



Finance Committee

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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 seventeenth session, the Authority invited bids from four leading international auditing firms, namely, Deloitte and Touche, Ernst and Young, KPMG and PricewaterhouseCoopers. On the recommendation of the Finance Committee, the Assembly appointed PricewaterhouseCoopers to audit the 2011-2012 financial period of the Authority. With the expiry of that term, the appointment of an independent auditor for four years, covering the financial periods 2013-2014 and 2015-2016, is now required.

II. Bids

3. The Authority invited the “Big Four” auditing firms to submit bids for their services. Only two companies, namely, KPMG and PricewaterhouseCoopers, sent proposals. Ernst and Young declined to participate, while Deloitte and Touche did not respond. A comparative summary of the bids received, all of which were for the financial period 2013-2014, is provided in the annex. Copies of the complete proposals are available upon 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 2013-2014 and 2015-2016.



Annex

Summary comparison of bids for the external audit of the 2013-2014 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	Member of the “Big Four” audit firms	Did not respond	Member of the “Big Four” audit firms
Team qualification and experience		Proposed audit team highly qualified and experienced		Proposed audit team highly qualified and experienced
Important clients in Jamaica		<ul style="list-style-type: none"> – Bank of Jamaica – C&W Jamaica – Citibank Jamaica – Nestlé Jamaica 		<ul style="list-style-type: none"> – Esso – Digicel Limited – Sagicor – NCB – Pegasus Hotel
Financial statements audit approach		<ul style="list-style-type: none"> – Effective risk assessment – Control testing – Substantive audit procedures 		<ul style="list-style-type: none"> – Risk-based approach – Control testing – Substantive audit procedures – Information systems
Internal control audit approach		Testing of controls through analytical reviews of business processes. Testing accounting activities and risk assessment management		Testing of controls through review and update of business processes impacting financial reporting and testing of key manual, automated and information technology general controls
Timelines		<ul style="list-style-type: none"> – Dec. 2013- Jan. 2014; Planning and Control evaluation 		<ul style="list-style-type: none"> – Sept. 2013; Planning – Oct. 2013: Testing of controls

<i>Comparative factors</i>	<i>Ernst & Young</i>	<i>KPMG</i>	<i>Deloitte & Touche</i>	<i>PricewaterhouseCoopers</i>
		– April 2014; Substantive testing		– Feb. 2014; Final audit
		– May-June 2014; Completion of final audit		– March 2013; Reporting
Fees		2013: \$14,000 Audit = \$12,000 + Internal control review = \$2,000		2013: \$36,000 Audit = \$28,000 + Internal control review = \$8,000
		2014: \$15,000 Audit = \$12,500 + Internal control review = \$2,500		2014: \$38,800 Audit = \$30,000 + Internal control review = \$8,800
		Out-of-pocket expenses to be recovered, not expected to exceed 1.5% of professional fees		