International Civil Aviation Organization

WORKING PAPER

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

2016 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 2016 Report on the Activities of EAO.

Appendices A and B to the Report provide the status of implementation of recommendations made in previous EAO internal audit and evaluation reports.

Strategic Objectives:	This working paper relates to Supporting Implementation Strategies.
Financial implications:	N/A
References:	C-WP/14309

1. INTRODUCTION

1.1 In accordance with its Charter, 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. These core activities also include providing support to the Evaluation and Audit Advisory Committee (EAAC), and advisory services to the Secretariat.

1.2 In addition, EAO is also responsible for other administrative activities which do not form part of its core activities, but have been allocated to the Office for practical reasons. These activities include acting as the focal point between the Secretariat and the Joint Inspection Unit (JIU), and tracking and reporting on the status of implementation of recommendations of the External Auditor.

1.3 This report summarizes the activities carried out by EAO during 2016. Appendices A and B show the status of implementation of recommendations made in previous internal audit and evaluation reports respectively. The status of implementation of recommendations is as of the end of December 2016.

2. CORE ACTIVITIES

2.1 The 2016 work programme (C-WP/14309) 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, in 2016, one internal auditor was absent on maternity leave from mid-January to mid-September. Therefore EAO had only one internal auditor for most of the year and one evaluator.

Internal Audits	**Current Status**
Recruitment of experts for TCB projects	Final report issued (para 3.3)
Middle East Regional Office	Draft report issued
Use of secondees and interns	Audit in progress
Traveller Identification Programme (TRIP)	Audit carried forward to 2017
Environment Fund	Audit postponed
Systems Development Life Cycle	Audit postponed due to lack of IT audit resources
Evaluations	
Selected programme activities of the South American Office	Final report issued (para 4.2)
ICAO’s partnership with UN organizations and agencies	Evaluation in progress

2.2 In addition, two internal audits and one evaluation carried forward from the 2015 work programme were completed in 2016.

Internal Audits	**Current Status**
Aviation Security (AVSEC) Fund	Final report issued (para 3.4)
Ancillary Revenue Generation Fund (ARGF) governance	Final report issued (para 3.5)
Evaluations	**Current Status**
Member States’ Needs and Expectations	Final report issued (para 4.3)

2.3 Under the ICAO Framework on Ethics, EAO is responsible for investigating any cases of misconduct of a financial nature referred to Chief, EAO by the Ethics Officer, after approval by the Secretary General. During 2016, EAO carried out one investigation and two preliminary reviews. Further information on investigations conducted in 2016, together with the outcome of these, and the actions taken, is contained in the Annual Report of the Ethics Officer (C-WP/14575).

3. INTERNAL AUDIT REPORTS COMPLETED IN 2016

3.1 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". Internal audit reports issued prior to this date continue to be available to Council representatives under the previous policy set out in paragraph 20 of the EAO Charter. This policy allows consultation of completed internal audit reports in the offices of EAO following receipt of a request addressed to the Chief, EAO.

3.2 A brief summary of all internal audit reports completed in 2016 is given in the paragraphs below. In each case, appropriate recommendations were made to address each of the audit findings. Beginning in 2014, EAO started to provide an overall rating on the results of each audit. The rating given is one of the following: 'effective', 'some improvement needed', 'major improvement needed', or 'unsatisfactory'.

3.3 Audit of the Recruitment of Experts for TCB Projects

3.3.1 The objective of this audit was to review the adequacy and effectiveness of internal controls relating to the recruitment of experts and other personnel for technical cooperation projects. The audit covered the recruitment of international experts and consultants who were deployed during the period 1 January 2015 to 15 April 2016. For locally recruited personnel, the audit covered the financial year 2015. Based on the results of the audit, EAO gave a rating of 'some improvement needed'. The audit concluded that compliance with documented recruitment procedures was good, however there was room to improve the efficiency and effectiveness of internal work processes within TCB. Findings from the audit showed that recruitment requests are often submitted as high priority and/or urgent, and do not factor in the necessary lead time to complete all the required procedures, or take into account the current workload in the Field Personnel Section. This is often exacerbated because of unrealistic expectations from client States. The audit found that inefficiencies, delays and wasted efforts were caused by changing requirements; lack of project funds or other essential prerequisites; cancellation of requests once the recruitment process had been started; or lack of responses from State authorities. Some of these problems were not entirely within the direct control of TCB. Recommendations made by EAO include the need to improve internal planning and the efficiency of administrative procedures; to expand the use of automated tools and reports; to take active steps to increase the roster of experts; and to strengthen the oversight by TCB of the recruitment process for locally recruited national project personnel.

3.4 Audit of the Aviation Security (AVSEC) Fund

3.4.1 The objective of this audit was to assess the adequacy of the governance and management of the AVSEC Fund. EAO provided an audit rating of 'some improvement needed', which is underpinned by eight audit recommendations. The findings and recommendations related to: the need to finalise the Fund's terms of reference in order to reinforce governance arrangements; the need to review and strengthen the role and authority of the Project Review Committee; and the need to establish a policy to encourage more voluntary contributions, and a detailed plan of action which identifies the projects to be implemented under the AVSEC Fund, in order to highlight where funding is required. At least eleven supernumerary posts are being funded by the AVSEC Fund which accounts for a significant amount of the un-earmarked AVSEC Funds. A more appropriate balance is thus required between the financing of on-going posts and actual assistance activities. The Aviation Security Improvement Plans, which are the lead drivers of expenditures for the provision of assistance to States, could be improved by enhancing their design and clarity to ensure that their implementation can be effectively monitored. There is also a need to improve reporting to Council by presenting qualitative data related to assistance activities, and a need to develop adequate and comprehensive reporting tools for budgets, actuals and projections for such activities.

3.5 Audit of Ancillary Revenue Generation Fund (ARGF) Governance

3.5.1 The objective of this audit was to assess the adequacy and effectiveness of ARGF governance arrangements and related internal controls. The audit was completed in March 2016 and covered the activities of the ARGF up to 31 December 2015. Based on the results of the audit, EAO gave a rating of 'major improvement needed'. Areas for improvement included the need to formulate a long-term strategy and more detailed working level business/operational plans for ARGF activities; to clearly assign individual managerial responsibilities and accountability for the various ARGF activities; to formally document operating guidelines and procedures; to identify, manage and monitor risks; and to account for expenditures consistently from one year to the next. EAO has also recommended that the Revenue and Product Management Section prepare a human resources plan, which clearly defines core staffing and consultancy requirements; that performance against the business plan is assessed, and that meaningful KPIs are tracked and reported on.

3.5.2 The first draft of this report was completed and issued to the auditee at the end of April 2016. The clearance process was particularly difficult and was delayed for several months due to ongoing discussions between the Secretariat and EAO. There was also a disagreement with one recommendation in particular. EAO has maintained its position with regard to this recommendation and the difference of opinion is explained in the audit report. The final version of the audit report was completed and posted on the Council website at the beginning of February 2017.

3.6 Evaluation of Selected Programme Activities of the South American Regional Office

3.6.1 The objective of the evaluation was to assess the relevance, efficiency, effectiveness, sustainability and outcomes achieved of the assistance delivered to the Uruguayan civil aviation authorities from 2011 to 2016. The evaluation also identified success factors and challenges in delivering such assistance by the South American Regional Office, as well as progress towards implementing the goals of the Bogotá Declaration by Uruguay. A detailed summary of the evaluation, together with the Secretariat's response to the recommendations made in this report, is contained in C-WP/14576, to be presented to the Council at its 210th Session.

3.7 Evaluation of Member States' Needs and Expectations

3.7.1 The objective of the evaluation was to assess the effectiveness of ICAO's engagement with Member States, ICAO's strategic direction and the operational and strategic needs of Member States. The evaluation also examined perceptions towards the "No Country Left Behind" initiative and identified factors that related to successful and less successful project delivery. A detailed summary of the evaluation, together with the Secretariat's response to the recommendations made in this report, is contained in C-WP/14467, presented to the Council at its 208th Session.

5. SECRETARY GENERAL'S COMMENTS ON EAO REPORTS COMPLETED IN 2016

5.1 The results of all internal audits and evaluations have been discussed with EAO. In each case, Secretariat Action Plans are prepared and incorporated in the final version of the report. The Action Plans include managers' comments on the various recommendations made, and details of the proposed actions which the Secretariat is planning to take to implement them.

6. NON-CORE ACTIVITIES

6.1 Liaison with the Joint Inspection Unit

6.1.1 As the focal point for liaison with the Joint Inspection Unit of the United Nations (JIU), EAO coordinated ICAO's input to 16 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.

6.1.2 In 2016, EAO presented three working papers to the Council summarizing the recommendations and Secretariat Action Plans relating to the following JIU reports:

- An Analysis of the Resource Mobilization Function within the United Nations System (C-WP/14409)
- Contract management and administration in the United Nations system (C-WP/14534)
- Use of non-staff personnel and related contractual modalities in the United Nations system organizations (C-WP/14535)

6.1.3 EAO also presented working papers to the Council on the status of implementation of recommendations of the JIU (C-WP/14533) and the Report of the JIU for 2015 and programme of work for 2016 (C-WP/14496).

6.2 Liaison with the External Auditor

6.2.1 EAO is 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. STATUS OF IMPLEMENTATION OF EAO'S RECOMMENDATIONS

7.1 The status of implementation of recommendations issued by EAO in 2016 and prior years is summarized in the tables shown in Appendices A and B. 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 updates. It should be noted that some recommendations are considerable in scope and may take a number of years to implement in full.

7.2 The table below illustrates the progress made by the Organization in addressing the recommendations issued by EAO. As at 31 December 2016, the majority of accepted recommendations issued in 2013, 2014 and 2015 were closed, while 36 per cent of accepted recommendations issued in 2016 were closed.

Category	**Status**	**No. of recommendations issued by EAO each year**			
		2013	**2014**	**2015**	**2016**
Internal Audit	Not accepted	3	7	0	1
	Implemented	28	85	42	8
	In progress	2	0	6	10
	Sub-total issued	*33*	*92*	*48*	*19*
Evaluation	Not accepted	1	1	2	0
	Implemented	4	20	14	1
	In progress	0	0	3	6
	Sub-total issued	*5*	*21*	*19*	*7*
All EAO	**Total issued**	**38**	**113**	**67**	**26**
	Extent of Implementation as at 31/12/16	94%	100%	86%	36%

7.3 When discussing the 2014 Report on the activities of the Evaluation and Internal Audit Office, the Council requested Chief EAO to present a proposal for providing Council Representatives with regular information on the status of audit, evaluation and JIU recommendations (C-DEC 204/3). Pursuant to this, EAO developed a mechanism whereby summary information on the status of recommendations from evaluation, internal audit and external audit reports is made available to the Council through tables posted in the Council website. These tables can be found in the folder called “Status of Recommendations”.

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APPENDIX A

STATUS OF IMPLEMENTATION OF RECOMMENDATIONS MADE IN INTERNAL AUDIT REPORTS

Final report issued MM/YY	Title	Total no. of recommendations	Not accepted	Implemented/ closed prior to 31/12/15	Implemented/ closed in 2016	In progress at 31/12/16	Completion of accepted recommendations at 31/12/16	No. of long-outstanding recommendations[1]
01/17	Audit of recruitment of experts for TCB projects	10	-	N/A[2]	-	10	0%	-
01/17	Audit of ARGF governance	11	1	N/A[2]	-	10	0%	-
12/16	Audit of AVSEC Fund	8	-	N/A[2]	6	2	75%	-
01/16	Audit of consultants	11	1	N/A[2]	2	8	20%	-
08/15	Audit of the Commissariat	15	-	3	9	3	80%	1
06/15	Audit of the Bangkok Regional Office and Beijing Sub-Office	13	-	3	9	1	92%	-
04/15	Audit of IT project management	7	-	5	2	-	100%	-
04/15	Audit of the procurement of goods and services for ICAO headquarters' needs	13	-	8	3	2	85%	2
11/14	Audit of the Lima Regional Office	8	-	6	2	-	100%	-
07/14	Audit of the Nairobi Regional Office	8	-	7	1	-	100%	-

[1] Long-outstanding recommendations have been defined as those where the target date for implementation was prior to 1 July 2016
[2] Report issued after 31/12/15

Final report issued MM/YY	Title	Total no. of recommendations	Not accepted	Implemented/ closed prior to 31/12/15	Implemented/ closed in 2016	In progress at 31/12/16	Completion of accepted recommendations at 31/12/16	No. of long-outstanding recommendations[1]
06/14	Audit of Agresso security and access controls	9	1	7	1	-	100%	-
03/14	Audit of fixed assets/ inventory control	10	-	8	2	-	100%	-
01/14	Audit of the Mexico Regional Office	21	5	14	2	-	100%	-
12/13	Audit of travel management	11	2	6	1	2	78%	2
12/13	Audit of IT strategic planning and governance	15	1	12	2	-	100%	-
10/12	Audit of the Paris Regional Office	18	-	16	-	2	89%	1
05/12	Audit of TCB consultants	10	-	7	2	1	90%	1
12/11	Audit of IT security, availability and continuity	11	-	10	1	-	100%	-
		209	**11**	**112**	**45**	**41**	**79%[3]**	**7**

[1] Long-outstanding recommendations have been defined as those where the target date for implementation was prior to 1 July 2016
[3] No. of accepted recommendations implemented/closed (157/198)

APPENDIX B

STATUS OF IMPLEMENTATION OF RECOMMENDATIONS MADE IN EVALUATION REPORTS

Final report issued MM/YY	Title	Total no. of recommendations	Not accepted	Implemented/ closed prior to 31/12/15	Implemented/ closed in 2016	In progress at 31/12/16	Completion of accepted recommendations at 31/12/16	No. of long-outstanding recommendations[1]
01/17	Evaluation of Selected Programme Activities of the SAM Office	5	-	N/A[2]	-	5	0%	-
05/16	Evaluation of Member States' Needs and Expectations	7	-	N/A[2]	1	6	14%	-
09/15	Evaluation of the AFI Plan	10	-	-	8	2	80%	2
09/15	Evaluation of External stakeholder perspectives on ICAO	9	2	-	6	1	86%	1
08/14	Evaluation of succession planning	10	-	7	3	-	100%	-
12/13	Evaluation of Results Based Management	5	1	3	1	-	100%	-
		46	**3**	**10**	**19**	**14**	**67%**[3]	**3**

[1] Long-outstanding recommendations have been defined as those where the target date for implementation was prior to 1 July 2016
[2] Report issued after 31/12/15
[3] No. of accepted recommendations implemented/closed (29/43)

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