



COUNCIL
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Agenda item 4(a)

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PROGRAMME FOR CHANGE

(a) ERP and Organizational Reforms

Establishment of a Finance and Risk Management Working Group

Submitted by Australia, Canada, Japan and the United Kingdom

SUMMARY

Executive summary: This document proposes the establishment of a Standing Working Group to:

- (i) oversight the financial performance of IMO;
- (ii) assess the criteria in developing a biennial budget to implement the IMO's work programme; and
- (iii) oversight the formal risk assessment and management programme for the IMO Council.

Action to be taken: Paragraph 8

Related documents: C/ES.23/4(a) and C/ES.23/4(a)/Add.1

Introduction

1 The IMO has undergone a period of substantial reform, with particular emphasis on its administration and financial management. The Secretary-General's reports to Council on biennial budget and performance against budget are now comprehensive, transparent and provide informed commentary to all Council members. Over this same period of time, Council has, in conjunction with the Secretary-General developed a focused strategic planning framework. These developments are both very welcome and positive in the context of contemporary governance arrangements.

2 The Secretary-General, together with the IMO Council undertakes the core responsibility for overseeing the financial management and strategic direction of the organization. With the progression of the reform agenda, the Council is increasingly involved in the development and analysis of the biennial budget and establishment of strategic priorities and directions. At the same time, the work programme of the IMO has been growing and the demands of the Organization are similarly increasing.

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3 International governance arrangements have also been under scrutiny and there is now a clear expectation that the governing Council should ensure that it is fulfilling its corporate governance responsibilities in full. Council has only two meetings in each year and, with a membership of 40 and the larger number of issues that have to be considered by Council, the time that Council can devote to its corporate governance responsibilities for financial and risk management is limited.

4 It is proposed that Council establish a Standing Working Group consisting of the Secretary-General and approximately 10 members from the Council to form a Finance and Risk Management Working Group. However, all Council Members would be welcome to attend the meetings. The Working Group will meet on an agreed basis to consider performance against the biennial budget. The Working Group would also work in close relationship with the Secretary-General and the Strategic Planning Working Group to develop the future biennial programme. In keeping with contemporary corporate governance responsibilities, it is proposed that the Working Group should also have responsibility for overseeing the risk management programme for IMO. An area for early attention of the Working Group, in conjunction with the Secretary-General, would be to develop a formal risk assessment of IMO and its operations, for review and discussion by Council.

5 Implementation of ERP highlighted the need for IMO to have in place appropriate business continuity/disaster recovery arrangements, matters which had not previously been considered by Council nor formally implemented by IMO. Further, several 'off balance sheet' or not fully identified/quantified future obligations are progressively being identified. These proposed obligations would benefit from being more fully assessed financially with proposed response actions identified for implementation. There are clear inter-dependencies between risk and financial issues. Other risk issues have clear strategic implications for IMO and its international positioning, which could be considered by the Strategic Planning Working Group. Examples include reputation risk, especially in relation to implementation, and adoption and enforcement of conventions.

6 The attached chart suggests the indicative meeting schedule and the core topics for consideration by the Working Group during each biennium. As a general rule, the Working Group would meet in conjunction with Council meetings.

7 It is envisaged that this Working Group would commence with the newly elected Council with its initial meetings devoted to establishing terms of reference and working arrangements. These would need to be carefully developed in close consultation with the Secretary-General to ensure that this initiative does not result in unnecessary workload for the Secretariat at the expense of good corporate governance.

Action requested of the Council

8 The Council is invited to agree to the establishment of a Finance and Risk Management Working Group as proposed.

ANNEX

