



INTERNATIONAL  
OIL POLLUTION  
COMPENSATION  
FUNDS

<b>Agenda item: 6</b>	IOPC/OCT15/6/2	
Original: ENGLISH	5 August 2015	
1992 Fund Assembly	<b>92A20</b>	•
1992 Fund Executive Committee	<b>92EC65</b>	•
Supplementary Fund Assembly	<b>SA11</b>	•

## APPOINTMENT OF THE EXTERNAL AUDITOR

### Note by the Audit Body

<b>Summary:</b>	<p>This document reports on the competitive process carried out by the Audit Body to select the External Auditor to be appointed by the governing bodies at their October 2015 sessions, including the outcome of that process. By the deadline of 13 March 2015, tender submissions had been received from one National Auditor and three commercial firms. Following a review of the tenders and interviews with all candidates, the Audit Body has made a recommendation regarding the appointment in accordance with its mandate.</p>
<b>Action to be taken:</b>	<p><u>1992 Fund Assembly and Supplementary Fund Assembly</u></p> <p>Consider the Audit Body's recommendation that BDO International be appointed as the IOPC Funds' External Auditor to audit the Financial Statements of the 1992 Fund and the Supplementary Fund for a period of four years, ie the financial years 2016-2019 inclusive, subject to satisfactory annual performance.</p>

### 1 Introduction

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

- 1.4 On 24 February 2015, the Director was informed by the Embassy of the Republic of Turkey that the Turkish Government had decided to withdraw the nomination of the National Auditor of Turkey.
- 1.5 The deadline for the submission of written tenders was 13 March 2015 and by that date tenders had been received from Mr Richard Q. Quartey, Auditor-General of Ghana, and the private firms BDO, Moore Stephens and PwC.

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

### **2.1 Nomination by Government of the Republic of Ghana**

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

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

### **2.2 Commercial firms**

*BDO International*

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

*PricewaterhouseCoopers*

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

*Moore Stephens International*

- 2.2.3 Moore Stephens International is one of the world's major accounting and consulting networks with 292 independent firms and 626 offices in 103 countries. They proposed a UK based team led by Mr Adrian Brook, an audit partner who has 30 years' experience of audits in the UK and international government sectors, including audits under National Audit Office partnership contracts. This experience includes financial reporting under IPSAS. Further support would be provided by an

experienced senior manager who has existing knowledge of the IOPC Funds, having managed the external audit of the Funds for three years when employed by the UK National Audit Office.

### **3 Tender evaluation process**

- 3.1 With the dissolution of the 1971 Fund at the end of 2014, tenders were for the audit of the Financial Statements of the 1992 Fund and the Supplementary Fund.
- 3.2 The tender documents were evaluated by the Audit Body at its meeting on 10 April 2015 on the basis set out in paragraph 3.8 of document [IOPC/OCT14/6/3](#) which states that the Audit Body will consider all candidates equally and will seek to identify the candidate that best meets the selection criteria that the governing bodies approved at their October 2014 sessions (cf document [IOPC/OCT14/6/3](#), Annex I, reproduced at Annex I to this document).
- 3.3 The Audit Body concluded that all four candidates should be invited to an interview by the Audit Body at its meeting in June 2015. Also invited to take part in these interviews were the Director and the Deputy Director/Head, Finance and Administration, as well as the Chairmen of the 1992 Fund Assembly and the Supplementary Fund Assembly. All attended with the exception of the Chairman of the Supplementary Fund Assembly who tendered his apologies.
- 3.4 The Audit Body followed a structured approach to the interviews having agreed a list of questions in advance that were to be posed to all candidates. Each Audit Body member took responsibility for at least one of the questions. The members of the Secretariat and the Chairman of the 1992 Fund Assembly did not participate in this process nor in the subsequent evaluation, however, time was made available for them to ask questions if they wished.

### **4 Results of the evaluation process and recommendation**

- 4.1 Taking into account the evaluation of the tenders and the results of the interviews, the Audit Body concluded that BDO International should be recommended to the governing bodies for appointment as the External Auditor to the 1992 Fund and the Supplementary Fund.
- 4.2 The principal reasons for recommending BDO International are summarised as follows:
- (a) The team has the requisite experience of performing audits under IPSAS.
  - (b) They demonstrated the best understanding of the distinct roles of the Secretariat, the Audit Body, and the Funds' governing bodies.
  - (c) They demonstrated the best understanding of the Funds' Financial Regulations and budgetary framework, together with the development of an appropriate audit approach coordinated by a manager who has had previous experience of the IOPC Funds.
  - (d) The previous experience of the audit team should facilitate the most efficient transition of responsibilities from the current External Auditor.
  - (e) At £47 560 per annum, BDO International quoted the most competitive fee (the fee to be charged by the NAO in respect of their audit of the 1992 Fund and Supplementary Fund Financial Statements for 2015 amounts to £51 000) and, subject to the scope of the audit remaining the same, BDO International has committed to this fee for four years. The resourcing assumptions underpinning their fee quotation include amounts of partner and manager time comparable with the other bids but with less input from junior staff.
- 4.3 Profiles of the BDO International engagement partner and the manager are set out at Annex II to this document.

- 4.4 The Audit Body further recommends that the period of tenure should continue as at present, namely for four years, subject to satisfactory performance as evidenced by the annual review by the Audit Body in accordance with its mandate.

**5 Action to be taken**

1992 Fund Assembly and Supplementary Fund Assembly

The 1992 Fund Assembly and the Supplementary Fund Assembly are invited to consider the Audit Body's recommendation that BDO International be appointed as the IOPC Funds' External Auditor to audit the Financial Statements of the 1992 Fund and the Supplementary Fund for a period of four years, ie the financial years 2016-2019 inclusive, subject to satisfactory annual performance.

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## ANNEX I

### **FACTORS FOR EVALUATION OF CANDIDATES FOR THE POSITION OF EXTERNAL AUDITOR OF THE IOPC FUNDS**

(as approved by the IOPC Funds' governing bodies at their October 2014 sessions)

#### Required factors:

- Audit organisation must be Auditor-General (or equivalent organisation) of a Member State or a commercial audit firm with the requisite capabilities, nominated by a 1992 Fund Member State or identified by the Audit Body
- Experience of auditing financial statements prepared under International Public Sector Accounting Standards
- Identification of the key issues relevant to the IOPC Funds
- Appreciation of the distinct roles of the Secretariat, the Audit Body, the Investment Advisory Body and the Funds' governing bodies, and hence of the appropriate relationships with each
- Understanding of the Funds' Financial and Internal Regulations, the budgetary process, the risk management process, the procurement process and the claims-handling process, and an ability to develop an audit approach which takes account of these existing processes and disciplines
- Relevant experience of auditing organisations comparable with the IOPC Funds
- Robustness and professional competence of the people who lead the team
- Reasonable continuity assured for key persons yet with some rotation acceptable at the more junior levels
- Transparency of the audit fee and value for money
- Appropriate transitional arrangements
- All Audit Body meetings and associated papers are in English so the audit organisation must be able to communicate effectively in this language

#### Desired factors:

- Economy in use of the Secretariat's time given its available resources
- Clarity and conciseness of communications and ability to build trust and confidence
- Service and communication 'philosophy', preparedness, enthusiasm, follow-up
- Availability, and experience in use, of electronic audit techniques
- Commitment to continuous review and improvement and demonstration of past innovation
- Constructive attitude to problem solving – not just the technical complexities and requirements of the audit process and function

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## ANNEX II

### PROFILE OF BDO INTERNATIONAL ENGAGEMENT PARTNER AND MANAGER FOR IOPC FUNDS



#### **DAVID EAGLES MA FCA**

Partner, Public Sector Assurance

#### **ROLE FOR IOPC FUNDS**

Mr Eagles' role is to ensure that the IOPC Funds receive an excellent service from the team. He will take ultimate responsibility for the quality of the services provided to the Funds.

#### **RELEVANT EXPERIENCE**

- Mr Eagles has 25 years audit experience, with over 22 of those specialising in the public sector. He is BDO's national lead partner for Public Services Assurance work, which incorporates healthcare and local and central government audits and assurance. He has worked across the complete spectrum of local government and National Health Service (NHS) bodies, a variety of central government agencies and also retains a portfolio of corporate audits linked to local government and the NHS.
- He has been a long-standing member of the Audit Commission's NHS Auditors' Group, and is the now the firm's representative on the newly formed and NAO-chaired Local Auditors' Advisory Group and has represented the firm on a variety of other groups and working parties over the last 15 years. Most recently he has worked with the NAO on the development of the new Code of Audit Practice covering the audits of all local public services bodies and due to be implemented from April 2015.
- Mr Eagles is BDO's representative on the Institute of Chartered Accountants in England and Wales' Public Sector Audit Committee.
- He is a member of the firm's Technical Liaison Group (leading on NHS issues) which is responsible for designing the firm's assurance approach to NHS and local government audits and the firm's NHS and local government audit training programmes.



**JODY ETHERINGTON ACA MEng**

Manager, Public Sector Assurance

**ROLE FOR IOPC FUNDS**

Mr Etherington will be the IOPC Funds' day-to-day key contact with overall responsibility for project management and delivery of the audit.

**RELEVANT EXPERIENCE**

- Mr Etherington has nine years of audit experience, specialising in the public sector for all of this time. He manages a mixed portfolio of clients including central government, local government and healthcare bodies, alongside a number of charities including some linked to the NHS.
- Over nine years' experience of auditing central government bodies, including a number of government departments, executive agencies, and non-departmental public bodies, covering both financial statements and performance audit.
- Two years' audit of IOPC Funds under the IPSAS accounting framework and over two years' experience of auditing the financial statements of UN bodies under the United Nations System Accounting Standards (UNSAS) accounting framework.
- Two years of auditing experience in local government and the NHS, within a range of bodies including primary care trusts, clinical commissioning groups, acute trusts, unitary authorities and district councils.
- Over two years spent working with the International Relations and Technical Co-operation team at the National Audit Office, which included designing and delivering training programmes in audit and the application of International Standards on Auditing (ISAs) to supreme audit institutions in developing countries.
- Over nine years' experience specialising in the public sector, covering audits under a number of different accounting frameworks including International Financial Reporting Standards (IFRS), HM Treasury FReM (UK Government Financial Reporting Manual), Local Government Code of Accounts and UNSAS. Led the audit of the first UK central government body to report under the IFRS-based FReM.