

COUNCIL
114th session
Agenda item 6

C 114/6
8 May 2015
Original: ENGLISH

IMO MEMBER STATE AUDIT SCHEME

Progress report on the implementation of the Scheme

Note by the Secretary-General

SUMMARY

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| <i>Executive summary:</i> | This document provides an updated report on progress made in the implementation of the Audit Scheme since the 113th session of the Council, as well as information on the audit schedule for 2016 and 2017, audit management and audit reporting for the Scheme |
| <i>Strategic direction:</i> | 2.0 |
| <i>High-level action:</i> | 2.0.2 |
| <i>Planned output:</i> | No related provisions |
| <i>Action to be taken:</i> | Paragraph 19 |
| <i>Related documents:</i> | C 112/D, C 112/INF.3; C 113/D and resolutions A.1067(28) and A.1068(28) |

Member States requesting to be audited and conduct of audits

1 Since the commencement of the Voluntary IMO Member State Audit Scheme in 2005, the Secretary-General has received official communications from 86 Member States, including five dependent territories, as well as two Associate Members, informing him of their readiness to be audited. The number of Member States that had volunteered for audits represents 50% of the total membership of the Organization. As of the date of this document, 74 audits have been conducted, which include 66 Member States, two Associate Members, five dependent territories and a second audit of a Member State.

2 Pursuant to operative paragraph 1 of resolution A.1068(28) on the *Transition from the Voluntary IMO Member State Audit Scheme to the IMO Member State Audit Scheme*, eight audits have been undertaken using resolutions A.1070(28) on the *IMO Instruments Implementation Code (III Code)* and A.1067(28) on the *Framework and Procedures for the IMO Member State Audit Scheme*. Preparations are ongoing for up to three additional audits to be conducted during the remaining months of this year under the aforementioned process.

3 As reported to C 112 and C 113, due to the significant preparatory workload leading up to the commencement of mandatory audits in 2016, as well as voluntary audits still to be undertaken in 2015, the list of Member States for audits has been closed and 17 Member States that have previously volunteered for audits will not be audited under the current arrangements. No additional audits can be accommodated in 2015.

Auditors

4 With regard to the nomination of auditors to undertake audits, the Council may wish to note that the total number of auditors nominated by Member States is 287. Although there have been more individuals nominated by Member States and placed on the roster during the last two years, in response to the second invitation to Member States (Circular Letter No.3301 of 31 July 2012), there is still a trend for some Member States to nominate other officials and not those who were trained as IMSAS auditors through the regional training courses.

5 A full assessment of all individuals nominated by Member States as auditors against the criteria established in the Procedures for the Scheme has been completed and it shows that 239 of the 287 nominated auditors met the criteria. Of those 239 individuals that have met the criteria, 189 of them are active and will be kept on the roster of auditors. For those individuals who do not currently meet the criteria, they will be informed, which will provide them with the opportunity to fully meet the criteria, as appropriate.

6 Following from the Council's decision on the option for the conduct of audits under the mandatory Scheme, whereby two auditors from Member States and one auditor from the Secretariat, as necessary, will form audit teams, it is considered that the aforementioned number of active and qualified auditors currently on the roster is reasonable for the commencement of audits under the mandatory Scheme. With a view to ensuring that additional qualified auditors will be made available for audits, the Council may wish to encourage Member States to nominate those individuals who meet the criteria established in the Procedures for the Scheme (resolution A.1067(28)), which also includes demonstrable auditing skills and techniques.

7 With respect to the procedure for the nomination of auditors, Member States should continue to nominate auditors as before, however, individuals to be nominated should enter their details through the E-Roster of experts and consultants, which will be validated by the Secretariat after an official nomination has been received from the Member State concerned. Updated information on the procedure for the nomination of auditors has been made available through Circular Letter No.3547 of 8 May 2015.

Training of auditors

8 Within the context of the global programme on the IMO Member State Audit Scheme, as contained in the Integrated Technical Cooperation Programme (ITCP) for 2014-2015, the training of auditors is continuing, based on the revised course material. For this year, two regional training courses for auditors are planned to be held in Lomé, Togo, from 20 to 24 July 2015, for 13 west and central African States (Francophone); and in Accra, Ghana, from 31 August to 4 September 2015, for 10 west and central African States (Anglophone).

9 In order to train a sufficient number of audit team leaders to carry out audits under the Scheme, a centralized training course for audit team leaders is scheduled to be held at IMO Headquarters later this year, based on a new programme which is being finalized.

Audit schedule for 2016

10 Following the determination of the audit schedule for all Member States and Associate Members for the implementation of audits under the mandatory Scheme, which was noted by C 112 in document C 112/INF.3, the Secretary-General had formally written to 21 of the 25 Member States, informing them that they are scheduled to be audited in 2016. Out of 21 Member States which had been notified of their planned audit in 2016, voluntary audits of 2 Member States (Angola and Georgia) have already been conducted under the transitional arrangements. Consequently, those two Member States have been moved to the end of the audit schedule in similar order as those Member States that have been audited.

11 Based on the foregoing, the Secretariat is interacting with 19 Member States in order to put in place the necessary arrangements for the audits in 2016 in accordance with the Procedures (resolution A.1067(28), annex, part 2), in good time. The timetable of audits scheduled to be carried out in 2016, along with comments on the progress of the preparation for those audits, is set out in annex 1.

12 In accordance with the policy endorsed by C 113 that shortfalls in the number of audits in any given year should be compensated for by Member States which are scheduled to be audited in succeeding years and which had volunteered to be audited, the Secretariat has received a request from Portugal to move its audit to 2016.

Audit schedule for 2017

13 In accordance with the overall audit schedule and the need to notify each Member State of the projected date of its audit as soon as possible, but not less than 18 months in advance, the Secretary-General will formally write to the 24 Member States that are scheduled to be audited in 2017, in accordance with the timetable for audits, as set out in annex 2.

Audit management and audit reporting

14 As part of the preparatory work for the commencement of audits in 2016, the Secretariat has completed the development of a new GISIS module on Member State Audit (MSA), which presents a common platform for the implementation of audits. The MSA module will provide the platform as a support from planning through to the reporting phases of the audit, contributing both to the effectiveness of the implementation of audits and to rationalize the use of available resources of Member States, audit teams and the Secretariat.

15 Member States will be provided with direct access to the system, which will enable them, among other, to upload their pre-audit questionnaires (PAQ), as a basis for the commencement of the preparation for the audit. Audit teams will be provided with access to the system, which will be restricted to the audit of a Member State for which they are appointed on the audit team, in order to review and use all necessary documents in preparation for the audit, in accordance with the Procedures. They will be supported in drafting audit reports through an online tool that will facilitate creating draft audit interim report and draft executive summary report. Besides providing much needed support for auditors in drafting audit reports, it will provide a robust basis for future production and review of consolidated audit summary reports, based on the structure of data on audit findings, observations, references to mandatory instruments and/or the audit standard, root causes and corrective actions.

16 In terms of providing reports to Member States or the public, based on the authorization received from each Member State, the module will have the functionality to display all available reports from audits, including audit final reports, executive summary reports, corrective action plans and Member States' comments on the progress of the implementation of their corrective action plans. The MSA module will also display all final reports, audit summary reports and corrective action plans from audits carried out under

VIMSAS and under the transitional arrangements. The MSA module would indicate the availability of a particular report, but only the Member State audited will be able to view or download the report automatically. If the audited Member State has authorized any of the reports to be made available to other Member States and/or the public, these reports will be made available accordingly. For mandatory audits, this authorization may be provided through the Memorandum of Cooperation (MoC). In addition to the authorization granted through the MoC, a State may grant further authorization through official communication to the Secretariat. For the voluntary and transitional audits carried out, those Member States concerned can provide authorization to the Secretariat for any of the audit reports to be made available to all Member States or to the public.

17 With regard to those reports authorized for access to Member States only, access to those reports will be granted to one designated person per Member State. This is particularly important as under the mandatory Scheme, restricted distribution of all reports from audits, including corrective action plan and Member State's comments on the progress of the implementation of its corrective action plan, would be better managed through the MSA module in ISIS. The Council may wish to invite Member States to provide to the Secretariat the details of a person designated to receive access to the reports on the MSA module.

18 Through the MSA module, access will also be granted to all Member States to the area of the system which is used for the production of consolidated audit summary reports (CASRs) and which contains, in an anonymous manner, details of findings from all audits, including related root causes and corrective actions. This will enable Member States to review and analyse data from audits in accordance with their needs.

Action requested of the Council

19 The Council is invited to take note of the information provided in this document and, in particular:

- .1 the outcome of the assessment of individuals nominated by Member States as auditors against the criteria established in the Procedures for the Scheme and the action being taken by the Secretariat with respect to those individuals that do not fully meet the criteria (paragraph 5);
- .2 encourage Member States to nominate those individuals who meet the criteria established in the Procedures for the Scheme as auditors under the Scheme, which includes demonstrable auditing skills and techniques (paragraph 6);
- .3 to note the timetable of audits for 2016 and the progress of the preparation for those audits (paragraph 11 and annex 1);
- .4 to note the timetable of audits for 2017 (paragraph 13 and annex 2);
- .5 to invite those Member States that have been audited to provide authorization to the Secretariat for the release of any of the reports and corrective action plan from audits carried out since the commencement of the Scheme, so that as many audit reports as possible are made available to all Member States or to the public (paragraph 16); and
- .6 to invite Member States to provide the Secretariat with the details of a person designated to receive full access to Member State audit reports through the ISIS module (paragraph 17).

ANNEX 1

MEMBER STATES SCHEDULED TO BE AUDITED IN 2016

| NO. | MEMBER STATE | Audit period | Member State's response received | Remark |
|------------|------------------------|---------------------|---|---|
| 1 | Guinea-Bissau | | | Removed from the list based on decision of C113 |
| 2 | Guinea | January | No | Reminder sent |
| 3 | Côte d'Ivoire | February | Yes | Pre-audit questionnaire (PAQ) received |
| 4 | Bosnia and Herzegovina | | | Removed from the list based on decision of C113 |
| 5 | Togo | February | Yes | - |
| 6 | Mauritania | March | No | Reminder sent |
| 7 | Qatar | March | No | Reminder sent |
| 8 | Georgia | | | Voluntary audit carried out, moved to the end of the list |
| 9 | Nepal | | | Removed from the list based on decision of C113 |
| 10 | Serbia | April | Yes | - |
| 11 | United Arab Emirates | May | No | Reminder sent |
| 12 | Albania | May | No | Reminder sent |
| 13 | Angola | | | Voluntary audit carried out, moved to the end of the list |
| 14 | Seychelles | June | Yes | Pre-audit questionnaire (PAQ) received |
| 15 | Nigeria | June | Yes | Pre-audit questionnaire (PAQ) received |
| 16 | Senegal | July | Yes | - |
| 17 | Sri Lanka | July | Yes | - |
| 18 | Paraguay | July | Yes | - |
| 19 | Papua New Guinea | September | Yes | - |
| 20 | Jordan | September | Yes | - |
| 21 | Somalia | | | Removed from the list based on decision of C113 |
| 22 | Egypt | September | No | - |
| 23 | Yemen | October | Yes | - |
| 24 | Hungary | October | Yes | Pre-audit questionnaire (PAQ) received |
| 25 | Mongolia | November | Yes | - |

Note: Portugal will be included in place of Nepal in April 2016

ANNEX 2

MEMBER STATES SCHEDULED TO BE AUDITED IN 2017

| NO. | MEMBER STATE | Audit period | Remark |
|------------|------------------------------------|---------------------|---|
| 1 | Ghana | January | - |
| 2 | Kazakhstan | January | - |
| 3 | Macao, China ¹ | February | - |
| 4 | Gambia | February | - |
| 5 | Kiribati | March | - |
| 6 | Bahrain | March | - |
| 7 | Oman | April | - |
| 8 | Gabon | April | - |
| 9 | Venezuela (Bolivarian Republic of) | April | - |
| 10 | Democratic Republic of the Congo | May | - |
| 11 | Azerbaijan | May | - |
| 12 | Cape Verde | May | - |
| 13 | Nicaragua | June | - |
| 14 | Iraq | June | - |
| 15 | El Salvador | | Voluntary audit carried out, moved to the end of the list |
| 16 | Czech Republic | July | - |
| 17 | Cambodia | July | - |
| 18 | Slovakia | July | - |
| 19 | Cuba | September | - |
| 20 | Bangladesh | September | - |
| 21 | Trinidad and Tobago | September | - |
| 22 | Monaco | October | - |
| 23 | Madagascar | October | - |
| 24 | Vanuatu | October | - |
| 25 | Bolivia (Plurinational State of) | November | - |

¹ Associate Member