26 August 2011

Hon Steven Joyce  
Minister of Transport  
P O Box 18 041  
Parliament Buildings  
Wellington  6160

Dear Minister

Implementation of OAG’s Recommendations – Fourth Quarterly Report

In accordance with our agreement for the monitoring and reporting on progress implementing the recommendations resulting from the OAG’s 2009 audit of the CAA’s certification and surveillance functions I am pleased to provide you with the Authority’s report on the status of work done during the 2nd quarter of 2011 (1 April – 30 June). I have also enclosed a copy of the Audit New Zealand report provided to the Authority’s Audit, Finance and Risk Committee.

As previously advised, the implementation of the OAG recommendations is now being done within the context of an overarching Change Programme aimed at achieving management, policy, performance and culture changes across the organisation. This report, however, concentrates on the actions taken to implement the OAG recommendations and a separate letter and briefing dated 26 August 2011 (DW1228420-0 and DW1228422-0) is provided on the status of the wider CAA/Avsec Change Programme.

In practice, however, it is impossible to separate the two bodies of work. At its most recent meeting, for example, the Authority decided to reschedule work on the Surveillance Improvement Project to align it with Change Programme work that will be considering how the CAA can best deliver its regulatory functions and then developing a structure to best support that way of working. While this will delay completion of the surveillance work it is expected to provide a much better return on the training, IT and other investment in the project.

The most significant progress made since the Authority’s last report on this topic is the completion of the development of a methodology for assessing the effectiveness of interventions. This will be applied to the CAA’s regulatory interventions in coming months and will inform decisions around the allocation of resource and the appropriate targeting of interventions. A post-implementation review of the methodology is planned for 2011/12 to ensure that it is delivering its objectives.

You may note that additional caveats have been added to the results of the Output Class 2 sampling process illustrated in the graphs at Annex B of the report. This has been done at the
request of Audit New Zealand. They have advised that while they consider the sampling process is a valuable internal Quality Assurance measure they now think that its use externally poses a risk of misinterpretation. They rightly note that while the results of sampling do show an improvement in the consistency with which staff are following current policy and process for the performance of surveillance, the project that will introduce necessary improvement to surveillance policy, process and skills is still in progress. They are correct in that the sampling was introduced as an interim Quality Assurance measure to drive staff performance pending development and implementation of improved standards and processes. Given the relatively low statistical significance of the sample size versus the size of the population, the significance of the results it produces should not be overemphasised. Audit New Zealand has suggested that the sampling process should be retained as an internal improvement process but that the results should not appear in these reports in future. I recognise their point and am happy to comply.

I note that arrangements have recently been made for the Authority to meet you and your colleague the Associate Minister of Transport on 15 September 2011. That meeting will provide an opportunity for further discussions on the implementation of the recommendations. The content of future reports can also be discussed at that time.

Yours sincerely

Nigel Gould
Chairman
Civil Aviation Authority