Implementation of OAG Recommendations

Organisation: Civil Aviation Authority of New Zealand
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Author: CAA
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# CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Summary</td>
<td>3</td>
</tr>
<tr>
<td><strong>KEY POINTS</strong></td>
<td>3</td>
</tr>
<tr>
<td>Performance Improvement at the CAA</td>
<td>4</td>
</tr>
<tr>
<td><strong>INTRODUCTION</strong></td>
<td>4</td>
</tr>
<tr>
<td><strong>LINKS TO OTHER WORK</strong></td>
<td>4</td>
</tr>
<tr>
<td>Change Programme</td>
<td>4</td>
</tr>
<tr>
<td><strong>WORK STREAM PLANNING</strong></td>
<td>5</td>
</tr>
<tr>
<td>Implementation of OAG Recommendations</td>
<td>9</td>
</tr>
<tr>
<td><strong>OUTPUT QUALITY MEASUREMENT</strong></td>
<td>9</td>
</tr>
<tr>
<td><strong>CONCLUSION</strong></td>
<td>9</td>
</tr>
<tr>
<td>Annex A: Summary Status of OAG Recommendations</td>
<td>a</td>
</tr>
<tr>
<td>Annex B: OAG Recommendations: Detailed Status of Corrective Actions</td>
<td>i</td>
</tr>
<tr>
<td>Annex C: Extract from Consolidated List of CAA Projects</td>
<td>A</td>
</tr>
</tbody>
</table>
EXECUTIVE SUMMARY

This report details the CAA’s progress in implementing the recommendations made by the Office of the Auditor General (OAG) in the follow-up audit of the CAA’s certification and surveillance functions released on 29 June 2010. This report differs from previous ones in that, at the request of Audit New Zealand, it does not contain detailed reporting on the results of the most recent sample of Output Class 2 quality.

Since the 4th Status Report further progress has been made implementing the OAG recommendations. Notably, the CAA now has a validated tool for measuring the effectiveness of current and proposed regulatory interventions. This will be applied to at least three interventions during the coming year, including surveillance and certification activities. A post-implementation review of the utility of the methodology is planned for late 2012. Good progress has also been made in the development of the training intended to strengthen the risk-based approach to the surveillance function recommended in OAG recommendations 13 and 14.

During the period the Authority has continued to implement the OAG recommendations within the context of the comprehensive Change Programme that it has underway. Achievement of the Authority’s strategic priorities is dependent on the delivery of this Programme¹, Phase 2 of which aims to improve the performance of the CAA’s regulatory functions. This work commenced in September with completion planned for March 2012. Reference to the Change Programme in this report is limited to the extent necessary to describe any plans for implementation of a particular OAG recommendation.

KEY POINTS

<table>
<thead>
<tr>
<th>Status Changes since the Last Report</th>
<th>Report Reference</th>
<th>Relevant OAG Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Validation of the methodology for determining the effectiveness of interventions is complete and will be deployed during the 2011/12 FY.</td>
<td>Table 2</td>
<td>Nos. 1, 2, 5</td>
</tr>
<tr>
<td>Phase 2 of the Organisational Design Review – organisational arrangements for the delivery of CAA certification and surveillance functions commenced in September.</td>
<td>Table 2</td>
<td>Nos. 7, 9, 10, 11, 13, 14</td>
</tr>
</tbody>
</table>

Forthcoming Milestones – Next Two Quarters

<table>
<thead>
<tr>
<th></th>
<th>Report Reference</th>
<th>Relevant OAG Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appointment of new Quality Assurance and Risk Manager</td>
<td>Table 2</td>
<td>No. 10</td>
</tr>
<tr>
<td>Completion of Surveillance Improvement Project – improved auditor skills and effectiveness. Improved surveillance process.</td>
<td>Table 2</td>
<td>Nos. 9, 11, 13, 14</td>
</tr>
</tbody>
</table>

¹ Statement of Intent 2011/14, page 26
INTRODUCTION

1. This is the fifth in the series of quarterly reports provided to the Minister of Transport as part of a reporting and monitoring arrangement agreed between the Minister and the Chairman of the Authority in April 2010. In accordance with the agreed process:
   - the Authority provides quarterly reports to the Minister recording the CAA’s progress on implementing the recommendations of the OAG, and the status of each;
   - the CAA’s performance is monitored through the Authority’s Audit, Finance and Risk Committee (formerly the Audit and Risk Management Committee). The Committee utilises PricewaterhouseCoopers (PwC), the CAA’s contracted internal audit provider, to assist in monitoring implementation of the recommendations; and
   - Audit New Zealand provides separate and independent assurance of the CAA’s progress against the action plan, via quarterly reports to the Authority’s Audit, Finance and Risk Committee.

2. This report continues in the same basic structure provided in the 4th Status Report with the exception that the reporting of the results of Output Class 2 sampling has been removed. This was done at the suggestion of Audit New Zealand which considered that the results could be misleading if taken out of context. The Authority’s Audit Finance and Risk Committee, however, continues to receive the results of the sampling as part of its monitoring of the CAA’s performance.

3. One other change provides improved visibility of the means by which actions implementing the OAG recommendations are tracked. Table 2 now identifies the control and/or tracking mechanism for actions that have been transferred to business-as-usual or have been subsumed within the larger Change Programme.

LINKS TO OTHER WORK

CHANGE PROGRAMME

4. 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 within the organisation. Previous reporting has provided details on the elements of the Change Programme and its drivers.
5. As previously reported the CAA Change Programme will provide the benefits above through four main work streams:

- strategic leadership and culture;
- organisational design and alignment;
- operational systems and processes; and
- funding.

6. The outputs from these work streams will also rectify the root causes of the deficiencies recorded by the OAG. In its 2010 report the OAG grouped its recommendations in five categories relating to their observations on “why the CAA has been slow to change”:

- more effective governance of, and accountability for, the CAA’s certification and surveillance functions;
  - Recommendations 1, 2, 3 and 4
- clarifying the CAA’s regulatory focus, and providing better guidance to ensure the regulatory responses are appropriate and consistent;
  - Recommendations 5, 6 and 7
- improving the CAA’s management practices to focus on improving performance and introducing continuous quality improvement;
  - Recommendation 8
- improving the CAA’s management oversight of new certification and surveillance processes; and
  - Recommendations 9, 10, 11 and 12
- focusing staff training on improving organisational proficiency in auditing.
  - Recommendations 13 and 14

In combination the Change Programme work streams will deliver an ‘expert modern regulator’ that is efficient and effective; responsive to change and focussed on risk and outcomes.

7. Strengthened performance in all of these areas will flow from the Change Programme illustrated in Figure 1. The programme supports and promotes work already underway on the implementation of individual OAG recommendations with a comprehensive approach to change that will systematically establish a performance environment focused on efficiency and effectiveness to lock in improvements made and better equip the organisation to deal with future change.

8. Two significant areas of the Change Programme which will have a direct impact on the OAG recommendations are:
• the development of a Strategic Direction for the CAA; and
• staff training in risk-based surveillance.

9. Action was taken in both these areas in the fourth quarter and is reported again here due to the advances made during the latest period. The work is discussed below:

• **A strategic direction document** was presented to the Authority for approval at its meeting on 18 October 2011 as part of the strategy, leadership and culture work stream. The CAA and the Authority have engaged with a number of stakeholders, including the Sector Reference Group utilised in its Funding and Value for Money reviews, in the development of the document. It is intended to provide direction to both outward-facing strategy and organisation development change.

  o The key parts are the document itself, which sets out the direction and priorities for the CAA, underpinned by a Regulatory Operating Model.

  o The Regulatory Operating Model captures the constant and enduring statements of regulatory philosophy and principles. This part of the document will draw on (updating as required) existing CAA material including the statement of regulatory philosophy and a summary of the CAA’s policies governing its regulatory functions.

  o The document will guide the overall Change Programme and in Phase 2 of the programme will particularly help define the required organisational capabilities, competencies, systems and other resources for the CAA.

• **Staff training on risk-based surveillance** is another key component of the strategy, leadership and culture work stream. The training has been developed in response to:

  o the International Civil Aviation Organization (ICAO) push for the worldwide civil aviation community to have a clear State Safety Programme including a Safety Management System;

  o the need for staff to be able to conduct audits and surveillance in a Safety Management System environment; and

  o the need, identified in OAG recommendations 13 and 14, to improve the CAA’s consideration of risk in the programming and conduct of its surveillance activity.

10. As noted in the 4th Status Report, three aviation diploma-level qualifications and their associated unit standards have been developed and approved by the New Zealand Qualifications Authority (NZQA). The diplomas are:
• National Diploma in Aviation (Regulatory Oversight and Governance) - intended to be provided for CAA safety oversight personnel;
• National Diploma in Aviation (Safety Management Systems); and
• National Diploma in Aviation (Risk Management).
Figure 1: CAA Change Programme – start 19 April 2011

2010 - 2011

Q4

Strategic Direction and Plan

Regulatory model review and redesign

Strategic, Leadership and Culture

Regulatory focus clarified by issue of regulatory tools policy

1st phase of management development complete – transition to BAU

Management and staff training

Q1

Shared Support Services

Organisational design and alignment

Organisational Design

Intro QA and Risk Management Capability

Q2

Operational systems and processes

Systems and process investment plan

Effectiveness of interventions tool available & ready for deployment

Improved surveillance function. Initial auditor training complete – risk-based surveillance underway.

Surveillance improvement project

Q3

Effectiveness of interventions

Systems and process investment plan

Effectiveness of interventions tool available & ready for deployment

Improved surveillance function. Initial auditor training complete – risk-based surveillance underway.

Q4

Stakeholder Engagement and Communications

Completed Rec 3, 12

31-Jan-12 Rec 10

31-Mar-12 Rec 7, 9, 11, 13, 14

30-Jun-12 Rec 8

OAG recommendation addressed within this change programme work-stream

Completion of OAG recommendations

Interim funding secured

CAA Funding Review

Funding

Sustainable financial position

An expert modern regulator; efficient and effective; responsive to change; focused on risk and outcomes.

Outcome
IMPLEMENTATION OF OAG RECOMMENDATIONS

11. The progress made on implementing the OAG recommendations during the quarter is summarised below and in Table 1 (Annex A) and detailed in Table 2 (Annex B). Table 1 is intended to show the benefit(s) to be provided by the implementation of the recommendations, their links to the CAA’s strategic priorities and the progress toward implementation over time.

12. The fifth quarter has seen a significant milestone achieved. The Effectiveness of Interventions project has been completed with the delivery of a final report in August. The methodology has been validated and will now be applied across a range of ‘real world’ interventions. Good progress has also been made in the development of the training associated with the Surveillance Improvement Project.

OUTPUT QUALITY MEASUREMENT

13. The fifth round of certification and surveillance output quality measurement was conducted during the period and the results reviewed by the Authority’s Audit, Finance and Risk Committee. The results show that the good level of staff compliance with CAA policy and procedures for both functions measured in the fourth quarter has been maintained. The level of performance reached indicates the progress that is being made to address the concerns the OAG had regarding the lack of consistency in the performance of the two functions. The internal audit of the process conducted by PricewaterhouseCoopers concluded that the process followed to perform the quarterly review showed continued improvement over previous quarters.

CONCLUSION

14. The period has continued to see progress against the OAG recommendations and in the performance of the core certification and surveillance functions. The implementation of the OAG recommendations is now taking place in the context of a broad Change Programme. It is acknowledged that in a number of areas this has led to a delay in the completion of the implementation of the OAG recommendations; but taking a longer view, the changes that will be made are likely to achieve better and more sustainable outcomes.

Annexes:

A. Summary Status of OAG Recommendations

B. OAG Recommendations: Detailed Status of Corrective Actions
ANNEX A: SUMMARY STATUS OF OAG RECOMMENDATIONS

Table 1 provides a summary report on the status of work underway to implement the recommendations made by the OAG. In many cases, a number of corrective action projects will be involved in full implementation of a recommendation. The table provides a high level summary of the status of work against each recommendation, describes the outcome or benefit that will be provided by implementation of the recommendation, relates each recommendation to the CAA’s strategic priorities expressed in the 2011/14 Statement of Intent, and shows the planned completion date. More detailed information about the status of work to implement the recommendations and the results of the internal audit of work done to date are provided in Table 2.

<table>
<thead>
<tr>
<th>Table 1: Summary Status of OAG Recommendations</th>
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<tr>
<td>Indicators</td>
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<tr>
<td>Trending favourably.</td>
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<table>
<thead>
<tr>
<th>OAG Recommendation</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q5</th>
<th>Expected Outcome/Benefit</th>
<th>Alignment to Strategic Priorities</th>
<th>Planned Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.1. We recommend that the Civil Aviation Authority put in place measures to better assess the effectiveness of its certification and surveillance functions and use these measures to report and account to the Board for its performance in achieving its outcomes.</td>
<td>☢</td>
<td>☢</td>
<td>☑</td>
<td>☑</td>
<td>☑</td>
<td>Improved: • knowledge of the effectiveness of interventions; • impact of intervention; • allocation of resource.</td>
<td>Improving efficiency in regulatory processes.</td>
<td>Development and validation complete. Now deploying - see comments regarding status and tracking in Table 2.</td>
</tr>
<tr>
<td>OAG Recommendation</td>
<td>Q1</td>
<td>Q2</td>
<td>Q3</td>
<td>Q4</td>
<td>Q5</td>
<td>Expected Outcome/Benefit</td>
<td>Alignment to Strategic Priorities</td>
<td>Planned Completion Date</td>
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<tr>
<td>No.2. We recommend that the Board extend its internal audit of the Civil Aviation Authority to include assurance over the executive management team’s assessment of how well the Airlines Group’s and General Aviation Group’s certification and surveillance are contributing to its strategic priorities and achieving its overall goals and objectives.</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>Improved Authority oversight of CAA contribution toward achievement of desired outcomes.</td>
<td>Improving efficiency in regulatory processes.</td>
<td>Development and validation complete. Now deploying - see comments regarding status and tracking in Table 2.</td>
</tr>
<tr>
<td>No.3. We recommend that the Board’s Audit and Risk Management Committee take a more active role to ensure that the Airlines Group and the General Aviation Group actually address the internal audit findings.</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>Independent review of progress to ensure Committee is able to ensure effective actions being undertaken.</td>
<td>Improving efficiency in regulatory processes.</td>
<td>Complete. Now business-as-usual.</td>
</tr>
<tr>
<td>No.4. Not applicable. Recommendation made to the Ministry of Transport.</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>No.5. We recommend that the Civil Aviation Authority prepare and implement better measures of the strength and effectiveness of its regulation of the civil aviation sector, including measures to assess the relative effectiveness of advisory and enforcement actions.</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>Improved: • knowledge of the effectiveness of interventions; • impact of intervention; • allocation of resource.</td>
<td>Improving efficiency in regulatory processes.</td>
<td>Development and validation complete. Now deploying - see comments regarding status and tracking in Table 2.</td>
</tr>
<tr>
<td>OAG Recommendation</td>
<td>Q1</td>
<td>Q2</td>
<td>Q3</td>
<td>Q4</td>
<td>Q5</td>
<td>Expected Outcome/Benefit</td>
<td>Alignment to Strategic Priorities</td>
<td>Planned Completion Date</td>
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<tr>
<td>No.6. We recommend that the Civil Aviation Authority clarify how its regulatory focus is to be applied in practice through certification, surveillance, and other regulatory action by providing more detailed guidance to staff about what circumstances constitute a significant risk to public safety, and what action they should take when these safety risks are identified.</td>
<td>🟢</td>
<td>🟧</td>
<td>🟢</td>
<td>🟢</td>
<td>🟢</td>
<td>More consistent application of regulatory tools. More effective intervention – improved outcomes.</td>
<td>Improving efficiency in regulatory processes.</td>
<td>Policy published – supporting implementation workshops planned for completion by 24 December 2011.</td>
</tr>
<tr>
<td>No.7. We recommend that the Civil Aviation Authority give priority to completing the project to improve the integrity and reliability of safety data in its Management Information System, and improve the analysis of this data so that it can be used to better inform regulatory decision-making.</td>
<td>🟢</td>
<td>🟢</td>
<td>🟢</td>
<td>🟢</td>
<td>🟢</td>
<td>Improved analysis. Better allocation of resource. Improved outcomes.</td>
<td>Improving efficiency in regulatory processes.</td>
<td>To be implemented as part of Phase 2 Organisational Design Review. Due for completion 31 March 2012.</td>
</tr>
<tr>
<td>No.8. We recommend that the Civil Aviation Authority assess, and, where necessary, provide training to improve its managers' capability to effectively manage and lead staff. This includes improving the staff performance assessment process in the General Aviation Group.</td>
<td>🟢</td>
<td>🟧</td>
<td>🟢</td>
<td>🟢</td>
<td>🟢</td>
<td>Improved performance of functions. Greater effectiveness and efficiency.</td>
<td>Improving efficiency and effectiveness.</td>
<td>On-going, but in transition to business-as-usual. See comments regarding status and tracking in Table 2.</td>
</tr>
<tr>
<td>OAG Recommendation</td>
<td>Q1</td>
<td>Q2</td>
<td>Q3</td>
<td>Q4</td>
<td>Q5</td>
<td>Expected Outcome/Benefit</td>
<td>Alignment to Strategic Priorities</td>
<td>Planned Completion Date</td>
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</tr>
<tr>
<td>No.9. We recommend that the Civil Aviation Authority give priority to completing the project to review and improve the surveillance process and tools, and ensure that all managers and auditors are using the new certification and surveillance processes.</td>
<td>✔️</td>
<td>✔️</td>
<td>🔴</td>
<td>🔴</td>
<td>✔️</td>
<td>Improved performance of certification and surveillance functions. Improved outcomes.</td>
<td>Improving efficiency in regulatory processes.</td>
<td>31 March 2012. Re-phased from 30 Sep 2011 to take advantage of Phase 2 of the Organisational Design Review.</td>
</tr>
<tr>
<td>No.10. We recommend that the Civil Aviation Authority introduce more robust quality assurance of certification and surveillance work, including input into planning for certification and surveillance, reviewing the results, and moderating auditors’ findings.</td>
<td>🔴</td>
<td>🔴</td>
<td>🔴</td>
<td>🔴</td>
<td>✔️</td>
<td>Improved performance of certification and surveillance functions. Improved outcomes.</td>
<td>Improving efficiency in regulatory processes.</td>
<td>31 March 2012. Surveillance Improvement Project re-phased from 30 Sep 11 to take advantage of Phase 2 of the Organisational Design Review. Quality Assurance and Risk Manager to be appointed by 24 December 2011.</td>
</tr>
<tr>
<td>No.11. We recommend that the Civil Aviation Authority provide better guidance to its auditors on the level of documentation that needs to be retained as evidence of the certification and surveillance work that has been carried out, and reinforce the importance of clearly documenting the basis for decisions that involve serious consideration of evidence for a judgement to be made.</td>
<td>✔️</td>
<td>✔️</td>
<td>🔴</td>
<td>🔴</td>
<td>✔️</td>
<td>Improved quality and effectiveness of the certification and surveillance functions.</td>
<td>Improving efficiency in regulatory processes.</td>
<td>31 March 2012. Surveillance Improvement Project re-phased from 30 Sep 2011 to take advantage of Phase 2 of the Organisational Design Review.</td>
</tr>
<tr>
<td>OAG Recommendation</td>
<td>Q1</td>
<td>Q2</td>
<td>Q3</td>
<td>Q4</td>
<td>Q5</td>
<td>Expected Outcome/Benefit</td>
<td>Alignment to Strategic Priorities</td>
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</tr>
<tr>
<td><strong>No.12.</strong> We recommend that the Civil Aviation Authority provide better guidance to its auditors on how to apply the “fit and proper person” criteria when carrying out assessments of senior persons.</td>
<td>✓</td>
<td>✗</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Improved quality and effectiveness of the certification function.</td>
<td>Improving efficiency in regulatory processes.</td>
<td>Complete – performance now monitored as part of Output Class 2 sampling.</td>
</tr>
<tr>
<td><strong>No.13.</strong> We recommend that the Civil Aviation Authority give priority to providing training in risk-based audit methodologies for its auditors, to ensure that they have the appropriate skills to carry out effective certification and risk-based surveillance.</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Improved quality and effectiveness of the certification and surveillance functions.</td>
<td>Improving efficiency in regulatory processes. Improving safety oversight.</td>
<td>31 March 2012. Surveillance Improvement Project re-phased from 30 Sep 2011 to take advantage of Phase 2 of the Organisational Design Review.</td>
</tr>
<tr>
<td><strong>No.14.</strong> We recommend that the Civil Aviation Authority provide detailed guidance to its auditors on risk-based auditing, including how information about risk can be used to tailor audits at the planning stage, how this information should be documented, how systems-based auditing should be applied, and how risk influences the size of samples checked during audits.</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Improved quality and effectiveness of the surveillance function.</td>
<td>Improving efficiency in regulatory processes. Improving safety oversight.</td>
<td>31 March 2012. Surveillance Improvement Project re-phased from 30 Sep 2011 to take advantage of Phase 2 of the Organisational Design Review.</td>
</tr>
</tbody>
</table>
ANNEX B: OAG RECOMMENDATIONS: DETAILED STATUS OF CORRECTIVE ACTIONS

Table 2 provides a detailed description of the work undertaken by the CAA to implement the recommendations of the OAG, the timing of the work and an assessment of the progress made on implementing the full recommendation. In many cases, a number of corrective actions will contribute to implementing a single recommendation.

**Table 2: Detailed Status of Corrective Actions**

<table>
<thead>
<tr>
<th>OAG Recommendation No.1.</th>
<th>We recommend that the Civil Aviation Authority put in place measures to better assess the effectiveness of its certification and surveillance functions and use these measures to report and account to the Board for its performance in achieving its outcomes.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Intervention/Corrective Actions</strong></td>
<td><strong>1A and 1B – Background and Assessment on Progress</strong></td>
</tr>
<tr>
<td><strong>1A – Develop quality measures for certification and surveillance.</strong></td>
<td>The CAA in the past has not had a proven mechanism for assessing the impact of specific types of intervention as a basis for determining the most appropriate intervention to deploy, and for reporting on performance in achieving outcomes.</td>
</tr>
<tr>
<td>• Quality measures complete. The 5th quarter assessment is reported separately to the Audit, Finance and Risk Committee.</td>
<td>The quarterly reports on Output Class 2 – quality measures for certification and surveillance – are intended to provide a level of confidence to the Authority that the CAA is discharging its certification and surveillance functions in accordance with CAA policy and procedures.</td>
</tr>
<tr>
<td><strong>Short Term Outcome</strong></td>
<td>These measures have shown that over the last two quarters the CAA has improved the quality of its certification and surveillance auditing. The next step is to determine whether the functions that are being conducted are effective in achieving desired outcomes. During the past period a validated method for measuring the effectiveness of interventions was delivered. This method includes the ability to test whether certification and surveillance interventions are effective.</td>
</tr>
<tr>
<td>• Measures are in place to provide assurances that the certification and surveillance functions are being performed in accordance with CAA policy and procedures.</td>
<td>The assessment of the interventions is part of the work programme for the 2011/12 year. A post-implementation review of the effectiveness of the tool itself and the processes for its use has been scheduled in the latter half of 2012.</td>
</tr>
<tr>
<td><strong>1B – Develop measures of the effectiveness of surveillance and certification functions.</strong></td>
<td>Internal Audit Assessment and Comment</td>
</tr>
<tr>
<td>• The work by consultants MartinJenkins which validates a methodology to measure the effectiveness of interventions is complete.</td>
<td><strong>1A</strong></td>
</tr>
<tr>
<td><strong>1A and 1B – Background and Assessment on Progress</strong></td>
<td>Quality measures relate to existing policies and procedures for surveillance and certification. Therefore the quarterly Output Class 2 reviews measure the consistency of delivery against those policies and procedures. This provides a good baseline of performance with which to measure against the existing approach. However, it does not address the primary recommendation to measure the effectiveness of the certification and surveillance functions. This is addressed through <strong>1B</strong> below.</td>
</tr>
<tr>
<td><strong>Internal Audit Assessment and Comment</strong></td>
<td>Internal Audit has observed the Output Class 2 quarterly review process for the past five quarters. A marked improvement was observed in each of the reviews. Our findings are reported separately to the Audit, Finance and Risk Committee.</td>
</tr>
<tr>
<td><strong>1B Validation of the Interventions Methodology</strong> was completed at 30 July 2011 (contracted to MartinJenkins).</td>
<td><strong>1B</strong></td>
</tr>
</tbody>
</table>
complete.

- The methodology will be applied to a number of interventions – including surveillance and certification activities.

1A and 1B – Long Term Outcome

- The ability to measure whether the surveillance and certification functions are effective for the purpose they were intended. The results will form part of management reporting to the Authority.

Status and Tracking Mechanism

1A – Complete. Results of sampling against Output Class 2 quality measures reported quarterly to the Audit, Finance and Risk Committee.

1B – Complete. Method developed. At least one surveillance and one certification activity to be assessed in 2011/12. Tracked in Director’s report to the Authority and in the Safety Information Group Business Plan.

Post-implementation review of methodology due last quarter of 2012. Tracked in Director’s report to the Authority and in the Safety Information Group Business Plan.

MartinJenkins). The next step is to apply the validated methodology to two or three interventions to determine how effective the interventions have been. Management expects that work on the first evaluation will be about 80% complete by the end of December 2011, with the remaining work on deployment of the method completed by 30 June 2012.

OAG Recommendation No.2. We recommend that the Board extend its internal audit of the Civil Aviation Authority to include assurance over the executive management team’s assessment of how well the Airlines Group’s and General Aviation Group’s certification and surveillance are contributing to its strategic priorities and achieving its overall goals and objectives.

<table>
<thead>
<tr>
<th>Intervention/Corrective Actions</th>
<th>Background and Assessment on Progress</th>
<th>Internal Audit Assessment and Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2A  <strong>Amend the Audit and Risk Management Committee Charter to require monitoring of the CAA’s effectiveness.</strong></td>
<td>The Charter of the Audit and Risk Management Committee of the Authority was amended at the Authority’s 3 August 2010 meeting to specifically include a requirement that it monitor the executive management team’s assessment of how well the CAA’s certification and surveillance functions are contributing to its strategic priorities and achieving its overall goals and objectives. The revision was approved by the Authority at its meeting on 15 October 2010. (NB: The Committee is now the Audit, Finance and Risk Committee.) The internal auditors PwC currently report to the Committee on the Output Class 2 quality monitoring process which addresses consistency of output from certification and surveillance. The internal auditor also provides assurances to the Committee on the progress being made to implement the OAG’s recommendations. A</td>
<td></td>
</tr>
<tr>
<td>2B  <strong>Develop measures of the effectiveness of surveillance and certification functions.</strong></td>
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</tr>
</tbody>
</table>

As evidenced through this report, we also perform a quarterly review of the implementation of OAG recommendations.

2B
<table>
<thead>
<tr>
<th>OAG Recommendation No.3.</th>
<th>We recommend that the Board’s Audit and Risk Management Committee take a more active role to ensure that the Airlines Group and the General Aviation Group actually address the internal audit findings.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Intervention/Corrective Actions</strong></td>
<td><strong>Background and Assessment on Progress</strong></td>
</tr>
<tr>
<td>Ensure the Committee receives assurance that Internal Audit findings are being addressed.</td>
<td>There has been on-going action on this recommendation by internal auditors PwC and the Committee. It was agreed as part of the internal audit plan for 2010/11 that the internal auditor and the Committee will closely monitor the effectiveness of the corrective actions taken in response to internal audit findings raised against the CAA’s operational groups. The internal auditors report quarterly to the Committee. Action on this recommendation has successfully transitioned to business-as-usual.</td>
</tr>
<tr>
<td>Complete.</td>
<td>Status and Tracking Mechanism</td>
</tr>
<tr>
<td>Quarterly status updates are being provided to the Committee by Internal Audit on actions taken on findings from the previous quarter.</td>
<td>Complete. Internal audit reports quarterly to the Committee.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OAG Recommendation No.4.</th>
<th>Not applicable. Recommendation made to the Ministry of Transport.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Intervention/Corrective Actions</strong></td>
<td><strong>Background and Assessment on Progress</strong></td>
</tr>
<tr>
<td>5A – Develop a method to measure</td>
<td>With the completion of Recommendation 1 the CAA will have a</td>
</tr>
<tr>
<td><strong>Internal Audit Assessment and Comment</strong></td>
<td>PwC provides a quarterly status update on progress against open actions identified in previous quarters. A report is presented to the Audit, Finance and Risk Committee that summarises the status of actions that have been taken, and any actions still outstanding. The report also provides commentary on any reasons for changes to agreed timelines.</td>
</tr>
</tbody>
</table>
the effectiveness of interventions.

- The work by consultants Martin Jenkins which validates a methodology to measure the effectiveness of interventions is complete.
- The methodology will be applied to a number of interventions – including an ‘advisory’ activity in 2011/12.

5B – Develop a Regulatory Tools policy.

- Policy complete and issued. Training necessary to support implementation in progress and due for completion by 24 December 2011.

A framework to assess the effectiveness of certification and surveillance intervention activities has now been developed, validated and deployed (see 1B above). The next step is to apply the validated methodology to two or three interventions to determine how effective the interventions have been. Management expects that work on the first evaluation will be about 80% complete by the end of December 2011, with the remaining work on deployment of the method completed by 30 June 2012.

5B

A Regulatory Tools policy has now been finalised, primarily documenting existing practice, with additional guidance on what constitutes significant risk. Management intends that application of the policy will help staff to understand the regulatory tools that are available, and when to use them. The Executive Team has agreed to initially review the finalised policy with two focus groups from the General Aviation and Personnel Licensing and Aviation Services Units. Any lessons learned through this initial socialisation will then be applied across the organisation.

The following two training modules have also been developed:

(i) Conducting Operational Risk Management assessments
(ii) Audit skills

A trial of the two courses commenced in October 2011 and seven CAA employees have been
Under appropriate use of its interventions, i.e. exit from the system through to generalised safety promotion and education. The move towards a Safety Management Systems approach will provide further focus to ensuring that risks are identified and treated properly.

**Status and Tracking Mechanism**

**5A – Complete.** Method developed. One advisory activity to be assessed in FY11/12. Tracked in the Director’s report to the Authority and in the Safety Information Group Business Plan. Post-implementation review of methodology due last quarter of 2012. Tracked in the Director’s report to the Authority and in the Safety Information Group Business Plan.

**5B – Policy published.** Implementation tracked in reports to the Authority.

---

**OAG Recommendation No.6.** We recommend that the Civil Aviation Authority clarify how its regulatory focus is to be applied in practice through certification, surveillance, and other regulatory action by providing more detailed guidance to staff about what circumstances constitute a significant risk to public safety, and what action they should take when these safety risks are identified.

**Intervention/Corrective Actions**

**Develop Regulatory Tools Policy.**

- Policy complete and issued. Training necessary to support implementation in progress and due for completion by 24 December 2011.

**Background and Assessment on Progress**

The Regulatory Tools policy has been completed and issued. It provides CAA staff with guidance on the selection and use of the regulatory tools available in response to safety regulatory concerns. It also provides guidance to industry around the type of action that might be taken by the CAA in any given situation. This policy, together with appropriate training for staff, will help to ensure a more consistent and effective regulatory outcome. There are also strong linkages between this work and the content of Phase 2 of the Change Programme which will be examining how the CAA can best perform its regulatory functions and then putting in place the organisational structures to best support that way of working.

**Status and Tracking Mechanism**

- Implementation tracked in reports to the Authority.

---

**Internal Audit Assessment and Comment**

As noted in 5B above, a Regulatory Tools policy has now been finalised, and primarily documents existing practice, with additional guidance on what constitutes significant risk. Management intends that application of the policy will help staff to understand the regulatory tools that are available, and when to use them. The Executive Team has agreed to initially review the finalised policy with two focus groups from the General Aviation and Personnel Licensing and Aviation Services Units. Any lessons learned through this initial socialisation will then be
| Policy published. | Implementation tracked in the Director’s report to the Authority. | applied across the organisation. |

**OAG Recommendation No.7.** We recommend that the Civil Aviation Authority give priority to completing the project to improve the integrity and reliability of safety data in its Management Information System, and improve the analysis of this data so that it can be used to better inform regulatory decision-making.

**Intervention/Corrective Actions**

**7A – Appointment of Team Leader Safety Data Management.**
- Complete.

**7B – Undertake Aviation Related Concern (ARC) process review.**
- Complete.

**7C – Establish the integrity of information input into the Management Information System**
- Report complete and tasks identified. Will be implemented as part of 7E below.

**7D – Undertake actions from the Aviation Related Concerns (ARC) process review.**
- Implement as part of Phase 2 of the Organisational Design Review.

**7E – Enhance safety data analysis capability.**
- Implement as part of Phase 2 of the Organisational Design Review.

**Background and Assessment on Progress**

The CAA policy on the Collection and Use of Safety Information that was developed partially in response to Recommendation 7 is premised on the formation of a single point of responsibility for managing safety information, and the development of a culture of evidence based decision making.

In terms of the recommendation there are two significant parts to this:
- that the data stored is reliable; and
- that value is extracted from the data held and generated in a form that is useful to inform regulatory decision making.

In November 2010 a person was appointed to the position of Team Leader Safety Data Management. The intention of this position is to review safety data and improve its reliability. This is an on-going task. A Safety Information Policy Implementation Project (SIPIP) was commenced in 2008.

The report for Stage 1A of the Safety Findings Review (a project under the SIPIP) was completed and tasks identified.

Further implementation of Stage 1A and the further Stages in the SIPIP will be implemented as part of Phase 2 of the Organisational Design Review. Phase 2 will be focusing on the structure of the Regulatory Operating Groups within the CAA which includes the Safety Analysis Unit. Actions to be taken following the ARC process review will also be implemented as part of Phase 2 of the Organisational Design Review.

Currently there is no capability to extract more value from the data collected, nor improve the usefulness of it in informing regulatory decision making. This awaits the completion of Phase 2.

**Internal Audit Assessment and Comment**

**7A**
As noted in our previous report the appointment of a Team Leader Safety Data Management addresses one element of the overall capability requirement. Currently the Team Leader Safety Data Management has primarily focussed on ensuring the accuracy and consistency of occurrence reports that are entered into the Aviation Safety Management Information System.

**7B**
As noted in our previous report, the ARC Review has been completed and it found systemic failure. Mitigations of failures are to be addressed in 7D. 7C, 7D and 7E.
As per management comments these will be addressed as part of Phase 2 of the Organisational Design Review. We will report on progress in Quarter 2 FY2012.
### OAG Recommendation No. 8

We recommend that the Civil Aviation Authority assess, and, where necessary, provide training to improve its managers’ capability to effectively manage and lead staff. This includes improving the staff performance assessment process in the General Aviation Group.

**Intervention/Corrective Actions**

<table>
<thead>
<tr>
<th>8A – Improve the staff performance assessment process in the General Aviation Group.</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The Performance Review and Development Agreements (PDAs) with each General Aviation Manager for the 2010/11 year linked performance goals directly to the Statement of Intent (SOI).</td>
</tr>
<tr>
<td>• For the 2011/12 year the General Aviation Group has developed Business Plans linking each General Aviation Unit to the SOI Objectives.</td>
</tr>
<tr>
<td>8B – Improve managers’ capability to effectively manage and lead staff.</td>
</tr>
</tbody>
</table>

**Management Development Programme**

**Background and Assessment on Progress**

**8A**

The CAA, utilising Facilitators Inc, is undertaking a management development training programme. The first part of Module 1 on performance management was rolled out in time for managers to develop PDAs for the 2011/12 year. This included training on setting performance objectives and was designed to improve the quality of staff performance objectives, including the consistent alignment to strategic/business plans. PDAs which focus on aligning each person’s role in relation to their Unit Business Plans also provide some measure of assurance to staff around how their individual work contributes to the objectives of the CAA.

The General Manager Airlines and the General Manager General Aviation have planned the development of their managers’ PDAs to ensure consistency of corporate development goals. Once completed, this will be significant in working to ensure a consistent regulatory approach.

The General Manager Airlines and the General Manager General Aviation have planned the development of their managers’ PDAs to ensure consistency of corporate development goals. Once completed, this will be significant in working to ensure a consistent regulatory approach.

The success of the initiatives will be monitored not only through the measures in Output Class 2 but also thorough the responses to the work place surveys and focus groups being undertaken. These should provide an indication of how staff are responding to change and have

**Internal Audit Assessment and Comment**

In order to achieve clarity from management to staff on what is expected of their performance and to ensure that management have the appropriate skills to adequately guide and lead CAA’s employees, we consider that clear performance objectives and a leadership training programme are required. Both of these have been developed and a summary is provided below.

**8A**

Further progress on objective setting for General Aviation managers, for the 2011/12 year, has not been made since we reported last quarter. We reviewed an example of the performance appraisal for the 2010/11 year and noted that it includes performance goals that were linked to the SOI. If the same format is used in 2011/12 it will provide a clear link between SOI outputs and individual performance objectives.

As reported last quarter we reviewed an example of a Business Plan for the General Aviation (Sport
Completion of a training needs analysis.

Development of a management development programme comprising four modules.

Selection of Facilitators Inc. as the provider of the programme.

The first and second parts of Module 1 on performance management commenced on 20 June 2011 and were completed in July and August.

The balance of the modules (4) will be completed during the 2011/12 year.

**Work Place Survey**

A work place survey of all staff was conducted in July by John Robertson Associates (JRA).

**Future Action**

**Team Focus Groups (on-going)**

Focus groups to discuss the top three areas of concern identified from the work place survey.

**Work Place Survey 2**

A second survey will be conducted in latter part of 2012.

**Short Term Outcome**

The performance management an understanding that the organisation is working towards common goals.

8B

The training needs analysis completed in the 4th quarter looked at not only the training modules that might be needed across the organisation, but also the specific training needs for every manager from the Director to Team Leaders.

An extensive management training programme for all managers and team leaders has commenced.

Further action from the reports will be utilised with the results from the first work place survey (see column 1). Team focus groups (see column 1) are to be set up to discuss the top three areas of concern from the work place survey. This will identify specific management behaviours which need to be addressed.

A second work place survey (see column 1) will be conducted in the latter part of 2012 and used as a tool to monitor the improvement in the perception of management capability across the organisation.

**Status and Tracking Mechanism**

8A – Complete.

8B. Management development programme in place. Tracked via fortnightly reporting to the Change Programme Steering Committee.

Transition to business-as-usual.

and Recreation) Unit and noted that the Unit’s objectives are linked to the strategic priorities detailed in the 2011/14 SOI. Again, this provides further clarity to staff around how their individual Units’ performance directly relates and affects the CAA’s performance against the outputs defined in its SOI. The importance of these objectives is further emphasised through the Output Class 2 quarterly review process.

8B

As reported in the 4th Status Report, a detailed training needs analysis across all senior managers from Director to Level 4 Team Leaders has been completed and management training has been provided.

We reviewed the results of the survey conducted by JRA. The key themes have been agreed with senior management and are being addressed through focus groups being run within each Unit.

Management advised us that a follow-up survey will be conducted by JRA in Q3 or 4 of FY 2012.

We will review the progress of the focus groups in Q2 FY 2012, and review the findings of the future survey to be conducted.
training undertaken in the 4th quarter achieved:

• improvements in the write up of the staff performance assessments for the year ended 30 June 2011; and
• more SMART objectives in the staff performance agreements for the year beginning 1 July 2011.

Long Term Outcome
The expected outcome from all actions will be a consistency of managerial capability across the organisation.

OAG Recommendation No.9. We recommend that the Civil Aviation Authority give priority to completing the project to review and improve the surveillance process and tools, and ensure that all managers and auditors are using the new certification and surveillance processes.

Intervention/Corrective Actions
9A and 9B – Completion of certification policies and procedures.
• Complete.
9C – 9G – Complete Surveillance Improvement Project.
• Project completion date extended to March 2012.
• Contracts with Aerosafe and Gulf Consulting Ltd to conduct training courses.

Background and Assessment on Progress
9A and 9B
A post-implementation review was conducted and actions will be tracked by reporting to the Change Programme Steering Committee on a fortnightly basis.

9C – 9G
The CAA notes the internal audit comment that the quarterly Output Class 2 reviews do not provide assurance of “the actions of personnel in the field”. This is acknowledged. When the necessary changes to policy and process have been made and staff have been trained, that will be the time to seek assurance that required behaviours are being demonstrated.

Internal Audit Assessment and Comment
9A and 9B
As noted in the 4th Status Report, an amended Certification policy and procedures for aviation organisations was published on 18 October 2010 and a post-implementation review was conducted. We will review any reporting that is provided to the Change Programme Steering Committee in Q2 of FY 2012.

9C – 9G
The Surveillance Improvement Project is still in progress (based on rescheduled completion date of 31 March 2012), and we cannot provide any
A decision has been made to re-schedule and align the Surveillance Improvement Project, extending the duration of the project. This decision was based on:

(a) the need to look closely at the results of the Certification Post-Implementation Review including the informal lessons learned; (see 9A above); and

(b) potential support for the objectives of the project being provided by the implementation of Phase 2 of the Organisational Design Review (scheduled for August 2011–February 2012).

In the quarter Aerosafe developed training on operational risk assessments and the newly developed toolbox (see Recommendation 13A). This training will be trialled with selected personnel.

Software development is complete and it is currently being ‘debugged’ during testing. Training material for the new business process will also be developed and trialled during this period.

In the period September 2011 – March 2012 the implementation of the new business process and training will be carried out. Auditor guidance material/handbooks will also be finalised during this period.

On-going development of client/sector risk assessments, audit modules and checklists will be carried out as part of business-as-usual. Mentoring will also be provided to audit staff. This will involve working closely with the audit teams both in the office and in the field. Observations made during this period will be fed back into the training and guidance material as applicable. The aim of this important part of the process is to ensure that the training and required competencies are embedded and that the training is generating the required results and level of performance.

Other events, like the development of the National Diplomas in Aviation, have created opportunities to enhance the effectiveness of the Surveillance Improvement Project. By re-scheduling and aligning further details other than those provided by management.

We can confirm that management has continued to develop and implement the training programme that we reported in the last quarter (supported by Aerosafe and Gulf Consulting Ltd). As noted in 5B above, the following two training modules have been developed:

(i) Conducting Operational Risk Management assessments

(ii) Audit skills

A trial of the two courses commenced in October 2011 and seven CAA employees were selected to attend the first two courses. Once the courses have been tested, they will be finalised and rolled out to all CAA auditors.

In order to gain assurance that the planned training has been effective, CAA will need to perform internal quality assurance field audits following delivery of the training, as the current monitoring of auditor performance via the Output Class 2 quarterly reviews only focuses on adherence of auditors to the approved policies and procedures as evidenced by audit file documentation.
the Surveillance Improvement Project the benefits of these opportunities can be accrued with no negative impact other than a delay to the overall completion of the programme.

**Status and Tracking Mechanism**

9A and 9B – **Complete.** Certification Improvement Project complete. Post-implementation review actions being tracked by reporting to the Change Programme Steering Committee on a fortnightly basis.

9C – 9G. Surveillance Improvement Project on schedule for completion by 31 March 2012. Progress is being monitored by reporting to Authority meetings in the Director’s report and to the Change Programme Steering Committee on a fortnightly basis.

**OAG Recommendation No.10.** We recommend that the Civil Aviation Authority introduce more robust quality assurance of certification and surveillance work, including input into planning for certification and surveillance, reviewing the results, and moderating auditors’ findings.

**Intervention/Corrective Actions**

10A – **Reinvigorate the Quality Management System (QMS).**
- 19 April 2011 agreement by Committee to proceed with work on a QMS.
- First step: wrap quality plans around strategic projects, including certification and surveillance – in progress.

10B – **Proposal in Phase 1 of the Organisational Design Review for Manager Quality, Assurance and Risk.**
- Appointment to be made by 24 December 2011.

**Background and Assessment on Progress**

10A
One of the components of the work being undertaken is to develop a new Quality Management policy for the CAA. The development of the draft was discussed with the Audit, Finance and Risk Committee at its 5 August 2011 meeting. The policy was provided to the Authority at its meeting on 13 September 2011.

The results of the implementation of the quality reports around key strategic projects will be to identify gaps and provide for monitoring and continuous improvement.

10B
The new position of Manager Quality Assurance and Risk, which reports to the new General Manager Organisational Development and Strategy, will provide independent risk and assurance advice to the Director and the Executive Leadership Team. That advice will be on key risk management and audit/review issues of a strategic or operational nature.

**Internal Audit Assessment and Comment**

10A
The Authority was provided with an overview of the CAA’s new Quality Management policy at the Authority’s meeting on 13 September 2011. The Authority noted that the policy is consistent with the requirements of AS/NZS9001:2008. The policy is the first step in enabling the structures and systems to be established to enable a full QMS to be developed and deployed across key regulatory and corporate functions. As at the date of this report, the QMS policy has been approved by the Executive with minor revisions to be made. We will review the final QMS policy in Q2 FY 2012. We will also continue to monitor the development of the QMS over coming quarters.

10B
Both these projects will lead to a clear understanding by management of where inconsistencies and deficiencies in certification and surveillance functions lie and provide for a monitoring and continuous improvement process. It is anticipated that the Quality, Assurance and Risk Manager position will be filled by 24 December 2011. Subsequent development and improvement of the systems will become business-as-usual.

**Status and Tracking Mechanism**

10A. Development of the Quality Management policy is complete and its implementation will take place progressively. Progress is being monitored by reporting to Authority meetings in the Director’s report and to the Change Programme Steering Committee on a fortnightly basis.

10B. Appointment of Manager Quality Assurance and Risk under action as part of Phase 1 of the Change Programme. Tracked through reporting to the Change Programme Steering Committee on a fortnightly basis.

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**OAG Recommendation No.11.** We recommend that the Civil Aviation Authority provide better guidance to its auditors on the level of documentation that needs to be retained as evidence of the certification and surveillance work that has been carried out, and reinforce the importance of clearly documenting the basis for decisions that involve serious consideration of evidence for a judgement to be made.

**Intervention/Corrective Actions**

11A – Certification Improvement Project.
- Complete.

11B – Develop training as part of Surveillance Improvement Project.
- This will be in place by 31 March 2012.

**Background and Assessment on Progress**

11A
The internal training provided as part of the Certification Improvement Project reinforced the need for proper documentation. Also, the training that all auditors may be required to undertake as part of the National Diploma in Aviation (Regulatory Oversight and Governance) will again cover this information and help embed the processes. Now subject to business-as-usual monitoring and quality improvement processes. See also the comments made against 9A.

11B

**Internal Audit Assessment and Comment**

11A
Completed and reported against by Internal Audit in 4th Status Report.

11B
As per 9C – 9G above, the training contracts entered into with Aerosafe and Gulf Consulting Ltd include the training of staff to address areas such as the level of documentation required during surveillance audits.
See Recommendation 9.
The audit training that will be conducted by Gulf Consulting Ltd and the further training to be undertaken by Aerosafe will ensure, as with the certification training, that issues such as the level of documentation needed are embedded within the culture of the organisation.

**Status and Tracking Mechanism**

**11A – Complete.**

**11B.** Surveillance Improvement Project on schedule for completion by 31 March 2012. Status tracked through reporting to Authority meetings in the Director’s report and to the Change Programme Steering Committee on a fortnightly basis.

<table>
<thead>
<tr>
<th>OAG Recommendation No.12.</th>
<th>We recommend that the Civil Aviation Authority provide better guidance to its auditors on how to apply the “fit and proper person” criteria when carrying out assessments of senior persons.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Intervention/Corrective Actions</strong></td>
<td><strong>Certification Improvement Project.</strong></td>
</tr>
<tr>
<td>• Complete.</td>
<td><strong>Background and Assessment on Progress</strong></td>
</tr>
<tr>
<td>• Guidance provided to auditors on how to apply the “fit and proper person” criteria when carrying out assessments of senior persons.</td>
<td><strong>Complete.</strong></td>
</tr>
<tr>
<td><strong>Status and Tracking Mechanism</strong></td>
<td><strong>Complete.</strong> Now subject to business-as-usual monitoring and quality improvement processes. See also the comments against 9A.</td>
</tr>
<tr>
<td><strong>Internal Audit Assessment and Comment</strong></td>
<td>Completed and reported to OAG by Internal Audit in 3rd Status Report.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OAG Recommendation No.13.</th>
<th>We recommend that the Civil Aviation Authority give priority to providing training in risk-based audit methodologies for its auditors, to ensure that they have the appropriate skills to carry out effective certification and risk-based surveillance.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Intervention/Corrective Actions</strong></td>
<td><strong>Provide training development and delivery capability in risk based audit methodologies.</strong></td>
</tr>
<tr>
<td>• Delivery as part of the</td>
<td><strong>Background and Assessment on Progress</strong></td>
</tr>
<tr>
<td></td>
<td>A key part of the new surveillance process will be the use of an ‘operational’ risk assessment when scheduling, scoping and planning audits. This increased focus on risk will enable a more targeted use of CAA resources in addressing areas of highest risk.</td>
</tr>
<tr>
<td><strong>Internal Audit Assessment and Comment</strong></td>
<td>As noted in 9C – 9G above, Aerosafe was contracted to commence work on this risk assessment training programme on 30 June 2011. As at the date of writing this report the</td>
</tr>
</tbody>
</table>
Surveillance Improvement Project.
- To be completed by 31 March 2012.

The Surveillance Project team has developed a process to assist in the collation of information and documentation of this operational risk assessment. Discussions have also been held with Aerosafe regarding the incorporation of this process into the *Manage operational risk management in an aviation environment* module for the National Diploma in Aviation (Regulatory Oversight and Governance). Aerosafe has worked previously with the CAA on various risk projects including a review of the CAA’s client risk profile tool and the delivery of Safety Management Systems training. Aerosafe is also the prime training organisation for the delivery of the new National Diplomas in Aviation. See also comments against 9C-G and associated status and tracking mechanism.

**OAG Recommendation No.14.** We recommend that the Civil Aviation Authority provide detailed guidance to its auditors on risk-based auditing, including how information about risk can be used to tailor audits at the planning stage, how this information should be documented, how systems-based auditing should be applied, and how risk influences the size of samples checked during audits.

**Intervention/Corrective Actions**

- **Development and delivery of risk based audit training.**
  - To be undertaken as part of the Surveillance Improvement Project.
  - To be completed by 31 March 2012.

**Conducting Operational Risk Management Assessments** course has been developed and is being rolled out in October 2011 in tandem with the *Audit Skills* course. Once the courses have been tested, they will be finalised and rolled out to all CAA auditors. We will continue to assess the status of this training in subsequent quarterly reviews.

**Background and Assessment on Progress**

The background and progress on this recommendation is in accord with Recommendation 13 above. It is noted that the addition of this capability will be addressed within the Organisational Design and Alignment work stream of the Change Programme. The CAA notes that the need to co-ordinate the training requirements associated with this work with those brought about by the introduction of Civil Aviation Rules requiring certain operators to have Safety Management Systems, will have a significant impact on the way in which the CAA’s inspection and monitoring role is performed in future. See also comments against 9C-G and associated status and tracking mechanism.

**Internal Audit Assessment and Comment**

Refer training programme details in 9C – 9G above.
## ANNEX C: EXTRACT FROM CONSOLIDATED LIST OF CAA PROJECTS

<table>
<thead>
<tr>
<th>Project</th>
<th>Ref</th>
<th>Sponsor</th>
<th>Start</th>
<th>End</th>
<th>Status</th>
<th>Dependency</th>
<th>Monitoring</th>
</tr>
</thead>
<tbody>
<tr>
<td>3-00 Development of Strategic Direction Document</td>
<td>SLC</td>
<td>Steve Douglas</td>
<td>1/6/2011</td>
<td>30/8/2011</td>
<td>Complete</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3-03 Diploma Training: Regulatory Oversight/Risk Management/SMs</td>
<td>OAG 11, 13, 14</td>
<td>Graeme Harris</td>
<td>1/3/2011</td>
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2 Key:  
- OAG: Projects with direct linkage to OAG recommendation/s  
- SLC: Strategy, Leadership and Culture  
- OD: Organisational Design  
- S&P: Systems and Processes  
- Change Programme Work Stream
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