



International Civil Aviation Organization

WORKING PAPER

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(Information paper)

COUNCIL — 207TH SESSION

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

2015 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 2015, together with the comments of the Secretary General on internal audit and evaluation reports completed during the year.

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

| | |
|--------------------------------|---|
| <i>Strategic Objectives:</i> | This working paper relates to Supporting Implementation Strategy – Management and Administration – Evaluation and Internal Audit. |
| <i>Financial implications:</i> | N/A |
| <i>References:</i> | C-WP/14190 C-DEC 203/7 C-DEC 149/12 Doc 10022, <i>Assembly Resolutions in Force</i> (as of 4 October 2013) A31-2 & A32-1 |

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 2015. 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 2015.

2. CORE ACTIVITIES

2.1 The 2015 work programme (C-WP/14190) included the following planned internal audits and evaluations. The status of each audit and evaluation is noted in the table below.

| Internal Audits | Current Status |
|---|--------------------------------|
| Bangkok regional office and Beijing sub-office | Final report issued (para 3.3) |
| Consultants | Final report issued (para 3.4) |
| Aviation Security (AVSEC) Fund | Draft report issued |
| Ancillary Revenue Generation Fund (ARGF) governance | Audit in progress |
| Global Aviation Training (GAT) activities | Audit in progress |
| Systems Development Life Cycle | Audit carried forward to 2016 |
| Staff recruitment procedures | Audit postponed |
| Evaluations | |
| Comprehensive Regional Implementation Plan for Aviation Safety in Africa (AFI Plan) | Final report issued (para 4.2) |
| Extent to which ICAO is meeting the needs and expectations of Member States | Evaluation in progress |

2.2 In addition, four internal audits and one evaluation carried forward from the 2014 work programme were completed in 2015.

| Internal Audits | Current Status |
|--|--------------------------------|
| Procurement of goods and services for ICAO headquarters' needs | Final report issued (para 3.5) |
| IT project management | Final report issued (para 3.6) |
| Commissariat | Final report issued (para 3.7) |
| Evaluations | Current Status |
| External stakeholder perspectives on ICAO | 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 2015, EAO was requested to carry out two investigations, both of which were completed by internal audit staff. Further information on investigations conducted in 2015, together with the outcome of these, and the actions taken, is contained in the Annual Report of the Ethics Officer (C-WP/14349). It should be noted that the investigation activities carried out by EAO in 2015 represented a workload equivalent to 1.5 audits.

3. INTERNAL AUDIT REPORTS COMPLETED IN 2015

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 2015 is given in the paragraphs below. In each case, appropriate recommendations were made to address each of the audit findings. Beginning in 2014, EAO has 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 Bangkok Regional Office and Regional Sub-office in Beijing

3.3.1 The objective of this audit was to review the financial procedures and related internal controls at the APAC regional office and regional sub-office in order to assess whether transactions were being correctly and accurately recorded in Agresso; applicable policies, rules and procedures were being followed; and assets and financial resources were being well-managed. The audit covered the period from January 2014 to March 2015. Based on the results of the audit, EAO gave a rating of 'some improvement needed'. The main audit findings at the regional office were: financial procedures and controls were generally sound, however there is scope to streamline manual and automated procedures in order to avoid duplication and increase efficiency; contracts for some outsourced services need to be re-tendered; the monitoring and payment of overtime needs to be strengthened; and inventory records need to be updated. For the regional sub-office: full compliance with the requirements of the ICAO Procurement Code is needed in future; formal agreements need to be in place between ICAO and the sponsoring State for all secondees; and performance appraisals should be completed for secondees. In addition to addressing these issues, EAO has recommended that the Secretariat review and evaluate the risks, and administrative constraints associated with the current basis on which the regional sub-office is staffed and financed, and consider whether an alternative model can be adopted for the next triennium.

3.4 Audit of Consultants

3.4.1 The objective of this audit was to review ICAO's use of individual consultants and to assess compliance with the provisions of the revised *Administrative Instructions on Contracts of Individual Consultants/Contractors* effective as of 15 November 2013. The audit covered consultants employed by Headquarters' bureaus and offices between January 2014 and May 2015. Based on the results of the audit, EAO gave a rating of 'major improvement needed'. Although many weaknesses identified in a previous audit of consultants carried out by EAO in early 2013 had been addressed and improvements had been made, there were a number of areas where little, or no progress had been made, and there was a continuing lack of compliance by bureaus/offices with certain important aspects of the *Administrative Instructions*. These included the continuous employment of consultants in ongoing roles, beyond the provisions laid down in the *Administrative Instructions*, as well as the approval of a large number of other exceptions and waivers. This inevitably weakens the authority and relevance of the *Administrative Instructions* and there is a risk that, if repeatedly granted, these exceptions will become the norm. Other audit findings included inadequate documentation to support the recruitment and selection process for consultants, and a lack of transparency regarding the calculation of monthly fees and lump sums. EAO also considers that Human Resources should carry out its review and oversight role of the recruitment process before individual contracts are signed, rather than retrospectively, as is the case at present; and that there is scope for Human Resources to take a more proactive role in supporting operational bureaus and in promoting standardization of practices.

3.5 Audit of the Procurement of Goods and Services for ICAO Headquarters' Needs

3.5.1 The objective of this audit was to assess whether procurement activities were being carried out in compliance with applicable regulations, rules and procedures; and whether economy and best value for money were being achieved. The scope of the audit covered purchase orders issued for headquarters' needs between January 2013 and September 2014. Based on the results of the audit, EAO gave a rating of 'unsatisfactory' due to significant weaknesses in the supplier registration and vetting process and to widespread breaches of the procurement rules by operational bureaus and offices when purchasing goods or services under CAN \$10,000 in accordance with the delegated authority granted to them under the ICAO Procurement Code. Consequently, there is a need for the Procurement Section to take a more proactive role in providing written guidance, advice and training to bureaus on all aspects of the procurement process for purchases below CAN \$10,000. Other audit findings included the need to significantly improve the time taken to complete the procurement process for purchases above CAN \$10,000; the need for better procurement planning by bureaus and involvement of the Procurement Section as a strategic partner in the initial budget setting process; and the need to expand competition and to reduce the number of sole source purchases.

3.6 Audit of IT Project Management

3.6.1 The objective of this audit was to assess the adequacy of the application of the project management framework (PRINCE2) adopted by the Information and Communication Technology Section (ICT) at ICAO. Based on the results of the audit, EAO gave an overall rating of 'some improvement needed'. The main audit findings were: the absence of a dedicated Project Management Officer and the lack of tailoring of the PRINCE2 methodology resulting in inconsistent practices by individual project managers; there is no formal process in place to capture, record, and approve changes to project baselines and to systematically review project benefits after a project is closed; time spent on projects by ICAO staff is generally not considered as a cost in the Business Case of a project, and is thus not tracked-this approach does not allow for the identification, monitoring and tracking of the full effort required to deliver projects. Although project budgets are included in project initiation documents, the associated costs have to be absorbed by the ICT operational budget which requires that project managers negotiate project funds for individual work packages or purchases on a case by case basis. In addition, the Project Board and other key roles in the project are not systematically defined for every project.

3.7 Audit of the Commissariat

3.7.1 The objective of this audit was to review the adequacy of the key controls supporting operations, reporting and compliance objectives of the Commissariat. Based on the results of the audit, EAO gave an overall rating of 'unsatisfactory'. The main audit findings were: the Board of Management of the Commissariat has not been convening on a regular and consistent basis; there is a lack of adequate documentation of roles and responsibilities, particularly with regard to key control points of the Commissariat's operations, managerial oversight and segregation of duties; a number of significant staff changes have taken place over the years, particularly in 2014 with regards to key Commissariat posts; job descriptions do not systematically reflect staff roles and responsibilities. Following the physical inventory count carried out for the year ending 31 December 2014, significant inventory discrepancies were observed between the physical count and the inventory system; reasons for the discrepancies could not be provided, and the inventory reconciliation could therefore not be performed. Weaknesses were also observed in the labelling, pricing, location and scanning of inventory items. Physical access to the Commissariat does not prevent unauthorised individuals from entering and carrying out purchases through authorised individuals. At the time of the audit, the 2015 Commissariat budget had yet to be finalised and endorsed by the Board of Management (this was done in September 2015), and there was no business plan to support the operations of the Commissariat.

4. EVALUATION REPORTS COMPLETED IN 2015

4.1 In the case of evaluations, ICAO policy is that, once finalized, a summary of the report, taking into account comments received from managers and the Secretary General, is presented to the Council, and the full report is published on the Council website.

4.2 Evaluation of the Comprehensive Regional Implementation Plan for Aviation Safety in Africa (AFI Plan)

4.2.1 The objectives of this evaluation were to independently review the design, management and governance of the AFI Plan programme; its performance and results achieved; its adaptability to the evolving needs of the region and its continued relevance; as well as opportunities for partnership and sustainability. The evaluation was intended to assist stakeholders to assess how best to steer the programme forward and to help them decide whether the AFI Plan should be extended beyond 2016. A detailed summary of the evaluation, together with the Secretariat's response to the recommendations made in this report, is contained in C-WP/14310, presented to the Council at its 206th Session.

4.3 Evaluation of External Stakeholder Perspectives on ICAO

4.3.1 Considering that ICAO's continued relevance partly hinges on its successful and effective engagement with the aviation industry, the evaluation sought to assess the extent of alignment of the strategic priorities of ICAO with those of its key aviation industry stakeholders, as well as the effectiveness of ICAO's engagement with the aviation industry. Three case studies were conducted, exploring the contribution of ICAO and the aviation industry to enhancing global airline flight tracking capabilities in the aftermath of the disappearance of the aircraft on flight MH 370; the strengthening of the global framework for aviation safety and air navigation; and the development of the ICAO Traveller Identification Programme (TRIP) and strategy. A detailed summary of the evaluation, together with the Secretariat's response to the recommendations made in this report, is contained in C-WP/14297, presented to the Council at its 206th Session.

5. SECRETARY GENERAL'S COMMENTS ON EAO REPORTS COMPLETED IN 2015

5.1 The results of all internal audits and evaluations have been discussed with EAO. In each case, Secretariat Action Plans have been 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 17 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 2015, EAO presented one working paper to the Council summarizing the recommendations and Secretariat Action Plan relating to the JIU report Post-Rio+20 Review of Environmental Governance within the United Nations System (C-WP/14255).

6.1.3 EAO also presented working papers to the Council on the status of implementation of recommendations of the JIU (C-WP/14311) and the Report of the JIU for 2014 and programme of work for 2015 (C-WP/14301).

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/14298) 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 2015 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 2015, the majority of accepted recommendations issued in 2012, 2013 and 2014 were closed, while 29 per cent of accepted recommendations issued in 2015 were closed.

| Category | Status | No. of recommendations issued by EAO each year | | | |
|----------------|---|--|-----------|------------|-----------|
| | | 2012 | 2013 | 2014 | 2015 |
| Internal Audit | Not accepted | - | 3 | 7 | - |
| | Implemented | 22 | 25 | 77 | 19 |
| | In progress | 5 | 5 | 8 | 29 |
| | <i>Sub-total issued</i> | 27 | 33 | 92 | 48 |
| Evaluation | Not accepted | - | 1 | 1 | 2 |
| | Implemented | - | 3 | 17 | - |
| | In progress | - | 1 | 3 | 17 |
| | <i>Sub-total issued</i> | - | 5 | 21 | 19 |
| All EAO | Total issued | 27 | 38 | 113 | 67 |
| | Extent of Implementation as at 31/12/15 | 81% | 82% | 90% | 29% |

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). Following consultations with the previous Chair of the Finance Committee, EAO has 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". More detailed information on the content and process for updating these tables was provided to all delegations in an e-mail sent by Chief EAO on 27 October 2015.

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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 31/12/14 | Implemented/ closed in 2015 | In progress at 31/12/15 | Completion of accepted recommendations at 31/12/15 | No. of long- outstanding recommendations¹ |
|--------------------------------------|---|-------------------------------------|---------------------|--|--|------------------------------------|---|---|
| 1/16 | Audit of consultants | 11 | - | N/A ² | N/A ² | 11 | 0% | - |
| 08/15 | Audit of the Commissariat | 15 | - | N/A ² | 3 | 12 | 20% | - |
| 06/15 | Audit of the Bangkok Regional Office and Beijing Sub-Office | 13 | - | N/A ² | 3 | 10 | 23% | - |
| 04/15 | Audit of IT project management | 7 | - | N/A ² | 5 | 2 | 71% | - |
| 04/15 | Audit of the procurement of goods and services for ICAO headquarters' needs | 13 | - | N/A ² | 8 | 5 | 62% | 2 |
| 12/14 | Audit of staff training | 11 | - | - | 11 | completed | 100% | - |
| 11/14 | Audit of the Lima Regional Office | 8 | - | 4 | 2 | 2 | 75% | 1 |
| 07/14 | Audit of the Nairobi Regional Office | 8 | - | 7 | - | 1 | 88% | 1 |
| 06/14 | Audit of Agresso security and access controls | 9 | 1 | 1 | 6 | 1 | 88% | 1 |
| 05/14 | Audit of the SAFE Fund | 13 | 1 | 11 | 1 | completed | 100% | - |

¹ Long-outstanding recommendations have been defined as those where the target date for implementation was prior to 1 July 2015

² Report issued after 31/12/14

| Final report issued MM/YY | Title | Total no. of recommendations | Not accepted | Implemented/ closed prior to 31/12/14 | Implemented/ closed in 2015 | In progress at 31/12/15 | Completion of accepted recommendations at 31/12/15 | No. of long-outstanding recommendations ¹ |
|------------------------------|---|------------------------------|--------------|--|--------------------------------|-------------------------|--|--|
| 03/14 | Audit of fixed assets/ inventory control | 10 | - | - | 8 | 2 | 80% | 2 |
| 02/14 | Audit of staff absence monitoring | 12 | - | 6 | 6 | completed | 100% | - |
| 01/14 | Audit of the Mexico Regional Office | 21 | 5 | 14 | - | 2 | 88% | 1 |
| 12/13 | Audit of travel management | 11 | 2 | 6 | - | 3 | 67% | 3 |
| 12/13 | Audit of IT strategic planning and governance | 15 | 1 | 5 | 7 | 2 | 86% | - |
| 10/12 | Audit of the Paris Regional Office | 18 | - | 14 | 2 | 2 | 89% | 1 |
| 05/12 | Audit of TCB consultants | 10 | - | 7 | - | 3 | 70% | 3 |
| 12/11 | Audit of IT security, availability and continuity | 11 | - | 10 | - | 1 | 91% | - |
| | | 216 | 10 | 85 | 62 | 59 | 71%³ | 15 |

¹ Long-outstanding recommendations have been defined as those where the target date for implementation was prior to 1 July 2015

³ No. of accepted recommendations implemented/closed (147/206)

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 31/12/14 | Implemented/ closed in 2015 | In progress at 31/12/15 | Completion of accepted recommendations at 31/12/15 | No. of long-outstanding recommendations ¹ |
|------------------------------|---|------------------------------|--------------|--|--------------------------------|-------------------------|--|--|
| 09/15 | Evaluation of the AFI Plan | 10 | - | N/A ² | - | 10 | 0% | - |
| 09/15 | Evaluation of External stakeholder perspectives on ICAO | 9 | 2 | N/A ² | - | 7 | 0% | - |
| 08/14 | Evaluation of succession planning | 10 | - | - | 7 | 3 | 70% | 1 |
| 08/14 | Evaluation of TCB project KAZ/12/801 | 6 | - | 3 | 3 | completed | 100% | - |
| 12/13 | Evaluation of Results Based Management | 5 | 1 | 2 | 1 | 1 | 75% | - |
| | | 40 | 3 | 5 | 11 | 21 | 43%³ | 1 |

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¹ Long-outstanding recommendations have been defined as those where the target date for implementation was prior to 1 July 2015

² Report issued after 31/12/14

³ No. of accepted recommendations implemented/closed (16/37)