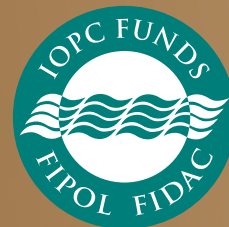


# Financial Review

International Oil Pollution  
Compensation Funds



## Supplementary Fund

Financial Statements for the year ending  
31 December 2023 and Auditor's Opinion

2023





2023 Financial Statements  
and Auditor's Opinion

International Oil Pollution Compensation  
Supplementary Fund

Contents

|  |              |
|--|--------------|
| <b>SECTION ONE</b>   | <b>3-9</b>   |
| Director's comments  | 3            |
| Statement on Internal Control  | 7            |
| <b>SECTION TWO</b>   | <b>10-14</b> |
| External Auditor's Opinion   | 10           |
| <b>SECTION THREE</b>   | <b>15-26</b> |
| Financial Statements for the financial year ended 31 December 2023                       | 16-20        |
| <b>Statement I</b>   | <b>16</b>    |
| Statement of Financial Position at 31 December 2023                                      |              |
| <b>Statement II</b>  | <b>17</b>    |
| Statement of Financial Performance for the year ended 31 December 2023                   |              |
| <b>Statement III</b>   | <b>18</b>    |
| Statement of Changes in Net Assets for the year ended 31 December 2023                   |              |
| <b>Statement IV</b>  | <b>19</b>    |
| Statement of Cash Flow for the year ended 31 December 2023                               |              |
| <b>Statement V</b>   | <b>20</b>    |
| Statement of Comparison of Budget and Actual Amounts for the year ended 31 December 2023 |              |
| Notes to the Financial Statements  | 21           |

Image courtesy of ITOPF



# SECTION ONE

## DIRECTOR'S COMMENTS ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD 1 JANUARY TO 31 DECEMBER 2023

### 1 Introduction

- 1.1 The International Oil Pollution Compensation Funds (IOPC Funds) are intergovernmental organisations that provide compensation for oil pollution damage resulting from spills of persistent oil from tankers. The International Oil Pollution Compensation Fund 1992 (1992 Fund) was set up under the 1992 Fund Convention, which entered into force on 30 May 1996, and is the second tier in the international civil liability and compensation regime.
- 1.2 The first tier is the 1992 Civil Liability Convention (CLC), which lays down the principle of strict liability of shipowners for oil pollution damage and creates a system of compulsory liability insurance. The shipowner is normally entitled to limit their liability to an amount that is linked to the tonnage of the ship. The 1992 Fund Convention establishes a regime for compensating victims when the compensation available under the 1992 CLC is inadequate, and forms the second tier of compensation. Any State Party to the 1992 CLC may become Party to the 1992 Fund Convention and thereby become a Member of the 1992 Fund.
- 1.3 A Protocol to the 1992 Fund Convention adopted in 2003 resulted in the establishment of the International Oil Pollution Compensation Supplementary Fund (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.
- 1.4 The maximum amount of compensation payable for any one incident for pollution damage in States which become Party to the Supplementary Fund Protocol is SDR 750 million<sup><1></sup> which as at 31 December 2023 corresponded to some £790 million. This amount includes the amounts payable under the 1992 Civil Liability and Fund Conventions.
- 1.5 The Supplementary Fund has an Assembly composed of all Member States. The Assembly is the supreme governing body of the organisation, having, *inter alia*, responsibility for financial matters.
- 1.6 The Supplementary Fund is financed by contributions paid by any person who has received in the relevant calendar year in excess of 150 000 tonnes of crude oil or heavy fuel oil (contributing oil) in ports or terminal installations in a Member State after carriage by sea. The levy of contributions is based on reports of oil receipts in respect of individual contributors, which are submitted to the Secretariat by governments of Member States. Where the aggregate quantity of contributing oil received in a Supplementary Fund Member State in a given calendar year is less than one million tonnes, the Member State will be liable to pay contributions for a quantity of contributing oil corresponding to the difference between one million tonnes and the aggregate quantity of actual contracting oil receipts reported in respect of that State.

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<sup><1></sup> The SDR (Special Drawing Right), the unit of account used in the Conventions, is valued on the basis of a basket of key international currencies and serves as the unit of account of the International Monetary Fund and a number of other intergovernmental organisations. The conversion rate on 31 December 2023 was SDR 1 = £1.05381, as published on the International Monetary Fund website, [www.imf.org](http://www.imf.org).

- 1.7 At its February/March 2006 session, the Supplementary Fund Assembly took note of a voluntary agreement between owners of tankers and their insurers, the Tanker Oil Pollution Indemnification Agreement (TOPIA) 2006, under which the shipowner/P&I Clubs would reimburse the Supplementary Fund for 50% of the compensation payable by the Supplementary Fund if the incident involved a tanker, regardless of its size, and which was covered by the agreement. TOPIA 2006 was amended in 2017 and since then the agreement has been known as TOPIA 2006 (as amended 2017). As at 31 December 2023, there have been no incidents covered by this agreement.
- 1.8 As at 31 December 2023, there were 32 Member States of the Supplementary Fund. A full list of the current Member States of the Supplementary Fund can be found on the Membership page of the IOPC Funds website: [www.iopcfunds.org](http://www.iopcfunds.org).

## 2 Secretariat

- 2.1 The Supplementary Fund is administered by the 1992 Fund, which has a Secretariat headed by a Director, based in London, United Kingdom.
- 2.2 The Director of the 1992 Fund is *ex officio* also the Director of the Supplementary Fund and is assisted by a Management Team in the day-to-day running of the joint Secretariat.
- 2.3 The Supplementary Fund uses external consultants to provide advice on legal and technical matters, as well as on matters relating to management.

## 3 Governance

### 3.1 Audit Body

- 3.1.1 The governing bodies of the IOPC Funds have established a joint Audit Body for the two Funds composed of seven members elected by the 1992 Fund Assembly: six named individuals, nominated by 1992 Fund Member States, and one external expert with experience in audit matters, nominated by the Chair of the 1992 Fund Assembly. The Chair and Vice-Chair of the Audit Body are elected by the 1992 Fund Assembly on the proposal by the Chair of the 1992 Fund Assembly from six elected individuals nominated by Member States.
- 3.1.2 In December 2020, the 1992 Fund Assembly elected an Audit Body of six members for a three-year term. A new Audit Body was elected at the regular session of the governing bodies held in November 2023. At its session in November 2021, the Assembly elected a new external expert to serve for three years from 1 January 2022.
- 3.1.3 The Audit Body normally meets three times a year. In 2023, it met on three occasions in March, June and December.

### 3.2 Investment Advisory Body

- 3.2.1 The governing bodies of the IOPC Funds have established a joint Investment Advisory Body (IAB), consisting of three experts with specialist knowledge in investment matters, appointed by the 1992 Fund Assembly to advise the Director on the IOPC Funds' investments.
- 3.2.2 At its session in December 2023, the 1992 Fund Assembly decided to reappoint the three members of the IAB for a further term of three years.

3.2.3 The IAB normally meets four times a year, and in 2023 it met in March, June, September and December.

### 3.3 Financial risk management

3.3.1 The IOPC Funds maintain a risk register consisting of two categories: operational risk and institutional risk. Operational risk has been sub-divided into five areas: finance and contributions; governance and management; compensation; safety and security; and communications and publications. For each of these areas, sub-risks have been identified, and the processes and procedures for their management have been mapped, assessed and documented. The Secretariat conducts an annual review to prioritise key risks and ensure they are adequately mitigated. The key risks are reviewed at least annually by the Audit Body, and the Audit Body and the Director jointly identify areas of risk requiring more in-depth analysis.

3.3.2 The Supplementary Fund has established a framework on internal control as set out in the Statement on Internal Control (see paragraphs 6-10).

3.3.3 The Supplementary Fund's financial risk management policies focus on securing the Fund's assets, maintaining sufficient liquid assets for the operation of the Fund, avoiding undue currency risks, and obtaining a reasonable return. Financial risk is managed using the Internal Investment and Hedging Guidelines approved by the Director, which have been developed in accordance with advice from the IAB. Established policies cover areas of financial risk such as foreign exchange, interest rate and credit risk, the use of financial instruments, and the investing of liquid funds.

3.3.4 As at 31 December 2023, all cash, cash equivalents and investments were denominated in pounds sterling.

3.3.5 The Supplementary Fund's investment policy limits the amount of credit exposure to any one counterparty and includes minimum credit quality guidelines.

## 4 Financial highlights from 2023

4.1 In accordance with International Public Sector Accounting Standards (IPSAS), the Financial Statements for the Supplementary Fund are produced on an entity basis. There have been no incidents involving the Supplementary Fund and, therefore, no Claims Funds have been established.

4.2 The net asset position presented in Statement I shows a closing net balance position of £1 379 343, an increase of £20 402 from the balance on 31 December 2022 of £1 358 941.

4.3 In 2023, the total revenue was £65 967 (2022: £16 438), and the total expenditure was £45 565 (2022: £43 433).

4.4 No contributions were levied for payment in 2023. As at 31 December 2023, no contributions are outstanding.

4.5 The Director's comments on the administrative expenses for running the joint Secretariat are in the 2023 Financial Statements of the 1992 Fund. The joint Secretariat's expenses for 2023 (excluding external audit fees) amounted to £4 629 689 (2022: £4 492 317). This is £464 017 or 9.1% less than the 2023 budget appropriation of £5 093 706.

4.6 The Supplementary Fund Assembly, at its October 2019 session, decided to reappoint BDO International LLP (BDO) as the External Auditor to audit the Financial Statements for a second four-year term, i.e. for the financial years 2020–2023 inclusive, subject to satisfactory performance. The external audit fee of £4 400 per year was increased to £5 565 in 2023 to reflect additional work

required following the revision of the International Standard on Auditing (ISA) 315 in the UK, as well as a 5% support charge.

- 4.7 At the October 2022 meetings of the IOPC Funds governing bodies, the Supplementary Fund Assembly and the 1992 Fund Administrative Council acting on behalf of the 1992 Fund Assembly, decided that the Supplementary Fund should pay the 1992 Fund a flat management fee towards the cost of running the joint Secretariat in 2023. The management fee was set based on the estimated number of working days that the entire Secretariat would spend on Supplementary Fund matters. The fee for 2023 was set at £40 000 (2022: £38 000). The basis of calculating the management fee remained the same.
- 4.8 The expenditure relating to the Supplementary Fund's share of the costs of running the joint Secretariat and the external audit fees for 2023 amounted to £45 565 compared to the total appropriation of £54 510. A breakdown of the Supplementary Fund expenditure is set out below.

| Expenditure relating only to Supplementary Fund        | 2023 budget appropriations<br>£ | 2023 budget out-turn<br>£ | Balance of appropriations<br>£ |
|--|---------------------------------|---------------------------|--------------------------------|
| (a) Management fee payable to 1992 Fund                | 40 000                          | 40 000                    | -                              |
| (b) Administrative costs including External Audit fees | 14 510                          | 5 565                     | 8 945                          |
| <b>TOTAL</b>   | <b>54 510</b>                   | <b>45 565</b>             | <b>8 945</b>                   |

4.9 General Fund balance

The General Fund balance on 31 December 2023 was £1 379 343 (2022: £1 358 941), which is higher than the working capital of £1 million set by the Supplementary Fund Assembly at its session in March 2005 and reconfirmed by the Assembly in October 2019.

## 5 Sustainability

- 5.1 The Supplementary Fund Protocol provides the Supplementary Fund Assembly with authority to levy contributions that may be required to balance the payments to be made by the Supplementary Fund. It also places an obligation on the contributors to make payment by the due date or bear interest on any arrears.
- 5.2 Based on the net assets held at the end of the period and the generally high percentage of receipt of the contributions levied by the due date, the going concern basis has been adopted in preparing the Supplementary Fund's Financial Statements.



Gaute Sivertsen  
Director  
23 May 2024

## STATEMENT ON INTERNAL CONTROL

### 6 Scope of Director's responsibility

- 6.1 The Supplementary Fund and the 1992 Fund are together referred to as the IOPC Funds. The IOPC Funds are managed by a joint Secretariat headed by the Director. The 1992 Fund administers the joint Secretariat and staff members are, therefore, employed by the 1992 Fund.
- 6.2 Under Article 16 of the Supplementary Fund Protocol, read in conjunction with Article 28.2 of the 1992 Fund Convention, the Director shall be the legal representative of the Supplementary Fund. Each Contracting State shall, pursuant to Article 2.2 of the Supplementary Fund Protocol, recognise the Director as the legal representative of the Supplementary Fund.
- 6.3 Under Article 16 of the Supplementary Fund Protocol, read in conjunction with Article 29.1 of the 1992 Fund Convention, the Director shall be the chief administrative officer of the Supplementary Fund. As chief administrative officer, the Director has responsibility for maintaining a sound system of internal control that supports the achievement of the Supplementary Fund's policies, aims and objectives, while also safeguarding the Supplementary Fund's assets.
- 6.4 As a result of these provisions, the Director has the authority, *vis-à-vis* third parties, to commit the Supplementary Fund without restrictions, unless the third party concerned has been informed of any limitation of this authority decided by the Supplementary Fund Assembly.
- 6.5 The Director is, however, bound by any restriction of his authority decided by the Supplementary Fund Assembly. He may delegate his authority to other officers within the limits laid down by the Assembly. Pursuant to the authority given and within the limits laid down by the IOPC Funds governing bodies, the Director has delegated his authority to other officers by Administrative Instructions.
- 6.6 In 2023, the Director was assisted by a Management Team comprising of the Deputy Director/Head of the Claims Department and the Head of the Administration Department. For the period January to May 2023, the Head of the External Relations and Conference Department was a member of the Management Team.

### 7 Statement on the system of internal control

- 7.1 The Director has the responsibility for maintaining a sound system of internal control that supports the work of the Supplementary Fund. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk; therefore, it can only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise risks, evaluate the likelihood and impact of those risks being realised, and manage them efficiently, effectively and economically.
- 7.2 The Management Team normally meets on a weekly basis to exchange information and brief the Director on matters that may require attention. Information sharing and internal steering group meetings, composed of staff members from across the Secretariat and chaired by the Director, to discuss substantive matters of policy and work, are documented and matters followed up as required. These meetings provide the necessary forum where Management Team and staff members entrusted with specific areas of responsibility can discuss issues including internal control and risks arising in the organisation. The Director obtains assurance from these meetings that there are sufficient internal controls in place and that the risks are mitigated and managed across the organisation.

- 7.3 The joint Audit Body was established by the IOPC Funds governing bodies and meets formally at least three times a year. The Audit Body has the mandate, *inter alia*, to review the adequacy and effectiveness of the organisation with regard to key issues of management and financial systems, financial reporting, internal controls, operational procedures and risk management; to review the organisation's Financial Statements and reports; and to consider all relevant reports by the External Auditor including its reports on the organisation's Financial Statements. This additional oversight provides further assurance to the Director, as well as the governing bodies, that appropriate internal controls are in place. The Audit Body reports to the Supplementary Assembly on an annual basis.
- 7.4 The joint Investment Advisory Body (IAB) was also established by the IOPC Funds governing bodies. It advises the Director on relevant procedures for investment and cash management controls; these are monitored by the IAB, which provides the Director with further assurances regarding the internal controls that are in place in this area. The IAB also reviews the IOPC Funds' investments and foreign exchange requirements to ensure reasonable investment returns are achieved without compromising the IOPC Funds' assets. The IAB also monitors, on an ongoing basis, the credit ratings of financial institutions and reviews the credit ratings of institutions which meet the IOPC Funds' investment criteria. The IAB meets quarterly with the Director and Secretariat, and at least annually with the External Auditor when both parties are in attendance at Audit Body meetings. The IAB reports to the Supplementary Assembly on an annual basis.

## 8 Risk management

- 8.1 In 2023, the Director continued a policy of reviewing the IOPC Funds' risk register to identify risks across the organisation. These risks have been placed in two categories: operational risk and institutional risk. Operational risk has been sub-divided into five areas: finance and contributions; governance and management; compensation; safety and security; and communications and publications.
- 8.2 In 2023, the Management Team undertook a more detailed risk mapping exercise to analyse the key controls and mitigants for the key risks. This mapping, along with the full risk register, was presented to the Audit Body in December 2023.
- 8.3 The key risk register is shared with the Audit Body at least annually, following the results of the annual risk management review and updates to the full risk register. The Audit Body and the Director jointly identify areas of risk for more in-depth analysis. The Audit Body has made valuable contributions to the organisation's risk management, which provides further assurance to the Director that the processes are effective. The Audit Body makes specific reference to these matters in its annual report to the governing bodies.

## 9 Risk and control framework

- 9.1 The system of internal control is based on an ongoing process designed to ensure conformity with the Supplementary Fund Protocol, the Financial Regulations, the Internal Regulations and decisions of the Supplementary Fund Assembly.
- 9.2 The Supplementary Fund Assembly adopts the Financial Regulations and Internal Regulations necessary for the proper functioning of the Supplementary Fund.



## 10 Review of effectiveness

- 10.1 The review of the effectiveness of the system of internal control is carried out by the Director and is aided through the work of the Audit Body and that of the External Auditor. Any recommendations made by the External Auditor, in its management letter and other reports, are considered and a plan is agreed upon to address any identified weakness and to ensure continuous improvement of the current system. The Supplementary Fund Assembly is updated annually on the status of these recommendations.
- 10.2 As part of the process of further enhancing the system of internal control, the Director commissioned an internal audit needs assessment, which was discussed with the Audit Body at its meeting in April 2018. The outline plan and agreed reviews were to be implemented over a three-year period, in order to provide added assurances to the Director on the effectiveness of the internal controls. The period of this review was extended due to disruption caused by the global pandemic and significant changes to key personnel in the Secretariat.
- 10.3 A review of the Risk Management Framework was undertaken by Mazars LLP in late 2019 and was reviewed by the Audit Body in June 2020. No additional internal audit review was undertaken in 2020 and 2021, and an internal audit review of the claims-handling process was undertaken by Mazars LLP in 2022. In December 2023, the Audit Body recommended financial controls as the next area for internal audit, to be addressed in 2024.
- 10.4 The work of the Audit Body and the External Auditor, and the internal audit reviews provided additional assurances that the infrastructure and management controls in place provided a stable and secure platform to support the ongoing functioning of the IOPC Funds.
- 10.5 I am pleased to conclude that there existed an effective system of internal control for the financial year 2023.



Gaute Sivertsen  
Director  
23 May 2024

\* \* \*

## SECTION TWO

### EXTERNAL AUDITOR'S OPINION

#### OPINION ON THE FINANCIAL STATEMENTS

#### **Independent auditor's report to the Assembly of the International Oil Pollution Compensation Supplementary Fund**

#### **Opinion on the Financial Statements**

In our opinion:

- the special purpose financial statements present fairly, in all material respects, the financial position of the International Oil Pollution Compensation Supplementary Fund as at 31 December 2023 and of its financial performance and its cash flows for the year then ended; and
- the special purpose financial statements have been properly prepared in accordance with the Supplementary Fund's Financial Regulations and International Public Sector Accounting Standards.

We have audited the special purpose financial statements of the International Oil Pollution Compensation Supplementary Fund ('the Fund') which comprise the Statement of Financial Position, the Statement of Financial Performance, the Statement of Changes in Net Assets, the Statement of Cash Flow, the Statement of Comparison of Budget and Actual Amounts for the year then ended, and notes to the special purpose financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, the Financial Regulations of the International Oil Pollution Compensation Supplementary Fund (the Financial Regulations) and International Public Sector Accounting Standards (IPSASs).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing, including ISA 800 (Revised). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the special purpose financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the special purpose financial statements, including the IESBA International Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

In auditing the special purpose financial statements, we have concluded that the Director's use of the going concern basis of accounting in the preparation of these special purpose financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for a period of at least twelve months from when the special purpose financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

### Emphasis of Matter – basis of accounting and restriction on distribution and use

We draw attention to Note 1 to the special purpose financial statements, which describes the basis of accounting, which is a special purpose framework. The special purpose financial statements are prepared to assist the Fund in complying with their financial reporting obligations. As a result, the special purpose financial statements may not be suitable for another purpose. Our report is intended solely for the Assembly of the Fund and should not be distributed to or used by parties other than the Assembly of the Fund. Our opinion is not modified in respect of this matter.

### Other information

The Director is responsible for the other information. The other information comprises the information included in the annual report, including the Director's Comments on the Financial Statements and Statement on Internal Control, other than the special purpose financial statements and our auditor's report thereon. Our opinion on the special purpose financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the special purpose financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the special purpose financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.



## Opinion on Regularity

In our opinion, in all material respects the transactions of the Fund are in accordance with the purposes intended by the Fund's Assembly and the financial transactions conform to the Fund's Financial Regulations.

## Responsibilities of the Director

The Director is responsible for the preparation of these special purpose financial statements in accordance with the Financial Regulations and IPSAS's and for such internal control as the Director determines is necessary to enable the preparation of special purpose financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the special purpose financial statements, the Director is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the special purpose financial statements

Our objectives are to obtain reasonable assurance about whether the special purpose financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these special purpose financial statements.

## Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We considered results of our enquiries of the Secretariat, and the Audit Body about their own identification and assessment of the risks of irregularities.

### *Non-compliance with laws and regulations*

We considered any matters we identified having obtained and reviewed the Fund's documentation of their policies and procedures relating to:

- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance, and
- the internal controls established to mitigate risks of non-compliance with laws and regulations.

We also obtained an understanding of the legal and regulatory frameworks that the Fund operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the special purpose financial statements and whether there had been any breaches of the Funds' Financial Regulations.

#### *Fraud*

- We considered any matters we identified having obtained and reviewed the Fund's documentation of their policies and procedures relating to: detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
- the internal controls established to mitigate risks of fraud.

We considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud is in relation to the provision for compensation and reporting of actual spend against budget. In common with all audits under ISAs, we are also required to perform specific procedures to respond to the risk of management override.

Our procedures in respect of the above included:

- testing of post year end events in relation to compensation claims and whether they met the provision criteria
- reviewing the classification of transactions against budget activity lines, and
- testing of journals identified based on risk characteristics.

Our audit procedures were designed to respond to risks of material misstatement in the special purpose financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the special purpose financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Use of our report**

This report is made solely to the Assembly of the International Oil Pollution Compensation Supplementary Fund (the Assembly), as a body, in accordance with the Financial Regulations of the Fund and the terms of our engagement letter. Our audit work has been undertaken so that we might state to the Assembly those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility

to anyone other than the Assembly as a body, for our audit work, for this report, or for the opinions we have formed.

*Steve Bladen*

**Steve Bladen,**

For and on behalf of **BDO LLP**, Statutory Auditor  
London, UK

19 July 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).



## SECTION THREE

THE FINANCIAL STATEMENTS OF THE INTERNATIONAL OIL POLLUTION COMPENSATION  
SUPPLEMENTARY FUND  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

### CERTIFICATION OF THE FINANCIAL STATEMENTS

We certify that to the best of our knowledge and information, all transactions during the period have been properly entered in the accounting records and that these transactions together with the appended Financial Statements numbered I to V and Notes, details of which form part of this document, fairly present the financial position of the International Oil Pollution Compensation Supplementary Fund as at 31 December 2023.



Gaute Sivertsen  
Director

23 May 2024



Claire Montgomery  
Chief of Finance

INTERNATIONAL OIL POLLUTION COMPENSATION SUPPLEMENTARY FUND  
STATEMENT I  
Statement of Financial Position  
At 31 December 2023

|                                  |          | 31/12/2023       | 31/12/2022       |
|----------------------------------|----------|------------------|------------------|
|                                  | Note     | £                | £                |
| <b>ASSETS</b>                    |          |                  |                  |
| <b>Current assets</b>            |          |                  |                  |
| Cash and cash equivalents        | 2        | 1 433 013        | 1 409 763        |
| Contributions receivable         | 3        | -                | 1 489            |
| Other receivables                | 4        | 4 525            | 2 927            |
| <b>Total current assets</b>      |          | <b>1 437 538</b> | <b>1 414 179</b> |
| <b>TOTAL ASSETS</b>              |          | <b>1 437 538</b> | <b>1 414 179</b> |
| <b>LIABILITIES</b>               |          |                  |                  |
| <b>Current liabilities</b>       |          |                  |                  |
| Payables and accruals            | 5        | 50 287           | 47 670           |
| Contributors' account            | 6        | 7 908            | 7 568            |
| <b>Total current liabilities</b> |          | <b>58 195</b>    | <b>55 238</b>    |
| <b>TOTAL LIABILITIES</b>         |          | <b>58 195</b>    | <b>55 238</b>    |
| <b>NET ASSETS</b>                |          | <b>1 379 343</b> | <b>1 358 941</b> |
| <b>FUND BALANCE</b>              |          |                  |                  |
| Balance b/f: 1 January           |          | 1 358 941        | 1 385 936        |
| Surplus/(deficit) for the year   |          | 20 402           | (26 995)         |
| <b>GENERAL FUND BALANCE</b>      | <b>7</b> | <b>1 379 343</b> | <b>1 358 941</b> |

Notes are found on pages 21–26.

INTERNATIONAL OIL POLLUTION COMPENSATION SUPPLEMENTARY FUND  
STATEMENT II  
Statement of Financial Performance  
For the year ended 31 December 2023

|                                       |      | 2023          | 2022            |
|---------------------------------------|------|---------------|-----------------|
|                                       | Note | £             | £               |
| <b>REVENUE</b>                        |      |               |                 |
| Contributions                         | 9    | 6 188         | -               |
| Interest on investments               |      | 59 709        | 16 402          |
| Other revenue                         |      | 70            | 36              |
| <b>Total revenue</b>                  |      | <b>65 967</b> | <b>16 438</b>   |
| <b>EXPENSES</b>                       |      |               |                 |
| Administrative costs                  |      | 45 565        | 43 433          |
| <b>Total expenses</b>                 |      | <b>45 565</b> | <b>43 433</b>   |
| <b>SURPLUS/(DEFICIT) FOR THE YEAR</b> |      | <b>20 402</b> | <b>(26 995)</b> |

Notes are found on pages 21–26.



INTERNATIONAL OIL POLLUTION COMPENSATION SUPPLEMENTARY FUND  
STATEMENT III  
Statement of Changes in Net Assets  
For the year ended 31 December 2023

|   | Accumulated<br>surplus/Fund<br>balance<br>£ |
|---|---|
| <b>TOTAL NET ASSETS at 31 December 2021</b>           | <b>1 385 936</b>                            |
| Surplus/(deficit) for the year ended 31 December 2022 | (26 995)                                    |
| <b>TOTAL NET ASSETS at 31 December 2022</b>           | <b>1 358 941</b>                            |
| Surplus/(deficit) for the year ended 31 December 2023 | 20 402                                      |
| <b>TOTAL NET ASSETS at 31 December 2023</b>           | <b>1 379 343</b>                            |

Notes are found on pages 21–26.

INTERNATIONAL OIL POLLUTION COMPENSATION SUPPLEMENTARY FUND  
STATEMENT IV  
Statement of Cash Flow  
For the year ended 31 December 2023

|   |          | 2023             | 2022             |
|---|----------|------------------|------------------|
|   | Note     | £                | £                |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                 |          |                  |                  |
| <b>Surplus/(deficit) for the period</b>                     |          | <b>20 402</b>    | <b>(26 995)</b>  |
| Adjustment for:   |          |                  |                  |
| Interest on investments <sup>&lt;1&gt;</sup>                |          | (59 709)         | (16 402)         |
| (Increase)/decrease in receivables                          | 3, 4     | (109)            | (2 689)          |
| Increase/(decrease) in payables and accruals                | 5, 6     | 2 742            | 42 780           |
| <b>Net cash flow from operating activities</b>              |          | <b>(36 674)</b>  | <b>(3 306)</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                 |          |                  |                  |
| Interest earned <sup>&lt;2&gt;</sup>                        |          | 59 924           | 16 506           |
| <b>Net cash flow from investing activities</b>              |          | <b>59 924</b>    | <b>16 506</b>    |
| <b>Net (decrease)/increase in cash and cash equivalents</b> |          | <b>23 250</b>    | <b>13 200</b>    |
| Cash and cash equivalents at beginning of the year          |          | 1 409 763        | 1 396 563        |
| <b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>         | <b>2</b> | <b>1 433 013</b> | <b>1 409 763</b> |

Notes are found on pages 21–26.

<sup><1></sup> Interest earned from investing the assets of the General Fund.

<sup><2></sup> Interest earned from investing the assets of the General Fund and credit balances held by contributors.

INTERNATIONAL OIL POLLUTION COMPENSATION SUPPLEMENTARY FUND  
STATEMENT V  
General Fund — Administrative Expenditure  
Statement of Comparison of Budget and Actual Amounts  
For the year ended 31 December 2023

| CLASS OF EXPENDITURE |  | BUDGET<br>APPROPRIATIONS |        | BUDGET<br>OUT-TURN |        | BALANCE OF<br>APPROPRIATIONS |       |       |
|----------------------|--|--------------------------|--------|--------------------|--------|------------------------------|-------|-------|
|                      |  | 2023                     | 2022   | 2023               | 2022   | 2023                         | 2022  |       |
| Note                 |  | £                        | £      | £                  | £      | £                            | £     |       |
| (a)                  | Management fee payable to 1992 Fund                | 40 000                   | 38 000 | 40 000             | 38 000 | -                            | -     |       |
| (b)                  | Administrative costs including External Audit fees | 14 510                   | 14 400 | 5 565              | 5 433  | 8 945                        | 8 967 |       |
| TOTAL                |  | 10                       | 54 510 | 52 400             | 45 565 | 43 433                       | 8 945 | 8 967 |

Notes are found on pages 21–26.

## Note 1 — Accounting policies

- 1.1 These Financial Statements have been prepared in accordance with Financial Regulation 12.3 of the Supplementary Fund and in compliance with IPSAS.
- 1.2 The preparation of the 2023 Financial Statements was not affected by any new IPSAS issued in 2023 or modifications to existing IPSAS. There have been no changes in the operation of the Funds, which might necessitate a review of applicable accounting standards.
- 1.3 The principal accounting policies followed in arriving at the financial information given in the Statements are set out below (paragraphs 1.4 to 1.8).
- 1.4 Basis of preparation
  - 1.4.1 The Financial Statements of the Supplementary Fund have been prepared on the accruals basis of accounting in accordance with IPSAS using the historical cost convention.
  - 1.4.2 In accordance with the Supplementary Fund's Financial Regulations:
    - (a) the financial year is the calendar year; and
    - (b) the functional and reporting currency of the Supplementary Fund is pounds sterling.
  - 1.4.3 The preparation of Financial Statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the date of the statement of financial position and the amounts reported for income and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.
  - 1.4.4 No significant judgements have been made in applying the Supplementary Fund's accounting policies.
- 1.5 Fund accounting
  - 1.5.1 The Financial Statements are prepared on the entity basis, showing at the end of the period the consolidated position of all funds controlled by the Supplementary Fund. A fund is a self-balancing accounting entity established to account for the transactions of a specified purpose or objective.
  - 1.5.2 The Financial Statements have been prepared on the basis of a General Fund only. Fund balances represent the accumulated residual of revenue and expenses.
  - 1.5.3 The General Fund covers the Supplementary Fund's expenses for the administration of the organisation. The working capital was established to ensure that the Supplementary Fund was in a position to meet compensation and claims-related expenses which might occur between the regular sessions of the governing bodies.
- 1.6 Revenue

*Contributions*

  - 1.6.1 Income from contributions is treated as revenue from non-exchange transactions and is based on levies approved by the governing body as due in the financial period. Such income from contributions is recognised only after the contributions are invoiced on the basis of figures on contributing oil receipts reported by Member States.

- 1.6.2 In cases of contributions relating to previous levies based on late or amended oil reports submitted, the amount is recognised as income on the date of the invoice.

*Interest on investments*

- 1.6.3 Interest income on deposits is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable on a straight-line basis over the period of the investment.

*Interest on overdue contributions*

- 1.6.4 Income from interest on contributions comprises of interest accrued on all contributions overdue at the end of the reporting period. No interest is charged on overdue interest.

1.7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at banks and term deposits.

1.8 Financial instruments

- 1.8.1 Financial instruments held in pounds sterling to maturity and where the interest is also received in pounds sterling, have been treated at year end as normal term deposits. As such, they are stated at the value of the investment made (historical cost) and interest is accrued as normal.

- 1.8.2 Amounts either paid to or received from financial institutions in respect of hedging instruments are treated as 'finance cost of hedging instrument' or 'income from hedging instrument', respectively.

- 1.8.3 Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – unobservable inputs for the asset or liability.

- 1.8.4 Receivables and payables are measured on an amortised cost basis using the invoice value.

1.9 Budgetary information

The Supplementary Fund Assembly approves the budget for administration costs. Budgets may be subsequently amended by the Assembly or through the exercise of delegated authority. The Statement of Comparison of Budget and Actual Amounts (Statement V) compares the final budget to actual amounts calculated on the same basis (modified cash basis) as the corresponding budgetary amounts.

**Note 2 — Cash and cash equivalents**

- 2.1 Cash and cash equivalents included in the Statement of Cash Flow (Statement IV) and the Statement of Financial Position (Statement I) comprise of the following amounts:



|  | 31/12/2023<br>£  | 31/12/2022<br>£  |
|--|------------------|------------------|
| Cash on hand                                       | 133 013          | 109 763          |
| Notice accounts (notice period less than 3 months) | -                | -                |
| Term deposits (maturing within 3 months)           | -                | 650 000          |
| Term deposits (maturing after 3 months)            | 1 300 000        | 650 000          |
| <b>TOTAL</b>                                       | <b>1 433 013</b> | <b>1 409 763</b> |

- 2.2 Cash is invested in term deposits of up to one year with deposits maturing periodically through the year, in order to ensure liquidity between receipt of contributions. No investments are made in bonds or shares.

### Note 3 — Contributions receivable

- 3.1 The situation with regard to outstanding contributions is set out below.

|              | 2023<br>£ | 2022<br>£    |
|--------------|-----------|--------------|
| Congo        | -         | 1 489        |
| <b>TOTAL</b> | <b>-</b>  | <b>1 489</b> |

### Note 4 — Other receivables

- 4.1 Other receivables are set out in the table below.

|                                   | 2023<br>£    | 2022<br>£    |
|-----------------------------------|--------------|--------------|
| Accrued interest on investments   | 4 350        | 2 770        |
| Interest on overdue contributions | 175          | 157          |
| <b>TOTAL</b>                      | <b>4 525</b> | <b>2 927</b> |

### Note 5 — Payables and accruals

- 5.1 Payables and accruals are set out in the table below.

|                                 | 2023<br>£     | 2022<br>£     |
|---------------------------------|---------------|---------------|
| Accrual for external audit fees | 5 565         | 5 433         |
| Payable to 1992 Fund            | 44 722        | 42 237        |
| <b>TOTAL</b>                    | <b>50 287</b> | <b>47 670</b> |

- 5.2 An amount of £5 565 has been accrued for external audit fees relating to the audit of the 2023 Financial Statements.

## Note 6 — Contributors' account

- 6.1 The amount of £7 908 (2022: £7 568) is the balance on the contributors' account after the deduction of amounts repaid to contributors or offset against contributions. The amount includes interest of £215 (2022: £104) credited in 2023 to contributors.

## Note 7 — General Fund balance

- 7.1 The General Fund balance of £1 379 364 is above the working capital of £1 million as decided by the Supplementary Fund Assembly at its first session in March 2005 and re-confirmed by the Assembly in December 2020. The working capital was established to ensure that the Supplementary Fund was in a position to meet compensation and claims-related expenses, which may occur between the regular sessions of the governing bodies.

## Note 8 — Financial instruments

- 8.1 In 2023, there were no complex financial instruments entered into by the Supplementary Fund.
- 8.2 All financial instruments held during 2023 are classified as loans and receivables and are non-derivative financial assets with fixed payments and a fixed maturity for which the organisation has the intention and the ability to hold to maturity.
- 8.3 Financial instruments held at year end are detailed in the table below:

|   | 31/12/2023 | 31/12/2022 |
|---|------------|------------|
|   | £          | £          |
| <b>Financial assets held at amortised cost</b>      |            |            |
| Cash and cash equivalents                           | 1 433 013  | 1 409 763  |
| Trade and other receivables                         | 4 525      | 4 416      |
| <b>Financial liabilities held at amortised cost</b> |            |            |
| Trade and other payables                            | 58 195     | 55 238     |

- 8.4 Credit risk
- 8.4.1 The Supplementary Fund's credit risk is spread widely. Its risk management policies limit the amount of credit exposure to any counterparty and include minimum credit quality guidelines.
- 8.4.2 The guidelines include market and capital strength measures in addition to the credit rating provided by the three rating agencies. Credit default swaps (CDS) and CET 1 capital ratio are the additional measures used to determine the counterparty list. The guidelines are as follows:
- (a) CET 1 capital ratio of at least 9.5% or higher;
  - (b) five-year CDS spread of a maximum of 100 basis points, a breach of which would trigger a review to ascertain whether the credit markets were weaker in general, or whether the creditworthiness of the counterparty concerned was subject to a particular credit-negative event, which would warrant its temporary or permanent exclusion from the lending list; and

(c) minimum short-term credit rating from two of the three main credit rating agencies: Fitch, Moody's, and Standard & Poor's, as follows:

- for maturities of up to 12 months (Group 1) of F1+, P1 and A1+; and
- for maturities of up to 6 months (Group 2) of F1, P1 and A1.

8.4.3 A list of approved financial institutions is prepared by the IAB on a quarterly basis and approved by the Director. This list is kept under constant review by the IAB between meetings, and the Secretariat is advised accordingly.

8.4.4 Contributions receivable are comprised of amounts due from contributors in Member States. The Supplementary Fund Protocol places an obligation on Member States to ensure that contributors fulfil their obligation to pay contributions. Details of contributions receivable are provided in Note 3.

#### 8.5 Liquidity risk

8.5.1 The Supplementary Fund Protocol provides the Assembly with authority to levy contributions that may be required to balance the payments to be made by the Supplementary Fund.

8.5.2 Liquidity risk associated with cash and cash equivalents is minimised substantially by ensuring that these financial assets are placed in term deposits not exceeding one year.

#### 8.6 Interest rate risk

8.6.1 The Supplementary Fund places its cash deposits in term deposits with fixed interest rates under strict investment guidelines. The Financial Regulations of the Supplementary Fund focus on the security and liquidity of the assets rather than maximising revenue, and this is taken into account in managing the liquidity (cash flow) risk.

8.6.2 The average interest rate earned on investments in 2023 was 4.59%. A variation of 0.25% to the average interest rate would result in an increase or decrease of £3 250 to the amount of interest earned in the year.

### Note 9 — Contributions

9.1 At its session in October 2022, the Supplementary Fund Assembly decided not to levy contributions (2022 contributions payable in 2023) with respect to the General Fund. Since there have been no incidents requiring the payment of compensation by the Supplementary Fund, there was no need for contributions to be levied to any Claims Fund.

### Note 10 — Statement of Comparison of Budget and Actual Amounts

10.1 The Supplementary Fund's budget and accounts are prepared using different bases. The Statement of Financial Position (Statement I); Statement of Financial Performance (Statement II); Statement of Changes in Net Assets (Statement III); and Statement of Cash Flow (Statement IV) are prepared on a full accruals basis using a classification based on the nature of expenses in the Statement of Financial Performance (Statement II), whereas the Statement of Comparison of Budget and Actual Amounts (Statement V) is prepared on a commitment accounting basis.

- 10.2 As required under IPSAS 24, the actual amounts presented on a comparable basis to the budget shall, where the Financial Statements and the budget are not prepared on a comparable basis, be reconciled to the actual amounts presented in the Financial Statements, identifying separately any basis, presentation, entity and timing differences.
- 10.3 There are no reconciling items between the actual amounts on a comparable basis in the Statement of Comparison of Budget and Actual Amounts (Statement V) and the actual amounts in the Statement of Financial Performance (Statement II) for the year ended 31 December 2023.

#### Note 11 — Related parties and key management personnel

- 11.1 The Director of the 1992 Fund is *ex officio* Director of the Supplementary Fund, and the Supplementary Fund is administered by the 1992 Fund Secretariat. The Director is assisted by a Management Team in the day-to-day running of the Secretariat, and the aggregate remuneration paid to key management personnel of the 1992 Fund is in Note 28 to the 2023 Financial Statements of the 1992 Fund.

11.2 Related parties

The Supplementary Fund is a related party to the 1992 Fund, to which it pays a management fee of £40 000 (2022: £38 000). At year end, an amount of £44 722 was payable to the 1992 Fund.

#### Note 12 — Events after reporting date

- 12.1 The Supplementary Fund's reporting date is 31 December 2023. On the date of signing these accounts, there have been no material events, favourable or unfavourable, incurred between the reporting date and the date when the Financial Statements were authorised for issue that would have impacted these statements.
- 12.2 The date of authorisation for issue is the date of certification by the External Auditor.







**International Oil Pollution  
Compensation Funds**

4 Albert Embankment  
London SE1 7SR  
United Kingdom

E-mail: [info@iopcfunds.org](mailto:info@iopcfunds.org)

Website: [www.iopcfunds.org](http://www.iopcfunds.org)