



International Oil Pollution  
Compensation Funds

<b>Agenda Item 6</b>	IOPC/APR24/6/1	
<b>Date</b>	22 April 2024	
<b>Original</b>	English	
<b>1992 Fund Assembly</b>	92AES28	●
<b>1992 Fund Executive Committee</b>	92EC82	
<b>Supplementary Fund Assembly</b>	SAES12	●

## APPOINTMENT OF THE EXTERNAL AUDITOR

### Note by the Audit Body

**Summary:**

As previously reported to the governing bodies the term of office of the current External Auditor to the IOPC Funds, BDO International LLP (BDO), will come to an end following its report on the 2025 Financial Statements to the regular sessions of the governing bodies in 2026.

The management of the selection process of the External Auditor falls within the mandate of the Audit Body. Sufficient interest has been registered from potential tendering firms and one Member State to ensure progress is being made in line with the timetable reported to the governing bodies in November 2023 (document [IOPC/NOV23/6/4](#)).

The Audit Body has identified three commercial firms that will be invited to tender and has decided not to invite the nominee from the Member State to tender.

**Action to be taken:** 1992 Fund Assembly and Supplementary Fund Assembly

Information to be noted.

### 1 Introduction

- 1.1 The term of office of the current External Auditor, BDO International LLP (BDO), will come to an end following its report on the 2025 Financial Statements to the regular sessions of the governing bodies in 2026. This follows the decision of the governing bodies at their October 2022 sessions to extend BDO's current tenure by a further two years, as recommended by the Audit Body in document [IOPC/OCT22/6/3](#).
- 1.2 Under the terms of the Audit Body's mandate, it has the responsibility for managing the process for the selection of the External Auditor on behalf of the governing bodies. The governing bodies have previously approved the process for the external audit tender, as well as a timetable of actions (see paragraph 2.3 below), in order to secure the appointment of a new IOPC Funds External Auditor for the period 2026-2029, after the expiry of the external audit contract with BDO, as set out in document [IOPC/NOV23/6/4](#).

### 2 Key updates

#### 2.1 Potential tendering firms

- 2.1.1. The Audit Body met on 8 December 2023 and agreed a list of commercial firms to be invited to tender.

- 2.1.2. Following informal discussions with potential tendering firms, the Audit Body and Secretariat agreed to extend the list due to certain firms being unable to tender due to lack of International Public Sector Accounting Standards (IPSAS) experience.
- 2.1.3. On 19 April 2024, the Audit Body met and identified the following three commercial firms to be invited to tender:
- 1) Azets
  - 2) Macalvins
  - 3) Mazars in Switzerland
- 2.1.4. The Director also received one nomination from a Member State, the Russian Federation. Given the ongoing sanctions and restrictions in place, the Audit Body, in conjunction with the Secretariat, discussed the practicalities involved in accepting this nominated Member State into the tender process. The practical matters discussed included but were not limited to the potential impact on existing banking and other advisor relationships, and to the enhanced compliance related requirements which could give rise to additional operational risks and/or administrative procedures.
- 2.1.5. Several examples of compliance related challenges were identified, such as the ability to make payments for audit services, the potential travel restrictions for staff on the audit team and the potential impact on the IOPC Fund's ability to secure banking services/relationships with existing banks.
- 2.1.6. Sanctions are a major consideration of banking compliance regulation and are currently being applied to some of the IOPC Funds' Member States. Connections to sanctioned countries and to entities within those countries are scrutinised by banks on an annual basis and as part of the onboarding process for new bank accounts. Consequently, increased exposure to sanctioned countries increases the cost of client servicing and affects the attractiveness of the IOPC Funds as a potential client; and exposure to a sanctioned country/entity could lead to the withdrawal of banking services or a reluctance to provide new services to a client.
- 2.1.7. It was determined, based on the foregoing, the appointment of the nominee of the Russian Federation as the IOPC Funds' External Auditor could have a potential negative effect on the ability to perform core duties of the Funds, such as ability to receive contributions, pay compensation and pay for goods and services. Therefore, the Audit Body decided not to invite the nominee of the Russian Federation to tender.

## 2.2 Key evaluation criteria

At their November 2023 sessions, the IOPC Funds' governing bodies approved key factors to be considered in the evaluation of candidates for the position of External Auditor of the IOPC Funds (document [IOPC/NOV23/11/1](#), paragraph 6.4.8). The list of factors is attached at the Annex to this document.

### 2.3 Timetable

The proposed timetable is repeated for Member States information:

<b>Timing</b>	<b>Activity</b>
April 2024	Audit Body to provide update on External Auditor appointment process at the extraordinary sessions of the governing bodies.
April 2024	Audit Body to agree list of tenderers and communicate Request for Proposal (RfP).
May 2024-June 2024	Pre-agreed engagement and tendering activities primarily to be undertaken by the Secretariat.  Deadline for written submissions mid-June 2024.
June 2024-July 2024	Evaluation of written proposals received and shortlisting of firms.  Invitation issued to those short-listed to deliver oral presentation to Audit Body.
July 2024	Audit Body to hear oral presentations from shortlisted firms.  Audit Body deliberation and selection of proposed External Auditor.  Communication to preferred candidate.
November 2024	Presentation of Audit Body recommendation of appointment of External Auditor to governing bodies.  Governing bodies invited to approve appointment of new External Auditor on completion of BDO contract in 2025.

### 3 Action to be taken

#### 1992 Fund Assembly and Supplementary Fund Assembly

The 1992 Fund Assembly and Supplementary Fund Assembly are invited to take note of the information contained in this document.

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## ANNEX

### FACTORS FOR EVALUATION OF CANDIDATES FOR THE POSITION OF EXTERNAL AUDITOR OF THE IOPC FUNDS

#### Required factors:

- Audit organisation must be Auditor-General (or equivalent organisation) of a Member State; or a commercial audit firm with the requisite capabilities, nominated by a 1992 Fund Member State or identified by the Audit Body;
- Experience of auditing financial statements prepared under International Public Sector Accounting Standards;
- Identification of the key issues relevant to the IOPC Funds;
- Appreciation of the distinct roles of the Secretariat, the Audit Body, the Investment Advisory Body and the Funds' governing bodies, and hence of the appropriate relationships with each;
- Understanding of the Funds' Financial and Internal Regulations, the budgetary process, the risk management process, the procurement process and the claims-handling process, and an ability to develop an audit approach which takes account of these existing processes and disciplines;
- Relevant experience of auditing organisations comparable with the IOPC Funds;
- Robustness and professional competence of the people who lead the team;
- Reasonable continuity assured for key persons yet with some rotation acceptable at the more junior levels;
- Transparency of the audit fee ;
- Appropriate transitional arrangements; and
- All Audit Body meetings and associated papers are in English so the audit organisation must be able to communicate effectively in this language.

#### Desired factors:

- Economy in the use of the Secretariat's time given its available resources;
  - Clarity and conciseness of communications and ability to build trust and confidence;
  - Service and communication 'philosophy', preparedness, enthusiasm, follow-up;
  - Availability, and experience in use, of electronic audit techniques;
  - Commitment to continuous review and improvement and demonstration of past innovation; and
  - Constructive attitude to problem solving – not just the technical complexities and requirements of the audit process and function.
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