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STRATEGY, PLANNING AND REFORM

Transparency and accountability of the Organization

Note by the Secretary-General

SUMMARY

Executive summary: With a view to enhancing the transparency of the Organization's affairs, this document contains proposals by the Secretary-General for the publication, on the IMO website, of IMO's annual financial statements and audit opinion, and for the introduction of a personal financial disclosure programme for relevant IMO officials

Strategic direction: 4

High-level action: 4.0.1

Planned output: 4.0.1.1 and 4.0.1.4

Action to be taken: Paragraph 14

Related documents: C 110/5(b), C 110/5(b)/1; C 108/5(b) and C 100/4(b)

Introduction

1 In the context of his review and reform process, the Secretary-General considers that it would be advantageous to further enhance public trust in the integrity of the Organization by, on one hand, increasing the transparency of the Organization's financial affairs and, on the other, ensuring that any potential conflicts of interest arising from the financial holdings, private affiliations or outside activities of staff can be identified and managed. To those ends, the Secretary-General proposes to publish the Organization's annual financial statements and audit opinion thereon, and to establish a personal financial disclosure programme for key staff members.

Publication of financial statements and audit opinion

2 Every year, the Secretariat prepares the Organization's financial statements for the previous year, which are then audited by the External Auditor. During the audit process, the External Auditor may raise queries and observations, to which the Organization's management responds. These observations and responses form the basis of a subsequent Management Letter from the External Auditor to the Secretary-General. In turn, the

Management Letter and any responses thereto then form the basis of the External Auditor's audit opinion and long-form report to the Chairman of the Council.

3 This process is virtually identical to that used in the private sector where, additionally, a company will also typically publish – for consumption by the general public – its annual accounts and the audit opinions thereon.

4 At IMO, the financial statements, the audit opinion and the External Auditor's long-form report are published as a Council document (see, for example, annexes 1 and 2 to document C 108/5(b)) and uploaded onto IMODOCS, where they are accessible to all with an appropriate login and password. However, the materials are not uploaded to the public IMO website, where access is universal, in line with the criteria approved by the Council regarding "Access to IMO documents via the IMO public website" (see the annex to document C 101/4/1).

5 Subject to the Council's approval, the Secretary-General proposes to follow the precedent of other United Nations organizations and the private sector by extracting from the relevant Council document, and uploading onto the public IMO website, the audited financial statements of the Organization for each year, together with the corresponding annual audit opinions. This would be done only after the Council's consideration of both elements – i.e. uploading onto the public IMO website would be done in June/July of each year. The External Auditor's long-form report would remain a document for the Council only, and for this reason the 2012 financial statements and audit opinion have been presented as a single Council document (C 110/4(b)), while the long-form report is presented in document C 110/4(b)/1.

6 The Secretary-General considers that such publication is entirely apposite for a publicly-funded body such as IMO and will enhance the transparency of the Organization's financial affairs.

Personal financial disclosure by key staff

7 Disclosure of personal financial information by key staff is increasingly common in the private and public sectors, including within the United Nations system, in order to allow organizations to internally identify and manage potential conflicts of interest arising from a staff member's financial holdings, personal affiliations or outside activities. Indeed, a survey carried out in 2010 by the CEB Secretariat showed that some 69 per cent of the respondents had already introduced financial disclosure programmes and some had had them for more than ten years.

8 At IMO, rule 101.2(r) of the Staff Regulations and Staff Rules (SRSR) states that the Secretary-General "may establish procedures for the filing and utilization of financial disclosure statements as set forth in appendix G". Such procedures have, however, not yet been promulgated as an appendix to the SRSR and it is, therefore, the Secretary-General's intention that they should be developed and adopted for application within the Secretariat as of 1 January 2014.

9 In this respect, the United Nations Secretariat's own financial disclosure programme, which was launched in 1999 and revised in 2006 (see United Nations Secretary-General's Bulletin ST/SGB/2006/6), tends to serve as a model within the United Nations system, with adjustments made to suit the characteristics of individual organizations (e.g. structure, number of staff, etc.). Generally speaking, the relevant populations tend to be staff members at the D.1 level and above, those involved in procurement activities and in the investment of the organizations' assets, and all those serving in an Ethics Office.

10 Typically, the disclosure requirements concern the market value of a staff member's assets, profits from the sale of personal property, existing stock options, income from non-United Nations sources, gifts from Governments and others, liabilities (e.g. mortgages), relatives employed within the United Nations system, leadership in non-UN entities, other activities, etc.

11 The confidential annual staff disclosures are generally filed with an Ethics Office or its equivalent, and while the model of the United Nations Secretariat is the most comprehensive within the United Nations system – including, as it does, significant work and resources for the review and verification of thousands of disclosures by an external consultancy – most other United Nations entities limit their programmes to disclosure by staff to their Ethics Office or Executive Head, with some Executive Heads providing their personal financial disclosure statements to, for example, the equivalent of the Chairman of the IMO Council.

12 In this regard, the Secretary-General considers that the potentially small IMO target population (no more than some 25 to 30 individual staff members) merits a relatively "light" approach and therefore intends that the programme to be introduced in the Secretariat from next year should entail annual disclosure by all applicable staff to the Internal Oversight and Ethics Office (IOEO), within the Office of the Secretary-General, with the Secretary-General's own disclosures being copied to the Chairman of the Council, for information.

13 The programme will be spearheaded and managed by IOEO and will follow, to the extent feasible and as appropriate, the broad thrust of the United Nations Secretariat's programme. Concerning the review and verification of annual staff disclosures, it is initially envisaged to buy-in the necessary expertise from UNOPS – which provides a range of ethics services to several United Nations entities – at a cost of £7,500 per annum, until such time as equivalent expertise is available within IOEO. Accordingly, the Secretary-General will make adequate provision for this within his proposal for the next biennium's results-based budget.

Action requested of the Council

14 The Council is invited to consider the information provided, approve the proposal to publish IMO's annual financial statements and audit opinion thereon, and note the Secretary-General's intention to launch a personal financial disclosure programme for key staff.
