



INTERNATIONAL
OIL POLLUTION
COMPENSATION
FUNDS

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1992 Fund Assembly	92AES19	•
1992 Fund Executive Committee	92EC64	
1992 Fund Working Group 7	92WG7/4	

APPOINTMENT OF THE EXTERNAL AUDITOR

Note by the Audit Body

Summary:	This document contains an interim report by the Audit Body on the competitive process to select the External Auditor to be appointed by the governing bodies at their October 2015 sessions. By the deadline of 13 March 2015, tender submissions had been received from one National Auditor and three commercial firms.
Action to be taken:	<u>1992 Fund Assembly</u> Information to be noted.

1 **Introduction**

- 1.1 At their October 2014 sessions, the governing bodies noted that the tenure of the current External Auditor (the Comptroller and Auditor General of the United Kingdom, National Audit Office (NAO)) would end with the audit of the IOPC Funds' Financial Statements for 2015. They instructed the Audit Body to conduct a competitive process for the selection of the External Auditor from both public and private sectors to conduct the audits of the Financial Statements for 2016-2019 or any such period as may be decided by the governing bodies (cf document [IOPC/OCT14/11/1](#), section 6.3).
- 1.2 With that aim, in December 2014 the Director invited 1992 Fund Member States to nominate their Auditor General (or officer holding an equivalent title) or to nominate a commercial firm with the requisite capabilities to tender for the appointment of the External Auditor. In addition, six commercial firms with international representation and with the requisite capabilities which had been identified by the Audit Body (BDO, Deloitte, Grant Thornton, KPMG, Moore Stephens and PwC) were also invited to indicate their interest in submitting tenders.
- 1.3 The deadline for nominations by 1992 Fund Member States and formal notifications of intent to tender from the selected commercial firms was 30 January 2015. By that date, nominations had been received from two 1992 Fund Member States: the Government of the Republic of Ghana in support of Mr Richard Q. Quartey, Auditor-General of Ghana, and the Government of the Republic of Turkey in support of the Turkish Court of Accounts (National Auditor of Turkey), and three private firms: BDO, Moore Stephens and PwC. The Director was informed by Deloitte that they would not be submitting a tender in order to avoid any potential conflict of interest as they have been engaged by the Director as consultants in connection with the relocation of the IOPC Funds' offices.
- 1.4 On 24 February 2015, the Director was informed by the Embassy of the Republic of Turkey that the Turkish Government had decided to withdraw the nomination of the National Auditor of Turkey.
- 1.5 The deadline for the submission of written tenders was 13 March 2015 and, by that date, tenders had been received from Mr Richard Q. Quartey, Auditor-General of Ghana, and the private firms BDO, Moore Stephens and PwC.

2 **Background on candidates having submitted written tenders**

Nomination by Government of the Republic of Ghana

- Mr Richard Q. Quartey, Auditor-General of Ghana

Mr Quartey, who is a qualified Chartered Accountant, has worked with the Office of the Auditor-General of Ghana for over 30 years in different capacities and departments and has also undertaken several audit and investigative assignments for the United Nations including UNICEF, the UN Pension Fund, International Criminal Tribunal, amongst others. He was appointed External Auditor of the International Maritime Organization (IMO) for the period covering July 2012 to June 2016 and has since 2013 served as a member of the United Nations Panel of External Auditors. He currently serves as a council member of the Institute of Chartered Accountants (Ghana) and a Joint External Auditor of the International Organisation of Supreme Audit Institutions (INTOSAI). He was recently appointed as a member of the Independent Audit Advisory Committee of the United Nations.

Commercial firms

- PricewaterhouseCoopers

PricewaterhouseCoopers (trading as PwC) is a multinational professional services network. It is the world's second largest professional services network, as measured by 2014 revenues, and is one of the "Big Four" auditors. PwC is a network of firms in 157 countries employing more than 195 000 people. They have proposed a UK-based team led by Mr Ciaran McLaughlin, a director in that PwC's Government and Public Sector practice. He has experience of external and internal audit, improving financial accounting year-end closure, and system reviews and grant compliance audits. He has worked on UK Audit Commission engagements in local government and the UK National Health Service for 19 years. Mr McLaughlin will be supported by a team of managers specialising in information technology, governance and energy clients as well as specialists in International Public Sector Accounting Standards (IPSAS) from within PwC's international network.

- BDO

BDO is an international network of public accounting, tax and advisory firms who perform professional services under the name of BDO. These firms have representation in 151 countries, with almost 60 000 people working out of over 1 300 offices worldwide. They have proposed a UK based team led by Mr David Eagles, a UK Chartered Accountant with 22 years' experience of public sector auditing. He is BDO's lead partner for Public Services Assurance work and has had clients in local government, the UK National Health Service and a variety of central government agencies. He is also his firm's representative on the Institute of Chartered Accountants in England & Wales' Public Sector Audit Committee. Mr Eagles will be supported by a manager who was previously employed by the UK National Audit Office and who worked on the audit of IOPC Funds in the past.

- Moore Stephens Ltd.

Moore Stephens is one of the world's major accounting and consulting networks with 292 independent firms and 626 offices in 103 countries. They have proposed a UK based team led by Mr Michael Butler, a Chartered Accountant and a senior Insurance Industry Group partner with 40 years' experience of providing audit, regulatory and other assurance services to risk carriers and insurance intermediaries. He also audits a number of International Group P&I clubs and their managers, other mutual and general insurance companies in the London market and he has also acted as Expert in a number of litigation support assignments in the insurance market. Mr Butler will be supported by an audit partner, Mr Adrian Brook, who has 30 years' experience of audits in the UK and international government sectors, including audits under National Audit Office

partnership contracts. This experience includes financial reporting under IPSAS. Further support is provided by an experienced senior manager who has existing knowledge of the IOPC Funds, having managed the external audit of the Funds for three years when employed by the UK National Audit Office.

3 Tender evaluation process

- 3.1 The tender documents are currently being evaluated by the Audit Body on the basis set out in paragraph 3.8 of document [IOPC/OCT14/6/3](#) which states that the Audit Body will consider all candidates equally and will seek to identify the candidate that best meets the selection criteria that the governing bodies approved at their October 2014 sessions (cf document [IOPC/OCT14/6/3](#), Annex 1, reproduced at the Annex to this document).
- 3.2 With the dissolution of the 1971 Fund at the end of 2014, tenders will be for the audit of the Financial Statements of the 1992 Fund and the Supplementary Fund.
- 3.3 The Audit Body will meet on 10 April 2015 to examine the tenders with a view to developing a shortlist of candidates who will be invited to an interview by the Audit Body at its meeting in June 2015. Also invited to take part in these interviews will be the Director and the Deputy Director/Head, Finance and Administration, as well as the Chairmen of the 1992 Fund Assembly and the Supplementary Fund Assembly.
- 3.4 An update on the shortlist drawn up by the Audit Body at its meeting on 10 April 2015 will be provided orally by the Chairman of the Audit Body to the 1992 Fund Assembly at its April 2015 session.
- 3.5 The Audit Body will submit a full report on the selection process and its recommendation on the appointment of the External Auditor for the years 2016-2019, or any such period as may be decided by the governing bodies, to the October 2015 sessions of the governing bodies.

4 Action to be taken

1992 Fund Assembly

The 1992 Fund Assembly is invited to take note of the information contained in this document.

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ANNEX

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 October 2014 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 and value for money
- 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 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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