Implementation of the Office of the Auditor-General’s Recommendations

6th Status Report

Organisation

Civil Aviation Authority of New Zealand

Version

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Author

Civil Aviation Authority

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New Zealand Government
EXECUTIVE SUMMARY

This report details the Civil Aviation Authority’s progress in implementing the recommendations made by the Office of the Auditor-General in its report *The Civil Aviation Authority’s progress with improving certification and surveillance* released on 29 June 2010. The primary purpose of the Status Report is to provide the Minister of Transport with assurance that improvements sought by the Office of the Auditor-General are being implemented. The Annexes contain a level of detail intended for both internal and external audit purposes.

Since 1997, the Office of the Auditor-General has carried out four audits of the certification and surveillance functions of the Civil Aviation Authority in relation to operators in the airline sector and the general aviation sector. The fourth report released on 29 June 2010 was carried out to establish whether the Civil Aviation Authority had addressed the recommendations made by the Office of the Auditor-General in its 2005 report. The 2010 report made 14 recommendations in five broad categories according to the Auditor-General’s observations on “why the Civil Aviation Authority has been slow to change”. These are set out in Table 1, below.

Table 1: Recommendations of the Office of the Auditor-General

| More effective governance of, and accountability for, the Civil Aviation Authority’s certification and surveillance functions |
| Recommendations: |
| 1. 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; |
| 2. 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 surveillance are contributing to its strategic priorities and achieving its overall goals and objectives; |
| 3. 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; and |
| 4. the Ministry of Transport, on behalf of the Minister of Transport, more actively monitor the Civil Aviation Authority to provide assurance to the Minister of Transport that the Civil Aviation Authority is addressing our recommendations and performing certification and surveillance effectively and efficiently. |

| Clarifying the Civil Aviation Authority’s regulatory focus, and providing better guidance to ensure that regulatory responses are appropriate and consistent |
| Recommendations: |
| 5. 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; |
| 6. 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; |
and 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.

Improving the Civil Aviation Authority’s management practices to focus on improving performance and introducing continuous quality improvement

**Recommendations:**

8. 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.

Improving the Civil Aviation Authority’s management oversight of new certification and surveillance processes

**Recommendations:**

9. 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;

10. 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;

11. 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 judgment to be made; and

12. provide better guidance to its auditors on how to apply the “fit and proper person” criteria when carrying out assessments of senior persons.

Focusing staff training on improving organisational proficiency in auditing

**Recommendations:**

13. 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; and

14. 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.

Since the release of the Auditor-General’s 2010 report, the Civil Aviation Authority (Board) has determined that a comprehensive Change Programme is needed to lift organisational performance to the level required to address the root causes of the Office of the Auditor-General’s recommendations, provide effective regulatory oversight and security services in the future, and deliver them in a way that provides good value for money.

Thus, the Office of the Auditor-General’s recommendations have been, or are being, implemented within the structure of the Civil Aviation Authority’s Change Programme. To ensure that the work on the completion of the Auditor-General’s recommendations is not lost within the broader Change Programme this report provides details of how work is tracked for oversight by the Authority and to inform the Minister of Transport. Figure 1 illustrates how the Auditor-General’s recommendations fit within the various change programme work-streams.
Figure 1: Civil Aviation Authority Change Programme showing relationship with recommendations of the Office of the Auditor General

2010 - 2011 2011 - 2012

Q4 Q1 Q2 Q3 Q4 Q1

Strategic Direction and Plan
Strategic, Leadership and Culture
Organisational design and alignment
Regulatory focus clarified by issue of regulatory tools policy
1st phase of management development complete – transition to business-as-usual.

Management and staff training
Intro QA and Risk Management Capability
Quality Assurance and risk manager in place and work underway

Shared Support Services
Organisational Design

Surveillance improvement project

Operational systems and processes
Effectiveness of interventions

Systems and process investment plan
Effectiveness of interventions tool available & ready for deployment
Implementation
Improved surveillance function. Initial auditor training complete – risk-based surveillance underway.

Effectiveness of interventions tool available & ready for deployment

CAA Funding Review
Funding
Sustainable financial position

Interim funding secured

Stakeholder Engagement and Communications

Completion of OAG recommendations
OAG recommendation addressed within this change programme work-stream

Completed Rec 3, 12
Oct-11
Rec 1, 2
Sep-11
Rec 5
31-Mar-12
Rec 6, 7, 9, 10, 11, 13, 14
30-Jun-12
Rec 8

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

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

Sustainable financial position

Outcome
Since the 5th Status Report further progress has been made implementing the Auditor-General’s recommendations. Notably, the methodology for assessing the effectiveness of current and proposed regulatory interventions was tested and verified as workable. In the context of the Civil Aviation Authority’s regulatory role, an intervention can be:

- a specific action taken with respect to a participant in the civil aviation system;
- an action taken that changes some aspect of the civil aviation system (e.g., a new Civil Aviation Rule); or
- an action taken that seeks to influence behaviours through non-coercive means (e.g., education and promotion).

For each intervention, there are expected or desired outcomes. The tool uses evaluative techniques to enable a structured and repeatable assessment of an intervention. For each intervention, expected benefits (e.g., the outcome or result) are characterised. In turn, performance measures or indicators of these outcomes or results are defined. The measures may be either quantitative or qualitative, or a mixture of both. When the tool is applied prospectively, it is used to evaluate what the likely (or possible) results of an intervention might be, and thus can be used to assist in determining the merit of an intervention. When applied retrospectively, it enables a structured assessment and evaluation of the data (including performance indicators), against the original design intention of the intervention — and thus evaluation of how effective the intervention has been.

A training package for staff is being provided in January/February 2012 with the intention that the methodology will subsequently be applied to a number of different types of intervention. A post-implementation review of the utility of the methodology is planned for late 2012. The methodology has been provided to the Ministry of Transport on the basis that it could be of use within the wider transport sector regulatory reform programme.

Further 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 the Office of the Auditor-General’s recommendations 13 and 14. This training will be delivered within the New Zealand Qualifications Authority approved qualifications framework detailed in the Civil Aviation Authority’s 4th Status Report.

The reporting quarter has also seen considerable progress made on Phase 2 of the Authority’s change programme. Phase 2 of the Organisational Design Review work stream of the Change Programme focuses on the more effective performance of the Civil Aviation Authority’s regulatory, policy and standards functions. Its primary design principles have a clear link with a number of the Office of the Auditor-General’s recommendations. The consultation document proposing organisational and staffing
changes was released to staff on 7 December 2011 and the Authority will decide on what changes will be made at its meeting on 14 February 2012.

KEY POINTS

<table>
<thead>
<tr>
<th>Status Changes since the Last Report</th>
<th>Report Reference</th>
<th>Relevant Office of the Auditor-General’s Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Testing on the methodology for determining the effectiveness of interventions is complete. Following the training of staff it will be deployed during the current financial year.</td>
<td>Table 3</td>
<td>Nos. 1, 2, 5</td>
</tr>
<tr>
<td>The consultation document for Phase 2 of the Organisational Design Review – Regulatory and Policy Functions was completed in December. Decisions will be finalised in mid-February for implementation beginning in March.</td>
<td>Table 3</td>
<td>Nos. 7, 9, 10, 11, 13, 14</td>
</tr>
<tr>
<td>Training on the Surveillance Improvement Project has been comprehensively planned for provision to all audit staff in the next quarter.</td>
<td>Table 3</td>
<td>Nos. 9, 11, 13, 14</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Forthcoming Milestones – Next Two Quarters</th>
<th>Report Reference</th>
<th>Relevant Office of the Auditor-General’s Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appointment of new Quality, Assurance and Risk Manager</td>
<td>Table 3</td>
<td>No. 10</td>
</tr>
<tr>
<td>Completion of the Surveillance Improvement Project – improved auditor skills and effectiveness, and improved surveillance process.</td>
<td>Table 3</td>
<td>Nos. 9, 11, 13, 14</td>
</tr>
<tr>
<td>Decisions made for Implementation of Phase 2 of the Organisational Design Review.</td>
<td>Table 3</td>
<td>Nos. 7, 9, 10, 11, 13, 14</td>
</tr>
</tbody>
</table>
1. This is the sixth in the series of quarterly reports which have been provided to the Minister of Transport as part of a reporting and monitoring arrangement agreed between the then Minister of Transport and the former Chairman of the Civil Aviation Authority in April 2010. In accordance with that agreed process:

- the Civil Aviation Authority provides quarterly reports to the Minister recording the organisation’s progress on implementing the recommendations of the Office of the Auditor-General, and the status of each;

- the organisation’s performance is monitored through the Civil Aviation Authority’s Audit, Finance and Risk Committee (formerly the Audit and Risk Management Committee). The Audit, Finance and Risk Committee utilises PricewaterhouseCoopers, the Civil Aviation Authority’s contracted internal audit provider, to assist in validating the status update provided by management; and

- Audit New Zealand provides separate and independent assurance of the Civil Aviation Authority’s progress against the action plan, via quarterly reports to the Audit, Finance and Risk Committee.

2. This report maintains the same basic structure as the 5th Status Report. Subsequent to the drafting of this report, the Civil Aviation Authority, Ministry of Transport and Audit New Zealand have met to discuss the future of reporting on this topic and the Authority’s objective of integrating it into improved reporting that provides a more complete picture of organisational performance. All three parties agreed on the desirability of the objective and will work toward that end. You will be advised of the outcome in due course.

LINKS TO OTHER WORK

CHANGE PROGRAMME

3. The implementation of the Office of the Auditor-General’s 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. The majority of the office of the Auditor-General’s recommendations are being implemented through actions taken under the Change Programme or have been actioned to the point that they can transition
to business-as-usual. Annex B: Table 3 now identifies the means of monitoring such recommendations. Annex C, a consolidated list of current and planned Civil Aviation Authority projects, also illustrates the linkage between Change Programme work and implementation of the Office of the Auditor-General’s recommendations.

4. The status of the change programme will be reported separately until such time as the improvements in reporting referred to above are implemented.

**WORK STREAM PLANNING**

5. The Civil Aviation Authority’s 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 Office of the Auditor-General in its 2010 report. 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. Rectifying the root causes of the deficiencies identified in the Office of the Auditor-General’s 2010 report is recognised by the Civil Aviation Authority as essential to its ability to facilitate the operation of the New Zealand civil aviation system and to function as an effective and internationally credible civil aviation regulator. The ability for New Zealand based aviation operators to participate in the international civil aviation system, to operate into and from foreign countries, and to market New Zealand aviation products in international markets relies on New Zealand both maintaining compliance with international standards and retaining a sound reputation for its aviation safety and security regulatory performance.

8. Strengthened performance in all areas will flow from the Change Programme illustrated in Figure 1 (above). The programme supports and promotes work already underway on the implementation of individual Office of the Auditor-General’s 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.
9. This quarter the Change Programme has seen:

- the completion of the Strategic Direction document for the Civil Aviation Authority;
- the release of the consultation document on regulatory and policy functions as part of the Organisational Design Review; and
- the development of a staff training programme for the Surveillance Implementation Project.

The work on the Strategic Direction document and the staff training is discussed below.

- The **Strategic Direction** document provides direction to both outward-facing strategy and organisation development change.
  - The document sets out the direction and priorities for the Civil Aviation Authority, underpinned by a definition of the way it intends to work.
  - The document will guide the overall Change Programme and was used in Phase 2 of the programme to define the required organisational characteristics, capabilities, competencies and systems required by the Civil Aviation Authority to best perform its legislated functions and meet the needs of the sector.

- **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:
  - the need identified in the Office of the Auditor-General's recommendations 13 and 14 to improve the organisation's consideration of risk in the programming and conduct of its surveillance activity;
  - the International Civil Aviation Organization requirement for member States to introduce requirements for operators to have a Safety Management System; and
  - the need for staff to be able to perform safety oversight in a Safety Management System environment.

10. As detailed in the 4th Status Report, three aviation diploma-level qualifications and their associated unit standards have been developed in a collaborative effort by the Civil Aviation Authority, the Aviation Industry Association and the Aviation, Tourism and Travel Organisation. These New Zealand Qualifications Authority approved diplomas are:
• National Diploma in Aviation (Regulatory Oversight and Governance) - intended to be provided for Civil Aviation Authority safety oversight personnel;
• National Diploma in Aviation (Safety Management Systems); and
• National Diploma in Aviation (Risk Management).
IMPLEMENTATION OF THE OFFICE OF THE AUDITOR-GENERAL’S RECOMMENDATIONS

11. The progress made on implementing the Office of the Auditor-General’s recommendations during the quarter is summarised below and in Table 2 (Annex A) and detailed in Table 3 (Annex B). Table 2 is intended to show the benefit/s to be provided by the implementation of the recommendations, their links to the Civil Aviation Authority’s strategic priorities and the progress toward implementation over time.

12. The sixth quarter has seen consistent progress with the implementation of necessary changes. The Effectiveness of Interventions Project has been completed with the delivery of a final report in August. The methodology has been validated and tested as workable. Training on its use will be provided to a number of staff in January/February 2012 and it will subsequently be applied across a range of ‘real world’ interventions. The methodology has been provided to the Ministry of Transport on the basis that it may be of use within the wider transport sector regulatory reform programme. Good progress has also been made in the development of the training associated with the Surveillance Improvement Project. The delivery of this training during the January – March 2012 quarter will allow the concepts to be embedded within the organisation.

OUTPUT QUALITY MEASUREMENT

13. The Civil Aviation Authority introduced measures of the quality of its certification and surveillance functions (Output Class 2) as an interim measure while the development of a methodology for assessing effectiveness was undertaken. After initially disappointing results, improvement efforts have provided consistently good results from quality samples during the past six to nine months.

14. The Output Class 2 quality measurement for the reporting period was deferred to be conducted concurrently with the January – March 2012 quarter. Factors considered in arriving at the decision to do this included:

- the consistently good results obtained of late;
- the lack of any changes during the quarter likely to influence the results obtained; and
- the significant resource that goes into selecting and reviewing the sample.
15. The period has seen good progress toward implementation of the Office of the Auditor-General’s recommendations, in particular in ensuring improved performance of the organisation’s core certification and surveillance functions. Both at the detailed level of the individual Office of the Auditor-General’s recommendations and at the overarching level of organisational transformation, the period has seen significant work done to lay the foundation for change in the next quarter. During that period, an intensive programme of training will up-skill staff on the performance of risk-based surveillance. The application of those skills, the introduction of a more efficient and effective way of working, and the rectification of other deficiencies reported by the Office of the Auditor-General will be supported by the outcomes from Phase 2 of the Civil Aviation Authority’s Organisational Change Programme due to be announced by the Authority in February.
ANNEX A: SUMMARY STATUS OF THE OFFICE OF THE AUDITOR-GENERAL’S RECOMMENDATIONS

Table 2 provides a summary report on the status of work underway to implement the recommendations made by the Office of the Auditor-General. 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 Civil Aviation Authority’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 3.

Table 2: Summary Status of the Office of the Auditor-General’s Recommendations

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Trending favourably.</th>
<th>Overall favourable progress – detailed comment in Table 3.</th>
<th>Trending unfavourably – concern being addressed.</th>
<th>Complete.</th>
</tr>
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<thead>
<tr>
<th>Office of the Auditor-General’s Recommendation</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q5</th>
<th>Q6</th>
<th>Expected Outcome/Benefit</th>
<th>Alignment to Strategic Priorities</th>
<th>Planned Completion Date</th>
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<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>
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<td>☑</td>
<td>Improved: • knowledge of the effectiveness of interventions; • impact of intervention; and • allocation of resource.</td>
<td>Improving efficiency in regulatory processes.</td>
<td>Development and validation complete. Now deploying and to be monitored by reporting to Authority meetings in the Director’s report.</td>
</tr>
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<td>Office of the Auditor-General's Recommendation</td>
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<td><strong>No.2.</strong> 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>✅</td>
<td>Improved Civil Aviation Authority oversight of the organisation's contribution toward achievement of desired outcomes.</td>
<td>Improving efficiency in regulatory processes.</td>
<td>Development and validation complete. Now deploying and to be monitored by reporting to Authority meetings in the Director’s report.</td>
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<tr>
<td><strong>No.3.</strong> 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>✅</td>
<td>Independent review of progress to ensure the Audit, Finance and Risk Committee (formerly the Audit and Risk Management Committee) is able to ensure effective actions being undertaken.</td>
<td>Improving efficiency in regulatory processes.</td>
<td>Complete. Now business-as-usual. Internal audit reports quarterly to the Audit, Finance and Risk Committee.</td>
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<tr>
<td><strong>No.4.</strong> Not applicable. Recommendation made to the Ministry of Transport.</td>
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<tr>
<td><strong>No.5.</strong> 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>
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<td>🚪</td>
<td>✅</td>
<td>✅</td>
<td>✅</td>
<td>✅</td>
<td>Improved: • knowledge of the effectiveness of interventions; • impact of intervention; and • allocation of resource.</td>
<td>Improving efficiency in regulatory processes.</td>
<td>Development and validation complete. Now deploying and to be monitored by reporting to Authority meetings in the Director’s report.</td>
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<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 conducted with two groups. Socialisation will be completed by 30 March 2012.</td>
<td></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 of the Organisational Design Review. Decisions due mid-February with implementation planned to be underway by 30 March 2012.</td>
<td></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. Status of the training programme reported to Authority meetings in the Director’s report.</td>
<td></td>
</tr>
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<td>Office of the Auditor-General’s Recommendation</td>
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<td><strong>No.9.</strong> 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>![Check]</td>
<td>![Check]</td>
<td>![Warning]</td>
<td>![Warning]</td>
<td>![Check]</td>
<td>![Check]</td>
<td>Improved performance of certification and surveillance functions. Improved outcomes.</td>
<td>Improving efficiency in regulatory processes.</td>
<td>30 March 2012. Re-phased from 30 September 2011 to take advantage of Phase 2 of the Organisational Design Review.</td>
</tr>
<tr>
<td><strong>No.10.</strong> 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>![Warning]</td>
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<td>![Warning]</td>
<td>![Warning]</td>
<td>![Check]</td>
<td>![Check]</td>
<td>Improved performance of certification and surveillance functions. Improved outcomes.</td>
<td>Improving efficiency in regulatory processes.</td>
<td>30 March 2012. Surveillance Improvement Project re-phased from 30 September 2011 to take advantage of Phase 2 of the Organisational Design Review. Quality Assurance and Risk Manager to be appointed by the end of March 2012 (internal recruiting unsuccessful).</td>
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<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>
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<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>30 March 2012. Surveillance Improvement Project re-phased from 30 September 2011 to take advantage of Phase 2 of the Organisational Design Review.</td>
</tr>
<tr>
<td>No.12. 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>🟢</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 reporting to the Audit, Finance and Risk Committee.</td>
</tr>
<tr>
<td>No.13. 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>🟢</td>
<td>Improved quality and effectiveness of the certification and surveillance functions.</td>
<td>Improving efficiency in regulatory processes. Improving safety oversight.</td>
<td>30 March 2012. Surveillance Improvement Project re-phased from 30 September 2011 to take advantage of Phase 2 of the Organisational Design Review.</td>
</tr>
<tr>
<td>Office of the Auditor-General’s Recommendation</td>
<td>Q1</td>
<td>Q2</td>
<td>Q3</td>
<td>Q4</td>
<td>Q5</td>
<td>Q6</td>
<td>Expected Outcome/Benefit</td>
<td>Alignment to Strategic Priorities</td>
<td>Planned Completion Date</td>
</tr>
<tr>
<td>-----------------------------------------------</td>
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<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>✓</td>
<td>Improved quality and effectiveness of the surveillance function.</td>
<td>Improving efficiency in regulatory processes. Improving safety oversight.</td>
<td>30 March 2012. Surveillance Improvement Project re-phased from 30 September 2011 to take advantage of Phase 2 of the Organisational Design Review.</td>
</tr>
</tbody>
</table>
ANNEX B: OFFICE OF THE AUDITOR-GENERAL’S RECOMMENDATIONS: DETAILED STATUS OF CORRECTIVE ACTIONS

Table 3 provides a detailed description of the work undertaken by the Civil Aviation Authority to implement the recommendations of the Office of the Auditor-General, 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. The last column titled “Internal Audit Assessment and Comment” provides Internal Audit’s commentary as a result of PricewaterhouseCoopers’ validation of the status update reported by management in the second column.

Table 3: Detailed Status of Corrective Actions

<table>
<thead>
<tr>
<th>Office of the Auditor-General’s 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>1A – Develop quality measures for certification and surveillance.</td>
<td>In common with its international peers, in the past the Civil Aviation Authority 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 intended outcomes. While the development of a methodology for assessing effectiveness was undertaken the Civil Aviation Authority introduced measures of the quality of its certification and surveillance functions (Output Class 2) as an interim measure. After initially disappointing results, improvement efforts have provided consistently good results from quality samples during the past six to nine months. After considering a combination of factors, including the consistently good results obtained of late, the significant resource that goes into conducting the sample and the logistical challenges of conducting the sample</td>
</tr>
<tr>
<td>• Quality measures complete. The next assessment will cover a six month period and will be reported separately to the Audit, Finance and Risk Committee.</td>
<td><strong>Internal Audit Assessment and Comment</strong></td>
</tr>
<tr>
<td><strong>Short Term Outcome</strong></td>
<td>1A</td>
</tr>
<tr>
<td>• Measures are in place to provide assurances that the certification and</td>
<td>As noted in prior reports, 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 1B below. Comment on the Output Class 2 sample for the period will be provided when it is conducted concurrently with the January – March 2012 sample.</td>
</tr>
</tbody>
</table>

1B Validation of the Interventions Methodology was completed in
surveillance functions are being performed in accordance with the organisation’s policy and procedures.

1B – Develop measures of the effectiveness of surveillance and certification functions.

- The work by consultants MartinJenkins which validates a methodology to measure the effectiveness of any intervention which has been tested on three separate parts of the organisation’s business, to ensure that it is workable.
- A package of training for staff on the use of the method was developed in the quarter, and a consultant will run the training in January/February 2012.

During January, it was decided to defer the sample of work done during the October – December 2011 quarter. It will now be combined with the January – March 2012 quarter sample to be conducted in April.

The Civil Aviation Authority now has a validated method for measuring the effectiveness of any intervention which has been tested on three separate parts of the organisation’s business, to ensure that it is workable.

A package of training for staff on the use of the method was developed in the quarter, and a consultant will run the training in January/February 2012.

Once training is complete five areas of the organisation’s work will be measured to see if the interventions used in those areas are effective. These areas are:

- airworthiness directives;
- airspace management issues (Paraparaumu as a completed project and Hamilton as a work in progress);
- flight instructor and flight examiner seminars;
- proposed safety improvements relating to gliding activities carried out in close proximity to terrain; and
- special purpose audits (a targeted form of surveillance) – a sample has been chosen.

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.

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 – Development and testing of method complete. At least 2011 (contracted to MartinJenkins). The Civil Aviation Authority assessed/tested the feasibility of this methodology during its development.

We observed the training materials and classroom handouts that were developed for the training sessions. A representative group from across the organisation will be trained in February 2012.

Our commentary in the 5th Status Report indicated that the validated methodology will be applied to two or three interventions to determine how effective the interventions have been, and management expected that work on the first evaluation would be about 80% complete by the end of December 2011, with the remaining work on deployment of the method completed by 30 June 2012. This timeline for evaluation was amended as management decided to train staff on the methodology before commencing the first evaluations. Training on the methodology is expected to be delivered in February 2012.

Internal Audit will assess that the post-implementation review has been conducted in the latter part of 2012.
one of the certification and one of the surveillance activities listed above are to be assessed in 2011/12. These are tracked in the Director’s report to the Civil Aviation Authority and in the Safety Information Group Business Plan.

The post-implementation review of methodology is due in the last quarter of 2012. This is tracked in Director’s report to the Civil Aviation Authority and in the Safety Information Group Business Plan.

Office of the Auditor-General’s 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>2A and 2B – Background and Assessment on Progress</th>
<th>Internal Audit Assessment and Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2A - Amend the Audit and Risk Management Committee Charter to require monitoring of the Civil Aviation Authority’s effectiveness.</td>
<td>The Charter of the Civil Aviation Authority’s Audit and Risk Management Committee 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 organisation’s certification and surveillance functions are contributing to its strategic priorities and achieving its overall goals and objectives. The revision was approved by the Civil Aviation Authority at its meeting on 15 October 2010. (NB: The Committee is now the Audit, Finance and Risk Committee.)</td>
<td>2A&lt;br&gt;As per the management comment, the Civil Aviation Authority extended internal audit to include assurance over the management team’s process of assessment of the organisation’s certification and surveillance functions, through attendance at, and assessment of, the Output Class 2 quarterly reviews. Our findings are reported separately to the Audit, Finance and Risk Committee. As noted above in 1A above, comment on the Output Class 2 sample for the period will be provided when it is conducted concurrently with the January – March 2012 sample. As evidenced through this report, we also perform a quarterly review of the implementation of the Office of the Auditor-General’s recommendations.</td>
</tr>
<tr>
<td>2B – Develop measures of the effectiveness of surveillance and certification functions.</td>
<td>The internal auditor, PricewaterhouseCoopers, currently reports to the Audit, Finance and Risk 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 Audit, Finance and Risk Committee on the progress being made to implement the Office of the Auditor-General’s recommendations. A summary of the comments for each</td>
<td>2B&lt;br&gt;A framework to assess the effectiveness of certification and surveillance intervention activities has now been developed and validated (see 1B above). Deployment and application of the policy will be implemented over the coming months (see 1B)</td>
</tr>
</tbody>
</table>
recommendation is provided in this report (see column 3).

**Status and Tracking Mechanism**

**2A – Complete.** The Committee's charter was amended and results of sampling against Output Class 2 quality measures are reported quarterly to the Audit, Finance and Risk Committee.

**2B – Complete.** Method for assessing the effectiveness of interventions developed and being deployed. See Recommendation 1 above, and we will report on this in future Status Reports on the implementation of the Office of the Auditor-General's recommendations.

<table>
<thead>
<tr>
<th>Office of the Auditor-General’s 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>Intervention/Corrective Actions <strong>Ensure the Committee receives assurance that Internal Audit findings are being addressed.</strong></td>
<td><strong>Background and Assessment on Progress</strong> There has been on-going action on this recommendation by internal auditors PricewaterhouseCoopers and the Committee. It was agreed as part of the internal audit plan for 2010/11 that the internal auditor and the Audit, Finance and Risk Committee will closely monitor the effectiveness of the corrective actions taken in response to internal audit findings raised against the Civil Aviation Authority’s operational groups. The internal auditors report quarterly to the Audit, Finance and Risk Committee. Action on this recommendation has successfully transitioned to business-as-usual. <strong>Status and Tracking Mechanism</strong> <strong>Complete.</strong> Internal audit reports quarterly to the Audit, Finance and Risk Committee.</td>
</tr>
<tr>
<td></td>
<td><strong>Internal Audit Assessment and Comment</strong> PricewaterhouseCoopers 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. At the August 2011 Audit, Finance and Risk Committee meeting the Committee Chairman requested to transfer nine open actions to the Change Programme Steering Committee for monitoring their closure. These open actions are closely associated with the Change Programme and it was therefore deemed appropriate to be monitored as part of that programme.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Office of the Auditor-General’s Recommendation No.4</th>
<th>Not applicable. Recommendation made to the Ministry of Transport.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office of the Auditor-General’s Recommendation No.5</td>
<td>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>
</tr>
<tr>
<td>Intervention/Corrective</td>
<td>5A and 5B – Background and Assessment on Progress</td>
</tr>
<tr>
<td></td>
<td><strong>Internal Audit Assessment and Comment</strong></td>
</tr>
</tbody>
</table>
Actions

5A – Develop a method to measure the effectiveness of interventions.

- The work by consultants MartinJenkins 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 30 March 2012.

With the development of a method to assess the effectiveness of any intervention, the Civil Aviation Authority has created a framework that will allow it to apply the intervention that best achieves the outcome sought. The weighting that will be placed on any given intervention will be determined in the context of a particular safety objective.

The organisation’s regulatory focus, e.g., whether it uses more enforcement tools or more educative tools, will vary according to the particular outcome sought and the attitude and behaviour of those involved. The Regulatory Tools policy now in force gives the Civil Aviation Authority’s auditors a range of tools to use in any given situation and guidance around their use. Having considered the issue, the organisation considers that a focus on the effectiveness of its interventions, combined with improved guidance to its staff in the form of the Regulatory Tools policy together negate the need for measures of the strength of interventions. The Civil Aviation Authority considers that safety outcomes will be optimized when organisations and individuals accept their responsibility for safety, voluntarily comply with aviation safety standards, and adopt a systematic approach to the management of safety. Its primary regulatory approach is to encourage such attitudes and behaviour. When required standards are not met, the Civil Aviation Authority will assess the risk to safety posed by the attitude and behaviour of parties involved. This assessment will include consideration of the likely cost, proportionality and effectiveness of relevant interventions. In such context, consideration of the “strength” of intervention does not add any value.

Further work has been initiated in this quarter to develop risk profiles for particular sectors of the aviation industry to help

5A

See 1B above. Validation of the Interventions Methodology was completed in 2011 (contracted to MartinJenkins). The Civil Aviation Authority assessed/tested the feasibility of this methodology during its development.

We observed the training materials and classroom handouts that were developed for the training sessions. A representative group from across the organisation will be trained in February 2012.

Our commentary in the 5th Status Report indicated that the validated methodology will be applied to two or three interventions to determine how effective the interventions have been, and management expected that work on the first evaluation would be about 80% complete by the end of December 2011, with the remaining work on deployment of the method completed by 30 June 2012. This timeline for evaluation was amended as management decided to train staff on the methodology before commencing the first evaluations. Training on the methodology is expected to be delivered in February 2012.

5B

A Regulatory Tools policy has 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.

We confirmed that the finalised policy was initially socialised with two focus groups from the General Aviation and Personnel Licensing and Aviation Services Groups. Lessons learned through this initial socialisation will be applied across the organisation. Formal roll-out and further socialisation of the policy will be
inform the choice of regulatory intervention. Wrapped around all these initiatives is extensive training in risk-based methodology for all auditors.

The Regulatory Tools policy is critical to the Civil Aviation Authority acting consistently in the application of the tools available to it as a regulator and ensuring the full and most appropriate use of any intervention, i.e. exits from the system through to generalised safety promotion and education.

The Regulatory Tools policy has been socialised with two operational groups. This socialisation will continue.

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 (Flight Instructor and Flight Examiner seminars) to be assessed in the 2011/12 financial year. Tracked in the Director’s report to the Civil Aviation 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 Civil Aviation Authority and in the Safety Information Group Business Plan. |
| **5B – Policy published.** | Implementation tracked in reports to the Civil Aviation Authority. |

**Office of the Auditor-General’s 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.

<table>
<thead>
<tr>
<th><strong>Intervention/Corrective Actions</strong></th>
<th><strong>Background and Assessment on Progress</strong></th>
<th><strong>Internal Audit Assessment and Comment</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>The Regulatory Tools policy has been completed and issued.</td>
<td>Refer 5B above. A Regulatory Tools policy has been finalised, and</td>
<td></td>
</tr>
</tbody>
</table>
Develop Regulatory Tools Policy.

- Policy complete and issued. If necessary, the policy will be revised to ensure consistency with the updated Regulatory Operating Model.

provides Civil Aviation Authority 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 Civil Aviation Authority in any given situation. This policy, together with appropriate training for staff, will help to ensure a more consistent and effective regulatory outcome.

This quarter has also seen work on the Civil Aviation Authority’s Regulatory Operating Model which will sit above the Regulatory Tools policy as a statement of overarching regulatory philosophy and intent. The new document will be considered at the Civil Aviation Authority’s meeting on 14 February 2012. Once this Model has been approved it is intended to amend the Regulatory Tools policy if necessary to remove any duplication and ensure a clear flow between the two documents.

There are clear linkages in this work to the work undertaken as part of Phase 2 of the Change Programme – this phase looking at the structural changes needed in the regulatory and policy areas of the organisation. Three of the four primary design principles deal with the relationship between risk and action. They are:

1. Supporting a more proactive and focused approach to identifying and managing safety risk – intelligence led; risk-based. This means:
   - a strategic, integrated view of and approach to risk identification and management of risk in aviation sectors and sub-sectors;
   - flexibility to move resources within and across groups in response to changing priorities, and flexibility to deploy scarce skills across the organisation to where 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.

Formal roll-out and further socialisation of the policy will be coordinated with the Regulatory Operating Model that is due for approval in February 2012.
they may be needed from time to time; and

- key operational relationships needed to facilitate information and intelligence flows and working across functions and activities.

(2) Supporting use of a broader regulatory toolkit to influence safety outcomes — the right tools used in the right way at the right time.

(3) More consistent interpretation and application of core regulatory tools (certification and surveillance) across the organisation.

The consultation document for proposed changes was finalised on 6 December 2011. Submissions closed on 6 January 2012. Final decisions are planned for mid-February for implementation in March.

**Status and Tracking Mechanism**

The Regulatory Tools policy has been published. Implementation tracked in the Director’s report to the Civil Aviation Authority.

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**Office of the Auditor-General’s 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 process**

**7A-E – Background and Assessment on Progress**

The Civil Aviation Authority’s 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

**Internal Audit Assessment and Comment**

**7A**

As noted in the 5th Status Report, the appointment of a Team Leader Safety Data Management addresses one element of the overall capability requirement.

**7B**

As noted in the 5th Status Report, the Aviation Related Concern review has been completed and it found systemic failure.
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 Concern 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.

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 future quarters.

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 was commenced in 2008.

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

Further implementation of Stage 1A and the further Stages in the Safety Information Policy Implementation Project will be implemented as part of Phase 2 of the Organisational Design Review.

The consultation document for Phase 2 of the Organisational Design Review – Regulatory and Policy Functions was finalised on 6 December. Submissions closed on 6 January. Final decisions are planned for mid-February for implementation in March 2012. The document focuses on the structure of the Regulatory Operating Groups within the organisation which includes the Safety Analysis Unit. The document addresses the concerns from the Aviation Related Concern process 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. The consultation document has a proposal to expand the scope of the current Safety Analysis
Unit’s functions, including the clear function of interpreting and analysing the information it receives to identify emerging performance trends, issues and risks.

**Status and Tracking Mechanism**

**7A and 7B – Complete.**

**7C, 7D and 7E.** To be implemented as part of Phase 2 of the Organisational Design Review. Tracked via the Director’s report to the Civil Aviation Authority and by reporting to the Change Programme Steering Committee on a fortnightly basis.

<table>
<thead>
<tr>
<th>Office of the Auditor-General’s Recommendation No.8.</th>
<th>Background and Assessment on Progress</th>
<th>Internal Audit Assessment and Comment</th>
</tr>
</thead>
</table>
| 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. | **8A – Improve the staff performance assessment process in the General Aviation Group.**

- The Performance Review and Development Agreements with each General Aviation Manager for the 2010/11 year linked performance goals directly to the Statement of Intent.
- For the 2011/12 year the General Aviation Group has developed Business Plans linking each General Aviation Manager to their Unit Business Plans.
  - Performance Review and Development Agreements 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 organisation. The General Manager Airlines and the General Manager General Aviation have planned the development of their performance objectives and a leadership training programme are required. Both of these have been developed and a summary is provided below. | 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 the Civil Aviation Authority’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.

| Intervention/Corrective Actions | 8A – Intensive training has been provided to Managers utilising Facilitators Inc to support professional performance management practices. The first part of Module 1 on performance management was rolled out in time for managers to develop Performance Review and Development Agreements 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. Performance Review and Development Agreements 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 organisation. The General Manager Airlines and the General Manager General Aviation have planned the development of their performance objectives and a leadership training programme are required. Both of these have been developed and a summary is provided below. | Further review and assessment by senior Human Resources staff of 2011/12 Performance Review and Development Agreements and the quality of objectives and performance assessments are planned for the first half of 2012, in order to assess where further improvements can be made. Their observations will then be incorporated into further refresher training and assistance to managers when the process to set 2012/13 Performance Review and Development Agreements commences. As reported in the 5th Status Report, we previously reviewed: |

As reported in the 5th Status Report, we previously reviewed:
Aviation Unit to the Statement of Intent Objectives.

8B – Improve managers’ capability to effectively manage and lead staff.

Management Development Programme

- Completion of training needs analysis.
- Development of a management development programme comprising four modules.
- Selection of Facilitators Inc, as the provider of the programme.
- The training modules 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.

Future Action

Team Focus Groups (on-going)

- Focus groups to discuss the top three areas of concern identified from managers’ Performance Review and Development Agreements to ensure consistency of corporate development goals. The resulting performance and development plans will be monitored for alignment with the current Statement of Intent and Specific, Measurable, Achievable, Relevant and Timely goals by senior Human Resources staff. Further support as required in the form of refresher training and one-on-one coaching for Managers will also be undertaken by senior Human Resources staff.

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. Experience has shown that in the current very busy environment senior managers had difficulty setting aside the two consecutive days required for the “Coaching for Success” programme. As a result, the programme is being restructured and fine-tuned to make it easier for managers to attend. All managers will be required to attend the restructured programme.

Further action from the reports will be utilised with the results from the first work place survey (see column 1). Focus groups have been set up in all Groups. Management behaviours will be addressed during both the development training and performance management follow up by Human Resources. 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) an example of a performance appraisal for the 2010/11 year and noted that it includes performance goals that were linked to the Statement of Intent. If the same format is used in 2011/12 it will provide a clear link between Statement of Intent outputs and individual performance objectives; and an example of a Business Plan for the General Aviation (Sport and Recreation Unit) and noted that the Unit’s objectives are linked to the strategic priorities detailed in the 2011/14 Statement of Intent. This provides further clarity to staff around how their individual Units’ performance directly relates and affects the Civil Aviation Authority’s performance against the outputs defined in its Statement of Intent. 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 Team Leaders has been completed. A training curriculum for Managers has been established and a number of the courses have been delivered to date, with more planned for the first half of 2012.

We previously reviewed the results of the survey conducted by John Robertson Associates. The key themes have been agreed with senior management and are being addressed through focus groups being run within each Unit. Feedback from the focus groups is currently being consolidated into a summary report by Human Resources and will be progressed in February 2012.

Management advised us that a follow-up work place survey will be conducted by John Robertson Associates in the latter part of 2012. We will review the progress of the focus groups in the next quarter, and review the findings of the future survey to be
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 training undertaken in the 5th Quarter was achieved with catch-ups provided where needed:
  - improvements in the write up of the staff performance assessments for the year ended 30 June 2011; and
  - more Specific, Measurable, Achievable, Relevant and Timely 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 will be conducted in the later 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**

<table>
<thead>
<tr>
<th>8A – Complete.</th>
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</thead>
<tbody>
<tr>
<td>8B. Management development programme in place. Tracked via fortnightly reporting to the Change Programme Steering Committee. Transition to business-as-usual.</td>
</tr>
</tbody>
</table>
consistency of managerial capability across the organisation.

**Office of the Auditor-General’s 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.

<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>9A and 9B – Completion of certification policies and procedures.</td>
<td>9A and 9B</td>
<td>9A and 9B</td>
</tr>
<tr>
<td>• Complete.</td>
<td>A post-implementation review of the new certification process was conducted and actions will be tracked by reporting to the Change Programme Steering Committee on a fortnightly basis.</td>
<td>As noted in the 4th Status Report, an amended Certification policy and procedures was published and a post-implementation review was conducted. The key actions out of this included a revised approach to the surveillance training programme, as well as the establishment of a Quality Management Steering Panel to enable continuous improvement.</td>
</tr>
<tr>
<td>9C – 9G – Complete Surveillance Improvement Project.</td>
<td>9C – 9G</td>
<td>9C – 9G</td>
</tr>
<tr>
<td>• Project completion date extended to March 2012.</td>
<td>The need to look closely at the results of the Certification Post-Implementation Review including the informal lessons learned (see 9A above) and, potential support for the objectives of the project being provided by the implementation of Phase 2 of the Organisational Design Review, have meant that the surveillance implementation has been extended into 2012. Also detailed in the 5th Status Report, events, like the development of the National Diplomas in Aviation, have created opportunities to enhance the effectiveness of the Surveillance Improvement Project. Following testing, a suite of surveillance training courses is to be rolled out during the period 16 January 2012 to 30 March 2012. The aim of the training is to provide safety and security auditors with the skills to conduct risk-based system audits using process audit techniques. This training, which will be embedded through follow up mentoring and assessment of actual surveillance activities, is being delivered in four phases. (1) Operational Risk Management – (Aerosafe)</td>
<td>The Surveillance Improvement Project is still in progress (based on rescheduled completion date of 30 March 2012), and we cannot provide any 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). A training calendar is in place to train all appropriate staff in the 4 phases highlighted by management’s comments on the left, between January and March 2012. A trial of the Operational Risk Management and Audit Skills courses were completed in October 2011 and seven Civil Aviation Authority employees attended. In order to gain assurance that the planned training has been effective, the Civil Aviation Authority will need to perform internal quality assurance field audits following delivery of the training programme.</td>
</tr>
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</table>

Contracts with Aerosafe and Gulf Consulting Ltd to conduct training courses.
Operational risk management involves the use of risk assessment in the scheduling, scoping and planning of audits. This training will introduce a rule assessment toolbox which will provide a methodology for conducting client-based risk assessment. This part of the training will contribute to the requirements for the Manage Operational Risk Management in an Aviation Environment module for the National Diploma in Aviation (Regulatory Oversight and Governance).

(2) Facilitated Risk Management Workshops (General Manager Airlines Group)
This involves a one-day risk management workshop aimed at embedding the course material in a practical working environment.

(3) Audit Skills (Gulf Consulting)
Two aims of this phase of training are to provide skills in the application of risk-based methodology to auditing and introduce process audit techniques to system-based audits. This three day training course will contribute to the requirements for the Conduct Audits in an Aviation Environment module for the National Diploma in Aviation (Regulatory Oversight and Governance).

(4) Audit Management/Surveillance Client System Changes
The final phase of training will look at the changes to the audit management and surveillance tools. This phase of the training will also highlight the new roles in the surveillance process for Managers, Administrators and Audit Team Leaders.

**Status and Tracking Mechanism**

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

**9C – 9G.** Surveillance Improvement Project on scheduled for completion by 30 March 2012. Tracked via the Director’s report to the Civil Aviation Authority and by reporting to the Change Programme Steering Committee on a fortnightly basis.

**Office of the Auditor-General’s 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.

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| **10A – Reinvigorate the Quality Management System.** | 10A  
A new Quality Management policy was approved by the Civil Aviation Authority at its meeting on 13 September 2011. The minor changes as noted in the PricewaterhouseCoopers report for the last quarter have been made.  
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. | 10A  
The new Quality Management policy is the first step in enabling the structures and systems to be established to enable a full Quality Management System to be developed and deployed across key regulatory and corporate functions.  
Progress made by the Civil Aviation Authority includes approval of the Quality Management policy and the establishment of the certification function Quality Steering Panel. Management advised that further roll-out and implementation of the Quality Management System and policy will take place once the new Manager Quality, Assurance and Risk has been appointed.  
We will review the final Quality Management System policy in the second quarter of 2012. |
| 19 April 2011 agreement by Audit, Finance and Risk Committee to proceed with work on a Quality Management System.  
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.**  
External advertising for the position in January 2012. | **10B**  
The Civil Aviation Authority Organisational Design Review Phase 1 provided for a new position of Manager Quality, Assurance and Risk which reports to the new General Manager Organisational Development and Strategy. The person 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.  
The position was not filled internally. The position will now be advertised externally in January. However, the position is not expected to be filled until the end of February.  
The implementation of the new Quality Management policy |

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**Office of the Auditor-General’s Recommendation No.10.**
awaits the appointment of the new Manager. The implementation of the policy and the new Manager’s role in developing and advising on quality management and improvement frameworks should 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. 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 once a new Manager is in place. Tracked via the Director’s report to the Civil Aviation Authority and by reporting 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.

**Office of the Auditor-General’s 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.

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<tbody>
<tr>
<td><em>11A – Certification Improvement Project.</em></td>
<td>11A&lt;br&gt;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 complete.</td>
<td>11A&lt;br&gt;Completed and reported against by Internal Audit in 4th Status Report.</td>
</tr>
<tr>
<td><em>11B – Develop training as part of Surveillance Improvement Project.</em></td>
<td></td>
<td>11B&lt;br&gt;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</td>
</tr>
<tr>
<td>This will be in place by 30 March 2012.</td>
<td>subject to business-as-usual monitoring and quality improvement processes. See also the comments made against 9A. 11B See Recommendation 9. The audit training that will be conducted by Gulf Consulting Ltd, and the General Manager Airlines, 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.</td>
<td>surveillance audits.</td>
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</tbody>
</table>
| **Office of the Auditor-General’s Recommendation No.12.** 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. | **Intervention/Corrective Actions**  
*Certification Improvement Project.*  
- Complete.  
- Guidance provided to auditors on how to apply the “fit and proper person” criteria when carrying out assessments  
**Background and Assessment on Progress**  
Complete.  
**Status and Tracking Mechanism**  
Complete. Now subject to business-as-usual monitoring and quality improvement processes. See also the comments against 9A. | **Internal Audit Assessment and Comment**  
Completed and reported to the Office of the Auditor-General in 3rd Status Report. |
Office of the Auditor-General’s Recommendation No.13. 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.

<table>
<thead>
<tr>
<th>Intervention/Corrective Actions</th>
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</thead>
<tbody>
<tr>
<td><strong>Provide training development and delivery capability in risk-based audit methodologies.</strong></td>
</tr>
<tr>
<td>• Delivery as part of the Surveillance Improvement Project.</td>
</tr>
<tr>
<td>• To be completed by 30 March 2012.</td>
</tr>
</tbody>
</table>

**Background and Assessment on Progress**
See Recommendation 9. The module on operational risk management in the surveillance implementation training undertaken by Aerosafe is due to be completed by 30 March 2012. Operational risk management involves the use of risk assessment in the scheduling, scoping and planning of audits. This training will introduce a rule assessment toolbox which will provide a methodology for conducting client-based risk assessment. This part of the training will contribute to the requirements for the *Manage Operational Risk Management in an Aviation Environment* module for the National Diploma in Aviation (Regulatory Oversight and Governance). 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 the organisation’s resources in addressing areas of highest risk. See also comments against 9C – 9G and associated status and tracking mechanism.

**Internal Audit Assessment and Comment**
As noted in 9C – 9G above, the training programme that was developed and is being delivered between January to March 2012 includes a *Conducting Operational Risk Management Assessments* course and an *Audit Skills* course to address this area.

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Office of the Auditor-General’s 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.

<table>
<thead>
<tr>
<th>Intervention/Corrective Actions</th>
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</thead>
<tbody>
<tr>
<td><strong>Development and delivery of</strong></td>
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</tbody>
</table>

**Background and Assessment on Progress**
The background and progress on this recommendation is in accord with Recommendation 13 above.

**Internal Audit Assessment and Comment**
Refer training programme details in 9C – 9G above.
risk-based audit training.
• To be undertaken as part of the Surveillance Improvement Project.
• To be completed by 30 March 2012.

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 Civil Aviation Authority 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 Civil Aviation Authority’s inspection and monitoring role is performed in future.

See also comments against 9C - 9G and associated status and tracking mechanism.
<table>
<thead>
<tr>
<th>Project</th>
<th>Reference</th>
<th>Sponsor</th>
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<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 Surveillance Training: Regulatory Oversight / Risk Management / Risk-based Surveillance</td>
<td>OAG 11, 13, 14</td>
<td>Graeme Harris</td>
<td>1/3/2011</td>
<td>30/3/2012</td>
<td>On track</td>
<td>1-09</td>
<td>Civil Aviation Authority meetings (Director's Report) and Change Programme Steering Committee</td>
</tr>
<tr>
<td>3-04 Application of Effectiveness of Interventions Tool in the 2011/12 Financial Year</td>
<td>OAG 1, 2</td>
<td>Peter Nalder</td>
<td>1/9/2011</td>
<td>30/6/2012</td>
<td>On track</td>
<td>1-00</td>
<td>Civil Aviation Authority meetings (Director's Report)</td>
</tr>
<tr>
<td>3-05 Post-Implementation Review of Effectiveness of Interventions Tool</td>
<td>OAG 1</td>
<td>John Kay</td>
<td>1/9/2012</td>
<td>24/12/2012</td>
<td>Planned</td>
<td></td>
<td>Civil Aviation Authority meetings (Director's Report)</td>
</tr>
<tr>
<td>3-06 Data Quality Standards</td>
<td>OAG 7</td>
<td>John Kay</td>
<td>30/6/2012 (to be confirmed)</td>
<td>Not started</td>
<td>1-06</td>
<td>Civil Aviation Authority meetings and Change Programme Steering Committee</td>
<td></td>
</tr>
<tr>
<td>3-07 Operational Training Capability</td>
<td>OAG 13</td>
<td>Graeme Harris</td>
<td>1/9/2011</td>
<td>30/3/2012</td>
<td>On track</td>
<td>1-06</td>
<td>Change Programme Steering Committee (Phase 2 reporting)</td>
</tr>
<tr>
<td>3-08 Develop Sector Risk Profile</td>
<td>OAG 7</td>
<td>Graeme Harris</td>
<td>FY12/13</td>
<td>To be advised</td>
<td>Not started</td>
<td>1-06</td>
<td>Civil Aviation Authority Meetings (Director's Report)</td>
</tr>
<tr>
<td>1-02 Organisational Leadership Model</td>
<td>SLC</td>
<td>Graeme Harris</td>
<td>30/6/2012</td>
<td>Not started</td>
<td>1-05</td>
<td>Change Programme Steering Committee (Phase 2 reporting)</td>
<td></td>
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</tbody>
</table>

Key:
- OAG Projects with direct linkage to Office of the Auditor-General's recommendation/s
- SLC Strategy, Leadership and Culture
- OD Organisational Design
- S&P Systems and Processes
- Change Programme Work Stream
- Phase 2 reporting
<table>
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<tr>
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</thead>
<tbody>
<tr>
<td>1-04</td>
<td>Work Place Survey – Follow-up First Round</td>
<td>SLC OAG 8</td>
<td>Mary Sinclair-Jones</td>
<td>15/6/2011</td>
<td>24/12/2011</td>
<td>On track</td>
<td>1-05 Civil Aviation Authority meetings (Director’s Report) and Change Programme Steering Committee</td>
</tr>
<tr>
<td>1-05</td>
<td>Phase 1 Organisation Design</td>
<td>OD</td>
<td>Graeme Harris</td>
<td>18/4/2011</td>
<td>30/9/2012</td>
<td>Structure implemented (process integration underway)</td>
<td>1-05</td>
</tr>
<tr>
<td>1-06</td>
<td>Phase 2 Organisation Design</td>
<td>OD</td>
<td>Graeme Harris</td>
<td>8/8/2011</td>
<td>30/3/2012</td>
<td>On track</td>
<td>1-01/3-00/1-00 Civil Aviation Authority meetings (separate Authority reports as required) and Change Programme Steering Committee</td>
</tr>
<tr>
<td>1-07</td>
<td>Phase 3 Organisation Design</td>
<td>OD</td>
<td>Graeme Harris</td>
<td>1/2/2012</td>
<td>30/6/2012</td>
<td>Initial planning</td>
<td>1-05, 1-06 Civil Aviation Authority meetings (separate Authority reports as required) and Change Programme Steering Committee</td>
</tr>
<tr>
<td>1-09</td>
<td>Surveillance Improvement</td>
<td>S&amp;P &amp; OD OAG 11, 13, 14</td>
<td>Graeme Harris</td>
<td>1/9/2010</td>
<td>30/3/2012</td>
<td>On track</td>
<td>3-01/1-06 Civil Aviation Authority meetings (Director’s Report) and Change Programme Steering Committee</td>
</tr>
<tr>
<td>1-15</td>
<td>Implementation of Regulatory Tools Policy</td>
<td>OAG 5, 6</td>
<td>Chris Ford</td>
<td>1/9/2011</td>
<td>30/3/2012</td>
<td>On track</td>
<td>Civil Aviation Authority meetings (Director’s Report)</td>
</tr>
<tr>
<td>1-16</td>
<td>Implementation of Recommendations of the Aviation Related Concerns Review</td>
<td>S&amp;P &amp; OD OAG 7</td>
<td>Graeme Harris</td>
<td>1/9/2011</td>
<td>30/3/2012</td>
<td>On track</td>
<td>1-06 Change Programme Steering Committee (Phase 2 reporting)</td>
</tr>
<tr>
<td>1-17</td>
<td>Enhance Safety Data Analysis Capability</td>
<td>S&amp;P &amp; OD OAG 7</td>
<td>Graeme Harris</td>
<td>1/9/2011</td>
<td>30/3/2012</td>
<td>On track</td>
<td>1-06 Civil Aviation Authority meetings (Director’s Report) and Change Programme Steering Committee (Phase 2 reporting)</td>
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<td>Project</td>
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<tr>
<td>1-18</td>
<td>Re-invigorate Quality Management System</td>
<td>S&amp;P &amp; OD OAG 10</td>
<td>Graeme Harris</td>
<td>1/9/2011</td>
<td>30/3/2012</td>
<td>On track</td>
<td>1-05/-06/-09/-11</td>
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</tbody>
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