FINANCIAL REGULATIONS
AND
FINANCIAL RULES

OF THE
INTERNATIONAL MARITIME ORGANIZATION

Amended as of 1 October 2026

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Article I

APPLICABILITY

REGULATION 1.1 These Regulations shall govern the financial administration of the International Maritime Organization.

Rule 101.1

APPLICABILITY

101.1.1 These Rules are established in accordance with the provisions of the Financial Regulations as adopted and amended by the Assembly through resolutions.

101.1.2 The Financial Rules are applicable to all officials and, irrespective of the source of funds, to all financial transactions of the Organization.

101.1.3 The Financial Rules become effective as from the date of issue. Amendments made by the Secretary-General become effective as from the date of issue.

101.1.4 In case of doubt as to the interpretation of any of the Financial Rules, the Secretary-General will rule thereon.

101.1.5 The Secretary-General is responsible to the IMO Assembly for the implementation of the Financial Rules.

101.1.6 The Secretary-General may delegate, together with authorization for re-delegation, such of his or her powers as he or she deems necessary to secure effective administration of these rules.

Article II

THE FINANCIAL PERIOD

REGULATION 2.1 The financial period shall be a calendar year from 1 January to 31 December inclusive.

Article III

THE BUDGET

REGULATION 3.1 The proposed budget, covering two consecutive financial periods, shall be prepared on a biennial basis by the Secretary-General.

REGULATION 3.2 The proposed budget shall cover income and expenditure for each of the financial periods covered by the biennium to which it relates and shall be presented in pounds sterling.

REGULATION 3.3 The proposed budget shall contain the resources necessary to meet the requirements of the strategic results derived from the Organization's Strategic Plan, and shall be structured in such a manner as to provide transparency between the resources required and the results to be achieved. The proposed budget shall include budgetary estimates for the income, expenditure and transfer of the regular budget and all Funds established by the Assembly under regulation 6.7, shall reflect the availability of extra-budgetary resources and shall be accompanied by such information, annexes and explanatory statements as may be requested by or on behalf of the Assembly or Council and such further annexes or statements as the Secretary-General may deem necessary and useful.

REGULATION 3.4 The Secretary-General shall submit to the first regular session of the Council in the second year of the biennium an outline of the budgetary implications of the projected "List of outputs", to be annexed to the Strategic Plan for the following biennium.

REGULATION 3.5 The Secretary-General shall transmit the proposed budget for the following biennium to all Member States, not later than one month prior to the opening of the regular session of the Assembly in accordance with the Rules of Procedure of the Assembly. The proposed budget shall be submitted to the Assembly by the Council, together with the comments and recommendations of the Council thereon, following its regular session prior to the regular session of the Assembly.

REGULATION 3.6 The Assembly shall, in the second year of a biennium, adopt the budget for the ensuing biennium, and vote the budget appropriations by strategic direction (including "Other work") and in total for the financial period to which they relate.

REGULATION 3.7 The Assembly shall prescribe the conditions under which unforeseen and extraordinary expenses may be incurred.

REGULATION 3.8 Supplementary or revised budget proposals may be submitted by the Secretary-General whenever necessary. The Secretary-General shall prepare supplementary or revised budget proposals in a form consistent with the approved budget and shall submit such proposals to the Council for approval.

Rule 103.1

THE PROPOSED BUDGET

103.1.1 The proposed budget, both for income and expenditure, shall be prepared on a gross basis.

103.1.2 The Directors shall prepare data on resources required, including work months, meeting weeks, travel, consultants and other relevant objects of expenditure. The data is to be supported by divisional business plans linked to the Organization's Strategic Plan. These data shall be submitted to the Director of Administrative Division in such manner and at such times as prescribed by the Secretary-General.

103.1.3 The Director of Administrative Division shall consolidate into a single presentation to the Secretary-General the divisional business plans and necessary estimates as required by article III of the Financial Regulations

103.1.4 The divisional business plans shall contain: divisional objectives and their links to strategic directions, including 'Other work in the Organization's Strategic Plan; deliverables of each objective; and indicators of success of the delivery.

103.1.5 The Directors shall, where necessary, submit supplementary estimates together with explanatory statements to the Director of Administrative Division. Such supplementary estimates shall as far as possible be in the same form as the budget.

103.1.6 Supplementary budget proposals in respect of the current budget period shall be reviewed by the Director of Administrative Division. On the basis of the outcome of the review, the Secretary-General shall decide as to the supplementary budget proposals to be submitted to the Council.

103.1.7 Revised budget proposals may be submitted to the Council in respect of the ***ensuing*** budget period, as necessary, in the following instances:

(a) those in respect of activities which the Secretary-General certifies to be of the highest urgency and which could not have been foreseen at the time the initial budget proposals were prepared;

(b) those involving changes in expenditure associated with inflation and currency fluctuations which could not have been foreseen or projected.

Article IV

APPROPRIATIONS

REGULATION 4.1 The appropriations voted by the Assembly shall constitute an authorization to the Secretary-General to incur obligations, make payments and transfers and build up reserves for the purposes for which the appropriations were voted and up to the amounts so voted.

REGULATION 4.2 The Secretary-General may enter into commitments for future financial periods, provided that such commitments:

(a) are consistent with the Organization's Strategic Plan for those future financial periods and with the Organization's normal operating practices; or

(b) are authorized by specific decisions of the Council.

REGULATION 4.3 Appropriations shall be available for the financial period to which they relate and for the ensuing financial periods to the extent that they are required to discharge commitments incurred during that period.

REGULATION 4.4 Such portion of appropriations as may be required to meet the outstanding legal obligations as at the last day of the calendar year shall remain available for twelve months.

REGULATION 4.5 The Secretary-General may make transfers between strategic directions (including "Other work") provided that the transfer made is not more than 10% of the lower of the two approved appropriations. Transfers of more than 10% of the approved appropriation must have the prior authorization of the Council. The Secretary-General may proceed, without the prior concurrence of the Council, to transfer up to 50% of any uncommitted balance of appropriations of the first financial period of a biennium to the same strategic direction in the second financial period. Transfers above 50% of uncommitted balance of appropriations shall be effected with the prior approval of the Council.

REGULATION 4.6 The Secretary-General shall report to the Council appropriations carried forward or transferred to the following financial year in accordance with the provisions of regulations 4.3 and 4.5.

Rule 104.1

APPROPRIATIONS

104.1.1 The appropriations voted by the Assembly constitute an authority to incur obligations and make payments for the purposes for which the appropriations were voted, and up to the amounts so voted, but no expenditures may be incurred or payments made, until allotments have been issued in writing by the Secretary-General.

104.1.2 The assessment of Members, required to meet the appropriations voted by the Assembly, shall be completed on the basis of the membership of the Organization as at the time the calculation of the assessment is made.

Article V

PROVISION OF FUNDS

REGULATION 5.1 The appropriations, subject to the adjustments effected in accordance with provisions of regulation 5.2, shall be financed by contributions from Member States, according to the scale of assessments fixed by the Assembly after consideration of the proposals of the Council thereon. Pending the receipt of contributions the appropriations may be financed from the Working Capital Fund.

REGULATION 5.2 In the assessment of the contributions of Members for each calendar year, adjustments shall be made in respect of:

(a) estimated funding for the work of the Organization from internal and external sources other than assessments;

(b) supplementary appropriations for which contributions have not previously been assessed on the Members.

REGULATION 5.3 In respect of contributions for each calendar year, the Secretary-General, during the last two months of the preceding year, shall:

(a) inform Members of their obligations in respect of annual contributions to the budget;

(b) inform Members of their obligations in respect of advances to the Working Capital Fund;

(c) request Members to remit all contributions and advances due.

REGULATION 5.4 Contributions and advances shall be considered as due and payable in full within thirty days of the receipt of the communications of the Secretary-General referred to in regulation 5.3 above, or as of the first day of the calendar year to which they relate, whichever is the later.

REGULATION 5.5 Contributions and advances to the Working Capital Fund shall be assessed in pounds sterling and payable in such currencies as the Council may, on advice from the Secretary-General, decide.

REGULATION 5.6 Payments made by a Member State shall be credited first to the Working Capital Fund and then to the contributions due in the order in which the Member was assessed.

REGULATION 5.7 The Secretary-General shall submit to the regular session of the Assembly a report on the collection of contributions and advances to the Working Capital Fund.

REGULATION 5.8 For any period during which it has not been included in the assessment of Members, a new Member shall be required to make a contribution according to the scale applied to existing Members in the year in which it becomes a Member and, if applicable, the scale applied to existing Members in the next year, as well as an advance to the Working Capital Fund. The contribution assessed in respect of the calendar year in which it becomes a Member shall be based on the number of full months remaining in that year after the date on which the Convention has come into force for the new Member. The contribution of the new Member for that calendar year and the advance shall be due and payable within thirty days of receipt of the notification by the Secretary-General of the determinations made by the Assembly, and, if applicable, the contributions for the next calendar year shall be due and payable in accordance with the provisions of regulation 5.4.

REGULATION 5.9 A Member State which withdraws from the Organization shall not be entitled to adjustment in respect of contributions paid or assessed. In the event that the most recent financial statements show that the Organization has net liabilities, the Member State will be assessed a closing contribution of a proportion of the net liability in those financial statements consistent with the proportion of the overall appropriation assessed on that Member State for the preceding financial period.

REGULATION 5.10 The Secretary-General shall report to each session of the Assembly, the Council and the Committees of the Organization, as appropriate, on the application of Article 61 of the Convention.

Article VI

FUNDS

REGULATION 6.1

(a) There shall be established a General Fund for the purpose of accounting for the expenditure of the Organization unless otherwise determined by the Assembly for other funds established in accordance with regulation 6.7. The contributions paid by Member States under regulation 5.1, miscellaneous income and any advances made from the Working Capital Fund to finance general expenditures shall be credited to the General Fund.

(b) A surplus of revenue over expenditure for a financial period in any Fund shall be credited to the reserves of that Fund. An excess of expenditure over revenue for a financial period in any Fund shall be debited to decrease the reserves of that Fund.

REGULATION 6.2 There shall be established a Working Capital Fund in an amount and for purposes to be determined from time to time by the Assembly. Any Member on joining the Organization shall make an advance to the Fund in accordance with the scale of contributions applicable to the budget of the year of its accession. The Fund shall be increased by the amounts joining Members are required to advance, until the Assembly establishes a new level of the Fund.

REGULATION 6.3 Advances made by Member States to the Working Capital Fund shall be carried to the credit of the Members which have made such advances.

REGULATION 6.4 Advances made from the Working Capital Fund to finance budgetary appropriations during a financial period shall be reimbursed to the Fund as soon as and to the extent that resources are available for that purpose.

REGULATION 6.5 Advances made from the Working Capital Fund for unforeseen and extraordinary expenses or other authorized purposes shall be reimbursed through the submission of supplementary estimates, except when such advances are recoverable from some other source.

REGULATION 6.6 Income derived from investments of the Working Capital Fund shall be credited to the General Fund.

REGULATION 6.7

(a) Trust, reserve and special funds may be established by the Secretary-General or the Assembly as may from time to time be required to deliver work in accordance with the Organization’s Strategic Plan. The Secretary-General shall report to the Council on the establishment of any new funds.

(b) Unless otherwise provided, the purpose and limits of each trust, reserve and special fund shall be clearly defined by the appropriate authority and shall be administered in accordance with these Regulations.

REGULATION 6.8 The Secretary-General shall, following each adoption of a new Strategic Plan for a six-year period by the Assembly, conduct a holistic review of all of the Organization's funds and reserves, in order to assess their suitability, funding level and operating mechanism. The Secretary-General shall report the findings of this review to the Council, along with any related recommendations to improve the Organization's management of funds and reserves.

Rule 106.1

WORKING CAPITAL FUND

106.1.1 The Financial Rules also govern credits made available from the Working Capital Fund for unforeseen and extraordinary expenses.

106.1.2 The term "unforeseen expenses" means expenses arising from, or incidental to, the carrying out of a programme in accordance with the approved policies of IMO, which expenses were not foreseen when the estimates were made.

106.1.3 The term "extraordinary expenses" means expenses for items or objects outside the scope of the budget estimates, that is to say, outside the programme on which the estimates were based.

106.1.4 The Director of Administrative Division shall be responsible to the Secretary-General for the preparation of information on the status of all commitments under the resolutions relating to the unforeseen and extraordinary expenses to be submitted to the Council and shall prepare the supplementary estimates required in connection therewith for submission to the Assembly.

Article VII

OTHER INCOME

REGULATION 7.1 The Secretary-General has the authority to accept extra-budgetary contributions, provided that the purposes for which the contributions are made are consistent with the Organization's Strategic Plan. Other than when resources have specifically been provided through the approved budget, or from an alternative funding source, the direct and indirect costs associated with implementing activities funded from extra-budgetary contributions shall be fully recovered.

REGULATION 7.2 Monies accepted for purposes specified by the donor shall be treated as trust or special funds under regulation 6.7.

REGULATION 7.3 Monies accepted in respect of which no purpose is specified shall be treated as miscellaneous income and reported as "gifts" in the accounts.

Rule 107.1

EXTRA-BUDGETARY FUNDING AGREEMENTS

107.1.1 Provisions for the receipt, management, reporting and disbursement of all extrabudgetary contributions shall be stated in written agreements between the Organization and the donor. The Director of Administrative Division shall be responsible to the Secretary-General for ensuring that all such agreements comply with the Financial Regulations and Financial Rules and other such administrative provisions as may apply. Standard Operating Procedures will be established and maintained which set out clearly the appropriate level of signatory and internal review required for each agreement.

Article VIII

MANAGEMENT OF RESOURCES

REGULATION 8.1 The Secretary-General is responsible to the Council and the Assembly for the proper management of the Organization's resources.

Rule 108.1

MANAGEMENT OF FUNDS

108.1.1 The Director of Administrative Division is responsible to the Secretary-General for the management, receipt and disbursement of all funds of the Organization.

108.1.2 Funds of the Organization will be deposited only in banks designated by the Secretary-General. All funds must be deposited in accounts in the name of the Organization and not of individual staff members.

108.1.3 The Director of Administrative Division will administer all banking accounts operated by the Organization including those opened for trust and other special purposes, maintaining a proper cash account in which all receipts and payments shall be recorded in a separate account maintained in the financial system.

108.1.4 A panel of signatures of approving officials shall be designated by the Secretary-General and all cheques drawn or electronic payment instructions made on the Organization's accounts shall be signed and approved by two officials of the appropriate panel.

108.1.5 No interest will be payable on sums deposited with or retained by the Organization. Should any interest accrue on investments made on behalf of a third party, the amount of such interest will be paid only if so requested in advance, and upon such conditions as may be agreed with the Secretary-General.

108.1.6 All certificates or written confirmations of deposits or investments made with financial institutions shall be obtained in electronic files, which shall be kept and maintained in the Organization's secured network system folder with access restricted to authorized officials or staff.

Article IX

INVESTMENT OF FUNDS

REGULATION 9.1 The Secretary-General shall establish an investment policy on the investment of surplus cash and, within the terms of that policy, may make investments for less than one year of cash not needed for immediate requirements and shall inform the Council periodically of such investments.

REGULATION 9.2 The Secretary-General may, within the terms of the investment policy and after consultation with the Council, make investments for longer than one year of cash not needed for that period based on projected cash flow estimates.

REGULATION 9.3 Income derived from investments shall be credited as provided in the rules relating to each fund.

Article X

INTERNAL CONTROL

REGULATION 10.1 The Secretary-General shall:

(a) establish detailed financial rules and procedures in order to ensure effective financial administration and the exercise of economy;

(b) cause all payments to be made on the basis of supporting vouchers and other documents which ensure that the services or goods have been received and that payment has not previously been made;

(c) designate the officers who may receive monies, incur obligations and make payments on behalf of the Organization;

(d) maintain an internal financial control which shall provide for an effective current examination and/or review of financial transactions in order to ensure:

  (i) the regularity of the receipt, custody, and disposal of all funds and other financial resources of the Organization;

  (ii) the conformity of obligations and expenditures with the appropriations or other financial provision voted by the Assembly, or with the purposes and rules relating to trust and other special funds;

  (iii) the economic use of the resources of the Organization.

REGULATION 10.2 No obligations shall be incurred until allotments or other appropriate authorizations have been made in writing under the authority of the Secretary-General.

REGULATION 10.3 The Secretary-General may make such ex gratia payments as he or she deems to be necessary in the interests of the Organization, provided that a statement of such payments shall be submitted to the Assembly with the financial statements.

REGULATION 10.4 The Secretary-General may, after full investigation, authorize the writing off of losses of cash, stores and other assets, provided that a statement of all such amounts written off shall be submitted to the External Auditor with the financial statements.

Rule 110.1

ALLOTMENTS

110.1.1 Requests for allotments for specific purposes shall be submitted in writing to the Director of Administrative Division.

110.1.2 Allotments shall be issued for any expenditure to be incurred by the Organization irrespective of the source of funds, including any expenditure to be made on a reimbursable basis.

110.1.3 The Director of Administrative Division shall ensure that allotments are issued in accordance with the appropriate resolution and the policies of the Assembly and the Council.

110.1.4 Officials to whom allotments are issued are responsible to the Secretary-General for the correct use of such allotments.

Rule 110.2

OBLIGATIONS

110.2.1 Only those officials designated in writing by the Secretary-General are authorized to incur obligations against allotments.

110.2.2 Obligations may be incurred only for the purpose indicated on the allotment and may not exceed the amount of the allotment.

110.2.3 Proposals to incur obligations must be made in principle through the financial accounting system and be fully documented. They must specify the purpose of the proposed expenditure and the allotment to be charged.

110.2.4 One or more officers shall be appointed as certifying officers (budget holders) and shall be responsible for examining the proposed obligations to ensure that:

(a) funds are available;

(b) the rules and regulations and procedures of the Organization are being observed;

(c) the financial situation of the Organization will not be prejudiced;

(d) the purpose of the proposed expenditure is in the interest of the work of the Organization.

Alternates may be appointed to act in the absence of the certifying officer.

110.2.5 The Director of Administrative Division shall reject any proposals for obligation or expenditure not complying with the provisions of rule 110.2.4.

110.2.6 Revision of any obligations shall require the same treatment as the original obligation.

Rule 110.3

CONTROL OF EXPENDITURE

110.3.1 Except where normal commercial practice so requires, no contract or purchase order shall be made on behalf of the Organization, which requires payment in advance of the delivery of goods or performance of services

110.3.2 The Secretary-General may, when he or she deems it in the interests of the Organization to do so, authorize progress payments

110.3.3 Payments shall not be made unless supporting documents are certified by the appropriate officials, confirming that:

(a) services have been rendered or delivery has been completed in accordance with the terms of the contract;

(b) the amount is correct and in accordance with the terms of the contract.

110.3.4 Should the Director of Administrative Division feel there is any reason why payment of any claim should be withheld; such claim shall be referred to the Secretary-General.

110.3.5 Claims submitted by staff members more than one year late shall not normally be considered. This provision does not apply to claims in connection with the settlement of insurance or pension claims.

Rule 110.4

IMPREST CASH

110.4.1 Imprest cash advances of an amount to be fixed in each case shall be made where necessary to officials designated by the Secretary-General.

110.4.2 Officials to whom an imprest cash advance is issued are responsible for these advances and must at all times be in a position to account for them.

Rule 110.5

ADVANCES

110.5.1 Travel advances may be made on request to officials to whom official travel authorizations have been issued. Such advances are to be used in accordance with the provisions of the travel rules and must be accounted for when the travel is completed.

110.5.2 Salary advances may be given to staff members, in accordance with staff rule 103.10.

Rule 110.6

PROPERTY

110.6.1 Asset records will be maintained of all property, plant and equipment, inventories and intangible and heritage assets, however acquired and from whatever source, containing full details.

110.6.2 An annual physical inventory will be taken as at 31 December of each year of all assets recorded and accounted for in the system. A copy of this inventory will be furnished to the External Auditor.

110.6.3 The Secretary-General may declare property to be surplus if it is of no further use to the Organization.

110.6.4 Surplus property shall be sold for the best possible returns to the Organization except:

(a) when the exchange of surplus property in partial payment for new articles will be more advantageous to the Organization than the sale of surplus property and separate purchase of new articles;

(b) when the destruction of the surplus or unserviceable material will be more economical, is required by law, or when the confidential nature of the materials so warrants;

(c) when the best interests of the Organization will be served by disposal by gift or at nominal prices to a non-profit organization

110.6.5 Goods and services may be provided to Governments, the United Nations or specialized agencies and other international organizations on a reimbursable or reciprocal basis on such terms and conditions as may be prescribed by the Secretary-General

Rule 110.7

PROCUREMENT

110.7.1 Contracts for the purchase of services, supplies, equipment or other requirements shall be entered into for and on behalf of the Organization only by duly authorized officials.

110.7.2 All purchases and contracts of over £75,000 (or its equivalent in US Dollars for Field Technical Co-operation Projects) shall be made by tender, and subject to provisions of the Procurement Manual.

110.7.3 Contracts shall be awarded to the lowest tender except where conditions attaching to the lowest tender make its acceptance undesirable, the Secretary-General may authorize the acceptance of a tender other than the lowest. Where the interests of the Organization so require, the Secretary-General may authorize the rejection of all tenders.

Rule 110.8

INTERNAL CONTROL

110.8.1 The Director of Administrative Division is responsible to the Secretary-General for establishing and maintaining an adequate internal control of the financial transactions and such other operations of the Organization as may be determined by the Secretary-General.

Article XI

FINANCIAL REPORTING

REGULATION 11.1 The Secretary-General shall produce annual financial statements for the Organization to be prepared in accordance with International Public Sector Accounting Standards (IPSAS). The Secretary-General shall also prepare annual consolidated financial statements under IPSAS showing the financial position of the Organization and all other organizations which it is deemed to control for financial reporting purposes.

REGULATION 11.2 The financial statements for each financial period shall be submitted by the Secretary-General to the External Auditor by 28 February following the end of that financial period.

Rule 111.1

ACCOUNTING RECORDS

111.1.1 The Director of Administrative Division is responsible to the Secretary-General for establishing and maintaining all accounting records of the Organization.

111.1.2 The accounting records shall identify the Organization's assets, liabilities and reserves as at the end of any reporting period and all revenue and expenditure taking place during that reporting period for all Funds of the Organization.

111.1.3 All transactions shall be supported by documentation to be retained as an integral part of the accounting records of the Organization.

111.1.4 Accounting and other financial records and all supporting documents shall be retained for a minimum of six years or until the conclusion of the activity to which they relate, whichever is later, after which on authority of the Secretary-General, such records and documents may be destroyed.

Rule 111.2

BUDGET ACCOUNTS

111.2.1 A record shall be maintained of the current status of expenditure against the budget, including:

(a) original appropriations voted by the Assembly;

(b) appropriations after modification by any transfer;

(c) credits, if any, other than appropriations made available after the Assembly;

(d) allotments made;

(e) obligations incurred, liquidated and outstanding;

(f) expenditures;

(g) unobligated balances of appropriations.

111.2.2 Obligations and expenditures shall be recorded in the budget accounts in accordance with a uniform system of classification, established by the Secretary-General.

Rule 111.3

FINANCIAL REPORTS

111.3.1 The Director of Administrative Division shall furnish to the Secretary-General on a periodic basis such financial information as may be considered necessary for effective governance, such information to include:

(a) current status of contributions received and outstanding from Members;

(b) current status of the Organization's cash position and Treasury investments made;

(c) an overview of the financial position of each Fund;

(d) the current status of expenditure and anticipated expenditure for the remainder of the financial period against the budget;

111.3.2 The Director of Administrative Division shall, as soon after the end of each financial period as possible, submit to the Secretary-General:

(a) the financial statements for that financial period required by Financial Regulation 11.1;

(b) a budgetary report showing approved budget transfers made in year and expenditure incurred against each budget line;

(c) a statement of all assets to be written off at the end of the financial period.

Article XII

EXTERNAL AUDIT

Appointment

REGULATION 12.1 An External Auditor, who shall be Auditor-General (or officer holding the equivalent title) of a Member State, shall be appointed by the Assembly for a four-year period covering the two budget periods immediately following the Assembly's decision, renewable for a maximum of one further four-year period. In order to support the Assembly in making its decision, the Council should, in good time, provide an opportunity for all interested and eligible Auditors-General to submit to it an application to be considered by the Assembly setting out their proposed approach and the costs to the Organization. The Council should then submit this information for the Assembly's consideration, along with such comments as it considers to be appropriate.

REGULATION 12.2 If the External Auditor ceases to hold that office in his or her own country, his or her tenure of office as External Auditor shall thereupon be terminated and he or she shall be succeeded as External Auditor by his or her successor as Auditor-General. The External Auditor may not otherwise be removed during his or her tenure of office except by the Assembly.

REGULATION 12.3 The audit shall be conducted in conformity with generally accepted common auditing standards and, subject to any special directions of the Council or the Assembly, in accordance with the additional terms of reference set out in the appendix to these Regulations.

REGULATION 12.4 The External Auditor may make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the Organization.

REGULATION 12.5 The External Auditor shall be completely independent and solely responsible for the conduct of the audit.

REGULATION 12.6 The Council or the Assembly may request the External Auditor to perform certain specific examinations and issue separate reports on the results.

Facilities

REGULATION 12.7 The Secretary-General shall provide the External Auditor with the facilities he or she may require in the performance of the audit.

REGULATION 12.8 For the purpose of making a local or special examination or of effecting economies of audit cost, the External Auditor may engage the services of any national Auditor-General (or equivalent title) or commercial public auditors of known repute or any other person or firm who, in the opinion of the External Auditor, is technically qualified.

Reporting

REGULATION 12.9 The External Auditor shall issue a report on the audit of the financial statements, which shall include such information as he or she deems necessary in regard to matters referred to in financial regulation 12.4 and in the additional terms of reference.

REGULATION 12.10 The External Auditor's reports shall be transmitted through the Council, together with the audited financial statements, to the Assembly in accordance with any directions given by the Assembly. The Council shall examine the financial statements and the audit reports and shall forward them to the Assembly with such comments as it deems advisable. The report

on the financial statements shall be submitted to the Council not later than 31 May following the end of the financial period to which the financial statements relate.

Article XIII

RESOLUTIONS INVOLVING EXPENDITURES

REGULATION 13.1 No committee, commission or other competent body shall take a decision involving expenditure unless it has before it a report from the Secretary-General on the administrative and financial implications of the proposal.

REGULATION 13.2 Where, in the opinion of the Secretary-General, the proposed expenditure cannot be made from the existing appropriations, it shall not be incurred until the Assembly has made the necessary appropriations, unless the Secretary-General certifies that provision can be made under the conditions of the resolution of the Assembly relating to unforeseen and extraordinary expenses.

REGULATION 13.3 All measures affecting the budget shall require a two-thirds majority of those present and voting in order to be adopted.

Article XIV

GENERAL PROVISIONS

REGULATION 14.1 These regulations shall be effective as of the date of their approval by the Assembly, which has the authority to amend them as and when appropriate.

REGULATION 14.2 The word “Member” in these regulations shall be deemed to include Associate Members as well.

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APPENDIX I TO THE FINANCIAL REGULATIONS

Additional terms of reference governing External Audit

1. The External Auditor shall perform such audit of the accounts of the Organization, including all trust funds and special accounts, as he or she deems necessary in order to satisfy himself or herself:

   (a) that the financial statements are in accord with the books and records of the Organization;

   (b) that the financial transactions reflected in the statements have been in accordance with the rules and regulations, the budgetary provisions and other applicable directives;

   (c) that the securities and monies on deposit and on hand have been verified by certificate received direct from the Organization's depositaries or by actual count;

   (d) that the internal controls, including the internal audit, are adequate in the light of the extent of reliance placed thereon; and

   (e) that procedures satisfactory to the External Auditor have been applied to the recording of all assets, liabilities, surpluses and deficits.

2. The External Auditor shall be the sole judge as to the acceptance in whole or in part of certifications and representations by the Secretary General and may proceed to such detailed examination and verification as he or she chooses of all financial records, including those relating to supplies and equipment.

3. The External Auditor and his or her staff shall have free access at all convenient times to all books, records and other documentation which are, in the opinion of the External Auditor, necessary for the performance of the audit. Information classified as privileged and which the Secretary General (or his or her designated senior official) agrees is required by the External Auditor for the purposes of the audit and information classified as confidential shall be made available on application. The External Auditor and his or her staff shall respect the privileged and confidential nature of any information so classified which has been made available and shall not make use of it except in direct connection with the performance of the audit. The External Auditor may draw the attention of the Council to any denial of information classified as privileged which, in his or her opinion, was required for the purpose of the audit.

4. The External Auditor shall have no power to disallow items in the accounts but shall draw to the attention of the Secretary General for appropriate action any transaction concerning which he or she entertains doubt as to legality or propriety. Audit objections, to these or any other transactions, arising during the examination of the accounts shall be immediately communicated to the Secretary General.

5. The External Auditor shall express and sign an opinion in the following terms: "I have examined the following/appended financial statements, numbered . . . to . . . and schedules of the International Maritime Organization for the year ended 31 December . . .. My examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as I considered necessary in the circumstances. As a result of the examination I am of the opinion that . . . ". The opinion will then state, as appropriate, whether:

(a) the financial statements present fairly the financial position as at the end of the period and the results of its operations for the year then ended;

(b) the financial statements were prepared in accordance with the stated accounting principles;

(c) the accounting principles were applied on a basis consistent with that of the preceding financial year;

(d) transactions were in accordance with the Financial Regulations and legislative authority.

6. The report of the External Auditor to the IMO Assembly on the financial operations of the year should mention:

(a) the type and scope of his or her examination;

(b) matters affecting the completeness or accuracy of the accounts, including where appropriate:

(i) information necessary to the correct interpretation of the accounts;
(ii) any amounts which ought to have been received but which have not been brought to account;
(iii) any amounts for which a legal or contingent obligation exists and which have not been recorded or reflected in the financial statements;
(iv) expenditures not properly substantiated;
(v) whether proper books of accounts have been kept. Where in the presentation of statements there are deviations of material nature from the generally accepted accounting principles applied on a consistent basis, these should be disclosed;

(c) other matters which should be brought to the notice of the Assembly, such as:

(i) cases of fraud or presumptive fraud;
(ii) wasteful or improper expenditure of the Organization's money or other assets (notwithstanding that the accounting for the transaction may be correct);
(iii) expenditure likely to commit the Organization to further outlay on a large scale;
(iv) any defect in the general system or detailed regulations governing the control of receipts and disbursements or of supplies and equipment;
(v) expenditure not in accordance with the intention of the Assembly after making allowance for duly authorized transfers within the budget;
(vi) expenditure in excess of appropriations as amended by duly authorized transfers within the budget;
(vii) expenditure not in conformity with the authority which governs it;

(d) the accuracy or otherwise of the supplies and equipment records as determined by stocktaking and examination of the records.

In addition, the reports may contain reference to:

(e) transactions accounted for in a previous year concerning which further information has been obtained or transactions in a later year concerning which it seems desirable that the Assembly should have early knowledge.

7. The External Auditor may make such observations with respect to his or her findings resulting from the audit and such comments on the Secretary-General's financial report as he or she deems appropriate to the Council or to the Assembly, or to the Secretary-General.

8. Whenever the External Auditor's scope of audit is restricted, or whenever he or she is unable to obtain sufficient evidence, he or she shall refer to the matter in his or her opinion and report, making clear in the report the reasons for his or her comments, and the effect on the financial position and the financial transactions as recorded.

9. In no case shall the External Auditor include criticism in his or her report without first affording the Secretary-General an adequate opportunity of explanation on the matter under observation.

10. The External Auditor is not required to mention any matter referred to in the foregoing which, in his or her opinion, is insignificant in all respects.

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APPENDIX II TO THE FINANCIAL REGULATIONS

Additional terms of reference governing the Internal Oversight

PURPOSE

1 The Internal Oversight Services (IOS) was established to incorporate the functions of internal audit, evaluation and investigation under a single oversight mechanism. The IOS will assist the Secretary-General in the implementation of Financial Regulation 10.1 and in fulfilling his or her internal oversight responsibilities with independent, objective assurance, review and advice designed to add value and improve the effectiveness of the risk and results based management and control processes, as designed and represented by management to attain the objectives of the Organization.

Accountability and independence

2 The Head of IOS is appointed by the Secretary-General and his or her appointment as Head of IOS can only be terminated by the Secretary-General. The head of IOS reports to and is accountable directly to the Secretary-General in order to secure the independence of the oversight function. IOS operates independently of other parts of the Organization. In order to preserve independence so that it can carry out its work objectively and render impartial judgements, apart from, providing advice, the staff of IOS shall have no managerial authority over, or responsibility for, any of the activities they engage in, and shall not perform any other operational functions. IOS staff are excluded from employment in line functions except in very special cases, which require the prior approval of the Secretary-General. The Secretary-General will ensure that IOS is provided with the necessary resources in terms of appropriate staffing, adequate funds and appropriate training to achieve its objectives and maintain its independence.

OBJECTIVES

Internal audit

3 The objectives of internal audit are to ensure that management has established clear policies and procedures and there is an adequate and effective system of internal controls for providing assurance with respect to:

(a) integrity of financial information; compliance with established regulations, rules, policies and procedures in all operations; and the safeguarding of the assets of the Organization;

(b) the economic, efficient and effective use of resources in operations and identifying opportunities for improvements; and

(c) effectiveness of programme management for achieving stated objectives consistent with policies, plans and budgets.

Evaluation

4 The objectives of evaluation are to determine the efficiency, effectiveness, relevance, impact and sustainability of the Organization's programmes, projects and activities as measured against their stated goals and objectives, to provide recommendations for corrective measures for the improvement of programme delivery and effectiveness and to ensure feedback of evaluation findings into programming and operations.

Investigation

5 The objectives of investigation are to inquire into allegations of wrong doing which involve violations of the Organization's rules, regulations and pertinent administrative issuances, and acts of mismanagement, misconduct, waste and abuse of authority by staff.

AUTHORITY

6 In undertaking their activities and responsibilities, staff members of IOS shall have the following authority:

(a) complete, prompt and unrestricted access to all records, documents, or other materials, assets and premises within the Organization which in the opinion of the Head of IOS are relevant to the subject matter under review;

(b) the right to communicate directly with all levels of staff and management, pursuant to the discharge of their own responsibilities; and

(c) the right to request any staff member to furnish all information and explanations that the Head of IOS deems necessary to discharge their responsibilities and to receive full co-operation.

7 IOS staff shall be responsible for maintaining the confidentiality of all information obtained in the course of their work.

8 Other than the responsibilities prescribed in these Terms of Reference, IOS has no direct authority over, nor responsibility for, any off the operations or activities of the Organization. IOS work does not in any way substitute, nor relieve staff members of assigned responsibilities.

PLAN OF WORK

9 The Head of IOS shall prepare an annual work plan consistent with generally accepted internal auditing standards and estimated available resources. The annual plan shall be subject to the approval of the Secretary-General.

10 Notwithstanding the annual plan, either on the direction of the Secretary-General or at the discretion of the Head of IOS, any special audit, evaluations or investigations deemed warranted because of a specific management request or other special circumstances may be carried out.

SCOPE AND STANDARDS OF WORK

11 The scope of work of IOS shall encompass all activities undertaken by the Organization for which the Secretary-General has responsibility.

12 IOS shall carry out its audit functions in accordance with the Standards for Professional Practices of Internal Auditing issued by the Institute of Internal Auditors, and by the Code of Ethics established by the Institute of Internal Auditors and adopted by the 33rd Meeting of the Representatives of Internal Audit Services of the United Nations and Multilateral Financial Institutions on 6 June 2002.

REPORTING AND FOLLOW-UP

13 The Head of IOS shall submit a report containing all significant findings resulting from an audit or review in such form as deemed appropriate in the circumstances to the Secretary-General. Before submitting any such report to the Secretary-General, IOS shall present the draft report together with any audit recommendations to the Division Director concerned for his or her comments. It is incumbent upon the Division Director to provide the necessary clarifications and comments on the draft report, the audit recommendations and the action he or she intends to take on the recommendations within reasonable time but no later than one month of the issuance of the draft report.

14 IOS shall undertake periodic follow-up reviews to determine whether audit findings and recommendations have been acted upon and, where necessary, report the findings of the follow-up review to the Secretary-General.

EXTERNAL AUDITOR

15 IOS and the External Auditor shall, to the extent feasible and practicable, liaise with each other to foster a co-operative and professional working relationship, to co-ordinate their plans and activities to ensure effective audit coverage and to minimize duplication of efforts, to share information such as strategies, work plans and all reports produced, with due regard to each party's responsibilities.