



## Finance Committee

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Item 7 of the provisional agenda\*

### Appointment of an independent auditor for 2017 and 2018

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### 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 for a period of four years and may be reappointed for one term.

2. At its nineteenth session, the Authority invited bids from four leading international auditing firms, namely, Deloitte and Touche, Ernst and Young (now EY), KPMG and PricewaterhouseCoopers (now PwC) (see ISBA/19/FC/3). On the recommendation of the Finance Committee, the Assembly appointed KPMG to audit the 2015-2016 financial period of the Authority. With the expiry of that term, the appointment of an independent auditor for four years, covering the financial periods 2017-2018 and 2019-2020, is now required.

#### II. Bids

3. The Authority invited three auditing firms, namely, EY, KPMG and PwC, to submit bids for being the auditor for the new term. Two of the companies, EY and KPMG, sent in proposals. PwC declined to participate on the ground of a potential conflict of interest, as it had been awarded a contract to assist the United Nations with the implementation of the International Public Sector Accounting Standards. A comparative summary of the bids received is provided in the annex. KPMG submitted an offer covering four years, from 2017 to 2020, while EY submitted an offer for two years, from 2017 to 2018. 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 independent auditor of the Authority for four years, covering the financial periods 2017-2018 and 2019-2020.

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\* ISBA/23/FC/L.1.



## Annex

### Summary comparison of bids for the external audit of the 2017-2018 financial statements of the International Seabed Authority

<i>Comparative factor</i>	<i>PwC</i>	<i>EY</i>	<i>KPMG</i>
Institutional strength	Declined to participate	Member of the “Big Four” auditing firms	Member of the “Big Four” auditing firms
Team qualifications 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"> <li>– Bureau of Standards Jamaica</li> <li>– National Insurance Fund</li> <li>– Port Authority of Jamaica</li> <li>– CIBC FirstCaribbean International Bank</li> </ul>	<ul style="list-style-type: none"> <li>– Bank of Jamaica</li> <li>– Global Fund</li> <li>– University of the West Indies</li> <li>– Jamaica Deposit Insurance Corporation</li> </ul>
Financial statements audit approach		<ul style="list-style-type: none"> <li>– Proactive planning and communication</li> <li>– Streamlined controls</li> </ul>	<ul style="list-style-type: none"> <li>– Effective risk assessment</li> <li>– Control testing</li> <li>– Substantive audit procedures</li> </ul>
Internal control audit approach		Following of audit control procedures through the analysis of business processes and the understanding of their risks	Testing of controls through the review and updating of business processes affecting financial reporting and the testing of key manual, automated and information technology general controls
Timelines		<ul style="list-style-type: none"> <li>– Aug.-Sept. 2017: planning and coordination</li> <li>– Oct. 2017: understanding of business processes and test controls</li> <li>– Feb.-Mar. 2018: final audit procedures, review of draft financial statements, issuance of reports</li> </ul>	<ul style="list-style-type: none"> <li>– Nov. 2017: initial planning</li> <li>– Mar. 2018: controls, review of final trial balance and selected audit procedures</li> <li>– Apr. 2018: overall evaluation of financial statements and disclosures and draft management letter</li> <li>– May 2018: submission of signed final statements and letter of management</li> </ul>
Fees		<ul style="list-style-type: none"> <li>– For 2017 and 2018: \$16,000 per annum</li> <li>– For 2019 and 2020: not available (bid is for two years only)</li> </ul>	<ul style="list-style-type: none"> <li>– For 2017 and 2018: \$24,500 per annum</li> <li>– For 2019 and 2020: \$24,500 per annum</li> </ul>