



International Civil Aviation Organization

**WORKING PAPER**

C-WP/14711

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**(Information paper)**

**English only**

## **COUNCIL — 213TH SESSION**

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

### **2017 REPORT ON THE ACTIVITIES OF THE EVALUATION AND INTERNAL AUDIT OFFICE (EAO)**

(Presented by the Secretary General)

#### **EXECUTIVE SUMMARY**

In accordance with the Charter of the Evaluation and Internal Audit Office (EAO), the Secretary General transmits herewith to the Council the 2017 Report on the Activities of EAO.

<i>Strategic Objectives:</i>	This working paper relates to Supporting Implementation Strategies.
<i>Financial implications:</i>	N/A
<i>References:</i>	C-WP/14528

## 1. BACKGROUND

1.1 The mission of EAO is to assist the Secretary General to ensure that ICAO is managed effectively, efficiently and economically and in conformity with the applicable regulations and rules. This is done through systematic evaluation and internal audit of ICAO's programmes and activities, with a view to enhancing and protecting organizational value by providing risk-based and objective assurance, advice and insight.<sup>1</sup>

1.2 As per paragraph 18 of the EAO Charter, Chief, EAO shall submit an annual report to the Secretary General who shall transmit it to the ICAO Council with his/her comments during the first Session of the Council meeting in each calendar year. This annual report shall summarize the activities and results of all work undertaken by EAO during the preceding year, as well as its performance relative to the annual work plan.

1.3 This report summarizes the activities carried out by EAO during 2017. Appendix A provides a list of Joint Inspection Unit (JIU) reports presented to the Council in 2017.

## 2. PROFESSIONAL STANDARDS

2.1 For its audit activities, EAO adheres to the International Professional Practices Framework promulgated by the Institute of Internal Auditors (IIA). Similarly, for evaluation activities, EAO follows the Norms and Standards for Evaluation in the UN System issued by the United Nations Evaluation Group (UNEG). EAO's investigative work is conducted in line with the Uniform Principles and Guidelines for Investigations endorsed by the Conference of International Investigators (CII) and adopted by the United Nations Representatives of Investigative Services (UN-RIS).

## 3. SIGNIFICANT RISK EXPOSURE AND CONTROL ISSUES

3.1 In line with paragraph 18i) of the EAO Charter, significant risk exposures, control, governance and other matters identified by the results of audits and evaluations can be summarized in the proceeding paragraphs.

3.2 The following internal audits<sup>2</sup> and evaluations which were included in the 2016 work programme were completed in 2017.

Oversight Assignment	Current Status
Audit of the MID Office	Final report issued
Audit on the use of Interns	Final report issued
Audit on the use of Secondees	Final report issued
Audit of the TRIP Strategy	Final report issued
Evaluation of ICAO's partnership with UN Organizations and Agencies	Final report issued

### 3.3 Audit of the MID Office

3.3.1 This performance audit was conducted at the request of some Council members. The audit revealed a number of critical and important issues concerning the functioning of the MID Office.

<sup>1</sup> Paragraph 4 of the EAO Charter

<sup>2</sup> In accordance with the Secretary General's memorandum sent to Council Representatives on 2 May 2014 (SG 2228/14), copies of all internal audit reports issued after this date are posted on the Council website under "Periodic Reports".

3.3.2 Conduct of a cost-benefit analysis by the Regional Office of official missions and meetings would help ensure a better balance between support of meetings and assistance visits to States. The operational effectiveness and efficiency of the MID Office can be further enhanced through regular training of Regional Officers by ANB and ATB on any new programmes, concepts, new or amended SARPs as well as the outcome of Panel or technical group meetings. In this regard, ANB and ATB should establish a procedure to ensure such trainings are conducted at regular intervals. Also, establishing a contingency plan, in close coordination with Human Resources, for vacancies in key areas would enable the Regional Office to effectively deliver on its mandate.

3.3.3 In order for ICAO to successfully clarify the roles and responsibilities of Bureaus and Regional Offices in the provision of technical assistance and technical cooperation, a comprehensive update of the Regional Office Manual (ROM) taking into consideration the specificities and resources of Regional Offices should be carried out. It is worth noting that the ROM has been updated and is in use at the time of this report.

#### 3.4 **Audit on the use of interns**

3.4.1 The audit assessed the adequacy of controls to address key risks including lack of compliance with applicable rules, regulations and policies; inconsistencies in the method used to determine internship needs, and the capacity of the Organization to accommodate an increasing number of interns; lack of standardization and implementation of recruitment procedures; and dependency on interns to achieve operational objectives.

3.4.2 The main findings can be summarised as follows: no formal discussion has taken place at the Senior Management level to assess the growth in the number of interns and the relative impact that this could have on the Organization's workforce, its reputation, the safeguarding of its institutional knowledge, and the quality of its output. The identification and management of internship needs is generally unstructured and managed on an-hoc basis. Resources could be better managed (including the availability of office space) with more comprehensive advance planning, as well as development of procedures for the selection of candidates by the Bureaus.

3.4.3 Whilst more internship opportunities are being posted on the ICAO website, some interns are still recruited informally (as a result of spontaneous applications and personal recommendations). Human Resources does not systematically request copies of candidates' diplomas or proof of enrolment in a relevant academic programme, nor are applicants required to provide a medical certificate of good health or to show proof of valid medical insurance coverage for the duration of their internship.

#### 3.5 **Audit on the use of secondees**

3.5.1 The audit assessed the adequacy of controls to mitigate key risks concerning compliance with applicable rules, regulations and policies, operational methods used to determine secondment needs, and the capacity of the Organization to accommodate an increasing growth in the secondee population and dependency on secondees to achieve operational objectives. The audit focused on gratis personnel, which account for over 70 per cent of all secondees.

3.5.2 The main findings can be summarised as follows: Administrative Instructions had yet to be updated to reflect the key changes in the Policy approved by the Council in June 2016, as well as the duties and responsibilities of personnel involved in the secondment process. The Council has requested the Secretariat to explore ways of simplifying and expediting the processing and approval time for secondments. Due to a lack of established staff positions, certain areas in the Organization, such as ANB and ATB, rely heavily on secondees to achieve their work programme. Risks associated with relying on

non-staff personnel for the roll-out of programmes and the achievement of operational and strategic objectives, as well as the preservation of institutional knowledge should be considered and addressed as part of the next budget cycle.

3.5.3 Moreover, administrative issues such as submission of a medical certificate of good health by secondees would reduce the risk that persons engaged may not be fit to perform their functions. Also developing procedures for the management of secondees' leave and the completeness and timeliness of performance (PACE) reports for secondees would enhance the overall controls and operational effectiveness and efficiency.

### 3.6 **Audit of the TRIP Strategy**

3.6.1 The audit examined whether controls were in place to mitigate key risks with regard to the identification of management and programme priorities; the adequacy of performance measurement and monitoring mechanisms; the structure and resources of the Facilitation Section (FAL) to be able to fully achieve its objectives; and the adequacy of appropriate safeguards to prevent undue influence by industry players.

3.6.2 Main findings can be summarized as follows: programme boundaries and priorities as well as mechanisms to evaluate results need to be clearly established. The TRIP Strategy is a very demanding and ambitious initiative, involving a broad spectrum of interests at the global and State level. Given that ICAO's mandate is within the sphere of civil aviation, and that resources are limited, it is essential for the Secretariat to be realistic about what it can achieve.

3.6.3 Stable staffing and funding arrangements for the TRIP programme are of crucial importance as there is currently a heavy reliance on temporary staff such as secondees. The current financing model for this important programme is a short term solution and is not sustainable over the long term.

3.6.4 Other areas where controls need to be strengthened include: ICAO's oversight of the TAG/TRIP and its working groups; the mitigation of risks associated with TRIP-related revenue-generating activities; and an overall review of the current strategy, organizational responsibility for, and level of resources assigned to manage TRIP-related assistance activities.

### 3.7 **Evaluation of ICAO's partnerships with UN Organizations and Agencies**

3.7.1 This evaluation urges the ICAO Secretariat to establish partnership agreements based on well-defined criteria and to take measures so that all partnership agreements are linked to ICAO's Business Plan and Strategic Objectives to reap the expected benefits. There are only a few formal cooperative arrangements in place with organizations in the UN system, however, there are many more linkages, either aspirational or actual due to informal collaboration.

3.7.2 Partnerships with organizations in the UN system appear to be very diverse, from ICAO's role and length of time collaborating with a given UN entity, from specific project or programme collaborations, to policy implementation. To reflect this diversity, the evaluation outlined ten case profiles and highlighted two specific collaborations, one with the United Nations Institute for Training and Research (UNITAR) and another with the United Nations Framework Convention on Climate Change (UNFCCC), both concerning the same strategic area of ICAO but very different in other aspects.

3.7.3 A detailed summary of the evaluation is contained in CWP-14680, which was presented to the Council at its 212th Session.

3.8 In addition, the 2017 work programme (C-WP/14528) included the following planned internal audits and evaluations. The status of each audit and evaluation is noted in the table below. It should be noted that the post of Evaluation Specialist has been vacant since May 2017, therefore, EAO was not able to complete its planned evaluations.

Oversight Assignment	Current Status
Audit of the Global Aviation Training (GAT) Activities	Draft report issued
Audit of Cybersecurity	Draft report issued
Audit of the procurement of equipment and services for TCB projects	Draft report being prepared
Audit of the recruitment of professional and general service staff	Carried forward to 2018
Audit of the implementation of the Aviation Security Audit Programme	Carried forward to 2018
Evaluation of the ICAO standard setting process	In progress
Evaluation of a technical cooperation project	Carried forward to 2018

### 3.9 Audit of the Global Aviation Training (GAT) Activities

3.9.1 At the time of writing this report, the final draft was sent to the client for comments, and the management action plan was being prepared.

### 3.10 Audit of Cybersecurity

3.10.1 At the time of writing this report, the final draft was sent to the client for further comments and the management action plan was being prepared.

### 3.11 Audit of the procurement of equipment and services for TCB projects

3.11.1 At the time of writing this report, the fieldwork for this audit was completed and the draft report was being prepared.

### 3.12 Investigation

3.12.1 In accordance with paragraph 4 of its Charter, EAO carries out investigations into cases of misconduct of a financial nature. During 2017, EAO carried out one investigation. Further information on this investigation, its outcome, and respective actions taken, are contained in the Annual Report of the Ethics Officer (C-WP/14710).

### 3.13 Continuous Auditing

3.13.1 EAO has developed a Continuous Auditing Approach<sup>3</sup> which will enable assessing the design and effectiveness of key internal controls in selected operational areas of high risk. The purpose of continuous auditing is to draw management's attention to key risks and internal control weaknesses with a view to allowing them to establish and enhance the management controls in respective systems and processes. EAO purchased two additional licences of IDEA<sup>4</sup> and time permitting, plans to carry out two continuous audits in 2018. The planned areas for continuous auditing include but are not limited to travel management, payment process, selected expense accounts, and staff entitlements.

<sup>3</sup> Continuous auditing is a formal data analytics program aiming to help an audit function become more efficient, easily scalable and significantly reduce auditing errors all while providing greater audit and fraud risk coverage. The use of data analytics can provide the ability to do ad hoc audit testing, business review and fraud investigations.

<sup>4</sup> Data Analytics tool used by EAO.

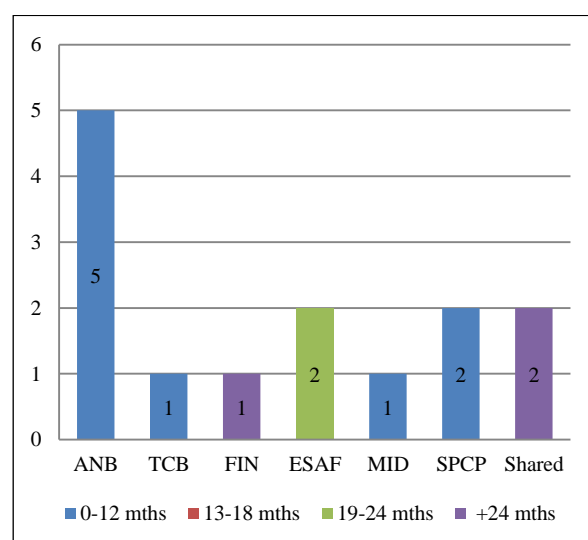
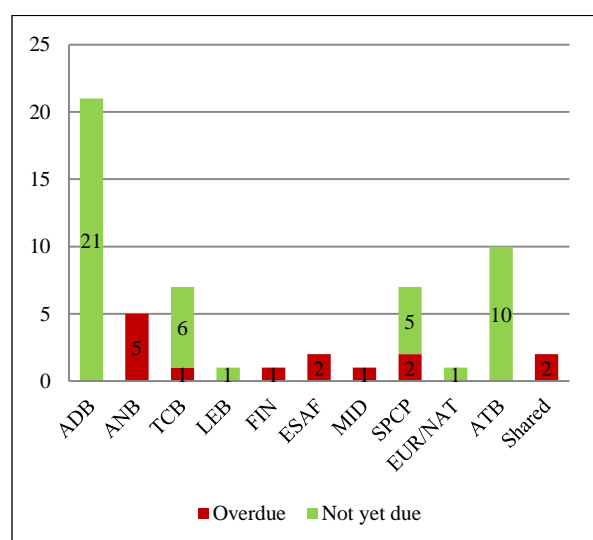
#### 4. STATUS OF IMPLEMENTATION OF OVERSIGHT RECOMMENDATIONS

4.1 The table below illustrates the issuance and implementation of oversight recommendations during 2017:

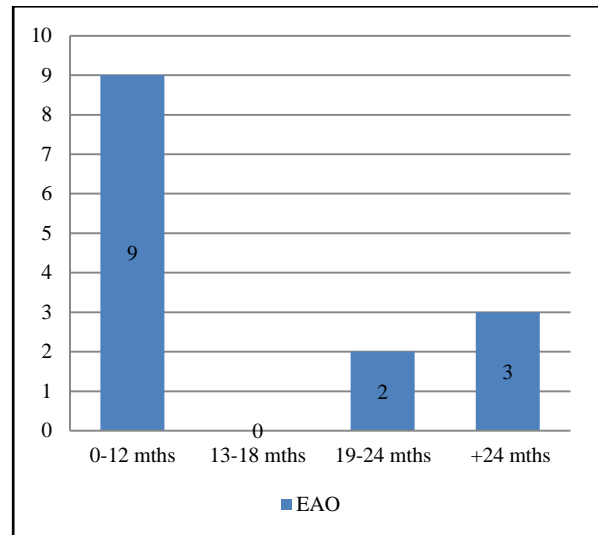
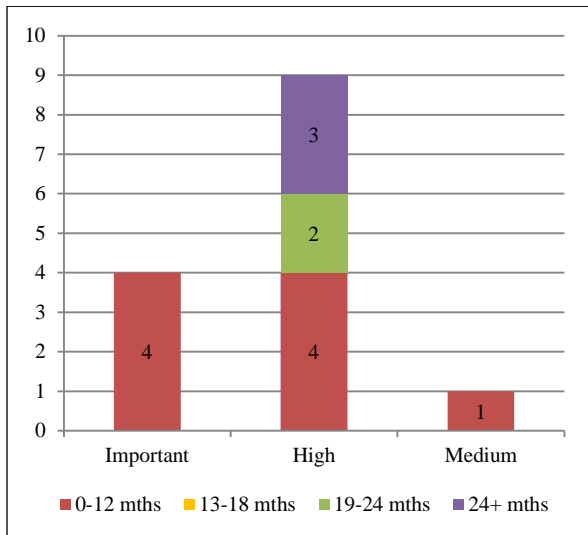
Source	Open as at 31/12/2016	Added during the year	Closed during the year	Open as at 31/12/2017
<b>EAO</b>	55	46	43	<b>58</b>
<b>External Audit</b>	6	20	2	<b>24</b>
<b>JIU</b>	9	54	42	<b>21</b>
<b>Total</b>	<b>70</b>	<b>120</b>	<b>87</b>	<b>103</b>

4.2 The dialogue between EAO and ICAO programme managers is continuous with regard to the implementation of recommendations. Timely implementation of oversight recommendations is of crucial importance since it helps reap the intended benefits in a timely manner and ensure that organizational learning objectives are achieved. EAO uses Symbiant, a web-based recommendations tracking system, to monitor and report on the implementation of oversight recommendations on a regular basis.

4.3 The charts below illustrate the outstanding (58 in total) and overdue (14 in total) EAO recommendations by organizational unit, as at 31 December 2017:



4.4 The charts below illustrate the overdue EAO recommendations by rating and aging, as at 31 December 2017:



## 5. CONSULTATIVE AND ADVISORY OVERSIGHT WORK

5.1 In addition to its core responsibilities, EAO continued to provide objective expert guidance and advice to improve the Organization’s operations and processes related to governance, risk management and control<sup>5</sup>. EAO provided the following advisory services during 2017:

- Advisory Committee on Gender Equality
- Administrative Instructions on ICAO Information Security
- Administrative Instructions on ICAO Internship Programme
- Administrative Instructions on Secondment
- Administrative Instructions on ARGF
- Vendor Sanctions Policy and Procedures

## 6. OTHER OVERSIGHT WORK

### 6.1 Audit of Aviareto Ltd and its operation of the International Registry of Aircraft Objects

6.1.1 Pursuant to a decision of the Council in June 2005 (C-DEC 175/16), ICAO accepted the role of Supervisory Authority of the International Registry of Aircraft Objects (IR). The main responsibilities of the Supervisory Authority include, inter alia, appointing/reappointing the Registrar, supervising the Registrar and the operation of the IR. Following a competitive tender, Aviareto Limited, an Irish-registered company located in Dublin, was selected to be the Registrar of, and to develop and operate, the IR.

6.1.2 EAO’s Senior Internal Audit Officer was part of an ICAO team, which visited Aviareto’s offices in Dublin to carry out a high level review of governance processes and key internal controls in four key areas: risk management; outsourcing of activities to third party vendors; incident management

<sup>5</sup> Paragraph 17 of the EAO Charter

and business continuity and disaster recovery. The audit team concluded that Aviareto has good controls and procedures in all areas reviewed, with no significant weaknesses.

## **7. COOPERATION WITH EXTERNAL OVERSIGHT BODIES**

### **7.1 Evaluation and Audit Advisory Committee (EAAC)**

7.1.1 EAO had the opportunity to discuss with the EAAC significant risks, control issues as well as governance matters included in the audit/evaluations reports issued during the reporting period.

7.1.2 EAO has benefitted significantly from the advice and support of the EAAC. EAO provided secretariat services to the EAAC and coordinated its three meetings during 2017.

### **7.2 External Auditor**

7.2.1 EAO has developed effective professional relations with the External Auditor. EAO has exchanged views with the External Auditors on matters of common interest, shared its oversight plan, and received feedback on its work plan and activities.

7.2.2 EAO is also responsible for coordinating the preparation of the Secretariat Action Plan to implement the External Auditor's recommendations (C-WP/14477) and for tracking and following up on the status of previously issued outstanding recommendations with the managers responsible for implementing them.

### **7.3 Joint Inspection Unit (JIU)**

7.3.1 As the focal point for liaison with the Joint Inspection Unit of the United Nations (JIU), EAO coordinated ICAO's input to 24 JIU reports at various stages of completion. This included commenting on terms of reference, coordinating the completion of questionnaires, reviewing draft reports, and coordinating the Secretariat's responses to recommendations and preparation of Secretariat Action Plans. EAO also monitors and periodically reports on the status of implementation of JIU recommendations.

7.3.2 In 2017, EAO presented working papers to the Council summarizing the recommendations and Secretariat Action Plans relating to ten JIU reports (see Appendix A).

7.3.3 EAO also presented working papers to the Council on the status of implementation of recommendations of the JIU (C-WP/14687) and the Report of the JIU for 2016 and programme of work for 2017 (C-WP/14627).

### **7.4 Ethics Officer**

7.4.1 EAO has developed effective working relations with the Office of the Ethics Officer. EAO and the Ethics Office share information on issues of common interest. EAO attends the regular meetings of the Council's WGGE discussions to share its views on improving the Ethics Framework at ICAO.

## **8. OTHER OVERSIGHT ACTIVITIES**

### **8.1 Networking with other oversight functions**

8.1.1 EAO's Charter includes specific provisions on liaising and cooperating with the internal oversight services of other organizations of the United Nations system and the Multilateral Financial Institutions. EAO recognizes the value and importance of developing relationships with its peers. During 2017, EAO continued its active and useful collaboration and networking with other United Nations system organizations and entities. EAO did not participate in the annual meeting of the United Nations Evaluation Group (UNEG) due to the departure of the previous Chief, EAO and the only Evaluation Officer.

8.1.2 In particular EAO actively participated in:

- The Annual Meeting of Representatives of Internal Audit Services of the UN system (UN-RIAS) in the Hague, The Netherlands from 28 to 31 August 2017.
- The Annual Meeting of UN Representatives of Investigative Services (UNRIS) in New York, USA on 10 October 2017.
- The Annual Conference of International Investigators (CII) in New York, USA from 11 to 13 October 2017.

### **8.2 EAO retreat**

8.2.1 EAO organized its first annual retreat to discuss its overall performance and work priorities for preparing the work planning for the period 2018 through 2020. EAO's risk assessment methodology considered the existing Corporate Risk Register, feedback received from the President and Representatives of the ICAO Council, the Secretary General and other senior staff.

### **8.3 Satisfaction surveys**

8.3.1 EAO continued to seek feedback from colleagues of audited/evaluated offices through client satisfaction surveys issued after each assignment. Starting in 2018, EAO will annually conduct an analysis of survey results to identify satisfaction rates and areas for improvement in the quality of its work and services provided.

### **8.4 Update of audit templates**

8.4.1 In an effort to align itself with the provisions of the IIA Standards and allow for effective management of the audit process, a number of key documents have been revised and/or updated. Updating of audit templates and the Audit Manual will continue in 2018 as part of EAO's preparatory work for an External Quality Assessment of its audit function in 2019.

### **8.5 Revision of the EAO monthly Dashboard**

8.5.1 The monthly dashboard was revised and improved based on feedback received from the Office of the Secretary General. The dashboard provides useful succinct information on EAO staffing, budgets as well as the status of work and implementation of oversight recommendations. Monthly updates of the EAO dashboard are made available to the Secretary General and the EAAC.

## 9. INDEPENDENCE OF EAO

9.1 EAO's Charter<sup>6</sup> requires the Chief, EAO to confirm to the ICAO Council, at least annually, the independence of the internal audit/evaluation activities.

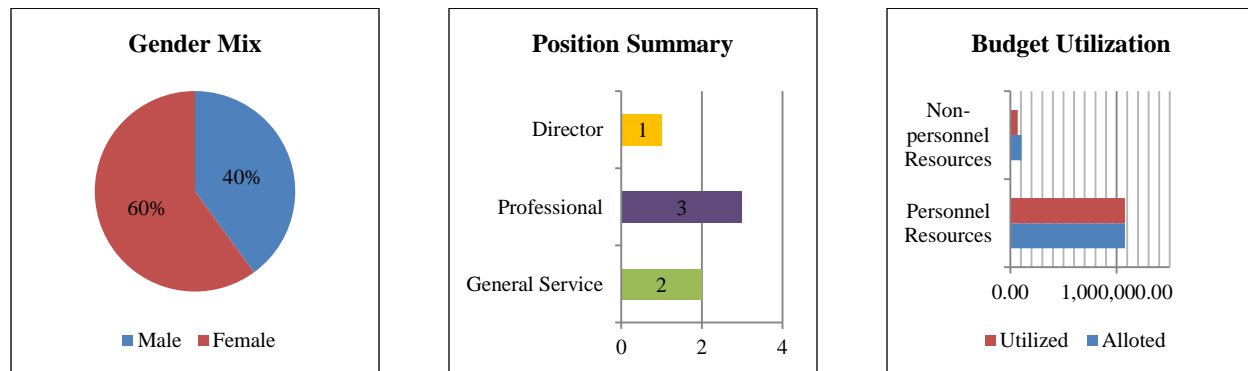
9.2 During the reporting period, no instance/activity occurred that could be considered as jeopardizing the operational independence of EAO. The scope of oversight activities has been decided by EAO based on risk assessment, comments and feedback received from ICAO Senior Management, the EAAC and Member States.

## 10. OVERSIGHT RESOURCES

### 10.1 Budget and staff

10.1.1 To discharge its mandate, EAO has been provided with a triennial budget of CAD \$3.67 million, which represents 1.2 per cent of ICAO's budget for the 2017-2019 triennium.

10.1.2 The charts below illustrate EAO's human and financial resources as at 31 December 2017.



10.1.3 The recruitment of the Chief, EAO was finalized in 2017 and the selected incumbent took up office on 1 July 2017.

10.1.4 The recruitment of the Evaluation Specialist was finalized in 2017 and the selected incumbent is expected to take office in February 2018.

10.1.5 At the time of writing of this report, the recruitment of the Administrative Associate was completed and the incumbent is expected to take office in February 2018..

### 10.2 Training

10.2.1 During 2017, EAO organized an in-house training on External Quality Assessment (EQA) for its audit function which will help EAO to prepare itself to initially conduct an internal assessment and go through an EQA in 2019.

<sup>6</sup> Paragraph 27 of the EAO Charter

10.2.2 In addition, EAO staff attended individual trainings on investigations, operational auditing, project management, etc. to enhance their knowledge and perform their duties in a more efficient and effective manner.

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**APPENDIX A**

**JIU REPORTS PRESENTED TO THE COUNCIL IN 2017**

1. Comprehensive review of United Nations system support for small island developing States: final findings” (C-WP/14644)
2. Evaluation of the contribution of the United Nations development system to strengthening national capacities for statistical analysis and data collection to support the achievement of the Millennium Development Goals (MDGs) and other Internationally-Agreed Development Goals (C-WP/14628)
3. Fraud prevention, detection and response in United Nations system organizations (C-WP/14629)
4. Review of the organizational ombudsman services across the United Nations system (C-WP/14583)
5. Comprehensive review of United Nations system support for small island developing States: initial findings (C-WP/14584)
6. Public information and communications policies and practices in the United Nations system (C-WP/14585)
7. Review of activities and resources devoted to address climate change in the United Nations system organizations (C-WP/14586)
8. Evaluation of mainstreaming of full and productive employment and decent work by the United Nations system organizations (C-WP/14587)
9. Succession planning in the United Nations system organizations (C-WP/14588)
10. Analysis of the evaluation function in the United Nations system (C-WP/14589)

— END —