



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 ninth session, the Assembly of the Authority appointed Deloitte and Touche as independent auditor for the 2003-2004 financial period.
3. At its eleventh 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 2005-2006 financial period. That term has expired; therefore, a new appointment of an independent auditor for four years, covering the financial periods 2007-2008 and 2009-2010, is required.

II. Bids

4. The Authority invited the “Big 4” auditing firms to submit bids for their services. A comparative summary of the bids received, all of which were for financial period 2007-2008, is provided in the annex. Copies of the complete proposals are available on request.

III. Recommendation

5. 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 2007-2008 and 2009-2010.



Annex

Summary comparison of bids for the external audit of the 2007-2008 financial statements of the International Seabed Authority

<i>Comparative factors</i>	<i>Ernst and Young</i>	<i>KPMG</i>	<i>Deloitte and Touche</i>	<i>PricewaterhouseCoopers</i>
Institutional strength	One of the “Big 4” audit firms	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	Proposed audit team highly qualified and experienced
Important clients in Jamaica	<ul style="list-style-type: none"> –Caribbean Cement Company –Jamaica Flour Mills –Holiday Inn 	<ul style="list-style-type: none"> –Bank of Jamaica –C&W Jamaica –Citibank Jamaica –Bank of Nova Scotia Jamaica 	<ul style="list-style-type: none"> –Urban Development Corporation –The Port Authority –Petrojam Limited –National Housing Trust 	<ul style="list-style-type: none"> –Courts Jamaica –Digicel Limited –Life of Jamaica –National Commercial Bank –Pegasus Hotel
Approach	<ul style="list-style-type: none"> –Reliance on controls and focus on inherent risks 	<ul style="list-style-type: none"> –Effective risk assessment –Control testing –Substantive audit procedures 	<ul style="list-style-type: none"> –Control-based approach –No surprises –Cost-efficient –Information systems 	<ul style="list-style-type: none"> –Risk-based approach –Control testing –Substantive audit procedures –Information systems
Timelines	Not stated, commitment to deliver within time stipulated by the International Seabed Authority	<ul style="list-style-type: none"> –December 2007 (Plan) –February 2008 (Control evaluation) –March 2008 (Substantive testing) –April-May 2008 (Completion of final audit) 	<ul style="list-style-type: none"> –December 2007 (Planning and controls) –February 2008 (Pre-final audit) –March 2008 (Final audit) –April 2008 (Reporting) 	Not stated, commitment to deliver within time stipulated by the International Seabed Authority
Audit hours	150 hours per year, not detailed	<ul style="list-style-type: none"> –Partner: 10 hours –Manager: 12 hours –Audit staff: 111 hours Total: 133 hours 	<ul style="list-style-type: none"> –Partner: 9.5 hours –Manager: 21.5 hours –Audit staff: 104 hours Total: 135 hours 	<ul style="list-style-type: none"> –Partner: 14 hours –Manager: 33 hours –Audit staff: 123 hours –Less contributed time: 20 hours Total: 150 hours
Price	2007: US\$ 10,500 2008: US\$ 10,500 Out-of-pocket expenses to be recovered	2007: US\$ 16,500 Out-of-pocket expenses to be recovered	2007: J\$ 750,000-850,000 2008: J\$ 750,000-850,000 US\$ 11,080-12,560 @ United Nations exchange rate for May 2007	2007: US\$ 12,000 2008: US\$ 11,800 Out-of-pocket expenses to be recovered