

COUNCIL  
108th session  
Agenda item 6

C 108/6  
13 April 2012  
Original: ENGLISH

## **VOLUNTARY IMO MEMBER STATE AUDIT SCHEME**

### **Progress report on the implementation of the Audit Scheme**

#### **Note by the Secretary-General**

##### **SUMMARY**

*Executive summary:* This document reports on the outcome of the twenty-seventh regular session of the Assembly with respect to the Voluntary IMO Member State Audit Scheme (the "Scheme") and progress made in its implementation

*Strategic direction:* 2

*High-level action:* 2.0.2

*Planned output:* 2.0.2.1, 2.0.2.2, 2.0.2.3, 2.0.2.4, 2.0.2.5 and 2.0.2.6

*Action to be taken:* Paragraph 19

*Related documents:* Resolutions A.974(24) and A.1018(26)

#### **Outcome of the twenty-seventh regular session of the Assembly**

1 The Assembly, at its twenty-seventh regular session, considered a detailed report on the various aspects of the Scheme (document A 27/8), which has since been updated as presented in this document, and the fifth consolidated audit summary report (document A 27/8/1).

2 The Assembly, having considered the documents and comments made, encouraged Member States that had not yet volunteered for audits to do so as and when they were ready and as early as possible. It also invited Member States to continue to nominate qualified auditors for inclusion in the relevant roster maintained by the Secretariat. Furthermore, the Assembly noted the number of audits that had been completed and the average cost per audit, as well as the progress made in the distribution of the various audit reports. The Assembly also noted the ongoing work of various IMO bodies on the further development of the Audit Scheme.

3 The Assembly, having noted the fifth consolidated audit summary report (document A 27/8/1), referred it to MSC and MEPC for detailed consideration and for the Committees, in due course, to report to the Council on the outcome of their consideration.

### **Further development of the Scheme**

4 In accordance with the time frame and schedule of activities contained in the annex to resolution A.1018(26), the process of institutionalization of the Audit Scheme is ongoing.

5 With respect to the Code for the implementation of mandatory IMO instruments, a revised Code now renamed "IMO Instruments Implementation Code" (III Code), which serves as the audit standard, has been finalized by the twentieth session of the FSI Sub-Committee, together with proposed draft amendments to the applicable IMO instruments to make the III Code and auditing mandatory. The completed documentation will be considered for approval by MEPC 64 and MSC 91, with a view to the adoption of the requisite amendments at future sessions, and for the III Code and those amendments to mandatory instruments under the purview of the Assembly to be considered for adoption by the twenty-eighth session of the Assembly.

6 The Joint Working Group on the Member State Audit Scheme, comprising MSC, MEPC, TCC, FAL and LEG Committees' members, held its fifth session from 2 to 4 April 2012 and made further progress in its revision of the Framework and Procedures for the Scheme, under the amended and extended terms of reference, which now include the revision of the Auditor's Manual. The outcome of the fifth session of the Joint Working Group is reported in document C 108/6/1.

### **Member States volunteering for audits and conduct of audits**

7 Since the issuance of Circular letter No.2687 of December 2005 (inviting Member States to volunteer for audits), the Secretary-General has received official communications from 67 Member States, which include five dependent territories, as well as two Associate Members, informing him of their readiness to be audited. The number of Member States that have so far volunteered for audits now represents 39 per cent of the total membership of the Organization.

8 Of those Member States that have so far volunteered for audits, 48 Member States, two Associate Members and five dependent territories have been audited as of the date of this document. Six more audits are scheduled for this year, with the majority planned to occur in the second half of the year. This would leave 13 Member States to be audited of the 67 that have volunteered since the commencement of the Scheme. The average cost per audit remains at approximately £11,000\*.

9 As work gets underway to make the Scheme mandatory, it is essential that Member Governments continue to volunteer to be audited, as stated in operative paragraph 7 of resolution A.1018(26), so that lessons learned can continue to inform and optimize the process leading to the institutionalization of the Scheme. To this end, the Council may wish to encourage Member States that have not yet volunteered for audit, to do so as and when they are ready and as early as possible.

### **Nomination and availability of auditors**

10 In response to Circular letter No.2686 of 5 December 2005 (inviting Member States to nominate qualified auditors) and as of the date of this document, a total of 205 individuals have been nominated by 57 Member States and an Associate Member from all geographical regions of the world for inclusion in the roster of auditors maintained by the Secretariat. Thirty-one (i.e. 15% of the total) of those nominated so far have become inactive due to a

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\* Fifty per cent of the cost is affected by currency exchange movements.

number of reasons (e.g. transfers within Administrations, retirement or different employment status).

11 With respect to the participation in audits of those individuals nominated as auditors, 88 have been used as auditors and, of those, 13 are no longer active. As we transition to a mandatory Scheme, more qualified and experienced auditors will be required. To obtain a reasonable number, Member States should be encouraged to continue to nominate suitably qualified auditors and, therefore, the Council may wish to reiterate its invitation to Member States to:

- .1 nominate auditors to enable the Secretary-General to select audit teams from among them to conduct the audit of volunteering Member States; and
- .2 nominate qualified auditors to participate in the regional training courses the Organization convenes to provide uniform training to auditors to be used for the effective implementation of the Scheme.

### **Training of auditors**

12 Within the context of the global programme on "Voluntary IMO Member State Audit Scheme", as contained in the Integrated Technical Co-operation Programme (ITCP) for 2012-2013, the training of auditors in the Framework and Procedures for the Scheme is an ongoing process. The number of auditors' training courses, however, has been reduced from four per year to two per year, and three workshops for maritime administrations have been added to the programme, taking into account the increasing need for assistance programmes aiming at preparation of maritime administrations for their participation in the Scheme. This year, one regional auditors' training course has been held in Opatija, Croatia, from 5 to 9 March 2012, for 15 participants from 11 CIS/East European countries.

13 One further regional auditors' training course is scheduled to take place later in the year for 20 participants from 19 Latin American countries, dates and place to be confirmed.

### **Assistance to Member States and observer auditors**

14 Resolution A.1018(26) also requests the Secretary-General to take action, within the Organization's ITCP, to assist Member States to respond to their duties under the Scheme and to build capacity to address related needs. In this context, the ITCP for this biennium contains six regional workshops to assist Member States to participate in the Scheme, based on a newly developed programme, three of which have been planned for this year as follows:

- .1 Monrovia, Liberia, from 25 to 29 June 2012, for nine west and central African countries (Anglophone);
- .2 Suva, Fiji, in July 2012, for 13 Pacific Island countries, with one lecturer funded under the Singapore-IMO MoU concerning the Third Country Training Programme; and
- .3 a workshop for 13 west and central African countries (Francophone) in the second half of this year.

15 The ITCP further contains programmes to provide assistance to Member States, which include funding for experts to assist Member States on matters related to the audit; funding to meet part of the cost of the audit; and the general availability of technical assistance to address findings from audits. In the current year, six requests have been

received from Member States for technical advisory missions, assistance with the cost of audit and funding for observer auditors.

16 As the existing ITCP programme on the Audit Scheme has not yet been fully utilized by Member States that may be in need of assistance to participate in the Scheme, the Council may wish to encourage those Member States that have not yet volunteered for audits and who would be eligible for technical assistance to make full use of the assistance provided through the ITCP.

### **Other initiatives in support of the Scheme**

17 Other technical assistance activities have continued to be undertaken in support of the Scheme in which the Secretariat has been involved. Since C 106, there has been one national workshop on the Scheme held in Egypt, in October/November 2011, under the SafeMed Project being implemented by REMPEC.

### **Audit reports**

18 The various reports listed in the Procedures for the Scheme are prepared as audits are completed. With respect to the two reports that are of interest to Member States, namely audit summary reports (ASR) and consolidated audit summary reports (CASR), the distribution of ASRs to all Member States has continued with a further three such reports distributed by Circular letter No.3259, of 12 March 2012. This brings the total of audit summary reports circulated as of the date of this document to 48. As mentioned in paragraphs 1 and 3 above, the fifth CASR was issued as document A 27/8/1. Further ASRs will be issued throughout the year to form the basis for issuance of the sixth CASR, as a document to C 109.

### **Action requested of the Council**

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

- .1 encourage Member States that have not yet volunteered for audit to do so as and when they are ready and as early as possible (paragraph 9);
- .2 invite Member States to continue to nominate as many qualified auditors as possible (paragraph 11); and
- .3 encourage Member States that are in need of assistance to enable them to participate in the Scheme to seek such assistance through the ITCP (paragraph 16).