



International Oil Pollution  
Compensation Funds

Agenda Item 5	IOPC/NOV23/5/6	
Date	2 October 2023	
Original	English	
1992 Fund Assembly	92A28	●
1992 Fund Executive Committee	92EC81	
Supplementary Fund Assembly	SA20	●

## REPORT OF THE JOINT AUDIT BODY

### Note by the Audit Body

**Summary:**

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 Audit Body's report on its activities is set out at Annex I.

In addition, 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. This report is at Annex II.

**Action to be taken:**

1992 Fund Assembly and Supplementary Fund Assembly

- (a) Take note of the report of the Audit Body set out at Annex I, and provide comments and instructions as it may deem appropriate;
- (b) take note of the three-year review set out at Annex II, and provide comments and instructions as it may deem appropriate; and
- (c) take note of the Audit Body's recommendation regarding the adoption of the 2022 Financial Statements (Annex I, paragraph 3.3.3).

## 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. In addition, 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.

1.2 The report of the joint Audit Body and the review of the functioning of the Audit Body are set out at Annex I and Annex II, respectively.

## 2 Action to be taken

1992 Fund Assembly and Supplementary Fund Assembly

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

- (a) Take note of the report of the Audit Body set out at Annex I, and provide comments and instructions as it may deem appropriate;

- (b) take note of the three-year review set out in Annex II, and provide comments and instructions and instructions as it may deem appropriate; and
- (c) take note of the Audit Body's recommendation regarding the adoption of the 2022 Financial Statements (Annex I, paragraph 3.3.3).

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## ANNEX I

### JOINT AUDIT BODY REPORT COVERING THE PERIOD OCTOBER 2022 TO NOVEMBER 2023

#### **1 Introduction**

- 1.1 At its December 2020 session, the 1992 Fund Assembly elected six members of the joint Audit Body nominated by Member States for a period of service of three years<sup><1></sup>. At its November 2021 session, the 1992 Fund Assembly appointed Mrs Alison Baker as the new external expert of the Audit Body for an initial term of three years, from 1 January 2022 to 31 December 2024. The members of the Audit Body are as follows:

Mrs Birgit Sjølling Olsen, Denmark (Chair)  
Mr Vatsalya Saxena, India (Vice-Chair)  
Mr Alfred H.E. Popp, CM, K.C., Canada  
Mr Arnold Rondeau, France  
Dr Hideo Osuga, Japan  
Captain Thomas F. Heinan, Marshall Islands  
Mrs Alison Baker (External Expert)

- 1.2 The Audit Body operates based on an annual cycle, usually consisting of three meetings. For the period covered by this report, meetings were held on 8 and 9 December 2022, 28 April 2023 and 16 June 2023. 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.

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

- 2.1 At its inaugural meeting in January 2021, the seventh Audit Body planned the programme of activities for its three-year tenure and adopted its work programme. The Audit Body has continued working in accordance with the programme. The work programme includes all core and ongoing activities in accordance with the mandate of the Audit Body and is updated regularly. The work programme is submitted to the governing bodies for information and is included in Appendix I of this Report.
- 2.2 In carrying out its programme, the Audit Body has worked closely with the Director and the Secretariat. The Audit Body continues to be mindful of the balance required between the management responsibilities of the Secretariat and the oversight role of the Audit Body. In the conduct of its work, the Audit Body has also remained 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 focuses on six main areas to discharge its responsibilities under the Audit Body mandate<sup><2></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;
  - (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.

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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 mandate, see Appendix II.

### **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 six main areas presented above in paragraph 2.3 in the period since its last annual report to the governing bodies in October 2022.

#### **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 and the Financial Statements prepared by the Secretariat. Consistent with established practice, the Audit Body met with the External Auditor to review the audit programme for the IOPC Funds' 2022 Financial Statements. This took place at the December 2022 meeting. The External Auditor carried out the planning work in the autumn of 2022, concluding the interim audit in January/February 2023. At the April 2023 meeting, the Audit Body reviewed the Audit Completion Report of the final audit of the 2022 Financial Statements. The Audit Body considered the Director's responses and updates to the External Auditor's recommendations following the audit of the 2022 Financial Statements. However, the Audit Body noted that no recommendations from prior years remained ongoing and that no recommendations had been made during the audit of the 2022 Financial Statements.

3.2.2 The Audit Body recognises that the responsibility for the conduct of the external audit and the external audit opinion rests entirely with the External Auditor. Nonetheless, the mandate of the Audit Body calls for it to 'discuss with the External Auditor the nature and scope of each forthcoming audit and provide input to the development of the strategic audit plan'.

3.2.3 Accordingly, the structured approach, which underlies the conduct of the IOPC Funds' external audit, allows for a constructive and productive working relationship with the External Auditor. It enables the Audit Body to be aware of the planned scope and focus of the audit, including the assessment of high-risk areas, and the timetable for audit reports. Traditionally the Audit Body also holds 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 The Audit Body has also noted with great appreciation that the Secretariat has performed its tasks and maintained a high quality of work even though there have been substantial changes in the management team and vacant positions due to these changes which were not automatically filled.

#### **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 a 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 responsibilities 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 As part of its mandate to focus on risk management, the sixth Audit Body presented its document on

the risk associated with insurers who are not members of the International Group of P&I Associations (non-IG insurers) and its findings and recommendations to December 2020 sessions of the IOPC Funds' governing bodies (document IOPC/NOV20/5/5/1). In accordance with the Record of Decisions from that meeting, the Audit Body recommended that the document on non-IG insurers should be formally presented to the IMO Secretariat (document IOPC/NOV20/11/2, paragraph 5.5.21). After an initial discussion during the 108th session of the IMO Legal Committee (document LEG 108/5), the Legal Committee has continued its deliberations on this item. At the 109th session of the Legal Committee in March 2022, the Committee was mindful of the importance of the subject and decided to include a new output related to the development of guidance for the proper implementation and application of IMO liability and compensation conventions in the 2022–2023 biennial agenda of the Legal Committee (and later the 2024–2025 biennial agenda), with a target completion year of 2024 (document LEG 109/16/1). It was further discussed at the 110th session of the Legal Committee in March 2023, where the Committee finalised the development of three pamphlets on information on liability conventions, including the 1992 Fund Civil Liability Convention (1992 CLC), and furthermore agreed to the establishment of a formal intersessional correspondence group to review the Guidelines for accepting insurance companies, financial security providers and the International Group of P&I Clubs. The Audit Body will continue to follow the development on this subject in the IMO Legal Committee.

- 3.3.4 The Audit Body also considers the programme of periodic internal audit type reviews commissioned by the Director. The Audit Body considered the programme of work planned for 2021–2022 at its July 2021 meeting via a presentation from Mazars LLP, the Funds' internal audit service provider. At the meeting of the Audit Body in December 2022, the Secretariat informed the Audit Body members that the annual risk review for 2022 had been conducted in accordance with the Risk Management Framework (RMF) presented by the Secretariat at the June 2020 meeting of the Audit Body. The Director also informed the Audit Body that he had decided not to carry out the internal audit in 2023 with due consideration of the current situation of the Secretariat where the Director had just started his term, new Deputy Director had just been appointed, and the Administration Department had been established in 2022. He informed that the Secretariat would discuss internally how to proceed the further internal audit and share the progress with the Audit Body in a future meeting.
- 3.3.5 At the April 2023 meeting, the Secretariat updated to the Audit Body on the current financial controls of the IOPC Funds.
- 3.3.6 At the October 2019 meetings, the governing bodies instructed the Director to examine other ways to incentivise the submission of oil reports, including the possibility of invoicing contributors based on estimates if no reports were submitted (document IOPC/OCT19, paragraph 5.1.17). The governing bodies were informed that the issue would be examined with the Audit Body. Over the past years, the Audit Body has devoted some time to discussing the issue, including the legal possibilities under the Conventions. Based on the legal opinions provided by Professor Dan Sarooshi K.C. the Audit Body has noted with satisfaction that there is a firm legal basis under the Conventions for the Director to be authorised by the 1992 Fund Assembly to levy contributions based on estimated oil receipts and that the Director has the power to issue such retrospective invoices. At the meetings in October 2022, the governing bodies instructed the Director to prepare, in consultation with the Audit Body, a draft Resolution in order to enable him to issue invoices to contributors based on estimates if no oil reports are submitted. They also instructed him to introduce the relevant draft amendments to the relevant Internal Regulations and present a document on this issue at a future meeting of the governing bodies in 2023. The Audit Body has discussed a draft Resolution for the 1992 Fund and a draft Resolution for the Supplementary Fund and the amendments to the relevant Internal Regulations at its April and June 2023 meetings and supports the draft Resolutions and the draft amendments to the Internal Regulations to be presented to, and to be decided upon by the governing bodies at the November 2023 meeting.

- 3.3.7 The handling of claims is the most important task of the Secretariat and has been subject both to external and internal audits. Mindful of the importance of the task and the need to have a good understanding of the issue, the Audit Body included this item on its work program. In December 2022, the Audit Body had a special session, in addition to its regular meeting, that focussed on the claims handling process with substantial guidance and information provided by the Secretariat. The Audit Body was most appreciative of this session, which enhanced the knowledge of the Audit Body members, who found the special session both worthwhile and useful. During its meeting in April 2023, the Secretariat briefed the Audit Body on the handling of small claims in relation to the *Hebei Spirit* incident.
- 3.3.8 While acknowledging the separate and distinct mandate of the Investment Advisory Body (IAB), the Audit Body has found it particularly useful, in the exercise of its own mandate, to have a good understanding of the views of the IAB on investment and financial risks and their approach to currency exposure and hedging policy and has benefitted from receiving the minutes from the IAB meetings as well as meeting with the IAB.
- 3.4 Reviewing the IOPC Funds' Financial Statements and Reports
- 3.4.1 At the April 2023 meeting, the External Auditor provided the Audit Completion Report on the final audit of the 2022 Financial Statements to the Audit Body and the Secretariat submitted the draft Financial Statements for the 1992 Fund and the Supplementary Fund containing a substantial and detailed report on the Funds' finances and activities.
- 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 Report, the Audit Body was attentive to completeness and consistency while also taking into account the findings and comments by the External Auditor.
- 3.4.3 **Recommendation to the governing bodies:** Pursuant to its review of the 2022 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 approves the Financial Statements of the 1992 Fund and the Supplementary Fund for the year ending 31 December 2022.
- 3.5 Promoting the understanding and effectiveness of the audit function within the IOPC Funds
- 3.5.1 As part of its mandate, the Audit Body promotes the understanding and effectiveness of the audit function within the IOPC Funds. The Audit Body addresses this core responsibility through several means.
- 3.5.2 By means of its programme of activities and annual report to the governing bodies, the Audit Body has sought to make clear the nature of its interactions with various entities (i.e. the Secretariat, the External Auditor and the IAB).
- 3.5.3 The meetings of the Audit Body, including the closed sessions with the External Auditor, provide a forum to discuss a broad range of matters germane to the Audit Body's mandate. The open meetings involve the participation of the Director, the Deputy Director, the Head of Administration, the Chief of Finance, and the representatives of the External Auditor. Other members of the Secretariat are invited to attend discussions where agenda items being considered are related to their responsibilities. By means of these meetings, the Director also keeps the Audit Body fully apprised of the activities of the IOPC Funds, including developments on incidents and outcomes of inter-sessional meetings.
- 3.5.4 The periodic participation of one or more of the Chairs of the IOPC Funds' governing bodies at

meetings of the Audit Body further serves to promote effective communication. The Audit Body considers periodic attendance at the sessions of the governing bodies an important element which ensures its effectiveness and enables the Audit Body to have informal interaction and discussions with representatives from Member States. These objectives are reflected in the Rules of Procedure of the Audit Body. The Chair of the Audit Body and the External Expert attend the sessions of the governing bodies to report on the activities of the Audit Body. When the sessions of the governing bodies have been held remotely, it has also been possible for other members of the Audit Body to follow the deliberations. When not held remotely, other members of the Audit Body may also attend the sessions of the governing bodies, either the extraordinary session normally held in April, or the regular session normally held in October/November. This allows the Audit Body to gain a better insight into the work of the IOPC Funds and appreciation of the perspectives and positions of Member States on key issues and developments.

3.5.5 At the December 2022 meeting of the Audit Body, the Director referred to the costs of attending the meetings in London and proposed amending the procedure relating to the attendance of the Audit Body members to the meetings of the governing bodies. Consequently, the Audit Body members as a general rule will attend one meeting of the governing bodies during each three-year term and use the streaming service to attend the rest of the meetings. He noted that in the future the meetings of the governing bodies would be held in a hybrid format which would facilitate the participation of Audit Body members. Considering the financial implications and the potential savings to the Funds, the Audit Body agreed with this proposal and the relevant Rules of Procedure of the Audit Body on the travel policy were amended accordingly.

### 3.6 Managing the process for the selection of the External Auditor

3.6.1 As the re-appointment of BDO International LLP (BDO) as the External Auditor covers the financial years 2020–2023 inclusive, the Audit Body has, in accordance with its mandate, included the selection of the External Auditor in its work programme. At their October 2022 meeting, the governing bodies approved the re-appointment of BDO for a two-year term (2024 and 2025) as proposed by the Audit Body due to the special circumstances. The governing bodies also approved the amendment to Financial Regulation 14.1 of the 1992 Fund and the Supplementary Fund (document IOPC/OCT22/11/1, paragraph 6.3.23). The Audit Body has devoted substantial time to examining the process for the selecting of a new External Auditor and will present a document on this item at the November 2023 sessions of the governing bodies.

3.6.2 Furthermore, 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 relationship 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.

3.6.3 The statement by the Audit Body regarding the effectiveness of the relationship between the IOPC Funds and the External Auditor is set out in Appendix III.

### 3.7 Undertaking any other tasks or activities as requested by the IOPC Funds' governing bodies.

3.7.1 The Audit Body mandate provides for the Audit Body to undertake any other task or activity as requested by the IOPC Funds' governing bodies (see paragraphs 3.2.3 and 3.2.6.)

3.7.2 The Audit Body regards the effectiveness of the system of internal controls exercised by the Secretariat in respect of financial reporting, operational procedures, and risk management to be critical to the long-term viability and veracity of the IOPC Funds. 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.

3.7.3 The Audit Body remains satisfied that the Director shares this view and carries out the management of the IOPC Funds accordingly.

#### **4 Self-assessment and best practice**

4.1 Every three years the Audit Body evaluates its functioning, and the evaluation report is attached as Annex II to this report. The Audit Body conducted a structured self-assessment of its performance with comments to be provided by each Audit Body member and summarised for evaluation by the Audit Body Chair. The Chairs of the 1992 Fund Assembly and the Supplementary Fund Assembly, and the Director on behalf of the Secretariat were also invited to provide comments.

For the self-assessment the following framework of criteria is used:

- (i) Quality of Understanding: of the core activities and risks, of the Funds' risk management framework, how governance is carried out and the key financial issues etc;
- (ii) Relationships: quality of interaction with the external auditors, the Secretariat, the governing bodies, and effectiveness of the Audit Body Chair etc.;
- (iii) Process: ensuring focus on the right issues, Terms of Reference, agenda setting and content, information provided to members, the right attendees, and invitees, rigor of debate and access to experts, etc.; and
- (iv) Best practices: studying and adapting best practices of audit committees.

4.2 The results of the review indicates that consideration of best practice should remain a focus of attention as such practice continues to evolve, notwithstanding that the basic principles have remained consistent for several years. It does not appear that the way in which the governing bodies have established the Audit Body and specified its work, nor the way in which responsibilities are discharged, has resulted in any significant divergence from best practice.

4.3 The functioning of the Audit Body depends on the tasks assigned to it by the governing bodies, the cooperation with the Secretariat, the Chairs of the governing bodies and the External Auditors. The cooperation with the Secretariat has been excellent and the Secretariat has assisted the Audit Body in its endeavors, including providing not only detailed information on management and financial issues but also information on the core processes such as the claims handling, which has given the Audit Body an important insight on handling this process. The Chairs of the governing bodies, have through their participation, also given a valuable insight into the performance expected of the Audit Body. The assistance by and cooperation with the External Auditor have also been essential for the examination of the Audit Report.

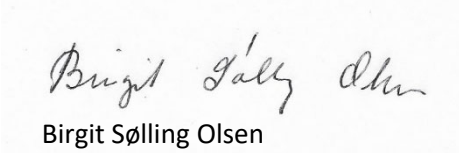
4.4 The different knowledge of the members of the Audit Body, both the financial expertise provided by the External Expert and the different expertise by other members, has been important for the functioning of the Audit Body and its performance. The review also shows that there is no need to amend the mandate of the Audit Body. The Audit Body finds that it has been fruitful that its tasks have included not only looking into traditional areas such as the Financial Reports, the External Auditors Report and risk management, but also examining other issues where there was a need to find new solutions for the Funds such as how to minimize the financial risks for the Funds when insurance was provided by non-IG insurers or how to minimize the potential loss for the Funds by invoicing contributors based on an estimated import of oil, when they had not submitted oil reports, in breach



of the Conventions. This has allowed the governing bodies to make use of the expertise of the Audit Body and for the Audit Body to give further assistance to the governing bodies.

## 5 Concluding remarks

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

A handwritten signature in black ink, reading "Birgit Sølling Olsen". The signature is written in a cursive style and is contained within a light grey rectangular box.

Birgit Sølling Olsen  
Chair, Joint Audit Body,  
25 August 2023

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## ANNEX II

### REVIEW OF THE FUNCTIONING OF THE SEVENTH AUDIT BODY

#### 1 Introduction

- 1.1 The Chair of the Audit Body is required to report on its work annually at each regular session of the governing bodies and, in addition, as follows:

“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” (paragraph 7 of the Audit Body’s Composition and mandate as reproduced at Appendix II).”

#### 2 Approach

- 2.1 Whilst the principal responsibility rests with the Chair, a wider evaluation of performance is consistent with best practice for Boards and Audit Committees and this involves a process of self-assessment, together with input to the process from relevant parties or stakeholders (e.g. the Secretariat and the Chairs of the 1992 Fund Assembly and the Supplementary Fund Assembly). Benchmarking against other comparable organisations is another tool, albeit one that often necessitates consultancy spend that is not budgeted, nor was it considered necessary by the governing bodies when this issue was raised by previous Audit Bodies.

- 2.2 The process adopted was similar to that adopted by the sixth Audit Body, namely, to conduct a structured self-assessment of performance with comments to be provided by each Audit Body member, collated and summarised for evaluation by the Audit Body Chair.

- 2.3 For the self-assessment the following framework of criteria is used:

- Quality of Understanding: of the core activities and risks, of the Funds’ risk management framework, how governance is carried out and the key financial issues etc.
- Relationships: quality of interaction with the external auditors, the Secretariat, the governing bodies and effectiveness of Audit Body Chair etc.
- Process: ensuring focus on the right issues, Terms of Reference, agenda setting and content, information provided to members, the right attendees and invitees, rigour of debate and access to experts etc.
- Best practices: studying and adapting best practices of audit committees.

- 2.4 Comments were requested on the measurement of the Audit Body’s activities against its mandate and how its work has benefited IOPC Funds by reference to:

- The Audit Body mandate;

- The Audit Body work plan during the triennial period (as contained in papers for our meetings);
- The measurement criteria as used previously (as set out under Appendix IV);
- Any other comments considered to be appropriate in the circumstances.

2.5 Comments were also requested against a Corporate Governance questionnaire, the results of which are set out in Appendix IV.

### 3 **Self-Assessment**

Responses were received from all the members of the seventh Audit Body; further feedback was obtained from the Secretariat via the Director, Deputy Director, Chief of Finance and Head of Administration; the Chair of the 1992 Fund Assembly, H.E. Mr Antonio Bandini, and the Chair of the Supplementary Fund Assembly, Mr François Marier. The comments, which are summarised below in a non-attributable format, have been grouped under the framework as set out in the request for feedback.

#### 1. *Understanding:*

- *Good understanding of the financial issues in general, aided by external auditor reports;*
- *The Audit Body mandate remains fit for purpose;*
- *The reports by the External Expert aid understanding of the financial statements;*
- *Deep dives have added to the understanding of the key processes within the Funds, in particular the special review of the claims process undertaken in December 2022 and subsequent small claims review in April 2023; and*
- *Internal audit mandate to be revisited by the eighth Audit Body and possible internal controls reviews.*

#### 2. *Relationships:*

- *Excellent interaction with the external auditor and supportive of covid requirements for virtual audit process;*
- *Quality of relationship with the Secretariat remains good and supportive through a time of considerable change;*
- *Regular interaction with the Investment Advisory Body, should there be more?;*
- *Communication with the governing bodies aided by having Chairs presence at the Audit Body meetings; and*
- *Audit Body Chair considered to have been effective in role.*

#### 3. *Processes:*

- *Deep dives have added the understanding of the key processes within the Fund, in particular the claims process - to develop a plan of deep dives for the eighth Audit Body?;*
- *Terms of reference and agenda setting remain fit for purpose;*
- *Good quality information provided to members, both content and timeliness from the Secretariat;*
- *Excellent and detailed minutes very helpful;*
- *Sufficient meetings and availability of members;*
- *Good debate on key issues and consensus built by Chair with support from the Director;*
- *Excellent access to expert/independent advice; and*
- *Induction process helpful.*

4. *Best practices:*
  - *The Audit Body mandate remains appropriate by reference to best practices for Audit Committees and Governance requirements; and*
  - *Should we benchmark against other Intergovernmental bodies?*
5. *Other*
  - *The Audit Body managed well through the period of the pandemic in executing its mandate despite the lack of face-to-face meetings;*
  - *The Audit Body has supported the Secretariat through a period of significant change and appreciated the high quality of work despite the substantial changes; and*
  - *Consider more detailed review of whistleblowing procedures.*

#### **4 Summary of Self-assessment**

- 4.1 Generally, the seventh Audit Body has a good understanding of the systems of internal control and of risk management. There has also been a focus on the need for more in-depth review of key risks (“deep dives”), including internal audit reviews and presentations from members of the Secretariat. The induction process for newly appointed members was well received, and it is recognised that the understanding of Audit Body members is mixed, due to the varied nature of experience, and the initial induction plus ongoing deep dives enables the ability of Audit Body members to contribute.
- 4.2 The relationship between the Audit Body, the Secretariat and the External Auditor was assessed as excellent, being open and constructive. Inviting the Chairs of the 1992 Fund Assembly and Supplementary Fund Assembly to Audit Body meetings is also seen as a means of improving communication with the governing bodies.
- 4.3 Overall, the Audit Body members have a good understanding of the Funds’ activities due to the breadth of their experience, which enables them to take a broader view of risks facing the organisations and to contribute as required by the governing bodies. Each member of the current seventh Audit Body has a broad range of experience, expertise in fields such as maritime administration, the maritime industry, international organisation and international law.
- 4.4 The seventh Audit Body has served through the global pandemic and as a result has dealt with the challenge of providing oversight during a significant period of remote working, whilst ensuring the effectiveness of the internal control framework and execution of the annual external audit.
- 4.5 Thanks to its present composition, the seventh Audit Body has been able to have meaningful discussions at its meetings. The outcome of these activities has been very valuable when proposing the measures relating to the issues and the significant work undertaken with regards the invoicing of contributors who have not submitted oil reports as well as the ongoing monitoring of the non-IG insurers.
- 4.6 The Chair considers that the seventh Audit Body has been able to discharge all elements of its mandate with the existing balance of skills and with the contribution and support of the External Expert whose role remains critical to the successful functioning of the Audit Body.
- 4.7 The Chair of the Audit Body expresses sincere gratitude to the members of the seventh Audit Body and other stakeholders who have cooperated with the self-assessment and hopes that the operation

of the Audit Body will improve based on this feedback and with the help of the governing bodies of the IOPC Funds.

## **5 Review of the best practice in the seventh Audit Body on the basis of 'Codes of Corporate Governance'**

5.1 One of the functions of the External Expert of the IOPC Funds' Audit Body has been to monitor developments in the world of corporate governance and to advise on the best practice in so far as it affects the mandate of the Audit Body and its operation. A review has been undertaken by the External Expert as there have been further revisions to codes of Corporate Governance since the previous review in 2015. The Corporate Governance Code was revised in 2012, 2014, 2016 and 2018 and a revised draft issued in June 2023.

5.2 In light of the proposed changes to the Corporate Governance Code, including the minimum standards for Audit Committees the External Expert also provided feedback to the Audit Body on areas for future development of Governance standards.

## **6 Results of the review**

6.1 The evaluation of the IOPC Funds' Audit Body has had regard to the special nature of the Organisation and its structure compared with corporate entities and those public sector organisations likely to have audit committees.

6.2 This review indicates that consideration of best practice should remain a focus of attention as such practice continues to evolve, notwithstanding that the basic principles have remained consistent for a number of years. With regard to the review, it does not appear that the way in which the governing bodies have established the Audit Body and specified its work, nor the way in which responsibilities are discharged, has resulted in any significant divergence from best practice.

## **7 Overall conclusion**

Whilst final comments are required from the stakeholder parties, the self-assessment has concluded that the Audit Body has adequately discharged its duties and the mandate is appropriate when compared with best practice corporate governance requirements, in particular with regards the relationship and oversight of the External Auditor. At the June meeting 2023, the Audit Body members did not add further areas to be highlighted in the Chairs' report or in the Appendix IV.

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**APPENDIX I**

**Audit Body Work Programme Schedule 2020 to 2023**

**June 2023**

1	Audit Body input to the External Cycle			Person(s) responsible
1.1	Audit Body review of External Auditor Planning Report/input to audit strategy	Annually December Audit Body meeting	Core	All members of the Audit Body
1.2	Audit Body review/comment on External Auditor's interim report	Annually 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 April Audit Body meeting	Core	All members of the Audit Body
1.4	Monitor Director's response to External Auditor's recommendations	Annually Review at April and June Audit Body meeting	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 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  External Expert/Audit Body members
2.4	Non-IG insurers	<ol style="list-style-type: none"> <li>1) The Audit Body presented an interim report to the governing bodies in October 2018</li> <li>2) The Audit Body reported its consideration to the governing bodies in October 2019</li> <li>3) The Audit Body presented its recommendations to the governing bodies in December 2020</li> </ol>	Occasional	Preliminary task completed. Further work TBA

		4) Document forwarded to the International Maritime Organization (IMO). The IMO Legal Committee has decided to develop guidance for the proper implementation and application of IMO liability and compensation conventions with a target completion year of 2024. The Audit Body is following the deliberations in IMO		
2.5	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
2.6	Invoicing contributors who have not submitted oil reports	<ol style="list-style-type: none"> <li>1) The item has been discussed at several Audit Body meetings</li> <li>2) The Audit Body has examined the legal opinions provided and concluded that it is possible to issue invoices based on estimates and recommends that the issue be brought to the attention of the Assemblies</li> <li>3) Consultations on draft Assembly Resolutions on actions to be taken on non-submission of oil reports – April and June meetings</li> </ol>	Occasional	The Secretariat and all members of the Audit Body
2.7	Functioning of the guidelines on small claims – <i>Hebei Spirit</i> incident	April 2023 Presentation by the Secretariat on the use of the guidelines	Occasional	The Secretariat and all members of the Audit Body
2.8	Succession plans with regard to the Finance and Administration Department	Information provided at the April meeting 2022	Occasional	The Secretariat and all members of the Audit Body
2.9	Insight into the claims handling process	At the time of the December 2022 meeting	Occasional	Arrangements to be made with the Secretariat in

				cooperation with the Chair of the Audit Body
3	Audit Body review of Organisations' Financial Statements and Reports			Person(s) responsible
3.1	Review of Financial Statements presentation/accounting policy	Annually December Audit Body meeting	Core	All members of the Audit Body
3.2	Review Financial Statements	Annually April Audit Body meeting	Core	All members of the Audit Body
3.3	Monitor International Public Sector Accounting Standards (IPSAS) implementation	Ongoing	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 Regular session	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 in Dec/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 the functioning of the Audit Body	1) Audit Body self-assessment process and report presented to governing bodies in December 2020, inclusive of Audit Body's response to External Auditor's recommendations 2) Governing bodies decided to maintain current Audit Body	Core/ Rotational	Chair/External Expert/ Audit Body members



		mandate and composition 3) Seventh Audit Body developed format for next review and delivered report to governing bodies at the November 2023 sessions		
4.7	Presentation of Claims Handling System and internal measures in place to mitigate fraud	July meeting 2022	Core	The Secretariat
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 Audit Body's Chair report	Core	Chair
5.2	Selection process preparedness and recommendation to governing bodies	Process for the next Audit cycle was presented to the governing bodies in October 2022. The governing bodies accepted the Audit Body's recommendation to extend BDO's contract for 2 more years after the end of the present contract. Document on the selection process to be presented at the November 2023 sessions of the governing bodies.	Rotational	External Expert All members of the Audit Body
6	Audit Body to undertake any other tasks requested by the Funds' governing bodies			Person(s) responsible
6.1	Non-IG insurers	See point 2.4	See point 2.4	Preliminary task completed. Further work TBA

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## APPENDIX II

### 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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## APPENDIX III

### **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 Audit Body has also noted with appreciation that the External Auditor has continuously worked on the communication to ensure that the results of the audit process are communicated in a clear and timely manner. 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.

David Eagles from the BDO has been the constant factor ensuring the quality of the audit, and the Audit Body has over his years of service relied on his advice and benefited from the good cooperation, which he stands for. As he is now retiring the Audit Body expresses its appreciation and sends him the best wishes for the future.

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## APPENDIX IV

### CORPORATE GOVERNANCE EVOLVING BEST PRACTICE RELATING TO AUDIT BODIES - as at June 2023

1. One of the functions of the external expert member of the IOPC Funds' Audit Body has been to monitor developments in the world of corporate governance and to advise on current best practice in so far as it affects the mandate of the Audit Body and its operation.
2. A review has been undertaken now as there have been further proposed revisions to codes of Corporate Governance since the previous review in 2020.

#### Background

1. Audit Committees originated as part of the Anglo-Saxon model of corporate governance but have since evolved to form part of the governance structure of public sector, international and inter- governmental organisations. Whilst the fundamental principles underpinning such organisations have been consistent, the detailed scope and operation of such bodies has adapted to changing circumstances and expanded particularly in response to the financial crisis of 2008 onwards and in response to a number of governance scandals in the corporate world. Further changes from formal government reviews undertaken over the last four years have now resulted in a further proposed amendments to United Kingdom governance legislation.
2. Because of the size of its financial services sector, the associated regulatory framework has encompassed the work of audit committees and, consequently, been subject to most recent revision due to the circumstances described above. Hence, the system of corporate governance pertaining in the United Kingdom has been used as the benchmark for this exercise.
3. The Corporate Governance Code was revised in 2012, 2014, 2016, and 2018 and recent draft updates were issued in early June 2023. In order to consider the IOPC Funds situation, a checklist of current best practice/required activity has been used, together with comment as to the IOPC Funds' position. This checklist, set out in this Appendix excludes or adapts those criteria that are applicable to corporate entities. A public sector Best Practice Guide has also been reviewed along with the recently issued minimum standard for audit committees in relation to the External Auditor.

## Framework of criteria

Whilst these views can be elicited formally or informally, it is recommended that a framework of criteria is used to provide the basis of a structured analysis and the following measures of the functioning of the Audit Body are suggested:

1. Understanding:
  - Of the Organisations' core activities and risks
  - Of the IOPC Funds' risk management framework
  - How assurance is obtained
  - How governance is carried out throughout the Organisation
  - The key financial issues in the financial statements
2. Relationships:
  - Quality of interaction with the external auditors
  - Quality of relationship with the Secretariat
  - Quality of relationship with other entities (e.g. IAB)
  - Quality of communication with the governing bodies
  - Role and effectiveness of Audit Body Chair
3. Processes:
  - Ensuring focus on the right issues
  - Quality of processes
    - - Terms of reference
    - - Agenda setting and content
    - - Information provided to members, both content and timeliness
    - - The right attendees and invitees
    - - Sufficient meetings and availability of members
  - Rigour of debate
  - Access to expert/ independent advice
4. Best practices:
  - Studying and adapting best practices of audit committees
5. Other:
  - Any other matter or issue of concern to the respondent.

## CURRENT BEST PRACTICE and IOPC FUNDS AUDIT BODY

### BEST PRACTICE IOPC FUNDS' POSITION

#### Establishment and Terms of Reference

##### *Membership*

<p>Does the Audit Body (AB) have at least three independent members? Are appointments made independently?</p> <p>Are appointments made for a three-year period (up to twice renewable)?</p> <p>Has at least one member got recent and relevant financial experience including membership of a recognised professional accountancy body?</p>	<p><i>The Audit Body currently has six members elected by the governing bodies and an external expert member appointed on the recommendation of the Assembly Chairman.</i></p> <p><i>Appointments are for a three-year term, once renewable for elected members, and twice renewable for the External Expert, who has recent and relevant financial experience.</i></p> <p><i>The seventh Audit Body (AB7) also has at least two elected members with financial experience, in addition to the Assembly appointed External Expert. All elected members have knowledge of the Funds or the environment in which they operate.</i></p>
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##### *Terms of Reference*

<p>Do written terms of reference include the following:</p> <ol style="list-style-type: none"><li>1. Monitor the integrity of the Financial Statements, reviewing any significant financial reporting judgements?</li><li>2. Review internal financial controls and the Funds' internal control and risk management systems?</li><li>3. Monitor and review the effectiveness of the internal audit function?</li><li>4. Make recommendations to the governing bodies in relation to the appointment, remuneration and terms of engagement of the External Auditor?</li><li>5. Review and monitor the External Auditor's independence, objectivity and the effectiveness of the audit process?</li><li>6. Develop a policy on the engagement of the External Auditor to supply non-audit services?</li><li>7. Report to the governing bodies on how it has discharged its responsibilities?</li></ol>	<p><i>The mandate of the Audit Body matches the listed criteria with the exception there is no formal policy regarding the use of the external auditor for non-audit services, although given the changes in UK ethical standards since the last triennial review the white list of permitted services is deminimus. This issue is considered annually via consideration of their independence.</i></p>
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## Meetings

<p>Does the Chair, in consultation with the Secretariat, decide the frequency and timing of Audit Body meetings?</p> <ol style="list-style-type: none"><li>1. Does the Audit Body decide who shall be in attendance at meetings?</li><li>2. Is sufficient time allowed for full discussion?</li><li>3. Is there sufficient time between Audit Body and Assembly meetings for matters to be reported as appropriate?</li><li>4. Does the Audit Body meet, at least annually, with the External Auditor without the presence of the Secretariat, to discuss matters relating to its remit and any issues arising from the audit?</li><li>5. Does the Chair (and other members) keep in touch with key people involved in governance?</li><li>6. Did the Audit Body adapt to virtual meeting format during the COVID-19 pandemic?</li><li>7. Did the Audit Body continue to operate efficiently and manage to facilitate discussions with the Secretariat and the External Auditor during its meetings despite the challenges faced during the COVID-19 pandemic?</li></ol>	<p><i>Yes to all.</i></p> <p><i>It was noted that the AB7 adapted very effectively to the virtual ways of working and was still able to efficiently provide oversight under its mandate.</i></p>
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## Resources

<p>Does the Audit Body have sufficient resources to undertake its duties?</p> <p>Does the Audit Body have access to the Secretariat on Audit Body matters?</p> <p>Does the Audit Body receive information and papers in a timely matter such that proper consideration can be given to the issues?</p> <p>Is the Audit Body able to take independent advice if it reasonably believes it necessary to do so?</p>	<p><i>Yes.</i></p> <p><i>Yes, with the proviso that, on occasion, papers cannot, for practical reasons, be distributed well in advance of the meeting.</i></p> <p><i>Yes.</i></p> <p><i>There is no formal provision enabling the Audit Body to seek independent advice, however, there is a direct communication channel between the Audit Body and the governing bodies which can be used should the circumstances dictate. In addition, external legal advice has been made available on key matters where appropriate.</i></p>
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## Skills and training

<p>Are there formal assessment criteria for the appointment of Audit Body members and do Audit Body members receive appropriate induction training on appointment?</p>	<p><i>The current election procedures do not specify skills required but the issue has been addressed in the past via the Audit Body submission of skills required (see document IOPC/OCT13/6/2). Induction training was provided for AB7 members and will take place for AB8.</i></p>
<p>Is knowledge of the organisation regularly refreshed and training provided on financial reporting?</p>	<p><i>There are no formal training programmes, however, there is periodic attendance at governing body meetings by Audit Body members on a rotational basis, which maintains knowledge of the organisation and the currency of its work. Audit Body meetings include detailed briefings by the Director on the work of the Funds. In addition, the external expert provides detailed briefings to colleagues on financial reporting matters.</i></p>

## Relationship with the governing bodies

<p>Does the Audit Body review its terms of reference and its own effectiveness annually and recommend any necessary changes?</p>	<p><i>The Audit Body does not formally consider its mandate annually but reports in detail under each heading. A self-assessment is performed as part of the triennial functioning review.</i></p>
<p>Does the Audit Body report to the governing bodies how it has discharged its responsibilities including:</p> <ul style="list-style-type: none"> <li>(a) Significant issues relating to the Financial Statements</li> <li>(b) The assessment of the effectiveness of the External Audit process</li> <li>(c) All other important matters or those referred to the Audit Body?</li> </ul>	<p><i>Yes. In detail.</i></p>

## Role and responsibilities

### Financial Reporting

<p>Does the Audit Body review the significant financial reporting issues and judgements made in the preparation of the Financial Statements?</p>	<p><i>Yes, via review of External Auditor's report to the AB and a financial commentary presented by the External Expert.</i></p>
<p>Taking into account the External Auditor's view, does the Audit Body consider the appropriateness of the Funds' accounting policies and associated judgements?</p>	<p><i>Yes, primarily via work of the External Expert.</i></p>

Does the Audit Body review the clarity and completeness of disclosures in the Financial Statements?	<i>Yes, as above.</i>
Does the Audit Body review other information (e.g. Director's statements) presented with the Financial Statements?	<i>Yes.</i>

**Whistleblowing**

Does the Audit Body review arrangements by which staff may, in confidence, raise concerns about possible improprieties in financial reporting or other matters?	<i>The Secretariat does have whistle-blowing policies and procedures; however, these have not been formally reviewed by AB7 and should be included in the workplan for AB8.</i>
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**Internal Controls and Risk Management Systems**

Does the Audit Body review the Funds' internal financial controls and the risk management systems?	<i>Yes, internal controls via the External Auditor's report to the Audit Body and the Director's assessment; risk management via the Funds risk management process.</i>
Does the Audit Body receive reports from the Secretariat on the effectiveness of the controls they have established and the results of testing by internal and External Auditors?	<i>Yes.</i>
Does the Audit Body review the statements in the annual report relating to internal control and risk management?	<i>This is not formally considered by the Audit Body as part of its work programme other than through the work of the External Auditor, under the new auditing standard ISA 315 and reporting from the Secretariat as noted above. Further consideration of controls reporting to be undertaken by AB8.</i>
Does the Audit Body consider whether effective anti-fraud policies and procedures are in place and operating effectively?	<i>Fraud risk assessment to be considered as part of workplan for AB8.</i>

**Internal Audit Function**

Does the Audit Body monitor and review the effectiveness of the internal audit function?	<i>Internal audit activity is provided by external consultants who perform a focused programme of work designed by the Director and reviewed by the Audit Body. The reports are reviewed by the Audit Body.</i>
Where there is no internal audit function, does the Audit Body consider annually whether such a need exists and report to the governing bodies?	<i>Not applicable.</i>

## Roles and Responsibilities — External Audit

### ***Appointment and Tendering***

Does the Audit Body have primary responsibility for making a recommendation on the appointment and re-appointment of External Auditors?	<i>Yes. The Audit Body sought approval from the 2022 Assembly that, due to exceptional circumstances in the audit marketplace, a two-year extension for the incumbent External Auditor, BDO, be granted.</i>
Has the Audit Body conducted the selection process?	<i>Not relevant for this Audit Body but the Audit Body mandate provides that the Audit Body has the responsibility for the evaluation process for the selection of the External Auditor. Audit Body 8 will be tasked with the selection of the External Auditor for 2026-2028.</i>
Does the Audit Body assess annually the audit process, independence and effectiveness and does the Audit Body explain how this was done?	<i>Yes.</i>
Has the Audit Body made the necessary arrangements in advance of the appointment of the next External Auditors?	<i>Yes. A competitive tender process will be held amongst those auditing firms/national audit offices considered to have the industry knowledge, understanding of the organisation and relevant experience.</i>

### ***Terms and Remuneration***

Does the Audit Body approve the terms of engagement and remuneration to be paid to the External Auditor?	<i>Yes, regarding the terms of engagement. The fee is negotiated by the Secretariat and reviewed by the Audit Body as part of the audit tender or review process.</i>
Has the Audit Body satisfied itself that the fee is adequate in terms of carrying out an effective audit?	<i>For the recent performance review, the fee formed part of the evaluation.</i>

### ***Independence and partner rotation***

Does the Audit Body assess annually the independence and objectivity of the External Auditor?	<i>Yes, aided by a report from the External Auditor addressing the issue.</i>
Does the Audit Body obtain from the audit firm information about their policies and procedures for maintaining independence and monitoring compliance with requirements regarding rotation of partners and staff?	<i>Yes.</i>

Has the Audit Body developed and recommended to the governing bodies a policy for the provision of non-audit services by the External Auditor?	<i>No. This issue has not arisen.</i>
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**Annual Audit Cycle**

Does the Audit Body ensure that appropriate plans are in place at the start of each annual audit cycle?	<i>Yes.</i>
Does the Audit Body consider whether the External Auditor’s overall work plan, including levels of materiality, and proposed resources appear consistent with the scope of the engagement?	<i>Yes.</i>
Does the Audit Body review the findings of the External Auditor’s work with them?	<i>Yes.</i>
Does the Audit Body review the audit representation letter before the Director signs it?	<i>Yes.</i>
Does the Audit Body review the External Auditor’s report to the governing bodies?	<i>Yes.</i>
<p>Does the Audit Body assess the effectiveness of the audit process at the end of the cycle-meaning:</p> <ul style="list-style-type: none"> <li>(a) Audit Body review as to whether plan has been carried out;</li> <li>(b) Consider the robustness of the External Auditor’s dialogue with the Audit Body;</li> <li>(c) Obtain feedback on the performance of the finance function;</li> <li>(d) Determine whether the External Auditor has a good understanding of the Organisation?</li> </ul>	<i>Yes, to all.</i>