

2022

Summary of Internal Oversight and Ethics Activities 2021



March 2022

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Secretary-General Statement

I am pleased to present the report on the 2021 internal oversight and ethics activities at IMO. Highlights of the 2021 activities cover the issuance of 12 reports with respect to internal oversight services, covering internal audit, evaluation, and investigation; and ethics functions. This report presents the status of a wide array of opportunities for IOEO to cooperate, in particular, with the Organization's management and the United Nations Joint Inspection Unit (JIU) with a view to implementing robust oversight and ethics programmes, which are essential to support effectiveness, efficiency and healthy culture of the Organization.

I would like to single-out the draft report of the Joint Evaluation-Audit of IMO Activities on Gender Equality and the Empowerment of Women (GEEW) covering the Secretariat's activities (Phase I) containing recommendations on the areas of strategy, policies and accountability, gender architecture, organizational culture, gender parity and equal representation of women, gender-related training, communications, oversight, resource allocation and UN SWAP reporting to UN Women. The Evaluation-Audit team acknowledged the Organization's efforts and significant achievements as well as its improved performance towards promoting GEEW.

I am also pleased to confirm that the Office was able to continue fully its operation at its usual level of productivity in the context of the pandemic under the successful leadership of Mr. Sung-Jin Kim, who retired in the course of 2021, and his temporary efficient replacement by Mrs. Azara Prempeh, Chief of Staff, very ably supported by the IOEO staff.

Kitack Lim
Secretary-General



I. Introduction

1. In accordance with the terms of reference of internal oversight, as provided in Appendix II to the Financial Regulations of the International Maritime Organization (IMO, or the Organization), the Internal Oversight Services (IOS) covers internal audit, evaluation, and investigation under a single internal oversight mechanism. IOS, together with the ethics function established in February 2014, have formed the Internal Oversight and Ethics Office (IOEO) that reports functionally and administratively directly to the Secretary-General and assists him in the fulfilment of his responsibility for internal control (Financial Regulation 10.1) and in internal oversight and ethics related matters with independent, objective assurance, review, and advice. In addition, IOEO was designated by the IMO Council to provide internal audit services for the World Maritime University (WMU) in Sweden and International Maritime Law Institute (IMLI) in Malta.

2. IOEO completed the year with the issuance of four internal audit reports; two evaluation reports including one draft report; three advisory service memos; two ethics reports; one ethics survey and 15 instances of ethics advice. Issuance of the two reports on payroll and separation benefits in 2019 and a report on 2019 Financial Disclosure Programme were delayed from 2020 to 2021 due to the impact of COVID on the efficiency of the office.

II. Internal Audit, Inspection and Evaluation

A. Report of the Audit of the 2019 Payroll

3. The objectives of this engagement were to confirm accuracy, validity, and compliance of the payroll-related entitlements; assess effectiveness and efficiency of the policies and control activities; review the status of implementation of the prior year's recommendations and suggest remedial measures.

4. The Organization recorded a total of £28.38 million for the costs of salaries and benefits which accounted for approximately half of the total organizational expenses of £56.6 million in 2019. Cost of payroll continued to be the largest expenses of the organization.

5. In general, the calculation of salaries and deductions was accurate, valid and in compliance with the applicable regulations, rules and policies. However, the audit noted some issues and/or exceptions regarding, inter alia, policy-related matters, weaknesses in internal controls and system-generated calculations in certain circumstances. As a result, the audit issued three high priority recommendations and three medium priority recommendations. All the six recommendations were accepted by the management for implementation.

6. The three high priority recommendations were regarding: a review of the calculation and related internal controls for the pensionable remuneration of ungraded official; follow up actions to ensure completeness in staff's declarations to support dependency allowance; and analysis of the costs and benefits associated with the current lump-sum scheme for the shipment of personal effects and minimum supporting documentation requirements for the lump-sum claims.

B. Report on the Audit of 2019 Separation Benefits and Payments

7. The report objectives were to assess and to ascertain: authorization for payments and compliance with regulations, rules, policies, and procedures; and adequacy of internal controls over authorization and net payments, ensuring the validity of entitlements, staff receivable recovery and payments. The separation benefits were paid to 22 former staff members in 2019, which amounted to £547,000 comprising: termination indemnity benefit (£210,000)(38%); repatriation grant (£180,000)(33%); accrued annual leave (£77,000)(14%); repatriation removal (£75,000)(14%); and repatriation travel (£5,000)(1%).

8. In general, the calculation and payment were accurate. Three recommendations were issued, of which one was of high priority. The high priority recommendation was concerning a need to review, in connection with potential risks of abuse, the current supporting document policy for repatriation benefits to institute a streamlined, interconnected, consistent and comprehensive supporting document requirements.

C. Report on the Review of 2022 Member States Assessment

9. The review of the 2022 Member States assessment was based on: the revised shipping tonnage figures as of 30 June 2021 provided by IHS Markit Maritime & Trade, in accordance with Circular Letter No. 3347; the United Nations General Assembly resolution A/RES/73/271 showing the percentage of the United Nations Regular Budget assessments on its Member States for 2019-2021; the budget for 2022 as approved by the Council (C/ES.34/5) and the 32nd Assembly; and resolution A.726(17) on *Apportionment of expenses among Member States and amendments to the Rules of Procedure of the Assembly*.

10. The verification confirmed accuracy of the calculated amounts. In verifying the 2022 IMO assessment, IOEO duly took note of the practice evolved and accepted at IMO as regards

the rounding of the figures in three decimal places provided in the United Nations scale of assessments (A/RES/73/271) into the nearest two decimals. This creates a need for manual override of dozens of rounding adjustments and makes the process of calculations of the IMO Member States assessment labour-intensive and inefficient. IOEO suggested that the mismatch between the decimal place numbers defined for the UN contribution percentage in resolution A.726(17) and the one for the current UN scale of assessments in the UN General Assembly resolution be addressed at an appropriate opportunity. It is noted that resolution A.726(17) is nearly three decades old and a review and update of the decimal places in the UN contribution percentage table in the IMO resolution might be helpful.

11. IOEO also noted that the United Nations scale of assessments for 2022 was not available at the time of calculation of the IMO 2022 assessment; therefore, the IMO's calculation was based on the United Nations scale of assessments table that is applicable to the years 2019 - 2021. The practice of using the prior year's UN scale of assessments table, however, has been an accepted practice at IMO if the UN table for the assessment year is not available in time for IMO calculation, according to the explanation provided by the management. No request for updates and adjustments in IMO assessment, as soon as the UN scale of assessments for the assessment year becomes available, has ever been received from Member States to date.

D. Follow-up audit of previous years recommendations

12. The objectives of the report were to validate management actions for the implementation of audit recommendations and to ensure that the Organization is on track to support enhancement in governance, risk management and control systems through the implementation of the audit recommendations. The review included the examination of the supporting documents provided by the management and spot checks of the information available in the Organization's records.

13. IOEO closed through its own assessment 13 recommendations in 2021; of which 12 were implemented, and one recommendation was withdrawn. These represented 27% of 49 audit recommendations outstanding at the beginning of the year. As of December 2021, there were 12 audit reports with a total of 43 outstanding recommendations to be implemented in the forthcoming years. No recommendation was given implemented status by IOEO in 2021 for six reports that were issued prior to 2020. These were; training and development fund (March 2016), building management contracts (June 2017), translation and interpretation services (December 2017), payroll 2017 (September 2018), home leave and travel claims (November 2018) and leave management (March 2019).

14. In certain instances, the management commented in response to the audit that the recommendations were too broad. IOEO often avoided prescribing details of solutions in the recommendations in order to respect the management's discretion to choose different options of the available solutions, while the text of the recommendations was shared with the management for comment at the draft reporting stage. In order to assist the management in the implementation of the audit recommendations, to the extent possible, IOEO provided the description of the supporting documents required to assess the status of implementation of the outstanding recommendations.

15. Of the 43 outstanding recommendations, 20 recommendations (47%) related to HRS. A number of these recommendations required a holistic look at the HR processes, necessitating review or reassessment of the current systems, policies and procedures to enhance internal controls.

III. Evaluation

A. Evaluation of Integrated Technical Cooperation Programme (ITCP) activities for 2016-2019

16. The quadrennial evaluation of ITCP activities was undertaken covering the four year-period from 2016 to 2019. The evaluation of ITCP 2016-2019 expanded its scope, as compared to the previous exercises, to cover not only the activities financed from the Technical Cooperation Fund (TC Fund) but also those funded by various donor contributions.

17. Six United Nations Evaluation Group-endorsed OECD DAC criteria, namely: relevance, coherence, effectiveness, efficiency, impact, and sustainability of the activities, were used for the evaluation rather than focusing mainly on impact, which was the case in previous impact assessment exercises.

18. The evaluation included the external survey of all Member States; an internal survey of relevant IMO staff; an analysis of activities delivered throughout the period under review; a benchmarking exercise against two similar sized UN agencies (ICAO and WMO); and interviews with six Member States and regional focus groups.

19. The evaluation report, containing a number of findings and issues culminating in the issuance of eight recommendations, was issued in April 2021. Key observations and recommendations in the report, based on the findings, lessons learned and wider evaluation analysis included: integration of ITCP interventions within larger, multi-year projects; development of country partnership plans with every Member State that are evidence-based and aligned with IMO Strategic Directions; significantly upscaling IMO regional presence; strengthening Technical Cooperation Committee's oversight and scrutiny of ITCP needs assessment, strategy, and delivery to increase engagement and quality of Member State support; better tracking, management and assessment of learning acquired in workshops; development of objective and data-driven criteria for allocating ITCP expenditure; facilitating maritime issues to be given due weight at the highest political levels of Member States to ensure transparency and efficiency; and creating an online platform to leverage additional third-party resources, enabling peer-to-peer support, and freeing up TC Fund resources for countries that need them most.

B. Joint Evaluation – Audit of IMO Activities on Gender Equality and the Empowerment of Women (GEEW)

20. The UN-SWAP (UN system-wide Action Plan) is a UN system-wide accountability framework designed to measure, monitor, and drive progress towards a common set of standards for the achievement of gender equality and the empowerment of women. The Joint Inspection Unit (JIU) carried out in 2019 a system-wide evaluation of the effectiveness, valued-added and impact of the UN SWAP (JIU/REP/2019/2), which recommended, inter alia, entities to undertake independent assessment of their contribution towards GEEW, using the action plan as a benchmark. In response to the recommendation, IOEO launched the Joint Evaluation-Audit of IMO Activities on GEEW.

21. IOEO adopted a hybrid approach adhering to the internationally recognized internal audit standards, i.e. International Professional Practices Framework (IPPF) of the Institute of Internal Auditors (IIA), the ILO Participatory Gender Audit (PGA) Methodology and the six United Nations Evaluation Group-endorsed OECD DAC criteria.

22. The overall objectives of this Joint Evaluation-Audit were to provide: an assessment of the activities and outputs of GEEW and gender mainstreaming during UN SWAP 1.0 (2012-

2017) and the early stages of UN SWAP 2.0 (since 2018); and a formative assessment of enablers and barriers to achieve the goals of UN SWAP 2.0.

23. The Evaluation-Audit is divided into two phases. The Phase I report focuses on the Secretariat actions on promoting GEEW, while Phase II covers the Organization's external actions.

24. During 2021, the Evaluation-Audit team performed the data collection activities for both phases I and II, analyzed the data gathered and submitted the draft report covering the Secretariat's activities (Phase I) for comments by the management. The draft report contained 12 recommendations, with the aim to address the causes for the findings presented, on the areas of strategy, policies and accountability, gender architecture, organizational culture, gender parity and equal representation of women, gender-related training, communications, oversight, resource allocation and UN SWAP reporting to UN Women. The draft report also assessed the Organization's performance during UN SWAP 1.0 and the early stages of UN SWAP 2.0. The Evaluation-Audit team acknowledged its efforts and significant achievements as well as its improved performance towards promoting GEEW. The Phase I final reporting and the completion of Phase II are scheduled to take place in 2022.

IV. Investigation

25. In accordance with "IMO Policy and Procedures on Prevention and Detection of Fraud and Serious Misconduct", appendix F of the Staff Regulations and Staff Rules, IOEO investigates alleged cases of fraud and serious misconduct while investigations conducted under appendix E of the Staff Regulations and Staff Rules are the responsibility of the Administrative Division. At the end of 2021, IOEO was carrying out the preliminary review of a case of potential misconduct, to determine whether the alleged case warranted a formal investigation.

V. Advisory Services

A. Review of account receivable write-off proposal for 2020

26. The objective of the review was to assess whether all reasonable efforts and measures were exhausted to: collect the long outstanding accounts receivables; and minimize the amount of write-off, based on the available evidence submitted by the Financial Services for the proposed write-off of accounts receivable for 2020.

27. The amounts proposed for write-off were £5,889.77 and \$2,196.90 related to travel costs of the sponsors/organizers and consultants. Based on the analysis carried out, IOEO concluded that the proposed write-off of £3,589.81 was justified.

B. Review of publications stock obsolescence and write-off proposal for 2020

28. The IOEO's memo summarized the result of its review of the due diligence conducted by the Central Support Services (CSS) and other concerned IMO personnel to determine the publications stock obsolescence and the amount for write-off for 2020. The focus of the review was to assess whether reasonable efforts and measures were exhausted for the valuation of the inventory through provisions and write-off for 2020, and to evaluate whether the improvement suggested by CSS in the inventory management was appropriate and reasonable.

29. For the 2020 financial accounts, the proposed amounts were, for write-off, £96,206 and, for the obsolescence provision, £311,124, together representing 46% of the value of the overall publications stock holding of £882,275 as at 31 December 2020.

30. Based on the examination and analysis, IOEO concluded that CSS reviewed the asset value of the present inventory of the publications thoroughly, and therefore, the proposed provisions and write-off for 2020 was supported. IOEO further noted that CSS had introduced adequate control measures including a logical method for printing orders and inventory management with the aim to improve management of the publications inventory.

C. Accountability framework

31. The objectives of this engagement were to provide an integrated view of the key tools and policies as well as allocated accountability to help enhance the clarity in their relationships, and to assist the work towards creation and implementation of a stand-alone accountability framework at IMO. Over the years, the Organization had introduced several "elements" that typically consist of and support accountability framework at a UN entity. These elements need to be integrated sufficiently for the accountability framework to function effectively.

32. Recommendations were made to introduce and implement a properly designed accountability framework with integrated views of all IMO's concerned policies and tools, so as to enhance coherence, integration, effectiveness, and efficiency of organizational performance.

VI. Ethics

A. Financial Disclosure Programme

33. IMO introduced the Financial Disclosure Programme (FDP) in 2014 to provide for the declarations of personal financial interests by applicable staff members and to assess the likelihood of potential conflicts of interest. In accordance with appendix G of the Staff Rules and related guidelines, as revised in 2018, FDP was administered for the reporting years 2019 and 2020.

34. The number of obligated staff increased from 49 in 2019 to 52 in 2020, which included all staff at the D-1 level and above; staff members dealing with procurement, investment, and oversight or ethics duties; and those who the Directors confirmed necessary to file the financial disclosure statements (FDS).

35. 44 staff out of 49 (90%) and 50 staff out of 52 (95%) staff filed FDS for 2019 and 2020, respectively. All the FDS submissions were certified and affirmed by the filers.

36. In respect of the verification exercise indicated in appendix G of the Staff Rules, the use of an external third-party administrator was practically limited due to budget. Instead, the same analytical framework which was developed as a result of the overall review of the FDP in 2018 was used. The summary observations are as follows: all filers, except two new filers, reported their holding of assets, from which no case of factually conflicting financial interests falling under those in the guidelines was identified; there was no filed case of profit on sale of personal property; stock options reported were assessed not to relate to the work of IMO; disclosed income from sources other than IMO did not raise concerns as to the conflicting financial interest as they are, in most cases, the salaries of spouses, followed by rental income, pension and investment; no reporting on supplements, gifts, per diem, reimbursements and travel expenses aggregating more than \$250 from a single source; liabilities disclosed were mostly for mortgages. On follow-up questions, six (for 2019) and 16 (for 2020) disclosed leadership roles in non-UN entities, while two cases reported relatives working for WMU (spouse) and one for a UN agency (son); all of which were assessed not to generate any conflict of interest.

37. In conclusion, the review of FDS for the reporting years 2019 and 2020 under the revised guidance found no extraordinary or unusual cases to report in respect of conflicts of interest.

B. Ethics Advice

38. The Head of IOEO, as the Ethics Officer, provides ad hoc advice and guidance on ethics-related issues and enquires raised by staff members, Member States' delegates, temporary assistance staff, consultants, suppliers and external related parties. The advice and guidance were provided individually in strict confidence. All requests and cases were carefully reviewed and examined, where appropriate, in accordance with the IMO Code of Ethics and associated regulations, rules, policies and guidelines, providing appropriate advice to address these scenarios.

39. The number of requests and cases received decreased from 23 in 2020 to 15 in 2021. Advice in 2021 was related to the following categories: clearance over conducting outside activities including non-compensatory board or committee member roles, advisor roles, ad hoc delivery of lectures, etc.; conflict-of-interest concerns over private business owned by a temporary staff, a proposal for assumption of management advisory function in IMO by a senior employee of a private sector firm on a pro bono basis, receipt of gifts, awards and honours; standard of conduct for IMO personnel at election of Council members; Code of ethics - a reminder of staff obligations during Assembly sessions.

40. In 2021, there was no case of request for protection from retaliation on account of reporting any wrongdoing or misconduct (whistleblowing).

C. Ethics survey

41. IOEO conducted an ethics survey in late 2021. The survey comprised 56 questions and sub-questions concerning experience, knowledge and understanding of ethics rules and principles, the perception of key ethical subjects in the workplace, and assessment and analysis on current ethics guidance and training activities.

42. Overall, 109 anonymous responses were recorded out of 308 personnel (35% response rate). Respondents overwhelmingly considered that they had a good knowledge of IMO's values and the Code of Ethics and what was required of their behaviour with more than 70% of respondents being positive that they understand the ethics around outside activities, conflict of interest, reporting misconduct, and handling of awards and gifts. Further, 80% of respondents considered that acting ethically and with integrity is of great importance to their divisions and offices. The survey also highlighted areas where improvements are required including the actual level of knowledge of the ethics policies and guidelines by staff, knowledge of advisory and assistance roles of IOEO to staff, and level of perception by staff as to ethics environment questions for which mixed responses were received. IOEO intends to carry out follow-up activities, in particular, for increased awareness and outreach.

D. Review of whistleblowing and investigation policies

43. The objectives of the review were to revisit the current state of the Organization's whistleblowing and investigation policies in light of the good practices and recommendations contained in the recent JIU reports, and advise on the new structure of the IMO policies covering streamlined process for misconduct reporting; enhanced whistle-blower protection; preliminary assessment of allegation; investigation; disciplinary process; disclosure of information obtained during investigation; and administrative leave for staff suspended from duty, among others.

44. The report proposed issuance of one single integrated policy covering the above-mentioned areas and presented 23 suggested changes. Follow up actions are being taken by the management.

VII. Other activities

45. IOEO is the Organization's focal point to coordinate JIU activities. From 2011 to September 2021, IMO received 312 recommendations from JIU, of which 238 (76%) were accepted, 18 (6%) were conditionally accepted, 23 (7%) were given "under consideration" status, while 33 (11%) were not accepted or considered not applicable. Cumulative implementation rate of 279 accepted, conditionally accepted or under consideration recommendations was 52% and 145 recommendations have been implemented.

46. In November 2021, ten JIU reports that are relevant to IMO were presented to the 34th extraordinary session of the Council by the Secretary-General. They are: 1) JIU/REP/2019/5 on cloud computing services; 2) JIU/REP/2019/8 on staff exchange and similar inter-agency mobility measures; 3) JIU/REP/2019/9 on external outsourcing of services to commercial service providers; 4) JIU/REP/2020/1 on the state of the investigation function; 5) JIU/REP/2020/2 on policies and platforms in support of learning; 6) JIU/REP/2020/5 on enterprise risk management; 7) JIU/REP/2020/6 on multilingualism; 8) JIU/REP/2020/7 on blockchain applications; 9) JIU/REP/2020/8 on mainstreaming environmental sustainability across organizations; and 10) JIU/REP/2021/2 on support for landlocked developing countries to implement the Vienna Programme of Action.

47. The Council noted the Secretary-General's presentation, and accepted the recommendations addressed to the Assembly and the Council, while taking into account his comments and action plans. The Council expressed particular interest in the report on the multilingualism (JIU/REP/2020/6) and discussed the follow-up actions, including strategic framework, annual reporting, required budgetary resources, and practices at partner agencies and Committees. IOEO will provide reports to future sessions of the Council on the status of implementation of JIU recommendations.

48. IOEO continued to provide ad hoc advisory services to strengthen controls and procedures, improve operational efficiency, and facilitate the implementation of its own oversight recommendations. These advisory services were provided on an ad hoc basis. IOEO also continued to improve its interactions with divisions/departments by using an online database for both IOEO and JIU recommendations, with real-time access to provide responses to applicable outstanding recommendations.

49. In conclusion, during 2021, IOEO did not encounter any event that affected the independent and sound functioning of the office or circumvented its professional assessment in the context of its oversight or ethics activities.

50. In 2021, IOEO, in the context of the delivery of IMO's digital strategy and prioritization of digital investments, acquired the TeamMate+ Audit management system for testing and full deployment in the course of 2022.

