

2018

# INTERNAL OVERSIGHT AND ETHICS OFFICE

2018 ANNUAL SUMMARY OF ACTIVITIES



INTERNATIONAL  
MARITIME  
ORGANIZATION

March 2019

# Contents

## Secretary-General's Statement

<b>I. Introduction</b> .....	<b>1</b>
<b>II. Internal Oversight and Ethics Activities in 2018</b> .....	<b>1</b>
<b>III. Internal Audit and Inspection Reports issued in 2018</b> .....	<b>1</b>
A. Annual audit of payroll, staff entitlements and benefits .....	1
B. Annual audit of separation benefits .....	2
C. Audit of the World Maritime University (WMU) .....	2
D. Audit of the International Maritime Law Institute (IMLI) .....	2
E. Inspection of Home Leave Travel Claims .....	3
F. Follow-up audit of 2017 and prior year audit recommendations.....	3
<b>IV. Evaluation Reports issued in 2018</b> .....	<b>4</b>
A. Two evaluations of ITCP Workshops completed in 2016 and 2017 .....	4
B. Trend Analysis of ITCP workshops for 5 year from 2013 to 2017 .....	4
C. SDG Formative evaluation .....	5
D. Review and development of IMO Evaluation Policy, Guidelines and Plan .....	5
<b>V. Investigation Reports issued in 2018</b> .....	<b>5</b>
<b>VI. Ethics Activities</b> .....	<b>6</b>
A. Financial Disclosure Programme 2018.....	6
B. Review of status of completion of the Ethics Training Programme .....	6
C. Review of status of implementation of honours, decorations, favours, gifts and remuneration policy .....	7
D. Ethics Advice Initiative.....	7
<b>VII. Other Internal Oversight Activities</b> .....	<b>8</b>

## Secretary-General's Statement

This report summarizes the 2018 internal oversight and ethics activities conducted by the Internal Oversight and Ethics Office.

Since 2014, IMO has been annually publicizing the summary of internal audit activities and reports at its internet home page. You may notice that this year's report is different from those in the previous years in that it expanded the disclosure to include summaries of the evaluation, investigation and ethics activities, in addition to the internal audit activities.

IMO is committed to continuously enhancing the quality of its governance through robust oversight and disclosure programmes. I hope you will find this year's report particularly useful.

A handwritten signature in black ink, appearing to read 'Kitack Lim', written in a cursive style.

**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 and Financial Rules of the International Maritime Organization (IMO, or the Organization), the Internal Oversight Services (IOS) of the Internal Oversight and Ethics Office (IOEO) is responsible for undertaking internal audit, evaluation and investigation under a single oversight mechanism. IOS reports the results to the Secretary-General and assists him in the implementation of Financial Regulation 10.1 (Internal Control) and in fulfilling his internal oversight responsibilities with independent, objective assurance, review and advice. In February 2014, with the then Secretary-General's approval of the Terms of Reference of the IMO Ethics function, the Ethics function was established under the responsibility of the Head of IOEO, as the Ethics Officer, who reports functionally and administratively directly to the Secretary-General.
2. The scope of work of IOEO covers all activities relating to internal audit, evaluation, investigation and ethics at IMO. In addition, IOEO was designated to provide internal audit services for the World Maritime University (WMU) and International Maritime Law Institute (IMLI).
3. This summary covers the 2018 IOEO activities encompassing internal audit, evaluation investigation and ethics.

## **II. Internal Oversight and Ethics Activities in 2018**

4. The 2018 annual work plan of IOEO which was duly approved by the Secretary-General included a total of 15 engagements: nine internal audit engagements consisting of five special audits, three regular annual audits, and one review; three evaluations and three ethics engagements.
5. During the course of 2018, in response to certain perceived risks, adjustments were required to the internal audit work plan resulting in the inclusion of two ad hoc inspections. The result of one inspection led to three investigations, as a consequence of which IOEO concluded the year with the issuance of five audit reports and one review, one inspection report, three investigation reports, four evaluation reports, three ethics reports and 13 pieces of ethics advice. Therefore, the issuance of one inspection report and one evaluation report was carried forward to 2019.

## **III. Internal Audit and Inspection Reports issued in 2018**

### **A. Annual audit of payroll, staff entitlements and benefits**

6. The cost of salaries, entitlements and benefits of both Professional and General Service categories accounted for more than 70% of the regular budget expenditure in 2017. The payroll, staff benefits and entitlements is subject to regular audits by IOEO. In 2017, the related payroll and benefit expenditures amounted to £24.67 million with an increase of £0.93 million or 3.9% from 2016. On 1 January 2017, as part of the phased changes in the professional staff's compensation package International Civil Service Commission (ICSC), a unified single rate salary scale was introduced at IMO.
7. The audit were undertaken to confirm the validity, accuracy and compliance of salary and benefit payments made in 2017 and to identify weakness in the current system and administrative controls for payroll and benefits processing. The report contained nine audit recommendations to further strengthen internal controls in payroll and benefits processing.

8. The audit noted that the 2017 transition from the old salary scale structure to the new salary scale as part of the introduction of the ICSC new compensation package scheme was largely successful and satisfactory. The audit did not identify any issues in the calculation and payment of: basic salary; post adjustment; rental subsidy; representation allowance; non-resident allowance; mobility and hardship allowance; and deductions for contributions to the United Nations Joint Staff Pension Fund and the national insurance scheme. The internal controls in place for the processing and payment of payroll and benefits were partially satisfactory, as improvements are required in several areas. The observed issues in the financial control areas mainly related to: the lack of complete and up-to-date written policies, processes and procedures; the insufficient controls around sensitive data; various financial controls; and SAP-related issues that could compromise the reliability of the functionalities in place. The observations in the upstream payroll and benefits processes predominantly related to: the lack of up-to-date detailed written procedures and process flows on the HRS side of the payroll and benefits process; incomplete documentation and communication to prove the status of certain benefits; and inaccuracies in the deductions of some CIGNA insurance premiums.

## **B. Annual audit of separation benefits**

9. A total of 20 staff members separated from the Organization in 2017, consisting of 13 in the Professional and higher categories including one Junior Professional Officer (JPO) and seven in the General Services category. The reasons for separation included 10 retirements and 10 resignations. The total amount of separation paid in 2017 amounted to £507,000, comprising: commutation of unused accrued annual leave and repatriation travel days of £242,000 (48%); repatriation grants of £183,000 (36%); and compensation in lieu of rescission of the decision of summary dismissal of £82,000 (16%). There was no payment of termination indemnity in 2017.
10. The audit were carried out to ascertain the authorization, validity, accuracy, completeness and compliance of the separation benefit calculation and payments. All payments were verified as valid and accurate.

## **C. Audit of the World Maritime University (WMU)**

11. The audit scope covered the availability, security and structure of the ICT network, applications and policies; an evaluation of the new procurement process including the procurement module; and the adequacy of relevant internal controls.
12. Although IT systems were adequately structured, a large number of system-administrators were identified for the file management system (Google Suite) and the financial system (Salesforce ERP), whilst an offsite backup was not being conducted for the student management system (Tribal). Procurement was enhanced through the introduction of the new module (SCM), albeit some weaknesses were identified in relation to delegations of authority, management of visiting professors and vendor master data reviews.
13. The major recommendations related to: the development of adequate software backup solutions; the installation of additional ICT emergency replacement hardware; a reduction in the number of administrative users combined with regular reviews of audit logs; processing visiting professors' payments through the procurement module; regularly reviewing vendor master data; and the implementation of a delegated authority matrix.

## **D. Audit of the International Maritime Law Institute (IMLI)**

14. The audit assessed the: maturity, status and structure of IMLI's financial and operational policies and procedures; integrity, availability and security of IMLI's ICT network,

applications, policies and procedures; and appropriateness and adequacy of existing internal controls over Finance, Operations and ICT.

15. A significant level of control was identified over the processing of all transactions at IMLI with the Director approving all transactions regardless of value, although the approval and payment process was paper-based and manual. One of the sterling bank accounts was dormant for more than four years, data backups were not being tested and the alumni/student data were stored on spreadsheets rather than a bespoke database.
16. The resulting recommendations consisted of: the development of a delegated authority matrix and delegation of transactions up to €600; the migration of procurement to a paperless process and the introduction of a minimum of 3 quotes at €600 combined with an electronic bank payment process; initiating the closure of the dormant bank account; testing the restore of data backed up off-site; and developing a database management system for student and alumni admissions and records.

## **E. Inspection of Home Leave Travel Claims**

17. An ad hoc inspection of home leave travel claims was undertaken as a result of the identification of a potential risk of fraud, abuse and misuse of the entitlement during the course of 2018. The objectives of the inspection were to assess whether: a) staff members complied with the IMO Staff Regulations and Staff Rules and other relevant policies in exercising their home leave travel entitlement; and b) the internal controls, including the policy and procedures in place, were adequate to prevent and detect abuse and fraud in the approval, processing and validation stages of the home leave travel entitlement. The inspection covered the home leave travel requests authorized and paid during the period from 1 January 2017 to 15 May 2018.
18. The inspection noted that based on the existing policies and practices, staff members were largely compliant with the policy requirements. However, the weakness was confirmed in internal control, specifically in terms of the documentation requirements in the policy and the types of documentation submitted (or not submitted) and accepted to substantiate the home leave travel. It was further confirmed that the weakness led to occurrence of plausible fraud, abuse and misuse of the entitlement. Consequently, three formal investigations were launched. The inspection also identified that the IMO's home leave policy was not harmonized with that of the United Nations in several areas including the home leave accrual system and the timing of home leave.
19. The inspection issued seven recommendations, out of which three were ranked high priority. The high priority recommendations included a call for improvement in the documentation requirements such as introduction of staff's declaration on: a) the understanding about the rights and obligation with regards to home leave; b) the claims' truthful and faithful representation of the actual travel undertaken; and c) unconditional consent for the Organization to enable the verification of home leave travel with carriers for all the entitled individuals. Other high priority recommendations requested reviews and updates on relevant provisions of the staff rules and travel manuals on home leave accrual cycle and procedures, and on lump sum arrangements for different modes of transportation by benchmarking and comparison with the practice of other UN organizations based in Europe.

## **F. Follow-up audit of 2017 and prior year audit recommendations**

20. At the beginning of 2018, 69 audit recommendations were outstanding from 12 audit reports issued prior to and including 2017. A follow up audit was conducted from October to December 2018 to validate the implementation of the recommendations during 2018.

21. The results of the review illustrated that from a total of 69 recommendations 33 recommendations (48%) were implemented in 2018, 36 (52%) were outstanding which included 35 in-progress and 1 (3%) not implemented as at the end of 2018. The overall cumulative rate of implementation was 69% with 82 audit recommendations implemented by the end of 2018 from a total of 118 issued as a result of 12 audits. The audits urged relevant managers for further action on the timely implementation of recommendations.

#### **IV. Evaluation Reports issued in 2018**

22. There were a number of years, due to resource and budget constraints, during which evaluations were not being emphasised and an adequate level of focus was not being placed on evaluation results leading to recommendations not being sufficiently incorporated within the delivery of ITCP workshops.
23. In 2018, the evaluation of the 2016 and 2017 ITCP annual workshops was completed alongside the five-year trend analysis of the ITCP workshops from 2013 to 2017. Towards the end of the year the SDG formative strategy was also evaluated in providing pivotal guidance towards the 2030 Agenda and ensuring that the maritime-specific SDGs were selected, benchmarked and the SDG Working Group commenced its progress towards achieving IMO's targeted SDGs by 2030.
24. Overall 2018 was a turnaround year for Evaluation within the IMO, the strategy was aligned with the overarching IMO Strategic Directions, additional budget and resource was focused towards designing and implementing a new Evaluation Policy and Manual whilst ensuring the quality and standards of Evaluation were in accordance with the guidelines issued by the United Nations Evaluation Group (UNEG). Although significant enhancements were made, budget and resource restrictions were apparent and further enhancements would be required during 2019 in ensuring regular and enhanced monitoring and evaluation of all activities being conducted by the IMO.

##### **A. Two evaluations of ITCP Workshops completed in 2016 and 2017**

25. Approximately 80 events were completed annually, resulting in some 2,000 participants in the workshops. Average rates of the questionnaire responses from the participants were 87% with a high satisfaction rate received from the majority of respondents.
26. The specific comments received from participants included: redesigning the structure and components of workshops to achieve the desired outcomes; providing more learning opportunities for IMO instruments (mandatory and non-mandatory); Utilising simple and general tests, exercises or case studies to increase the interest and participation of the audience; and specifying the prerequisite knowledge for course attendees.

##### **B. Trend Analysis of ITCP workshops for 5 year from 2013 to 2017**

27. A total of 446 ITCP training events were completed in the five years to 2017, which comprised 224 regional and 222 national events. Participants in these training events totalled 10,063, of whom 8,326 responded to the survey questionnaires on the courses they attended, comprising 2,574 from Asia, 2,280 from Africa, 1,699 from the Americas/ Caribbean, 1,011 from the Arab/ Middle-East/ Mediterranean states, 526 from the Pacific Islands and 236 from Europe. It was revealed that the courses were delivered mostly by the consultants with British or French nationality. The respondents confirmed their satisfaction with the overall course (with excellent scores of 49%); venue, facilities and equipment (45%); presentations (46%); and training materials (50%). However, some 6% of respondents identified the venue, facilities and equipment arrangements were poor.

28. Participants highlighted areas for improvement including the: redesign and dissemination of training material; facilitation of confidential feedback; highlighting of pre-requisite knowledge and language skills; inclusion of all relevant IMO instruments within workshops; and utilisation of simple and general assessments, exercises and case studies.
29. IMO strived in continuously enhancing these courses to build capacity within the maritime sector whilst ensuring the content and delivery of each course was tailored to assist in complying with IMO instruments relevant to the region or country. Nevertheless, further management actions were required in: the dissemination of the correct version of the questionnaire; addressing the gap in participants' language skills; the inclusion of multiple choice assessments for all workshops; and the redesign of training materials to include short case studies and assessments within sub-sections.

### **C. SDG Formative evaluation**

30. The first draft of the evaluation of the IMO SDG framework has been produced, to provide guidance and support the work currently being undertaken by the SDG working group of IMO.
31. The areas highlighted in the evaluation outcome consisted of: a lack of prioritization among SDGs to which IMO is contributing; a lack of a coherent reporting framework that articulates how IMO is supporting Member States to report on their progress towards the selected SDGs; the need to support Member States in the development and inclusion of the maritime sector within Voluntary National Reviews (VNRs); and insufficient use by Member States of IMO data collection tools on contributions to SDGs in the maritime sector.
32. Mitigation of the identified factors was considered as adequate through: the selection of priority SDGs (being 4, 9 and 13); developing a reporting framework surrounding the selected SDGs in conjunction with key Member States and distributing the reporting techniques throughout all Member States; ensuring the maritime sector is included within all reported VNRs going forward; and revisiting country maritime profiles and support for national maritime transport policies to ensure that they are fit for purpose.

### **D. Review and development of IMO Evaluation Policy, Guidelines and Plan**

33. Research on other small UN agencies highlighted that IMO produced fewer evaluations than other agencies and IMO was compliant with only 15% of UNEG Norms. An evaluation policy, which included the adoption of SDGs and UNEG norms, was drafted through the engagement of an external consultant for review and adoption in 2019. The draft included a step-by-step guide for evaluators including selection, methodology and monitoring.
34. The next steps are to finalise the evaluation policy, guidelines and plan, produce an evaluation manual/handbook and undertake evaluations subject to funding and resources.

## **V. Investigation Reports issued in 2018**

35. In 2018, three formal investigations were conducted in accordance with the Appendix F "IMO Policy and Procedures on Prevention and Detection of Fraud and Serious Misconduct" of the Staff Regulations and Staff Rules. The three investigation cases were related to fraudulent claims of home leave lump sum entitlement, amounting to £6,079.50 in total. In accordance with the reporting requirements defined in Appendix F, the final reports were submitted to the Secretary-General for follow-up actions by the management for the recovery of the defrauded amount and the undertaking of necessary disciplinary measures.



36. An additional case of misconduct was reported to the Administrative Division and the Internal Oversight and Ethics Office. This case was assigned to be investigated and reported on by Human Resource Services in accordance with the requirements of Appendix E of the IMO Staff Regulations and Staff Rules. The case involved the defacement of a poster on display in a public area which was noticed and reported by a staff member. The Administrative Division conducted an investigation, including the interview of all relevant sources and review of all available material. The perpetrator was not identified and therefore no specific disciplinary action could be taken. However, a message was conveyed that such behaviour will not be tolerated at IMO and support was provided to the relevant staff member. A final report was prepared by the Investigation panel and shared with the Secretary-General and the staff member.

## **VI. Ethics Activities**

37. Ethics was an area of invigoration during 2018 with the Ethics Training Programme being re-communicated amongst staff members and consultants, and the Gifts Policy management processes being reviewed, in addition to the annual Financial Disclosure Programme.

### **A. Financial Disclosure Programme 2018**

38. The Financial Disclosure Programme (FDP) was initiated 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. The scope of the FDP review in 2018 covered all submissions for the four years (2014 - 2017). For the purposes of the review, an analytical framework was developed to accommodate all the individual disclosures producing a trend analysis assisting in the detection of potential conflicts.

39. In summary, the review concluded that over the past four reporting years the Financial Disclosure Programme was operated with considerable success. Nevertheless, further improvements were required to enhance the efficiency and effectiveness of its administration. Those were, among others: amending the base date of applicable staff from 31 December to 1 January of the following year, excluding staff on long-term leave; amending the guidelines to revoke declarations from acting appointments and requiring them from new appointments serving more than six months as at the declaration date; shortening the deadline for separations prior to 31 March of the following year and withholding final payments until the submission of approved declarations; the development of an online database for submissions, analysis and reporting requirements; the revocation of the requirement to revalue the same assets on an annual basis; rebasing the presentation currency to the nearest thousand in local currency or in US dollars converted using applicable UN exchange rates; altering the asset declaration threshold to US\$10,000 from per asset to per asset category with a reduction in the required asset details; specifying that profit is declarable on the sales of assets; clarifying the scope to declare gifts, per diem and travel expenses reimbursements; and providing clear guidance on sufficient liability details required as linked to those assets being declared. Those required improvements, other than the development of the online database, were reflected in the guidelines for the FDP 2019.

### **B. Review of status of completion of the Ethics Training Programme**

40. IMO developed an online ethics training course, which was mandatory from January 2017 for all staff and monthly temporary contractors. A review was conducted to ascertain the status of ethics training as at 31 Aug 2018. The Ethics training completion rate was 87% for staff members (total of 296) and 40% for temporary staff (total of 65 on monthly contracts).

41. The majority of weaknesses in the process were rectified by ensuring a 100% completion rate for staff and temporary contractors (current and future) through: contacting and monitoring non-compliers for the earliest undertaking of the course; expanding the training to cover agency staff and consultants; and ensuring new employees (staff and temporary contractors) are provided with adequate instructions on the training through the induction process. It was suggested that a refresher course be developed for distribution in 2020 requiring an assessment of the current contents, including updates in the refresher course and addressing the occasional failures in operating the online module.

### **C. Review of status of implementation of honours, decorations, favours, gifts and remuneration policy**

42. The IMO Policy on reporting, accepting and retaining of gifts and honours was adopted in 2014, under the IMO Staff regulations and the ICSC Standards of Conduct. A review was conducted to ascertain the status of implementation of the policy in terms of declaration, registration and internal control for monitoring the receipt and submission of gifts.

43. HRS is the focal office on deciding the treatment of gifts and honours, although only eight cases were reported with HRS since the inception of the policy. The Office of General Services (OGS), through its Buildings Management Unit (BMU), safeguards gifts and honours received from both HRS and the Office of the Secretary-General (OSG), albeit gifts and honours were not being processed in accordance with the existing policy and three different forms were being used respectively by HRS, BMU and OSG. Surplus gifts and honours were not periodically reviewed for disposal and the application scope of the policy did not cover temporary staff and consultants.

44. It was recommended that HRS, BMU and OSG review the process and: create a unified form on SharePoint; develop disposal methods in consultation among them and dispose of surplus gifts by setting-up a review panel; BMU to prepare a list of gifts to be entered in the asset system prior to consideration for disposal; and HRS to update the policy for the unified process form, disposal procedures and expansion of its application to temporary staff and consultants.

### **D. Ethics Advice Initiative**

45. The Head of IOEO also serves as the Ethics Officer providing ad hoc advice and guidance on ethics related issues and scenarios facing all staff members, IMO Member State delegates, temporary consultants, suppliers and external related parties. This advice and guidance was provided on an independent basis and in the strictest of confidence in the Ethics Office of the IOEO.

46. The number of requests and cases received during 2018 totalled 13 and were allocated to the following categories: the undue influence of IMO Member States; feedback on general IMO ethics related policies and procedures; potential breaches of recruitment procedures; clearance over conducting outside activities; receipt of gifts and honours; personal representations of the Secretary-General; Organisational representations; and non-whistleblowing workplace incidents.

47. 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.

## VII. Other Internal Oversight Activities

48. As a participating organization in the JIU (Joint Inspection Unit of the United Nations) mechanism, IMO is expected to implement JIU-issued recommendations where appropriate. On average, the JIU annually issues seven to nine reports with approximately 40 to 50 audit recommendations in total. In 2018, IOEO analysed the recommendations issued by the JIU from 2011 to 2017. It was noted that in total 218 recommendations were issued and 111 recommendations (64%) were implemented at the IMO. The 218 recommendations were comprised of: 91 recommendations (42%) for administration and operations; 45 (20%) for capacity-building and funding; 41 (19%) for governance; and 41 (19%) for oversight. IOEO, as a JIU focal point in IMO, reported an analysis of the status of acceptance and implementation of the JIU recommendations to the 121<sup>st</sup> session of the IMO Council. The Council supported the Secretary-General's plan for enhanced implementation of the JIU recommendations.
49. In addition, 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 bases.



INTERNATIONAL  
MARITIME  
ORGANIZATION

[www.imo.org](http://www.imo.org)