



INTERNATIONAL  
OIL POLLUTION  
COMPENSATION  
FUNDS

<b>Agenda item: 5</b>	IOPC/OCT11/5/5	
Original: ENGLISH	10 August 2011	
1992 Fund Assembly	<b>92A16</b>	•
1992 Fund Executive Committee	<b>92EC53</b>	
Supplementary Fund Assembly	<b>SA7</b>	•
1971 Fund Administrative Council	<b>71AC27</b>	•

## 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 2010 sessions of the governing bodies is provided in the Annex. This document also reports on the work undertaken by this, the third elected Audit Body, since its election in October 2008.

**Action to be taken:**

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

Information to be noted.

### 1 Introduction

- 1.1 Pursuant to the mandate of the joint Audit Body of the 1992 Fund, the Supplementary Fund and the 1971 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 Supplementary Fund and the 1971 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 in the Annex to this document.
- 1.3 On this occasion and in compliance with the mandate of the joint Audit Body, this document will report on both the events of the current year, and provide an overview of the activities of this, the third elected joint Audit Body, for the period of its three year term. On this occasion, being the final report of the third Audit Body, this Report also provides some 'forward looking' information for the benefit of the governing bodies and also to provide some assistance and context for managing the transition to the Fourth elected Audit Body.

### 2 Action to be taken

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

The governing bodies are invited to take note of the information contained in this document.

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## ANNEX

### REPORT OF THE JOINT AUDIT BODY OF THE 1992 FUND, THE SUPPLEMENTARY FUND AND THE 1971 FUND FOR THE PERIOD OCTOBER 2008 TO OCTOBER 2011

#### **1 Introduction**

- 1.1 The joint Audit Body is 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 audit matters, nominated by the Chairman of the 1992 Fund Assembly. The Chairperson of the 1992 Fund Assembly will, in consultation with the Chairmen 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 Chairman of the Audit Body.
- 1.2 The mandate of the Audit Body has been revised twice<sup><1></sup> since the original mandate was decided by the governing bodies in October 2002. The current composition and mandate document is set out in the Annex.
- 1.3 The members of the Audit Body elected in October 2008 for a three-year period were:
- Mr Emile Di Sanza (Canada)
  - Mr Thomas Kaevergaard (formerly Johansson) (Sweden)
  - Mr M. 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')
- Mr John Wren (United Kingdom) very sadly passed away in 2010.
- 1.4 The Audit Body has met three times since the October 2010 sessions of the IOPC Funds' governing bodies, namely on 10 December 2010, 15 April 2011 and 10 June 2011. 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. The Chairmen of the governing bodies have, when possible, also attended the December 2010 and April and June 2011 meetings. The Audit Body has met a total of nine times during its three year tenure (2008 – 2011).
- 1.5 The Acting Director and the Head of the Finance and Administration Department attended the meetings during the current year. The Director attended the June 2011 meeting. The Acting Director's Personal Assistant acted as the Audit Body's Secretary. At the request of the Acting 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.
- 1.6 As in previous years, the Audit Body had a closed session with the External Auditor at its December 2010 meeting and, again, at its June 2011 meetings at which no member of the Secretariat was present. Such closed sessions are normal practice where Audit Committees exist, and allow enquiry as to whether there are any sensitive issues which either party wish to discuss, along with a discussion of any wider issues considered relevant by either party. The External Auditor raised no matters of concern and provided reassurance to the Audit Body that the Secretariat had been responsive, open and professional in all its dealings with the External Auditor.

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<1> The mandate was first 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 reflecting developments in the Audit Body's activities and responsibilities since its creation in 2002.

1.7 At its regular meetings, the Audit Body works to a structured agenda centring on the overall risk management of all significant issues facing the organisation, along with the accounting and external audit issues. This allows its members to engage with the Director and relevant members of the Secretariat on a wide range of topics, 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.

## **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 had 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 limited resources of the Secretariat and the need to ensure that its programme did not cause unnecessary disruption. The Audit Body reported this plan to the governing bodies in October 2009.

2.2 The work programme adopted by the Audit Body for its three year term was as follows:

### 2.2.1 Recurrent annual work programme

- Discussion with the External Auditor on his work plans<sup><2></sup> (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 IOPC 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.

### 2.2.2 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).

### 2.2.3 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.

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<sup><2></sup> Whilst responsibility for the external audit opinion, and hence for the scope of audit work chosen, rests wholly with the External Auditors, it is normal practice for Audit Committees to discuss the proposed scope of work at the planning stage with the External Auditors to assist in ensuring that their actual audit coverage has regard to any significant issues, trends or changes which the Audit Committee consider to be relevant.

2.3 As a general comment, the Audit Body can report that it has addressed each one of these items in its work plan during the years 2008 to 2011 and has reported the outcomes of that work in its Annual Reports at the sessions of the governing bodies in 2009, 2010 and now in 2011. It is the Audit Body's view that it has delivered in full on its commitment to the governing bodies to undertake this work in the current term.

**3 The Audit Body's Report on how it has carried out its mandate during its final year (2010/2011) and over its three-year period of appointment**

3.1 This report continues with the reporting format introduced in October 2009 under which the Audit Body reports on its work under each item of its mandate (see Attachment I).

**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 significant financial and operational risks. Whilst it is the Director's responsibility to organise the Secretariat in a way which gives an appropriate and high level of assurance (and, where relevant, identifies any issues requiring further attention), the Audit Body has a monitoring responsibility to see that those procedures appear to be effective, and that the risks addressed by the Secretariat are sufficiently comprehensive. Accordingly, the Audit Body carries out a detailed review process as outlined further below.

**In relation to the Secretariat**

The Audit Body monitors the way in which the Secretariat addresses risk whilst discharging the responsibilities of managing the IOPC Funds' operations. During the year it monitored 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.

In each year of its three year appointment, the current Audit Body has continued to monitor the ongoing formal risk management process which was originally adopted, and has since been updated, by the Secretariat. The Audit Body received briefings from the Secretariat at its June meetings in 2009, 2010 and 2011 and reviewed, in some detail, the Key Risk Register. It also reviewed the way in which the Management Team has conducted the ongoing review and monitoring of risk during the year.

In June 2011, the Audit Body again conducted its annual review of the Risk Management process and received a report from the Secretariat explaining the processes which it has carried out to provide assurance that the relevant risks had been identified and to provide assurance that appropriate actions had been taken to manage and mitigate those risks. The Audit Body noted that the Secretariat plans to undertake a comprehensive review of the IOPC Funds' risk management in 2014. The Audit Body remains satisfied that the Secretariat is maintaining an appropriate and relevant focus on its risks and that the key risks it has identified are the important ones to keep under constant review.

The Audit Body remains alert to its responsibility to keep claims handling arrangements under periodic review. The Audit Body also recognises that the work of the sixth intersessional Working Group is likely to result in a proposal for changes in the way that some smaller claims are handled in future. Some of the proposed changes may be for Member States to consider; others for the Funds' Secretariat. The Audit Body has been following the work of that Working Group including attendance as an observer of its meetings when possible. The Audit Body has indicated its willingness to assist in implementation of agreed proposals resulting from the deliberations of the Working Group,

such as working with the Secretariat to develop a draft Memorandum of Understanding (MoU) for use as a model for Member States and the Funds to use, in order to provide a mechanism for mobilising resources at an agreed cost which also addresses the issues of suitable training and oversight for specialist expertise.

#### In relation to the External Auditor

Since it was established, and in each year of the current Audit Body's tenure, the Audit Body has sought to gain an understanding of the scope of audit testing work which the External Auditors plan 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 continues to draw comfort not only from gaining that detailed understanding, but also from thorough discussion with the External Audit team of their findings when they have carried out their work both at the interim and final stages, and from their view of the adequacy of the controls in place. The discussions with the External Auditor, together with a demonstration provided in the current Audit Body's first year, 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 IOPC Funds, and so target their 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, input reflecting experience derived from comparable situations arising in other international bodies has proved particularly relevant and useful. Whilst the External Auditor acts 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 head of the external audit team as being of positive and tangible value in carrying out the external audits.

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. The Audit Body can report that this relationship has developed and strengthened on both sides in each of the three years of the current term.

#### In relation to the joint Investment Advisory Body

The Audit Body and the joint Investment Advisory Body (IAB) are independent bodies having separate and distinct mandates and which report separately and 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 each of the years 2009 and 2010 as well as in the current year, for example, has continued to contribute to consideration by each body of the potential implications for the IOPC Funds of the unprecedented and continuing global financial situation.

Over each of the three years, the Audit Body has also followed with interest the ongoing development of policy for hedging and management of funds for paying claims having regard to the volatility of currencies in recent times. The Audit Body has noted that a policy of hedging 50% of any risk is one which minimises risk. It has further noted that the currencies of certain countries are not freely

convertible (such as the Korean Won), thereby making it difficult to undertake normal foreign exchange hedging contracts. At its June 2011 meeting with the IAB, the Audit Body noted the new banking arrangements that had been made in the Republic of Korea to achieve a suitable hedging policy to protect the Fund's currency risk with regard to the purchase of Korean Won required in respect of the *Hebei Spirit* incident.

At this same meeting, the IAB continued to 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 is continuing to closely monitor the global financial situation as well as staying actively engaged with the Secretariat on issues within its mandate.

The Audit Body is very grateful to the IAB for its ongoing annual attendance at Audit Body meetings, the provision of the minutes of IAB meetings and its willingness to keep the Audit Body fully informed of its activity and views on current market conditions and risks which assist the Audit Body in discharging its governance responsibilities.

***(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 undertook a comprehensive review of its own responsibilities and the audit function more generally during 2010 and reported its findings to the October 2010 sessions of the governing bodies (cf document IOPC/OCT10/6/2).

This work was undertaken in order to achieve some worthwhile ambitions, namely:

- To deliver on its obligation to 'promote the understanding and effectiveness of the audit function';
- To provide an enhanced mechanism for the governing bodies to assess the relevance and value of the Audit Body in addition to 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'; and
- To provide an opportunity for the governing bodies to consider the coming election of a new Audit Body in October 2011 and to review issues relating to the skills and experience of potential nominees and the need for adequate nominations to be made for those positions.

The Audit Body has also prepared a paper for consideration by the governing bodies at their October 2011 sessions concerning the possibility of refining the selection process for Audit Body members in the future (cf document IOPC/OCT11/6/4).

#### Communication

The current Audit Body introduced a new method of reporting its work to the governing bodies commencing with its first report in October 2009. The Audit Body considers this new annual reporting model to have enhanced communication with the governing bodies and proposes to continue this approach with enhancements over time.

The Chairmen of the governing bodies have attended a number of meetings in each year of the current term of the Audit Body providing the advantage that they have been able to observe the work of the Audit Body and also to contribute to the discussions. The Audit Body members have valued this participation and hope that Chairmen will attend future meetings if their other commitments permit.

#### Financial reporting

Considerable work has been done over the three years of the current Audit Body's term to assist in determining whether, and if so how, International Public Sector Accounting Standards (IPSAS), could be adopted by the IOPC Funds. These accounting standards replace older ones such as United Nations

Accounting Standards. IPSAS involves additional accounting and disclosure requirements and it was necessary to evaluate the implications and potential costs to the Organisations and hence to contributors in Member States of adopting those newer standards. The Audit Body wished to ensure that it did not support adoption of IPSAS, unless there was good reason to be satisfied that doing so would not cause the IOPC Funds significant cost or inconvenience.

The October 2009 sessions of the governing bodies approved the Audit Body's recommendation for adoption of IPSAS from 2010. The Audit Body has continued to participate fully in the further evolution of discussions with the Secretariat and with the External Auditor about the application of IPSAS. It was active in the summer of 2010 in monitoring and advising on the first application of these new accounting standards to the closing balances of the audited 2009 accounts of the IOPC Funds. It is very pleasing to note that the External Auditor has been very positive about the implementation of IPSAS for 2010 by the Secretariat.

***(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***

The external audit provides an important independent check on the accounts and on the financial controls operated by the IOPC Funds. 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 has presented the draft audit plan to the Audit Body at its December 2008, 2009 and 2010 meetings and on each occasion confirmed that the audit strategy would continue to be risk-based. The audit team leader also confirmed on each occasion that based on past experience the External Auditors considered the Funds' overall control environment to be effective.

In general terms at each of these meetings, the External Auditor confirmed that the audit approach sought to gain reasonable assurance that the internal controls were working effectively, that there was a clear audit trail and that there were no material misstatements in the Financial Statements. Each year the External Auditor 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 which, on each occasion and after discussion, supported these plans.

The Audit Body is pleased to confirm that, based on its careful work with and review of the work of the External Auditor in the years 2009, 2010 and 2011, reinforced by the particularly close examination of all aspects of the audit relationship resulting from the audit tender process described in section (f) below, that it regards the value of the relationship and its confidence in the current arrangements very highly and sees no current need for review or change to current arrangements or relationships.

***(d) review the Organisations' Financial Statements and Reports***

The Secretariat, under the guidance of the Director, conducted a complete review of the IOPC Funds' Annual Report for 2009, which was published in a completely new format for the first time in July 2010. As the Audit Body's mandate refers to the Funds' Financial Statements and Reports the Audit Body conducted its own review of the new format during 2010 and found that the new format reports were a significant improvement on those for earlier years. Some suggestions were made for consideration by the Secretariat when preparing the Funds' Annual Report for 2010.

This continues the past practice of the Audit Body, which has previously carried out a detailed review of the whole Annual Report (over and above its normal annual review of the Funds' Financial Statements) and has offered suggestions to the Secretariat for potential improvements, which were subsequently incorporated.

The IOPC Funds' Financial Statements, extracts of which are contained in the Funds' Annual Report, are subject to detailed review by the External Auditor before being approved by him. The Audit Body also reads them carefully. These Financial Statements and the Funds' Annual Report itself are also available online and may be inspected by individuals and bodies all over the world.

The Audit Body also fully supports the new approach to publishing detailed information on incidents in a separate and much improved format. The Audit Body commends the Secretariat for this innovative and much improved reporting.

*(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*

In 2009 and 2010 the Audit Body was pleased to report to the governing bodies that its inquiries and discussions with the External Auditor had provided firm reassurance that the external audit had been conducted effectively and that the findings for those years were sound and reliable and that for those years the accounts of each of the three Funds could be approved.

At its June 2011 meeting, the Audit Body received the report of the External Auditor on its audit of the Funds' 2010 Financial Statements under the new accounting standards, IPSAS.

The External Auditor has given an unqualified audit opinion on the Financial Statements of each of the three Funds. The Report makes it clear that no material weaknesses were found and internal controls were working effectively. The External Auditor reported to the Audit Body that despite its complexity, the implementation of IPSAS had proceeded well and the Funds were now at the forefront of international organisations in adoption of the latest accounting standards.

The Audit Body also held a closed session with the representatives of the External Auditor at its June 2011 meeting at which the members of the IOPC Funds' Secretariat were not present. The External Auditor assured the Audit Body that the working relationship with the Secretariat was both professional and constructive and this feedback has 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, noting that the complexity of the change to IPSAS had created a particular challenge this year. **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 1992 Fund, the Supplementary Fund and the 1971 Fund for the financial year ended 31 December 2010.**

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

It had been the view of the governing bodies in 2006 that because it was of such importance that there should be real assurance that the best candidate for appointment as External Auditor had been secured, a tender process should be conducted at the next occasion when the existing external audit mandate ended. As a result, detailed and extensive preparatory and developmental work was carried out to ensure that a tender process could be carried out effectively. This work commenced in 2008 during the term of the previous Audit Body and continued through 2009 and 2010.

The objective of the tender for the selection of the External Auditor was to provide all Member States with the highest possible level of confidence that a rigorous process has been followed. As a result of which there can be real assurance that the best candidate for appointment had been secured.

Only one nomination was received which subsequently gave rise to a tender from the National Audit Office of the United Kingdom which has undertaken the External Audit role since the Funds were created.

As reported to the governing bodies in October 2010, a formal interview was held during the June 2010 meeting of the Audit Body, which was also attended by the Chairmen of the 1992 Fund Assembly and the 1971 Fund Administrative Council, in an observer capacity. Given the experience of this tender exercise, the Audit Body prepared a report to the governing bodies setting out its own views and recommendations relating to both the outcome of the selection exercise and also relating to the conduct of future audit tenders (cf document IOPC/OCT10/6/3).

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

Validating oil report data, outstanding oil reports and non-payment of contributions

Following its discussion on the issue of outstanding oil reports and adoption of a policy decision 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.

The Audit Body presented a paper on this matter to the governing bodies at their 2009 sessions and the governing bodies then adopted Resolution N°11 in which a series of actions were specified. The final one of these actions was that the Audit Body was directed to monitor the effectiveness of the Resolution's initiatives and to report back to the governing bodies.

At the October 2010 sessions, the governing bodies also tasked the Audit Body with an analysis of any impacts of the policy adopted in 2008 in relation to outstanding oil reports.

The governing bodies also instructed the Audit Body at the October 2010 sessions to investigate any options that might be available to provide assurance that oil reports are accurate and reliable.

The Audit Body has undertaken detailed and extensive work on all three of these tasks in the current year resulting in recommendations which the Audit Body considers offer the possibility of some significant progress being made towards solving these long-running problems. The Audit Body will report separately on this work during the course of these sessions (cf document IOPC/OCT11/6/2).

Succession and contingency planning for the Secretariat

The Audit Body will also report at these sessions on an instruction from the governing bodies at their October 2010 sessions concerning the questions of succession and contingency planning for the Secretariat (cf document IOPC/OCT11/7/1/3).

Director's contract

Following the unfortunate health problems experienced by the Director in 2010, the governing bodies requested the Chairmen of the governing bodies, the Chairman of the Executive Committee, senior members of the Secretariat, a senior representative of the International Maritime Organization (IMO) and the Audit Body's Chairman and external expert to review the Director's contract to ensure it met current best practice. This work was completed early in 2011 and the revised contract proposal was endorsed by the governing bodies at their March 2011 meetings. Since that time, a further modification has been effected to the proposed contract.

- 3.2 In addition to the specific mandate items and matters directly referred to the Audit Body by the governing bodies, 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 (and, on this occasion, during the three years of the current Audit Body's tenure).

## **Other considerations of the Audit Body**

### Global financial instability

The Audit Body has maintained a close watch on the possibility that there may be issues arising from the exceptional global financial instability that has occurred in the last three years which might affect the risk profile of the Funds. The financial situation continues to be monitored by the Secretariat on a daily basis with regular advice from the IAB. The IAB has been consulted at each of their joint meetings in the three years of this Audit Body and also on an informal basis as and when required. Useful discussion and ongoing monitoring each year has taken place with the IAB, the Director and the Secretariat as to how the IAB's 2009 recommendations for managing exchange exposures (hedging for foreign exchange liability), so as to minimise risk for the IOPC Funds have been implemented.

At the June 2010 Audit Body meeting, the IAB advised the Audit Body that, in its opinion, while the major global risk had moved from one affecting the banks to one involving sovereign debt, the IAB remained of the view that because of the primary focus on selecting banks very carefully so as to minimise the risk of loss, sovereign risk should not be a major threat to the Funds. The IAB advised the Audit Body at its June 2011 meeting that it remained of the view that current policies and approaches to monitoring and dealing with this issue remain appropriate and should remain in place. From a risk management perspective, the Audit Body is satisfied that the IAB is a sound and effective governance mechanism for both monitoring and providing advice on managing this risk.

### Self-assessment of the Joint Audit Body

The Audit Body (in line with best practice followed by similar audit committees in other agencies), has conducted a self-assessment of its own performance. The results of this self-assessment are necessarily based on individual responses by each member of the Audit Body to a series of questions devised to test a range of expectations and performances across the typical range of activities of audit committees to be found in governmental, industry and corporate fields.

In broad terms, the scope and results of the exercise can be summarised as follows:

- Under the heading of 'Behaviours', the self-assessment focused on the key workings of the Audit Body in respect of: its interaction with the External Auditor; its relationship with the governing bodies and Secretariat; the understanding by members of the core business of the Audit Body including key financial issues and assurance; and the effectiveness of communications and focus of the Audit Body.
- Questions in respect of 'Processes' dealt with the clarity of the terms of reference and risk management responsibilities; the structure of the Audit Body agendas and meeting modalities; and the timeliness and relevance of information provided in Audit Body Papers.
- Both 'Behaviours' and 'Processes' also dealt with the subject of skills base and experience of Audit Body members.

Overall, the survey results for behaviours indicate that members had highly positive views in regard to the working relationships. A similar pattern also exists in respect of processes. However, whilst there was relatively close agreement for the scores the Audit Body members awarded for most questions relating to behaviours and processes, the questions specifically dealing with the skills and experience of the Audit Body composition showed a greater degree of variance.

The Audit Body's own assessment of this outcome is that the only area in which any perceived weakness exists is in the area of skills and experience of members who are being nominated by Member States. It is equally important to note, though, that a wide range of backgrounds and experience are necessarily involved in a nomination process such as the one in place for the Audit Body and a response to these specific questions other than the one actually made would itself,

perhaps, be questionable. It is entirely possible that this result could be driven by a healthy amount of self-criticism and humility.

Accordingly, the Audit Body can advise the governing bodies that the self assessment results (including those relating to skills) are well within the upper levels of desirable outcomes and accordingly, the nomination and selection process is providing effective and competent members of the Audit Body.

#### Transition from the third to the fourth elected Audit Bodies

Attachment II contains a background note for the transition to the new (fourth) Audit Body which takes over in October 2011. While intended principally for the members of the new Audit Body, the current Audit Body considers that it may also be of interest to the governing bodies and accordingly is included as an attachment to this report. Specifically, the note provides a perspective on the manner by which the current Audit Body (2008-2011) approached its work and identifies issues which may overlap into the term of the new Audit Body. Additionally, the note points to a number of emerging issues in respect of which the fourth Audit Body can determine its approach and workplan as may be appropriate within the context of its mandate. Key examples of these issues identified in Attachment II include the definition of ship, implementation and administration of the HNS Fund and the ongoing implementation of IPSAS.

#### **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 satisfied (as it has been in each previous year of its current mandate) that all recommendations made by the External Auditor on prior years' Financial Statements have been addressed.

Wayne Stuart  
Chairman  
10 August 2011

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## Attachment I

### **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.

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## Attachment II

### **Transition from the third to the fourth Audit Bodies**

#### **1 Summary**

This note provides a background for the transition to the new Audit Body which takes over in October 2011. Specifically, this note provides a perspective on the manner in which the current Audit Body (2008-2011) approached its work and identifies issues which may overlap into the term of the new Audit Body. Additionally, this note points to a number of emerging issues in respect of which the new Audit Body can determine its approach and workplan as may be appropriate within its mandate.

#### **2 Background**

- 2.1 The new Audit Body (AB4)<sup><3></sup> is to be elected in October 2011. AB4 is expected to comprise a new Chairman, a new external expert and four new members.
- 2.2 AB3 (2008-2011), like its predecessors, dealt with a range of significant issues. A number of these will extend into AB4. The mandate for the Audit Body provides a framework, but is not prescriptive. Each Audit Body has had to determine how it was to carry out its functions. It was for each Audit Body to formulate a workplan and identify relevant matters to address under the provisions of the mandate.
- 2.3 It is believed to be important for the IOPC Funds that AB3 record some perspective as to how it identified and approached issues. It is important for continuity of process and consistency in approach, particularly in respect of issues that overlap AB3 and AB4. Nonetheless, the purpose is not to constrain the scope and approach that the new Audit Body may deem appropriate in considering an issue but rather to ensure a suitable transfer of knowledge and experience.
- 2.4 As well, AB3 has recognised that there are a number of emerging issues. The intent in flagging these issues is to provide a backdrop from which AB4 can determine its approach and workplan within the context of its mandate. The work of AB4 will of course also have to take into account any amendments to its mandate that the governing bodies may decide and also to specific matters submitted to it by the governing bodies during its three year tenure. It may even need to address issues that emerge, with little warning, in the wider environment (such as the global financial crisis which occurred during AB3's time).

#### **3 Establishment of AB3**

- 3.1 New members of AB3 found invaluable the transition material that was available to them when they joined the Audit Body in the autumn of 2008. This included a CD comprising the minutes of the meetings covering AB1 and AB2 as well as the annual reports of the Chairman of the Audit Body.
- 3.2 Several documents were particularly helpful in providing both a background and a context for the work that was to be undertaken by AB3, including the report by the outgoing Audit Body covering the entire period 2002-2008, ie since the inception of the Audit Body<sup><4></sup>.
- 3.3 During its term (2008–2011), AB3 carried out a work programme that targeted all components of the Audit Body mandate, addressed instructions of the governing bodies and examined specific issues. The work of AB3 is reflected in the annual reports of the Audit Body Chairman to the governing bodies and in related documents. As such it is not the intent of this paper to duplicate the information contained in these documents or records that will be available to members of AB4. Rather, this paper

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<sup><3></sup> Chronology of Audit Bodies: the first Audit Body (AB1) served from 2002-2005; AB2 from 2005-2008; AB3 from 2008 to 2011.

<sup><4></sup> Document 92FUND/A.13/10, Annex II: The work of the Audit Body during the years 2002-2008.

seeks to provide a sense of the value added arising from the work of AB3 in respect of key elements inherent in the mandate of the Audit Body.

#### **4 Role of the Audit Body**

- 4.1 AB3 recognised at the outset of its mandate the need for effective communication with governing bodies, Member States and stakeholders as to the role and function of the Audit Body and its relationship with other bodies within the Funds. One of the ways that it sought to do this was for the Chairman's annual report to the governing bodies to report systematically in relation to each element of its mandate and related initiatives.
- 4.2 The Chairmen of each of the Funds participated in various meetings of the Audit Body and were able to observe firsthand the work of the Audit Body and the nature of its oversight and constructive challenge function that the Audit Body brings to the governance process of the Funds.
- 4.3 In October 2010, AB3 helped prepare for the nomination of new members for AB4 by means of a document which provided comparative information on the functions and effectiveness of audit body-like structures in other environments. The document also identified what AB3 considered desirable skills and experience for future members (cf document IOPC/OCT10/6/2).
- 4.4 Throughout its term, AB3 sought to learn of best practices for audit bodies. In this respect, and with a view to ensuring effective governance oversight of the administrative and management activity of the IOPC Funds, AB3 implemented a self evaluation process which would form part of the Chairman's three year report to the governing bodies<sup><5></sup>.
- 4.5 Attendance at the regular autumn sessions of the governing bodies by the Audit Body Chairman and other Audit Body members not only ensured the reporting of activities but also provided better appreciation and insight of the work of the Funds as well as the perspectives and positions of delegations on key issues.

#### **5 Review of the External Auditor's work plan, scope of work, and assessment of issues arising from external audit**

- 5.1 The external audit is pivotal in the performance of the Audit Body's function to ascertain the adequacy and effectiveness of the Funds' management and financial systems, controls and procedures. AB2 recognised that this oversight role went beyond simply obtaining assurance from the External Auditor's report. Similarly, AB3 saw the importance of a robust review of the external audit strategy at the beginning of each exercise and a rigorous examination of the results of the audit and response measures. AB3 also saw the importance of effective dialogue and a transparent relationship with the External Auditor. This clearly is expected to remain an important part of the work of AB4.
- 5.2 A key element in respect of the Audit Body's role in relation to the External Auditor is a thorough understanding of the methods and tools used by the External Auditor, including computer-assisted audit techniques. To this effect, AB4 members may wish to consider arranging for briefing presentations on the systems and processes used by the Secretariat and reported on by the External Auditor.

#### **6 Selection and evaluation of the External Auditor**

- 6.1 AB2 initiated and AB3 carried out (in 2010) a comprehensive tender and selection process for the External Auditor. The process resulted in a single candidacy and the subsequent re-appointment of the incumbent External Auditor. The selection process was subjected by the Audit Body to a rigorous evaluation and interview programme which considered evolving circumstances in the role and function of the External Auditor as well as the role of the Audit Body in relation to the External Auditor.

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<sup><5></sup> The document 'Audit Committee checklist' produced by the UK National Audit Office also provides useful background.

- 6.2 The Audit Body's report to the governing bodies at the October 2010 sessions (cf document IOPC/OCT10/6/3) set out its views and recommendations on the outcome of the selection process and the conduct of future audit tenders. The governing bodies accepted that the review and monitoring function carried out by the Audit Body would be the primary basis for determining if the external audit relationship was effective.
- 6.3 In light of the decision by the governing bodies, that going forward the Audit Body's annual report to the governing bodies will be the primary source of comfort or validation in respect of the Funds' relationship with the External Auditor, AB4 may wish to consider the elements that would comprise such validation. AB4 (and subsequent Audit Bodies) will also need to be prepared for possible calls for competitive bids from time to time in the future.

## **7 Mandate in relation to the Investment Advisory Body (IAB)**

- 7.1 AB1 and AB2 recognised the separate and distinct mandates of the Audit Body and the IAB and the need to exchange information on financial risks from their respective perspectives. AB3 sought to further develop and refine that relationship.
- 7.2 AB3's recurrent annual work programme provided for the review of the minutes of IAB meetings as well as regular meetings between the Audit Body and the IAB to discuss issues and risk considerations. The term of AB3 was characterised by a high degree of instability in global financial conditions and volatility in investment markets. Consideration of the financial risks arising from these circumstances made the need for effective dialogue between the two bodies particularly important. In discharging its governance responsibilities, AB3 considered it of vital importance to have a good understanding of the views of the IAB on investment and financial risks.
- 7.3 Similarly, AB4 members will want to familiarise themselves with the policy and practices of the IAB and their risk management techniques. Additionally, over the course of the AB3's meetings with the IAB, it became evident that a better understanding of the information flows on which the IAB's risk assessments are based may be beneficial, for example, AB4 members may wish to apprise themselves of documents prepared by the IAB on hedging policy.
- 7.4 From a broader perspective, the complexity of financial and investment matters in relation to the operations of the Funds has become increasingly apparent over successive Audit Bodies. There are a series of links throughout the process involving an incident (ie incident assessment, provisional estimate of total cost of incident, decision about whether to create a Major Claims Fund, calls for funding, phasing of claims assessment, legal issues assessment, cash flow forecast, investment of surplus funds, budgeting, working capital estimates). A good understanding of the linkage between cash flow forecasting-management and the operational cycle of an incident are critical to the oversight by the Audit Body of the effectiveness of the Funds' financial controls.

## **8 Operational Processes**

### **8.1 Risk management**

- 8.1.1 Risk management is a key element in the administration of the IOPC Funds. The mandate of the Audit Body calls for it to review the adequacy and effectiveness of the Funds' risk management function. Successive Audit Bodies have carried out this function with particular focus on financial and operational risks.
- 8.1.2 AB1/AB2 oversaw the development by the Secretariat of a methodology to monitor the effectiveness of risk management procedures. AB3 closely monitored the final stages of the highly successful implementation of a comprehensive risk management process by the Secretariat. Regular briefings by the Secretariat and monitoring by AB3 prompted some further refinement. As part of its annual review function, AB4 may wish to consider whether any adjustments are warranted. A full review of the business processes, risk identification, assessment and mitigation strategies is planned by the Secretariat for 2014. AB4 may wish to consider its oversight role in this respect.

8.1.3 It is noteworthy that AB3 saw its role as one to review the risk management process carried out by the Secretariat and to ensure that it was meaningful and substantial and that it delivered a reliable and positive outcome. The actual testing of the process itself lies within the purview of the Secretariat.

## 8.2 Document database

8.2.1 With a view to the effectiveness of procedures, AB3 followed closely the development of the web-based version of the database of decisions (cf document IOPC/OCT10/7/3). A preliminary presentation<sup><6></sup> of the various features of the electronic database highlighted its considerable potential in research and analysis of issues and policy development. It also underlined the value of the database as a repository of precedents concerning the decisions of the IOPC Funds' governing bodies over time.

8.2.2 AB4 may wish to monitor closely the implementation of the database and its application in the work of the Funds. AB4 may also wish to consider whether this approach can be adapted to other databases. Additionally, AB4 may wish to review the availability and use of other database systems in providing management information, including the web-based claims handling system.

## 8.3 Claims handling

8.3.1 Claims processing is a key operational function of the Funds. Within the framework of the mandate of the Audit Body and with a view to delineating best practices and lessons learnt, each Audit Body has considered the operational implications of major incidents (for example, in respect of claims handling, relationship with Member States, etc). AB2 carried out several reviews of the claims handling process as documented in its annual reports, principally in respect of the *Erika* and *Prestige* incidents. These included on-site reviews of claims handling and an efficiency review.

8.3.2 The tenures of AB1 and AB2 coincided with periods during which considerable work was carried out on the IOPC Funds claims handling systems including the management and control of claims handling expenses. During AB3's tenure, the Secretariat implemented the Web-based Claims Management System which has allowed a significant improvement in the control of claims handling.

8.3.3 A key incident during AB3 was the incident in the Republic of Korea involving the *Hebei Spirit*. A major consideration in respect of this incident was the handling of very large number of claims and the extent to which evidentiary requirements could be met by claimants. Issues associated with the handling of a large number of small claims were the subject of the sixth intersessional Working Group (cf document IOPC/OCT10/4/2).

8.3.4 This Working Group is expected to report its findings during the tenure of AB4. Issues include the lack of supporting evidence for claims, the cost and time for assessing claims and the role of Member States in facilitating claims processing and compensation.

8.3.5 With due regard to its mandate, AB4 may wish to monitor developments arising from the work of this Working Group particularly in regards to controls and procedures. In the context of ensuring the effectiveness of operational systems, AB4 may wish, in conjunction with the Secretariat, to review the information flows emerging from the Web-based Claims Management System. Additionally, AB4 may also wish to consider how developments in the claims handling system generally may have a bearing on the assessment of claims.

## 9 Emerging issues

9.1 A key consideration guided the work of AB3 (and earlier Audit Bodies) in respect of emerging issues, namely the need to ensure that the issue was significant to the Funds and that whatever work was undertaken by the Audit Body was covered by its mandate or by specific instructions from the governing bodies. And, while the need for the Audit Body to work in close collaboration with the

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<6> At the October 2010 sessions of the governing bodies.

Director and the Secretariat in establishing a work programme is integral to its role, this is particularly so in the case of emerging issues.

9.2 This section outlines some issues which may come within the ambit of AB4. The list of issues is not intended to be definitive nor complete but rather an indication of potential issues.

### 9.3 Definition of 'ship'

9.3.1 The outcome of a court decision during AB3's tenure (ie the *Slops* incident) resulted in extensive debate among Member States at the 2008 and 2009 sessions of the governing bodies and subsequent examination of the definition of 'ship' particularly in relation to floating storage units. The potential implications of a change in the interpretation of the definition of 'ship' were the subject of an expert study, the results of which were presented at the October 2010 sessions of the governing bodies. The 1992 Fund further commissioned a legal analysis of the Convention provisions particularly in connection with the application of strict liability, compulsory insurance and certification. The results of this analysis are expected to be available in October 2011 (cf document IOPC/OCT10/4/3).

9.3.2 AB3 recognised the significance of this issue (eg, in regards to the risk of incidents, increase in contribution oil as well as implications for liability and compensation) and closely followed developments. The completion of the legal analysis will coincide with the election of AB4. Recognising that policy is clearly the domain of the governing bodies, AB4 will need to have due regard to the provisions of its mandate (and subject to any specific instructions from the governing bodies) in determining whether any issues arise from this work which may warrant its consideration.

### 9.4 HNS

9.4.1 The potential implications of the entry into force of the HNS Convention were issues of interest for both AB2 and AB3. In its six year report, AB2 flagged the potential involvement of the Audit Body should the HNS Fund become part of the administrative responsibilities of the Funds' Secretariat, particularly in respect of assessing the implications on existing systems, the calculation of contributing oil, claims handling and overall risk. The timing of developments in respect of the HNS Convention, however, precluded any specific work on the part of either AB2 or AB3.

9.4.2 During the latter part of AB3's term, and further to the April 2010 HNS Protocol, preparations were underway for the entry into force of the HNS Convention (cf document IOPC/OCT10/8/4). A series of practical measures were undertaken by the Secretariat for the establishment of the HNS Fund. The implementation of the HNS Fund will likely occur early in the tenure of AB4. With due regard to its mandate, AB4 may wish to consider this issue in the formulation of its workplan. The External Auditor's workplan for 2011 noted the need to consider the potential audit implications of the entry into force of the HNS Convention.

### 9.5 IPSAS

A number of issues were considered by AB3 during its tenure, in conjunction with the Secretariat and the External Auditor, in respect of the conversion to IPSAS. These include the accounting treatment for liabilities resulting from incidents and the accounting treatment of financial instruments. AB4 may wish to consider the nature of its monitoring role in relation to IPSAS.

## 10 Resolutions/Decisions of the governing bodies

At their October 2010 sessions, the governing bodies requested that the Audit Body examine the effectiveness of two key measures adopted by the governing bodies to address issues that are fundamental to the operation of the Funds, ie non-submission of oil reports and non-remittance of contributions. To this effect, AB3 undertook an examination of the effectiveness of Resolution N°11 (adopted by the governing bodies at their October 2009 sessions) and the policy decision taken at the session in October 2008. AB3 will submit a first report in October 2011. Depending on further instructions from the governing bodies, work may continue during the tenure of AB4.

## **11 Managing the transition to AB4**

### **11.1 Briefing sessions by the Secretariat, outgoing external expert, etc**

New and returning members will benefit from briefing sessions and presentations by Secretariat staff on systems, controls and procedures employed in the conduct of Funds' operations.

### **11.2 Handover to the new external expert**

11.2.1 The independent external expert, with expertise and experience in financial and audit matters, plays a critical role in the functioning of the Audit Body. The role and contribution of the external expert is reflected throughout the work of the Audit Body.

11.2.2 The document 'Maintaining the effectiveness of the joint Audit Body' (cf document IOPC/OCT10/6/2) pays particular attention to the skills and competencies required of the external expert.

11.2.3 The role and value of the external expert is clearly recognised by the governing bodies. This was recently reflected in the selection process and appointment of the new external expert (cf document IOPC/MAR11/4/2).

11.2.4 The current circumstances, whereby the outgoing external expert has been in place since the creation of the Audit Body, present a unique opportunity for the transfer of knowledge and practices. This transfer involves both briefings with the Audit Body and exchanges with the incoming external expert.

### **11.3 Audit Body documents since 2002**

11.3.1 A review of the documents relating to AB1, AB2 and AB3 will provide new members with considerable insight into the issues and the manner in which these were addressed. These documents will also contribute to an understanding of the respective roles of the various bodies involved in the management, governance and operation of the IOPC Funds and the nature of the interaction between the Audit Body and these bodies.

11.3.2 Given the number of documents that have been generated over the past nine years, AB4 may ultimately wish to consider jointly with the Secretariat the feasibility and practicality of an active and searchable database of Audit Body documents and reports.