



International Oil Pollution
Compensation Funds

Reference	IOPC/2023/Circ.9
Date	14 November 2023
1992 Fund Assembly	●
Supplementary Fund Assembly	●

Nomination of candidates for the position of External Auditor of the International Oil Pollution Compensation Funds

The Director has the honour to notify Member States that the term of office of the present External Auditor of the International Oil Pollution Compensation Funds, BDO International LLP (BDO), will come to an end following its report on the 2025 Financial Statements to the regular sessions of the IOPC Funds' governing bodies in 2026.

It will therefore be necessary for the 1992 Fund Assembly and the Supplementary Fund Assembly at their regular sessions in November 2024 to appoint a new External Auditor to fill the vacant position and to audit the Financial Statements from 1 January 2026 to 31 December 2029. The External Audit appointment has traditionally been made for a period of four years but may be renewed. Financial Regulation 14.1 of the 1992 Fund and the Supplementary Fund requires that the External Auditor shall be the Auditor-General (or officer holding the equivalent title) of a Member State or a commercial firm with the requisite capabilities nominated by a Member State or identified by the Audit Body.

The process for the external audit tender, as well as a timetable of actions, was approved by the governing bodies at their November 2023 sessions (document IOPC/NOV23/11/1, paragraph 6.4.8). For ease of reference, a timetable for the appointment of the External Auditor is at Annex I.

A tender brief, including an overview of the work of the organisation, is at Annex II. Further detailed information on the IOPC Funds is available on the Funds' website (www.iopcfunds.org).

The deadline for the submission of nominations by Member States to the IOPC Funds' Secretariat is **31 January 2024**. These nominations will be reviewed by the Audit Body at its April 2024 meeting when it will decide upon a shortlist of candidates to contact and formally invite to tender. Resulting tenders should be submitted by **14 June 2024**. Tenders received by the closing date will be considered by the IOPC Funds' joint Audit Body at its July 2024 meeting.

Meetings with the Secretariat for the purpose of familiarisation, if so desired, will take place in May and June 2024 in order to allow both the Secretariat and candidates reasonable flexibility in scheduling any such meetings.

Candidates shortlisted by the Audit Body will be asked to make themselves available to deliver an oral presentation to the Audit Body in **July 2024**. The Chairpersons of the 1992 Fund Assembly and the Supplementary Fund Assembly will also be invited to attend these presentations. The Audit Body will then provide a recommendation to the governing bodies at their November 2024 meetings as to the selection of the External Auditor.

At their November 2024 sessions, the governing bodies will then appoint the External Auditor to audit the Financial Statements from 1 January 2026 – 31 December 2029.

Through this circular, the Director is pleased to invite 1992 Fund Member States to submit tender nominees from interested candidates for the position of External Auditor, in accordance with the requirements and timetable set out above. In addition, he confirms that, as instructed by the governing bodies in November 2023, invitations to tender will also be issued to selected commercial firms identified by the Audit Body, who have knowledge and experience of International Public Sector Accounting Standards (IPSAS) and similar intergovernmental organisations.

For further information regarding the position of the External Auditor and the tender process, please contact the Secretariat via info@iopcfunds.org.

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ANNEX I

TIMETABLE FOR THE APPOINTMENT OF THE EXTERNAL AUDITOR TO THE INTERNATIONAL OIL POLLUTION COMPENSATION FUNDS

Timing	Activity
November 2023	Governing bodies to confirm audit tender evaluation process, timetable and evaluation factors and to instruct Director to seek Member State and commercial firm nominees. Director to seek nominations of Member State auditors and commercial firms.
31 January 2024	Deadline for submission of interest
April 2024	Audit Body to agree list of tenderers and communicate Request for Proposal (RfP).
April 2024	Audit Body to provide oral update on External Auditor appointment process at the extraordinary sessions of the governing bodies.
May 2024 – June 2024	Pre agreed engagement and tendering activities primarily to be undertaken by the Secretariat. Deadline for written submissions 14 June 2024
June 2024 – July 2024	Evaluation of written proposals received and shortlisting of firms. Invitation issued to those short-listed to deliver oral presentation to Audit Body.
July 2024	Audit Body to hear oral presentations in person from shortlisted firms. Audit Body deliberation and selection of proposed External Auditor. Communication to preferred candidate.
November 2024	Presentation of Audit Body recommendation of appointment of External Auditor to governing bodies. Governing bodies invited to approve appointment of new External Auditor on completion of BDO contract in 2025.

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ANNEX II

NOMINATION OF CANDIDATES FOR THE POSITION OF EXTERNAL AUDITOR OF THE INTERNATIONAL OIL POLLUTION COMPENSATION FUNDS

TENDER BRIEF

This note has been prepared to assist prospective candidates in understanding the external audit tender process.

International Oil Pollution Compensation Funds

The International Oil Pollution Compensation Funds (IOPC Funds) are intergovernmental organisations which provide compensation for oil pollution damage resulting from spills of persistent oil from tankers. The current oil pollution compensation regime operates within the framework of the 1992 Civil Liability Convention and the 1992 Fund Convention which entered into force on 30 May 1996. The International Oil Pollution Compensation Fund 1992 (1992 Fund) was set up under the 1992 Fund Convention.

A Protocol to the 1992 Fund Convention adopted in 2003 resulted in the establishment of the International Oil Pollution Compensation Supplementary Fund 2003 (Supplementary Fund), which provides an optional third tier of compensation. The Protocol entered into force on 3 March 2005. Any State Party to the 1992 Fund Convention may become Party to the Protocol and thereby become a Member of the Supplementary Fund.

The IOPC Funds have a joint Secretariat, administered by the 1992 Fund, which is based in London and headed by one Director. As at 1 November 2023 the Secretariat had 36 established posts and the IOPC Funds use external consultants to provide advice on legal and technical matters. In connection with a number of major incidents, the IOPC Funds and the shipowners' third party liability insurers have jointly established local claims offices to facilitate the efficient handling of the great numbers of claims submitted and to assist claimants.

An overview of the IOPC Funds is set out in this [explanatory note](#) and additional information can be found on the IOPC Funds' website (www.iopcfunds.org). The audited 2022 Financial Statements for the IOPC Funds ([1992 Fund](#) and [Supplementary Fund](#)) can be found in the [Meeting Documents](#) page of the IOPC Funds' website.

Activities of the IOPC Funds

The IOPC Funds publish an Annual Report which includes an overview of the Funds, recent developments in oil spill incidents, financial statements, membership details and the decisions of the governing bodies. The Annual Report for 2022 are available under the [Publications](#) section of the IOPC Funds' website.

Financial Regulations and Internal Regulations

The Rules and Regulations of the IOPC Funds, including the Financial and Internal Regulations, are available on the IOPC Funds' website under the [Structure](#) page within the [About Us](#) section. It will be seen that Section 14 of the Financial Regulations deals specifically with matters relating to the external audit. Prospective candidates are also invited to familiarise themselves with the other sections of both the Financial and Internal Regulations.

Audit Body

The Audit Body was established by the governing bodies of the IOPC Funds in October 2002 to carry out the functions of an audit committee. From the Audit Body's Composition and Mandate, which is annexed to the above-mentioned Financial Regulations, it will be seen that the Mandate extends beyond the scope of the external audit. The Audit Body normally meets three times a year and it seeks to work closely with the External Auditor in order to understand the focus of audit work at the planning stage and to understand the conclusions subsequently reached and any issues arising. In this regard, the Audit Body and External Auditor hold at least two closed sessions a year. It should also be noted that, at its second meeting, held in March 2003, the Audit Body decided that, given the size of the organisations, there was no need for an internal audit function. Certain internal audit reviews have been conducted historically by an outsourced provider.

The Audit Body is responsible for reviewing the tenders received from nominated candidates. For shortlisted candidates, the review by the Audit Body will include a request to make an oral presentation. The Audit Body will subsequently make a recommendation to the November 2024 sessions of the governing bodies of the IOPC Funds for the appointment of the External Auditor to the Funds. The timetable for appointment of the External Auditor to the IOPC Funds from 1 January 2026 – 31 December 2029 is attached as Annex I.

Audit approach

As stated in Regulation 12.1 of the IOPC Funds' Financial Regulations, the financial statements are prepared in accordance with the Financial Regulations and stated accounting policies and in compliance with International Public Sector Accounting Standards, where appropriate.

The External Auditor is expected to monitor the financial aspects of the Secretariat's activities, to ensure that all income and expenditure has been properly accounted for. This includes the financial aspects of the claims-handling procedures, whether carried out in London or, as often occurs when there are major oil pollution incidents involving the IOPC Funds, at local claims offices set up by the Funds to assist in the claims-handling process and to help claimants understand the compensation regime.

The scope of the external audit coverage currently extends to all incomings and outgoings related to the Secretariat and all items appearing on the balance sheet, together with oversight of the financial control procedures maintained to provide assurance that claims-handling is conducted appropriately and conscientiously. The external audit does not extend to reviewing the settlements reached in relation to specific incidents, as this is specialised work which is unlikely to fall within the normal expertise of an External Auditor.

Candidates should include in their written submission a detailed explanation of how they would propose to approach and conduct the audit of the Funds. It should also include an indication of the number and level of staff to be involved in the audit and of the expected duration of on-site working. Although the submission may be written in any of the three official languages of the Funds, i.e. English, French and Spanish, the working language of the accounting function of the Funds, and that of the Audit Body, is English. Candidates should be able to demonstrate their ability to work in this language.

Staffing

The tender document should provide details of the national and international activities of the audit office tendering for the position as well as the range of audit activities envisaged and the resources and audit specialities that could be of benefit to the IOPC Funds. Commercial firms nominated by Member States should provide details of the key personnel to be allocated to the assignment, including an indication of their previous experience.

The IOPC Funds seek a balance of continuity and experience within the External Audit team along with some injection of fresh thinking and innovation. Thus the likely duration of availability of key members of the audit team to remain involved in the audit should be indicated.

Costs

The tender documents should set out the proposed audit fee (expressed in Pounds sterling) and an estimate of the total number of working days, analysed by grade of staff, which would be devoted to the audit of the 2026 Financial Statements of each Fund. The documents should indicate whether these fees are inclusive of anticipated support costs, and travel and accommodation expenses of the External Auditor and their staff should they not be based in London. The resource plan should also include attendance at meetings of the Audit Body which usually occur in March/April, June and December each year and at the regular sessions of the governing bodies of the IOPC Funds which take place in October/November each year (a total of at least four full days of attendance at these meetings should be included). Any other assumptions made in determining costs should be stated.

Any additional costs incurred by the successful candidate in gaining initial familiarisation with the accounting systems and procedures of the IOPC Funds will need to be absorbed within the normal audit fees applicable in the first year of appointment. Any candidate who does not accept this approach should make that clear within their tender documents, and indicate what additional costs they seek to recover. The term of the appointment is determined by the IOPC Funds' governing bodies; however, candidates should initially assume a four year term of office and should indicate proposed fee levels for each year, setting out any assumptions made as to scope of work and resources allocated to the engagement.

Confidentiality

The IOPC Funds operate in numerous jurisdictions and documentation is subject to strict confidentiality. Candidates should provide formal written confirmation that complete confidentiality of all documentation of the IOPC Funds will be guaranteed in all jurisdictions where the relevant information/document is present and that there are no circumstances such as freedom of information legislation (whether applicable in the Member State or elsewhere) or use of sub-contracted staff which could cause this confidentiality to be breached.

Further details

The Secretariat is pleased to provide any further information or clarification that may be required. Interested candidates may, if they so wish, make arrangements to meet the Secretariat during May and June 2024 in order to learn the way the financial systems operate and to familiarise themselves with audit arrangements.

Deadline for submission of tenders

Nominations or indication of interest should reach the IOPC Funds' Secretariat as early as possible, and in any case not later than 31 January 2024. Nominations will be reviewed by the Audit Body at its April 2024 meeting and shortlisted candidates will be invited to tender. Written tenders should reach the IOPC Funds' Secretariat no later than 14 June 2024, before presentation to the Audit Body in July 2024. The Audit Body's recommendation will be provided for consideration by the governing bodies at their November 2024 meeting.

Factors and criteria for selection of the External Auditor

The list of factors which follow are intended to assist candidates to know the matters which the Audit Body expects to use as the framework for its evaluation.

Required factors:

- Audit organisation must be Auditor-General (or equivalent organisation) of a Member State or a commercial audit firm with the requisite capabilities, nominated by a 1992 Fund Member State or identified by the Audit Body;
- Experience of auditing financial statements prepared under International Public Sector Accounting Standards;
- Identification of the key issues relevant to the IOPC Funds;
- Appreciation of the distinct roles of the Secretariat, the Audit Body, the Investment Advisory Body and the IOPC Funds' governing bodies, and hence of the appropriate relationships with each;
- Understanding of the IOPC Funds' Financial and Internal Regulations, the budgetary process, the risk-management process, the procurement process and the claims-handling process, and an ability to develop an audit approach which takes account of these existing processes and disciplines;
- Relevant experience of auditing organisations comparable with the IOPC Funds;
- Robustness and professional competence of the people who lead the team;
- Reasonable continuity assured for key persons yet with some rotation acceptable at the more junior levels;
- Transparency of the audit fee;
- Appropriate transitional arrangements; and
- Ability of the audit organisation to communicate effectively in English, as all Audit Body meetings and associated papers are in English.

Desired factors:

- Economy in use of the Secretariat's time, given its available resources;
- Clarity and conciseness of communications and ability to build trust and confidence;
- Philosophy of service and communication, preparedness, enthusiasm, follow-up;
- Availability, and experience in use, of electronic audit techniques;
- Commitment to continuous review and improvement and demonstration of past innovation; and
- Constructive attitude to problem solving – not just the technical complexities and requirements of the audit process and function.