



## Finance Committee

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### **Ninth session**

Kingston, Jamaica

28 July -8 August 2003

## **Appointment of an auditor**

### **Note by the Secretary-General**

#### **I. Introduction**

1. At its eighth session, the Assembly of the International Seabed Authority appointed KPMG Peat Marwick to audit the Authority for 2002 without prejudice to possible extension.
2. In May 2003, the Authority invited expressions of interest in regard to the conduct of the audit of its accounts and financial statements for the financial period 2003-2004 from four leading international accountancy and audit firms based in Jamaica.
3. Letters were also sent to the United Nations Board of Auditors requesting a quote for the United Nations audit of the Authority's accounts for the financial period 2003-2004. In addition, Board members were approached personally and they indicated that South Africa (one of the three external auditors) might be interested. However, South Africa has since indicated that it is no longer interested. It may be recalled that in 1999, the Board of Auditors had advised that its estimated audit costs for the biennium 2000-2001 would amount to \$46,500, including salaries, cost of travel and subsistence allowance for two auditors.
4. Expressions of interest in the form of formal proposals were received from Deloitte and Touche, KPMG Peat Marwick and Pricewaterhouse Coopers. Ernst and Young did not respond to the invitation.

#### **II. Assessment of proposals**

5. A comparative summary table of the bid proposals received is provided in the annex.

6. KPMG has not indicated how many hours are provided for in its bid; however, as a benchmark its most recent audit involved approximately 70 hours of substantive testing/fieldwork.
7. Pricewaterhouse Coopers would appear to have overestimated the number of audit hours required since it has proposed 318 hours a year, including approximately 280 hours of substantive testing/fieldwork.
8. Deloitte and Touche's bid is for 102 billable hours a year, of which 75 appear to be for substantive testing/fieldwork. In arriving at that figure, Deloitte and Touche have advised that the firm is prepared to absorb the costs associated with developing documentation for the first year and that the Authority would be fully responsible for the preparation of the financial statements and accompanying notes.
9. The appointment of an international accountancy firm for the audit of the Authority's accounts would be consistent with the provisions of article 175 of the United Nations Convention on the Law of the Sea, which requires that the records, books and accounts of the Authority, including its annual financial statements, be audited annually by an independent auditor appointed by the Assembly.
10. The Secretary -General requests the Finance Committee to consider this matter and provide its recommendations to the Assembly concerning the appointment of auditors to audit the accounts of the Authority for the financial period 2003-2004.

## Annex

**Summary of quotations submitted to the International Seabed Authority for external audit of annual accounts and financial statements for the financial period 2003-2004**

<i>Audit company</i>	<i>Established since</i>	<i>International organizations audited</i>	<i>Fees (US\$)</i>
KPMG Peat Marwick	1958	IADB, UWI-IDB, UWI-UNFPA, ISA	<b>Maximum \$24,000</b> , plus out-of-pocket expenses for the financial period. This is for audit of each of the two-year accounts for the period and the consolidations, with a bid of \$12,000 per annum (negotiable).
Deloitte and Touche	1949	FAO, International Bauxite Association, USAID	<b>Maximum of \$11,800</b> , plus out-of-pocket expenses for the financial period. This is for the audit of each of the two-year accounts for the period and the consolidations, with a bid of \$5,600-\$5,900 at the United Nations operational foreign exchange rate for July 2003.
Pricewaterhouse Coopers	1916/1998	Bank of Nova Scotia Jamaica, IBM World Corporation Jamaica, USAID pre-award surveys, Texaco Caribbean	<b>Maximum of \$36,000</b> , plus out-of-pocket expenses for the financial period. This is for audit of each of the two-year accounts for the period and the consolidations, with a bid of \$18,500 for audit of the 2003 accounts and \$17,500 for audit of the 2004 accounts (negotiable).