



International Oil Pollution
Compensation Funds

Agenda Item 6	IOPC/NOV23/6/4	
Date	7 August 2023	
Original	English	
1992 Fund Assembly	92A28	●
1992 Fund Executive Committee	92EC81	
Supplementary Fund Assembly	SA20	●

APPOINTMENT OF THE EXTERNAL AUDITOR

Note by the Audit Body

Summary

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 IOPC Funds' governing bodies in 2026.

The management of the selection process of the External Auditor falls within the mandate of the Audit Body. The governing bodies are invited to consider the proposals of the Audit Body as set out in this document and to confirm the process for the external audit tender, as well as a timetable of actions, 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.

Action to be taken:

1992 Fund Assembly and Supplementary Fund Assembly

- (a) Take note of the information contained in this document;
- (b) Decide whether to approve the proposed audit tender evaluation process and timetable (paragraph 2 and 3, and Annex); and
- (c) Decide whether to instruct the Director to seek Member State and commercial firm nominees for the position of External Auditor of the IOPC Funds.

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 IOPC Funds' 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 current 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 are invited to consider the proposals of the Audit Body as set out in this document and to confirm the process for the external audit tender, as well as a timetable of actions, 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.
- 1.3 There are various stages to the tender process with much of the work involved performed by the Secretariat, on behalf of the Director, who issues the formal invitation to Member States for nominations and invitations to commercial firms. The Secretariat also facilitates the familiarisation process whereby audit organisations can be briefed as to the operation of the IOPC Funds.

- 1.4 It is intended that this work will be undertaken by the members of the eighth Audit Body, following the governing bodies' approval at the October 2022 sessions of the recommendation by the Audit Body to extend BDO's current tenure by a further two years due to exceptional circumstances, covering the external audit of the Fund's financial statements for 2024 and 2025 (document IOPC/OCT22/11/1, paragraph 6.3.23). As a result, BDO's period of office will come to an end following their report on the 2025 Financial Statements to the regular sessions of the governing bodies in 2026.
- 1.5 In order to secure a smooth transition of responsibilities, it will be necessary to recommend the appointment of a new External Auditor at the October 2024 sessions of the governing bodies to audit the Financial Statements for the years 2026 to 2029 inclusive. The tender process will be initiated in late 2023 with a view to recommending a new External Auditor to the October 2024 meeting of the governing bodies. The new auditor will "shadow" BDO through the 2025 audit process to ensure a smooth transition for 2026 and beyond.

2 Key matters to consider

Potential tendering firms

- 2.1 Circulars inviting the submission of nominations by Member States were previously sent by the Director to all 1992 Fund Member States in November 2013 and February 2014. No valid nominations were received in response to either circular. In order to avoid the risk of another unsuccessful process, the governing bodies agreed in October 2014 that the invitations to tender would also be issued to selected commercial firms as well as nominees from Member States. More detail on this is set out in the document containing the recommendations by the Audit Body regarding this matter which were approved by the governing bodies in October 2014 (document IOPC/OCT14/6/3).
- 2.2 Given the need to recommend the appointment of a new External Auditor at the October 2024 sessions of the governing bodies, the Audit Body proposes that the process whereby nominations are sought should be initiated at the regular sessions of the governing bodies in 2023. Instruction is sought from the governing bodies for the Director to invite 1992 Fund Member States to submit tender nominees from interested candidates.
- 2.3 If such instruction is received from the governing bodies, the Audit Body proposes that, in accordance with the Secretariat's normal procedures, a circular letter will be sent by the Director after the regular sessions of the governing bodies in 2023 to all 1992 Fund Member States inviting candidatures for the position of External Auditor.
- 2.4 In addition, it is proposed that invitations would be sought from certain commercial firms who have knowledge and experience of International Public Sector Accounting Standards (IPSAS) and similar Intergovernmental organisations.

Key evaluation criteria

- 2.5 At their October 2014 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. The Audit Body has discussed these factors at its meeting in April 2023 and has proposed no changes. The list of factors is attached at the Annex to this document.

Timetable

- 2.6 The proposed timetable and process to be discussed and agreed is set out in section 3 of this document.

3 Audit tender evaluation process - timetable

- 3.1 Taking into account the identified need to have an External Auditor appointed and inducted into the role to audit the 2026 accounts, the Audit Body has proposed the following timetable of actions:

Timing	Activity
November 2023	Governing bodies to confirm audit tender evaluation process, timetable and evaluation factors and to instruct Director to seek Member State and commercial firm nominees. Director to seek nominations of Member State auditors and commercial firms.
January 2024	Deadline for submission of interest
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.

4 Summary of recommendations by the Audit Body

- 4.1 Having taken into account the past experience of appointing an External Auditor to the IOPC Funds and all the additional points referred to in section 2 above, the Audit Body is of the view that the governing bodies should instruct the Director and the Audit Body to proceed with the tender process and timetable as set out in section 3 above and to confirm the factors for the evaluation of candidates set out at the Annex.

5 Action to be taken

1992 Fund Assembly and Supplementary Fund Assembly

The governing bodies are invited to:

- (a) Take note of the information contained in this document;
- (b) Decide whether to approve the proposed audit tender evaluation process and timetable framework (paragraph 2 and 3, and Annex); and

- (c) Decide whether to instruct the Director to seek Member State and commercial firm nominees for the position of External Auditor of the IOPC Funds.

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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
- 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
 - Constructive attitude to problem solving – not just the technical complexities and requirements of the audit process and function
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