



International Oil Pollution  
Compensation Funds

|                                      |                   |   |
|--------------------------------------|-------------------|---|
| <b>Agenda item 5</b>                 | IOPC/NOV25/5/7    |   |
| <b>Date</b>                          | 10 September 2025 |   |
| <b>Original</b>                      | English           |   |
| <b>1992 Fund Assembly</b>            | 92A30             | ● |
| <b>1992 Fund Executive Committee</b> | 92EC85            |   |
| <b>Supplementary Fund Assembly</b>   | SA22              | ● |

## REPORT OF THE JOINT AUDIT BODY

### Note by the Audit Body

|                            |  |
|----------------------------|--|
| <b>Summary:</b>            | In accordance with its mandate, the joint Audit Body for the 1992 Fund and the Supplementary Fund shall report on its work to each regular session of the 1992 Fund Assembly and the Supplementary Fund Assembly. The joint Audit Body's report on its activities is set out at Annex I.   |
| <b>Action to be taken:</b> | <u>1992 Fund Assembly and Supplementary Fund Assembly</u><br><br>(a) Take note of the report of the joint Audit Body set out at Annex I and provide comments and instructions as may be warranted; and<br><br>(b) consider the joint Audit Body's recommendation regarding the adoption of the 2024 Financial Statements (Annex I, paragraph 3.4.4). |

### 1 Introduction

- 1.1 Pursuant to the mandate of the joint Audit Body of the 1992 Fund and the Supplementary Fund, the Audit Body shall submit to each regular session of the governing bodies a report on its activities since the previous regular session.
- 1.2 This report is reproduced at Annex I.

### 2 Action to be taken

#### 1992 Fund Assembly and Supplementary Fund Assembly

The 1992 Fund Assembly and the Supplementary Fund Assembly are invited:

- (a) to take note of the report of the joint Audit Body set out at Annex I and provide comments and instructions as may be warranted; and
- (b) to consider the Audit Body's recommendation regarding the adoption of the 2024 Financial Statements (Annex I, paragraph 3.4.4).

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## ANNEX I

### JOINT AUDIT BODY REPORT COVERING THE PERIOD NOVEMBER 2024 TO NOVEMBER 2025

#### **1 Introduction**

- 1.1 At its November 2023 session, the 1992 Fund Assembly elected six members nominated by Member States<sup><1></sup>. The six members were appointed for a period of service of three years. The members of the eighth Audit Body are as follows:

Mr Volker Schöfisch, Germany (Chair)  
Dr Hideo Osuga, Japan (Vice-Chair)  
Captain Thomas F. Heinan, Marshall Islands  
Captain Anish Joseph, India  
Mr Christoph Kagame Mungandjela, Namibia  
Mr Alfred H.E. Popp, CM, KC, Canada

- 1.2 At its November 2024 session, the 1992 Fund Assembly reappointed Mrs Alison Baker as the new external expert of the Audit Body for a term of three years, from 1 January 2025 to 31 December 2028.
- 1.3 The Audit Body operates on the basis of an annual cycle, usually consisting of three meetings. During the period covered by this report, meetings were held in person on 5 December 2024 and 2 May 2025, and remotely via Teams on 3 July 2025.
- 1.4 The meetings were conducted in accordance with a structured agenda and detailed programme of activities. The Executive Assistant in the Office of the Director serves as Secretary to the Audit Body. At each meeting, the Audit Body is briefed by the Director on developments relating to incidents and the activities of the Secretariat, ensuring that it remains informed of the current situation and can take this into account in its decisions and overall work.
- 1.5 Whenever necessary, the Audit Body also utilises email and other electronic means to discuss and make decisions.

#### **2 Audit Body programme of activities**

- 2.1 At its inaugural meeting in December 2023, the eighth Audit Body planned the programme of activities for its three-year tenure and adopted its work programme. The work programme includes all core and ongoing activities, is updated at each Audit Body meeting and is submitted to the governing bodies for information<sup><2></sup>. The work programme is included in Annex II of this Report.
- 2.2 In carrying out its programme, the Audit Body has worked closely with the Director and the Secretariat while being mindful of the need to ensure that the work of the Audit Body does not impose unnecessary demands on the resources of the Secretariat.
- 2.3 The programme of activities of the Audit Body focused on the areas listed below, in order to discharge its responsibilities under the Audit Body mandate<sup><3></sup>:
- (a) ascertaining the adequacy and effectiveness of the IOPC Funds' management and financial systems;
  - (b) reviewing the effectiveness of the IOPC Funds' risk management;
  - (c) reviewing the IOPC Funds' Financial Statements and reports;

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<1> For ease of readability, the joint Audit Body is hereafter referred to as the Audit Body.

<2> For the Audit Body work programme, see Annex II.

<3> For the Audit Body mandate, see Annex III.

- (d) promoting the understanding and effectiveness of the audit function within the IOPC Funds;
- (e) managing the process for the selection of the External Auditor; and
- (f) undertaking any other tasks or activities as requested by the IOPC Funds' governing bodies.

### **3 How the Audit Body carried out its programme of activities**

3.1 This section reports on the work carried out by the Audit Body in relation to each of the areas presented above in paragraph 2.3 in the period since its last annual report to the governing bodies in November 2024.

#### **3.2 Ascertaining the adequacy and effectiveness of the IOPC Funds' management and financial systems**

3.2.1 The Audit Body performed this core function largely through its review and consideration of the work of the External Auditor. Consistent with established practice, the Audit Body met with the External Auditor to review the audit programme for the IOPC Funds' 2024 Financial Statements at its December 2024 meeting. The External Auditor explained that work had been carried out with the Secretariat in September and October 2024 to complete the audit planning and risk assessment. Key risk areas such as management override, contingent liabilities (including claims) and the recoverability of receivables were highlighted as areas of focus. The Audit Body took note of the audit strategy, discussed various topics with the External Auditor, and expressed satisfaction with the proposed approach.

3.2.2 At the May 2025 meeting, the Audit Body reviewed and discussed the draft 2024 Financial Statements for the 1992 Fund and the Supplementary Fund, and the Audit Completion Report. The Audit Body took note with satisfaction that the audit procedures had not identified any fraud or non-compliance with laws or regulations that could have a material impact on the Financial Statements and had not revealed any significant matters in connection with related parties. The Audit Body also noted that no recommendations from prior years remained ongoing. The Audit Body noted that one recommendation on internal controls had been made following the audit of the 2024 Financial Statements and they were satisfied with the Director's response. The details are set out in Section One (page 20) and in Section Two (page 35) of the 2024 Financial Statements of the 1992 Fund (document [IOPC/NOV25/5/8/1](#)) and are not deemed to represent a material concern.

3.2.3 The Audit Body also held closed sessions with the External Auditor during the Audit Body meetings to discuss issues such as the cooperation between the Secretariat and the External Auditor, areas of attention and other relevant issues. At these meetings, the Audit Body has noted with satisfaction that there is a good working relationship between the Secretariat and the External Auditor, and that the Secretariat has provided all the information necessary for the performance of the external audit.

3.2.4 At its December 2024 meeting, the Audit Body also reviewed the Internal Audit Final Report on Core Financial Controls. The report confirmed that the control framework for core financial controls is generally effective, although minor improvements were recommended in certain areas. The Audit Body took note of the Secretariat's planned actions and expressed satisfaction with the proposed measures.

#### **3.3 Reviewing the effectiveness of the IOPC Funds' risk management**

3.3.1 Risk management is a key responsibility of the Secretariat. The mandate of the Audit Body calls for it to review the effectiveness of the IOPC Funds' risk management procedures with particular focus on institutional, financial and operational risks. The Audit Body's work programme prescribes a number of activities which have a bearing on the Funds' risk management process as well as its management and operating systems.

- 3.3.2 On an ongoing basis, the Audit Body seeks to monitor the way in which the Secretariat addresses risk while discharging its responsibility of managing the IOPC Funds' operations. While it is the Secretariat's role to identify and manage risks, the Audit Body's oversight centres on ensuring that the Secretariat's risk management framework is adequate and that its approach to maintaining sound internal controls is effective.
- 3.3.3 The Secretariat conducts an annual risk review in accordance with the Risk Management Framework. The purpose of this review is to prevent and minimise adverse consequences from foreseeable risks and to proactively consider appropriate safeguards against the potential key risks of the following year. At its December 2024 meeting, the Audit Body was briefed on the Risk Management Review conducted by the Secretariat. The Audit Body was satisfied that the risk monitoring in place was adequate and effective.
- 3.3.4 In addition to the annual review, the Secretariat provides a small, risk-focused programme of internal audit activity to be reviewed by the Audit Body. The Secretariat has identified six areas for internal audit review, namely: risk management, cyber security, fraud risk assessment, data protection/General Data Protection Regulation (GDPR), claims-handling process, and key financial controls. At the time of the Audit Body meeting of December 2024, there were two areas yet to be addressed: fraud risk assessment and data protection/GDPR. At its May 2025 meeting, the Audit Body endorsed the Secretariat's recommendation to conduct a cybersecurity audit in 2026, to include a cyber component in the third-party deep dive on supplier and third-party risk in 2027, and to integrate cybersecurity audits into all future deep dives.
- 3.3.5 In respect of financial reporting, operational procedures and risk management, the Secretariat maintains an extensive framework of internal controls including policies, regulations and delegated authority. The Audit Body regards the effectiveness of the system of internal controls exercised by the Secretariat to be critical to the long-term viability and veracity of the IOPC Funds. The Audit Body remains satisfied that the Director shares this view and carries out the management of the IOPC Funds accordingly. Furthermore, the work of the External Auditor helps to ensure that operations of the IOPC Funds are carried out in conformity with recognised standards and procedures.
- 3.3.6 The Audit Body usually meets with the Investment Advisory Body once a year for a joint review of risk management in relation to cash assets and foreign exchange exposure. This meeting was postponed from July 2025 to December 2025 so that it could be held in person.

#### 3.4 Reviewing the IOPC Funds' Financial Statements and reports

- 3.4.1 At the May 2025 Audit Body meeting, the External Auditor provided the draft Audit Completion Report for the final audit of the 2024 Financial Statements. The Secretariat submitted the draft Financial Statements for the 1992 Fund and the Supplementary Fund which contained a substantial and detailed report on the Funds' finances and activities. At the July 2025 Audit Body meeting, the External Auditor provided the final Audit Completion Report which was approved by the Audit Body.
- 3.4.2 As in previous years, the Audit Body looked to the external audit for reasonable assurance that the Financial Statements were free from material misstatement, whether caused by fraud or error. In its review of the IOPC Funds' Financial Statements and the External Auditor's Report, the Audit Body was attentive to completeness and consistency of disclosure, while also taking into account the findings and comments by the External Auditor.

- 3.4.3 The External Auditor informed the Audit Body that the definition of cash and cash equivalents had been updated to reflect current practice, resulting in changes to the Financial Statements without affecting the Funds' financial position. The Audit Body agreed that these changes were appropriate, useful, and fully compliant with the relevant standards. Additionally, the Audit Body discussed the treatment of compensation expenditure related to the Small Tanker Oil Pollution Indemnification Agreement (STOPIA), 2006 in the Financial Statements and agreed that any claim paid under STOPIA 2006 should be recognised as compensation expenditure, while the corresponding reimbursement should be recorded as income.
- 3.4.4 **Recommendation to the governing bodies:** Pursuant to its review of the Financial Statements and consideration of all relevant reports and comments by the External Auditor, and in light of the assurances provided by the results of the external audit, the Audit Body recommends that the relevant governing body approve the Financial Statements of the 1992 Fund and the Supplementary Fund for the year ending 31 December 2024.
- 3.5 **Reviewing the effectiveness of the relationship between the IOPC Funds and the External Auditor**
- 3.5.1 The Audit Body's programme of activities calls for an annual statement to the governing bodies on the effectiveness of the external audit relationship. The Audit Body takes into account the following elements in considering the effectiveness of the relationship between the IOPC Funds and the External Auditor:
- (a) the effectiveness of the working relationships with the Audit Body and the IOPC Funds' Secretariat;
  - (b) the effectiveness of the audit process and assessment of key risks;
  - (c) the quality of review of the Financial Statements;
  - (d) the communication of key issues between parties; and
  - (e) the independence and value for money of the External Auditor.
- 3.5.2 The statement by the Audit Body regarding the effectiveness of the relationship between the IOPC Funds and the External Auditor is set out at Annex IV.
- 3.6 **Undertaking any other tasks or activities as requested by the IOPC Funds' governing bodies**
- 3.6.1 The Audit Body mandate provides for the Audit Body to undertake any other task or activity as requested by the IOPC Funds' governing bodies. In October 2022, the governing bodies instructed the Director to prepare draft Resolutions and amendments to the Internal Regulations, in consultation with the Audit Body. The Audit Body reviewed and supported the proposed 1992 Fund Assembly draft Resolution N°13 and Supplementary Fund Assembly draft Resolution N°5, enabling the Director to issue invoices based on estimated oil volumes when no oil reports are submitted. Both Resolutions and amendments to the Internal Regulations were subsequently adopted at the November 2023 sessions of the governing bodies (see document [IOPC/NOV23/11/1](#)).
- 3.6.2 During the Audit Body meeting in May 2025, the Secretariat updated the Audit Body members on the progress made regarding the implementation of 1992 Fund Assembly Resolution N°13 and Supplementary Fund Assembly Resolution N°5. The Secretariat outlined the selection of Eikon as the most suitable data provider for this purpose. LSEG's Eikon data can be used in various ways, including verifying the accuracy of oil reporting, comparing reported figures with external data over a nine-year period, and validating nil declarations. The Audit Body supported the selection of Eikon.

- 3.6.3 The Secretariat also explained that, under Article 15.4 of the Convention, the Member State is liable to compensate the 1992 Fund for a financial loss resulting from the Member State not providing the required information on oil receipts, making it appropriate to invoice the Member State directly in such cases. This approach had been endorsed by the governing bodies during the adoption of the Resolutions and the Audit Body expressed its agreement and support when noting the reports on their implementation. In addition, the Secretariat updated the Audit Body on the proposed accounting policy for the implementation of Resolution N°13. The Audit Body was satisfied that the proposed way forward was appropriate.
- 3.6.4 At the July 2025 meeting, the Audit Body was updated by the Secretariat on the outcome of its consultation with the External Auditor on the recoverability of outstanding contributions, an area of focus highlighted in the External Auditor's feedback on the 2024 Financial Statements. The Audit Body took note of recommended changes to the accounting treatment of outstanding contributions required to ensure future compliance with the IPSAS framework.

#### **4 Concluding remarks**

I would like to thank my Audit Body colleagues, especially the external expert, for their work over the last year, as well as all members of the Secretariat for their considerable assistance in helping the Audit Body discharge its responsibilities, and also the Chairs of the governing bodies who attended our meetings or otherwise provided wise counsel to our deliberations.



Volker Schöfisch  
Chair, Joint Audit Body  
10 September 2025

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## ANNEX II

### Audit Body Work Programme Schedule 2023 to 2026

**July 2025**

|     |   |  |            |  |
|-----|---|--|------------|--|
| 1   | Audit Body input to the external audit cycle  |  |            | Person(s) responsible                                      |
| 1.1 | Audit Body review of External Auditor planning report/input to audit strategy   | Annually<br>December Audit Body meeting                  | Core       | All members of the Audit Body                              |
| 1.2 | Audit Body review/comment on External Auditor's interim report  | Annually<br>December or April Audit Body meeting         | Core       | All members of the Audit Body                              |
| 1.3 | Audit Body review/comment on External Auditor's long form report and recommendations  | Annually<br>April Audit Body meeting                     | Core       | All members of the Audit Body                              |
| 1.4 | Monitor Director's response to External Auditor's recommendations   | Annually<br>Review at April and June Audit Body meetings | Core       | All members of the Audit Body                              |
| 2   | Audit Body activities in respect of the adequacy and effectiveness of the organisations' management and financial systems   |  |            | Person(s) responsible                                      |
| 2.1 | Review risk management process, operating procedures systems and internal controls  | Ongoing  | Core       | All members of the Audit Body                              |
| 2.2 | Review of Key Risk Register   | Annually<br>December Audit Body meeting                  | Core       | All members of the Audit Body                              |
| 2.3 | Audit Body input to Secretariat review of business process, risk identification and mitigation strategies   | Audit Body meetings throughout the year                  | Occasional | Secretariat lead<br><br>External expert/Audit Body members |
| 2.4 | Audit Body to review planned programme of internal audit activity and associated reports when work is completed   | Audit Body meetings throughout the year as necessary     | Core       | All members of the Audit Body                              |
| 2.5 | Audit Body to review the practice of contributions based on estimates and the associated accounting treatment in accordance with International Public Sector Accounting Standards (IPSAS) | Annually   | Core       | All members of the Audit Body                              |

|     |  |  |                     |   |
|-----|--|--|---------------------|---|
| 3   | Audit Body review of organisations' Financial Statements and Reports   |  |                     | Person(s) responsible                         |
| 3.1 | Monitor changes to IPSAS and review of Financial Statements presentation/accounting policy                         | Ongoing<br>Annually<br>December Audit Body meeting   | Core                | All members of the Audit Body                 |
| 3.2 | Review Financial Statements  | Annually<br>April Audit Body meeting   | Core                | All members of the Audit Body                 |
| 4   | Audit Body activities to promote understanding and effectiveness of audit function within the IOPC Funds           |  |                     | Person(s) responsible                         |
| 4.1 | Provide a forum to discuss matters in relation to management/financial systems, risk management and external audit | Audit Body meetings throughout the year  | Core                | All members of the Audit Body                 |
| 4.2 | Annual report to the governing bodies on mandated activities   | Annually<br>October  | Core                | Chair and all members of the Audit Body       |
| 4.3 | Audit Body meeting with Investment Advisory Body (IAB)   | Semi-annually or annually as appropriate at December or June Audit Body meetings                                     | Core                | All members of the Audit Body and IAB members |
| 4.4 | Study/promote best practices of audit body committees  | Ongoing  | Core                | All members of the Audit Body                 |
| 4.5 | Promote effective communications between Audit Body, Secretariat, governing bodies, IAB etc.                       | Ongoing  | Core                | All members of the Audit Body                 |
| 4.6 | Triennial review of the functioning of the Audit Body  | Eighth Audit Body to develop format for the next review and report to governing bodies at the November 2026 sessions | Core/<br>rotational | Chair/External expert/Audit Body members      |
| 5   | Audit Body management of the process for the selection of the External Auditor                                     |  |                     | Person responsible(s)                         |
| 5.1 | Annual statement to governing bodies   | Annually as part of the annual report of the Audit Body Chair  | Core                | Chair   |

|     |   |  |            |  |
|-----|---|--|------------|--|
| 5.2 | Selection process preparedness and recommendation to governing bodies                 | Audit Body informed the governing bodies of their recommendation at the November 2024 sessions | Rotational | External expert<br>All members of the Audit Body |
| 6   | Audit Body to undertake any other tasks requested by the IOPC Funds' governing bodies |  |            | Person(s) responsible                            |
| 6.1 | Provide recommendations on improvements on Resolution N°13 and Resolution N°5 actions | Ongoing  | Occasional | All members of the Audit Body                    |

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## **ANNEX III**

### **COMPOSITION AND MANDATE OF THE JOINT AUDIT BODY OF THE 1992 FUND AND THE SUPPLEMENTARY FUND**

**(REVISED IN APRIL 2019)**

#### COMPOSITION

1. The members of the Audit Body shall perform their functions independently and in the interest of the Organisations as a whole and shall not receive any instructions from anyone, including their Governments.
2. The Audit Body shall be composed of seven members elected by the 1992 Fund Assembly: six named individuals nominated by 1992 Fund Member States and one named individual not related to the Organisations ('external expert') with expertise and experience in financial and audit matters, nominated by the Chair of the 1992 Fund Assembly. Nominations, accompanied by the curriculum vitae of the candidate, should be submitted to the Director in response to a call for nominations made by the Director. The Chair of the 1992 Fund Assembly will, in consultation with the Chair of the Supplementary Fund Assembly, propose the names of two of the elected members of the Audit Body for consideration and approval by the governing bodies as Chair and Vice-Chair of the Audit Body.
3. Members of the Audit Body shall hold office for three years, once renewable. Should nominations for election to the Audit Body not be sufficient to fill vacancies at an election, existing members of the Audit Body having served two terms will be eligible for a once-only re-election, provided they are re-nominated by one or more 1992 Fund Member States. The external expert shall hold office for three years, twice renewable.
4. Travel and subsistence expenses of the members of the Audit Body shall be paid by the Organisations. The Assembly of the 1992 Fund will, from time to time, decide on the quantum of the honorarium paid to the six elected members and the fee paid to the external expert. The timing and method of payment will be agreed between the Audit Body and the Director.

#### MANDATE

5. The Audit Body shall:
  - (a) review the adequacy and effectiveness of the Organisations' management and financial systems, financial reporting, internal controls, operational procedures, risk management and related matters;
  - (b) promote the understanding and effectiveness of the audit function within the Organisations, and provide a forum to discuss matters referred to in (a) above and matters raised by the external audit;
  - (c) discuss with the External Auditor the nature and scope of each forthcoming audit and provide input to the development of the strategic audit plan;
  - (d) review the Organisations' Financial Statements and reports;
  - (e) consider all relevant reports by the External Auditor, including reports on the Organisations' Financial Statements, and make appropriate recommendations to the Funds' governing bodies;

(f) manage the process for the selection of the External Auditor; and

(g) undertake any other tasks or activities as requested by the Funds' governing bodies.

6. The Chair of the Audit Body shall report on its work to each regular session of the 1992 Fund Assembly and the Supplementary Fund Assembly.
7. Every three years the functioning of the Audit Body and its mandate shall be reviewed by the 1992 Fund Assembly and the Supplementary Fund Assembly on the basis of an evaluation report from the Chair of the Audit Body.

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## **ANNEX IV**

### **Statement of the Audit Body regarding the effectiveness of the relationship between the IOPC Funds and the External Auditor**

Pursuant to the directive of the IOPC Funds' governing bodies at their October 2010 sessions, the Audit Body has continued to be attentive to the effectiveness by which the External Auditor discharges its responsibilities to the IOPC Funds. In this regard, and for the period under review, the Audit Body considers the structure, approach, scope and coverage of the audit process to be both relevant and comprehensive.

The Audit Body finds the examination of the Financial Statements carried out by the External Auditor to be thorough and systematic. The work of the External Auditor, and the results of the audit process, help to ensure compliance with the accounting policies, regulations, standards and procedures of the IOPC Funds.

The Audit Body finds the work of the External Auditor in the examination of operational procedures and processes to be helpful in ensuring the adequacy of internal controls. The Audit Body considers that the External Auditor carries out its functions with an independent and objective approach while maintaining an effective and professional relationship with the Director and Secretariat. Equally, the working relationship between the External Auditor and the Audit Body is constructive and suitably focused. Overall, it is the view of the Audit Body that the work of the External Auditor has been effective and is of tangible value to the operations of the IOPC Funds.

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