



INTERNATIONAL  
OIL POLLUTION  
COMPENSATION  
FUNDS

<b>Agenda item: 9</b>	IOPC/OCT14/9/1	
Original: ENGLISH	19 August 2014	
1992 Fund Assembly	<b>92A19</b>	
1992 Fund Executive Committee	<b>92EC62</b>	
Supplementary Fund Assembly	<b>SA10</b>	
1971 Fund Administrative Council	<b>71AC33</b>	•

## SUPPLEMENTARY BUDGET FOR 2014

### 1971 FUND

#### Note by the Director

<b>Summary:</b>	This document deals with a draft supplementary administrative budget for the 1971 Fund for the financial year 2014. The supplementary draft budget totals £257 000. In view of the Administrative Council decisions in May 2014 to dissolve the 1971 Fund, an estimate is made of the additional payments to be made from the General Fund in respect of the winding up of the 1971 Fund.
<b>Action to be taken:</b>	<u>1971 Fund Administrative Council</u>  (a) Approve the supplementary budget for 2014 of £257 000 in respect of the administrative expenses of the 1971 Fund for 2014 as set out at the Annex;  (b) Authorise the Director to use the balance in the General Fund to pay for the supplementary administrative expenditure for 2014.

## 1 Introduction

- 1.1 Article 18.5 of the 1971 Fund Convention requires the Assembly of the 1971 Fund to adopt the annual budget of the Organisation.
- 1.2 This document relates to payments from the General Fund only.
- 1.3 Financial Regulation 3 of the Organisation provides that the financial period of the 1971 Fund shall be the calendar year. The 1971 Fund administrative budget, payable from the General Fund, for 2014 adopted by the 1971 Fund Administrative Council at their meeting in October 2013 covers the period 1 January-31 December 2014 (see document [IOPC/OCT13/11/1](#), paragraph 9.1.22 and Annex III).
- 1.4 The 1971 Fund Convention ceased to be in force on 24 May 2002 and so it has not been possible to levy further contributions to the General Fund since 2003. The 1971 Fund Administrative Council, at its October 2013 session authorised the Director to use the balance on the General Fund to pay for the administrative expenditure and minor claims expenses (document [IOPC/OCT13/11/1](#), paragraph 9.1.23).
- 1.5 As a result of the Administrative Council's decision in May 2014 to confirm its intention to dissolve the 1971 Fund at its October 2014 session, the Director proposes a supplementary budget for 2014 to cover additional expenditure not foreseen at the time of the adoption of the 2014 budget in October 2013.

- 1.6 The decisions made by the Administrative Council at its sessions in October 2013 and May 2014 are set out in section 2 and the additional administrative costs payable in 2014 as a result of the decisions of the Council are in section 3.

## **2 Winding up of the 1971 Fund**

- 2.1 At its October 2013 session, the 1971 Fund Administrative Council took a number of decisions with a view to deciding to dissolve the 1971 Fund at its October 2014 session and instructed the Director, in consultation with the Chairman of the 1971 Fund Administrative Council, to resolve as many of the outstanding issues as possible and to study the legal and procedural issues relating to the winding up of the 1971 Fund.
- 2.2 In accordance with the decisions and instructions of the 1971 Fund Administrative Council at its October 2013 session, the Director, in consultation with the Chairman of the 1971 Fund Administrative Council, undertook the necessary tasks and studies.
- 2.3 At its May 2014 session, the 1971 Fund Administrative Council decided to confirm its intention to dissolve the 1971 Fund at its October 2014 session and adopted Resolution N°17 on the Preparation for the Dissolution of the International Oil Pollution Compensation Fund (1971 Fund). The Administrative Council instructed the Director to submit to the October 2014 session of the 1971 Fund Administrative Council, a new draft of the proposed Resolution N°18 on the Dissolution of the International Oil Pollution Compensation Fund (1971 Fund) with effect from the expiry of the last day of the financial year 2014 (31 December 2014).

## **3 Administrative expenditure for 2014**

- 3.1 The administrative budget of the 1971 Fund for 2014 approved by the Council in October 2013 totals £505 300.
- 3.2 The administrative budget is made up of Chapter I - Management fee payable to 1992 Fund by 1971 Fund; Chapter II - Costs for winding up of the 1971 Fund and Chapter III - Administrative costs including External Audit fees.
- 3.3 The Director proposes a supplementary budget for 2014 under Chapter I and Chapter III as set out below.
- 3.4 **Chapter I- Management fee payable to 1992 Fund by 1971 Fund**
- 3.4.1 A budget appropriation of £240 000 being the management fee payable to the 1992 Fund for 2014 was approved by the Administrative Council in October 2013 under this Chapter. The management fee shall be paid in the last quarter of 2014.
- 3.4.2 The Director proposes that the 1971 Fund should pay an additional fee to the 1992 Fund in recognition of the substantial additional time spent by the Director and Secretariat staff in matters dealing with the winding up of the 1971 Fund. Additional Secretariat time has been taken up in tasks associated with the procedural matters for the winding up of the 1971 Fund and in respect of defending the 1971 Fund against a legal action brought by the Assuranceforeningen Gard Club. The Director proposes a fee equivalent to the management fee payable to the 1992 Fund for the administration of the joint Secretariat for 2014 ie £240 000 (see document [IOPC/OCT13/9/1/3](#)) as being an appropriate additional fee.
- 3.4.3 An additional appropriation to cover the fee payable of £240 000 is included in the supplementary budget under Chapter I.

### 3.5 Chapter II- Costs for winding up of the 1971 Fund

- 3.5.1 A budget appropriation of £250 000 for 2014 was approved by the Administrative Council in October 2013 under this Chapter. The appropriation is to cover fees of lawyers and other experts, and travel pertaining to the winding up of the 1971 Fund. As at 1 August 2014 an amount of £19 911 has been used under this Chapter.
- 3.5.2 The Director is of the view that there will be an additional cost of holding a one-day meeting in the spring of 2015 to approve the final set of audited Financial Statements of the 1971 Fund. As set out in document IOPC/OCT14/8/2 the meeting will be hosted by Secretary-General of the International Maritime Organization (IMO). The cost of holding a one-day meeting of former 1971 Fund Member States is estimated at some £15 000. The payment for holding this meeting will need to be paid to IMO in 2014 before the 1971 Fund is dissolved.
- 3.5.3 The Director proposes to transfer the 1971 Fund archives into electronic form to facilitate storage. Estimates received for scanning all incident related files and key 1971 Fund administrative files is estimated at some £45 000.
- 3.6 The Director proposes to meet these additional costs mentioned in paragraphs 3.5.2 and 3.5.3 from the appropriation already approved for 2014 under this Chapter. No supplementary budget is proposed for expenditure under Chapter II.

### 3.7 Chapter III - Administrative costs including External Audit fees

- 3.7.1 An audit fee was approved for 2014 to cover the audit fee for the 2013 Financial Statements, payable in 2014. The fee of £10 300 is included in the appropriation for administrative expenses of £15 300 which covers expenses only attributable to the 1971 Fund and not covered by the management fee. The External Auditor has informed the Director that the fee for auditing the 2013 Financial Statements would be higher and has indicated a fee of £13 000 to cover the additional audit assurance work required as a result of the change in the basis of the preparation of the 2013 Financial Statements following the decisions of the 1971 Administrative Council to dissolve the 1971 Fund in 2014. The External Auditor has made reference to the fee in his Report on the 2013 Financial Statements (see document IOPC/OCT14/5/6/3, Annex III, paragraph 2.6)
- 3.7.2 The External Auditor has also advised the Director that the audit fee for auditing the 2014 Financial Statements would be £14 000. This fee would normally be paid in 2015. However given that the 1971 Fund is to be dissolved as of 31 December 2014 (the last working day in 2014) this amount would need to be settled before the Fund is dissolved.
- 3.7.3 An additional appropriation to cover the extra fees for auditing the 2013 Financial Statements and 2014 Financial Statements totalling £17 000 (£2 700 plus £14 000) is included in the supplementary budget under Chapter III.

## 4 Supplementary administrative budget for 2014

- 4.1 As set out at the Annex the revised administrative budget for 2014 totals £762 300 consisting of the administrative budget approved in October 2013 of £505 300 plus a supplementary budget of £257 000.
- 4.2 The Director proposes to use the balance on the General Fund to pay for the supplementary administrative expenditure for 2014.

**5      Action to be taken**

1971 Fund Administrative Council

The 1971 Fund Administrative Council is invited:

- (a) to note the information in this document;
- (b) to approve the supplementary budget for 2014 of £257 000 in respect of the administrative expenses of the 1971 Fund for 2014 as set out at the Annex; and
- (c) to authorise the Director to use the balance on the General Fund to pay for the supplementary administrative expenditure for 2014.

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ANNEX

**Revised [draft] 1971 Fund 2014 Administrative Budget**

*(Figures in Pounds sterling)*

STATEMENT OF EXPENDITURE		ADOPTED 2014 BUDGET APPROPRIATIONS	PROPOSED 2014 SUPPLEMENTARY BUDGET	REVISED 2014 BUDGET APPROPRIATIONS
I	Management fee payable to 1992 Fund by 1971 Fund	240 000	240 000	480 000
II	Costs for winding up of the 1971 Fund	250 000	0	250 000
III	Administrative costs including External Audit fees	15 300	17 000	32 300
<b>1971 Fund Budget Appropriation</b>		<b>505 300</b>	<b>257 000</b>	<b>762 300</b>