

2021

Summary of Internal Oversight and Ethics Activities in 2020



**INTERNATIONAL
MARITIME
ORGANIZATION**

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Secretary-General's Statement

I am very pleased to present the summary report of the Organization's internal oversight and ethics activities for 2020 and I wish to mention some of the salient points.

One of them is the Evaluation of the Organization's Integrated Technical Cooperation Programme (ITCP) activities for 2016-2019. The ITCP provides fellowship, workshops and other training activities to all Member States concerning the implementation of IMO instruments, and is considered as a key tool to build the capacity and enhance compliance. The evaluation report recognized the value as well as the continued support of the Member States on this essential programme, while recommended several measures to further improve the efficiency, tap the opportunities for making the programme more responsive to the regional needs, and position it in the wider framework of strategic assistance to the Member States.

A long-awaited review of internal oversight and ethics functions was also conducted by referring to the several concerned reports of the United Nations Joint Inspection Unit (JIU). The review compared the existing state of internal oversight and ethics functions in the Organization against the benchmarking criteria and the United Nations system organizations' good practice as suggested by JIU. The result showed, not surprisingly for a small organization, some gaps in the concerned structure and the frameworks, together with suggested courses of action for the remedy. Some actions have already been underway, and I am committed to further enhancing the effectiveness of the oversight and ethics function through executive support and professionalization.

The year 2020 brought unprecedented challenges to the internal oversight and ethics activities of the Organization. Sudden shut-down of the office space and complete shift to the remote and virtual mode of work significantly affected the proper undertaking of the functions, like many other United Nations system organizations elsewhere in the world. The Organization moved swiftly to minimize the adverse effect, provided necessary infrastructure and support to the staff, and thus, enabled, although it had taken some time, the office to bring back to the usual level of productivity. The sacrifice made by many staff, in terms of the extreme inconvenience, as a result of full-time nursing, schooling, and extended work hours late into the evening did not go unnoticed.

Last, but not least, I wish to thank the management and staff of the Internal Oversight and Ethics Office for their dedication and hard work.

Kitack Lim
Secretary-General

I. Introduction

1. In accordance with the terms of reference of internal oversight, as provided in Appendix II of the Financial Regulations of the International Maritime Organization (IMO, or the Organization), the Internal Oversight Services (IOS) cover 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. During the course of 2020, IOEO's work plan required accordant adjustments due to the consequence of COVID-19 lockdown and on top of that an ICT security incident in the second half of the year also affected the delivery of IOEO's outputs.
3. IOEO completed the year with the issuance of: five internal audit reports including one ad hoc review; two evaluation reports including one draft report; and 23 instances of ethics advice. This report summarizes those activities undertaken in 2020.

II. Internal Audit and Inspection

A. Report on the Audit of Education Grant Claims

4. The objectives of this engagement were to: confirm the validity and compliance of the education grant claims; ascertain the integrity and reliability of the claims data; review if the policies are up-to-date; and suggest remedy for any errors.
5. For the academic year 2018/2019, the Organization provided 83 education grants for a total of \$1,242,039, which represented 4.2% of the payroll and benefit expenditures. The average amount of the grant was \$14.9k per student. There were no education grant trips recorded in SAP for the academic years audited.
6. In general, the calculation of the education grant claims was accurate; the claims submitted were mostly compliant with the applicable regulatory framework. However, there were some concerned cases arising from the lack of clarity in, and inconsistent application of, the policies, and the miscalculation of claims.
7. Recommendations with high priority include:
 - Review and amend the policies and procedures in alignment with the UN policies, to the extent possible, to avoid any gaps and inconsistent applications;
 - Update education grant claim Form 2, which is not fully fit for purpose as main tools to certify the full-time attendance and to enable the fairer application of costs regarding lunches/ books; and
 - Review the business process (request, entry, approval, reporting, verification and monitoring) of education grant to enhance controls and streamline /automate the process, particularly with regard to SAP entry (segregation of duties), SAP and SharePoint interfaces and foreign exchange rate applications.

B. Review of Legal Arrangements for IMO Extrabudgetary Donor Trust Fund

8. As part of the exercise to update the oversight universe and assurance mapping and for associated risk assessments, IOEO undertook an overall review and analysis of the essential documents, i.e., Memorandum of Understanding (MOUs), Letter of Agreements (LOAs), Terms of Reference and others of IMO extrabudgetary (XB) donor trust funds. The review covered 29 funds, excluding those financially already closed and inactive donor-funds and programmes. The review presented an analysis of existing fund documentation to identify gaps and variances in terms of the key elements and clauses (45 clauses under the 11 key elements) commonly found in standard best practice agreements in the UN system.

9. For most funds, some documentation was available regarding the use of the funds but was not sufficiently extensive and had significant gaps in key clauses and large diversity in contents, particularly, on governance and oversight arrangements. Of the 29 funds reviewed, more than half of the agreements (for 17 active funds) were not reviewed or held by the Division concerned, with some donations not placed under the correct or most relevant funds. The use of the instrument (type of agreement) was found to be inconsistent and varied, and there were: an absence of current policy and procedures, central repository of essential documents; inconsistencies in the content of MOUs, LOAs and other agreements; and common gaps in key elements and clauses.

10. It was recommended that a central depository should be developed to hold all fund documentation and also that, clear and comprehensive guidelines or standard operating procedures together with appropriate templates be developed and made available to all programme managers and assistants. For each existing donor and project, a revised phrasing for legal instruments should be made upon renewal to include absent elements and clauses, unless those are included in the programme/project documents.

C. Review of Internal Oversight and Ethics Functions

11. This review was undertaken to identify and assess the gaps of the current oversight and ethics functions at IMO in light of the JIU recommendations and UN system standards/common practices; and set out reform solutions and associated action plans.

12. The Financial Regulations of IMO articulate in its appendix II, the terms of references of the Internal Oversight Services (IOS) which incorporate the functions of internal audit, evaluation and investigation under a single oversight mechanism. On the other hand, the ethics function was formally introduced with the appointment of the Head of IOS as Ethics Officer on 1 January 2012 by the then Secretary-General. Since then, both the IOS and ethics functions have been carried out under the newly named Internal Oversight and Ethics Office (IOEO). However, the respective terms of reference have never been reviewed to define a firewall between the two functions.

13. Meanwhile, it was noted that many JIU recommendations had been added over the years particularly in governance and oversight areas of IMO. As a result, the systematic and comprehensive review of oversight and related functions was conceived necessary to implement the concerned JIU recommendations as well as to enhance the effectiveness of the IOEO functions. This requirement was reported to the 121st session of the Council, which supported the necessity for a comprehensive oversight review and reform. As such, the 2020 work plan of IOEO approved by the Secretary-General included two projects: Preparation of the position paper on JIU recommendations relevant to IOEO functions; and Oversight framework rearrangement. The review was undertaken by combining the two projects.

14. The result of the review confirmed 17 major gaps in IMO oversight and ethics functions as compared to the good practices in the UN system. The identified deficiencies included: absence of accountability framework; insufficient coverage in oversight assurance map; lack of External Quality Assessment required by the Institute of Internal Auditors; absence of firewall between oversight and ethics functions; and absence of a definition of professional requirements, independence and protocol of appointment and termination of the Head of IOEO in the Oversight Charter. IOEO mapped out a plan to address the identified gaps.

D. Follow-up audit of 2019 and prior year audit recommendations

15. The objectives of the annual follow-up audit of previous years' audit recommendations were to: validate management actions for the implementation of audit recommendations; and ensure the Organization is on track to support enhancement in governance, risk management and control systems through the implementation of the audit recommendations.

16. IOEO reviewed all the outstanding internal audit recommendations which were issued in 2019 and before. The review included examination of the supporting documents provided by the management and spot checks of the information available in the Organization's records.

17. The assessment confirmed that 33 audit recommendations were implemented in 2020, representing 40% of 82 audit recommendations outstanding at the beginning of the year. The cumulative implementation rate as of December 2020 was 68% for a total of 153 recommendations, contained in 17 reports, that were pending implementation as of 1 January 2020, which compared with 59% cumulative implementation rates in 2019. Recommendations relating to the publishing service audit in 2018 and the separation audit in 2019 were highlighted for implementation as early as possible.

E. Review of 2021 Member States Assessment

18. The 2021 regular budget assessment for the Member States was reviewed based on: a) the revised shipping tonnage figures as of 30 June 2020 provided by IHS Markit Maritime & Trade, in accordance with IMO circular letter No. 3347; b) the UN General Assembly resolution A/RES/73/721 showing the percentage of the United Nations regular budget assessments on its Member States for 2019-2021; c) approved appropriation for 2021 and amount to be financed by contributions from the Member States in IMO Assembly resolution A 31/Res.1132; and d) IMO Assembly Resolution A 17/Res.726 "Apportionment of Expenses among the Member States and Amendments to the Rules of Procedure of the Assembly".

19. The verification confirmed the accuracy of the calculated amounts for "Minimum" assessment of £988,242, "Basic" assessment of £4,078,470 and "Tonnage" assessment of £28,549,288, as well as the allocation of 2021 assessments totalling £33,616,000 on the individual Member States and Associate Members.

III. Evaluation

A. Evaluation of the ITCP Workshops in 2019

20. Regular evaluations of Integrated Technical Cooperation Programme (ITCP) training events are essential to: assess their effectiveness and impact; obtain useful information required in improving training deliveries; and develop workshop materials to better reflect the training needs of future participants.

21. A total of 140 training events were held in 2019 (143 in 2018), comprising 71 (80 in 2018) national and 69 (63 in 2018) regional courses where a total of 3,069 (2,802 in 2018) participants attended. Of these, feedback questionnaires were submitted for 84 (67 in 2018) training events, but a significant number of synopses totalling 56 (76 in 2018) were missing, exposing a considerable continuing weakness in the management and reporting of training feedback. Key report observations and recommendations included: monitoring and evaluation of non-workshop related activities; regular provision of legal assistance; and review of activity questionnaires. Ultimately, these were considered during the course of the ITCP evaluation included in section B below.

22. 77% of the 140 training courses (78% of 143 courses in 2018) were conducted in three regions (Africa, the Americas/Caribbean and Asia. The feedback indicated a high degree of satisfaction over training delivery, with Excellent or Good ratings on course content, knowledge transfer and learning experience, while identifying several areas of improvement in participant learning, training delivery and effectiveness.

B. Evaluation of ITCP activities for 2016-2019

23. The quadrennial evaluation of ITCP was undertaken covering the activities conducted from 2016 to 2019. The evaluation of ITCP 2016-2019 expanded its scope to cover not only the activities financed from the Technical Cooperation Fund but also those ITCP activities funded by various donor contributions.

24. Six United Nations Evaluation Group 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.

25. 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 (2016 to 2019); a benchmarking exercise against two similar sized UN agencies (ICAO and WMO); and interviews held with six Member States and regional focus groups.

26. A draft report of the evaluation, containing numerous findings and issues culminating in the issuance of 9 recommendations, was issued in December 2020. A further review and iteration of the draft report were planned to finalize it in the early months of 2021. Key report observation and recommendation in the draft included: integration of ITCP interventions within larger, multi-year projects; development of country partnership plans; significant upscale of IMO's regional presence; strengthening of Technical Cooperation Committee's oversight and scrutiny over the programme; enhancement of activity tracking, management and assessment of learning acquired; development of objective and data-driven criteria for allocating ITCP expenditure; facilitation of maritime issues to be given due weight at the highest political levels; and creation of an online platform to provide for ease of donor allocation towards specified IMO projects.

IV. Investigation

27. 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. In 2020, there was no case of investigation under appendix F of the Staff Regulations and Staff Rules.

28. Investigations conducted under appendix E of the Staff Regulations and Staff Rules are the responsibility of the Administrative Division, and are not covered in the present IOEO activity report.

V. Ethics

A. Financial Disclosure Programme

29. The Financial Disclosure Programme (FDP) was introduced in 2014 to provide for the declarations of personal financial interests of applicable staff members and assess the likelihood of potential conflicts of interest within IMO. In accordance with appendix G to the IMO Staff Rules and accordant guidelines which were revised in 2018 following the overall review of all the submissions since its launch in 2014, the FDP 2020 was implemented for the reporting year 2019 for staff members as of 1 January 2019. The number of identified staff to file the financial disclosure statements (FDS) increased to 49 for the 2020 FDP from 42 for the 2019 FDP, which included all staff at the D-1 level and above; staff members dealing with procurement, investment and oversight/ethics duties; and those who the Directors confirmed necessary to file FDS.

30. Of the 49 staff notified to file their FDS for the reporting year 2019, 44 (90%) completed filing with repeated reminders and five staff failed to file. Most of the filing was made by email and only a few delivered the hard copy in person. All the FDS submissions were certified and affirmed by the filers.

31. In respect of the verification exercise indicated in appendix G to 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 continuously used. The summary is as follows: all filers reported their holding of Assets (real estates, bank accounts and investments), from which no case of factual conflicting financial interests was identified, falling under those in the Guidelines; 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 other than IMO was assessed to incur no conflicting financial interest as being 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 with a few reporting personal loans; On Follow-up questions, six disclosed leadership roles in non-UN entities, one reported of the relative (son) working for a UN agency and one case of spouse working related to IMO but all of which were assessed not to generate any conflict of interest.

32. In short, the review of the Financial Disclosure Statements for the reporting year 2019 under the revised guidance found no extraordinary or unusual cases to report in respect of conflicts of interest.

B. The Ethics Training Programme

33. Since the development of a mandatory online ethics training course, a concerted effort had been made by IOEO and Human Resources Services to ensure the courses were completed by all staff members and temporary assistance and consultants where applicable. The ethics training in 2020 was mainly for the new joiners (staff and temporary employees) and those existing staff who had not completed the course in the previous years (the completion rate by the end of 2019 was 94% for staff members), while noting some separated from the Organization before completing the course.

34. As the existing courses was first developed to use from 2017, it was planned to adopt a refresher course which was being developed by the UN Ethics Office, but due to COVID 19 Pandemic, the development was delayed. Further assessments of the current contents were continued to update the course and develop the refresh course.

C. Ethics Advice

35. The Head of IOEO also served as Ethics Officer providing advice and guidance on ethics-related matters and enquiries raised by staff members, management, the IMO Member States and delegates, temporary assistance staff and consultants, suppliers and external related parties. The advice and guidance were provided on an independent and strictly confidential basis.

36. The number of requests and cases received during 2020 was 23, a similar level addressed in 2019 of 24. These were related to the following topics: outside activities which included previous job engagements, advisor roles, trustees, ad hoc occasional broadcasting jobs, seeking a second job, speaking/writing engagements, media interviews, etc.; receipt of gifts, awards and honours which included mission invitation; award for the work before joining IMO, donations of a model ship; conflicts of interest including award nomination, consultancy engagement, photo competition judge, recruitment of project personnel, fundraising, etc.; and complaints and whistleblowing which included reduction of duties, statement of appeal, harassment claim process, justice and racial equality, whistleblowing policy and questions. There was no case of requests for protection from retaliation on account of reporting any wrongdoing or misconduct.

37. 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.

VI. Other Activities

38. In 2020, IMO received from the JIU a total of eight reports that reviewed system-wide topics as follows: State of the investigation function; Policies and platforms in support of learning; Common premises in the United Nations system; Management and administration in the Economic Commission for Latin America and the Caribbean; Enterprise risk management; Multilingualism in the United Nations system; Blockchain applications; and Mainstreaming environmental sustainability. Recommendations issued in these reports were carefully assessed for acceptance and implementation. The summary of the IMO status, which had been reported regularly to the Council, could not be reported to the Council in 2020 due to the virtual meeting arranged under COVID-19.

39. 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 improved its interactions with IMO divisions by launching a new and improved online database of JIU recommendations, which divisions used to provide responses to the outstanding recommendations applicable to them.

40. Finally, it can be confirmed that, during the course of 2020, it did not encounter any event that affects the independent and sound functioning of the office or circumvention of professional assessment in either oversight or ethics activities.



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