



International Oil Pollution
Compensation Funds

Agenda Item 9	IOPC/OCT19/9/3	
Date	25 September 2019	
Original	English	
1992 Fund Assembly	92A24	●
1992 Fund Executive Committee	92EC73	
Supplementary Fund Assembly	SA16	

TRANSFER WITHIN THE 2019 BUDGET

1992 FUND

Note by the Director

Summary:

The 2019 budget appropriation for 'Consultants' and other fees' under Chapter V (Other expenditure) will not cover additional costs incurred for the implementation of an Enterprise Resource Planning (ERP) system for the financial and contributor management of the IOPC Funds. The additional cost is proposed to be met from a transfer from Chapter I (Personnel).

In addition, the budget for Chapter VII (External audit fees) in the 2019 budget was intended to cover the audit of the 2018 Financial Statements. It has now been agreed with the External Auditor that the fee for the audit of the 2019 Financial Statements should also be charged to the 2019 financial year in order to be compliant with the accrual basis of accounting. Consequently, additional expenditure of some £43 200 is forecast and a transfer is proposed from Chapter VI (Unforeseen expenditure) to Chapter VII (External audit fees).

In both instances, the Director proposes that he be authorised to make the necessary transfer between Chapters within the 2019 budget to cover these additional costs.

Action to be taken:

1992 Fund Assembly

- (a) Decide whether to authorise the Director to make the necessary transfer to 'Consultants' and other fees' under Chapter V (Other expenditure) from Chapter I (Personnel) within the 2019 budget; and
- (b) decide whether to authorise the Director to make the necessary transfer to Chapter VII (External audit fees) from Chapter VI (Unforeseen expenditure) within the 2019 budget.

1 **Introduction**

- 1.1 The Director's authority to make transfers within the budget is governed by Financial Regulation 6.3 of the 1992 Fund, which reads:

'Transfers between appropriations within chapters of the budget (Roman figures) may be made without limitation. Transfers between appropriations in the budget between chapters may be made up to 10%, calculated on the appropriation to which the transfer is made.'

1.2 In previous financial periods, transfers have been made between appropriations either within chapters or between chapters of the budget, in accordance with Financial Regulation 6.3.

2 Consultants' and other fees (Chapter V)

2.1 The budget appropriation for 2019 for 'Consultants' and other fees' under Chapter V (Other expenditure) is £150 000. It is expected that this will not be enough to cover the cost of the implementation of an Enterprise Resource Planning (ERP) system being introduced in 2019 for the financial and contributor management of the IOPC Funds.

2.2 An exercise to map business processes and identify an appropriate financial and contributor management system took place at the end of 2018 with the assistance of consultants. Requirements were prioritised in terms of importance and urgency, and recommendations were made to the Secretariat in 2019 on the type of system which would meet the needs of the IOPC Funds.

2.3 It was recommended that an ERP system would be the most suitable software solution to enable the contributor management database and the accounting system (for multiple Major Claims Funds) to sit on one platform with seamless links. The chosen product is a cloud-based solution, Microsoft Dynamics, which consists of an accounting system (Business Central) and a relationship management system (Customer Engagement).

2.4 The consultants engaged to project manage and implement the ERP system (Xpedition) have estimated the total cost to be £180 000, broken down into £100 000 for the implementation of Business Central and £80 000 for the customisation and implementation of Customer Engagement.

2.5 It is estimated that the out-turn figure for 2019 under the budget appropriation for 'Consultants' and other fees' will be some £235 000 which is due to the implementation costs of the ERP system.

2.6 Under Financial Regulation 6.3, the Director is entitled to make a transfer of £15 000 (i.e. 10% of the budget for 'Consultants' and other fees' of £150 000). It is estimated that there will be a shortfall of £85 000, which is beyond what is available to the Director under Financial Regulation 6.3.

Director's proposal

2.7 The Director proposes that he be authorised to make the required transfer to meet any shortfall to the budget appropriation of 'Consultants' and other fees' under Chapter V (Other expenditure) from Chapter I (Personnel).

3 External audit fees (Chapter VII)

3.1 The 2019 budget appropriation for 'External audit fees' (Chapter VII) is £43 200. This appropriation covers the cost of the audit of the 2018 Financial Statements.

3.2 Following the audit of the 2018 Financial Statements in 2019, it was agreed with the External Auditor that the fee for the audit of the 2019 Financial Statements, which will be undertaken in 2020 and which would normally be from the 2020 budget, should be charged to the 2019 financial year in order to be compliant with the accrual basis of accounting.

3.3 As a result, for 2019 the audit fee will cover the audit of both the 2018 and 2019 financial years and the total expenditure for 2019 will be £86 400. In future years the audit fee will be charged to the financial year under audit.

3.4 Under Financial Regulation 6.3, the Director is entitled to make a transfer of £4 320 (i.e. 10% of the budget appropriation of £43 200). The cost of the external audit fees in 2019 is beyond what is available to the Director under Financial Regulation 6.3.

Director's proposal

- 3.5 The Director proposes that he be authorised to make a transfer of £43 200 to Chapter VII (External audit fees) from Chapter VI (Unforeseen expenditure) to meet the shortfall.

4 Action to be taken

1992 Fund Assembly

The 1992 Fund Assembly is invited to:

- (a) decide whether to authorise the Director to make the necessary transfer to 'Consultants' and other fees' under Chapter V (Other expenditure) from Chapter I (Personnel) within the 2019 budget; and
 - (b) decide whether to authorise the Director to make the necessary transfer to Chapter VII (External audit fees) from Chapter VI (Unforeseen expenditure) within the 2019 budget.
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