



INTERNATIONAL  
OIL POLLUTION  
COMPENSATION  
SUPPLEMENTARY  
FUND

ASSEMBLY  
1st session  
Agenda item 30

SUPPFUND/A.1/30  
28 January 2005  
Original: ENGLISH

## ESTABLISHMENT OF AUDIT BODY

### Note by the Director of the International Oil Pollution Compensation Funds 1971 and 1992

|                            |  |
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| <b>Summary:</b>            | It is proposed that the Supplementary Fund, the 1992 Fund and the 1971 Fund should have a joint Audit Body.        |
| <b>Action to be taken:</b> | Decide on the establishment of an Audit Body for the Supplementary Fund and determine its mandate and composition. |

#### 1 The issue

- 1.1 In order to increase the transparency of the operation of the IOPC Funds the governing bodies of the 1992 Fund and 1971 Fund decided, at their October 2001 sessions, to establish a joint Audit Body for the two Organisations.
- 1.2 At their April/May 2002 sessions, the governing bodies determined the mandate and composition of the Audit Body (documents 92FUND/A/ES.6/10, Annex IV and 71FUND/AC.7/A/ES.9/14, Annex I). A revised mandate was approved by the governing bodies at their October 2002 session (documents 92FUND/A.7/29, paragraph 12.6 and Annex II and 71FUND/AC.9/20, paragraph 8.6 and Annex I) and the revised text is set out in Annex I. The revised mandate envisages, probably due to an oversight, that the 1992 Fund Assembly should elect the members of the Audit Body.
- 1.3 At their October 2002 sessions the governing bodies of the 1992 and 1971 Funds elected the following as members of the Audit Body for a term of three years (documents 92FUND/A.7/29, paragraphs 12.15 and 71FUND/AC.9/20, paragraph 8):

Professor Eugenio Conte (Italy)  
Mr Charles Coppelani (France) – Chairman  
Mr Maurice Jaques (Canada)  
Mr Heikki Muttilainen (Finland)  
Dr Reinhard Renger (Germany)  
Professor Hisashi Tanikawa (Japan)  
Mr Nigel MacDonald (“Outsider”- expert)
- 1.4 During its consideration at its May 2004 session of the preparations for the entry into force of the Supplementary Fund Protocol, the 1992 Fund Assembly endorsed the Director's proposal that the Supplementary Fund should have a joint Audit Body with the 1992 and 1971 Funds (document 92FUND/A/ES.8/4, paragraph 3.7.7).
- 1.5 The Director proposes that should it decide to establish an Audit Body, the Supplementary Fund Assembly should also endorse the mandate and composition of the Audit Body that has been

adopted by the 1992 Fund Assembly and the 1971 Fund Administrative Council. Proposals to this effect will be made to the governing bodies of the 1992 Fund and the 1971 Fund.

- 1.6 As set out above the term of office of the present members of the Audit Body expires at the October 2005 sessions of the IOPC Funds' governing bodies, and an election of the members for a new term of office will take place. In view of the fact that all Supplementary Fund Member States will also be Members of the 1992 Fund, the Director proposes that the Supplementary Fund Assembly should not hold elections of the Audit Body Members but instead leave this function to the 1992 Fund Assembly.
- 1.7 A proposed revised mandate of the Funds' Audit Body, based on the assumption that the three governing bodies adopt the proposals set out in paragraphs 1.4 to 1.6 above, is at Annex II.

**2 Action to be taken by the Assembly**

The Assembly is invited:

- (a) to decide that the Supplementary Fund should have a joint Audit Body with the 1992 and 1971 Funds;
- (b) to decide on the composition and mandate of the joint Audit Body; and
- (c) to decide whether the Supplementary Fund Assembly shall in the future hold elections of the members of the proposed joint Audit Body or whether they should be elected by the 1992 Fund Assembly only.

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## ANNEX I

### **Composition and Mandate of the IOPC Funds' Audit Body**

#### **(present text)**

- 1** The Audit Body shall be composed of seven members elected by the 1992 Fund Assembly: one named Chairman nominated by Member States, five named individuals nominated by Member States and one named individual not related to the Organisations (“outsider”), with expertise and experience in audit matters nominated by the Chairman of the 1992 Fund Assembly. Nominations, accompanied by the curriculum vitae of the candidate, should be submitted to the Director at least six weeks in advance of the session at which the election will take place.
- 2** Members of the Audit Body shall hold office for three years, once renewable. Of the first Audit Body to be elected, the term of three of those elected from Member States shall not be renewable.
- 3** The members of the Audit Body shall perform their functions independently and in the interest of the Organisations as a whole. The members elected from Member States shall not receive any instructions from their Governments.
- 4** Travel and subsistence expenses of the six members of the Audit Body elected from Member States shall be paid by the Organisations. The member not related to the Organisations (“outsider”) shall be paid travel expenses and an appropriate fee.
- 5** The Audit Body shall:
  - (a) review the effectiveness of the Organisations regarding key issues of financial reporting, internal controls, operational procedures and risk management;
  - (b) promote the understanding and effectiveness of the audit function within the Organisations, and provide a forum to discuss internal control issues, operational procedures and matters raised by the external audit;
  - (c) discuss with the External Auditor the nature and scope of each forthcoming audit;
  - (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
  - (f) make appropriate recommendations to the Assemblies.
- 6** The Audit Body shall normally meet at least twice a year. The Chairman of the Audit Body and the External Auditor may request that additional meetings should be held. The meetings shall be convened by the Director, in consultation with the Chairman of the Audit Body.
- 7** The External Auditor, the Director and the Head of the Finance and Administration Department shall normally be present at the meetings.

- 8** The Chairman of the Audit Body shall report on its work to each regular session of the Assemblies.
- 9** Every three years the functioning of the Audit Body and its mandate shall be reviewed by the Assemblies on the basis of an evaluation report from the Chairman of the Audit Body.

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## ANNEX II

### DRAFT

#### **COMPOSITION AND MANDATE OF THE AUDIT BODY OF THE 1992 FUND, THE 1971 FUND AND THE SUPPLEMENTARY FUND (proposed revised text)**

- 1 The Audit Body shall be composed of seven members elected by the 1992 Fund Assembly<sup><1></sup>: one named Chairman nominated by 1992 Fund Member States, five named individuals nominated by 1992 Fund Member States and one named individual not related to the Organisations (“outsider”), with expertise and experience in audit matters nominated by the Chairman of the 1992 Fund Assembly. Nominations, accompanied by the curriculum vitae of the candidate, should be submitted to the Director at least six weeks in advance of the session at which the election will take place.
- 2 Members of the Audit Body shall hold office for three years, once renewable. Of the first Audit Body to be elected, the term of three of those elected from 1992 Fund Member States shall not be renewable.
- 3 The members of the Audit Body shall perform their functions independently and in the interest of the Organisations as a whole. The members elected from 1992 Fund Member States shall not receive any instructions from their Governments.
- 4 Travel and subsistence expenses of the six members of the Audit Body elected from 1992 Fund Member States shall be paid by the Organisations. The member not related to the Organisations (“outsider”) shall be paid travel expenses and an appropriate fee.
- 5 The Audit Body shall:
  - (a) review the effectiveness of the Organisations regarding key issues of financial reporting, internal controls, operational procedures and risk management;
  - (b) promote the understanding and effectiveness of the audit function within the Organisations, and provide a forum to discuss internal control issues, operational procedures and matters raised by the external audit;
  - (c) discuss with the External Auditor the nature and scope of each forthcoming audit;
  - (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
  - (f) make appropriate recommendations to the governing bodies.
- 6 The Audit Body shall normally meet at least twice a year. The Chairman of the Audit Body and the External Auditor may request that additional meetings should be held. The meetings shall be convened by the Director, in consultation with the Chairman of the Audit Body.
- 7 The External Auditor, the Director and the Head of the Finance and Administration Department shall normally be present at the meetings.

<1> Reference to the 1971 Fund Administrative Council has been deleted.

- 8 The Chairman of the Audit Body shall report on its work to each regular session of the governing bodies.
  - 9 Every three years the functioning of the Audit Body and its mandate shall be reviewed by the governing bodies on the basis of an evaluation report from the Chairman of the Audit Body.
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