

**TEMPLATE FOR SUBMISSION OF TEXTUAL PROPOSALS DURING THE 27TH SESSION:
COUNCIL - PART II**

Open-Ended Working Group – Financial terms of a contract

Please fill out one form for each textual proposal which your delegation(s) wish(es) to amend, add or delete and send to council2022@isa.org.jm.

1. Name(s) of Delegation(s) making the proposal:

Australia

2. Please indicate the relevant provision to which the textual proposal refers.

R75 (Audit and inspection by the Authority)

3. Kindly provide the proposed amendments to the regulation or standard or guideline in the text box below, using the “track changes” function in Microsoft Word. Please only reproduce the parts of the text that are being amended or deleted.

1. The Contractor’s records shall be audited upon request by the Secretary-General.

2. Any such audit shall be undertaken at the Authority’s sole cost and shall be performed by a qualified and independent certified accountant or auditor .

3. An accountant or auditor may, in connection with a liability for a royalty payment:

(a) Inspect the mining and on-board processing facility with a view to verifying the accuracy of the equipment measuring the quantity of Mineral ore sold or removed without sale from the Contract Area;

(b) Inspect, audit and examine any documents, papers, records and data available at the Contractor’s offices or on-board any mining vessel or Installation;

(c) Require any duly authorized representative of the Contractor to answer any questions in connection with the audit and provide any missing documents, papers, records and data; and

(d) Make and retain copies or extracts of any documents or records relevant to the subject matter of the audit and provide a Contractor with a list of such copies or extracts.

4. The Contractor shall make available to an accountant or auditor such financial records and information contemplated as reasonably required by the accountant or auditor to determine compliance with this Part.

5. Members of the Authority, in particular a sponsoring State or States, shall, to the best of their abilities, cooperate with and assist the Secretary-General and any accountant or auditor in the carrying out of any audit under this regulation, and shall facilitate access to the records of a Contractor by an accountant or auditor and assist in the exchange of information relevant to a Contractor's obligations under this Part.

4. Please indicate the rationale for the proposal. [150 word limit]

Australia proposes that a financial audit should be undertaken by an independent auditor or accountant, rather than an Inspector. The functions of an independent auditor or accountant may be referenced in Part XI, which contains provisions on Inspectors' functions.

It would be appropriate for the Secretary-General to request an audit take place. We have proposed clarifying amendments to R75(1) to that effect. However, it may be appropriate for the Council to decide an audit is required, or for the Finance Committee to recommend to the Assembly that an audit be undertaken.