



Finance Committee

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Kingston, Jamaica
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Appointment of an independent auditor

Note by the Secretary-General

I. Introduction

1. In accordance with regulation 12 of the Financial Regulations of the International Seabed Authority, an internationally recognized independent auditor shall be appointed. The independent auditor may be appointed for a period of four years and reappointed for another term of four years.

2. At its thirteenth session, the Authority invited bids from four leading international auditing firms, namely Deloitte and Touche, Ernst and Young, KPMG Peat Marwick and PricewaterhouseCoopers. On the recommendation of the Finance Committee, the Assembly of the Authority appointed Deloitte and Touche to audit the 2007-2008 financial period. That term has expired; therefore, a new appointment of an independent auditor for four years, covering the financial periods 2009-2010 and 2011-2012, is required.

II. Bids

3. The Authority invited the “Big 4” auditing firms to submit bids for their services. All firms submitted bids with the exception of Ernst and Young, which declined to participate. A comparative summary of the bids received, all of which were for the financial period 2009-2010, is provided in the annex. Copies of the complete proposals are available on request.

III. Recommendation

4. The Finance Committee is invited to recommend one of the firms to the Council and the Assembly for appointment as the Authority’s independent auditor for four years, covering the financial periods 2009-2010 and 2011-2012.

Annex

Summary comparison of bids for the external audit of the 2009-2010 financial statements of the International Seabed Authority

<i>Comparative factors</i>	<i>Ernst & Young</i>	<i>KPMG</i>	<i>Deloitte & Touche</i>	<i>PricewaterhouseCoopers</i>
Institutional strength	Declined to participate	One of the “Big 4” audit firms	One of the “Big 4” audit firms	One of the “Big 4” audit firms
Team qualification and experience		Proposed audit team highly qualified and experienced	Proposed audit team highly qualified and experienced	Proposed audit team highly qualified and experienced
Important clients in Jamaica		Bank of Jamaica Cable and Wireless Jamaica Citibank Jamaica Grace Kennedy Limited	Urban Development Corporation The Port Authority Petrojam Limited National Housing Trust	Courts Jamaica Digicel Limited Life of Jamaica National Commercial Bank Pegasus Hotel
Approach		Effective risk assessment Control testing Substantive audit procedures	Control-based approach No surprises Cost efficient Information systems	Risk-based approach Control testing Substantive audit procedures Information systems
Timelines		December 2009-January 2010: plan and control evaluation February 2010: substantive testing February-March 2010: Completion of final audit	December 2009: planning and controls February 2010: pre-final audit March 2010: final audit April 2010: reporting	February 2010: planning and controls February 2010: pre-final audit March 2010: final audit and reporting

<i>Comparative factors</i>	<i>Ernst & Young</i>	<i>KPMG</i>	<i>Deloitte & Touche</i>	<i>PricewaterhouseCoopers</i>
Audit hours		Partner: 10 hours Manager: 19 hours Audit staff: 111 hours Total: 140 hours	Not stated	Partner: 14 hours Manager: 33 hours Audit staff: 123 hours Less contributed time: 20 hours Total: 150 hours
Price		2009 = US\$ 15,500 Out-of-pocket expenses to be recovered; not expected to be more than 3 per cent of professional fees	2009 = J\$ 850,000-950,000 2010 = J\$ 850,000-950,000 US\$ 9,700-10,800 @ United Nations exchange rate for April 2009, plus out-of-pocket expenses	2009 = US\$ 10,800 2010 = US\$ 11,800 Out-of-pocket expenses to be recovered