



International Civil Aviation Organization

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(Information paper)

WORKING PAPER

COUNCIL — 189TH SESSION

Subject No. 13: Work programmes of Council and its subsidiary bodies

**2009 REPORT ON THE ACTIVITIES OF
THE EVALUATION AND INTERNAL AUDIT OFFICE (EAO)**

(Presented by the Secretary General)

EXECUTIVE SUMMARY

In compliance with Assembly Resolution A31-2 Resolving Clause 4 c) and C-DEC 149/12, and in accordance with the Charter of the Evaluation and Internal Audit Office (EAO), the Secretary General transmits herewith to the Council the Report on activities undertaken by EAO in 2009, together with the comments of the Secretary General on audit and evaluation reports completed during the year.

The attachment to the Report gives the status of implementation of recommendations made in previous EAO reports.

<i>Strategic Objectives:</i>	This paper relates to Supporting Strategy No. 3 – Identify risk management and risk mitigation strategies.
<i>Financial implications:</i>	Not applicable.
<i>References:</i>	C-DEC 149/12 Doc 9902, <i>Assembly Resolutions in Force</i> (as of 28 September 2007) A31-2 & A32-1 C-WP/13255 C-WP/13372 C-WP/13398 C-WP/13378

1. INTRODUCTION

1.1 In accordance with its Charter, the Evaluation and Internal Audit Office (EAO) is responsible for undertaking internal audits, evaluations, and investigations, and for reporting, as appropriate, the results thereon to the Secretary General and the Council.

1.2 This report outlines the activities undertaken by EAO during 2009 as well as the comments of the Secretary General on internal audit and evaluation reports completed during the year. The attachment shows the status of implementation of recommendations made in previous EAO reports. The report covers EAO's activities since the previous report to the Council during the 186th Session i.e. from February 2009 to January 2010. The status of implementation of recommendations is as of the end of December 2009.

2. OVERVIEW OF THE 2009 WORK PROGRAMME

2.1 The 2009 work programme (C-WP/13255) included the following planned internal audits and evaluations:

- a) Language services;
- b) Results Based Budgeting;
- c) IKSAN (ICAO Knowledge Shared Network);
- d) ICAO websites;
- e) Recruitment procedures (consultants); and
- f) Field/project procurement.

2.2 The planned work programme was too ambitious given the resources available within EAO in 2009 and also because of additional activities undertaken (see Section 4). Therefore not all of the proposed audits and evaluations listed above were completed. An audit of field/project procurement has been substantially completed, and the draft report is being finalised. In addition, two audits carried forward from the 2008 work programme were completed during 2009: an audit of the Ancillary Revenue Generation Fund (ARGF) and an audit of the Commissariat. The audits of language services and recruitment of consultants have both been carried forward to EAO's 2010 work programme, and the evaluations of Results Based Budgeting and IKSAN will be combined into an evaluation of ICAO's implementation of Results Based Management (RBM) and performed at the end of 2010, after the current triennial business planning and budgeting cycles have been completed. The proposed evaluation of ICAO websites has been dropped due to lower priority.

2.3 Certification of the 2008 financial statements of ECAC was planned on a cost recovery basis. This service had been provided by EAO for a number of years; however since this work is not strictly the role of an internal auditor to perform, following discussions with ECAC staff, alternative arrangements have now been made by ECAC to appoint an external auditor.

2.4 In addition, a review of the implementation of the Agresso system/IRIS project was included in the work plan subject to funds being made available to hire an external consultant. Late in

2009, additional funds of CAD \$40,000 were made available to EAO for this purpose. Offers were sought from qualified contractors and a contract to undertake the audit has been awarded. The audit will be conducted in April 2010 once the financial statements for 2009 have been completed.

2.5 In addition, various other activities are undertaken on an ongoing basis such as support to the Advisory Group on Evaluation and Audit (AGEA), coordination and dissemination of JIU reports, follow-up of recommendations made by the JIU and the External Auditor, and oversight of the sealed tender process. It should be noted that the increasing workload relating to these other activities has limited the availability of EAO staff to carry out audits and evaluation studies.

3. EAO REPORTS

3.1 Audit of the Ancillary Revenue Generation Fund (ARGF)

3.1.1 The objectives of this audit were to review the regulatory framework and operating and administrative structure of the ARGF, and to analyse the initial financial results of the ARGF for the period January to December 2008. A summary of the audit report containing the detailed findings and recommendations was presented to the Council at its 187th Session (C-WP/13372).

3.1.2 The audit report and the Secretariat's action plan for implementing the audit recommendations were reviewed by the Finance Committee in May 2009. The Finance Committee requested the Secretariat to revise the action plan to include a column on the expected outcomes and the person responsible for taking the agreed action. This revised Secretariat action plan was attached to the Finance Committee's report (C-WP/13398).

3.2 Audit of the Commissariat

3.2.1 The Commissariat Fund records all income and expenditures resulting from Commissariat operations. Since the production of the financial statements for 2007 was delayed, the audit was carried forward to 2009.

3.2.2 In addition to the certification of the financial statements, the audit included a review of the financial procedures and controls and compliance with the rules and regulations governing the Commissariat Fund. EAO made a number of recommendations in this report aimed at improving the internal financial controls and accounting procedures relating to this Fund.

3.3 Audit of procurement

3.3.1 An audit of the procurement function has been substantially completed during 2009 and the final report is being drafted. The objectives of this audit were to examine the procedures and internal controls relating to field procurement, including the specification of tenders, the evaluation of bids received and the selection of eventual suppliers, as well as cases of sole source and local procurement.

4. **OTHER EAO ACTIVITIES**

4.1 **EAO Charter**

4.1.1 In consultation with the AGEA, EAO developed and finalised a Charter to formally define the mandate, responsibilities and reporting lines of the Office. This Charter was presented to and approved by the Council during its 187th Session (C-WP/13378).

4.2 **EAO strategy for the 2011 to 2013 triennium**

4.2.1 The AGEA, the External Auditor, and the Joint Inspection Unit of the United Nations have all made a number of recommendations on the need to strengthen EAO. EAO has therefore prepared a detailed strategy for expanding the work of the Office in the next triennium, in particular in relation to increasing the internal audit coverage, building the evaluation capacity, and establishing an investigative function. However the changes envisaged in this strategy will require a significant increase in the resources allocated to EAO in the next triennium.

4.3 **Management initiatives**

4.3.1 In the Charter Letter sent from the President, on behalf of the Council, to the newly appointed Secretary General, one of the expectations of the Council was that ICAO should have a formal process for managing risks, as well as a clear policy on ethics and an independent channel for handling staff grievances.

4.3.2 With respect to risk management, EAO has taken the lead in promoting the introduction of formal risk management practices in ICAO. EAO prepared a strategy paper for introducing risk management which was presented to the Senior Management Group in August, after which a more detailed plan was developed. The plan will be implemented with the assistance of external consultants. A tendering exercise was carried out at the end of 2009 and the contract will be awarded in stages, contingent on the necessary funds being made available. At present, CAD \$25,000 has been allocated to EAO to carry out the initial two phases of the project, which comprise a half day seminar for senior managers, and development of a practical methodology and plan for implementation of the agreed approach in two pilot areas of ICAO.

4.4 EAO has also prepared an initial concept paper which describes the various considerations that need to be taken into account when introducing a whistleblower policy and procedures. The introduction of such a policy and mechanism will be further discussed and pursued in 2010.

4.5 **Liaison with the JIU and the External Auditor**

4.5.1 As the focal point for liaising with the Joint Inspection Unit of the United Nations (JIU), the Office continues to coordinate necessary inputs to JIU reviews and to disseminate JIU reports and recommendations within the Organization. In 2009, EAO coordinated ICAO's input to twenty JIU reviews at various stages of implementation, as well as two visits from JIU inspectors. In addition, working papers were produced on a JIU report on Knowledge Management in the UN System (C-WP/13368), on the follow-up to JIU recommendations within ICAO (C-WP/13469), and on the annual report and work programme of the JIU (C-WP/13466).

4.5.2 EAO also acts as the focal point for liaising with the External Auditor, in particular with regard to performance audits. EAO regularly follows up the outstanding recommendations issued by the External Auditor with the management of the Organization responsible for implementing them, and provides an annual status report to the Council (C-WP/13370). In 2009, EAO coordinated the preparation of Secretariat action plans which were completed for the first time to respond to each of the audit reports issued by the External Auditor (C-WP/13440, C-WP/13441, C-WP/13442 and C-WP/13445). EAO also took the lead in preparing the Council working paper on the appointment of the External Auditor for 2011 to 2013 (C-WP/13483).

4.5.3 During the year, action was taken to develop an electronic database to improve the administration and follow up to recommendations made by the JIU and the External Auditor, as well as those recommendations arising from EAO's own reports. This database will become operational in 2010.

4.6 **Sealed tenders**

4.6.1 In 2009, EAO opened and recorded forty-five sealed tenders. Tasks relating to sealed tenders include handling and recording packages, issuing receipts, opening tenders and preparing relevant documentation.

5. **IMPLEMENTATION OF EAO'S RECOMMENDATIONS**

5.1 The status of implementation of EAO's recommendations made during 2009 and prior years is summarized in the attached table. Those reports where the recommendations were implemented in full in previous years are not shown again. EAO monitors the implementation of the recommendations on the basis of management responses to queries sent out by EAO. The real status of some of the recommendations will not be fully known until a follow-up audit is undertaken. Where appropriate, follow-up audits will be undertaken as resources permit. Some recommendations such as improving office automation and improving the financial management/accounting system are considerable in scope and may take a number of years to implement in full.

5.2 As shown in the attached table, there were a total of 79 recommendations under implementation as at 31 December 2009. This compares with 65 as at 31 December 2008. The increase in the total number of outstanding recommendations is due to the fact that new recommendations made in three 2009 reports (49) exceed the number of recommendations closed in 2009 (35). The extent of completed recommendations as at 31 December 2009 was 68 per cent compared with 67 per cent as at 31 December 2008. The number of recommendations which have been outstanding for more than two years has increased from 23 as at 31 December 2008 to 27 as at 31 December 2009.

5.3 During 2010 EAO intends to work closely with management to make a concerted effort to reduce the number of outstanding recommendations. This will involve reassessing the actions necessary to achieve implementation, and identifying the concrete steps that can and will be taken, together with realistic timeframes. Where management do not intend to take action, either due to a lack of resources or because the recommendation has been superseded by organisational changes or other events, the outstanding recommendation will be closed. The formulation of concrete action plans for each report should, in future, greatly facilitate both the implementation and follow-up process.

6. COMMENTS BY THE SECRETARY GENERAL ON RECENT EAO REPORTS

6.1 The comments of the Secretary General on EAO's recent reports are summarized in the paragraphs below.

6.2 Audit of the Ancillary Revenue Generation Fund (ARGF)

6.2.1 Since this report was discussed by the Finance Committee and the Council, the Secretary General's detailed comments and action plan relating to this audit have already been presented to the Council in C-WP/13398.

6.3 Audit of the Commissariat

6.3.1 The Secretary General agrees with the findings in this report. The Commissariat Administrative Instructions and Operating Procedures are currently being revised to incorporate the necessary updates, and steps will be taken to strengthen the administrative and operating procedures and financial controls relating to the Commissariat.

ATTACHMENT

STATUS OF IMPLEMENTATION OF RECOMMENDATIONS MADE IN EAO REPORTS

Report finalised MM/YY	Title	Total no. of recommendations	Under implementation at 31/12/08	Extent of completion at 31/12/08	Implemented/ closed in 2009	Under implementation at 31/12/09	Extent of completion at 31/12/09	Extent of uncompleted recommendations over 2 years old
10/09	Report on the Commissariat Fund	2	N/A ¹		-	2	-	N/A
06/09	Report on the Ancillary Revenue Generation Fund (ARGF)	16	N/A ¹		4	12	25%	N/A
02/09	Report on the Evaluation of Staff Contracts	31	N/A ¹		8	23	26%	N/A
04/08	Report on the audit of Cell Phones	7	5	29%	3	2	71%	N/A
01/08	Report on the Audit of the Conference and Other Facilities Fund	15	8	47%	4	4	73%	N/A
01/08	Report on the Evaluation of the Aviation Security Plan of Action	27	13	52%	4	9	67%	N/A
08/07	Review of United Nations Laissez-Passer	12	3	75%	3	- completed	100%	-
08/07	Audit of the Financial Statements for the ICAO Commissariat for 2006	1	1	-	1	- completed	100%	-
06/07	Report on the Evaluation of Publications Sales and Marketing Activities	33	12	64%	3	9	73%	27%
12/06	Audit of the Financial Statements for the ICAO Commissariat for the years ended 2004 and 2005	13	6	54%	4	2	85%	15%
05/06	TCB – Follow up of External Auditor's Recommendations	12	5	58%	-	5	58%	42%
02/06	Procurement of Radars	5	1	80%	-	1	80%	20%
12/05	Audit of Administrative Procedures/Practices in TCB	10	1	90%	-	1	90%	10%

¹ Report finalised in 2009

Report finalised MM/YY	Title	Total no. of recommendations	Under implementation at 31/12/08	Extent of completion at 31/12/08	Implemented/ closed in 2009	Under implementation at 31/12/09	Extent of completion at 31/12/09	Extent of uncompleted recommendations over 2 years old
12/04	Report on the Evaluation of the Training on Further Development of Senior Management Skills	4	1	75%	-	1	75%	25%
12/04	Report on the Evaluation of ICAO General Service (GS) Recruitment	4	3	25%	-	3	25%	75%
02/03	Audit on Management of Information Technology and Information Systems	29	3	90%	-	3	90%	10%
02/03	Audit of Procurement	16	2	88%	-	2	88%	12%
11/02	Audit of Cash Management	8	1	88%	1	- completed	100%	-
		245	65	67%²	35	79	68%	18%³

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² Total no. of recommendations implemented/closed as at 31/12/08 (131) divided by total no. of recommendations as at 31/12/08 (196)

³ Total no. of uncompleted recommendations in reports over 2 years old (27) divided by total no. of recommendations in reports over 2 years old (147)