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ELECTION OF MEMBERS OF THE AUDIT BODY

Submitted by the United Kingdom delegation

<i>Summary:</i>	The United Kingdom believes that the mandate for the proposed Joint Audit Body is unduly restrictive and would limit the scope for the Assembly to maximise the experience and expertise available at any time when appointments are to be made to the Joint Audit Body.
<i>Action to be taken:</i>	See paragraph 10.

- 1 The United Kingdom has noted the Circular inviting nominations for the proposed Joint Audit Body for the two Organisations. The UK strongly supports the initiative to appoint the Joint Audit Body.
- 2 The UK views expressed in this paper are purely in the interests of seeking to ensure that the Organisations are able to draw on the greatest available expertise and experience for this important role, irrespective of which state the individual may come from.
- 3 The UK has previously stated its wish to ensure that the representation on the Joint Audit Body should be as independent as possible from the delegations that nominate them. We believe this is the best means of ensuring the maximum benefit from the Audit Body.
- 4 The UK fully recognises the wish of the Assembly to ensure a wide representation from the contracting states. The UK, therefore, supported the view that the numbers of representatives on the Audit Body should be increased from 5 to 7 at the April 2002 session with the intention to meet the concern to achieve a wider geographical spread of representation.
- 5 However, the United Kingdom believes paragraph 2 of the mandate will now add an unnecessary restriction on the choice of nominees by restricting the numbers to three from the largest contributing states in “the preceding calendar year” and three from the others. Nomination and selection could be further complicated if there are missing reports from contributing states.

- 6** It is the firm view of the UK that once appointed the representatives on the Audit Body should be there in an independent and personal capacity. Accordingly it should not be a prime concern as to which state has nominated the individual, rather that all nominees should be considered on an equal basis by the Assembly. The UK would not wish to miss the opportunity to support the appointment of a high calibre nominee simply because of the effect of the current restriction under paragraph 2.
- 7** At any point when appointments are to be made to the Audit Body there may be people with appropriate expertise who may have relatively recently left, or are soon to leave, their delegations and who may be ideally suited to fulfil a useful role on the Audit Body. It should not matter whether they have represented a large or small contributing state. We should not limit our scope to choose nominees from either of the categories of contracting states in order for the Audit Body to fulfil its aims and objectives.
- 8** The UK, therefore, invites the Assembly to agree to the removal of the restriction on the composition of the Audit body according to the ranking of the contributing states. This would ensure appointments can be made entirely on merit and experience within the Fund while still achieving a wide representation. By removing practical obstacles the Organisations can benefit from any potential valuable source of expertise and at the same time achieve the greatest possible independence and objectivity on the Audit Body.
- 9** The effect of the UK proposal would be to delete text from paragraph 2 of Annex I of document 92FUND/A.7/10 (71FUND/AC.9/6) as shown in the Annex to this document.
- 10** The Assembly is invited to take note of the information and to consider the proposal to remove the wording from the mandate that restricts numbers of representatives from certain categories of contributing states.

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ANNEX

COMPOSITION AND MANDATE OF THE IOPC FUNDS' AUDIT BODY

- 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 ~~Of the six members to be elected from Member States, three shall be elected from the eleven Member States in the territory of which the largest quantities of oil were received during the preceding calendar year, and three from the other Member States.~~ When electing members of the Audit Body, the Assembly shall take into account the desirability of an equitable geographical distribution of the seats of the Audit Body.
- 3 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.
- 4 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.
- 5 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.
- 6 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.
- 7 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.
- 8 The External Auditor, the Director and the Head of the Finance and Administration Department shall normally be present at the meetings.

- 9** The Chairman of the Audit Body shall report on its work to each regular session of the Assemblies.
 - 10** 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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