



International Oil Pollution
Compensation Funds

Agenda Item 6	IOPC/NOV24/6/2	
Date	27 August 2024	
Original	English	
1992 Fund Assembly	92A29	●
1992 Fund Executive Committee	92EC83	
Supplementary Fund Assembly	SA21	●

APPOINTMENT OF THE EXTERNAL AUDITOR

Note by the Audit Body

Summary	This document contains a report by the Audit Body on the competitive process to select the External Auditor to be appointed by the governing bodies at their November 2024 sessions, including the outcome of that process. By the deadline of 14 June 2024, tender submissions had been received from two commercial firms. Following a review of the tenders and interviews with all candidates the Audit Body has made a recommendation regarding the appointment in accordance with its mandate.
Action to be taken:	<p><u>1992 Fund Assembly and Supplementary Fund Assembly</u></p> <p>(a) Take note of the information contained in this document; and</p> <p>(b) consider the joint Audit Body's recommendation that Forvis Mazars be appointed as the IOPC Funds' External Auditor for a period of four years, i.e. the financial years 2026-2029 inclusive, subject to satisfactory annual performance reviews.</p>

1 Introduction

- 1.1 At their November 2023 sessions, the governing bodies noted that the tenure of the current External Auditor, BDO International LLP (BDO), would end with the audit of the IOPC Funds' Financial Statements for 2025. They instructed the Audit Body to conduct a competitive process for the selection of the External Auditor and seek both Member State and commercial firm nominees to conduct the audits of the Financial Statements for 2026-2029 (document [IOPC/NOV23/11/1](#), paragraph 6.4.8).
- 1.2 As set out in document [IOPC/APR24/6/1](#), the Audit Body identified three commercial firms that were invited to tender, and decided not to invite the nominee from the Russian Federation to tender due to practical commercial and compliance considerations.
- 1.3 On 3 May 2024, Azets notified the Secretariat that due to compliance reasons they would have to withdraw from the tender process.
- 1.4 The deadline for the submission of written tenders was 14 June 2024 and, by that date, tenders had been received from Macalvins and Forvis Mazars.

2 Background on candidates having submitted written tenders

Commercial firms

2.1 Macalvins

- 2.1.1 Macalvins is a regional firm based in the UK which has a focus on entrepreneurial and not-for-profit

businesses. They are subject to regulatory oversight by the Financial Reporting Council (FRC). They have proposed a UK based team led by Mr Pankaj Rajani, a UK Chartered Certified Accountant with over 35 years' experience of auditing and assurance. He is Macalvins founding partner and will be supported by Mr Mridul Khariwal, Head of Audit, both had formerly worked at KPMG.

- 2.1.2 The UK senior team will be supported by an audit service team based in South Africa. This model is used by a number of UK firms to reduce the costs associated with routine audit work which can be delivered remotely. The team experience includes financial reporting under International Public Sector Accounting Standards (IPSAS).

2.2 Forvis Mazars

Forvis Mazars is one of the world's major accounting and consulting networks with over EUR 5 billion of revenue across over 100 countries. They have proposed a Swiss based team led by Mr Marcello Stimato, an Italian Chartered Accountant and Licensed audit expert and the leader of the Swiss not-for-profit (NPO) practice. A partner with more than 18 years' experience of providing audit, regulatory and other assurance services. Mr Stimato will be supported by an audit manager, Ms Myriam Ibrahim, a Swiss certified public accountant and Licensed audit expert and an Information Technology Manager, Mr Guillaume Ladislas. The team experience includes financial reporting under International Public Sector Accounting Standards (IPSAS).

3 Tender evaluation process

- 3.1 Tenders were received for the audit of the Financial Statements of the 1992 Fund and the Supplementary Fund for the years 2026 to 2029.
- 3.2 The tender documents were evaluated by the Audit Body at their meeting on 11 July 2024 on the basis of the selection criteria that the governing bodies had approved at their November 2023 sessions (document [IOPC/NOV23/6/4](#), Annex) which is reproduced at Annex I to this document.
- 3.3 The Audit Body concluded that the candidates should be invited to an interview by the Audit Body at its meeting in July 2024. Also invited to take part in these interviews were the Director, the Deputy Director/Head of Claims, the Head of Administration and the Chief of Finance, as well as the Chairs of the 1992 Fund Assembly and the Supplementary Fund Assembly. All attended with the exception of the Chairs of the 1992 Fund Assembly and the Supplementary Fund Assembly, and the Deputy Director/Head of Claims.
- 3.4 The Audit Body followed a structured approach to the interviews having agreed a list of possible questions in advance that could be posed to the candidates, including specific questions arising from the candidates' written proposal documents.
- 3.5 Following the interviews, each firm was evaluated by the Audit Body members. Subsequently the Audit Body ranked the two candidates in conjunction with the evaluation of their submitted tenders against the agreed selection criteria. This process enabled the members of the Audit Body to identify a preferred candidate.

4 Results of the evaluation process and recommendation

- 4.1 As a result of the process referred to above, the Audit Body concluded that Forvis Mazars should be recommended to the governing bodies for appointment as External Auditor to the 1992 Fund and the Supplementary Fund and that the period of tenure should continue as at present, namely for four years, subject to satisfactory performance as evidenced by the annual review by the Audit Body in accordance with its mandate.

4.2 Although the selection panel would ideally have preferred to meet more than two candidates the Audit Body felt assured, following the presentation and interviews, that the firm being recommended to the governing bodies is highly competent, professional and is well capable of operating at the level expected by the Member States.

4.3 The principal reasons for recommending Forvis Mazars are summarised as follows:

- The team, including the proposed engagement partner, has the requisite experience of performing audits under International Public Sector Accounting standards, serving clients across Switzerland reporting under IPSAs.
- The proposed engagement partner has past audit experience of inter-governmental organisations including experience of presenting at governing body meetings.
- They demonstrated the best understanding of the IOPC Funds' Financial Regulations and budgetary framework, together with the development of an appropriate risk assessment, audit approach and a thorough approach to transition.
- Forvis Mazars brought a strong expectation that the audit approach would embrace technology advances and rely on embedded controls within the IOPC Funds systems, whilst providing feedback for the development of the internal control framework of the IOPC Funds.
- The proposed engagement partner demonstrated a strong commitment for having IOPC Funds as a valued client of their firm and gave confidence to the Audit Body around the quality of service that would be provided.
- The primary focus for the Audit Body was ensuring that the recommendation reflected a high-quality audit for a fair and appropriate fee. Forvis Mazars provided a commitment to minimal fee increases over the four-year term and a transparent approach to potential scope changes during this period.
- Profiles of the Forvis Mazars engagement partner and the manager are set out at Annex II to this document. The Audit Body confirmed with Mr Stimato that he had not been subject to any prior adverse regulatory review findings.

4.4 The Audit Body notes that Forvis Mazars have confirmed that there are no conflicts of interest in accepting the appointment as External Auditor for 2026. The Secretariat have also confirmed that existing internal audit services undertaken by Forvis Mazars in the UK will be concluded by 31 December 2024. As a result, the Audit Body is satisfied that Forvis Mazars will be independent on appointment.

5 Action to be taken

1992 Fund Assembly and Supplementary Fund Assembly

The 1992 Fund Assembly and Supplementary Fund Assembly are invited:

- (a) to take note of the information contained in this document; and
- (b) to consider the joint Audit Body's recommendation that Forvis Mazars be appointed as the IOPC Funds' External Auditor for a period of four years, i.e. the financial years 2026-2029 inclusive, subject to satisfactory annual performance reviews.

ANNEX I

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

(as approved by the IOPC Funds' governing bodies at their November 2023 sessions)

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

ANNEX II

PROFILES OF THE FORVIS MAZARS ENGAGEMENT PARTNER AND MANAGER

Mr Marcello Stimato
Partner, Audit & Assurance

Background

Chartered accountant and Licensed audit expert. Graduated in Business and economics

Professional experience

- More than 18 years' experience in external auditing of consolidated and statutory financial statements, including GAAP conversions to IPSAS and IFRS.
- In-depth knowledge, practical experience and advisor of not-for-profit organizations (NPO and NGO), start-ups and family businesses
- Leader of the NPO practice in Switzerland and member of the Global Leading team
- Wide knowledge of IPSAS, IFRS, Swiss Code of Obligations (CO) and Swiss GAAP FER
- Industries experience in the NPO, luxury, retail and consumer, services, technology, real estate, hospitality, life science, education, transportation and public sector
- Supporting clients to improve efficiency and strengthen their internal control environment

A selection of clients served: RAMSAR (The Convention on Wetlands), International Civil Servants Mutual Associations (UN fund), GPAFI (UN fund), Aga Khan Network, Cisco Systems, Decathlon, EasyJet, Fondation pour les Terrains Industriels de Genève, Geneva Canton (hardship audits), Geneva International Airport, Kofi Annan Foundation, IUCN, Médecins sans frontières, PPG, Proton, Swatch, Transports publics genevois (TPG), Unilabs, World Economic Forum.

Myriam Zakilbrahim
Manager, Audit & Assurance

Background

Science in Accounting, Control and Finance (MsCCF), HEC Lausanne, Bachelor of Science in Management, HEC Lausanne

Professional experience

- Licensed audit expert from the Federal Audit Oversight Authority (FAOA)
- Experience in external audit of statutory and consolidated accounts (CO, Swiss GAAP FER and IFRS)
- Audit of internal control systems
- Drawing up and closing financial statements (according to CO, Swiss GAAP FER and IFRS)
- IFRS implementation and assistance to conversion GAAP
- Specialised in not-for-profit organisations, luxury and public company

A selection of clients served: South Center, Association for Inclusive Peace, Principles for Peace Foundation, Fight For Humanity, Women@TheTable, Defeat-NCD Partnership, University of Geneva, Geneva Canton (hardship audit), Fondation Suisse de Déminage (FSD), Hublot, Moët & Hennessy (Suisse) SA, Valmont Group, Tiffany, Chaumet Horlogerie, Christian Dior, Sephora, Varia Swiss Realtech, Hôtel d'Angleterre.