



**Internal Audit Report
on the
South American (SAM) Regional Office**

IA/2024/5

Office of Internal Oversight



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ACRONYMS

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| AI | Administrative Instruction |
| AGA | Aerodromes and Ground Aids |
| AIG | Accident and Incident Investigation |
| AIM | Aeronautical Information Management |
| AIS | Aeronautical Information Services |
| ATM | Air Traffic Management |
| ANS | Air Navigation Services |
| BIA | Business Impact Analysis |
| CAA | Civil Aviation Authority |
| CAMP | Civil Aviation Master Plan |
| CDI | Capacity, Development and Implementation |
| CNS | Communications, Navigation, and Surveillance |
| CPMR | Corporate Performance, Reporting and Monitoring tool |
| ERM | Enterprise Risk Management |
| ERP | Enterprise Resource Planning |
| FIN | Finance Branch |
| GREPECAS | CAR/SAM Planning and Implementation Regional Group |
| ICT | Information and Communication Technology |
| KPI | Key Performance Indicator |
| LACAC | Latin American Civil Aviation Organization |
| LAR | Latin America Aeronautical Regulations |
| MASD | Management Assurance Statement and Declaration |
| MET | Aeronautical Meteorology |
| OIO | Office of Internal Oversight |
| PACE | Performance and Competency Enhancement |
| PPE | Property, Plant and Equipment |
| RASG-PA | Regional Aviation Safety Group – Pan America |
| RBM | Results Based Management |
| REDDIG | Digital Communications Network for South America |
| RO | Regional Office |
| SAM | South American Regional Office |
| SAR | Search and Rescue |
| SoD | Segregation of Duties |
| SRVSOP | Special Voluntary Registry System for Safety Oversight Personnel (The regional safety oversight cooperation system) |
| UNDSS | United Nations Department of Safety and Security |
| UNICC | United Nations International Computing Centre |
| UNSDCF | United Nations Sustainable Development Cooperation Framework |
| USAP | Universal Security Aviation Program |
| USOAP | Universal Safety Oversight Audit Program |

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EXECUTIVE SUMMARY

1. As part of its annual work plan for 2024 (C-WP/15526), the Office of Internal Oversight (OIO) carried out an audit of the South American (SAM) Regional Office. The audit was conducted in conformance with the Global Internal Auditing Standards of the Institute of Internal Auditors.
2. The objectives of the audit were to assess the (i) overall effectiveness and efficiency of the Regional Office's (RO) operations with regard to planning, implementing and monitoring the strategic priorities, regional projects and operating plan activities based on the needs of the Member States in the region; (ii) governance, staffing levels, risk management and internal control assertions; and (iii) key internal controls in support services such as procurement, HR, information technology, financial/budgetary management, asset management, travel, safety and security, and business continuity planning.

Audit opinion and overall audit rating

3. Based on the results of the audit, OIO has given an overall audit rating of "Effective". OIO identified some areas for improvement during the audit, which are associated with risk management, segregation of duties, follow-up of action points from mission reports, ICT controls and asset management. OIO issued three recommendations in this report which are accepted by the Management. The Management Action Plan is available in Annex 3.

OIO found the following areas as satisfactory:

4. The SAM RO satisfactorily carries out duties and activities in accordance with its mandate. The external stakeholders interviewed by OIO confirmed that the SAM RO meets their expectations, and they were in general satisfied with the support they received from them. The SAM RO established a successful collaboration with the regional groups and commissions to ensure alignment between safety and air navigation priorities across the region, and to promote aviation safety, security, efficiency, and sustainability across South America.
5. The SAM RO is responsible for implementing three strategic regional projects relating to safety oversight mechanisms, developing a digital network, and a regional air transport management system. The regular monitoring assessment of these projects by member states outlined that the objectives of these projects were achieved. However, the office is not fully reimbursed for a dedicated project manager and the time of some technical officers involved in managing or supporting those projects, whose costs are fully funded by the limited regular budget, rather than budgeted as a direct project cost or reimbursed from project support costs. ICAO has finalized its cost recovery policy to address this important funding issue. Though not yet implemented, its principles should be observed in future regional projects or initiatives that incur managerial or support costs.
6. The SAM RO management has set up an adequate control environment and culture in the office and ensures its personnel are abreast of the standards of conduct, ethical values and fraud prevention.
7. The overall status of office infrastructure and facilities for organizing meetings is satisfactory and maintained well.

OIO identified some areas needing improvements:

8. OIO recommends that the SAM RO regularly report its achievements against defined deliverables and activities of the triennial operating plan and measure its performance against key performance indicators as defined in the performance management framework of the Business Plan 2023-2025. During the audit period, it was noted that reporting on the mid-year 2024 status of deliverables was delayed by the SAM RO. It was also observed that there were limited and fragmented efforts by Headquarters to monitor the performance against parameters set out in the triennial operating plan.
9. OIO observed recruitment delays and challenges in ensuring succession planning for normal staff turnover, particularly impacting key technical roles, which may hinder operational effectiveness. Additionally, the SAM RO needs to continue cross-checking its assertions made in the annual Management Assurance Statement and Declaration (MASD) using compliance-related reports and keep the evidence for potential peer validation by Headquarters. Some of the challenges were outside of the SAM RO control and are being addressed at the corporate level by the business process owners such as: i) HR that needs to streamline and shorten the end-to-end recruitment process and improve succession planning tools; and ii) Enterprise Risk Management (ERM) that needs to enhance guidelines and tools for MASD automation and validation.
10. While the SAM RO provides information to Headquarters on high-level risks for inclusion in the corporate risk register, they should develop a comprehensive risk register at the RO level, which will strengthen the practices of ERM and identify, document, and monitor risks specific to the SAM RO, including its operational regional challenges.
11. There is scope to enhance the established controls and good practices in areas related to staff development, asset management, procurement, information technology, where OIO raised recommendations and advisory notes through this report. Implementation of these recommendations and advisory notes will result in the strengthening of the internal control environment.

Acknowledgement

12. OIO wishes to thank management and staff for their assistance and cooperation during the audit.

RESULTS OF THE AUDIT

Introduction

13. The SAM RO is accredited to 13 ICAO Member States from South America. These States are considered very diverse in the level of their civil aviation system development and traffic density; the degree of harmonization and cooperation; and their institutional and regulatory arrangements.
14. The SAM RO undertakes missions to promote safe, efficient, environmentally sustainable, and economically viable aviation in the South American region. It collaborates with Member States and various entities to develop and implement regional civil aviation plans aligned with global plans established by ICAO. Additionally, the SAM RO promotes compliance with international standards and recommended practices, provides assistance activities, capacity building and awareness sessions, and manages regional cooperation programmes and projects, including the Regional Cooperation System for Safety Oversight (SRVSOP) and the Digital Communications Network for South America (REDDIG).
15. There are 23 staff positions (12 International staff and 11 General Services Staff) in the SAM RO. As of the end of October 2024, two professional positions¹ were vacant. Apart from the 23 posts, there are two gratis personnel² from Brazil.
16. The regular budget of the SAM RO for the 2023-2025 triennium is CAN \$9.92 million, mostly spent on personnel. Apart from regular budget, various other funding sources are utilized by the SAM RO namely, RO cost recovery fund, resource mobilization fund, and Aviation Safety fund.

Audit Objectives

17. The objectives of the audit were to assess:
 - a. strategic priorities' planning and implementation,
 - b. governance, risk management and control environment, and
 - c. the effectiveness of the operational controls.

Scope and Methodology

18. The scope of the audit covered activities and transactions in the period from January 2022 to June 2024.
19. The audit activities included a review and assessment of existing operating procedures and the compliance thereof, interviews with staff and external stakeholders, analysis of applicable data and a review of the available documents and other relevant records.

¹ Regional Officer (Aerodromes and Ground Aids) since September 2023, and Regional Officer (CNS) since September 2024

² Air Transport Expert (Economic Policy) and Accident and Incident Investigation (AIG) expert

Observations and recommendations

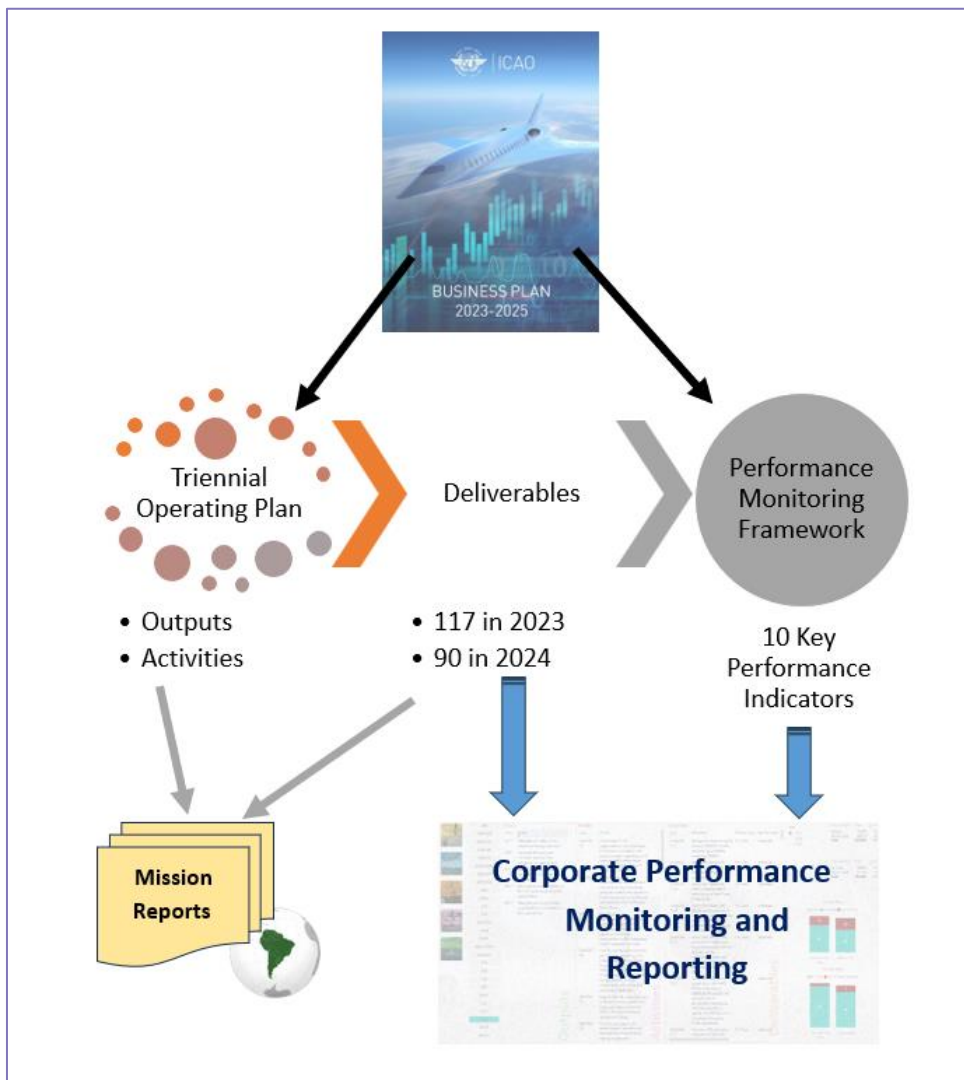
Section I: Planning and implementation of strategic priorities, coordination, advocacy and regional programme management

Expectations on SAM RO role and mandate

20. Office management well understands the mandate and role of SAM RO in the region. This was confirmed by the external stakeholders interviewed by OIO who were in general satisfied with the SAM RO support and confirmed that the RO meets their expectations. Some inherent risks in the SAM RO's mandate relate to the sustainability and institutionalization of the projects/support provided by SAM RO due to local context e.g. changes in the teams, leadership and other factors in Civil Aviation Authorities (CAAs) of the States. These challenges are also discussed in the observations related to risk management below.
21. OIO observed that the SAM RO is the only UNCT member in Peru who did not sign the United Nations Sustainable Development Cooperation Framework (UNSDCF). As ICAO has not yet joined the UNSDG process, the SAM RO cannot sign any country-specific UNSDCF. The Capacity Development and Implementation (CDI) has been involved in the cost-benefit analysis of ICAO's joining the UN-system SDG platform, which requires contributing to UNSDG funds and a 1% levy on country-specific earmarked projects. While awaiting the Headquarters decision regarding the UN SDG membership, OIO does not provide any specific recommendation to the SAM RO except for advice to explore if the SAM RO could contribute to the regional collaboration platforms in Latin America, which would be a better forum for the regional office.

Review of Triennial Operating Plan

22. The business plan of ICAO serves as a strategic document that outlines the organization's priorities, objectives, and resource allocation to support its mission of ensuring safe, secure, and sustainable international civil aviation. The current business plan is for the triennium 2023-2025. The Triennial Operating Plan (TOP) of SAM RO is derived from the high-level business plan. OIO reviewed the TOP of the SAM RO and analyzed the activities and deliverables for 2023 and 2024 to assess whether the activities and deliverables are aligned with the priorities of the ICAO Business Plan, and to assess how performance is monitored and reported against the operating plan objectives.
23. All the deliverables (117 in 2023 and 90 in 2024) defined against the activities of TOP are aligned with the strategic objectives and its outputs and activities. The deliverables are assigned to one or more technical officers. This is a positive step in the direction of implementing Results-Based Management (RBM) and ensuring accountability by linking the activities and deliverables to those technical officers, who are directly responsible for their implementation and outcomes.



(Infographic: Triennial Operating Plan and Performance Monitoring Framework)

Activities, deliverables and KPIs of 2023

24. The SAM RO is responsible for reporting the status of deliverables, whether achieved or not, through the CPMR tool. This reporting is done twice a year for the mid-year and the end-year status. Analysis of CPMR data showed that 35 deliverables of 2023 out of 117 (29.9%) could not be achieved. The reasons for not achieving and/or underachieving were also recorded by the SAM RO in CPMR.
25. Further analysis showed that reasons for these reported gaps were attributable to a few Member States needing more time for implementing the activities planned in 2023, and some activities postponed by Headquarters. A pragmatic status of the achievements of the SAM RO was not possible because of a lack of flexibility in adding/removing deliverables from the CPMR database once these were defined at the beginning of the year. As an example, some activities of 2023 had to be postponed by Headquarters, but these continued to be shown as unachieved deliverables in the operating plan performance of the SAM RO.
26. The Performance Monitoring Framework (PMF) of the Business Plan 2023-2025 defined 10 KPIs for the SAM RO. At year-end 2023, 6 out of the 10 Key Performance Indicators (KPIs) (60%) were achieved. There were marginal shortfalls in four KPIs because of reasons beyond the control of the SAM RO. Some of these KPIs e.g. the Effective Implementation (EI) rate

under safety oversight and security audit programs (USOAP³ and USAP⁴) are not in full control of the SAM RO.

Activities, deliverables and KPIs of 2024

27. While an assessment of the status of 2023 deliverables was carried out and reported through CPMR in 2023, the mid-year status of 2024 deliverables was reported with a delay after this was pointed out by OIO during the field study. Notwithstanding, OIO noted controls whereby performance of technical officers was assessed against the defined deliverables through Excel planning sheets. OIO was informed that there were no instructions issued by Headquarters to report the 2024 mid-year status in CPMR. When pointed out by OIO, Headquarters reiterated the requirement for reporting in CPMR and issued instructions for reporting on the 2024 mid-year status in November 2024.

OIO observed the following root causes for the above observations on timely reporting and inability to achieve KPIs:

28. The annual operating plans are static without scope for flexibility. Any unplanned activities, region-specific priorities, and required changes to activities during the year cannot be reflected in the operating plans, as it is difficult to make changes and updates in the annual operating plan objectives after finalization. FIN needs to ensure that the subsequent version of CPMR provides the flexibility to include, exclude or change the scope of deliverables after approval by the Regional Director and FIN thus providing needful flexibility in operations.
29. There is a limited and fragmented effort to monitor the achievements against targets set in the operating plans for the period 2023-2024 by the Headquarters.
30. Some high-level KPIs in the performance management framework of the Business Plan are dependent on the delivery of actions by Member States to an extent and therefore beyond ICAO's full control.

Regional Projects Portfolio

31. The SAM RO is responsible for coordinating and implementing three regional projects. These projects can be defined as long-term programmes on specific technical areas funded by member states on a regular pool funding basis:
- RLA/99/901 - Regional Safety Oversight Cooperation System (SRVSOP);
 - RLA/03/901 - REDDIG⁵ management system and administration of the satellite segment; and
 - RLA/06/901 - Assistance for the implementation of a regional ATM system, considering the ATM operational concept and the corresponding technological support in communications, navigation and surveillance (CNS).
32. The objectives of these regional projects are discussed in Annex 2. Each of these projects is managed through a trust fund set up for its purpose. The details about the projected budget and additional funds financed by Member States and expenditures in 2022 and 2023 are as follows:

³ Universal Safety Oversight Audit Program

⁴ Universal Security Audit Program

⁵ Digital Communications Network for South America

TABLE – 1: Budget and Expenditure Data of regional projects, (Source: SAM Office)

(All figures in USD)

| Project | Year | Projected Budget plus additional activities financed by Member States | Expenditure | Percentage utilization |
|----------------------|------|---|-------------|------------------------|
| RLA/99/901 (SRVSOP) | 2022 | 1,245,884 | 1,150,323 | 92% |
| | 2023 | 1,262,218 | 1,300,440 | 103% |
| RLA/03/901 (REDDIG) | 2022 | 1,015,882 | 1,072,138 | 106% |
| | 2023 | 1,235,577 | 1,168,851 | 95% |
| RLA/06/901 (ATM/CNS) | 2022 | 628,411 | 355,911 | 57% |
| | 2023 | 487,221 | 519,185 | 107% |

33. The utilization of budget in respect of RLA/06/901 (ATM/CNS) project was low in 2022 (57%) because of Covid-19 which was partly offset by 107% utilization in 2023. The percentage utilization of the projected budget and additional funds provided by Member States in the other two projects ranged from 92% to 106% in respect of projects. The Technical Officer apprised OIO that expenditure figures can be more than 100% if certain incomplete activities of prior periods are taken forward in subsequent year, which are financed from available trust fund balances.
34. The management of funds and overall implementation of regional projects was found to be satisfactory. Pace of expenditure was appropriate and there were no undue delays in the three regional projects. Project expenditures appeared to be in line with the budget.
35. All three projects have been operational for more than two decades and are supported by formal project documents. The projects had an initial period of five years, but the project duration had been successively extended from time to time.
36. An accounts' statement is prepared every six months showing opening balance, inward remittances and expenditure which is certified by FIN before presentation to governing bodies of respective projects. The controls are satisfactory except for a minor observation on misclassification in a recent statement of one project⁶ as discussed subsequently.
37. The KPIs of the projects are measured regularly and shared. This is a manual process and percentage of achievements is assessed against all items of the work plan annually and form part of the Monitoring and Evaluation Plan submitted to the Governance Board. The monitoring and evaluation of the project is carried out on an annual basis as a reporting requirement in the project document. Progress on these projects is also reported to ICAO's Council periodically.
38. Based on documents' review and discussions with relevant stakeholders, OIO concluded that governance aspects of the implementation of regional projects are satisfactory. However, project-specific risks are not documented formally. It was stated that CDI's requirement for identification of risks was introduced in 2021 while the project started earlier than this. OIO recommends this to be formally accomplished, and a recommendation has been issued as part of observations on ERM.

⁶ SRVSOP

RLA/99/901 – SRVSOP

39. An expenditure of USD 3,135,564 was incurred in the period January 2022 to June 2024. The expenditure on this project is mainly on remuneration for the personnel hired⁷ for the project. There was a minor misclassification in the latest six-monthly statement for January – June 2024 as expenditure of USD 172,669 on three national staff was erroneously shown as an administrative expense. This had already been taken up by the SAM RO with Headquarters for correcting the error after it was noticed in this audit.
40. From the sustainability point of view, the likelihood is that ICAO will continue to be the coordinator of this project in the near foreseeable future but eventually to ensure better ownership and sustainability of the project, it should be managed by Member States themselves. If this is decided by the Steering Committee in future, the SAM RO management should plan a phasing-out strategy to ensure the project results are sustained.
41. There is also an inherent risk of perceived conflict of interest in ICAO's role as implementer of the safety oversight project because of ICAO's other role in conducting the USOAP audits in Member States periodically. The SAM RO staff is aware of this risk and mitigates it by segregating the duties of conflicting roles.
42. As part of the monitoring by the Member States, annual monitoring assessments of the project's progress have continued to be carried out every year and, in the last survey conducted in 2024, the average score was 4 out of 5, which, in accordance with the assessment scale, means that the project's objectives were achieved.

RLA/03/901 - REDDIG

43. An expenditure of USD 2,775,902 was incurred in the period January 2022 to June 2024. which was mainly on procurement for the project. According to the annual progress assessment carried out by the Member States towards the end of 2023, the project was awarded an average of 4.5 out of 5, which, in accordance with the assessment scale, means that the project's requirements were met.

RLA/06/901 - Regional ATM system and the corresponding CNS support

44. An expenditure of USD 1,167,073 was incurred in the period January 2022 to June 2024. The percentage utilization of the budget was low (56%) in 2022 because of Covid-19. The expenditure was primarily on fellowships. According to the annual progress assessment carried out by the Member States in early 2024, the Project was awarded an average of 4.15 out of 5, which, in accordance with the assessment scale, means that the Project's objectives were achieved.

Implementation Support projects

45. The SAM RO implemented initiatives in 2023 to address aviation safety and regulatory effectiveness challenges across South America. The SAM RO completed an implementation support project to enhance Accident and Incident Investigation (AIG) processes, a notable focus was the targeted approach on addressing low Effective Implementation (EI) scores in accident investigation of Guyana's AIG. In 2023, the SAM RO also developed turbulence and runway excursion toolkits as part of assistance to RASG-PA⁸.

⁷ Five International experts and three national staff are working at present

⁸ Regional Aviation Safety Group – Pan America

46. Other implementation support projects which were in different stages of approval are (i) supporting the development of Civil Aviation Master Plans (CAMPs) and organizing workshops across Ecuador, Panama, Paraguay, Uruguay, and Guyana, (ii) improving governance within Civil Aviation Authorities (CAAs) supported by OECD⁹ guidelines, seeking to establish more transparent, accountable, and resilient regulatory frameworks, and (iii) translating essential regional regulations into English for better accessibility among English-speaking states. OIO observed that the SAM RO's involvement in the implementation support projects in Member States effectively contributes to the ICAO's initiative of No Country Left Behind (NCLB).

Coordination with regional aviation organizations

47. The SAM RO collaborates with the Regional Aviation Safety Group - Pan America (RASG-PA) and the Caribbean and South American Regional Planning and Implementation Group (GREPECAS) to ensure alignment between safety and air navigation priorities across the region. The SAM RO also provides secretarial support to RASG-PA and GREPECAS on a rotation basis and shares responsibility with the NACC¹⁰ RO.
48. The SAM RO helps align regional safety initiatives with the Global Aviation Safety Plan (GASP) by contributing to RASG-PA's safety objectives and work programs. It ensures that safety data analysis, such as trends in accidents and incidents, is used to identify risks and establish mitigation strategies that are relevant to the SAM region.
49. The SAM RO ensures that the Global Air Navigation Plan (GANP) objectives are adapted to regional needs and effectively integrated into GREPECAS work programs. This includes the adoption of ASBU (Aviation System Block Upgrades) modules that are relevant to the SAM region.
50. The SAM RO also collaborates closely with the Latin American Civil Aviation Commission (LACAC) to promote aviation safety, security, efficiency, and sustainability across South America. LACAC, as a regional intergovernmental organization, focuses on facilitating cooperation and harmonization among its Member States and aligning with ICAO's global standards and objectives.
51. OIO interviewed the senior management office bearers of these organizations and was apprised that the level of coordination and collaboration with the SAM RO is satisfactory.

⁹ The Organization for Economic Cooperation and Development

¹⁰ North America, South American and Caribbean

Section II: Governance, risk management and internal control system

Fit for purpose structure and funding

52. In general, the SAM RO management has the structure, resources and authority to fulfil its mandate and has a clear concept of the current and potential staffing and technical support requirements but there are some inherent risks to be monitored for a more sustainable funding solution. Otherwise, this could impact the achievement of the KPIs, which has been already the case in 2023.
53. There are eight Technical Officers, but not all the thematic areas and newly emerging areas are covered by available resources. To fill the gap, the SAM RO has been using secondees, which represents a less sustainable solution in terms of business continuity. Additionally, there are many unplanned State requests and invitations to meetings which deviate the resources from the planned activities so the SAM RO might struggle with achieving its planned targets. The main root cause is a resource deficit while the priorities are expanding without the possibility of de-prioritising some of the existing ones. The SAM RO has a plan to cover some of those thematic priorities by allocating them within the existing technical officers. While it made attempts to regularize some staffing gaps in the Zero-Based Budget (ZBB) for 2026-2028, there is no guarantee that this will be approved.
54. Moreover, the SAM RO is not fully reimbursed for managing its regional projects. The SAM RO has a project manager dedicated to its regional projects, in addition to significant involvement in the regional project support by some technical officers. All of them are funded by the regular budget, their time is not budgeted as a direct project cost nor reimbursed from project support costs. ICAO has finalized its cost recovery policy to address this important funding issue, however, the Administrative Instructions to implement the policy are under development. Although the benefits generated by the regional projects to the Strategic Objectives of the Organization are notable, the costs associated with managing and supporting the regional projects overflow to the regular programme staff. The SAM RO reported that it has assessed and dealt with the most demanding regional projects to propose and start implementing strategies that can allow higher efficiency and less workload to the regular programme staff. Even though the SAM RO is carrying out regional project governance improvement measures, OIO strongly advises the Regional Director, SAM to implement the cost recovery mechanisms after the Administrative Instructions are rolled out and advocate with CDI and FIN the full cost recovery for its support and management of the regional projects, taking also into consideration the benefits these projects bring to the Organization's mission. Additionally, this funding risk should be added to the SAM RO risk register.
55. The SAM RO is also facing a key person risk, as several of its technical officers and leadership are close to their contract end or retirement. This requires succession planning, effective handover and transition. This risk is expected to be incorporated in the SAM RO Risk register and mitigated properly.

Risk Management

56. OIO noted that the ERM¹¹ unit of Headquarters and the Regional Directors have prepared the Regional Offices' risk register, for approval of the Secretary General, where the SAM RO added two corporate risks.
57. The SAM RO does not maintain a dedicated RO-level risk register. This is a missed opportunity to identify, document, and monitor risks specific to the SAM RO and their mitigating measures, including its operational regional challenges. The audit identified certain challenges and risks facing ICAO's operations in the region, such as: (i) emerging areas on Aviation Cybersecurity, UTM (Unmanned aircraft system traffic management), Artificial Intelligence, etc. which require more resources; (ii) challenges in getting data or requisite information from Member States, (iii) weaknesses in governance in some Civil Aviation Authorities (CAAs) and frequent changes in political leaderships, etc. Moreover, certain operational areas may need enhancing mitigation measures, e.g. (i) inadequate Knowledge Management practices as there are no automated solutions for information management, (ii) impact of ongoing vacancies, delayed recruitment and lack of succession planning, (iii) perception of a conflict of interest between different roles e.g. implementation of SRVSOP¹² and USOAP activities; risks related to the effective implementation of the three regional projects which is a direct responsibility of the SAM RO.
58. The absence of a structured bottom-up approach to risk identification creates a gap in accountability and ownership. While there are ad hoc meetings where the risks are discussed, these are not captured, analysed and monitored for risk-informed decision-making. Addressing these deficiencies by establishing RO-level risk registers and integrating them into the corporate risk framework will strengthen the regional office's risk management practices and enhance organizational resilience.

| | |
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| Recommendation 1 | Risk Management |
| Priority | Medium |
| Regional Director, SAM should establish an RO-level risk register for identifying, documenting, and monitoring risks specific to the SAM RO, including its operational areas. The risks escalated to the corporate level should be identified using a structured bottom-up approach. | |
| Closing criteria: | |
| Establishment of RO-level risk register that is actively utilized. | |

Control environment and yearly management assertions

59. The SAM RO management has set up an adequate control environment and culture in the office to ensure that personnel are abreast of standards of conduct, ethical values and fraud prevention. Ethics training is up-to-date, and leadership dialogues are used as a forum to raise awareness about some ethical issues and dilemmas. Fraud prevention and detection have been done through the existing controls, but the SAM RO has not done a dedicated

¹¹ Enterprise Risk Management

¹² Regional Project on Safety Oversight

fraud risk assessment to see if the current corporate controls are sufficient to mitigate the local inherent fraud and corruption risks, or if additional measures need to be taken. OIO advises that the SAM RO conducts a dedicated session on fraud and corruption to check if there are any gaps in the existing controls, when they conduct an overall risk assessment exercise.

60. The SAM RO certifies the MASD, however audit showed that some of the management assertions could be better tested, validated and supported by documented processes. For example, OIO raised some observations related to IT and asset management in this report. In 2024, OIO audited the Statement of Internal Control process¹³ and raised a corporate recommendation to strengthen the MASD validation process from the existing reports and triangulation of controls. The SAM RO should also continue validating its MASD assertions through compliance-related reports.
61. The SAM RO staff understand the principle of separating the tasks to maintain the segregation of duties (SoD). For example, in Agresso, the person entering the transaction must be different from the person approving; and depending on the fund, the approval may also need to be accorded by Headquarters. During procurement activities, quotes are sourced by a different person than those who review them. To mitigate the risk of SoD due to limited administration resources, the documents are reviewed by the Administrative Officer and the Deputy Regional Director before they are finalized and submitted to Regional Director. However, SoD might be an issue due to the potential conflicting duties of a buyer (whose role is not defined for Delegated Purchase Orders), invoice creator and payer belonging to the same user in ERP. This is because the administration team is small and there is no formal structured review of SoD. Regional Director, SAM should review its SoD risks by removing access in the system (Ex-Ante control) or running regular reports to ensure that the high-risk tasks are known and monitored (Ex-Post control).

¹³ OIO report IA/2024/02

Section III: Operational controls

Procurement

62. The procurement activities are limited to operational activities (internet, office premises insurance, air conditioners, etc.), one-time procurement of IT items (based on the useful lifecycle) and regular procurement for interpreters, catering, hotels and venues to support programmatic events. In addition, the SAM RO procures equipment and services for regional projects based on a project's needs while the national project procurement is done by CDI in the Headquarters.
63. In general, the SAM RO complied with the Procurement Code and established the procurement process, with minor areas for improvement:
- Enhancing the procurement planning by regular meetings of operations, technical and programme teams to update the procurement plan on a quarterly basis, thus ensuring that repeated procurements can be consolidated, or technical procurement planned well in advance.
 - Purchase Orders for recurrent services are being updated when the service is renewed, instead of raising a new PO. It might create an impression that the Delegation of Authority (DoA) of USD 10,000 is misused as an accumulated value of DPO often exceeds the DoA. A new DPO should be raised each time the procurement is renewed unless it is a contract amendment or extension.
 - Files for some low-value procurement requests for quotations could have been better documented. This will be improved in a new ERP if ICAO decides to automate the sourcing module.
64. OIO does not raise any specific recommendations as the above observations will be addressed by the new ERP rollout, except for the advice to raise a new DPO/PO for LTA¹⁴-related procurement.

Financial Management

65. The audit reviewed budgetary controls, and financial management including petty cash and bank reconciliation and found them generally satisfactory. The SAM RO uses manual spreadsheets and Agresso reports to monitor the budget and forecast the expenses to the year-end. When there is a need for budget allocation, the SAM RO transfers it from other budget lines. Mostly the budget is spent on planned programmatic and operational activities but budget utilization for the years 2021 to 2023 highlights some observations regarding underspending in specific budget heads, and variances in allocation versus actual expenditure. The details about allocation and expenditure in three years from the Regular Budget (Fund 1101) are as follows:

¹⁴ Long term agreements

TABLE – 2: Regular Budget and Expenditure Data, (Source: FIN)

(All figures in CAD)

| Year | Head | Allotment | Expenditure | Commitments | Expenditure + commitments | Balance | %age utilization |
|------|-------------------------|-----------|-------------|-------------|---------------------------|-----------|------------------|
| 2021 | International Staff | 2,962,253 | 2,601,420 | 0 | 2,601,420 | 360,834 | 87.8% |
| | General Services Staff | 997,003 | 532,173 | 0 | 532,173 | 464,830 | 53.4% |
| | Operational Expenditure | 377,913 | 188,884 | 108,284 | 297,168 | 80,745 | 78.6% |
| | Meetings | 128,396 | 70,798 | 2,781 | 73,579 | 54,817 | 57.3% |
| | Travel | 47,301 | 26,750 | 0 | 26,750 | 20,551 | 56.6% |
| | Aggregate | 4,512,866 | 3,420,024 | 111,065 | 3,531,089 | 981,777 | 66.7% |
| 2022 | International Staff | 2,727,591 | 2,769,219 | 0 | 2,769,219 | (41,628) | 101.5% |
| | General Services Staff | 665,700 | 573,770 | 0 | 573,770 | 91,931 | 86.2% |
| | Operational Expenditure | 386,463 | 272,474 | 16,446 | 288,920 | 97,543 | 74.8% |
| | Meetings | 155,206 | 91,719 | 50,735 | 142,454 | 12,753 | 91.8% |
| | Travel | 146,925 | 144,818 | 0 | 144,818 | 2,107 | 98.6% |
| | Aggregate | 4,081,886 | 3,852,000 | 67,181 | 3,919,181 | 162,705 | 90.6% |
| 2023 | International Staff | 2,821,844 | 2,962,038 | 0 | 2,962,038 | (140,194) | 105.0% |
| | General Service Staff | 692,558 | 592,029 | 0 | 592,029 | 100,529 | 85.5% |
| | Operational Expenditure | 396,600 | 243,909 | 26,053 | 269,962 | 126,638 | 68.1% |
| | Meetings | 139,665 | 135,287 | 0 | 135,287 | 4,378 | 96.9% |
| | Travel | 212,614 | 192,134 | 0 | 192,134 | 20,479 | 90.4% |
| | Aggregate | 4,263,281 | 4,125,398 | 26,053 | 4,151,451 | 111,830 | 89.2% |

Underutilization of General Services Staff and Operational Expenditure

66. The "General Services Staff" and "Operational Expenditure" categories consistently show significant underspending. In 2021, only 53.4% of the General Services Staff budget was utilized because of vacancies and was not in direct control of the SAM RO. However, operational expenditure, which is in control of the SAM RO, also remained below 80% across all three years. The SAM RO planned for a renovation project funded from the budget of the Operational Expenditure which did not materialize due to higher bid amounts, and this resulted in budget underutilization. This underutilization suggests potential inefficiencies in resource allocation where funds might have been better distributed to cover the priorities in other areas.
67. Improved budget forecasting and controls would help ensure better alignment of resources with actual needs and mitigate underspending risks.

Mission reporting

68. The Regional Offices' Manual (ROM) provides that a mission report should be completed within one week of the end of the mission using the mission report template. Review of a sample of twenty-two official missions of 2023 and 2024 indicated that mission reports were prepared in all cases.
69. While the mission reports are saved in travel folders, there is no institutional mechanism to ensure that action points listed in the mission reports are systematically followed. In the absence of a database repository of action points listed in the mission reports, there are risks of deficient implementation and timely follow-up of all the action points. The SAM RO will benefit from maintaining a database of action points of the mission reports and such a

step will strengthen the aspects related to accountability, knowledge management and succession planning.

| | |
|--|---|
| Recommendation 2 | Monitoring of action points listed in various mission reports |
| Priority | Medium |
| Regional Director, SAM should develop a database to maintain a repository of action points for following up and monitoring and regularly share the mission results within the team for knowledge management. | |
| Closing criteria: | |
| Development of a database for follow-up and monitoring of action points of mission reports. | |

Information Technology

[Redacted]

[Redacted]

[Redacted]

[Redacted]

- [Redacted]
- [Redacted]
- [Redacted]

insurance of the premises and office infrastructure is managed and paid directly by the SAM RO.

78. The SAM RO is in Lima, which has a moderate threat level for crime and political protests and a higher threat level for natural disasters, e.g. earthquakes. The local UNDSS¹⁷ last conducted a risk assessment of the premises of SAM RO in 2014. OIO strongly advises that the SAM RO requests UNDSS to undertake a fresh risk assessment given that there are risks emanating from frequent protests near the SAM RO.
79. The SAM RO staff members have completed the mandatory UN BSAFE security awareness training. Travel Authorizations are given only after UNDSS clearance of the staff members travelling on missions. OIO noticed that the Regional Director does not always have the time to attend Security Management Team (SMT) meetings, and this is delegated to the Deputy RD or other technical officers.
80. The RD and alternates attending the SMT meetings need to take dedicated SMT training. The SAM RO should use the available opportunities to attend mandatory SMT trainings organized by UNDSS.

Human Resource Management

Recruitment

81. OIO observed significant recruitment delays, particularly impacting key technical roles, which may hinder operational effectiveness. In one case, the recruitment experienced undue delays. This position became vacant in September 2023 due to resignation, yet the vacancy was not announced until 21 March 2024, over six months after the incumbent's departure. In another case, the position has been vacant since September 2024 due to retirement. The vacancy notification was issued only a couple of months before the retirement of the incumbent, suggesting potential delays in completing the recruitment process and the position remaining vacant for a long time. Delays were also observed in the recruitment of program assistants, who were appointed on 1 November 2024, following a vacancy notice on 21 March 2024. One of the positions was vacated due to retirement in March 2024, indicating that the vacancy could have been advertised earlier to minimize the gap in service continuity.
82. The cumulative extent of vacancies across technical positions creates a gap in staffing necessary to deliver on the strategic priorities. Prolonged vacancies in essential roles risk disrupting core operations and may place additional strain on existing staff to meet operational demands. Some of the challenges were outside of the SAM RO control and are being addressed at the corporate level by the business process owners as HR is attempting to shorten the end-to-end recruitment process through different projects of Transformational Objective. OIO especially observed inefficiency in steps related to the finalization of job descriptions because of a lack of coordination and fast decision-making at the level of Headquarters and recommends that such bottlenecks in the recruitment process causing undue delays should be streamlined.

Gender Equality

83. There is an imbalance in the number of female staff at the professional and higher levels in the SAM Regional Office. Only 2 (18%) of the 11 professional staff are female. The SAM RO

¹⁷ United Nations Department of Safety and Security

is aware of the need to have a good gender balance in technical positions but finds it challenging because of a smaller number of applications from female candidates whenever a technical position is advertised.

PACE management

84. The completion rate of PACE (Performance and Competency Enhancement) reports was commendable. All staff members have completed PACE reports for the years 2020-2023 without any exceptions. The performance objectives for 2024 have also been finalized for all staff members. Moreover, the SAM RO uses the PACE system for its secondees and regularly conducts performance evaluations for consultants.
85. It was noted that mid-year appraisals were carried out in 2024 for a few staff members. Though Staff Rule 104.39 is silent about the need for a mid-term appraisal, the IT application for PACE reporting provides for recording the mid-year performance status. The SAM RO should continue with regular mid-year performance appraisals of all staff members as a means for timely feedback.

Staff Development and Learning management

86. All staff members including gratis personnel in the SAM RO completed the modules on Ethics training. Staff learning and development plans are generated based on the staff needs for individual training and management needs for group training. At the same time, in 2024, the Headquarters HR suspended the allocation of additional resources as HR has been revisiting the corporate approach to staff development. The SAM RO had to use its own already limited resources for the training, which otherwise could have been spent to deliver its strategic priorities.
87. OIO advises that the SAM RO coordinate with Headquarters on the RO's learning and development strategy which is based on strategic goals, office needs and areas for staff development, and corporately fund in full or in part these staff development and learning activities.

Asset Management

88. Due to the absence of a corporate system of automatically recording the procured asset (the ERP workflow is absent), the SAM RO had to maintain an Excel table to add the newly purchased assets, record annual stock counts, and identify any asset disposals.
89. It is planned that the SAM RO will eventually transition to using the asset management module of the new ERP system. This will enhance data accuracy, security, access control, and reporting functionalities, allowing for better oversight of asset lifecycle management and compliance with financial and operational standards.
90. The asset register as at year-end 2023 contained 1873 entries. Data quality issues were observed like, Purchase order numbers were not indicated in 1451 (77%) cases, Date of entry into asset register was not recorded in 731 (39%) cases, there was no description of 13 untraceable items while barcodes were available against these blank entries, and historical costs were not indicated for 776 items (41%).
91. The guidelines on the management of Property, Plant and Equipment (PPE) require that all PPE above the threshold of CAD 300 should be recorded in PCL's asset database. There were 824 (44%) items out of 1873 recorded in the asset register that had values less than CAD 300. Adding low-value items in asset records without entering corresponding barcodes,

inventory number, purchase order numbers, asset locations, purchase price, etc. rather resulted in issues with the data integrity of asset register data and was counterproductive.

92. A test check of procurement orders showed a few items not traceable in the asset register. However, these could be reconciled by the SAM RO later. There were manual errors like wrong barcodes, or some items were erroneously shown as written off while these were in use.
93. No new recommendation is being issued on these aspects as OIO previously recommended strengthening these controls through its report on IT Asset Management¹⁸. OIO advises that the Regional Director, SAM should carry out a housekeeping exercise to ensure accuracy and completeness of data in asset lists. ERP data of purchase orders should be cross-examined with asset data to ensure completeness of data, resolve the data quality issues before the final datasets are imported in Asset Management module of ERP planned for implementation by the end of 2024. The SAM RO should also expedite the disposal of unserviceable items.

¹⁸ IA/2024/01: Audit of IT Asset Management

ANNEX 1: DEFINITION OF AUDIT TERMS

Audit Ratings

In providing an overall assessment of the results of the audit, OIO uses the following standardized audit rating definitions:

| Audit Assessment | Definition |
|--------------------------|--|
| Effective | Controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met. |
| Some Improvement Needed | A few specific control weaknesses or areas for improvement were noted; generally however, controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met. |
| Major Improvement Needed | Several key control weaknesses were noted and/or several areas of strategic/high importance were identified where significant improvements can be made to increase efficiency and effectiveness. |
| Unsatisfactory | Controls evaluated are not adequate, appropriate, or effective to provide reasonable assurance that risks are being managed and objectives should be met. |

Internal control is defined as a process effected by senior management and staff, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance objectives. Whilst internal control provides reasonable (but not absolute) assurance of achieving organizational objectives, limitations may result from:

- suitability of objectives established as a precondition to internal control;
- reality that human judgment in decision making can be faulty and subject to bias;
- breakdowns can occur because of human failures such as simple errors;
- ability of management to override internal control;
- ability of management, other staff, and/or third parties to circumvent controls through collusion;
- external events beyond the organization's control.

Priority of Audit Recommendations

The audit recommendations in this report are categorized according to priority as a guide to management in addressing the issues raised. The following categories are used:

High: recommendations, which address significant and/or pervasive deficiencies or control weaknesses, or areas where significant improvements can be made.

Medium: recommendations, which address important deficiencies or control weaknesses, or areas where some improvements can be made.

Low: suggestions, which represent best practice, or general opportunities for improvement.

ANNEX 2: REGIONAL PROJECTS MANAGED BY SAM RO

[RLA/99/901 – SRVSOP](#)

A Memorandum of Understanding (MOU) was signed between ICAO and the Latin American Civil Aviation Commission (LACAC) in 1998 for the establishment of the Regional Safety Oversight Cooperation System (SRVSOP). This project started in January 2000 and the project period has been successively extended till now.

The SRVSOP's mission is to optimize civil aviation safety levels in the Region by providing advice and assistance with a view to overcoming the problems of States with difficulties in fulfilling their safety oversight responsibilities, as well as contributing, in close coordination with ICAO, to the harmonization and updating of civil aviation safety regulations and procedures among its participating States.

The SRVSOP has primarily focused on the harmonization of LARs (Latin American Aeronautical Regulations) and collaborative work among the specialists of its 12 States¹⁹. There are five international experts, and three national staff hired by ICAO for implementing SRVSOP. Their performance assessments are regularly done by technical officers of the SAM RO.

[RLA/03/901 - REDDIG](#)

Starting in 2003, the South American Digital Network was implemented through the Technical Cooperation Project RLA/98/019 to satisfy in the medium term the requirements of the aeronautical fixed service and to support the requirements of the aeronautical mobile service. REDDIG is based on the sharing by its users of the satellite segment and network resources to establish a network management and control system; this network currently has 28 operational nodes. The project is managed through a multi-donor trust fund set up for the purpose.

[RLA/06/901 Implementation of a regional ATM system considering the World ATM operational concept and the corresponding CNS support](#)

The RLA/06/901 project was created in 2007 with the objective of providing assistance to the civil aviation authorities of the 13 participating States of the SAM region for the development of initiatives of the global air navigation plan that contribute to the implementation of a regional air traffic management system, considering the global ATM operational concept and the corresponding CNS technology support, including the necessary AGA, AIS and MET elements, the exchange of experiences in the processes, and the training of personnel in the matters involved.

¹⁹ 11 States of the SAM region and Cuba

ANNEX 3: MANAGEMENT ACTION PLAN

| Ref | Recommendation | Priority Rating | Accepted (Y/N) | Management Comments | Agreed Actions | Office/ Section Responsible | Target Date |
|-----|---|-----------------|----------------|---|--|-----------------------------|--------------|
| 1. | Regional Director, SAM should establish a RO-level risk register for identifying, documenting, and monitoring risks specific to the SAM RO, including its operational areas. The risks escalated to corporate level should be identified using a structured bottom-up approach. | Medium | Y | The RO-level risk register will add value in a more structured manner to manage risks intrinsic to the SAM RO. We agree that a more robust and structured process should be in place. | Implementation of Risk Register at the RO level. | SAM/DRD | 30 June 2025 |
| 2. | Regional Director, SAM should develop a database to maintain a repository of action points for following up and monitoring and regularly share the mission results within the team for knowledge management. | Medium | Y | The proposed process and database have the potential to add value to follow-up items of mission reports if properly managed. | Database and process will be implemented. | SAM/DRD | 30 June 2025 |

