Dear Anita,

Please find attached our report arising from our independent review of the Civil Aviation Authority's (CAA's) Implementation of OAG Recommendations 5th Status Report dated 3 November 2011.

We are pleased that Civil Aviation Authority (CAA) has removed the internal quality measures that were contained in Annex B of the 4th Status Report. As noted in our letter to you dated 26 August 2011 the internal quality measures were interim measures, because the CAA intends developing and embedding improved standards and processes, in accordance with the Auditor-General's recommendations. As a result, the internal quality measures in Annex B were not relevant or meaningful for making a reasonable assessment of the CAA's progress against the Auditor-General's recommendations, and therefore could have been misleading.

Overall, we consider that CAA continues to make progress to implement our recommendations.

We note that:

- work has been done to develop a tool to measure the effectiveness of CAA's interventions but this tool still needs to be applied to the certification and surveillance processes. Until this is done and the results are being reported to the Board we are not in a position to say that the recommendation has been addressed as we are not able to assess how effective the tool is.

- progress on the surveillance improvement project has continued with an operational risk management course being trialled early October.

We note that the next quarterly report is due at the end of December and that staff availability during January will be impacted with staff taking annual leave. We also note that the next significant milestone is the completion of the surveillance improvement project which is scheduled for 31 March 2012. We discussed the value that would be obtained from preparing and reviewing the 6th quarterly report at the end of December with the Audit and Risk Management Committee at its meeting on 2 November 2011. We agree with the Committee that due to staff availability and the timing of expected progress in addressing the
Auditor-General’s recommendations that the 6th Status Report be deferred until 31 March 2012.

We also discussed with the Audit and Risk Management Committee the need for the Authority to review the format of the quarterly report to better reflect the level of governance input into the changes being made to address the Auditor-General’s recommendations.

Yours sincerely

John O’Connell
Director
Audit New Zealand

Cc Graeme Harris, Chief Operating Officer