



INTERNATIONAL
OIL POLLUTION
COMPENSATION
FUND 1992

ASSEMBLY
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Agenda item 10

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2007 FINANCIAL STATEMENTS AND AUDITOR'S REPORT AND OPINION

Note by the Director

Summary:	The Annex to this document provides the Director's response to recommendations made by the External Auditor in his Report on the 2007 Financial Statements (Annex III to document 92FUND/A.13/9).
Action to be taken:	Information to be noted.

1 Introduction

- 1.1 The Director's response to recommendations made by the External Auditor in his Report on the 2007 Financial Statements (Annex III to document 92FUND/A.13/9) is set out in the Annex to this document.
- 1.2 Recommendations made and the actions taken on recommendations made in the External Auditor's Report from previous years are set out in the Director's comments on the 2007 Financial Statements (Annex I to document 92FUND/A.13/9).

2 Action to be taken by the Assembly

The Assembly is invited to take note of the information contained in this document.

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ANNEX

**RECOMMENDATIONS MADE BY THE EXTERNAL AUDITOR IN MAIN REPORT ON
FINANCIAL STATEMENTS 2007**

RECOMMENDATIONS AND RESPONSE

	<u>Recommendations from External Auditor</u>	<u>Response from IOPC Funds' Director</u>	<u>Status</u>
1992 Fund and 1971 Fund	<u>Recommendation 1:</u> That the Secretariat establish a formal project plan for the adoption of IPSAS once approval has been obtained from the governing bodies. Such a project plan should incorporate milestones for implementation and progress against the plan should be regularly reviewed by the Secretariat and also the governing bodies.	Discussions about the adoption of IPSAS are being held with the Audit Body and the External Auditor. The Director will be submitting a document to the October 2008 sessions of the governing bodies to seek approval, in principle, for the adoption of IPSAS. If approval is obtained, a project plan will be developed in consultation with the Audit Body and the External Auditor.	The governing bodies will be updated of developments/progress at their October 2009 sessions.
1992 Fund only	<u>Recommendation 2:</u> That in future years, where previous compensation payments made by the Funds are refunded at any time after the year of account, these recoveries should be disclosed separately from claims expenditure in the accounts.	The disclosure of such refunds was implemented in the preparation of the 2007 Financial Statements.	Implemented.

	<u>Recommendations from External Auditor</u>	<u>Response from IOPC Funds' Director</u>	<u>Status</u>
1992 Fund only	<u>Recommendation 3</u> : That in order to realise the full benefits that an operational Risk Register can offer, the Funds should focus on integrating it into their standard business practice. The Risk Register will be most effective when it is a living document that is constantly reviewed, updated, and evolves with the Funds. It was further recommended that the Secretariat continue to record all new emerging risks in the risk register and that all risks be reviewed and evaluated by the management team on an ongoing basis.	<p>The Director fully concurs with the recommendation.</p> <p>It is the current practice that the key risks identified under each risk category are reviewed by the risk owners and frequently evaluated by the Management Team. A Risk Register of the key risks across the Funds has been developed and will be reviewed and evaluated on a regular basis.</p>	Implemented.
	<u>Recommendation 4</u> : That the Funds' Audit Body consider the key risks assessed which have both high impact and high likelihood, in particular to determine whether risks are required to be escalated to governing body level for action.	<p>At its June 2008 meeting, the Audit Body was provided, for review, with a Risk Register summarising the key risks across the Funds. The Risk Register will be provided to the Audit Body on an annual basis for its review. Any key risks that would need to be escalated to governing body level will be identified by the Director and the Audit Body for action as required.</p>	Implemented.