

 <p>INTERNATIONAL OIL POLLUTION COMPENSATION FUNDS</p>	Agenda item: 5	IOPC/OCT09/5/6	
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	1992 Fund Assembly	92A14	•
	1992 Fund Executive Committee	92EC46	
	Supplementary Fund Assembly	SA5	•
1971 Fund Administrative Council	71AC24	•	

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, the Supplementary Fund and the 1971 Fund shall report on its work to each regular session of the 1992 Fund Assembly, the Supplementary Fund Assembly and the 1971 Fund Administrative Council. The joint Audit Body's report on its activities since the October 2008 sessions of the governing bodies is at the Annex.
Action to be taken:	<u>1992 Fund Assembly, Supplementary Fund Assembly and 1971 Fund Administrative Council:</u> Information to be noted.

1 Introduction

- 1.1 Pursuant to the mandate of the joint Audit Body of the 1992 Fund, the 1971 Fund and the Supplementary Fund as decided at the October 2008 sessions of the governing bodies, this Body shall submit, to each regular autumn session of the governing bodies, a report on its activities since the previous autumn session.
- 1.2 In view of the fact that the governing bodies decided in March 2005 that there should be a joint Audit Body for the 1992 Fund, the 1971 Fund and the Supplementary Fund, it has been considered appropriate for this body to present a single report to the governing bodies of the three Organisations. This report is reproduced at the Annex.

2 Action to be taken

1992 Fund Assembly, Supplementary Fund Assembly and 1971 Fund Administrative Council:

Information to be noted.

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ANNEX

REPORT OF THE JOINT AUDIT BODY OF THE 1992 FUND, THE 1971 FUND AND THE SUPPLEMENTARY FUND FOR THE PERIOD OCTOBER 2008 TO SEPTEMBER 2009

1 Introduction

- 1.1 At their October 2008 sessions, the 1992 Fund Assembly, the Supplementary Fund Assembly and the 1971 Fund Administrative Council decided that there should continue to be a joint Audit Body for the three Funds elected by the 1992 Fund Assembly.
- 1.2 The joint Audit Body is composed of seven members: one named Chairman elected by 1992 Fund Member States, five named individuals nominated by 1992 Fund Member States and one named individual not related to the Organisations ('external expert'), with expertise and experience in audit matters, nominated by the Chairman of the 1992 Fund Assembly.
- 1.3 The composition and mandate of the Audit Body, as decided by the governing bodies in October 2002, was revised in March 2005 to take into account the entry into force of the Supplementary Fund Protocol and again at the October 2008 sessions of the governing bodies to include the organisation of the tender process in respect of the appointment of the External Auditor as well as some additional amendments to take into account developments in the Audit Body's activities and responsibilities since its creation in 2002. The current composition and mandate is at the attachment.
- 1.4 The members of the Audit Body elected in October 2008 for a three-year period were:

Mr Emile Di Sanza (Canada)
Mr Thomas Johansson (Sweden)
Mr Mendim Me Nko'o (Cameroon)
Professor Seiichi Ochiai (Japan)
Mr Wayne Stuart (Australia)(Chairman)
Mr John Wren (United Kingdom)
Mr Nigel Macdonald (United Kingdom) ('external expert')

- 1.5 The Audit Body has met three times since the October 2008 sessions of the Funds' governing bodies, viz 11 December 2008, 6 April 2009 and 5 June 2009. Representatives of the External Auditor (the Comptroller and Auditor General of the United Kingdom) have attended these meetings and have made a significant contribution to the Audit Body's deliberations.
- 1.6 The Director and the Head of the Finance and Administration Department also attended the meetings. The Director's Personal Assistant acted as the Audit Body's Secretary. At the request of the Director and, on occasions on its own initiative, the Audit Body invited other members of the Secretariat to attend discussions where agenda items being considered related to their responsibilities.
- 1.7 As in previous years, the Audit Body had a closed session with the External Auditor at its December 2008, and again at its June 2009, meetings at which no member of the Secretariat was present. The External Auditor provided reassurance to the Audit Body that the Secretariat had been most responsive, professional and helpful in all its dealings with the External Auditor.

2 Audit Body's programme of activities for the three-year term October 2008 to October 2011

- 2.1 At its December 2008 meeting, the Audit Body planned its outline programme for the three years of its mandate, so as to set priorities given the limited number of Audit Body meetings. In making that plan the Audit Body took into account the need to ensure that its work did not unnecessarily impact adversely the limited resources of the Secretariat.

2.2 The Audit Body agreed on the following work programme:

Recurrent annual work programme

- Review of External Auditor's work plans (including scope), followed by a review of progress as work is carried out; a review of conclusions once work is completed coupled with discussion of any issues arising and any recommendations;
- Review of the Minutes of the Investment Advisory Body meetings and a meeting with them at least once a year to understand current issues falling within their scope, risk considerations together with their conclusions and any other relevant matters;
- Update on the Secretariat's own risk review process, and any changes to the accounting systems and controls and other important matters affecting the Funds' operations, financial position and personnel, including progress with significant incidents;
- Monitor decisions taken by the governing bodies (where the Audit Body had been asked to undertake specific activities by the governing bodies); and
- Review previous decisions taken by the Audit Body to the extent that they affect the ongoing work plan of the Audit Body or the Secretariat.

Rotational activities (to be conducted over the full three year period of this Audit Body's tenure)

- Undertake a comprehensive review of the risk management process; and
- Review the proposals for a move to International Public Sector Accounting Standards (IPSAS).

One-off/occasional activities

- Implement and manage the process of selection of an External Auditor, following the expiry of the existing term of appointment of the current External Auditor.
- As instructed by the 1992 Fund Assembly at its October 2008 session, review the issue of outstanding contributions with a view to making recommendations to the governing bodies in October 2009 as to how that problem could best be dealt with.

3 The Audit Body's Report on how it has carried out its mandate this year

3.1 Starting this year, the Report of the Audit Body will follow a slightly different format from that adopted in the first six years to assist the governing bodies gain a better understanding of the nature of the Audit Body's work. The key change is that the Audit Body will report on work carried out in response to each item of its Mandate. The Audit Body invites the governing bodies to comment on this approach so that further changes in the reporting format can be considered to ensure that effective communication is maintained with the governing bodies.

At its regular meetings, the Audit Body works to a structured agenda which allows its members to engage with the Director and relevant members of the Secretariat on a wide range of issues, and similarly for the Director to raise issues of interest or potential significance to the Audit Body. The discussions are constructive and occasionally challenging for all concerned. The Audit Body values the clear commitment to effective governance which is evident from the Secretariat, and to which the Audit Body itself seeks to contribute.

Mandate

(a) review the adequacy and effectiveness of the Organisations' management and financial systems, financial reporting, internal controls, operational procedures, risk management and related matters;

In order to discharge its responsibility under this first section of the mandate, the Audit Body approaches its work by focussing on financial and operational risks. It does this in several different but compatible ways, integrating the results in order to gain the highest reasonable level of assurance, and where warranted, identifying issues requiring further attention.

In relation to the Secretariat

The Audit Body monitors the way in which the Secretariat addresses risk whilst discharging the responsibilities of managing the Funds' operations. During the year it took close interest in the way in which the formal assessments of risk, which led to the codification of risk management procedures by the Secretariat in recent years, have been kept up to date. That risk review work includes a review of the adequacy and effectiveness of the Organisations' management and financial systems, and of its internal controls, and operational procedures. As noted in past reports of the Audit Body, the five areas of risk that have been identified by the Funds' Secretariat are those relating to the claims handling process, financial risk, human resource management, business continuity and reputation.

The Audit Body has continued to monitor the risk management process which has been adopted and updated by the Secretariat. The Audit Body received briefings from the Secretariat at its April and June meetings in 2009. At the June meeting the Audit Body reviewed in some detail the Key Risk Register. It also reviewed the way in which the Management Team had conducted the ongoing review and monitoring of risk during the year.

In relation to the External Auditor

The External Auditor also focuses on all the areas summarised under the sub headings above falling under part (a) of the mandate, although financial reporting is the area in which his work is most obvious to Member States and other stakeholders. Accordingly, as in previous years, the Audit Body seeks to gain an understanding of the scope of audit testing work which the External Auditor plans to carry out, including planned areas of emphasis and the rationale for the whole audit plan. It gains this understanding before the audit work is carried out, which creates an opportunity for constructive dialogue with the External Auditor and allows the Audit Body to suggest any additional areas that it considers appropriate.

The Audit Body has drawn comfort not only from gaining that detailed understanding, but also from thorough discussion with the External Auditor of his findings when he has carried out his work, and from his view of the adequacy of the controls in place. The discussions with the External Auditor have also allowed the Audit Body to see at first hand the way electronic auditing techniques are applied to examine the complete population of accounting data of the Funds, and so target his testing to identify not just representative samples, but also any unusual, or large, transactions or items. By doing so the External Auditor gains audit assurance about the way all transactions and entries have been controlled.

The External Auditor is always invited to be present at meetings of the Audit Body (except for any closed sessions of the Audit Body members only) and is invited to take part in a closed session with the Audit Body members (excluding the Secretariat) at least once each year. The dialogue with the External Auditor has been informative and extremely constructive and, on occasion, his experience derived from comparable situations arising in other international bodies has proved both relevant and useful. Whilst his role is to act quite independently on behalf of Member States, the value of the dialogue that takes place assists the Audit Body in discharging its responsibilities, and has been explicitly acknowledged by the External Auditor as being of tangible value to him in carrying out his role.

The regular opportunity to enquire in detail into the External Auditor's work programme, as well as the methodologies and systems he employs, is a significant source of reassurance to the Audit Body in discharging its mandate.

In relation to the Investment Advisory Body

The Audit Body and the Investment Advisory Body (IAB) are independent bodies that report directly to the governing bodies. Nevertheless, both bodies recognise that it is important that they hold discussions with one another so as to share information in respect of financial risk and this is done by meeting to discuss these matters in some detail at least once a year. Information is also shared by exchanging copies of the Minutes of the Bodies' respective meetings.

Both bodies have adopted an approach to their different tasks which is guided by their own evaluation of the risks that fall to be considered under their respective mandates. That commonality of approach has made the dialogue between the two bodies particularly valuable, and in the current year, for example, has contributed to consideration by each body of the potential implications for the Funds of the unprecedented global financial situation.

In addition to its regular annual meeting (held in June), the IAB has attended one additional Audit Body meeting this year and the exchanges have been most positive.

The IAB has continued to fully inform the Audit Body of its activities and pro-active approach to monitoring the range of its obligations under its own mandate. The Audit Body was pleased to note that the IAB was closely monitoring the global financial situation as well as staying actively engaged with the Secretariat on issues within its mandate.

Specific information was provided by the IAB to the Audit Body at its April 2009 meeting on the Audit Body's concerns in respect of the effect that the global financial crisis was having on currencies and investments with particular regard to the Pound sterling. This issue is reported in paragraph 3.2 below.

(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;

The audit function

The Audit Body proposes to undertake a review of its own responsibilities and the audit function more generally and will report on its findings in order to provide the governing bodies with a comprehensive overview at their October sessions in 2011. This proposed review will also directly address the requirement of paragraph 7 of the Audit Body's Mandate, namely: 'Every three years the functioning of the Audit Body and its mandate shall be reviewed by the 1992 Fund Assembly, the 1971 Fund Administrative Council and the Supplementary Fund Assembly on the basis of an evaluation report from the Chairman of the Audit Body.'

Communication

The Audit Body has renewed its efforts to improve communication with the governing bodies by initiating this changed annual reporting approach and also by formally inviting the Chairpersons of the governing bodies to attend any session of interest to them of the Audit Body. In addition the Audit Body has renewed its invitation to the Chairpersons of the governing bodies to seek to attend such meetings if they wish to discuss an item or issue with the Audit Body. To assist the Chairpersons in this, the agendas of Audit Body meetings are sent to the Chairpersons well in advance of the meetings.

Financial reporting – IPSAS

International bodies are increasingly moving to adopt the newest International Public Sector Accounting Standards (IPSAS), and it is now extremely unlikely that in the longer term there will be

many, if any, bodies continuing to follow the accounting principles codified many years ago by the United Nations (United Nations Accounting Standards). As previously reported by the Audit Body, it has therefore been necessary to evaluate the implications for the IOPC Funds of adopting IPSAS, with its changed accounting conventions and requirements for increased disclosures. Additional accounting and disclosure requirements are not unwelcome of themselves, but where the consequence is that data not presently collected or available might be needed in future in order to comply with IPSAS, it is first necessary to evaluate the implications and potential costs to the Organisations and hence to contributors in Member States.

The Audit Body has been alert to these issues for some time and they have been the subject of evolving discussions with the Secretariat and with the External Auditor for more than a year. Much work has been done in that time, principally by the Secretariat, but with assistance from the External Auditor and the Audit Body, to assess the implications for the accounting and reporting systems and to find solutions to issues arising. At its December 2008 meeting, the Audit Body considered a potentially significant problem with the costs of compliance with a reporting requirement of IPSAS 14 (Events after Reporting Date). The potential cost arose because under these reporting requirements material events occurring after the year-end with respect to individual claims lodged for assessment before the year-end would require further adjustment to reflect progress made with that assessment right up to the time when the accounts were signed. The Audit Body was concerned that this might create a significant additional administrative cost to the Funds of compliance with IPSAS, without any evident benefit for Member States.

At its April 2009 meeting, the Audit Body noted with pleasure that, following its December 2008 meeting, and as a result of communications and meetings between the Secretariat, Mr Nigel Macdonald (external expert) and representatives of the External Auditor, a solution had been found to this potentially troublesome problem. Reports under IPSAS 14 were also made possible because of the significant changes that the Secretariat had made in 2008 through the introduction of a Web-based Claims Management System (WCMS), which allows the real-time electronic management and oversight of all claims relating to incidents which have occurred since the new system was commissioned. A further modification has now been made by the Funds' IT Manager to the design of that system which will enable the WCMS to provide the required updated information, and the External Auditor has confirmed that this new data stream is expected to be of sufficient quality to satisfy fully the IPSAS reporting requirement.

At its June 2009 meeting, the Audit Body therefore completed its assessment of the implications for the Funds of adopting IPSAS from the financial year 2010 and agrees with the Secretariat that it is now appropriate to recommend implementation of these new accounting standards, having confidence that doing so will not now cause the Funds significant cost or inconvenience. Both the External Auditor and Mr Macdonald provided valuable input to the assessment of these proposed changes.

(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;

As indicated in the comments above under part (a) of its mandate, the Audit Body considers that a constructive and useful working relationship has been developed with the External Auditor. This relationship enables the Audit Body to be aware of the planned scope and focus of work before the audit cycle begins, to monitor progress as work is undertaken and to be fully informed of the outcome of the audit of the Financial Statements of the three Funds.

The representative of the External Auditor presented his draft audit plan to the Audit Body at the December 2008 meeting and said that the audit strategy would continue to be risk-based. He stressed that, in overall terms, the External Auditor considered the Funds' control environment to be effective.

The External Auditor confirmed that the audit approach would be broadly the same as the audit of the 2007 Financial Statements with its main focus being to gain reasonable assurance that that internal controls were working effectively, that there was a clear audit trail and that there were no material misstatements in the Financial Statements. He identified some areas where he considered it appropriate to apply particular focus, in the light of changing circumstances, and these were discussed with the Audit Body who supported the planned approach.

The Audit Body was satisfied with the audit plan as presented.

(d) review the Organisations' Financial Statements and reports;

The Funds' Financial Statements are subject to detailed review by the External Auditor as well as being widely read by individuals and bodies internationally. The Audit Body also reviews the Funds' Financial Statements and in the past has carried out a detailed review and provided suggestions for potential improvements to the Secretariat, which were subsequently incorporated. The Audit Body plans to carry out a similar detailed review in 2009/10.

(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;

At its June 2009 meeting, the Audit Body received the report of the External Auditor on its audit of the Funds' 2008 Financial Statements. The External Auditor expected to be able to give a clear unqualified audit opinion on the Financial Statements of each of the three Funds. No material weaknesses had been found and internal controls were working effectively. In terms of the long-form audit report, there would be a financial commentary section, an update on the adoption of IPSAS and an overview of the Web-Based Claims Management System (WCMS). In respect of this latter issue, the External Auditor indicated that an IT audit might be undertaken in coming years.

The Audit Body also held a closed session with the representatives of the External Auditor at its June 2009 meeting at which the members of the IOPC Funds' Secretariat were not present. Clearly the detailed content of such discussions must be confidential but the feedback received was both positive and constructive and provided valuable further reassurance as to the way the Secretariat discharges its responsibilities.

The Audit Body used this opportunity to reassure itself that:

- a) the external audit had been conducted according to the previously agreed audit plan;
- b) there were no underlying administrative issues within the Audit Body's remit which needed action; and
- c) the working relationship between the External Auditor and the Secretariat was sound.

Based on these investigations and discussions, the Audit Body is pleased to report to the governing bodies that its own work causes it to be confident that the external audit has been conducted effectively and that the findings are sound and reliable. The Audit Body is also pleased to congratulate the Secretariat on its professional and open approach to the external audit. In the light of the information provided by the External Auditor and the assurances given by the audit, the Audit Body recommends that the governing bodies approve the accounts of the 1971 Fund, the 1992 Fund and the Supplementary Fund for the financial year ending 31 December 2008.

(f) manage the process for the selection of the External Auditor;

Closed sessions without the presence of the representatives of the External Auditor took place during the April and June 2009 meetings of the Audit Body to discuss issues raised by the governing bodies at their October 2007 sessions in respect of the Audit Body's proposal for the appointment of the External Auditor. The Audit Body reviewed the detailed proposals for the management of the process which had been approved by the governing bodies at that session and familiarised itself with the issues that underpin those proposals, so as to ensure that the arrangements could be implemented effectively.

This issue is the subject of a separate discussion paper under agenda item 6 (document IOPC/OCT09/6/5).

(g) undertake any other tasks or activities as requested by the Funds' governing bodies.

Following its discussion on the issue of outstanding oil reports at the October 2008 sessions, the 1992 Fund Assembly asked the Audit Body to examine the problem of unpaid contributions with a

view to suggesting any possible solutions to the problem. In addressing the instruction of the Assembly, the Audit Body examined the nature and scope of the issue and reviewed procedural measures employed by the Secretariat to pursue outstanding contributions. The Audit Body considered the obligations of both the receivers of oil imports and of Contracting States inherent in the Fund Convention and arising from international treaty law. In seeking possible solutions, the Audit Body examined the policy measure adopted by the Assembly in October 2008 in respect of the non-submission of oil reports. In its paper to the Assembly, the Audit Body proposes a two stage policy-based strategy that emphasizes principles of accountability and due diligence.

The Audit Body has allocated considerable resources to this issue in 2009 and the matter is the subject of a separate paper for consideration under agenda item 6 (document IOPC/OCT09/6/4).

- 3.2 In addition to the specific Mandate items, the Audit Body thinks it is appropriate to report under an additional heading on other matters that have been considered during the year under review.

Other considerations of the Audit Body during the year

Global financial instability

At its December 2008 meeting, the Audit Body considered whether there were issues arising from the exceptional global financial instability that has occurred in recent months that might affect the risk profile of the Funds. One issue that the Audit Body considered warranted further attention was the continued use of Pounds sterling as the Funds' operating currency, given the depreciation of Pounds sterling that was already becoming evident (and which continued subsequently). The Audit Body noted that the financial situation was closely monitored by the Secretariat on a daily basis and that the IAB was consulted on an informal or formal basis as and when required. The Audit Body did not consider it appropriate to make any recommendation itself, but concluded that it would be appropriate to ask the Director to review this issue.

The IAB attended the Audit Body's April meeting for the express purpose of addressing these concerns and expressed its view that, whilst sterling was unquestionably volatile in relation to some other major currencies, the underlying currency itself was not unstable and that there was in any case no advantage in moving to any other currency for a range of reasons, the principal of which was that the Funds operate in the United Kingdom and therefore the local currency was most appropriate for day to day activity. Further, if the Funds were to move from sterling to another currency, there would still be significant currency exposures, because it could not be predicted where incidents would occur. The IAB also noted that despite the significant fall in the value of sterling that had occurred, that fall had been matched or exceeded by the fall in value of currencies of the countries where the Funds current major incidents are located. A change in operating currency would also necessitate a change in reporting currency, and if this were to happen it would be more difficult for Member States to assess in future whether operational costs had increased or decreased as the operating costs would continue to arise mainly in sterling.

The IAB advised that, having also weighed the advantages and disadvantages of receiving contributions and holding the Funds' assets in a currency or currencies other than sterling, it had concluded that its recommendation to the Director was that sterling remained the correct currency for the Funds. However it also recommended that a policy of hedging 50% of the Funds' currency exposure be adopted, to maintain a neutral position with regard to the risk of further significant currency fluctuations. It added that it welcomed the earlier suggestion by the Audit Body that this matter should be the subject of a specific review, and added that it was and would be keeping the issue under review.

The Audit Body expressed its gratitude to the Director and to the IAB for addressing the matter which it had raised in such a careful way, and expressed its satisfaction with the process adopted and with the explanations given. It noted that, whilst the view taken was clearly unanimous, both the Director and the IAB regarded the issue as something that they should keep under review.

Presentations to the Audit Body to assist its own understanding of the audit and management functions

The Secretariat presented the Web-based Claims Management System to the Audit Body. The Secretariat also demonstrated how the database was used to generate reports for management and the improved control that it delivered across the board. The Audit Body noted that the system had been enhanced since the last time it was demonstrated to the Audit Body in March 2008. The Audit Body sought, and received, confirmation that should the IT Manager be unavailable for whatever reason to manage the system, there was a viable failsafe in place, thus limiting the risk. The Audit Body was also advised in response to its enquiries that there were effective controls preventing access to the system from any unauthorised persons and that even the claims assessment experts who had access to the expert part of the system could not get further access to the remainder of the system.

The External Auditor also demonstrated the audit interrogation software that it uses to facilitate and enhance the performance of its audits. The Audit Body found this presentation extremely helpful and was thereby able to see at first hand the nature of the audit assurance that use of this software provided.

4 Conclusion

The Audit Body continues to regard the effectiveness of the system of internal control exercised by the Secretariat as being critical to the long term viability and success of the organisation. The Audit Body is satisfied that the Director takes a similar view. The Audit Body is satisfied that any recommendations made by the External Auditor in the management letter and other reports are considered and addressed by an appropriate plan of action developed and implemented by the Secretariat. The Audit Body is also satisfied that all recommendations made by the External Auditor on prior years' Financial Statements have been addressed.

Wayne Stuart
Chairman
14 August 2009

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Attachment

COMPOSITION AND MANDATE OF THE JOINT AUDIT BODY OF THE 1992 FUND, THE 1971 FUND AND THE SUPPLEMENTARY FUND

(As decided by the governing bodies in October 2002 and revised in March 2005 to take into account the entry into force of the Supplementary Fund Protocol and further updated in October 2008)

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 Chairperson 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 Chairperson of the 1992 Fund Assembly will, in consultation with the Chairpersons of the 1971 Fund Administrative Council and of the Supplementary Fund Assembly, propose the name of one of the elected members of the Audit Body for consideration and approval by the governing bodies as Chairperson 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 Chairman of the Audit Body shall report on its work to each regular session of the 1992 Fund Assembly, the 1971 Fund Administrative Council 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, the 1971 Fund Administrative Council and the Supplementary Fund Assembly on the basis of an evaluation report from the Chairman of the Audit Body.
-