

 <p>INTERNATIONAL OIL POLLUTION COMPENSATION FUNDS</p>	Agenda item: 6		IOPC/OCT09/6/5	
	Original: ENGLISH		25 August 2009	
	1992 Fund Assembly		92A14	●
	1992 Fund Executive Committee		92EC46	
	Supplementary Fund Assembly		SA5	●
	1971 Fund Administrative Council		71AC24	●

APPOINTMENT OF THE EXTERNAL AUDITOR

Note by the Audit Body

Summary:	The Audit Body's mandate includes responsibility for managing the process for the selection of the External Auditor on behalf of the governing bodies. The governing bodies endorsed the Audit Body's proposal for the selection and appointment of the External Auditor at their October 2007 sessions. At its meetings in 2009, the Audit Body has reviewed the procedures approved in 2007 and is now of the view that a modification to the timetable would be desirable in order for candidates to familiarise themselves with the IOPC Funds and to meet with the IOPC Funds' Secretariat, if so desired, before submitting a tender.
Action to be taken:	<p><u>1992 Fund Assembly, Supplementary Fund Assembly and 1971 Fund Administrative Council:</u></p> <p>Take note of the information contained in this document and endorse the Audit Body's proposed amendment as regards the timetable for appointment of the External Auditor to be followed in 2009-2010.</p>

1 Introduction

- 1.1 It will be recalled that the Comptroller and Auditor General of the United Kingdom was reappointed as External Auditor for the 1992 Fund, the Supplementary Fund and the 1971 Fund, for a full term of four years from 1 January 2007 by decision of the governing bodies in 2006. His mandate ends after he has presented his report on the audit of the Financial Statements for 2010 to the governing bodies in October 2011. If he is not reappointed, his responsibility will therefore cease after presentation of this report.
- 1.2 The Audit Body's mandate includes responsibility for managing the process for the selection of the External Auditor on behalf of the governing bodies. Detailed procedures for the selection and appointment of the External Auditor were developed by the Audit Body in 2007 and submitted to the IOPC Funds' governing bodies at their October 2007 sessions (cf documents 92FUND/12/10, SUPPFUND/A.3/8 and 71FUND/AC.22/7). The governing bodies endorsed the Audit Body's proposal and decided to follow the proposed timetable contained at Annex IV to those documents.
- 1.3 This note is intended to keep Member States informed as to the current position and the arrangements that will be implemented in the coming year so as to enable a recommendation as to the selection (or re-appointment) of the External Auditor to be brought by the Audit Body to the governing bodies at their October 2010 sessions.

2 Current position

- 2.1 In accordance with the decision taken by the governing bodies at their October 2007 sessions, the Director will send a circular letter after the October 2009 sessions of the governing bodies to all 1992 Fund Member States inviting candidatures for the position of External Auditor. The letter will remind Member States that the Financial Regulations of the Funds require that the External Auditor shall be the Auditor-General (or officer holding the equivalent title) of a Member State. The letter will also state that the audit shall be conducted in conformity with International Standards on Auditing (ISAS) as issued by the International Auditing and Assurance Standards Board (IAASB) and, subject to any special instructions from the governing bodies of the three Funds, in accordance with the Financial Regulations of the respective Funds. The letter will mention that a tender brief has been prepared to assist interested candidates in understanding the external audit tender process and that both it and a copy of the Director's circular letter are available on the IOPC Funds' website and that hard copies will be sent to Member States on request.
- 2.2 The governing bodies had agreed with the Audit Body's proposal that the deadline for the submission of tenders by Member States to the IOPC Funds' Secretariat would be set for March/April 2010 in order to allow sufficient time for candidates to prepare themselves and for the resulting tenders to be evaluated by the Audit Body at its April 2010 meeting.
- 2.3 However, after discussions at its April and June 2009 meetings, the Audit Body is of the opinion that candidates would need time to familiarise themselves with the IOPC Funds and the underlying issues (including familiarisation with the Financial Regulations, and particularly Regulation 14 which deals specifically with matters relating to the external audit, and also the form and content of the accounts) and to meet with the Secretariat if so desired. The Audit Body therefore proposes that the deadline for the submission of nominations by Member States to the IOPC Funds' Secretariat should be set for 31 January 2010 and that resulting tenders be submitted by 16 March 2010. Meetings with the Secretariat for the purpose of familiarisation should take place between the beginning of January 2010 and the end of February 2010 in order to allow both the Secretariat and candidates reasonable flexibility in scheduling any such meetings.
- 2.4 At its April 2010 meeting, the Audit Body will evaluate the tenders received as of 16 March 2010 and draw up a short list for interview. This reflects the possibility that there might be a number of candidates and the wish to avoid the considerable time and cost commitment for some candidates of attending interviews if the Audit Body concludes at its April meeting that their tenders are very unlikely to be successful.
- 2.5 Candidates shortlisted will be asked to make themselves available for interview by the Audit Body in London in early June 2010. It will be recalled that the governing bodies at their October 2007 sessions agreed with the Audit Body's recommendation that the Chairpersons of the 1992 Fund Assembly, the Supplementary Fund Assembly and the 1971 Fund Administrative Council would also be invited to attend these interviews.
- 2.6 As a result of these interviews, the Audit Body will bring a recommendation as to the selection of the External Auditor to the October 2010 sessions of the governing bodies, including a proposal as to the length of the term of office (currently four years).
- 2.7 At their October 2010 sessions, the governing bodies will then appoint (or reappoint) the External Auditor to audit the Financial Statements from January 2011 for such a period as the governing bodies deem appropriate.
- 2.8 A revised timetable for the appointment of the External Auditor is at the Annex.

- 2.9 The Audit Body would also like to draw the governing bodies' attention to the inclusion in the tender brief of an additional 'desirable factor' in the Criteria and Factors section which is intended to assist candidates to be familiar with the matters which the Audit Body expects to use as the framework for its evaluation of tender submissions. The Audit Body is not of the view that this is a change of substance that needs to be taken back to the governing bodies for approval but feels that it should be brought to their attention for the purposes of completeness of information.

3 Action to be taken

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

Take note of the information contained in this document and endorse the Audit Body's proposed amendment as regards the timetable for appointment of the External Auditor to be followed in 2009-2010.

* * *

ANNEX

PROPOSED TIMETABLE FOR APPOINTMENT OF THE EXTERNAL AUDITOR TO THE IOPC FUNDS

October 2009	The Director invites nominations from interested candidates from 1992 Fund Member States for appointment as the IOPC Funds' External Auditor.
31 January 2010	Deadline for submission of nominations to IOPC Funds' Secretariat.
January/February 2010	Familiarisation meetings between interested candidates and IOPC Funds' Secretariat.
15 March 2010	Deadline for submission of formal audit tenders to IOPC Funds' Secretariat.
April 2010	Evaluation of tenders and shortlisting of candidates by the Audit Body. Selected candidates to be invited to attend for interview in early June 2010.
June 2010	Interview of successful candidates by the Audit Body and the Chairpersons of the 1992 Fund Assembly, the Supplementary Fund Assembly and the 1971 Fund Administrative Council. Recommendation from the Audit Body as to the selection of the External Auditor to be prepared for submission to the governing bodies for consideration at their October 2010 sessions.
October 2010	Governing bodies appoint (or reappoint) External Auditor to audit Financial Statements from 1 January 2011 for a period to be decided by the governing bodies.
2011	Audit of 2010 Financial Statements by current External Auditor. Subject to whether current External Auditor is reappointed, new Auditor may use period for familiarisation.
October 2011	Current External Auditor presents his report on the 2010 Financial Statements to the governing bodies. If not reappointed, responsibility of current External Auditor ceases on presentation of his Report to the governing bodies.
December 2011	External audit strategy for audit of 2011 Financial Statements is discussed at meeting of Audit Body.
2012	Audit of 2011 Financial Statements by new (or re-appointed) External Auditor.