-19 was further assessed and it is concluded that going concern assumptions continue to be met and no indications exist which may affect the current accounting estimates as included in the financial statements. Given that the COVID-19 pandemic has led to additional uncertainty as to its impact on the declining global economic situation, at and after ICAO's reporting date, ICAO continues to monitor the situation closely and to adjust business operations accordingly.

No other material events occurred between the reporting date and the date when the financial statements have been authorized for issue that would have impacted these financial statements.

**NOTE 9: RECLASSIFICATION**

177. Certain prior-year amounts have been reclassified to conform to the current year's presentation. Comparative figures on Statement I and IV, Financial Position by Segment, and Table C have been reclassified to conform to the presentation adopted in the current period for investments, which resulted in a reclassification from cash and cash equivalent to investments. Comparative figures on the detailed composition of receivables and advances disclosed in Note 2.3 have also been reclassified to improve clarity.



**PART IV: TABLES**  
**(UNAUDITED)**



## INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR ACTIVITIES BY FUND  
 ASSETS, LIABILITIES, NET ASSETS AT 31 DECEMBER 2020 AND  
 REVENUE, EXPENSES AND SURPLUS (DEFICIT) FOR 2020  
 (in thousands of Canadian dollars)

	Regular Budget	Capital Fund	Revolving Fund	Ancillary Revenue Generation Funds	Administrative/Operational Services Cost Funds	AVSEC Activities	AFI Plan Fund	Environment Funds	Joint Finance Funds
<b>ASSETS</b>									
<b>CURRENT ASSETS</b>									
Cash and cash equivalents	73 325		1 530	11 954	14 116	10 091	624	2 264	1 573
Assessed contributions receivable from Member States	4 081								
Inter-fund balances				1 395					
Receivables and advances	1 470			3 583	47	144			21
Inventories				617					
Others	1 093			92	60				
	<u>79 969</u>		<u>1 530</u>	<u>17 641</u>	<u>14 223</u>	<u>10 235</u>	<u>624</u>	<u>2 264</u>	<u>1 594</u>
<b>NON-CURRENT ASSETS</b>									
Assessed contributions receivable from Member States	5 006								
Receivables and advances	259								
Property, plant and equipment		5 761							
Intangible assets		2 923							
	<u>5 265</u>	<u>8 684</u>							
<b>TOTAL ASSETS</b>	<b><u>85 234</u></b>	<b><u>8 684</u></b>	<b><u>1 530</u></b>	<b><u>17 641</u></b>	<b><u>14 223</u></b>	<b><u>10 235</u></b>	<b><u>624</u></b>	<b><u>2 264</u></b>	<b><u>1 594</u></b>
<b>LIABILITIES</b>									
<b>CURRENT LIABILITIES</b>									
Advanced receipts	10 016			2 958	3				
Accounts payable and accrued liabilities	19 542			910	242	1	4	202	
Employee benefits			5 742						
Inter-fund balances	969				197				
Credits to contracting/service governments									1 594
	<u>30 527</u>		<u>5 742</u>	<u>3 868</u>	<u>442</u>	<u>1</u>	<u>4</u>	<u>202</u>	<u>1 594</u>
<b>NON-CURRENT LIABILITIES</b>									
Employee benefits			211 685						
			<u>211 685</u>						
<b>TOTAL LIABILITIES</b>	<b><u>30 527</u></b>		<b><u>217 427</u></b>	<b><u>3 868</u></b>	<b><u>442</u></b>	<b><u>1</u></b>	<b><u>4</u></b>	<b><u>202</u></b>	<b><u>1 594</u></b>
<b>NET ASSETS</b>									
Accumulated surplus/(deficit)	24 814	8 684	( 143 096)	47	13 781	10 234	620	2 062	( 0)
Reserves	29 893		( 72 801)	13 726					
<b>NET ASSETS/(ACCUMULATED DEFICIT)</b>	<b><u>54 707</u></b>	<b><u>8 684</u></b>	<b><u>( 215 897)</u></b>	<b><u>13 773</u></b>	<b><u>13 781</u></b>	<b><u>10 234</u></b>	<b><u>620</u></b>	<b><u>2 062</u></b>	<b><u>( 0)</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>85 234</u></b>	<b><u>8 684</u></b>	<b><u>1 530</u></b>	<b><u>17 641</u></b>	<b><u>14 223</u></b>	<b><u>10 235</u></b>	<b><u>624</u></b>	<b><u>2 264</u></b>	<b><u>1 594</u></b>
<b>REVENUE</b>									
Contributions for project agreements									
Assessed contributions	103 049								
Other revenue producing activities				20 139					( 5)
Other voluntary contributions						3 234		637	
Administrative fee revenue					7 352				
Other revenue	12 765	1 904	3 057	151	1 149	154	6	111	10
<b>TOTAL REVENUE</b>	<b><u>115 814</u></b>	<b><u>1 904</u></b>	<b><u>3 057</u></b>	<b><u>20 290</u></b>	<b><u>8 501</u></b>	<b><u>3 388</u></b>	<b><u>6</u></b>	<b><u>748</u></b>	<b><u>5</u></b>
<b>EXPENSES</b>									
Salaries, employee benefits and project personnel	90 764		12 579	12 002	10 158	1 747	40	298	5
Subcontracts, supplies and consumables	290			182					
General operating expenses	10 449	1 586		12 341	165	3	3	15	
Travel	947			333	16	134	19		
Meetings	409			1		4	24	4	
Administrative overhead charges				133		159		6	
Other expenses	90			145	8	215	14		
<b>TOTAL EXPENSES</b>	<b><u>102 949</u></b>	<b><u>1 586</u></b>	<b><u>12 579</u></b>	<b><u>25 137</u></b>	<b><u>10 347</u></b>	<b><u>2 262</u></b>	<b><u>100</u></b>	<b><u>323</u></b>	<b><u>5</u></b>
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b><u>12 865</u></b>	<b><u>318</u></b>	<b><u>( 9 522)</u></b>	<b><u>( 4 847)</u></b>	<b><u>( 1 846)</u></b>	<b><u>1 126</u></b>	<b><u>( 94)</u></b>	<b><u>425</u></b>	<b><u>( 0)</u></b>

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 2020 AND  
 REVENUE, EXPENSES AND SURPLUS (DEFICIT) FOR 2020  
 (in thousands of Canadian dollars)

Table A  
(continued)

	Resource Mobilization Funds	Public Key Directory	Regional Sub- Office	Safe Fund	Other Funds	Total	Elimination	2020	2019
<b>ASSETS</b>									
<b>CURRENT ASSETS</b>									
Cash and cash equivalents	2 701	2 231	1 549	2 938	7 970	132 866		132 866	119 812
Assessed contributions receivable from Member States						4 081		4 081	16 599
Inter-fund balances						1 395	( 1 166)	229	
Receivables and advances		662			71	5 998		5 998	7 773
Inventories						617		617	696
Others			( 0)			1 245		1 245	1 670
	<u>2 701</u>	<u>2 893</u>	<u>1 549</u>	<u>2 938</u>	<u>8 041</u>	<u>146 202</u>	<u>( 1 166)</u>	<u>145 036</u>	<u>146 550</u>
<b>NON-CURRENT ASSETS</b>									
Assessed contributions receivable from Member States						5 006		5 006	4 322
Receivables and advances						259		259	312
Property, plant and equipment						5 761		5 761	6 369
Intangible assets						2 923		2 923	2 003
	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>	<u>13 949</u>	<u></u>	<u>13 949</u>	<u>13 006</u>
<b>TOTAL ASSETS</b>	<u><b>2 701</b></u>	<u><b>2 893</b></u>	<u><b>1 549</b></u>	<u><b>2 938</b></u>	<u><b>8 041</b></u>	<u><b>160 151</b></u>	<u><b>( 1 166)</b></u>	<u><b>158 985</b></u>	<u><b>159 556</b></u>
<b>LIABILITIES</b>									
<b>CURRENT LIABILITIES</b>									
Advanced receipts		2 310			618	15 905	7 041	22 946	25 953
Accounts payable and accrued liabilities	117	583	5	2	16	21 624		21 624	30 331
Employee benefits						5 742		5 742	5 508
Inter-fund balances						1 166	( 1 166)		240
Credits to contracting/service governments						1 594		1 594	1 635
	<u>117</u>	<u>2 893</u>	<u>5</u>	<u>2</u>	<u>634</u>	<u>46 031</u>	<u>5 875</u>	<u>51 906</u>	<u>63 667</u>
<b>NON-CURRENT LIABILITIES</b>									
Employee benefits						211 685		211 685	164 329
	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>	<u>211 685</u>	<u></u>	<u>211 685</u>	<u>164 329</u>
<b>TOTAL LIABILITIES</b>	<u>117</u>	<u>2 893</u>	<u>5</u>	<u>2</u>	<u>634</u>	<u>257 716</u>	<u>5 875</u>	<u>263 591</u>	<u>227 996</u>
<b>NET ASSETS</b>									
Accumulated surplus/(deficit)	2 584	( 0)	1 544	2 936	7 169	( 68 621)	( 7 041)	( 75 662)	( 71 540)
Reserves					238	( 28 944)		( 28 944)	3 100
<b>NET ASSETS (ACCUMULATED DEFICIT)</b>	<u>2 584</u>	<u>( 0)</u>	<u>1 544</u>	<u>2 936</u>	<u>7 407</u>	<u>( 97 565)</u>	<u>( 7 041)</u>	<u>( 104 606)</u>	<u>( 68 440)</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>2 701</b></u>	<u><b>2 893</b></u>	<u><b>1 549</b></u>	<u><b>2 938</b></u>	<u><b>8 041</b></u>	<u><b>160 151</b></u>	<u><b>( 1 166)</b></u>	<u><b>158 985</b></u>	<u><b>159 556</b></u>
<b>REVENUE</b>									
Contributions for project agreements		84				84		84	
Assessed contributions						103 049		103 049	109 824
Other revenue producing activities					137	20 271	( 638)	19 633	25 395
Other voluntary contributions	729	2 582	1 146	1 160	2 456	11 944	4 625	16 569	16 511
Administrative fee revenue						7 352	( 65)	7 287	11 010
Other revenue	36	22	38	25	478	19 906	( 16 324)	3 582	3 533
<b>TOTAL REVENUE</b>	<u>765</u>	<u>2 688</u>	<u>1 184</u>	<u>1 185</u>	<u>3 071</u>	<u>162 606</u>	<u>( 12 402)</u>	<u>150 204</u>	<u>166 273</u>
<b>EXPENSES</b>									
Salaries, employee benefits and project personnel	9	2 515	326	1	2 548	132 991	( 5 104)	127 887	129 840
Subcontracts, supplies and consumables			11			484	( 461)	23	2 863
General operating expenses	2	31	433	252	366	25 646	( 10 864)	14 782	18 884
Travel	43		3	( 2)	127	1 620		1 620	10 667
Meetings	23		( 1)		27	491		491	2 679
Administrative overhead charges	( 156)	91	3	67	238	541	( 541)		
Other expenses	2 366	51	4	367	309	3 569	( 57)	3 512	7 300
<b>TOTAL EXPENSES</b>	<u>2 287</u>	<u>2 688</u>	<u>779</u>	<u>685</u>	<u>3 615</u>	<u>165 342</u>	<u>( 17 027)</u>	<u>148 315</u>	<u>172 233</u>
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<u><b>( 1 522)</b></u>	<u><b>( 0)</b></u>	<u><b>405</b></u>	<u><b>500</b></u>	<u><b>( 544)</b></u>	<u><b>( 2 736)</b></u>	<u><b>4 625</b></u>	<u><b>1 889</b></u>	<u><b>( 5 960)</b></u>

Details may not add to totals due to rounding



## INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME  
ASSESSMENTS RECEIVABLE FROM MEMBER STATES  
AND CONTRIBUTIONS RECEIVED IN ADVANCE  
AS AT 31 DECEMBER 2020  
(in thousands of Canadian dollars)

Member States Assembly Resolutions A40-30, A40-31 and A40-34	General Fund					Total Balances Receivable	Cumulative Exchange	Total Adjusted Balances Receivable	Contributions Received in Advance
	Scales 2020	Assessments 2020	Assessments Received for 2020	Balance of Assessments Receivable for 2020	Balance of Prior Years' Assessments Receivable				
Afghanistan	0.06	61			61	126	( 2)	124	
Albania	0.06	61	61						
Algeria	0.11	110	110						
Andorra	0.06	61	61						
Angola (*)	0.08	80	( 1)	82	109	190		190	
Antigua and Barbuda (**)	0.06	61		61	1 182	1 243	180	1 422	
Argentina	0.70	714	714						
Armenia	0.06	61	61						64
Australia	1.91	1 931	1 931						2 024
Austria	0.55	555	555						
Azerbaijan	0.07	72	72						
Bahamas	0.06	61	61						
Bahrain	0.09	92	92						
Bangladesh	0.09	93	93						
Barbados	0.06	61	61						
Belarus	0.06	61	61						
Belgium	0.70	707	707						
Belize	0.06	61		61		61	( 1)	61	
Benin	0.06	61	61						
Bhutan	0.06	61	61						
Bolivia (Plurinational State of)	0.06	61	26	35		35		35	
Bosnia and Herzegovina	0.06	61	61						
Botswana	0.06	61		61		61	( 1)	61	
Brazil	2.27	2 243	2 243						71
Brunei Darussalam	0.06	61	61						
Bulgaria	0.06	61	61						
Burkina Faso	0.06	61	61						
Burundi	0.06	61		61		61	( 1)	61	
Cabo Verde	0.06	61	61						
Cambodia	0.06	61	61		13	13	4	17	
Cameroon	0.06	61	61						
Canada	2.51	2 548	2 548						2 659
Central African Republic	0.06	61	61						
Chad	0.06	61	61						
Chile	0.41	417	417						
China	11.39	11 969	11 969						
Colombia	0.32	327	327						
Comoros	0.06	61	61						
Congo	0.06	61	61						
Cook Islands	0.06	61	61						
Costa Rica	0.06	61	61						64
Côte d'Ivoire	0.06	61	61						
Croatia	0.06	60	60						1
Cuba	0.06	61	61						
Cyprus	0.06	61	61						
Czechia	0.24	241	241						
Democratic People's Republic of Korea	0.06	61		61		61	( 1)	61	
Democratic Republic of the Congo	0.06	61		61	83	145	( 2)	142	
Denmark	0.42	425	425						
Djibouti (*)	0.06	61		61	787	848	140	988	
Dominica (**)	0.06	61		61	50	111	( 2)	109	
Dominican Republic	0.06	61	61						64
Ecuador	0.07	71	71						4
Egypt	0.23	235	235						244
El Salvador	0.06	61	61						
Equatorial Guinea	0.06	61	61						
Eritrea	0.06	61		61	77	139	( 2)	136	
Estonia	0.06	61	61						
Eswatini	0.06	61	60	1		1		1	
Ethiopia	0.22	230	230						
Fiji	0.06	61	61						
Finland	0.41	416	416						434
France	3.66	3 681	3 681						
Gabon	0.06	61	61						
Gambia	0.06	61		61	153	214	( 2)	212	

## INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME  
ASSESSMENTS RECEIVABLE FROM MEMBER STATES  
AND CONTRIBUTIONS RECEIVED IN ADVANCE  
AS AT 31 DECEMBER 2020  
(in thousands of Canadian dollars)

Member States Assembly Resolutions A40-30, A40-31 and A40-34	General Fund					Total Balances Receivable	Cumulative Exchange	Total Adjusted Balances Receivable	Contributions Received in Advance
	Scales 2020	Assessments 2020	Assessments Received for 2020	Balance of Assessments Receivable for 2020	Balance of Prior Years' Assessments Receivable				
Georgia	0.06	61	61		25	25	7	32	
Germany	5.08	5 135	5 135						
Ghana	0.06	61	61						
Greece	0.28	278	278						
Grenada	0.06	61	61		363	363	25	388	
Guatemala	0.06	61		61	177	239	(3)	236	
Guinea (*)	0.06	61		61	138	199	20	219	
Guinea-Bissau	0.06	61	61						
Guyana	0.06	61	61						
Haiti	0.06	61		61	276	338	(4)	333	
Honduras	0.06	61	61						
Hungary	0.23	240	240						244
Iceland	0.08	84	84						
India	0.95	979	979						1 006
Indonesia (**)	0.59	605		605		605	(6)	600	
Iran (Islamic Republic of)	0.34	342	(4)	347	1 147	1 493	(20)	1 473	
Iraq	0.10	103	29	74		74		74	
Ireland	0.72	746	746						
Israel	0.43	440	440						194
Italy	2.44	2 454	2 454						
Jamaica	0.06	61	61						
Japan	6.64	6 677	6 677						
Jordan	0.06	61	61						
Kazakhstan	0.15	151	151						
Kenya	0.06	60	60						28
Kiribati	0.06	61	61						
Kuwait	0.21	210	210						8
Kyrgyzstan	0.06	61	35	26		26		26	
Lao People's Democratic Republic	0.06	61	61						
Latvia	0.06	61	61						64
Lebanon	0.06	61		61		61	(1)	61	
Lesotho	0.06	61		61		61	(1)	61	
Liberia (*)	0.06	61		61	168	229	28	257	
Libya	0.06	56	(5)	61	387	448	(10)	439	
Lithuania	0.06	61	61						64
Luxembourg	0.28	286	286						
Madagascar	0.06	61	61						
Malawi	0.06	61		61	832	893	74	968	
Malaysia	0.52	522	522						
Maldives	0.06	61	61						
Mali	0.06	61	61						
Malta	0.06	61	61						
Marshall Islands	0.06	61	60	1		1		1	
Mauritania	0.06	61	61						
Mauritius	0.06	61	61						64
Mexico	1.10	1 115		1 115		1 115	(11)	1 104	
Micronesia (Federated States of)	0.06	61		61	353	414	(1)	413	
Monaco	0.06	61	61						
Mongolia	0.06	61	61						
Montenegro	0.06	61	61						
Morocco	0.12	123	123						
Mozambique	0.06	61	61						
Myanmar	0.06	61	60	1		1		1	
Namibia	0.06	61	61						
Nauru	0.06	61	61						
Nepal	0.06	61	61						
Netherlands	1.43	1 442	1 442						
New Zealand	0.34	350	350						365
Nicaragua	0.06	61		61		61	(1)	61	
Niger	0.06	61	61						
Nigeria	0.18	186	186						
North Macedonia	0.06	61	61						
Norway	0.66	662	662						
Oman	0.15	155	155						159
Pakistan	0.16	166	75	91		91		91	

## INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME  
ASSESSMENTS RECEIVABLE FROM MEMBER STATES  
AND CONTRIBUTIONS RECEIVED IN ADVANCE  
AS AT 31 DECEMBER 2020  
(in thousands of Canadian dollars)

Member States Assembly Resolutions A40-30, A40-31 and A40-34	General Fund					Total Balances Receivable	Cumulative Exchange	Total Adjusted Balances Receivable	Contributions Received in Advance
	Scales 2020	Assessments 2020	Assessments Received for 2020	Balance of Assessments Receivable for 2020	Balance of Prior Years' Assessments Receivable				
Palau	0.06	61			61	683	17	700	
Panama	0.12	122	122						
Papua New Guinea	0.06	61			61	167	(2)	165	
Paraguay	0.06	61	61						
Peru	0.19	197	197						
Philippines	0.35	362	362						
Poland	0.60	609	609						
Portugal	0.37	373	373						
Qatar	1.05	1 093	1 093						
Republic of Korea	2.21	2 255	2 255						
Republic of Moldova	0.06	61	61						64
Romania	0.15	154	154						
Russian Federation	2.23	2 216	2 216						13
Rwanda	0.06	61	61						
Saint Kitts and Nevis	0.06	61	61						
Saint Lucia	0.06	61	61						
Saint Vincent and the Grenadines	0.06	61		61	96	157	(2)	154	
Samoa	0.06	61	61						
San Marino	0.06	61	61						
Sao Tome and Principe	0.06	61		61	953	1 014	111	1 124	
Saudi Arabia	1.04	1 052	1 052						778
Senegal	0.06	61	61						
Serbia	0.06	61	61						
Seychelles	0.06	61		61		61	(1)	61	
Sierra Leone (*)	0.06	61		61	39	100	11	111	
Singapore	0.93	939	939						985
Slovakia	0.11	112	112						117
Slovenia	0.06	61	61						
Solomon Islands	0.06	61	36	25		25	(1)	25	
Somalia	0.06	61	61						
South Africa	0.29	285	285						
South Sudan	0.06	61		61	340	401	(3)	398	
Spain	1.78	1 788	1 788						
Sri Lanka	0.08	82	82						
Sudan	0.06	61	13	48		48		48	
Suriname	0.06	61		61	241	302	(6)	297	
Sweden	0.67	679	679						
Switzerland	1.01	1 026	1 026						
Syrian Arab Republic	0.06	61		61	410	471	6	477	
Tajikistan	0.06	61	11	50		50	(1)	50	
Thailand	0.58	590	590						
Timor-Leste	0.06	61		61		61	(1)	61	
Togo	0.06	61	61						
Tonga	0.06	61		61	89	150	(2)	148	
Trinidad and Tobago	0.06	61	61						64
Tunisia	0.06	61	55	6		6		6	
Turkey	1.60	1 662	1 662						
Turkmenistan	0.06	61		61		61	(1)	61	
Tuvalu	0.06	61		61		61	(1)	60	
Uganda	0.06	61	61						36
Ukraine	0.08	79	79						
United Arab Emirates	2.17	2 203	2 203						
United Kingdom	4.19	4 262	4 262						
United Republic of Tanzania	0.06	61	61						
United States	20.50	20 920	20 836	84		84		84	
Uruguay	0.06	61		61		61	(1)	61	
Uzbekistan	0.06	61	61						
Vanuatu	0.06	61	60	1		1		1	
Venezuela (Bolivarian Republic of)	0.51	530	464	67		67	(2)	65	
Viet Nam	0.18	188	188						
Yemen	0.06	61		61	65	126	(2)	124	
Zambia	0.06	61	36	25		25	(1)	25	
Zimbabwe	0.06	61		61		61	(1)	61	
The former Socialist Federal Republic of Yugoslavia (1)					501	501	152	653	
TOTAL (***)	100.00	101 904	96 958	4 946	9 846	14 792	680	15 472	9 880

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

\* States which had not met their obligations according to the terms of their agreements as at 31 December 2020.

\*\* Receivable amounts include Working Capital Fund.

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

## INTERNATIONAL CIVIL AVIATION ORGANIZATION

Table C

TECHNICAL CO-OPERATION PROJECT ACTIVITIES BY GROUP OF FUNDS  
 ASSETS, LIABILITIES, NET ASSETS AT 31 DECEMBER 2020 AND  
 REVENUE, EXPENSES AND SURPLUS (DEFICIT) FOR 2020  
 (in thousands of Canadian dollars)

	United Nations Development Programme	Trust Funds, Management Service Agreements and Others	Civil Aviation Purchasing Services Funds	Elimination	2020	2019
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and cash equivalents		164 693	5 021		169 714	223 368
Investments		3 224			3 224	3 185
Inter-fund balances		580		( 580)		240
Receivables and advances	842	3 731	89		4 662	4 811
Others		6			6	4
<b>TOTAL ASSETS</b>	<b>842</b>	<b>172 234</b>	<b>5 110</b>	<b>( 580)</b>	<b>177 606</b>	<b>231 608</b>
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES</b>						
Advanced receipts		161 104	5 110		166 214	216 472
Accounts payable and accrued liabilities	28	8 883			8 911	12 989
Employee benefits	18	2 225			2 243	2 140
Inter-fund balances	809			( 580)	229	
<b>TOTAL LIABILITIES</b>	<b>855</b>	<b>172 212</b>	<b>5 110</b>	<b>( 580)</b>	<b>177 597</b>	<b>231 601</b>
<b>NET ASSETS</b>						
Reserves*	( 13)	22			9	7
<b>NET ASSETS (ACCUMULATED DEFICIT)</b>	<b>( 13)</b>	<b>22</b>			<b>9</b>	<b>7</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>842</b>	<b>172 234</b>	<b>5 110</b>	<b>( 580)</b>	<b>177 606</b>	<b>231 608</b>
<b>REVENUE</b>						
Contributions for project agreements		73 890	1 053		74 943	139 868
Other revenue		886			886	410
<b>TOTAL REVENUE</b>		<b>74 776</b>	<b>1 053</b>		<b>75 829</b>	<b>140 278</b>
<b>EXPENSES</b>						
Salaries, employee benefits and project personnel		31 198	19		31 217	42 278
Subcontracts, supplies and consumables		35 677	985		36 662	83 928
General operating expenses		705	0		705	1 109
Travel		760			760	3 443
Training		92			92	1 390
Administrative overhead charges		6 155	27		6 182	7 372
Other expenses		189	22		211	758
<b>TOTAL EXPENDITURE</b>		<b>74 776</b>	<b>1 053</b>		<b>75 829</b>	<b>140 278</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>						

\* Reserves comprise translation differences

Details may not add to the totals due to rounding

## INTERNATIONAL CIVIL AVIATION ORGANIZATION

TECHNICAL CO-OPERATION PROJECT ACTIVITIES  
 TRUST FUNDS AND MANAGEMENT SERVICE AGREEMENTS  
 RECEIPTS, EXPENSES AND BALANCE OF ADVANCE RECEIPTS  
 FOR THE YEAR ENDED 31 DECEMBER 2020  
 (in thousands of United States dollars)

	Type of Fund	Balance as at 01/01/2020	Adjustment	Receipts		Expenses		Transfer from or to Other Funds	Refund of Contributions	Unrealized Exchange Gain or Loss	Balance as at 31/12/2020
				Contributions <sup>(1)</sup>	Interest and Other Income	Project Costs	Administrative Overhead				
Afghanistan	MSA	756			3	( 54)				( 27)	787
Angola	MSA			1 488		234	24			( 1)	1 229
Argentina	MSA	27 959		3 469	69	11 144	583	( 236)	( 4 500)	64	15 098
Bahamas	MSA	11			0			( 11)			0
Barbados	TF	50			0	44	6				0
Bolivia	MSA	930		244		693	60	( 3)	( 136)	( 0)	282
Bolivia	TF	12			0			( 13)			
Brazil	MSA	1 151				796	83			( 0)	272
Cabo Verde	MSA	75				( 3)	3				75
Colombia	MSA	121				82	5			( 0)	34
Costa Rica	MSA	4 270			15	0	6		( 3 849)		430
Cyprus	MSA	310		79		126	13			( 0)	251
Czechia	MSA	37			0						38
Denmark	MSA	( 0)									( 0)
Djibouti	MSA	334			1	70	5	( 251)		( 0)	9
Ecuador	MSA	475		204	2	76	6				599
Fiji	IPAV	3				( 0)		( 4)			0
Finland	MSA	29				13	1	( 1)	( 12)	( 1)	
Ghana	MSA										
Greece	MSA	72		515	0	156	17			1	416
Guatemala	MSA	309			1						310
Guyana	TF	0						( 0)			
Haiti	MSA	6				( 1)	( 0)				7
Honduras	IPAV	( 2)				0	0	2			0
Honduras	MSA	9 922			41	204	675			( 0)	9 084
INTER-REGIONAL	TF	5			0	0	0	18	( 24)		
India	MSA	305		100	0	0	0		( 196)		210
Indonesia	MSA	828		450	4	315	19	( 12)		0	935
Iran, Islamic Republic of	MSA	( 0)									( 0)
Italy	MSA	18			0						18
Kuwait	MSA	1 945		1 443		896	89			( 0)	2 402
Lebanon	MSA	202			1	62	6				134
Mali	MSA	( 147)		162							15
Mauritania	MSA					3	2	33			29
Mexico	IPAV					0	0	5			5
Mexico	MSA	323		62	1	135	8	( 71)			172
Mexico	TF	63			0	14	1	71			119
Mozambique	IPAV	12				0	0	( 12)		0	( 0)
Myanmar	MSA	498				173	7				317
Namibia	MSA	1 151				646	65			( 0)	440
Nepal	MSA	65				50	4				11
Nigeria	MSA	15			0			( 15)			0
Oman	MSA	86									86
Pakistan	MSA										
Panama	MSA	320		631	0	496	56	2		( 0)	400
Panama	TF	39 614			148	10 842	469			( 0)	28 450
Paraguay	MSA	8 076			34	626	57			( 0)	7 427
Peru	MSA	11 753		10 840	5	8 785	1 430	( 1)	( 2)	83	12 463

## INTERNATIONAL CIVIL AVIATION ORGANIZATION

Table D  
(Continued)

TECHNICAL CO-OPERATION PROJECT ACTIVITIES  
TRUST FUNDS AND MANAGEMENT SERVICE AGREEMENTS  
RECEIPTS, EXPENSES AND BALANCE OF ADVANCE RECEIPTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(in thousands of United States dollars)

	Type of Fund	Balance as at 01/01/2020	Adjustment	Receipts		Expenses		Transfer from or to Other Funds	Refund of Contributions	Unrealized Exchange Gain or Loss	Balance as at 31/12/2020
				Contributions <sup>(1)</sup>	Interest and Other Income	Project Costs	Administrative Overhead				
Philippines	MSA	66									66
Philippines	TF										
Qatar	MSA	12								0	12
REGIONAL FOR AFRICA	MSA	6 477		686	23	811	( 51)	152	( 75)	82	6 585
REGIONAL FOR ASIA	MSA	404		180	2	46	9		( 1)	0	529
REGIONAL FOR ASIA	TF	4 984		2 282	22	878	125	25		1	6 311
REGIONAL FOR EUROPE	MSA	38			0			( 39)			( 0)
REGIONAL FOR EUROPE	TF	98		100	0	59	6				133
REGIONAL FOR EUROPE AND MIDDLE EAST	MSA	370		200	1	200	20	245			596
REGIONAL FOR EUROPE AND MIDDLE EAST	TF	267		348	1	218	22			( 0)	377
REGIONAL FOR LATIN AMERICA	IPAV					0	0	37			37
REGIONAL FOR LATIN AMERICA	MSA	747		518	1	288	13	( 40)	( 39)	( 0)	887
REGIONAL FOR LATIN AMERICA	TF	3 651		2 035	16	1 811	169	299	( 123)	( 1)	3 898
Republic of Korea	MSA	0		23		0	0	( 19)			4
Republic of the Congo	MSA	( 0)				123	9	700		( 0)	569
Rwanda	MSA	30				0	0			0	30
Saudi Arabia	MSA	9 109		( 38)	357	4 640	351	22		3	4 463
Seychelles	MSA										
Sierra Leone	MSA	74			0	69	2				3
Singapore	MSA	28		141	0	58	6	( 72)		( 0)	34
Singapore	TF	105		105	1	97	5				109
Somalia	MSA	16 156	118			3 986	108			( 0)	12 180
Somalia	TF	906			4	237	19	( 108)			546
South Sudan	MSA	35			0	23	2				10
Spain	MSA	22		49		42	2			0	28
Sudan	MSA	21			0			( 4)			17
Sweden	MSA	( 1)				0	0	1		0	
Thailand	MSA	79				0					79
Tonga	IPAV	0						( 0)			
Trinidad and Tobago	TF	8			0			( 8)			0
Turkey	MSA	13									13
UN DEPARTMENT OF PEACEKEEPING OPERATIONS	MSA	10			0			( 10)			( 0)
Uganda	MSA	130				( 5)	( 0)	( 135)			
United Republic of Tanzania	MSA	334				98	10	700		( 0)	925
Uruguay	MSA	967		1 170	4	494	46	( 80)		0	1 521
Venezuela (Bolivarian Republic of)	MSA	118			1						118
	IPACK					33	3	273			237
	LS	1 301		163	2	126	11	( 447)		( 2)	880
Funds held on behalf of third parties		2 170	141								2 311
Total		160 690	259	27 650	763	50 960	4 583	995	( 8 958)	202	126 060
Equivalent Canadian Dollars		208 938	331	35 337	1 179	68 622	6 155	1 271	( 11 448)	272	161 104

(1): On Cash Basis

Details may not add to totals due to rounding

**INTERNATIONAL CIVIL AVIATION ORGANIZATION**  
**TECHNICAL CO-OPERATION PROJECT ACTIVITIES**  
**CIVIL AVIATION PURCHASING SERVICE FUNDS**  
**RECEIPTS, EXPENSES AND BALANCE OF ADVANCE RECEIPTS**  
**FOR THE PERIOD ENDING 31 DECEMBER 2020**  
(in thousands of United States dollars)

	Type of Fund	Balance as at 01/01/2020	Adjustment	Income		Expenditure		Transfer from or to Other Funds	Refund of Contributions	Unrealized Exchange Gain or Loss	Balance as at 31/12/2020
				Contributions <sup>(1)</sup>	Interest and Other Income	Project Costs	Administrative Overhead				
Afghanistan	CAPS	140			1	2	0			( 0)	138
Bahamas	CAPS	3			0			11			14
Bolivia	CAPS	5			0	0	0		( 5)		
Cabo Verde	CAPS	33			0						33
Cuba	CAPS	18			0						18
Ethiopia	CAPS	2 272			5	742	1			0	1 534
Guinea	CAPS	46			0						47
Jamaica	CAPS	116									116
Lebanon	CAPS	673			3	2	9				666
Lesotho	CAPS	42			0	0	0				43
Libyan Arab Jamahiriya	CAPS	66			1						66
Macao Special Administrative Region of China	CAPS	54			2	0	9			( 0)	46
Mozambique	CAPS	4			0						4
Nigeria	CAPS	76			0	3	1				72
Oman	CAPS	16			0						16
Russian Federation	CAPS	3			0						3
Seychelles	CAPS	( 54)				31		69		15	103
Sudan	CAPS	103			0						6
Suriname	CAPS	6			0						754
Syrian Arab Republic	CAPS	750			3					0	243
Trinidad and Tobago	CAPS	234			1			8			12
Uganda	CAPS										45
United Republic of Tanzania	CAPS	12									18
Uruguay	CAPS	45			0						
Yemen	CAPS	18			0						
<b>Total</b>		<b>4 682</b>			<b>17</b>	<b>780</b>	<b>20</b>	<b>88</b>	<b>( 5)</b>	<b>16</b>	<b>3 998</b>
<b>Equivalent Canadian Dollars</b>		<b>6 034</b>			<b>( 20)</b>	<b>1 005</b>	<b>27</b>	<b>113</b>	<b>( 6)</b>	<b>21</b>	<b>5 110</b>

(1): On Cash Basis

Details may not add to totals due to rounding





**INTERNATIONAL CIVIL AVIATION ORGANIZATION**

**PART V: REPORT OF THE EXTERNAL AUDITOR TO THE ASSEMBLY ON THE AUDIT OF THE FINANCIAL STATEMENTS OF THE INTERNATIONAL CIVIL AVIATION ORGANIZATION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 AND THE SECRETARY GENERAL'S COMMENTS IN RESPONSE TO THE REPORTS OF THE EXTERNAL AUDITOR**



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



# Audit of the 2020 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, 2021 and 2022 (period from 1 July 2020 to 30 June 2023).*

*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 were moreover stipulated in the engagement letter dated 21 August 2020 and ICAO accepted the terms and conditions thereof in its response of 9 September 2020.*

*SFAO carries out external audits of the accounts of ICAO in a completely independent manner from its role as the supreme organ 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 2020 Financial Statements

## International Civil Aviation Organization (ICAO)

### Executive summary

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1. Swiss Federal Audit Office (SFAO) has completed the audit of the financial statements for the year ended 31 December 2020. The financial audit as new External Auditor of ICAO took place under the conditions of the COVID-19 pandemic. Despite the crisis and its restrictions, SFAO was able to carry out the audit engagement. Although on-site testing was not possible SFAO, obtained sufficient audit evidence. SFAO would like to thank the Management and the staff of ICAO for their commitment and special efforts undertaken in this context. SFAO was able to communicate openly with Management at all levels, staff, the Office of Internal Oversight (OIO) and the Evaluation and Audit Advisory Committee (EAAC).
2. 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 its audit planning report finalized in November 2020.
3. 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 first year of engagement.

### Unqualified audit opinion

4. SFAO shall issue an unqualified audit opinion on the 2020 financial statements. These financial statements have been prepared in accordance with ICAO's Financial Regulations and the International Public Sector Accountings Standards (IPSAS).
5. The misstatements identified during the audit which could have a significant impact on the financial statements were corrected by ICAO. Other less significant findings were not adjusted. SFAO issued a number of recommendations regarding the presentation and disclosures in order to improve the overall quality of the 2021 financial statements.
6. As per ICAO Management's assessment the financial statements are prepared on a going concern basis. SFAO highlights the following elements that might cast significant doubt on the organization's ability to continue as a going concern: the sharp decline in the civil aviation sector and in the revenues of ICAO, the level of liquidity decreasing sharply every year, the timing of collection of the assessed contributions, the level of the working capital fund and the accumulated deficit (negative net assets) continuing to grow.
7. SFAO's audit procedures on the cash forecast for the year 2021 (prepared by ICAO) show that no material uncertainties exist regarding the organization's ability to continue as a going concern until the end of 2021. But the financial sustainability of the organization remains an area of concern. It urges ICAO to continue its efforts in cost controlling and strict treasury management in the upcoming months.

### **Recommendations for improvement**

8. During the interim and final audit work SFAO identified several areas for improvement. This report contains our major findings regarding the accounting, the IT environment and the internal control system. SFAO discussed the recommendations with Management and sought comments from the Secretary General.
9. The follow-up of the 57 open recommendations issued by the previous External Auditor was not entirely feasible during this audit cycle. The majority of the recommendations resulted from performance or special audits and cannot be followed up adequately during a financial audit. SFAO noted that Management considers a certain number of recommendations (qualified open by the previous External Auditor) as closed. SFAO focused on the recommendations that may have an impact on the financial statements.

## Execution of the Audit

### Audit Objectives and Scope

10. The objective of the financial audit is to express an opinion on the financial statements of the International Civil Aviation Organization (ICAO), based on International Public Sector Accountings Standards (IPSAS), for the year ended 31 December 2020.
11. 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.
12. The audit was carried out in accordance with 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.
13. SFAO's engagement as new External Auditor of ICAO took place under the conditions of the COVID-19 pandemic. Despite the crisis and its restrictions, SFAO was able to carry out its audit of the 2020 financial statements. ICAO provided remote access to its systems. Meetings, walkthroughs and evidence gathering were performed through videoconferences and email exchanges. Although on-site testing was not possible, SFAO obtained sufficient audit evidence. SFAO would like to thank the Management and the staff of ICAO for their commitment and special efforts undertaken in this context.

### Areas of focus for the audit

14. SFAO has conducted a risk assessment for the purpose of the audit. Based on this analysis, the areas of focus were identified which constitute significant risks or require a specific audit response. These elements of the audit strategy have been presented to ICAO's Management, OIO, EAAC and the Council. They are included in the audit planning report issued in November 2020. SFAO followed the audit approach as planned.
15. ISA specify the role that auditors must play in relation to the risk of misstatements in financial statements, whether due to fraud or error (ISA 240). Consequently, the External Auditor has applied special procedures in this area.

#	Description of Risk (as per audit planning report)	Audit Findings
1	<i>Impact of the COVID-19 pandemic</i> The consequences of the pandemic may not have been entirely accounted for in the financial statements.	§ 60ff

#	Description of Risk (as per audit planning report)	Audit Findings
2	<i>Management override of controls</i> Management may invalidate or override controls, requirements or directives.	§ 29ff
3	<i>Application of IPSAS</i> The financial statements could not entirely comply with IPSAS requirements.	§ 67ff
4	<i>ERP (Agresso)</i> The IT systems may not be adequately designed or maintained, which increases the risk of errors or fraud.	§ 29ff
5	<i>Revenue recognition</i> Contracts revenue may not be accounted for correctly (e.g. pass-through arrangements, incorrect period cut-off). 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. Revenue recognition is considered as a significant risk.	§ 40ff, 74ff, 96ff, 102ff
6	<i>Procurement</i> Expenses may not be accounted for correctly (cut-off, completeness, existence). Purchases may not meet the needs of ICAO or may be made under unfavorable conditions.	§ 50ff
7	<i>Staff costs</i> Staff related expenses may not be accounted for completely.	§ 53ff, 84ff
8	<i>Travel</i> Expenses may not be eligible as per ICAO's rules. Expenses may not be accounted for correctly (cut-off, completeness, existence).	No issue identified.
9	<i>Treasury</i> Payments may not be justified or authorized. Assets may not exist.	§ 54ff, 70ff

## Communication with Management and governing bodies during the audit

16. In the planning phase of the audit, SFAO conducted meetings via videoconferencing with the President of the Council, the Secretary General and key personnel of the organization in the Finance Branch, Technical Cooperation Bureau (TCB), Legal Affairs and External Relations Bureau (LEB) and others. Overall, SFAO emphasizes the excellent



cooperation and transparent communication during the audit. All meetings and audit work were conducted virtually.

17. The audit findings were communicated to the Management of Finance Branch (8 April 2021), the EAAC (16 April 2021) and the Secretary General (29 April 2021).
18. Other minor issues which were clarified and discussed with the persons in charge in the course of our audit work are not mentioned in this report.

## Collaboration with the Office of Internal Oversight










19. SFAO noted the work carried out by OIO. In accordance with ISA 610, the results of the work carried out by OIO and likely to be relevant to our audit procedures were taken into account. A regular quarterly exchange with OIO was established in order to coordinate the audit and oversight roles within the organization.
20. SFAO wishes to emphasize the excellent collaboration maintained with OIO.

## Audit recommendations

21. During the interim and final audit work SFAO identified several areas for improvement. This report contains its major findings regarding the accounting, the IT environment and the internal control system.
22. This report includes 21 recommendations. SFAO discussed the recommendations with Management and sought comments from the Secretary General. Management is responsible for monitoring their implementation.
23. During the handover session with the previous External Auditor (the Italian “Corte dei Conti”), SFAO took note of the 57 recommendations considered as open by the auditors. These include 14 recommendations from financial audit reports and 43 from performance or special audit reports. For its follow-up in 2020, SFAO focused on the recommendations that may have an impact on the financial statements. Details on the follow-up of these recommendations are provided in § 117ff.

## Internal Control System

24. 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.
25. The ICS is an important element to provide reasonable assurance about the achievement of ICAO's objectives with regard to the reliability of financial reporting. SFAO selected the major processes on which the financial reporting is based. The table below presents the main audit focus for the financial year 2020. The work done by the OIO was considered in order to avoid duplication with SFAO's work. In its first year of the engagement, SFAO's audit scope was extensive in order to gain an understanding of the ICS with regard to the reliability of financial reporting. Nevertheless, SFAO has not audited all business processes which are significant for the compilation of the financial statements. SFAO will capitalize on the results and sharpen the audit scope for the next financial statements' audits and work on a rotation basis throughout the processes.

Process	Audit Focus in 2020	Overall assessment
Entity-level controls	✓	
IT General Controls	✓	
Revenue recognition	✓	
Procurement	✓	
Human resources	✓	
Travel		
Treasury and cash management	✓	
Fixed assets		
Closing and financial statements	✓	

### Key



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



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



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



Key processes are not covered by the external audit (rotation principle).

26. The Secretary General publishes with its financial statements a financial report ("presentation") and a statement on internal control (SIC). In accordance with the requirements of ISA 720, SFAO reads this information to identify material inconsistencies, if any, with the audited financial statements. SFAO did not note any material exceptions.

## Entity-level controls

27. ICAO has a permanent Council that meets regularly and assesses risks. ICAO developed in 2020 a new Enterprise Risk Management and Internal Control Framework ("ERM Framework"). In total, 56 new risks registers are maintained at ICAO-wide level ("corporate risk register") and at the Bureau/Office level. The control environment with regard to bookkeeping and financial reporting is well developed. In addition to the operational reporting structure and the definition of responsibilities, ICAO has measures in place to prevent or communicate inappropriate behavior, such as the framework of ethics, the standards of conduct, the ethics office, the internal audit office, the whistleblowing channel with an independent entity, etc. In addition, ICAO also benefits from supervision by the United Nations Joint Inspection Unit (JIU). On the financial side, ICAO has defined financial regulations and a financial policies and procedures manual.
28. The previous External Auditor noted several findings related to the control environment and made several recommendations, particularly regarding the ethics framework and the attachment of the procurement office to TCB. These findings represent some challenges for ICAO's organization. SFAO plans to analyze the follow-up of these issues in future performance audits.

## IT General Controls

29. The audit of IT General Controls (ITGC) includes an assessment of applications relevant to financial data. SFAO examined the application "Agresso" (ICAO's ERP system), its database and the underlying Windows servers against the ITGC objectives.
30. SFAO concludes that the ITGC at ICAO are effective. This allows for a controls-based audit approach for some financial statements captions. Nevertheless, SFAO discovered some deficiencies, with an impact on the quality of ICAO's administrative processes supported by Agresso (e.g. finance, accounting, HR). These deficiencies are stated in detail in the following paragraphs. As they have a negative effect on the IT processing efficiency and effectiveness, SFAO recommends to remediate them.

### Change Management – Process documentation is outdated and not specific enough

31. The change management documentation concerning configuration changes (low impact changes) is outdated and contains logical errors like an endless loop in the process chart. In addition, the categorization for minor or configuration changes is not described in an understandable way. For the testing of minor changes there are no documentation requirements defined.

#### Assessment by SFAO

The documentation is not specific enough with regard to the different types of changes and to the roles and responsibilities of people involved.

This could lead to high risk changes (significant/major change) being treated as minor changes (low risk) and create considerable risk in ICAO's change management process.

ICAO needs to better define the roles that may authorize, test and move changes to production and it must ensure proper segregation of duties between these roles.

**Recommendation No. 1 (priority 2)**

SFAO recommends that ICAO update the change management documentation “IT Change Control Procedures Rules Regulations”. It should also be made more specific with regard to the different types of changes, respective roles and responsibilities as well as segregation of duty requirements.

**Comment by the Secretary General**

The recommendation is accepted. The IT change management process is in continuous improvements state to ensure stability and security of the IT Business services and to meet the requirements for increased velocity. We are adapting the IT Change management process and rules to address properly the process to follow for different types of changes (i.e. minor, major, pre-approved) and the required approval process for each type of change, the automation and the testing process prior and post deployment. The Emergency Approval Process and Forward Schedule of Change (FSC) will be fully implemented too. The work on the improvement of the process would span over 2021.

Unit: ADB (ICT)

Target Date: 31 March 2022

**Change Management – Configuration changes are not completely tracked in the system**

32. The change management of Agresso is based on releases. A new release requires the installation of a new program version. In addition to releases, configuration changes for ICAO specific needs can be made in the system. Such configuration changes are not completely tracked in Agresso.

**Assessment by SFAO**

Missing logs of configuration changes makes it difficult to keep full control over configuration management. ICAO should log all changes in configuration tables in Agresso to ensure the tracking of critical changes. This could be ensured by enabling the track changes mode on configuration tables.

**Recommendation No. 2 (priority 1)**

SFAO recommends that ICAO ensure that configuration changes are completely logged by the system.

**Comment by the Secretary General**

The recommendation is accepted. It is not possible to log all configuration changes in UBW. However, amendment logging has been activated on the system parameter table, where most system-wide configuration is stored.

Unit: ADB (ICT)

Implemented: 26 April 2021

**Logical Access – Password policy enforcement needs to be improved**

33. There is no valid password policy applicable to all ICAO systems. Recommendations regarding password complexity or password enforcement requirements for developers

are available. However, there is no clear guidance on password enforcement for configurable standard applications. Password settings for system users in Agresso are weak.

#### **Assessment by SFAO**

The weak password enforcement policy increases the risk of unauthorized external and internal access to ICAO systems and specifically to Agresso. A comprehensive password policy should include at least password length, password complexity, password age, password history and lockout after failed login attempts.

#### **Recommendation No. 3 (priority 2)**

SFAO recommends that ICAO create and implement a comprehensive password policy defining minimal requirements for all systems.

#### **Comment by the Secretary General**

The recommendation is accepted. The ERP password policy has been updated to match ICT's password policy.

Unit: ADB (ICT)

Implemented: 23 October 2020

### **Logical Access – The Agresso authorization concept needs to be rewritten**

34. The Agresso authorization concept is written as a support guide. A proper authorization concept listing the available roles and their authorizations as well as detailing the processes to grant or revoke authorizations is missing. A role-based access control is not fully implemented. For several users access rights were granted based on the names of other users instead of a role-based approach defining access rights for clearly defined roles in the organization.

#### **Assessment by SFAO**

Granting access rights by copying existing users increases the risk of excessive or unspecific authorizations. This is also the case for unclear processes for granting, changing and revoking access rights.

Access rights should be attributed to users based on defined roles in the organization considering proper segregation of duties.

#### **Recommendation No. 4 (priority 2)**

SFAO recommends that ICAO write a role-based authorization concept for Agresso detailing the access rights for defined roles in the organization and clearly define the processes for granting, changing and revoking such roles.

#### **Comment by the Secretary General**

The recommendation is accepted. A role-based authorization concept of UBW has been documented.

Unit: ADB (ICT)

Implemented: 26 April 2021

#### Logical Access – Timely management of authorizations must be ensured

35. SFAO has identified several instances where user access was not attributed for the proper period of employment of a user. Several users were granted access to systems before they started their employment period. Other users' access rights were not timely and fully revoked when they left the organization. SFAO identified one user who accessed Agresso after the employment period, however without critical access rights (only self-service rights).

##### Assessment by SFAO

The user access management processes for Agresso do not ensure a timely granting and revoking of access rights, which increases the risk of unauthorized access to the system.

##### Recommendation No. 5 (priority 1)

SFAO recommends that ICAO implement measures to ensure a timely granting and revoking of access rights in Agresso and in the Active Directory System.

##### Comment by the Secretary General

The recommendation is accepted. The UBW policy for granting and revoking access has been updated and is currently in practice.

Unit: ADB (ICT)

Implemented: 26 April 2021

#### Logical Access – Changes to authorizations are not tracked in Agresso

36. Changes to the authorizations of users in Agresso are not tracked by the system.

##### Assessment by SFAO

Logging changes to user authorizations by the system is an important element of the system of internal control and can help detect errors or manipulations to circumvent the access control system.

##### Recommendation No. 6 (priority 1)

SFAO recommends that ICAO enable the track changes feature in Agresso to log authorization changes.

##### Comment by the Secretary General

The recommendation is accepted. Amendment logging has been activated for authorization changes in UBW.

Unit: ADB (ICT)

Implemented: 26 April 2021

#### Logical Access – Access rights in Agresso should be reviewed on a regular basis

37. ICAO does review the users registered in Agresso on a monthly basis. However, a regular comprehensive review of their actual access rights is not performed. Only

selected critical access rights are reviewed on notification by the role owners when such a critical role has been granted.

#### **Assessment by SFAO**

A comprehensive periodical access rights' review serving to identify conflicting access rights is missing. In addition, such a review helps to ensure that changes in access rights do not negatively impact the segregation of duties.

#### **Recommendation No. 7 (priority 2)**

SFAO recommends that ICAO review the access rights for all users on a regular basis (at least annually). This should be done by every Head of department for its employees. The Head of department should date and sign the review and confirm the correctness of the access rights or report deviations to the ERP team.

#### **Comment by the Secretary General**

The recommendation is accepted. An access rights report is being developed. This will be made available to FIN to review FIN staff's access right and FIN needs to work with the department heads for their review and make sure the segregation of duties not be violated.

Unit: ADB (ICT)/FIN

Target Date: 30 September 2021 (ADB/ICT) will provide the access rights report for review by Bureaus and Offices concerned. By 31 December 2022, Bureaus and Offices to finish review of the access rights for all ICAO staff/roles. Then, an annual review for the access rights changes and roles for new staff will be completed by 15 March of each year.

### **Physical Access – Access to the server room to be reviewed**

38. SFAO identified two users who were not timely removed from the access control system for the server room. They had, however, returned their access cards and were not able to access the server room anymore. ICAO removed access immediately after SFAO had communicated this finding.

#### **Assessment by SFAO**

Unauthorized physical access increases the risk of interruptions, damages and data loss. To ensure that no unauthorized persons have physical access to the server room, ICAO needs to ensure that access cards are timely issued and revoked and that the access control system is updated at the same time.

#### **Recommendation No. 8 (priority 2)**

SFAO recommends that ICAO ensure timely revocation of access cards and simultaneous update of the access control system to the server room when employees leave or change responsibility. Furthermore, ICAO should periodically review server room access.

#### **Comment by the Secretary General**

The recommendation is accepted. The employee departure process already requires validation and sign off from the building security to remove the employee badge access

from authorized areas. A monthly manual validation process of the access to the server room between the CSIM and the building security is now in place. We are in discussion of automating and optimizing the manual process if the technology permits.

Unit: ADB (ICT)

Implemented: 26 April 2021

### Operations – Missing incident management process

39. ICAO does not have a clearly defined incident management process. Incidents are not treated in a consistent and traceable way. Some incidents registered for Agresso have not been resolved for several years.

#### Assessment by SFAO

If incidents with regard to the Agresso ERP are not treated in a systematic manner, root cause analysis is made difficult and more severe problems might not be detected. This can ultimately lead to processing problems and negatively affect data quality.

#### Recommendation No. 9 (priority 2)

SFAO recommends that ICAO define and implement an incident management process that ensures timely resolution of incidents and identification of problems.

#### Comment by the Secretary General

The recommendation is accepted for ERP. A weekly review of all open UBW incidents will be done to ensure timely resolutions.

Unit: ADB (ICT)

Implemented: 15 November 2020

### Revenue recognition process

40. SFAO has tested key controls in the revenue recognition processes. SFAO is of the opinion that the internal controls over revenue recognition with regard to reliability of financial reporting are adequately designed and applied. Some areas for improvement were identified, as presented below.

### Monitoring of funds for technical cooperation projects

41. TCB has put in place comprehensive procedures to manage technical cooperation (TC) projects and mitigate the risks to ICAO. These procedures include regular checks at different stages of the project, such as the approval of the ProDoc by the Management, as well as periodic checks, such as the check of fund balances and the monitoring of funds to be closed. The operational follow-up of the projects is documented on the platform JIRA.
42. TCB opens a new fund as soon as discussions for a potential project start with a client. These procedures allow allocating all the related expenses to the relevant project. If the project is not realized, the fund will have to be closed and the expense balance written off. This leads to additional administrative work.



43. In recent years, TCB identified a certain number of funds relating to projects that were finalized, some of them already for a long time. TCB started to reassess these funds and closed almost 400 funds. It intends to finalize this process by the end of 2021.
44. For ongoing projects, TCB performs an analysis during the first months of the year to identify the projects to close. The list normally includes projects which were operationally completed the previous year as well as a selection of projects with no transactions in recent years. It defines the baseline which is monitored along the year.
45. SFAO identified 47 other funds for TC projects with no movement (except for interest and exchange rate differences). Some of them remained unchanged for several years and were not included in TCB's list mentioned above. Over time, it has become difficult to determine the destiny of these funds, e.g. returning the balance to the client, allocating it to other projects or retaining the funds for other regular program activities.
46. SFAO identified three funds for TC projects that show negative balances, despite the fact that ICAO requires advanced payments. This concerns newly started projects for which the full charging of overheads has resulted in overruns. The funding was received early 2021.

#### **Assessment by SFAO**

The administrative follow-up of the funds includes tasks for projects that were closed or not realized. A reassessment of these funds is ongoing at TCB.

The existing list of funds to be closed does not contain comments on the analyses performed to get an overview of these projects (general explanations, last correspondence with the client, current amount, indication for follow-up, etc.).

The funds without movement or with a negative balance represent a certain risk for ICAO. These funds must be monitored more closely from an accounting perspective.

#### **Recommendation No. 10 (priority 2)**

SFAO recommends that ICAO complete its list for annual review. The funds to be monitored should make reference to those to be closed (already existing), those with a negative balance and those without movement. The documentation of this review should be enhanced with a short explanation on each project.

#### **Comment by the Secretary General**

The recommendation is accepted. For its implementation, a list of funds/projects to be closed, funds with negative balances and funds with no movement will be prepared by FOS in coordination with PBU and shared with Finance.

Unit: TCB

Target Date: 31 December 2021

#### **Accounting treatment for voluntary contributions**

47. Voluntary contributions (non-exchange transactions) can be subject to certain conditions. The existence or not of conditions impacts the accounting treatment of these transactions under IPSAS 23. For a contract without conditions, revenue should be recognized in full when received. For a contract with conditions, the revenue should be recognized as the project develops to offset the related expenses.

48. In addition, under IPSAS 23 contracts should be recognized in the statement of financial position at the time an inflow of resources is more likely than not to occur. This is normally the case at the date of signing the contract when the contractual terms are sufficiently clear (in particular the amount promised). In such cases, ICAO should recognize the receivable as an asset and a corresponding amount in liabilities when the contract is subject to conditions.

#### **Assessment by SFAO**

ICAO does not account for contracts when they are signed but only when contributions are received. In this context, ICAO identifies one material non-exchange transaction in the note 3.2 to the financial statements. The contractual terms with this donor are sufficiently precise. SFAO considers this item as an audit difference (refer to § 104).

ICAO recognized all cash receipts during the year 2020 as revenue. The analyses of the characteristics of each contract are performed at year-end. Upfront booked revenue is reversed accordingly. This accounting practice adds complexity at the time of the year-end closing. SFAO identified a significant misstatement in the accounting of such a transaction at year-end (refer to § 103).

The documentation for monitoring contracts is difficult to understand and does not provide a clear view of the contracts. In particular, SFAO notes the absence of a proper register listing the transactions with their conditions, status and movements during the implementation of the project.

#### **Recommendation No. 11 (priority 1)**

SFAO recommends that ICAO analyze and distinguish between contracts (with or without conditions) as soon as they are signed and that they be recorded in the statement of financial position as soon as the criteria are met. In addition, the documentation regarding the analyses of the contracts should be enhanced.

#### **Comment by the Secretary General**

The recommendation is partially accepted. ICAO already analyses contracts at the time of signing and before they are recorded in the system. Although there is already documentation in place for ICAO to analyse the voluntary contributions contracts (e.g. summary of EU grants and analysis result of conditions for all voluntary contributions), ICAO does agree with the EA on further enhancing the documentation.

ICAO does not agree with the External Auditors' view on the treatment of the one material non-exchange transaction mentioned in Note 3.2 to the financial statements; ICAO's view is that the treatment fully complies with IPAS 23.79 and is consistent with the recommendations from other UN entities' external auditors (such as UNIDO's external audit from Russian Federation) and the opinion from IPSASB obtained in the June 2020 IPSAS meeting.

Unit: FIN

Target Date: 31 December 2021

#### **Segregation of duties in the invoicing process**

49. SFAO identified missing Segregation of Duties (SOD) in the invoicing process for other revenue producing activities. The invoicing process is designed as to ensure a proper

SOD between preparation and approval of an invoice. Nevertheless, the access roles defined in the system allow for bypassing this segregation. The H/ARU is given a role in the system to create an invoice (incl. approving and posting it) and to apply a payment to it. The examination of the process showed that H/ARU could change the data fields such as amount, etc. before the approval of an invoice. SFAO reviewed a report with all transactions in Agresso for identifying role accumulations (creation, approval, booking of the invoices and applying the respective payments).

#### **Assessment by SFAO**

Segregation of duties is not fully implemented in the invoicing workflow. Through the review of reports, SFAO verified if the SOD had been respected for all transactions occurred in 2020. No exceptions were noted.

#### **Recommendation No. 12 (priority 1)**

SFAO recommends that ICAO ensure proper segregation of roles in the Agresso workflow for the invoicing process.

#### **Comment by the Secretary General**

The recommendation is accepted.

Unit: FIN/ADB (ETS)

Implemented: 3 May 2021

## **Procurement process**

50. SFAO tested a number of key controls in the procurement process. The structure and the organizational affiliation of the procurement function are not part of this audit. SFAO came to the overall conclusion that the internal controls over procurement with regard to reliability of financial reporting are adequately designed and applied. Some areas for improvement were identified, as presented below.

### **Segregation of duties**

51. SFAO noted that the segregation of duties (SOD) as designed within Agresso's workflow was bypassed under specific circumstances. In the absence of C/PRO, his substitute was involved in performing the task and in reviewing it subsequently. SFAO is of the opinion that the control made by the Treasury Office later in the process compensates this accumulation of tasks. Therefore, SFAO does not issue a recommendation on this point. However, ICAO might gain in efficiency in its processes by strengthening SOD in the procurement process and reducing controls in the treasury process.

### **Multiple validation of invoices**

52. SFAO identified that invoices received in a regional office are validated several times, i.e. on the paper invoice itself, then on the Payment Voucher and finally in the Agresso workflow. Since the workflow in Agresso is well structured, in SFAO's opinion this process could be designed in the same way as at the headquarters. The invoices would then be approved by using the workflow in Agresso. This would eliminate duplication and simplify the process.

## Human resources (salaries) process

53. SFAO has identified and tested manual and automated key controls in the HR and payroll services. SFAO came to the overall conclusion that the internal controls over salaries with regard to reliability of financial reporting are adequately designed and applied.

## Treasury and cash management process

54. SFAO has tested key controls in the treasury process. SFAO came to the overall conclusion that the internal controls over treasury with regard to reliability of financial reporting are adequately designed and applied. Some areas for improvement were identified, as presented below.

### Authorized signatories on bank accounts

55. The treasury unit annually checks the signatories, which has permitted to identify some issues. In a given project, local management added signatories without headquarters' permission. SFAO also identified a discrepancy between the internal listing of signatories managed by ICAO and the external confirmation received from the bank.

#### Assessment by SFAO

Some signatories are not duly authorized by the headquarters.

#### Recommendation No. 13 (priority 1)

SFAO recommends that ICAO review the authorized signatories on every bank account based on the documents provided by the banks.

#### Comment by the Secretary General

The recommendation is accepted.

Unit: FIN

Target Date: 31 December 2021

## Closing and preparation of the financial statements process

56. ICAO has implemented a process for the year-end closing and the preparation of the financial statements. The control procedures performed are listed in a closing checklist. SFAO noted that the checklist is not signed off when the controls are performed.

#### Assessment by SFAO

ICAO properly addresses the significant risks related to this process and the particularities of the organization. However, SFAO made a number of recommendations to enhance the controls over IPSAS requirements and the documentation of the work performed. Furthermore, reference is made to § 47 regarding the complexity of the closing process for voluntary contributions.

**Recommendation No. 14 (priority 2)**

SFAO recommends that ICAO complete its year-end closing checklist with the sign-off by the owners of the controls and with the filling-in of an IPSAS disclosure checklist.

**Comment by the Secretary General**

The recommendation is accepted.

The management, however, does not agree with the EA on the assessment that the current closing process for voluntary contributions is complex.

There is a comprehensive task list for the year end closing that is used by the FIN team to ensure no material omissions occur and this is working effectively. FIN will set up a process to ensure all task owners tick off the tasks upon completion in 2021 year end.

Regarding the IPSAS disclosure checklist, ICAO went through extensive checking and consultation at the initial implementation of IPSAS and produced the first set of IPSAS compliant financial statements in 2010. Since then, ICAO uses the model financial statements produced and goes over the new IPSAS updates on an annual basis to ensure IPSAS compliance. ICAO appreciates the EA's efforts in providing a list of the observations on the financial statements' presentation produced during the interim and final audit; this list was very useful during discussions with the EA prior to finalization of the financial statements. Going forward, ICAO will continue monitoring relevant IPSAS updates during the year and will, if applicable and necessary for a given year, create an IPSAS checklist for such updates.

Unit: FIN

Target Date: 31 March 2022

## Significant findings on the financial statements

57. The financial statements 2020 have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS).
58. SFAO identified a number of misstatements during the financial audit. All misstatements which could have a significant impact on the financial statements were corrected by ICAO. The other less significant findings were not adjusted. All misstatements, whether corrected or not, are reported in the table in the chapter “audit differences” (§ 114). SFAO identified potential for improvement in the preparation of the financial statements and made various recommendations regarding presentation and disclosure in order to improve the overall quality of the financial statements. These findings are presented in the following paragraphs.
59. SFAO concluded that the 2020 financial statements comply with IPSAS and considers issuing an unqualified audit opinion.

### Going concern assumption

60. As per ICAO Management’s assessment the financial statements are prepared on a going concern basis.
61. The financial year 2020 was marked by a sharp decline in the airline sector in general, due to the COVID-19 pandemic situation and travel restrictions. As a result, ICAO's revenues declined by 27 %, and even by 48 % for TC projects. Owing to its business model with a high degree of variable costs in the field of subcontracts and project personnel, and an adequate cost control, ICAO’s result for the year 2020 ended even in a surplus compared to a deficit in the prior year. Furthermore, ICAO benefited from better payment inflows from Member States in the year 2020, in particular by collecting the overdue receivables of a significant Member State.

### Cash forecast and negative cash flow

62. Management updates every week a cash forecast to monitor the level of liquidity. According to the latest analysis available during the audit, by beginning of April 2021 the organization shall dispose of sufficient liquidity to cover its expenses until the end of 2021.
63. 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.
64. ICAO's operating cash flows have been strongly negative since 2018 (CAD 37 million in 2018, CAD 59 million in 2019, CAD 41 million in 2020). The main reason is the decrease of advanced payments for TC projects and voluntary contribution. In 2020, ICAO has severely restricted its investing activities.

### Negative net assets

65. ICAO has shown negative net assets for several years, which increased by CAD 36 million in 2020, mainly due to the accumulated actuarial loss on employee

benefits. This actuarial loss increased significantly in 2020, after the change in the discount rate.

#### Disclosure in the financial statements

66. The information on going concern provided in the notes to the financial statements is relatively succinct. It is limited to the conclusion that going concern assumptions continue to be met and that no indications exist which may affect the accounting estimates. ICAO provides few information on the regular monitoring of cash, the cost controlling and the other measures taken by the Management.

#### Assessment by SFAO

The following elements might cast significant doubt on the organization's ability to continue as a going concern: the sharp decline in the civil aviation sector and in the revenues of ICAO, the level of liquidity decreasing sharply every year, the timing of collection of the assessed contributions, the level of the working capital fund and the accumulated deficit (negative net assets) continuing to grow.

SFAO's audit procedures on the cash forecast for the year 2021 (prepared by ICAO) show that no material uncertainties exist regarding the organization's ability to continue as a going concern until the end of 2021. But the financial sustainability of the organization remains an area of concern. It urges ICAO to continue its efforts in cost controlling and strict treasury management in the upcoming months.

In addition, the presentation, in the notes to the financial statements, of the considerations on the going concern is rather concise. Detailed information regarding the estimation of forward cash flows is missing. The users of the financial statements might not gain needed insights into the situation as a whole.

#### Recommendation No. 15 (priority 1)

SFAO recommends that ICAO provide in the future more detailed information on the going concern in the notes to the financial statements.

#### Comment by the Secretary General

The recommendation is accepted.

Unit: FIN

Target Date: 31 March 2022

#### Compliance with IPSAS

67. The IPSAS standards constitute a complex and rapidly changing accounting framework. It requires extensive disclosures in the notes to the financial statements. As a matter of fact, the standards ask for constant updating of IPSAS knowledge within an organization in order to cope with new requirements. SFAO is of the opinion that the organization's personnel has the necessary knowledge of IPSAS.
68. SFAO conducted a detailed analysis of the IPSAS compliance of the previous year's financial statements during the planning and interim audit phase. It identified room for improvement. The organization implemented many of the proposed items in the 2020

financial statements. However, due to lack of resources, several less significant items shall only be adjusted in the upcoming year.

#### **Assessment by SFAO**

The presentation of the financial statements should be further improved. The details have been communicated to the Management.

#### **Recommendation No. 16 (priority 2)**

SFAO recommends that ICAO complete the disclosures of the financial statements in order to fully comply with IPSAS requirements.

#### **Comment by the Secretary General**

The recommendations in partially accepted. As previously agreed between FIN and the External Auditors, each of the recommended changes for disclosure will be further explored with the External Auditors during the course of 2021, with involvement from EAAC, to agree what will be implemented based on an overall assessment of cost/benefits, materiality, and users' understandability.

Unit: FIN

Target Date: 31 March 2022

## **Accounting of non-consolidated entities**

69. ICAO's accounting in Agresso incorporates the accounting for the non-consolidated entity "Medical Benefit Plan" (MBP). Transactions related to this entity are identified through a separate fund (#9301) and are eliminated at the time the financial statements are prepared. ICAO justifies this consolidation by the fact that the cash of the MBP entity is deposited in an ICAO bank account, which is also used for ICAO-specific transactions. MBP's condensed financial statements are not audited.

#### **Assessment by SFAO**

ICAO has put in place appropriate internal controls to mitigate the risk of error. However, the integration of the accounting of a third party entity into ICAO's accounting and the use of a common bank account for the assets of ICAO and MBP are not appropriate.

#### **Recommendation No. 17 (priority 2)**

SFAO recommends that ICAO separate the assets and the accounting of the non-consolidated entity Medical Benefit Plan from its own bank account and accounting system.

#### **Comment by the Secretary General**

The recommendation is partially accepted. ICAO agrees to set up a separate bank account for the cash assets of the Medical Benefit Plan, however, complete segregation of the accounting system would add unnecessary effort to the accounting. Accordingly, ICAO will continue to account for transactions in a separate fund within Agresso to achieve efficiency through the automatic entries generated from the monthly payroll run.



## Cash, cash equivalents and investments

### Bank confirmations

70. SFAO required bank confirmations for all bank accounts. This procedure is also requested in Annex B to the Financial Regulations. For six accounts, SFAO did not receive any confirmation from the banks. The total of these accounts amounts to CAD 1 780 000. SFAO performed alternative audit procedures for these accounts.

### Classification of fixed terms deposits

71. During the planning phase and interim audit, SFAO identified that cash and cash equivalents contained fixed term deposits with an initial maturity date of over 90 days. These are to be presented separately as investments, in accordance with IPSAS 2. ICAO adjusted the presentation in the 2020 financial statements (statement of financial position and statement of cash flows), for an amount of CAD 3 224 000 as at 31 December 2020. During the audit, SFAO further identified that the cash and cash equivalents at the beginning of the comparative year 2019 also contained such investments for a total amount of CAD 122 850 000. ICAO corrected the presentation during the audit.

### Balance against UNDP

72. Cash and cash equivalents contain a balance against UNDP of CAD 1 823 000 as at 31 December 2020. In the view of SFAO this amount should not be presented in cash and cash equivalent, but in receivables and advances.

#### Assessment by SFAO

The classification of the balance against UNDP is considered as an uncorrected audit difference (refer to § 115).

### Line of credit

73. ICAO declares in the notes to the financial statements that RBC provides a CAD 3 million line of credit as part of its service package. SFAO noted that the agreement had not been signed so far.

#### Assessment by SFAO

Since the agreement with the bank RBC has not been signed, the line of credit provided by the bank is not valid. The agreement should be signed or the disclosure should be amended.

## Assessed contributions receivables

74. ICAO has established a policy for the valuation of receivables (assessed contributions receivables), with an illustration in a flowchart. This policy has been correctly applied for the valuation at year-end 2020. After examination and comparison with other UN Agencies SFAO expresses the following comments on ICAO's valuation policy.

### General optimism in the measurement

75. ICAO uses a very optimistic approach in the measurement of assessments receivables. It considers that Member States have always met their obligations in the past, even though they may have had open balances for many years. ICAO asserts that Member States are willing to engage themselves in payment arrangements. Some payments are also delayed due to international sanctions that restrict financial transactions.

### Consideration of loss of voting rights

76. When a Member State has not signed a payment arrangement for arrears or fails to comply with the arrangement, ICAO distinguishes whether the Member State has maintained or lost his or her voting rights. Member States who have lost their voting rights for two consecutive Assemblies are discounted in full, while the others are discounted over a period of 20 years.
77. SFAO is of the opinion that the consideration of two consecutive Assemblies is not prudent compared to the practice of other UN agencies. Since ICAO Assemblies are held every three years, some Member States may have arrears for four to six years that are not provided for. Other UN agencies consider a much shorter period of often two years. A more conservative approach would significantly increase the amount of receivables discounted to 100 % (CAD 1 034 000 at the end of 2020).

### Allowance vs. discount

78. As ICAO considers that all Member States will honor outstanding receivables, it does not make any allowance but discounts the expected payments. This practice is consistent with ICAO's position that there exist no doubtful debtors.
79. SFAO is of the opinion that the expected long-term receipts involve credit risks and that these adjustments should be presented as allowances instead of discounting. This difference of opinion has an impact on the presentation in the accounts but not on the net result for the year.

### Discount rate

80. To discount the receivables, ICAO applies the risk-free discount rate used for actuarial liabilities. ICAO justifies the use of this rate by the absence of doubt as to the recovery of the receivables.
81. SFAO is of the opinion that the receivables should be discounted at a rate that includes a risk premium because the recovery of receivables inevitably involves credit risk.

## Outlook on new IPSAS standard for financial instruments

82. IPSAS 41 will replace IPSAS 29 “Financial Instruments: Recognition and Measurement”. It must be applied for the financial statements 2023. The main differences are the following:
- IPSAS 41 applies a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held.
  - IPSAS 41 applies a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing.
  - IPSAS 41 applies an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance.
83. IPSAS 41 will have an effect on the measurement of financial assets as a result of the application of the Expected Credit Loss (ECL) model. It is assumed but not yet fully clarified that the accounting principle currently applied for the evaluation of assessed contribution receivables will need to be reviewed. SFAO encourages ICAO to proactively consider the effects of these potential changes.

### Assessment by SFAO

SFAO concludes that the measurement of the assessment contribution receivables is overall compliant with IPSAS, but that the valuation policy chosen by ICAO is not prudent and should be revised.

### Recommendation No. 18 (priority 1)

SFAO recommends that ICAO consider a more conservative approach in the measurement of assessments contribution receivables. In particular, ICAO should consider a shorter period to distinguish receivables to be fully amortized from those to be amortized over 20 years (e.g. allowance after loss of voting rights instead of full discount after the loss of voting rights at two consecutive Assemblies). The inherent credit risks should be considered as allowance. The discount rate on long-term receivables should incorporate a risk surplus.

### Comment by the Secretary General

The recommendation is partially accepted. The recommendation is well understood. ICAO intends to reinforce efforts to collect and resolve the receivable issues with some Member States, especially those with long out-standing arrears, and thereby prevent impairment. ICAO agrees to review and update the assessment discounting policy and the discount rate to be used based on the external auditor’s recommendation. ICAO will work with the External Auditors to reassess the policies on the revaluation of the long out-standing assessment receivable in the interim audit for the 2021 Financial Statements.

Unit: FIN

Target Date: 31 December 2021

## Employee benefits

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

### After-service health insurance

85. 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 active employees. ICAO Medical Benefit Plan (MBP) is a self-funded scheme administered by a third-party administrator (Cigna). The employee benefit plan meets the definition of the accounting standard IPSAS 39 and is categorized as a post-employment benefit plan. The actuarial valuation was performed by an independent external expert.
86. The accounting for a defined benefit plan is complex, as various assumptions are required to be made. SFAO has discussed the required assumptions with Management and assessed their plausibility and accordance with IPSAS 39.
87. Liabilities for ASHI in the statement of financial position significantly increased in 2020. This is mainly due to the reduction of the discount rate from 1.85 % to 1.20 %, as well as other changes in the assumptions. This increase has been accounted for directly in the net assets. The medical and dental claim cost assumption has been rolled-forward one year. According to the independent valuation expert, this is the best assumption for the long-term claim cost. Due to the short-term impact of COVID-19 the 2020 claim cost study represents a less reliable basis.
88. In 2010, ICAO Council proposed to the ICAO Assembly to approve an initial funding for after-service entitlements amounting to CAD 1.4 million which was contributed to the revolving fund. This fund was established for the purpose of recording transactions related to post-employment benefits and other long-term employment benefits, such as ASHI, in line with IPSAS 29. The fund is shown separately in the appendices to the financial statements to provide separate information on the funds allocated to IPSAS 39 use. In 2020 ICAO identified this amount, which has increased to CAD 1.53 million due to interest revenue, as a plan asset and recorded a decrease in employee benefit liability and an actuarial gain/loss.
89. According to IPSAS 39, plan assets are defined as assets held by a long-term employee benefit fund and assets held by qualifying insurance policies. As the decision was not to pay the fund amount to MBP but only to allocate it to the revolving fund (internal fund consolidated within ICAO), this fund does not qualify as an actual plan asset according to IPSAS 39. No payment was made to the MBP fund and no related liability was recorded towards the MBP fund.
90. The previous External Auditor regularly monitored the level of actuarial liabilities. Several recommendations which aimed to achieve structural measures in order to reduce the underfunding of the actuarial liabilities were not implemented by the organization and recommendations were closed. The previous External Auditor drew the attention of the Council to the fact that future ICAO budgets will be affected by significant increases of employee benefit expenditures.

### Assessment by SFAO

After a detailed examination SFAO concludes that the actuarial assumptions made are plausible and in accordance with IPSAS 39.

The revolving fund does not qualify as an actual plan asset and must be reversed. The amount of CAD 1 530 000 is reported as a corrected audit difference (refer to § 115).

The Medical Benefit Plan represents a potential financial risk for the organization because it is unfunded. Therefore, it needs to be monitored year by year. Without issuing a formal recommendation, SFAO invites ICAO to closely monitor the situation.

### Annual leave

91. 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.
92. 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 calculation of annual leave through actuarial calculation is complex and the changes in the actuarial assumptions for annual leave significantly impact the net result. The liabilities for annual leave could be calculated in a more simple way. Annual leave data as at 31 December could be multiplied by the salary amount of the respective employees. Such calculation would also be valid under IPSAS and be more efficient.

### Recommendation No. 19 (priority 2)

SFAO recommends that ICAO analyze the need of an actuarial calculation versus a simpler accrual calculation at year-end concerning the liabilities for annual leave.

### Comment by the Secretary General

ICAO appreciates the External Auditors' recommendation but has to reject the recommendation at the present. ICAO has in place an agreement for actuarial valuation service with AON Hewitt covering the valuation for ASHI, annual leave, and repatriation benefits for the accounts of the year 2021. AON has consistently provided satisfactory services and the calculation of annual leave done by AON is considered more precise considering their professional assessments of the applicable actuarial assumptions.

Unit: FIN

### United Nations Joint Staff Pension Fund (UNJSPF)

93. ICAO is affiliated as member organization 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 arrive at a reliable estimate of the corresponding risk borne by ICAO. Therefore, no actuarial liabilities for the pension scheme appear in ICAO's statement of financial position.

94. The characteristics of the UN pension scheme are outlined in the notes to financial statements (chapter 2.10.5). UNJSPF concluded that there was no requirement, as of 31 December 2019, 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 the organization.

## Credits to contracting/servicing governments

95. ICAO manages three funds to account for the financial transactions made under the provision of agreements and arrangements with certain governments. These funds present a balance of CAD 1 594 000 which results from the financial transactions and numerous exchange rates variances on the balances accumulated over years. SFAO noted that only part of the total outstanding balances were circularized with the governments.

### Assessment by SFAO

The lack of confirmation by governments of the balances in these accounts represents a risk on the accuracy of the amounts due to these governments.

### Recommendation No. 20 (priority 2)

SFAO recommends that ICAO add an annual circularization of the total outstanding balances from credits to contracting/servicing governments.

### Comment by the Secretary General

This recommendation is partially accepted. Annual circularizations are currently prepared which reflect a portion of the outstanding balance in the accounts credits to contracting/servicing governments. Upon implementation of IPSAS standards and the application of consolidation criteria, historical balances originating from exchange gains and losses were amalgamated with the credits that were due to servicing governments. The residual balance in these accounts will be reclassified to better reflect the nature and substance of the account.

Unit: FIN/ATB (Joint Finance)

Target Date: 31 March 2022

## Technical cooperation projects

### Contributions for project agreements

96. SFAO audited the accounting of transactions with regard to TC project agreements with governments or governmental organizations ("client"). The contracts are drafted in

such a way as to minimize the risks for ICAO, which acts as an intermediary on behalf of the client. National professionals' (hired on the projects) employment contracts are signed by the client and ICAO cannot be considered as a joint employer or substitute. The final decision on the selection of personnel remains with the client. ICAO is disbursing the national professionals' salaries on condition that there be sufficient advance funding by the client available. According to ICAO's accounting policies, disbursements for national professionals are presented in the financial statements as staff cost and revenue.

97. For purchasing services agreements, ICAO acts solely for and on behalf of the client and shall not be liable for claims of any kind in connection with the performance of such a contract. The client agrees to indemnify and hold harmless the organization.
98. However, due to past events it is assumed that this activity bears operational or financial risks for ICAO. For example, in one major project ICAO has been involved in an arbitration procedure between the equipment supplier and the client. ICAO had to advance some of the costs of the legal consultant. In other projects, ICAO has been sued by local employees who claim additional financial benefits.

#### **Assessment**

SFAO has not identified misstatements in the accounting for revenues from TC projects. The contracts signed within the framework of TC projects exclude a priori liabilities and financial risk for ICAO. As outlined above, the organization bears operational and financial risks in such projects. For this reason, TC projects are not qualified as pass-through arrangements under IPSAS 9 and are accounted for in ICAO's statement of financial performance. ICAO agreed to disclose staff cost for national professionals in the notes to the financial statements. A presentation of these amounts in the statement of financial performance should be considered for the 2021 financial statements.

#### **Litigation and arbitration**

99. ICAO faces various cases of litigation in connection with TC projects. In particular, a major dispute concerns a contract for a procurement on behalf of a Member State. The contracting parties complained against each other of not having respected their commitments. The case was referred to an international arbitration. ICAO has held in trust cash in the amount of CAD 5.3 million collected in advance for this project as long as a decision of the arbitrator is pending. ICAO has committed funds of approximately CAD 200 000 from the Administrative and Operational Services Cost Fund (AOSC) to initially cover the legal fees of an external counsel and other costs incurred. As per assessment of the LEB the organization does not bear additional financial risk in respect to that case. Therefore, ICAO has not recorded any provision nor disclosed it in the notes.
100. In addition, ICAO faces several legal disputes brought by employees on former TC projects. They claim additional payments beyond the considerations provided for under their contracts. ICAO considers these claims as unfounded and has therefore not recorded any provision.
101. Finally, ICAO faces several claims before the United Nations Appeals Tribunal (UNAT) and the Appeals Board for various disputes with former employees, as well as various internal investigations. ICAO has recorded a provision to cover these cases.

### Assessment by SFAO

The accounting treatment of claims and cases under arbitration is in accordance with IPSAS. SFAO is of the opinion that the estimates made by ICAO are plausible. There is room for improvement as regards the disclosure of the cases in the notes for contingent liabilities. A comprehensive comment on the case under arbitration and the open claims of former employees before the UNAT or Appeals Board is of interest to the readers of the financial statements.

## Other voluntary contributions

102. SFAO identified various deficiencies in the accounting treatment of contracts for voluntary contributions (refer to § 48) which led to significant misstatements in the 2020 financial statements.
103. For non-exchange transactions where the conditions were met and the amounts had not to be refunded to the donors, ICAO credited net assets without recording any revenue in the statement of financial performance for an amount of CAD 7 269 000. ICAO corrected the accounting treatment (refer to § 115).
104. SFAO identified a contract that should have been accounted for upon signature, for an initial amount of CAD 2 188 000. The recording of this contract in the statement of financial position is missing. The remaining value of this contract as at 31 December 2020 is CAD 1 668 000. As the amounts of the receivable and the liability are equal, this has no impact on the net result. This transaction is reported as an uncorrected audit difference (refer to § 115).

## Net Assets

105. The carry-forward of appropriation amounts to CAD 33 488 000 at the end of 2020. This amount includes CAD 12 690 000 under the competence of the Secretary General and CAD 11 100 000 under the competence of the Council. The Council has not yet approved this carry-forward. According to ICAO, this will be done at the June 2021 session. In case of a refusal (partial or total), the 2020 financial statements will have to be corrected.

### Assessment

The amount of CAD 11 100 000 under the competence of the Council could remain in the accumulated deficit in the 2020 financial statements and be transferred into the reserves after Council's approval in 2021.

## Statement of Cash Flow

106. SFAO identified several misstatements in the statement of cash flow that have been adjusted during the audit. These findings concern the classification of non-cash transactions regards to voluntary contributions (CAD 7 269 000, refer to § 103), the opening cash balance at 1 January 2019 (CAD 122 850 000, refer to § 71) and other minor items of classification and presentation.



## Comparison of Budget with Actual Amounts

107. The comparison of budget with actual amounts includes two statements and additional information in the notes. These schedules refer to a number of other data in the financial statements, in the unaudited tables and in the report by the Secretary General.
108. This presentation is rather difficult to understand for a non-knowledgeable reader. In addition, it requires a lot of efforts by ICAO to collect and compile the data necessary for its preparation.
109. SFAO invites ICAO to analyze whether the presentation of the information on the comparison of budget with actual amounts could be simplified while still complying with the requirements of IPSAS 24.

## Contributions and services in kind

### Rental of the premises

110. ICAO benefits from donated rights for the use of its premises at headquarters and regional offices. Local governments bear fully or partially the costs of rental and maintenance of the premises located in their respective countries. ICAO presents an estimate of these contributions in kind in note 3.1.
111. Under IPSAS, the use of premises free of charge or on very preferential terms qualifies as donated rights (IPSAS 23 and 31). These rights must be accounted for in a similar way as finance or operating leases, depending on the contractual terms. If the right is similar to an operating lease, ICAO must recognize a contribution income corresponding to the estimated amount of the lease at usual market conditions and a rent expense for an equivalent amount. If the right is similar to a finance lease, ICAO must capitalize the value of the right in the statement of financial position as an intangible asset and carry an identical amount under liabilities. These amounts are amortized over the term of the contract. As the accounting principles applicable to assets and liabilities may differ, their respective amortization may result in timing differences impacting the result.

### Assessment by SFAO

Based on an analysis of the contracts for the use of the premises and other supporting documents, SFAO concluded that the accounting treatment of these transactions is not fully IPSAS compliant.

Of all the premises used on preferential terms, one transaction qualifies as a right similar to a finance lease. For this transaction, ICAO should have activated the right in the intangibles with counterpart in the liabilities. Upon signature of the lease contract, ICAO should have estimated and activated the total value of the contract in the statement of financial position under market conditions and depreciated it over the life of the contract.

The other transactions qualify as rights similar to operating leases. For these transactions ICAO should have recorded a contribution income and an identical amount under rental expenses.

In total, donated rights represent an annual lease of CAD 29 373 000. This amount has been estimated by ICAO and is not supported by a real estate expert.

**Recommendation No. 21 (priority 1)**

SFAO recommends that ICAO prepare a detailed analysis of the rental of premises at preferential conditions to identify donated rights and account them for according to IPSAS. The use of a real estate expert will have to be considered.

**Comment by the Secretary General**

The recommendation is rejected for implementation at this time for a number of reasons:

Consistency of presentation: The current accounting practice for rental of premises at preferential conditions offered by host states includes extensive disclosures in the notes to the financial statement and has been consistently in place since IPSAS adoption in 2010.

Easily understood: The rental at fair market value is disclosed as contribution in kind from the host states along with all other relevant information. It is easy for the users of the financial statements to understand.

Cost: Valuation by a real estate valuation firm of the lease value of the properties will be needed. Funds were not foreseen or budgeted for in the current triennium budget. ICAO will include the cost estimates of real estate experts and other related implementation costs in the next triennium's budget but this will be subject to Member States' approval.

Efficiency: IPSASB will shortly be issuing a revised IPSAS on leases, which will include the updated accounting treatment on Concessionary Leases and Other Arrangements. ICAO intends to closely monitor the development of this new IPSAS and make changes accordingly.

In summary, making changes before the new IPSAS releases is not possible due to funding constraints, would be inefficient, and would affect information consistency and understandability.

Unit: FIN

## Financial instruments

**Missing disclosures**

112. During the interim audit, SFAO identified missing disclosures on financial instruments. This mainly concerned quantitative and qualitative disclosures of specific financial risk of the organization as required by IPSAS 29. ICAO made an effort to complete the notes to the 2020 financial statements in this respect. During the final audit SFAO identified additional disclosure requirements that were not met. For reasons of timing these items could not be included in the 2020 financial statements.

**Assessment by SFAO**

The disclosure on financial instruments includes the main elements required but does not fully meet the requirements of IPSAS. ICAO should complete disclosures next year accordingly (refer to § 67).

### Rating for non-Canadian banks

113. In its credit risk analysis, ICAO discloses the rating of the financial institutions in which it has deposited its cash and investments. Canadian banks have been categorized by rating (AA or A), while non-Canadian banks have been grouped into a category called “regional”.

#### Assessment by SFAO

Non-Canadian banks should also be grouped into effective rating categories.

## Audit differences

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

### Summary of corrected and uncorrected misstatements

115. SFAO found some misstatements (audit differences) that were corrected by the Management during the audit of the 2020 financial statements. The other less significant findings mentioned below were not adjusted. In summary, SFAO is of the opinion that the unadjusted misstatements have no material impact on the financial statements and that booking them would not lead the reader to assess ICAO's financial position differently.

Description	Surplus/(deficit) for the year (CAD)	Accumulated deficit (CAD)
<b>Balance before audit differences</b>	<b>(5 379 000)</b>	<b>(103 067 000)</b>
<u>Corrected audit differences</u>		
Adjustment of the opening cash balance at 1 January 2019 in the statement of cash flow (CAD 122 850 000, refer to § 71)	0	0
Reversal of ASHI's actual plan asset (CAD 1 530 000, refer to § 89)	0	(1 530 000)
Reclassification adjustment for voluntary contributions (CAD 7 269 000, refer to § 103)	7 269 000	0
<b>Balance after corrected audit differences</b>	<b>1 889 000</b>	<b>(104 597 000)</b>
<u>Uncorrected audit differences</u>		
Reclassification of UNDP balance receivable, from cash into receivables (CAD 1 823 000, refer to § 72)	0	0
Accounting of a contract for voluntary contributions (CAD 1 668 000, refer to § 104)	0	0
<b>Balance after all audit differences</b>	<b>1 889 000</b>	<b>(104 597 000)</b>

### Insufficient information or incorrect presentation

116. SFAO found some material misstatements in the disclosures of the 2020 financial statements that were corrected during the audit. Other disclosure issues remain. SFAO recommends that ICAO complete these disclosures (refer to § 67) in the 2021 financial statements.

## Follow-up of previous recommendations

117. During the handover phase, SFAO took over the recommendations issued by the former External Auditors and still considered as open by them. Over a total of 57 open recommendations, 12 were closed by SFAO during the final audit and 45 remain open. Management considers a significant number of these recommendation as closed.
118. The follow-up of the numerous open recommendations was not entirely feasible during the audit of the 2020 financial statements. The majority of the recommendations resulted from performance or special audits and cannot be followed up adequately during a financial audit. Some recommendations have deadlines for implementation in 2021. SFAO will continue its follow-up procedures during the upcoming audits. The details of all recommendations are available in the tool “Symbiant” used by OIO.

### Recommendations considered as closed

119. SFAO considers the following recommendations as having been implemented since the last audit.

Ref. (Symbiant)	Report
EA/REP/2014 Rec 2	Audit of the financial statements 2014
EA/REP/2015/C Rec 1	Has Management developed effective actions to reduce ASHI actuarial liabilities?
EA/REP/2015/C Rec 2	Has Management developed effective actions to reduce ASHI actuarial liabilities?
EA/REP/2015/C Rec 3	Has Management developed effective actions to reduce ASHI actuarial liabilities?
EA/REP/2017/A Rec 8	Audit of the financial statements 2017
EA/REP/2017/C Rec 2	Efficiency and effectiveness of the procedures on interactions with External Parties
EA/REP/2017/C Rec 3	Efficiency and effectiveness of the procedures on interactions with External Parties
EA/REP/2017/C Rec 4	Efficiency and effectiveness of the procedures on interactions with External Parties
EA/REP/2018/A Rec 1	Audit of the financial statements 2018
EA/REP/2018/A Rec 4	Audit of the financial statements 2018
EA/REP/2019/A Rec 1	Audit of the financial statements 2019
EA/REP/2019/A Rec 2	Audit of the financial statements 2019

### Recommendations still pending after SFAO’s follow-up

120. The following recommendations have been followed up and considered as being still pending after the audit of the 2020 financial statements.

Ref. (Symbiant)	Report	Follow-up during the 2020 audit
EA/REP/2017/B Rec 1	The Cybersecurity Framework at ICAO	This recommendation has not been fully implemented according to the Information Security Roadmap.
EA/REP/2017/B Rec 3	The Cybersecurity Framework at ICAO	This recommendation has not been fully implemented according to the Information Security Roadmap.
EA/REP/2017/B Rec 4	The Cybersecurity Framework at ICAO	This recommendation has not been fully implemented according to the Information Security Roadmap.
EA/REP/2017/B Rec 5	The Cybersecurity Framework at ICAO	This recommendation has not been fully implemented according to the Information Security Roadmap.
EA/REP/2018/A Rec 3	Audit of the financial statements 2018	No new actuarial study has been performed so far.

## Recommendations not followed up during the 2020 audit

121. The following recommendations, arising from financial and performance audits, have not been followed up during the audit of the 2020 financial statements, as explained in § 118.

Ref. (Symbiant)	Report
EA/REP/2016/A Rec 4	Audit of the financial statements 2016
EA/REP/2016/A Rec 5	Audit of the financial statements 2016
EA/REP/2016/B Rec 1	Is the ICAO recruitment process efficient and effective?
EA/REP/2018/A Rec 2	Audit of the financial statements 2018
EA/REP/2018/B Rec 1	Efficiency and effectiveness of the Procurement service
EA/REP/2018/B Rec 2	Efficiency and effectiveness of the Procurement service
EA/REP/2018/B Rec 3	Efficiency and effectiveness of the Procurement service
EA/REP/2018/B Rec 4	Efficiency and effectiveness of the Procurement service
EA/REP/2018/B Rec 5	Efficiency and effectiveness of the Procurement service
EA/REP/2018/B Rec 6	Efficiency and effectiveness of the Procurement service
EA/REP/2019/A Rec 3	Audit of the financial statements 2019
EA/REP/2019/A Rec 4	Audit of the financial statements 2019
EA/REP/2019/A Rec 5	Audit of the financial statements 2019
EA/REP/2019/A Rec 6	Audit of the financial statements 2019
EA/REP/2019/C Rec 1	Procurement at ICAO: how to enhance the efficiency and effectiveness of the process
EA/REP/2019/C Rec 2	Procurement at ICAO: how to enhance the efficiency and effectiveness of the process

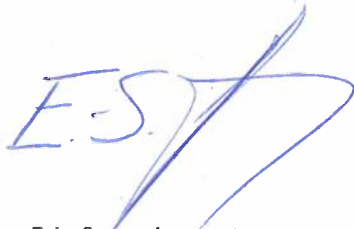
Ref. (Symbiant)	Report
EA/REP/2019/C Rec 3	Procurement at ICAO: how to enhance the efficiency and effectiveness of the process
EA/REP/2019/C Rec 4	Procurement at ICAO: how to enhance the efficiency and effectiveness of the process
EA/REP/2019/C Rec 5	Procurement at ICAO: how to enhance the efficiency and effectiveness of the process
EA/REP/2019/C Rec 6	Procurement at ICAO: how to enhance the efficiency and effectiveness of the process
EA/REP/2019/C Rec 7	Procurement at ICAO: how to enhance the efficiency and effectiveness of the process
EA/REP/2019/C Rec 8	Procurement at ICAO: how to enhance the efficiency and effectiveness of the process
EA/REP/2019/C Rec 9	Procurement at ICAO: how to enhance the efficiency and effectiveness of the process
EA/REP/2019/C Rec 10	Procurement at ICAO: how to enhance the efficiency and effectiveness of the process
EA/REP/2019/C Rec 11	Procurement at ICAO: how to enhance the efficiency and effectiveness of the process
EA/REP/2019/C Rec 12	Procurement at ICAO: how to enhance the efficiency and effectiveness of the process
EA/REP/2019/C Rec 13	Procurement at ICAO: how to enhance the efficiency and effectiveness of the process
EA/REP/2019/C Rec 14	Procurement at ICAO: how to enhance the efficiency and effectiveness of the process
EA/REP/2019/C Rec 15	Procurement at ICAO: how to enhance the efficiency and effectiveness of the process
EA/REP/2019/C Rec 16	Procurement at ICAO: how to enhance the efficiency and effectiveness of the process
EA/REP/2019/C Rec 17	Procurement at ICAO: how to enhance the efficiency and effectiveness of the process
EA/REP/2019/C Rec 18	Procurement at ICAO: how to enhance the efficiency and effectiveness of the process
(no ref. in symbiant) 2	Ethics framework at ICAO
(no ref. in symbiant) 4	Ethics framework at ICAO
(no ref. in symbiant) 7	Ethics framework at ICAO
(no ref. in symbiant) 8	Ethics framework at ICAO
(no ref. in symbiant) 9	Ethics framework at ICAO
(no ref. in symbiant) 1	Efficiency and effectiveness of the Human Resources management
(no ref. in symbiant) 2	Efficiency and effectiveness of the Human Resources management
(no ref. in symbiant) 3	Efficiency and effectiveness of the Human Resources management

\* \* \*

122. 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 first year of engagement.

Berne, 21 May 2021

SWISS FEDERAL AUDIT OFFICE  
(External Auditor)



Eric-Serge Jeannet  
Vice-President



Martin Köhli  
Head of Competence Centre

#### **Prioritization of SFAO recommendations**

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





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