



International Oil Pollution
Compensation Funds

Agenda Item 6	IOPC/APR19/6/2	
Date	7 March 2019	
Original	English	
1992 Fund Assembly	92AES23	●
1992 Fund Executive Committee	92EC72	
Supplementary Fund Assembly	SAES7	●

APPOINTMENT OF THE CHAIRPERSON OF THE JOINT AUDIT BODY

Note by the Chairman of the 1992 Fund Assembly

Summary:

At the October 2017 sessions of the governing bodies, the 1992 Fund Assembly elected six members of the joint Audit Body for a period of three years and reappointed Mr Michael Knight as the external expert.

After the sad announcement of the passing of the Chairman of the Audit Body, it has become necessary to invite the 1992 Fund Assembly to decide whether the Audit Body should continue to discharge its mandate with five members and the external expert, and also who should be the next Chairperson until the election of the next Audit Body at the 2020 regular sessions of the governing bodies.

Additionally, the Assembly will be invited to consider whether it would be advisable to create the post of Vice-Chairperson to deputise in the Chairperson's absence. If the proposal to create the new post of Vice-Chairperson were to be accepted, the Assembly will also be invited to appoint a Vice-Chairperson. Subsequently, it will also be necessary to amend the Composition and Mandate of the joint Audit Body and update Annex II to Financial Regulation 13 of the 1992 Fund and Supplementary Fund. Furthermore, the Assembly will be invited to consider the financial implications of appointing one of the Audit Body members as Vice-Chairperson and approve any proposed honorarium.

The Chairman of the 1992 Fund Assembly, in consultation with the Chairman of the Supplementary Fund Assembly, proposes that Mr Makoto Harunari (Japan) be appointed Chairperson of the Audit Body. He also proposes that Mrs Birgit Sølling Olsen (Denmark) be appointed Vice-Chairperson of the Audit Body if the Assembly were to decide to create this post.

Action to be taken: 1992 Fund Assembly

- (a) Decide whether to allow the joint Audit Body to operate with five elected members and the external expert for the remainder of the three-year term, thereby bringing the composition of the joint Audit Body from seven to six;
- (b) on the proposal of the Chairman of the 1992 Fund Assembly, in consultation with the Chairman of the Supplementary Fund Assembly, decide whether to appoint Mr Makoto Harunari as Chairperson of the joint Audit Body;
- (c) decide whether to create the post of Vice-Chairperson to serve as such in the Chairperson's absence; and, if so

- (d) on the proposal of the Chairman of the 1992 Fund Assembly, in consultation with the Chairman of the Supplementary Fund Assembly, decide whether to appoint Mrs Birgit Sølling Olsen as Vice-Chairperson of the joint Audit Body;
- (e) amend the Composition and Mandate of the joint Audit Body and note that Annex II to Financial Regulation 13 of the 1992 Fund will have to be updated accordingly; and
- (f) consider the financial implications of appointing one of the Audit Body members as Vice-Chairperson and approve the honorarium proposed in paragraph 2.10.

Supplementary Fund Assembly

- (a) Take note of the decisions taken by the 1992 Fund Assembly; and
- (b) note that the Composition and Mandate of the joint Audit Body contained in Annex II to Financial Regulation 13 of the Supplementary Fund will have to be updated accordingly.

1 Introduction

- 1.1 The governing bodies will recall that, at the October 2017 meeting, the 1992 Fund Assembly elected the following members of the joint Audit Body for a period of three years:

Mr Eugène Ngango Ebandjo	(Cameroon)
Mr Jerry Rysanek	(Canada)
Mrs Birgit Sølling Olsen	(Denmark)
Mr Vatsalya Saxena	(India)
Mr Makoto Harunari	(Japan)
Mr José Luis Herrera Vaca	(Mexico)

- 1.2 The Assembly also reappointed Mr Michael Knight as the member of the joint Audit Body not related to the organisations (an 'external expert') for a third three-year term. In addition, the Assembly elected Mr Jerry Rysanek as Chairman of the sixth joint Audit Body for the three-year term (document [IOPC/OCT17/11/1](#), paragraphs 6.1.8–6.1.10).
- 1.3 On 1 February 2019, the Director announced the sad passing of the Chairman of the joint Audit Body, Mr Jerry Rysanek (Canada), who had contributed to the work of the IOPC Funds for almost 25 years (circular [IOPC/2019/Circ.2](#)).

2 Considerations of the Chairman of the 1992 Fund Assembly

- 2.1 The 1992 Fund Assembly will be invited to decide whether to allow the Audit Body to continue to operate with six members (five members and the external expert). On this point, the Chairman of the 1992 Fund Assembly recalls that even if the composition of the joint Audit Body has remained unchanged since its inception in 2002, the Audit Body was able to discharge its tasks with only five elected members plus the external expert during the period from October 2011 to October 2014 (paragraph 3.10.6, document [IOPC/APR17/7/1/1](#)).
- 2.2 Given the practical considerations involved in appointing a new Audit Body member for only half a term of office, the Chairman of the 1992 Fund Assembly, in consultation with the Chairman of the Supplementary Fund Assembly, recommends that the joint Audit Body be allowed to continue to

carry out its mandate in its present composition for the remainder of the three-year term. In the Chairman's view, the expertise and knowledge of the Funds' matters by the Audit Body members will ensure that the joint Audit Body duly discharges its mandate with its current composition until the next Audit Body election in 2020.

- 2.3 Additionally, the 1992 Fund Assembly will be invited to appoint the new Chairperson of the joint Audit Body for the remainder of the three-year term.
- 2.4 The 1992 Fund Assembly will also be invited to consider whether it would be advisable to create the post of Vice-Chairperson to serve as such in the Chairperson's absence. If this proposal were to be accepted, the Assembly will be invited to appoint the Vice-Chairperson for the remainder of the three-year term. It will also be necessary for the governing bodies to amend the Composition and Mandate of the joint Audit Body and update Regulation 13 of the Financial Regulations of the 1992 Fund and Supplementary Fund accordingly.
- 2.5 The Chairman of the 1992 Fund Assembly, after consultation with the Chairman of the Supplementary Fund Assembly, therefore proposes that Mr Makoto Harunari be appointed Chairperson of the joint Audit Body for the remainder of the three-year term until the 2020 regular sessions of the governing bodies. Mr Harunari is held in high regard by the international maritime community and has an excellent knowledge of the functioning of the IOPC Funds. He also served as a member of the fifth Audit Body.
- 2.6 Furthermore, should the post of Vice-Chairperson be created, the Chairman of the 1992 Fund Assembly, after consultation with the Chairman of the Supplementary Fund Assembly, proposes that Mrs Birgit Sjølling Olsen, be the new Vice-Chairperson for the remainder of the three-year term until the 2020 regular sessions of the governing bodies. Mrs Sjølling Olsen is also held in high regard by the maritime community and has been a delegate attending the meetings of the Funds over many years and therefore has a very good understanding of the operating environment of the Funds.
- 2.7 Should the post of Vice-Chairperson be created, paragraph 2 of the Composition and Mandate of the joint Audit Body of the 1992 Fund and the Supplementary Fund would be amended as follows:

Current text paragraph 2	New text (proposal) paragraph 2
[omitted] The Chairperson of the 1992 Fund Assembly will, in consultation with the Chairperson 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.	[omitted] The Chairperson of the 1992 Fund Assembly will, in consultation with the Chairperson of the Supplementary Fund Assembly, propose the names of one <u>two</u> of the elected members of the Audit Body for consideration and approval by the governing bodies as Chairperson <u>and Vice-Chairperson</u> of the Audit Body.

- 2.8 Annex II to Financial Regulation 13 of the 1992 Fund and the Supplementary Fund, which contains the Composition and Mandate of the joint Audit Body, will have to be updated to reflect this change.
- 2.9 The amended version of the Composition and Mandate of the joint Audit Body is contained in the Annex to this document.

- 2.10 The Chairman of the 1992 Fund Assembly also proposes that the honorarium paid to the Vice-Chairperson be equivalent to 50% of the difference between the honorarium payable to the Chairperson and that payable to the other members of the joint Audit Body. The Assembly will have to give due consideration to the financial implications of appointing one of the Audit Body members as Vice-Chairperson and approve the proposed honorarium.

3 Action to be taken

3.1 1992 Fund Assembly

The 1992 Fund Assembly is invited to:

- (a) take note of the information contained in this document;
- (b) decide whether to allow the joint Audit Body to operate with five elected members and the external expert for the remainder of the three-year term, thereby bringing the composition of the joint Audit Body from seven to six;
- (c) on the proposal of the Chairman of the 1992 Fund Assembly, in consultation with the Chairman of the Supplementary Fund Assembly, decide whether to appoint Mr Makoto Harunari as Chairperson of the joint Audit Body;
- (d) decide whether to create the post of Vice-Chairperson to serve as such in the Chairperson's absence; and, if so
- (e) on the proposal of the Chairman of the 1992 Fund Assembly, in consultation with the Chairman of the Supplementary Fund Assembly, decide whether to appoint Mrs Birgit Sjølling Olsen as Vice-Chairperson of the joint Audit Body;
- (f) amend the Composition and Mandate of the joint Audit Body and note that Annex II to Financial Regulation 13 of the 1992 Fund will have to be updated accordingly; and
- (g) consider the financial implications of appointing one of the Audit Body members as Vice-Chairperson and approve the honorarium proposed in paragraph 2.10.

3.2 Supplementary Fund Assembly

The Supplementary Fund Assembly is invited to:

- (a) take note of the information contained in this document;
- (b) take note of the decisions taken by the 1992 Fund Assembly; and
- (c) note that the Composition and Mandate of the joint Audit Body contained in Annex II to Financial Regulation 13 of the Supplementary Fund will have to be updated accordingly.

ANNEX

DRAFT

COMPOSITION AND MANDATE OF THE JOINT AUDIT BODY OF THE 1992 FUND AND THE SUPPLEMENTARY FUND

(REVISED IN APRIL 2019)

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 Chairperson of the Supplementary Fund Assembly, propose the names of two of the elected members of the Audit Body for consideration and approval by the governing bodies as Chairperson and Vice-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 Chairperson of the Audit Body shall report on its work to each regular session of the 1992 Fund Assembly 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 and the Supplementary Fund Assembly on the basis of an evaluation report from the Chairperson of the Audit Body.
-