



COUNCIL – 96th session

C 96/SR.2  
19 June 2006  
Original: ENGLISH

**SUMMARY RECORD OF THE SECOND MEETING**

**held at IMO Headquarters, 4 Albert Embankment, London SE1 7SR  
on Monday, 19 June 2006 at 2.30 p.m.**

Chairman: Mr. J. FRANSON (Sweden)  
Vice-Chairman: Mr. D. NTULI (South Africa)  
Secretary-General: Mr. E. E. MITROPOULOS

A list of participants is given in document C 96/INF.1.

---

N.B. Corrections to the summary record should be submitted in writing, preferably on a copy of the summary record, to the Conference Division, IMO Secretariat, 4 Albert Embankment, London SE1 7SR not later than 27 October 2006.

Corrections to all summary records of the session will be issued in a consolidated corrigendum.

For reasons of economy, this document is printed in a limited number. Delegates are kindly asked to bring their copies to meetings and not to request additional copies.

**TABLE OF CONTENTS**

	<b>Page</b>
<b>Agenda item 5</b> – Strategy and planning:	3
(a) Monitoring of performance	3
(b) Risk management	9
<b>Agenda item 6</b> – Voluntary IMO Member State Audit Scheme	13

## **AGENDA ITEM 5 – STRATEGY AND PLANNING:**

### **(a) MONITORING OF PERFORMANCE**

The SECRETARY-GENERAL pointed out that there were two parts to agenda item 5. The first part, covered in document C 96/5(a), concerned the collection and collation of data on the Organization's performance, as measured against the performance indicators contained in the Strategic Plan. The second part, covered in document C 96/5(b), concerned his preliminary proposals on possible ways forward with respect to establishing a risk-management process within IMO, a subject which had links with the Strategic Plan.

He recalled that the Council's *ad hoc* Working Group on the Organization's Strategic Plan had presented the report of its fifth session to the Council's twenty-third extraordinary session, when the latter had endorsed the *ad hoc* working group's recommendations on a revised Strategic Plan and a new High-level Action Plan and biennium priorities, both of which had been adopted by the Assembly through resolutions A.970(24) and A.971(24), respectively.

In so doing, the Council and the Assembly had given additional instructions to the committees and the Secretariat with respect to the continuous monitoring of, and reporting on, performance, and also with respect to the further development of performance indicators and statistics, as shown in paragraphs 3 to 5 of document C 96/5(a). The Secretariat had brought those matters to the attention of all five committees and was currently engaged in research to prepare the new indicators and identify the additional data sources requested.

In the meantime, the latest information on the Organization's performance had been collected and collated against the revised performance indicators and was presented in the document now under consideration. As indicated in paragraphs 6 to 8, the Secretariat had used both internal and external data sources based on the agreed definitions of the performance indicators and the approved guidance from the *ad hoc* working group. The Council had approved the appointment of a statistician in 2005; however, as one of the measures to achieve the budget-ceiling reduction requested by the Council, that post would not be filled until 2007. Pending that appointment, the Secretariat had made every effort, where feasible, to accommodate suggestions made previously on presentational aspects and to use internal systems as the basis for monitoring. External data sources had been used when corresponding internal monitoring systems were not yet available and data had not been collected against those indicators where work was currently ongoing (for example, efficiency of shipping, ship-generated air pollution, and implementation and compliance).

In that respect, performance against indicators using in-house data was presented in annex 1. Where external sources had been used, the corresponding performance was presented in annex 2. A comparison of the baseline and current performance data had been tabulated against the indicators' corresponding strategic directions in annex 3.

Some of the information relating to 2005 was necessarily preliminary or had not yet been published (for example, some casualty and port State control data), thereby limiting the potential for analysis to what was presented in annex 3. He therefore intended to present to the Council's next session a fuller analysis of the data collated and of any relevant updates and, as a necessary by-product, the proposals on new performance indicators and data sources requested by the Council. Thereafter, the schedule of monitoring and reporting during the current biennium was set out in paragraph 9 of the document under discussion, which was in line with the revised arrangements agreed at the Council's twenty-third extraordinary session.

He suggested that the Council might wish to note the information given in the cover note and annexes to the document, forwarding the performance data and its subsequent analysis to the working group for detailed consideration and to draw any relevant conclusions in the context of its work on reviewing the Strategic Plan, the High-level Action Plan and the biennium priorities.

Ms. MOLINA (observer, Venezuela) reaffirmed her country's particular interest in the formulation of the Strategic Plan, review of strategies and evaluation of performance indicators. She therefore welcomed the progress made in that area, as reported in document C 96/5(a). At the previous extraordinary session of the Council and the twenty-fourth Assembly, Venezuela had spoken in favour of strengthening the system of performance indicators contained in the Strategic Plan, proposing the inclusion of methodological tools that would help correctly define and interpret the performance indicators. In that connection, she informed the Council that her country had submitted a proposal concerning general rules which could apply to the drawing-up of the system of performance indicators. The proposal would be available shortly for evaluation by delegations and would be submitted to the ninety-seventh session of the Council.

Mrs. de OLIVEIRA (Portugal), referring to annex 1, suggested that it might be useful to further refine indicator 14 (Delivery of technical assistance) in order to clarify, for example, the fact that the pie charts reproduced for definition (b) showed that the total number of activities delivered in 2005 was greater than the number of planned activities. For indicator 15 (Sustainability of ITCP) she wondered whether it would be possible to show the total volume of funding, as opposed to simply the proportion of funding from donor sources and internal sources. For indicator 16 (Cycle time), she asked why the "planned time" referred to in the definition did not appear to be referred to subsequently. Referring to annex 3, she noted that in paragraph 2.2 concerning the enhancement of security of the maritime transport network, one of the related performance indicators was indicator 11. In that connection, she observed that some of the reports by the Port State Control MoU regions contained security-related data which, in her view, could be used to provide a good indication of performance in the security field.

The CHAIRMAN said that the *ad hoc* Council Working Group on the Organization's Strategic Plan, when it was re-established, would address those matters. Developing the performance indicators had proved to be a very difficult, complex task, and more work needed to be done.

Mr. BELL (Bahamas) congratulated the Secretary-General on document C 96/5(a) and thanked the Secretariat for its excellent data-collection and collation work. The performance indicators had an extremely useful role to play in demonstrating the performance of not just IMO but the shipping industry as a whole, and placed in context the number of lives lost, ships lost, and quantity of oil spilled, rather than simply providing figures in isolation. Almost all the performance indicators seemed to be pointing in the right direction – a safer, cleaner, better environment – and would surely, once developed further, enable the Council to monitor many elements of the Strategic Plan. Similarly, he was sure that the performance indicators would greatly assist the *ad hoc* working group – if and when it was re-established by the Council – in its task of deciding how to develop the Strategic Plan further. As time went by, trends were just starting to develop which, over the coming years, would become more obvious.

The SECRETARY-GENERAL confirmed receipt of the proposal submitted by Venezuela, which would be issued as a document for the Council's ninety-seventh session as soon as the agenda for that session had been finalized.

Mr. HAMMER HANSEN (Denmark) expressed his appreciation for document C 96/5(a), which contained information showing whether IMO policies were having an effect. However, some challenges remained when working with the performance indicators. One of those challenges was to make sure that the indicators became a natural part of the Organization's work. The IMO committees needed to take them into account when deciding on policy measures, and he welcomed the Secretariat's active encouragement in that regard. While the performance indicators provided hard facts, it was sometimes necessary to know what lay behind those facts in order to come up with the right solutions or possibly to correct policies. For example, in the information provided for indicator 4 (Lives lost), it would be useful to state why the number of lives lost had risen significantly in 2002, even simply in the form of a footnote.

Mr. POLDERMAN (The Netherlands) associated himself with statements by other speakers expressing appreciation of the work done in the area of monitoring IMO performance, and that of the shipping industry as a whole, and congratulated the Secretary-General and his staff on the progress made – and the ongoing work – in that field. He supported the proposal to refer the document and annexes to the *ad hoc* working group but, given that it would not reconvene until September 2007, hoped that there would be further updates on performance monitoring before that date.

Mr. CHRYSOSTOMOU (Cyprus) thanked the Secretary-General and the Secretariat for the outstanding annexes to document C 96/5(a). In his view, paragraph 9 (Biennial schedule of monitoring and reporting) and paragraph 10 (Action requested of the Council) were the most important. Referring to paragraph 9.1, and to the provisional timetable for the current session, he said that insufficient time had been allocated to the review of data collated on performance indicators. Referring to paragraph 9.2, he said that it would be more feasible for the review and analysis of data collated and consideration of proposed new indicators and data sources, scheduled for the Council's ninety-seventh session, to be carried out by the Secretariat and submitted for approval to the Council. He expressed concern that the *ad hoc* working group was not scheduled to meet until September 2007. The Council was not scheduled to meet in regular session following that date, and it was not certain that a two-day extraordinary session would be held as before – the Council might only meet for one day. Given the importance of the issue, he believed that it would be better for the *ad hoc* working group to meet just before the Council's June 2007 session. He concluded by suggesting that, in paragraph 10, the Council should be invited not simply to "note" the proposals by the Secretariat, but to agree to them.

Mr. MOHAPATRA (India) commended the work of the Secretary-General and his staff, and welcomed the indicators designed to monitor IMO's performance. He suggested that the Organization should be looked upon as the moral leader of the maritime activities of various nations. He wondered whether, to complement the performance indicators, it would be possible for IMO to publish a critical, annotated biennial report on the inadequacies of different maritime nations in preventing the disasters that had been reported, containing *inter alia* information on what could have been done to avert – or mitigate – such disasters by means of timely action by the state concerned. That would be of use not only to the state in question, but to all maritime states, thus contributing to the success of the Organization as a whole. Similarly, he wondered whether it might also be possible for IMO to report on the sound and unsound maritime practices adopted by Member States, which would provide useful information from which states could learn and be encouraged to make a concerted effort to improve global maritime performance.

Mr. NTULI (South Africa) praised the Chairman for his hard work, when he had been vice-chairman of the Council, in establishing strategy and setting the performance monitoring process in motion, and also expressed his appreciation of the Secretary-General's efforts in that

regard, as embodied in the excellent document now before the Council. In his view, the performance indicators should be seen not only as a tool for IMO but, as the representative of India had said, as a means for Member States to measure their performance. Given that work was being done in the committees to link technical co-operation to achievement of the Millennium Development Goals, he suggested that IMO's efforts to achieve those goals could be measured as part of the performance monitoring process, with the aim of levelling the playing field for – or indeed raising the performance of – developing countries through capacity-building measures. He associated his delegation with the suggestion made by Cyprus concerning paragraph 10 of document C 96/5(a); the Council must take a decision on the proposals made in paragraph 9 and not simply note them. He supported the idea that the *ad hoc* working group should meet before the scheduled date of September 2007, as that would provide an opportunity for interaction with the Council.

Mr. SURASWADI (Thailand) thanked the Secretariat for its clear, well-prepared and well-analysed document. However, he wondered whether simply applying the relevant statistics to the performance indicators was sufficient to clearly reflect the linkage between IMO's efforts and activities and the desired result of safer and cleaner international shipping. He therefore suggested that the performance indicators should be made more specific, consisting of at least two components, the first being IMO's input, resources, activities or efforts and the second being the corresponding outcomes or incidents in a particular period of time. The components could be expressed in the form of a ratio. For example, measuring the statistics related to oil-spills compared to the number of activities undertaken to prevent and combat such spills, for the preceding five-year period, would enable the effectiveness of IMO's activities in reducing oil-spill incidents to be evaluated. In-depth analysis of the causes of those incidents would subsequently help the Organization to come up with corresponding solutions. He suggested that the use of performance indicators should be applied to different regions to facilitate comparison of results and the identification of appropriate technical-co-operation activities for regions where improvements were necessary.

Mr. SADLER (United Kingdom) said he was concerned that the extended list of performance indicators placed a burden on the Secretariat in maintaining, collecting and collating the information and on the Council in analysing those data, although that should be offset against the added value achieved in terms of addressing or informing the strategic planning of the Organization. The United Kingdom shared the views of Cyprus regarding the timing of the next *ad hoc* working group meeting and urged the Council to bring the date forward, not only to take account of the views of Council Members but also to consider whether the Organization was actually monitoring an appropriate number of performance indicators in relation to the benefit gained from such a high volume of work.

Mr. PACHA VICENTE (Spain) said that document C 96/5(a) provided useful additional information, especially with regard to ships lost, lives lost and environmental awareness. Such information was contributing enormously to IMO's commitment to promote and improve the image of the maritime sector. However, concerning indicators 2 and 16, he expressed surprise that approximately 25 per cent of IMO instruments had not yet entered into force, particularly given the amount of work involved and the average cycle time of 3 or 4 years needed to develop IMO conventions and other instruments. Spain would like to see a more effective policy on ratification of instruments and supported Cyprus' suggestion that the *ad hoc* working group should meet before September 2007, to address in particular the issue of the tardy entry into force of IMO instruments.

Mr. ASLAM (observer, Pakistan) noted that very few Member States had ratified the SUA Convention 2005, the HNS Convention 1996, the Bunkers Convention 2001 or the OPRC-HNS Protocol 2000, despite the current high priority given to such areas of activity for security reasons and their vital importance to the shipping world. He appealed for increased efforts to persuade Member States to ratify those instruments.

Mrs. de OLIVEIRA (Portugal) wished to record her gratitude to the Secretary-General and his staff for their considerable effort in drafting C 96/5(a). She shared the view of Cyprus and other Member States that September 2007 was too late for the next meeting of the *ad hoc* working group.

Mr. PARENTÉ (observer, Vanuatu) joined the Bahamas and other Member States in expressing his appreciation for the information contained in C 96/5(a), and in particular for the inclusion of the statement in annex 3 that IMO would pay special attention to the shipping needs of SIDS (small island developing states) and LDCs (less developed countries). Vanuatu, as a SIDS, sought clarification on particular measures that had been, or would be, taken in that respect.

The SECRETARY-GENERAL thanked Council Members and observers for their expressions of appreciation and said that he looked forward to producing an enhanced document. In response to Portugal, he said the Secretariat would examine ways of clarifying the presentation of data on the percentages of technical assistance activities delivered/planned (indicator 14) and of better reflecting the volume of funding for the ITCP (indicator 15). He also took the point made by Portugal and others concerning the cycle time for the entry into force of various IMO instruments. Finally, IMO's performance in relation to maritime security was also a valid item for inclusion: he agreed that the Secretariat should give a clear indication of how well IMO was delivering in that area.

The comments of the Bahamas were very pertinent, in particular that the document should show the performance of both IMO and the shipping industry as a whole with respect to IMO's safety, security and environmental protection objectives. Such performance indicators would be invaluable in developing a better Strategic Plan in the future.

Concerning the comments made by Denmark, he agreed that an explanation for fluctuating figures would be helpful; indicator 4 could have stated that the loss of so many lives in 2002 had been due to the unfortunate incident in Senegal involving the ferry **Joola**. It was always possible that in one year, a single accident could account for more than 1,000 lives lost, while in the next year there were numerous accidents involving relatively low loss of life.

He informed the Council that the comments of the Netherlands had been noted.

Turning to the comments and suggestion of Cyprus regarding the session of the *ad hoc* working group scheduled to take place in September 2007, he recalled that the decision to hold sessions only once every biennium, in September of the second year, had emanated from the *ad hoc* working group itself and had been approved by the Council at its twenty-third extraordinary session in November 2005. The plan was that the *ad hoc* working group would report to the Council's extraordinary session, which would in turn report to the Assembly. However, he agreed with Cyprus' comment that the time likely to be allocated to the matter during the Council's two-day extraordinary session would be insufficient to adequately consider such an important issue. Any data and analysis on the Strategic Plan's performance indicators submitted by the Secretariat to the Council during Year 1 of the biennium and during the first

half of Year 2 could therefore only be considered by the working group at its scheduled session in the second half of Year 2.

Thus, in order to consider the data and analysis submitted by the Secretariat during 2006, the *ad hoc* working group might need to meet also in the first half of 2007. That would give the working group the opportunity to identify key issues during the preparation of the work programme and budget for 2008-2009, as well as allowing the Secretariat time to consider the various submissions, and to take into account Council Members' comments.

If the second meeting during the current biennium was approved by the Council, it would need to be held before March 2007 in order that the *ad hoc* working group's views could be reflected in the Secretariat's preparation of the following biennium's work programme and budget. Also, bearing in mind budgetary constraints during the refurbishment and relocation period, the meeting should be held in London – he would welcome any offer to host it at no cost to the Organization. Only the previous week, for example, the TCC had welcomed the offer by South Africa to host an intersessional working group meeting at Africa House, the headquarters of the High Commission of South Africa in London.

The work of such a second meeting would be facilitated by the Council's prior consideration of relevant material at its ninety-seventh session in November 2006. If the Council agreed with that flow of work, the Secretariat would provide some submissions and information to that session for review and analysis, as provided for in subparagraph 9.2 of document C 96/5(a). The intention was to provide the Council with any required updates of the data on performance indicators collated during the first half of 2006, a full analysis thereof, and recommendations derived from that analysis, identifying key issues or priorities for consideration in the following biennium's work programme.

Concerning the comments of South Africa on implementation of the Millennium Development Goals, he recalled that the TCC had been requested by the Assembly at its twenty-fourth session to consider the matter. He believed that linking the MDGs to the Integrated Technical Co-operation Programme of the Organization would ensure that IMO did not lose sight of such important issues.

Regarding the comments of Thailand, he foresaw no problem in making the relevant performance indicators more specific.

He fully agreed with Spain's concerns at the slow pace of instrument ratification and Pakistan's call for increased efforts to persuade Member States to ratify IMO conventions and instruments. He informed the Council that as a result of Portugal's recent approval, ratification and accession in relation to the OPRC-HNS Protocol, the number of treaty instruments still to enter into force was down from 11 to 10, representing 20 per cent of the total number of IMO conventions and protocols. He then gave details of his own persistent efforts to persuade Member States to ratify IMO instruments through his dealings with visiting dignitaries, transport ministers, high commissioners, ambassadors and others, and urged Council Members to give the matter due consideration.

Turning to the commendation by Vanuatu regarding inclusion of a paragraph relating to special attention for the shipping needs of SIDS and LDCs, he observed that the Secretariat could not take the credit: the paragraph had actually been taken from Assembly resolutions A.970(24) and A.971(24), dealing with the Strategic Plan and the High-Level Action Plan of the Organization respectively.



Finally, addressing the comments of India, he said that the Strategic Plan adopted by the Assembly comprised the Organization's mission statement, trends, developments and the challenges in the shipping and maritime world that the Organization expected to face. By contrast with the past, a proactive policy had become one of IMO's basic principles, tangible examples of which were its work on goal-based standards and formal safety assessment. On the issue of reporting the circumstances of accidents in order to take action to prevent similar accidents occurring, details and recommendations could be drawn up and action taken by the relevant subcommittees. As to reporting on sound or unsound practices and on the adequacies or inadequacies of Member States, he said that the Secretariat would be unwilling to name states that were not performing as they should under an IMO convention to which they were party. However, the Voluntary IMO Member State Audit Scheme was designed to report that type of information.

The CHAIRMAN clarified that the insertion of paragraph 5 on page 5 of annex 3 relating to paying attention to the needs of SIDS and LDCs had been initiated by Mr. Chrysostomou of Cyprus. He reminded the Council that the *ad hoc* Council Working Group on the Organization's Strategic Plan (CWGSP) was an open-ended body, in which everyone was welcome to participate, and that due to the refurbishment of the headquarters building, an alternative host venue in London must be found. The Council, at its ninety-seventh session in November 2006, would reaffirm the terms of reference of the CWGSP.

He invited the Council to note the information set out in document C 96/5(a) and that provided orally by the Secretary-General, and in particular to note the planned schedule of monitoring and reporting, as modified by the decision to hold an additional meeting of the *ad hoc* CWGSP, possibly in March 2007; to note the information provided in annexes 1, 2 and 3; and to refer the annexes to the document and the subsequent analysis of the data contained therein to the next session of the *ad hoc* Council Working Group on the Organization's Strategic Plan, for information and detailed consideration, and to draw any relevant conclusions in the context of its work in reviewing the Strategic Plan, the High-level Action Plan and the biennium priorities.

**It was so decided.**

**(b) RISK MANAGEMENT (C 96/5(b))**

The SECRETARY-GENERAL, introducing the item, said that in recent years a number of high-profile cases had raised public scrutiny of risk management and corporate governance. The collapse of Enron and other private-sector companies, and issues within the United Nations system, had raised questions as to the best means of ensuring that organizations understood and managed the risks they faced. Many governments had responded by developing legislation and codes of good practice. Within the United Nations system, good governance had been a focus of the 2005 World Summit, the United Nations General Assembly and the reform programme of the United Nations Secretary General. It was also part of the independent assessment of the governance arrangements of the United Nations and its specialized agencies, as requested by the General Assembly. IMO's programme of organizational change, in part a response to those developments, had included efforts to improve transparency and accountability within the Secretariat and reporting to the Council and the Assembly. In that context, he had welcomed the proposals initiated by Australia, Canada, Japan, the Netherlands and the United Kingdom (document C/ES.23/4(a)/1) to establish a finance and risk management working group, since IMO reforms should cover the governance of the Organization as a whole.

In response to a request by the Council, the Secretariat had prepared preliminary proposals on the way forward, which were set out in document C 96/5(b). Research had shown that responses to the management of risk and the needs of governance were not uniform – there was no “one-size-fits-all” approach, as had been recognized by the United Nations Secretary General when he had stressed that each organization should develop oversight and governance arrangements that reflected its particular character and mandate. However, there were recurring themes, as indicated in paragraph 4 of the document. Two areas were of particular importance. First, the definition of risk must cover more than financial risk. In many cases, a financial impact was merely the end result of a failure to address another, apparently non-financial, risk. Too narrow a focus would miss the opportunity to identify, monitor and mitigate risks that affected the health and status of the Organization as a whole. Secondly, risk management must be seen as a process, not a one-off exercise. The risks faced would change over time, and it was essential to maintain vigilance in order to respond to new challenges while continuing to monitor the effectiveness of action to mitigate existing risks. The main steps in such a process were outlined in paragraph 6 of the document, and placed particular emphasis on its cyclical nature. In line with the proposed approach, a risk register had been established in connection with the work of the IMO/DfT steering group for the refurbishment of the headquarters building and the relocation project.

The Organization’s existing procedures for managing risk, particularly financial, were robust, and placed particular reliance on thorough scrutiny by the internal and external auditors, so as to provide an independent view of historical decisions and recommendations for future improvement. The active role played by the Council was also crucial in providing a clear-sighted analysis of IMO’s work. Nevertheless, it must not be taken for granted that the success achieved to date would guarantee unimpeded progress in the future.

A formal risk-assessment and management process was required, not only to ensure transparency but also because many of the risks faced by IMO concerned the membership as well as the Secretariat. The process might best be overseen by a working group, as proposed in paragraph 13 of the document, that in addition to reviewing the financial and budgetary matters mentioned in the original proposal (document C/ES.23/4(a)/1) would also undertake a strategic, organization-wide review of risk and risk mitigation. The first task would be to develop a comprehensive risk framework as outlined in paragraphs 11 and 12 of document C 96/5(b). A preliminary outline for such a framework was presented in annex 1. The new working group should work closely with the *ad hoc* Council Working Group on the Strategic Plan (CWGSP), to ensure co-ordinated responses and avoid duplication of effort. Proposed terms of reference for the new working group were set out in annex 2. It was suggested that the *ad hoc* working group should develop the proposals further before the Council took a final decision.

Mr. DAVIDSON (Australia), paying tribute to the work done in developing the performance indicators and preparing the proposals on risk management, said that the fact that the indicators provided new information, not available to the Organization before, was a true measure of their value. The shipping industry was one of the riskiest in the world, and its risk management to date had been a credit to IMO Members and Secretariat alike. However, it was time to place the risk management process on a more formal footing, as had been done in other international arenas, and to develop a comprehensive risk management and governance framework. He therefore endorsed document C 96/5(b) and the broad scope of the proposals. However, the work should be taken forward as quickly as possible. The proposal for the CWGSP to consider the matter further, perhaps in March 2007, would mean a considerable delay in a decision to establish a risk management working group. There was no reason why the Council should not consider the matter in detail at its present session, in particular as concerned revenue risks, risks related to the

Organization's forthcoming relocation, and risks related to several other areas. In that context, he welcomed the establishment of a risk register in respect of the headquarters building refurbishment and relocation. Every effort should be made to ensure that risk management was incorporated as an integral and continuous part of the IMO work programme and culture, and to develop formal procedures for monitoring and managing risks as soon as possible.

Mr. CHRYSOSTOMOU (Cyprus) endorsed the views expressed by the previous speaker except in respect of timing. The document proposed a good way forward in response to the request made previously by the Council. However, it should be made clear that the two working groups were subsidiary bodies of the Council and not at its level, as was the case in the chart in paragraph 13 of the document. There was no need to rush the matter; it should be discussed by the CWGSP in 2007, which should prepare proposals for consideration by the Council at a subsequent session. The risk management working group should preferably be open to all interested Member States.

Mr. GITHAE (Kenya) said that the importance of managing financial and other risks could not be overemphasized. He supported the proposal to establish a risk management working group, provided that the group was subsidiary to the Council. The proposal should be implemented as soon as possible. The new working group could act as a think tank, anticipating problems and investigating concerns before they became serious risks. The CWGSP should be requested to formulate detailed terms of reference for the new working group along the lines suggested in annex 2 to document C 96/5(b).

Mr. HAG-BAE YOON (Republic of Korea) thanked the delegations that had initiated the proposal to establish a finance and risk management working group, and expressed appreciation for the work done in preparing the document. He supported the proposals but said that measures would be needed to ensure compatibility of the functions of the risk management and Strategic Plan working groups. It was to be hoped that the two working groups would merge in due course. He supported the view that participation should be open to all those interested.

Mr. TOBEY (United States) expressed support for efforts to improve governance and commended IMO for facing up to its responsibilities in that area. The development of various complementary structures for exercising internal control was a wise move. The approaches being taken were consistent with those supported by the United States in other international organizations.

Mr. KARAGEORGOPOULOS (Greece) supported the proposal to establish a risk management working group, which should go a long way towards mitigating the risks faced by IMO. He agreed with Cyprus that certain institutional issues must be resolved before the working group was established and that the group should be open to all those interested, in order to ensure transparency and to benefit from the widest possible experience and expertise.

Mr. SADLER (United Kingdom) agreed that the diagram showing the proposed structure in document C 96/5(d) should not have shown the two working groups at the same level as the Council, as they were indeed subsidiary to that body. Referring to the proposed terms of reference for the risk management working group set out in annex 2 to the document, he drew attention to the proposal that the risk management working group should play a companion role to the Strategic Plan working group, but with a different focus. Risk management should be considered separately during the development stages, although it should be possible to merge the two groups at some point in the future. He agreed in principle with the views expressed by Australia in respect of timing, since there was no procedural reason why the work should not

move ahead. However, he would prefer to see the establishment of an intersessional correspondence group of the Council, to consider the matter further on the basis of annexes 1 and 2 to the document and to prepare detailed proposals on a high-level risk framework for the Organization and the terms of reference of the risk management working group of the Council for submission to the Council, at its ninety-seventh session.

Mr. FORSTER (Canada) welcomed the emphasis given in the document to a broad approach to the definition of risk and to a solid risk assessment framework, which was essential for the good governance of any organization. He supported the United Kingdom proposal that progress should be made before the next session of the Council; the document provided a sound basis for further work.

Mr. OLIMBO (Italy) supported the establishment of a risk management working group to formalize the risk management process, which should be ongoing and not just a one-off exercise. He agreed with previous speakers that the proposed working group should be subsidiary to the Council, should complement the Strategic Plan Working Group and should be open to the whole IMO membership. In formulating the terms of reference, it was important to ensure that there was no duplication of the responsibilities of the two working groups.

The CHAIRMAN said that there appeared to be strong support for the establishment of a risk management working group and that, initially at least, it should be complementary to the Strategic Plan Working Group. There was consensus that the two working groups should be subsidiary to the Council and that, like the Strategic Plan Working Group, the new group should be open to all IMO Members. It had been proposed that an intersessional correspondence group should be established to consider the proposals further and report to the Council at its ninety-seventh session.

Mr. CHRYSOSTOMOU (Cyprus) asked whether, supposing that a risk management working group was established by the Council at its next session, there would be accommodation available for it to meet, given the relocation and refurbishment.

The CHAIRMAN said that such arrangements would need to be discussed by the Council at its next session. He suggested that the proposed intersessional correspondence group should be requested to develop proposed terms of reference for the risk management working group, taking into account the information provided in document C 96/5(b) and its annexes and the discussions at the present session. He further suggested that Australia should be requested to co-ordinate the work of the intersessional correspondence group.

Mr. SADLER (United Kingdom) said that the United Kingdom's accommodation arrangements for the Council's next session included provision for a plenary hall and additional rooms where group meetings could be held.

In reply to the questions from Mr. KARAGEORGOPOULOS (Greece) and Mr. KILVINGTON (New Zealand), the CHAIRMAN indicated that any Member State wishing to participate in the intersessional correspondence group should indicate its interest to the co-ordinator, and that all Members would be eligible to participate in that group and the proposed risk management working group.

The CHAIRMAN invited the Council to note the information set out in document C 96/5(b) and that provided orally by the Secretary-General.

Noting that a comprehensive discussion had taken place on the Secretary-General's proposals, he invited the Council to agree that management of risk should become a formalized ongoing process, rather than an individual event, and accordingly to establish a Risk Review, Management and Reporting Working Group, open to all Members of the Organization, which would, initially, be supplementary to the *ad hoc* Working Group on the Organization's Strategic Plan. He further invited the Council to establish an Intersessional Correspondence Group, co-ordinated by Australia, to prepare terms of reference for the Risk Review, Management and Reporting Working Group and to further advance development of the risk framework and detailed review of IMO's risks, taking into account the Secretary-General's proposals in document C 96/5(b) and the discussions in the Council; and to request the Intersessional Correspondence Group to report to its ninety-seventh session in November 2006.

**It was so decided.**

**AGENDA ITEM 6 – VOLUNTARY IMO MEMBER STATE AUDIT SCHEME (C 96/6, C 96/6/1)**

The SECRETARY-GENERAL introduced document C 96/6, which reported on the decisions of the twenty-fourth regular session of the Assembly with respect to the audit scheme. The Assembly had adopted three resolutions: resolution A.973(24) on the *Code for the implementation of mandatory IMO instruments*; resolution A.974(24) on the *Framework and Procedures for the Voluntary IMO Member State Audit Scheme*; and resolution A.975(24) on *Future development of the Voluntary IMO Member State Audit Scheme*.

Turning to resolution A.975(24), he drew the Council's attention to the operative paragraphs reproduced in paragraph 3 of the document, which allowed for the possibility that the Council might develop suitable provisions for the future extension of the scheme, and that it might subsequently decide not to proceed with such extension. The Council might wish to invite the MSC and MEPC to provide progress reports on their pursuance of the request in operative paragraph 1 to the Council at its ninety-eighth session in June 2007, so as to inform discussions on how the Council might proceed in respect of operative paragraphs 2 and 3.

Document C 96/6/1 reported on progress made in the implementation of the audit scheme and set out a number of recommendations he had made in that regard. On 2 December 2005, immediately after the twenty-fourth regular session of the Assembly, he had issued Circular letters Nos.2686 and 2687, which invited Member States to nominate qualified auditors for inclusion in the roster of auditors made available for the implementation of the scheme, and to volunteer to be audited. In addition, at every IMO meeting held in 2006 he had invited Members to offer themselves for audit, nominate auditors for possible selection to teams for conducting audits, and nominate qualified auditors to participate in the regional training courses for the scheme auditors. To date, 48 individuals had been nominated for inclusion in the roster of auditors in response to Circular letter No.2686. Some of those nominated had not met the criteria set out in section 4.3 of the Procedures, and he invited the Council to encourage Member States to nominate as many qualified auditors as possible. In response to Circular letter No.2687, 20 Member States had so far formally indicated their readiness to be audited and their willingness to meet the cost of audit visits. To enable the preparation of the audit timetable, 31 March 2006 had been indicated as the deadline for the receipt of communication from Member States of their readiness to be audited. However, that date was no longer relevant as an

audit timetable had already been established for those Member States that had already volunteered. Member States should therefore continue to volunteer for audits as and when they were ready, so as to provide the basis for the planning of future audits and regular updating of the audit timetable. The Council was invited to encourage Member States to volunteer for audits.

The training of auditors had commenced in the context of the global technical co-operation programme on the Voluntary IMO Member State Audit Scheme, which was part of the approved ITCP for 2006-2007. Following the pilot training course held in September 2005 in Ljubljana, Slovenia, for CIS and European countries, training courses had been held in February 2006 in Colombo, Sri Lanka, for countries in Asia, and in March 2006, in Guayaquil, Ecuador, for countries in Latin America. Two further courses were planned for 2006, one in Egypt, the other in the United Republic of Tanzania. Every effort was being made to ensure that the training of auditors proceeded as expeditiously as possible. The Council was invited to encourage Member States to ensure that the individuals nominated to participate in the training courses were those to be used in the implementation of the audit scheme.

As required in paragraph 8.1.7 of the Framework, the timetable for the conduct of audits had been developed, taking into account the number of states that had so far volunteered and the earlier estimate of about 25 audits for the current biennium. The audit timetable was set out in the annex to document C 96/6/1. The successful conduct of audits in accordance with the timetable depended on a number of factors, including the response of Member States that had volunteered to be audited to requests for information, especially those for which deadlines had been established, and the availability of individuals nominated as auditors when their services were required for the implementation of the scheme. He therefore invited the Council to encourage Member States to respond in a timely manner to such requests.

The details of those Member States to be audited would be transmitted to the appropriate authorities in the Member States concerned. To safeguard the integrity of the audit process, the authorities receiving such details were requested to treat the information as restricted to the Member State concerned only. The audit timetable and details of those Member States to be audited would be updated regularly.

He expressed confidence that the right foundation had been laid for the effective implementation of the audit scheme. He requested Member States to continue to support the initiative and to exercise some patience as the auditing phase commenced. His discussions with Member Governments and international organizations had indicated that the audit scheme was anticipated eagerly as a unique tool that would help rid shipping of sub-standard elements.

Ms. JOHNSON (United States) commended the Secretary-General, Secretariat and Member States on the progress made on such a vital initiative during the twenty-fourth regular session of the Assembly. Her government was confident that the Audit Scheme would provide audited Member States with a comprehensive and objective assessment of how effectively they administered and implemented IMO treaties. The United States Coast Guard looked forward to participating in the scheme. It had nominated five qualified auditors; two auditors would participate in regional training courses. The United States would be audited in 2008. Her government was a strong proponent of the inclusion of security-related instruments in the scheme and supported the request of the MSC and MEPC that a feasibility study on matters not currently covered by the audit scheme be submitted to the next session of the Council.

Mr. HAMMER HANSEN (Denmark) thanked the Secretary-General for his efforts in implementing the audit scheme. He said that good progress was being made and hoped that the Organization would be able to complete the 25 audits as planned. Denmark had volunteered to be one of the first countries to be audited and had recently nominated auditors. He strongly encouraged Member States, especially Members of the Council, to continue to volunteer for audit and to nominate auditors. He supported the action requested of the Council in documents C 96/6 and C 96/6/1.

Mr. MARTINEZ (Chile) said his country had volunteered for an audit in 2006. It was performing self-assessment regarding its effective implementation of the mandatory instruments under the Code approved by resolution A.973(24), and was linking that process with its national legislation. Chile believed it was necessary to include in the audit scheme the provisions on maritime security contained in chapter XI-2 of the SOLAS Convention and the mandatory provisions included in Part A of the International Ship and Port Facilities Security Code (ISPS Code).

Mr. BERTELSMEIER (Germany) said that the importance of the scheme could not be overestimated. In April Germany had volunteered for an audit and offered to bear the cost. It would be nominating two qualified auditors. He supported the actions requested of the Council in the document under review.

Mr. NAGAMATSU (Japan) thanked the host countries of the audit training courses for their contribution. A Japanese official had participated in the very useful training course for Asian countries held in February in Colombo, Sri Lanka. In March Japan had volunteered for an audit in early 2007, and in May it had nominated an auditor. Japan, as one of the countries proposing the scheme, would continue to contribute to its promotion and development.

Ms. SCIBERRAS (Malta) said that her country had nominated two senior officials from the Malta Maritime Authority for inclusion in the roster of auditors.

Mr. GASC (France) welcomed the adoption and implementation of the audit scheme. He congratulated the Secretary-General on the practical measures taken to ensure effective implementation of the audit scheme. France had participated in the pilot scheme and, like Chile, was carrying out a self-assessment in preparation for an audit, which would save the audit team time. France would nominate auditors later in the year. As it was also important to state when the auditors would be available, France would do so.

Mr. MOHAPATRA (India) expressed wholehearted support for the audit scheme. Referring to paragraph 2 of the operative paragraph of resolution A.975(24) set out in document C 96/6 requesting the Council to develop suitable provisions for the possible future inclusion of other safety-, environmental protection- and security-related issues, he underlined that in addition to safety and security, environmental protection should be covered by the audit scheme. He sought clarification as to whether the auditors nominated by a country under audit would be excluded from the audit of that country and whether the audits would be carried out by multinational teams.

The CHAIRMAN replied that no national auditor would audit his own country and that the audit teams would be multinational.

Mr. JUNG (Republic of Korea) expressed gratitude to IMO for its continued efforts to develop various instruments on maritime safety and the protection of the marine environment. His government had volunteered for an audit in April 2007 and had nominated two qualified auditors. The audit scheme would provide a valuable opportunity for Member States to improve fulfilment of their obligations under the related IMO conventions.

Mr. GITHAE (Kenya) supported the audit scheme and said that, after completing its self-assessment, Kenya would fully participate. In the meantime it would nominate auditors. He commended the Secretary-General on his intention to complete four audits in 2006 and 25 audits by the end of 2007.

Mrs. RIMINGTON (Australia) expressed full support for the audit scheme. The Australian Maritime Authority qualified as an organization under ISO 9001 and 14001. Australia had volunteered two International Safety Management Code (ISM Code) – qualified auditors. It planned to volunteer as an auditee in 2008-2009 and supported the inclusion of security into the scheme at a time when the system was more mature.

Mr. PHETWONG (Thailand) said that his country had volunteered for audit under the scheme, and after the audit it would work closely with other audited Member States in order to share experiences with those that were waiting for an audit. Thailand had nominated an auditor, who had attended a training course in Sri Lanka in 2006, and would be sending one more on a training course in preparation for a further nomination.

Mr. ABU MILHA (Saudi Arabia) commended the Secretary-General and the Secretariat on their efforts. His country was in the process of signing a Memorandum of Co-operation with the Arab Maritime Academy concerning the training of auditors to review international conventions to which it had acceded. He commended IMO on providing a French expert to assist his country's maritime officials in reviewing the measures taken by Saudi Arabia to implement international conventions, and expressed appreciation for the excellent help provided by that expert.

Mr. CHRYSOSTOMOU (Cyprus) expressed his support for the scheme and said that Cyprus had volunteered for audit in 2006 and had nominated two auditors.

Mr. Van ROMPUY (Belgium) said that his country had always believed in the audit scheme. Belgium had decided to carry out self-assessment to prepare for an audit in 2008. He would be making some submissions on possible ways of giving support to auditors.

Mr. PACHA VICENTE (Spain) said his country was in favour of the audit scheme and was satisfied with the progress made on planned training and audits for 2006-2007. Spain had volunteered for an audit in 2006. It had put forward a team of auditors, had taken part in training auditors and would work closely with other delegations. He supported all the actions requested of the Council in paragraph 14 of document C 96/6/1.

Mr. NASH (Canada) strongly supported the scheme. Canada had volunteered for an audit and had nominated two bilingual qualified auditors, one of whom would be a member of an audit team in September 2006.

Mr. ABDUL MATIN (Bangladesh) said that his country would nominate two qualified auditors for the scheme.



Mr. OLIMBO (Italy) reported that Italy had volunteered for audit in the near future and would be nominating auditors for the audit scheme.

Mr. KARAGEORGOPOULOS (Greece) said that his country had volunteered for audit in the first group and had nominated two auditors.

Mr. AZUH (observer, Nigeria) expressed his personal appreciation to the Chairman for the encouraging way in which he was chairing the present meeting. It was evident that the audit scheme was an important programme for IMO. Nigeria supported the audit scheme and was in the process of completing the implementation of all ratified IMO conventions, which was a pre-condition for audit. Nigeria would supply auditors for the scheme on a continuous basis.

Mr. ASLAM HAYAT (observer, Pakistan) said that his country was currently undergoing a domestic audit. He requested that a list of the multinational auditors be made available. Referring to the six actions listed in paragraph 14 of document C 96/6/1, he said that IMO was working well to protect the marine environment on a global scale. However, his country would like more information on the relevant mechanisms for implementation and enforcement.

Mr. BRADY (observer, Jamaica) agreed with Nigeria and other previous speakers that the audit scheme was one of the most positive initiatives taken by the Organization to assist Member States, particularly developing countries, to comply with the various instruments on safety, environmental protection and maritime security. Jamaica would be volunteering for an audit in 2008-2009.

Mr. BRUCE (observer, Marshall Islands) said that the Marshall Islands had always fully supported the audit scheme and had participated in a pilot audit. His country had volunteered in March 2006 for audit and would be bearing the cost.

Mr. BELL (Bahamas) said that the Bahamas had already volunteered to take part in the audit process and would soon be submitting the names of auditors to the Organization.

Mr. PARENTÉ (observer, Vanuatu) strongly supported the audit scheme and said that the Republic of Vanuatu had decided to conduct an internal audit to prepare for an audit in the near future.

The SECRETARY-GENERAL said that it was very encouraging to see the positive response from Member States. He looked forward to receiving more applications for audit and more nominations of qualified auditors to assist in implementing the audit scheme. The following day he would sign a Memorandum of Co-operation with the representative of Chile, and on Thursday he would do the same with the representative of Denmark, and it was possible that two further Memorandums of Co-operation would be signed before the end of the year, so that four Member States would be audited by the end of 2006.

In reply to the question raised by the representative of India regarding coverage of the marine environment by the audit scheme, it was clearly understood that the scheme would examine maritime safety and protection of the marine environment, since MARPOL was one of the specified IMO instruments under the audit scheme.

The CHAIRMAN invited the Council to note the information provided in documents C 96/6 and C 96/6/1 and that provided orally by the Secretary-General and, with respect to document C 96/6, to note the outcome of the twenty-fourth regular session of the Assembly on the

audit scheme, and to request the MSC and MEPC to provide progress reports on their consideration of operative paragraph 1 of resolution A.975(24).

With respect to document C 96/6/1, he invited the Council to encourage Member States to nominate as many qualified auditors as possible; to encourage Member States to continue to volunteer for audits as and when they were ready, so as to assist in the regular planning and updating of the audit timetable; to invite Member States to nominate individuals they intended to use for audit purposes, within the context of the audit scheme, to participate in the training courses organized by the Organization; to note the planned audit timetable as set out in the annex; to encourage Member States volunteering for audits to respond in time to requests for information, especially information for which specific deadlines had been established in the procedures for the scheme, and to encourage all Member States to make available individuals they had nominated as auditors when their services were required. Finally, he invited the Council to note the Secretary-General's intention to transmit to the appropriate authority of each Member State the details of those Member States to be audited in accordance with the overall timetable, and his intention to update the overall timetable regularly as well as the details of those Members States to be audited.

**It was so decided.**

**The meeting rose at 5.30 p.m.**