



International Civil Aviation Organization

## WORKING PAPER

C-WP/13705

26/1/11

(Information paper)

### COUNCIL — 192ND SESSION

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

#### **2010 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 2010, 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 working paper relates to all Strategic Objectives and Supporting Implementation 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/13444 C-WP/13676

## 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 2010 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 189th Session i.e. from January 2010 to January 2011. The status of implementation of recommendations is as of the end of December 2010.

## 2. OVERVIEW OF THE 2010 WORK PROGRAMME

2.1 The 2010 work programme (C-WP/13444) included the following planned internal audits and evaluations:

- a) testing of procedures and accounting data relating to the implementation of IPSAS;
- b) an audit of consultant contracts;
- c) a performance audit of language services;
- d) a performance audit of TCB budgetary and financial management processes;
- e) an evaluation of the Safety and Security Oversight Audit Programmes;
- f) an evaluation of Results Based Management.

2.2 Of the planned work programme, c) and e) from the above list were completed. In the case of language services, an audit of interpretation services was completed in 2010, and an audit of translation services has been included in the 2011 work programme. Also, following the allocation of additional funds to EAO for consultancy support, an audit of the Agresso financial accounting system was completed.

2.3 Additionally, a report on procurement carried forward from the 2009 work programme was completed in 2010 and, at the request of UNDP, an audit of a TCB project in Somalia was carried out. The draft report for the latter is currently being finalized. An evaluation of mission travel requested by the Council in C-DEC 187/12 was also started. A summary of the results of this evaluation will be presented to the Council in the 193rd Session.

2.4 The audit of consultant contracts and the evaluation of Results Based Management were deferred to the 2011 work programme, the latter at the request of the Finance Branch. An audit of IPSAS procedures and accounting data was removed from the work programme due to the fact that an audit of IPSAS was completed by the External Auditor in September 2010. The planned audit of TCB budgetary and financial management processes was also removed from the work programme since TCB was going through a transition in this area during 2010.

2.5 Various other activities are undertaken on an ongoing basis such as support to the Advisory Group on Evaluation and Audit (AGEA); coordination of actions plans to implement the recommendations of the External Auditor; coordination and dissemination of Joint Inspection Unit (JIU) reports; and follow-up of all recommendations made by EAO, the External Auditor and the JIU. A database to track the implementation of these recommendations was completed and became operational in 2010.

### **3. EAO REPORTS**

#### **3.1 Audit of Field Procurement**

3.1.1 This audit examined the procedures and internal controls relating to the purchase of goods and services for TCB projects, 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.

3.1.2 The report contained 24 recommendations, including the need to finalize the revision of the Procurement Code and the completion of a Procurement Procedures Manual, and apply the necessary changes to working practices and administrative procedures; to manage potential risks and conflicts of interest associated with providing technical assistance on a cost recovery basis; to strengthen internal controls relating to procurement undertaken locally; to review the use and work of external consultants involved in procurement activities; to provide better advice to States at the planning stage of a procurement action; to request early deposit of funds by client States; to clarify responsibilities for the management of contract implementation; and to strengthen the oversight function of the Contracts Board.

#### Comments of the Secretary General

3.1.3 The Procurement Section has taken steps to strengthen internal controls relating to the procurement function and has implemented many of the recommendations contained in EAO's report. In particular, the Procurement Code has been revised and a Procurement Procedures Manual has been developed. Also during 2010, all procurement staff attended a procurement training course run by UNDP, which is accredited by the Chartered Institute of Purchasing and Supply.

#### **3.2 Audit of Interpretation Services**

3.2.1 The objective of this audit was to review the current resources, demands and outputs for interpretation services with a view to identifying capacity constraints and potential productivity gains.

3.2.2 The main finding from the audit was that because there is no comprehensive computerised work scheduling system for planning and recording the different aspects of an interpreter's working week, it is not possible to reliably calculate how much spare capacity there is for interpreters to undertake translation work and therefore to conclude how effectively interpretation resources are used. Based on manual statistics produced by the Interpretation Section, it would appear that any spare capacity is limited. Better planning and work scheduling should lead to a more effective use of interpreters' time, however any significant productivity gains are only likely to be made by reducing the number of meetings held and the number of languages requiring interpretation.

3.2.3 EAO has recommended that LPB develop an appropriate computerised work scheduling tool and that this IT tool should be capable of generating complete and accurate statistics on numbers and types of meetings held, and other relevant management information, such as the use of freelance interpreters.

Comments of the Secretary General

3.2.4 The findings in this report are accepted and steps will be taken to develop and implement a computerised tool to facilitate and improve the coordination of interpretation and translation services and to enable the automatic collection of comprehensive statistics relating to all meetings held and the use of both staff interpreters and freelance interpreters.

3.3 **Audit of Agresso Phase 1**

3.3.1 The principal objectives of this audit, which was carried out by an external consultant, were to assess the adequacy and appropriateness of the processes and internal controls in the Agresso Phase 1 applications (accounts payable, accounts receivable, general ledger, procurement and project cost and billing), and the effectiveness, efficiency and sustainability of these applications.

3.3.2 The report included 15 recommendations to address weaknesses in internal controls, such as improved segregation of duties, management review, and system design and documentation; and five recommendations to increase the effectiveness and efficiency of the application's usage, such as the need to review and streamline business processes in order to take better advantage of Agresso functionalities, and to provide greater training and support to users.

Comments of the Secretary General

3.3.3 The findings of this report are being addressed by management and a number of the recommendations pointing to internal control weaknesses have already been implemented.

3.4 **Evaluation of USOAP**

3.4.1 The objective of the evaluation was to establish whether and to what extent the Universal Safety Oversight Audit Programme (USOAP) made a difference in participating countries by improving the safety oversight systems of States and ultimately by diminishing the actual number of accidents by country and region. This is the first impact evaluation prepared by EAO on a major programme of ICAO and was done with the assistance of an expert seconded from the Italian Civil Aviation Authority (ENAC). A summary of the results of this evaluation is being presented separately to the Council in C-WP/13676 and a copy of the full report will be available on the Council website.

Comments of the Secretary General

3.4.2 The Secretary General's comments and action plan relating to this evaluation are being presented separately to the Council in Appendix B to C-WP/13676.

4. **CONSULTANCY AND COORDINATION ACTIVITIES**

4.1 **Implementation of Risk Management**

4.1.1 During 2010, with the help of an external consultant, EAO organized two seminars on risk management for members of the Senior Management Group and for staff in ICT. Additional support and guidance was also provided to various offices and bureaus to enable them to develop and implement risk registers and risk management processes for their individual areas of responsibility.

4.1.2 As reported in C-WP/13645, risk management will be applied to all programmes within the Business Plan process. Initially ANB will provide a risk assessment on Strategic Objective – Safety for 2011. For organizational risks at the enterprise level, risk assessments and management plans will be prepared for the 2012 Business Plan by Finance, ICT, Procurement and subsequently also by HR.

#### **4.2 Other advice and support to Management**

4.2.1 During the year, EAO staff participated in a working group to provide advice and assistance to ADB in the development of an ethics framework for ICAO. This proposed new framework will be presented to the Council at its 193rd Session. EAO staff also participated in a working group to revise the Procurement Code and as an observer at meetings of the IPSAS Sponsors Group.

#### **4.3 Liaison with the JIU**

4.3.1 As the focal point for liaising with the Joint Inspection Unit of the United Nations (JIU), EAO continues to coordinate the necessary inputs to JIU reviews and to disseminate JIU reports and recommendations within the Organization. EAO focused on leveraging value from JIU reports. Increased communication and collaboration with the JIU had a positive effect on the choice of studies selected in 2010, most of which focused on areas of relevance to ICAO. In addition, a more proactive role played by EAO to review and discuss JIU recommendations with ICAO stakeholders improved benchmarking against best practice guidelines in such areas as management of internet websites and environmental management practices. In 2010, EAO coordinated ICAO's input to 21 JIU reviews at various stages of implementation. In addition, working papers were produced as follows:

- a) Review of Management of Internet Websites in the UN System Organizations (C-WP/13578);
- b) Review of Information and Communication Technology (ICT) Hosting Services in the UN System Organizations (C-WP/13602);
- c) Report of the JIU entitled "Towards More Coherent UN System Support to Africa" C-WP/13604;
- d) Follow-up to JIU recommendations within ICAO (C-WP/13657); and
- e) Report of the JIU for 2009 and programme of work (C-WP/13658).

#### **4.4 Liaison with the External Auditor**

4.4.1 EAO 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 managers responsible for implementing them, and provides an annual status report to the Council (C-WP/13570).

4.4.2 EAO is also responsible for coordinating the preparation of Secretariat action plans which are completed to respond to each of the audit reports issued by the External Auditor. In 2010 action plans were presented to the Council on the audits of TCB (C-WP/13528) and the recruitment of professionals (C-WP/13569). Coordination between ICAO and the External Auditor has much improved in 2010.

#### 4.5            **Sealed tenders**

4.5.1            Responsibility for opening and recording sealed tenders was transferred from EAO to ADB effective 1 June 2010. In the period 1 January to 31 May 2010 EAO handled 28 sealed tenders and prepared revised procedures for the future handling of sealed tenders in consultation with ADB and TCB.

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

5.1            The status of implementation of EAO's recommendations made during 2010 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 and subsequent discussions. The real status of some of the recommendations cannot be verified until a follow-up audit is undertaken. Where appropriate, follow-up audits will be undertaken as resources permit. It should be noted that some recommendations 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 72 recommendations under implementation as at 31 December 2010. This compares with 79 as at 31 December 2009. A total of 64 recommendations were implemented or closed in 2010, compared to 35 in the previous year. The extent of completed recommendations as at 31 December 2010 was 74 per cent compared with 68 per cent as at 31 December 2009. In spite of this positive development and repeated efforts to reduce the number of outstanding recommendations, a too large number of recommendations older than two years, mostly in various parts of ADB, are still not implemented or closed (28 as at 31 December 2010 compared with 27 as at 31 December 2009).

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## ATTACHMENT

## STATUS OF IMPLEMENTATION OF RECOMMENDATIONS MADE IN EAO REPORTS

Report finalised MM/YY	Title	Total no. of recommendations	Under implementation at 31/12/09	Extent of completion at 31/12/09	Implemented/ closed in 2010	Under implementation at 31/12/10	Extent of completion at 31/12/10	Extent of uncompleted recommendations over 2 years old
12/10	Evaluation of USOAP	8	N/A <sup>1</sup>		-	8	-	N/A
12/10	Audit of Interpretation Services	5	N/A <sup>1</sup>		-	5	-	N/A
12/10	Audit of Agresso Phase 1	20	N/A <sup>1</sup>		17	3	85%	N/A
10/10	Audit of Field Procurement	24	N/A <sup>1</sup>		16	8	67%	N/A
10/09	Report on the Commissariat Fund	2	2	-	2	- completed	100%	N/A
06/09	Report on the Ancillary Revenue Generation Fund (ARGF)	16	12	25%	5	7	56%	N/A
02/09	Report on the Evaluation of Staff Contracts	31	23	26%	10	13	58%	N/A
04/08	Report on the audit of Cell Phones	7	2	71%	1	1	86%	14%
01/08	Report on the Audit of the Conference and Other Facilities Fund	15	4	73%	1	3	80%	20%
01/08	Report on the Evaluation of the Aviation Security Plan of Action	27	9	67%	1	8	70%	30%
06/07	Report on the Evaluation of Publications Sales and Marketing Activities	33	9	73%	2	7	79%	21%
12/06	Audit of the Financial Statements for the ICAO Commissariat for the years ended 2004 and 2005	13	2	85%	1	1	92%	8%
05/06	TCB – Follow up of External Auditor's Recommendations	12	5	58%	-	5	58%	42%

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<sup>1</sup> Report finalised in 2010

<b>Report finalised MM/YY</b>	<b>Title</b>	<b>Total no. of recommendations</b>	<b>Under implementation at 31/12/09</b>	<b>Extent of completion at 31/12/09</b>	<b>Implemented/closed in 2010</b>	<b>Under implementation at 31/12/10</b>	<b>Extent of completion at 31/12/10</b>	<b>Extent of uncompleted recommendations over 2 years old</b>
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%
12/04	Report on the Evaluation of the Training on Further Development of Senior Management Skills	4	1	75%	1	- completed	100%	-
12/04	Report on the Evaluation of ICAO General Service (GS) Recruitment	4	3	25%	2	1	75%	25%
02/03	Audit on Management of Information Technology and Information Systems	29	3	90%	3	- completed	100%	-
02/03	Audit of Procurement	16	2	88%	2	- completed	100%	-
		<b>281</b>	<b>79</b>	<b>68%<sup>2</sup></b>	<b>64</b>	<b>72</b>	<b>74%</b>	<b>16%<sup>3</sup></b>

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<sup>2</sup> Total no. of recommendations implemented/closed as at 31/12/09 (166) divided by total no. of recommendations as at 31/12/09 (245)

<sup>3</sup> Total no. of uncompleted recommendations in reports over 2 years old (28) divided by total no. of recommendations in reports over 2 years old (175)