

COMITE MARITIME INTERNATIONAL

Report of the CMI Audit Committee

for the Financial Year 2017

Introduction

The CMI Audit Committee is composed as follows:

Måns Jacobsson, Chairman
Peter J. Cullen, member
Luc Grellet, member
Andrew D. Taylor, member
Stuart Hetherington, member ex-officio

On 30 April 2018 the Audit Committee members received from the Treasurer, Mr. Peter Verstuyft, a draft of the Treasurer's Report and drafts of the CMI accounts for the financial year 2017, i.e. Income and Expenditure Account, Balance Sheet and Cash Flow Statement. As a result of written observations by the Committee members the Treasurer prepared and distributed to the Committee members on 23 June 2018 revised versions of these documents as well as accompanying notes to the financial statements.

The Committee discussed these documents at a telephone conference on 11 July 2018, in which the Treasurer took part.¹ This discussion resulted in minor editorial amendments to the Treasurer's Report.

The Treasurer prepared and distributed to the Audit Committee members on 3 September 2018 final versions of the Treasurer's Report, the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and accompanying notes, copies of which are attached.

The accounts were audited by the CMI's External Auditors, De Mol, Meuldermans & Partners bvba, represented by Mr. Kris Meuldermans. The resulting Auditor's Report on the financial statements of CMI for the financial year 2017 will be sent to the CMI Administrator for distribution.

Following the Audit Committee's telephone conference, the Chairman interviewed the External Auditor by telephone on 16 July 2018 and reported that discussion to the Committee. The Committee then discussed and approved its Report by exchange of emails.

¹ Mr Luc Grellet was unable to take part in the telephone conference.

The External Audit

New wording the External Auditor's Report

The Audit Committee noted that the wording of the External Auditor's Report for the financial year 2017 is different from that for previous years.

In the Report for the financial year 2016 it was stated that the Auditor had examined, on a test basis, evidence supporting the amounts in the financial statements, assessed the accounting principles used and significant estimates made, as well as the overall presentation of the financial statements. The Auditor stated that his audit provided a reasonable basis for his opinion. He concluded that, in his opinion, the financial statements for the 2016 financial year gave a true and fair view of the assets and liabilities, the financial position and the results of the operations in accordance with the financial reporting system in Belgium.

In the Report for the 2017 financial year the Auditor states that he has carried out his review in accordance with the International Standard on Review Engagements (ISRE 2400) which requires that the review is performed so as to obtain moderate assurance as to whether the financial statements are free of material misstatement and that the review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than a full audit; accordingly the Auditor does not express an audit opinion. In his conclusion the Auditor states that, based on his review, nothing has come to his attention that causes him to believe that the financial statements do not give a true and fair view in accordance with International Accounting Standards.

The Chairman of the Audit Committee raised in writing with the External Auditor the important differences between the old and the new wording of the Auditor's Report.

The Auditor replied that the International Audit Standards (ISA) had been implemented in Belgium and that, according to these standards, audit opinions could only be delivered after a full audit, often in the context of an appointment as statutory auditor for a legal period of three years. The Auditor stated that, as regards the CMI, in practice the same audit work had been carried out for the 2017 financial year as for previous financial years. He pointed out that a full audit had a different scope than a review, but considered that following the ISA for the CMI would lead to an overkill in view of nature of the CMI and the extent of its operations.

In the light of the External Auditor's explanations, the Audit Committee considers the audit carried out in respect of the financial year 2017 is adequate in view of the nature of the CMI as a not for profit organisation and the extent of its operations.

The Chairman's discussion with the External Auditor

As mentioned above, the Chairman had a comprehensive discussion with the External Auditor, Mr. Kris Meuldermans. The discussion focused on the scope and findings of the audit, the treatment of income and expenditure and the factors that had an impact on the results.

General

The External Auditor stated that there were no omissions and that the figures for all assets and all expenses were 100 % reliable. He characterized the 2017 financial year as a "normal" year as regards the operating expenses of the CMI itself. He confirmed that everything was presented accurately.

Comparison with previous years

The External Auditor confirmed that he had compared the cash flow as well as income and expenditure of 2016 with the corresponding figures in the 2017 accounts. He stated that, disregarding the results of events such as Conferences and Colloquia which vary from one event to another, the CMI's ordinary operating expenses were stable.

Provisions and write-offs

The External Auditor was satisfied with the valuation of the provisions for accounts receivable and other expenses. As regards the outstanding contributions from National Maritime Law Associations, he stated that past experience had provided fairly reliable guidelines for determining what provisions should be made for unpaid subscriptions.

Soundness and stability of CMI assets

The External Auditor confirmed that the CMI funds were placed in investments appropriate to an organisation such as the CMI.

He stated that the prevailing low interest rates had resulted in the yield on the CMI investments in 2017 being lower than in earlier years; however, this would not have a significant impact on the CMI's financial position. He pointed out that when the present investments mature, the new investments would probably give an even lower yield.

The External Auditor expressed great confidence in the soundness and stability of the CMI's assets and the reliability of their valuation in the Balance Sheet. He drew attention to the fact that nearly all assets were cash or low risk investments in government-guaranteed accounts. He had examined bank statements to determine the accuracy of the reporting and had telephoned the banks to obtain confirmation of the existence of the accounts. He stated that accordingly the CMI's assets were not subject to market risks and were accurately valued, reported and managed.

He also expressed the view that everything concerning the CMI's assets was reliable and transparent.

Reserves in relation to cost structure

As a result of the low operational costs of the CMI, the predictable costs structure and the very low number of liabilities, the External Auditor considered that the level of reserves was more than adequate for an organisation such as the CMI.

Scope and findings of the Audit

The External Auditor commented that the CMI had no outstanding or overdue liabilities and that bills were paid on time and without disputes. He expressed his confidence in the soundness of the accounts, due to the fact that the small structure of the CMI and the low limited operating costs had enabled him to carry out a full independent audit, without simply relying on the figures presented in the accounts; he had reviewed in full receivables and payables and had examined closely the cash position as well as all incoming invoices and expenditures. He expressed the view that the CMI's bookkeeping gave all relevant details and was well prepared, that the accounts reflected good accounting practice and that the accounts gave a fair view of the CMI's financial position on 31 December 2017.

Co-operation with the Treasurer

Although it could go without saying, the External Auditor reported that he had, as in all previous years, had an excellent co-operation from the Treasurer in all respects.

Audit Committee's examination

The accounts

The Audit Committee examined the accounts in detail, with the Treasurer providing explanations as required.

A discussion of the income and expenditures and a comparison of the results of the 2017 financial year with those of the previous financial year can be found in the Treasurer's Report to the Executive Council and will not be repeated here.

The Audit Committee noted with satisfaction that, using the structure introduced in the 2015 accounts, the Genoa event in September 2017 had been accounted for separately from the operating income and expenditure in the Income and Expenditure Account under the heading Event Result, resulting in increased transparency.

The Audit Committee noted that the high amount of outstanding contributions from some National Maritime Law Associations at the end of the 2016 financial year, totaling €112 348, had been reduced to €46 145 at the end of the 2017

financial year as a result the writing off of the outstanding subscriptions of three Associations which had left the CMI. It was further noted that it had been considered necessary to make provisions in the Balance Sheet under Liabilities of €21,513 for unpaid subscriptions. The Audit Committee understands that two defaulting Associations have been put on notice that the issue of their expulsion from the CMI will be considered at the Assembly to be held in London in November 2018.

Investments

A list of the CMI's investments as at 31 December 2017 is set out in the Treasurer's Report.

The Audit Committee recalled that the Executive Council had in November 2014 adopted Guidelines for the CMI's Investment Policy which are reproduced at the CMI website under Governance, Constitution, Rules and Guidelines. It was further recalled that when an investment of €100,000 matured in June 2016, it had not been possible, due to the prevailing conditions in the financial market, to make a reinvestment of that amount which complied with the Guidelines. For the same reason, it might not be possible to comply with these Guidelines when new investments will have to be made later in 2018. In the light of this, the Executive Council might consider adopting more flexible Guidelines to take into account such market conditions.

Reserves

Following an extensive report to the Executive Council and to the Assembly at its session in Buenos Aires in 2010, it was the policy of the CMI to reduce the reserves of the organisation which had been built up over a number of years. Since 2013 the objective has been to have largely a break-even result, which has been achieved for the financial years 2014, 2015 and 2017 for which there were small surpluses of €10,320, €23,580 and €34,978, respectively, whereas for the financial year 2016 a small deficit of €23,595 was recorded.

In the Committee's opinion there is a comfortable level of reserves in view of the cost structure and operations of the CMI.

Recommendation

The Audit Committee is pleased to recommend to the Executive Council of the CMI as follows:

that the CMI accounts for the financial year 2017 as presented to the Audit Committee be approved for submission to and adoption by the 2018 CMI Assembly, together with the External Auditor's Report;

that De Mol, Meuldermans & Partners bvba be nominated as External Auditors for the CMI for the financial year 2018.

Respectfully submitted this 3rd day of September 2018

The CMI Audit Committee

Måns Jacobsson
Chairman