

# General Conference

**GC(55)/6**

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## **Fifty-fifth regular session**

Item 11 of the provisional agenda  
(GC(55)/1, Add 1 and 2)

# Appointment of the External Auditor

- The term of office of the Agency's current External Auditor — the Vice-President of the German Supreme Audit Institution (SAI) Bundesrechnungshof — will expire upon the completion of the audit of the Agency's accounts for 2011. It will therefore be necessary for the General Conference, at its forthcoming regular session, to appoint an External Auditor to audit the Agency's accounts for the financial years 2012 and 2013.
- In the Note by the Secretariat, 2010/ Note 64, dated 3 December 2010 (Attachment 1), Member States were invited to nominate candidates — by 30 January 2011 — whom they wished the General Conference to consider at its fifty fifth regular session in September 2011. As can be seen from the Note, the Secretariat specified that nominations should include: a curriculum vitae of the nominee; details of the national and international activities of the office of the Auditor General of the Member State submitting the nomination; an indication of the range of the audit activities envisaged and of the audit specialities that could be of benefit to the Agency; a presentation of the approach to the audit; the number and level of staff to be involved in the audit; a proposed audit fee (expressed in Euros) and an estimate of the total number of auditor-months which would be devoted to the audit of the Agency's accounts for 2012 and 2013.

The Secretariat has received the nominations of the Comptroller and Auditor General of India (Attachment 2), the Chairperson of the Philippine Commission on Audit (Attachments 3a and 3b) and the President of the Spanish Court of Audit (Attachment 4). A comparison of the nominations is provided in Attachment 5.

In reference to the candidature of the Chairman of the Philippine Commission on Audit (COA), the Permanent Mission of the Republic of the Philippines informed that Mr Reynaldo A. Villar, who was the Chairman of the COA at the time of submission of the nomination, had resigned from the post. A copy of the curriculum vitae of Mr Reynaldo A. Villar is provided in Attachment 3a. Ms Gracia M. Pulido-Tan has been appointed to replace Mr Villar as COA Chairperson and accordingly as the Philippine nominee for the post of External Auditor to the IAEA. A copy of the curriculum vitae of Ms Pulido-Tan is provided in Attachment 3b.

- The Board of Governors considered this matter at its meeting in June 2011. The Board did not make a recommendation on the matter to the Conference.

## **Recommended Action**

- The General Conference is requested to appoint an External Auditor, in accordance with Financial Regulation 12.01, to audit the Agency's accounts for the financial years 2012 and 2013.



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International Atomic Energy Agency

Agence internationale de l'énergie atomique

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**2010/Note 64**

## Note by the Secretariat

The Secretariat has the honour to notify Member States that the present term of office of the Agency's External Auditor (German Supreme Audit Institution (SAI) Bundesrechnungshof) expires with the completion of the audit of the accounts for the financial year 2011. It will be necessary for the General Conference at its fifty-fifth regular session, in September 2011 to appoint a new External Auditor to audit the accounts for the financial years 2012 and 2013. Appointment is traditionally made for a period of two years, but may be extended.

Member States are invited to nominate candidates whom they wish the General Conference to consider at its fifty-fifth regular session for appointment as the External Auditor of the Agency. The full text of Article XII of the Agency's Financial Regulations and the additional terms of reference governing audits of the Agency's accounts are enclosed herewith.

The nominations should include the following:

- a) a curriculum vitae of the nominee and details of the national and international activities of the Auditor-General's office, with an indication of the range of audit activities envisaged and of the audit specialities that could be of benefit to the Agency;
- b) a presentation of the approach to the audit and the number and level of staff to be involved in the audit; and
- c) a proposed audit fee (expressed in Euros) and an estimate of the total number of auditor-months which would be devoted to the audit of the accounts for 2012 and 2013.

The proposed audit fee should cover the audit related salaries, secretarial and other support costs, travel costs and living expenses of the External Auditor and his/her staff. Travel costs should cover travel between the Auditor-General's office and the Agency's Headquarters in Vienna and – if deemed necessary for audit purposes – other Agency offices.

Nominations should reach the Agency's Director General as early as possible, and in any case not later than 30 January 2011, in order to allow sufficient time for further inquiries and subsequent forwarding of a proposal by the Board of Governors for consideration by the General Conference in September 2011. The Agency's Division of Budget and Finance would be pleased to provide any further information or clarification that may be required.



3 December 2010

**ARTICLE XII. EXTERNAL AUDIT****APPOINTMENT OF EXTERNAL AUDITOR****Regulation 12.01**

An External Auditor, who shall be Auditor-General (or an officer exercising an equivalent function) of a Member State, shall be appointed by the General Conference for a period determined by it.

**TENURE OF OFFICE OF EXTERNAL AUDITOR****Regulation 12.02**

If the External Auditor ceases to hold office as Auditor-General (or equivalent function) in his/her own country, his/her tenure of office as External Auditor shall thereupon be terminated and he/she shall be succeeded as External Auditor by his/her successor as Auditor-General. The External Auditor may not otherwise be removed during his/her tenure of office, except by the General Conference.

**CONDUCT OF AUDIT****Regulation 12.03**

Subject to any special direction of the General Conference or the Board, each audit which the External Auditor is required to make shall be conducted in accordance with the Additional Terms of Reference set out in the Annex to these Regulations.

**RESPONSIBILITY OF EXTERNAL AUDITOR****Regulation 12.04**

The External Auditor shall be completely independent and solely responsible for the conduct of the audit.

**SPECIFIC EXAMINATIONS****Regulation 12.05**

The General Conference and the Board may request the External Auditor to perform certain specific examinations and to issue separate reports on the results.

**PROVISION OF FACILITIES TO EXTERNAL AUDITOR****Regulation 12.06**

The Director General shall provide the External Auditor with the facilities required for the performance of the audit.

## **USE OF LOCAL AUDITORS**

### **Regulation 12.07**

Whenever it is necessary to make a local or special examination the External Auditor may arrange for the services of any national Auditor-General who is eligible to be appointed as External Auditor or of commercial public auditors of known repute.

## **TRANSMISSION OF AUDIT REPORT**

### **Regulation 12.08**

The report of the External Auditor shall be transmitted to the Board for its observations and the Board shall transmit the report to the General Conference in accordance with Regulation 11.03. A representative of the External Auditor shall be present when his/her report is first under consideration by the Board or by a subsidiary body of the Board. In addition, the Director General shall arrange for such representation during subsequent consideration by the Board or during consideration by the General Conference, if so requested by a Member State, if the Director General considers it desirable or if the External Auditor considers it essential.

## **ADDITIONAL TERMS OF REFERENCE GOVERNING THE AUDIT OF THE INTERNATIONAL ATOMIC ENERGY AGENCY**

1. The External Auditor shall perform an audit of the accounts of the Agency, including all Trust and Special Funds as he/she may deem necessary in order to satisfy himself/herself:
  - (a) That the financial statements are in accord with the books and records of the Agency;
  - (b) That the financial transactions reflected in the statements have been in accordance with the Financial Rules and Regulations, the budgetary provisions, and other applicable directives;
  - (c) That the securities and moneys on deposit and on hand have been verified by certificate received direct from the Agency's depositories or by actual count.
2. Subject to the provisions of the Financial Regulations, the External Auditor shall be the sole judge as to the acceptance in whole or in part of certifications by or on behalf of the Director General and may proceed to such detailed examination and verification he/she chooses of all financial records, including those relating to supplies and equipment and materials of the Agency or for which the Agency is responsible.
3. The External Auditor may affirm by test the reliability of the internal audit, and may make such reports with respect thereto, as he/she may deem necessary, to the Board or to the Director General for transmission, where appropriate, to the General Conference.
4. The External Auditor and staff working under his/her direction shall subscribe to such oath as may be approved by the Board. Thereupon he/she shall have free access, at all convenient times, to all books of account and records which are, in his/her opinion, necessary for the performance of the audit. Information classified as confidential in the records of the Secretariat, and which is required by the External Auditor for the purposes of the audit, shall be made available on application to the Director General. In the event that the External Auditor is of the opinion that a duty rests on him/her to draw to the attention of the Board or of the General Conference any matter respecting which all or part of the documentation is classified as confidential, direct quotation shall be avoided.
5. The External Auditor, in addition to auditing the accounts, may make such observations as he/she may deem necessary with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls, and, in general, the financial consequences of administrative practices.
6. In no case, however, shall the External Auditor include criticism in his/her audit report without first affording the Director General an opportunity of explanation of the matter under observation. Audit objections to any items arising during the examination of the accounts shall be immediately communicated to the Director General or the Director, Division of Budget and Finance.
7. The External Auditor shall prepare a report on the accounts which shall include:
  - (a) The extent and character of his/her examination and of any important changes in the extent and character of such examination, including whether he/she has obtained all the information and explanations he/she has required;
  - (b) Matters affecting the completeness or accuracy of the accounts, such as:
    - (i) Information necessary to the correct interpretation of the audit;
    - (ii) Any amounts which ought to have been received but which have not been brought to account; and
    - (iii) Expenditures not properly substantiated.
  - (c) Other matters which should be brought to the notice of the Board and, where appropriate, of the General Conference, such as:

- (i) Cases of fraud or presumptive fraud;
  - (ii) Wasteful or improper expenditure of the Agency's money or other assets (notwithstanding that the accounting for the transactions may be correct);
  - (iii) Expenditures likely to commit the Agency to further outlay on a large scale;
  - (iv) Any defect in the general system or detailed regulations governing the control of receipts and expenditure or of supplies, equipment and materials of the Agency or for which the Agency is responsible;
  - (v) Expenditure not in accordance with the purpose of the appropriation concerned, after making allowance for duly authorized transfers between appropriation sections.
  - (vi) Expenditure in excess of appropriations, as amended by duly authorized transfers between appropriation sections; and
  - (vii) Expenditure not in conformity with the authority which governs it.
- (d) The accuracy or otherwise, as determined by stocktaking and examination of the quantitative records relating to supplies, equipment and materials of the Agency or for which the Agency is responsible; and
- (e) Transactions accounted for in a previous financial year, concerning which further information has been obtained, or transaction in a later financial year concerning which it seems desirable that the Board or the General Conference should have early knowledge.
8. The External Auditor, or such officers as he/she may designate, shall express and sign an opinion on the financial statements which shall:
- identify the financial statements examined; and
  - describe the scope and extent of audit procedures; and
- which shall address, as appropriate, whether:
- (a) The financial statements present fairly the financial position of the International Atomic Energy Agency as at the end of the financial year and the results of its operations in that year;
  - (b) The financial statements were prepared in accordance with the stated accounting principles;
  - (c) The accounting principles were applied on a basis consistent with that of the preceding financial year;
  - (d) Transactions were in accordance with the Financial Regulations and legislative authority.
9. The External Auditor shall have no power to disallow items in the accounts, but shall draw to the attention of the Director General for appropriate action any transaction concerning which he/she entertains doubt as to legality or propriety.



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The Permanent Mission of India to the International Organisations in Vienna presents its compliments to the International Atomic Energy Agency and has the honour to refer to the Secretariat's Note 2010/Note 64 dated 3 December 2010 and to send herewith the nomination of the Comptroller and Auditor General of India for appointment as IAEA's External Auditor for the financial years 2012 and 2013.

The Permanent Mission of India to the International Organisations in Vienna avails itself of this opportunity to renew to the International Atomic Energy Agency the assurances of its highest consideration.



International Atomic Energy Agency  
[Kind Attn: H.E. Mr. Yukiya Amano  
Director-General]  
Wagramer Strasse 5  
A-1400 Vienna





Proposal for the  
Provision of External Audit Services  
for the financial years 2012 and 2013  
**International Atomic Energy Agency**

Comptroller and Auditor General of India



## Introduction by the Comptroller and Auditor General of India (CAG)

I have the honour of presenting to the International Atomic Energy Agency (Agency) my formal proposal for the External Audit of the Agency for the period 2012 and 2013.

Besides including all the specific requirements mentioned in the Agency's note 2010/Note 64, my proposal also explains, for the appreciation of IAEA, the professional, ethical and infrastructural framework within which my Organization operates. The assignment of external audit of IAEA will be carried out within the same framework.

I affirm my commitment and complete assurance for providing high quality, cost effective professional external audit services. Our services will cover expression of an opinion on the financial statements of the Agency, and performance and management audits focussing on the economy, efficiency and effectiveness of operations.

Our extensive international audit experience includes audit of the United Nations (UN) Organization from 1993 to 1999, Food and Agriculture Organization (FAO) from 2002 to 2008, Organization for Prohibition of Chemical Weapons (OPCW) from 1997 to 2003 and International Centre for Genetic Engineering and Biotechnology (ICGEB) from 1996 to 2004. We are currently the auditors of the World Food Programme (WFP), World Health Organization (WHO), International Maritime Organization (IMO), International Organization for Migration (IOM) and the World Tourism Organization (WTO).

Our skilled professional staff are experienced auditors and accountants and we have a large cadre of professionals with qualifications in accounting, finance, business administration, science and technology, and law. Our certified IT auditors have reported on critical and sophisticated IT systems including ERP, both within the country and in international auditee organizations. Our strong professional credentials include knowledge of international accounting standards such as International Public Sector Accounting Standards (IPSAS). We are engaged with our international auditee organizations in their transition to IPSAS, and maintain regular bilateral interaction with them on technical aspects of accounting.

My Organization has received the International Organization of Supreme Audit Institution's Jorg Kandutsch Award, in recognition of the professional expertise and contributions made.

I present this proposal to the IAEA for its favourable consideration. Our goal is to become a strategic and valued partner of the Agency in its programme for achieving greater efficiency and effectiveness in operations.

**Vinod Rai**

Comptroller and Auditor General of India

January 2011

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## Section - A



### **CURRICULUM VITAE OF MR. VINOD RAI, COMPTROLLER AND AUDITOR GENERAL OF INDIA**

**M**r. Vinod Rai took over as the Comptroller and Auditor General of India on 7th January 2008. Mr. Rai has wide and long experience of working in various capacities at both the Federal and State Governments. His previous position was as Secretary in the Ministry of Finance, Government of India, where he was responsible for managing the Financial Services sector. He has been a Director on the boards of several public sector and private companies including the State Bank of India and Life Insurance Corporation of India. Mr. Rai has also been the Principal Secretary (Finance) in the State Government of Kerala, and has held senior positions in the Government of India in the Ministry of Commerce and Ministry of Defence.

Mr. Rai's responsibilities in the international arena include membership of the U.N. Panel of External Auditors and the Governing Board of the International Organisation of Supreme Audit Institutions (INTOSAI). He has the responsibility of steering INTOSAI's Knowledge Services and Knowledge Sharing Committee and the Working Group on IT Audit as Chairman of these Fora. He is also a member of the Professional Standards Committee and Sub-Committees on Compliance Audit and Performance Audit of INTOSAI and also of INTOSAI's Working Group on Environmental Auditing and its Task Force on Communication Strategy. Mr. Rai, till recently, was the Secretary General of the Asian Organisation of Supreme Audit Institutions (ASOSAI) and continues to be on its Governing Board.

Mr. Vinod Rai (born on 23.05.1948) has a Masters Degree in Economics from Delhi School of Economics, University of Delhi and a Masters Degree in Public Administration from Harvard University, USA.

He is a keen tennis player and his other interests include gardening, trekking and mountaineering.

## GENERAL INFORMATION ON THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

### A. Official title and brief history

The Comptroller and Auditor General (CAG) of India is the designated head of the Supreme Audit Institution (SAI) of India. He is an officer created by the Constitution and is, therefore, neither a part of the legislature nor of the executive. He ensures that diverse authorities under the government act in all financial matters in accordance with the Constitution and the laws and rules framed under it. The Constitution of India and the laws made there under fully secure his operational and financial independence.

The CAG of India was established in 1860 and has a history of 150 years. His current constitutional status was conferred when the Constitution of India was enacted on 26 January 1950.

### B. Role and functions

Along with the legislature, judiciary and the executive, the CAG of India is one of the four defining pillars of Indian polity. His primary role is to ensure accountability in the governance process and is responsible for auditing the accounts and related activities of all the three tiers of government i.e. the Federal, State and Local.

### C. Appointment, length of term of office and removal

The CAG of India is the head of the Indian Audit and Accounts Department (IA&AD) and is neither a part of the legislature nor the executive, but is an independent Constitutional Authority.

He is appointed by the President of India by warrant under his hand and seal and his oath of office requires him to uphold the Constitution and laws made there under. Thus, his allegiance is only to the Constitution.

The Constitution provides for a six-year term for the CAG or till he attains the age of sixty five years, whichever is earlier.

He can be removed from office only on grounds of proven misbehavior or incapacity after an address by both houses of Parliament, supported by two thirds majority of both the houses.

In addition to these, the other salient features which secure his independence are:

- His salary and conditions of service cannot be varied to his disadvantage after his appointment.
- He shall not be eligible for further office under the Government of India or of any State after retirement.
- His administrative powers and the conditions of service of his staff shall be prescribed by the President of India only after consulting him.
- The expenses of his office are a charge on the Consolidated Fund of India and are not subject to a vote in Parliament, thus giving him financial autonomy.
- He is independent of both, the Parliament and the executive, and is regarded as a key instrument for enforcing accountability in the government. His main audit findings are reported annually in one or more audit reports to the legislature. The law governing the CAG specifically stipulates that the scope and extent of audit shall be determined solely by the CAG.

The CAG of India does not report to any authority. The CAG's Audit Reports are presented to the President or the Governor of the State, who causes them to be laid in the Parliament/legislature of the State. These reports are then taken up for discussion by the Parliamentary committees established for this purpose.

The CAG is not obliged to share the Audit Reports of the International Organizations with the National Parliament or government and his international commitments are independent of his national obligations. This also ensures that there is no conflict of interest between his national constitutional duties and his responsibilities as external auditor of international organizations.

#### **D. Budget and work programme**

As already mentioned above, the budget of the office of the CAG is a charge on the Consolidated Fund of India (the main resource of the Government of India) and is not subject to a vote by the Parliament.

CAG is independent to decide his work programme. This, however, does not preclude requests to the CAG by the executive proposing matters for audit, which may or may not be taken up on the sole discretion of the CAG.

Section 23 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (**Annexure I**) empowers the CAG to decide the scope of his audit. No external authority can, therefore, dictate or influence in any way, the scope and extent of audit.

Similarly, Regulation 13 of the Regulations on Audit and Accounts (**Annexure II**) authorizes the CAG to be the sole authority to decide the scope and extent of audit to be conducted by him or on his behalf. Such authority is not limited by any considerations other than ensuring that the objectives of audit are achieved.

In the exercise of the mandate, the CAG undertakes audits which are broadly categorized as financial audit, compliance audit and performance audit.

The scope of audit includes the assessment of internal controls in the auditable entities. Such an assessment may be undertaken either

as an integral component of an audit or as a distinct audit assignment.

The CAG of India may, in addition, decide to undertake any other audit of a transaction, programme or organization in order to fulfill his mandate and to achieve the objectives of audit.

It is important to note that there is no power of direction by the executive in relation to the performance of the audit mandate by the CAG. The CAG is not obliged to carry out, modify or refrain from carrying out an audit or suppress or modify audit findings, conclusions and recommendations in the light of any directions by any authority.

### **NATIONAL ACTIVITIES**

#### **A. As auditor to national public sector organizations**

As stated earlier, CAG is responsible for auditing the accounts of the government and related activities that include:

- All the Government of India departments and offices including departmental commercial undertakings such as Indian Railways, Post and Telecommunications.
- All the departments of the State Government; the States have financial autonomy and separate budgets.
- Over 1600 state owned public commercial enterprises controlled by Federal and State Governments.
- Over 350 non-commercial autonomous bodies and authorities controlled by the Federal and State Governments.
- Over 4800 bodies and authorities substantially financed by Federal and State Governments.
- Over 3000 large and medium sized Local Bodies responsible for municipal activities.

The CAG audits both receipts and expenditure and the scope of audit covers financial audit, performance audit and compliance audit. We have a long and rich experience and expertise in carrying out all types of audit. This is reflected in the number of Audit Reports and other audit products prepared annually by the CAG. On an average, the CAG issues 650 Financial Audit Certificates and 150 Compliance Audit Certificates in respect of accounts and transactions of the Federal Government, and 8500 Financial Audit Certificates and 2000 Compliance Audit Certificates in respect of the State Governments and Union Territories. The CAG prepares about 13 Compliance Audit Reports on the accounts of the Federal Government for placing before the Parliament and 70 Audit Reports on the accounts of the State Governments and Union Territories for placing before their legislatures. During 2008-09, we conducted performance audits on 290 topics including 12 topics printed in independent reports. Findings of the remaining 278 audits were included in 22 Performance Audit Reports and other Audit Reports placed in the Parliament and State legislatures.

#### **B. As member of national standard setting bodies**

The CAG plays an active role in the following apex standard setting bodies in India:

##### **Institute of the Chartered Accountants of India (ICAI)**

An officer nominated by the CAG of India is a member of the Governing Council of the Institute of the Chartered Accountants of India.

##### **Institute of Public Auditors of India (IPAI)**

The CAG is also the Patron of the Institute of Public Auditors of India. The IPAI is a unique institution dedicated to furthering the cause of public audit in India and hence works very closely with the Supreme Audit Institution of India, i.e. the CAG of India.

#### **Government Accounting Standards Advisory Board (GASAB)**

The CAG has constituted the Government Accounting Standards Advisory Board (GASAB) ([www.gasab.gov.in](http://www.gasab.gov.in)) for prescribing Indian Government Financial Reporting Standards (IGFRS), which are an adaptation of accrual IPSAS (International Public Sector Accounting Standards) to Indian requirements. GASAB has also issued guidance on "Auditing IPSAS Financial Statements" to assist audit teams in undertaking financial audits of international agencies which have either adopted IPSAS or are in the process of adopting them.

#### **National Advisory Committee on Accounting Standards (NACAS)**

The CAG is a member of the National Advisory Committee on Accounting Standards, which is the apex body in India for examining the accounting standards prepared by ICAI and is currently engaged in achieving the convergence of Indian Accounting Standards with the International Financial Reporting Standards (IFRS) by April 2011.

### **INTERNATIONAL ACTIVITIES**

#### **A. As auditor of international organizations**

We have a long association as external auditors of United Nations, its Agencies and other international organizations. These include audit of:

- United Nations (UN) from 1993 to 1999
- Organization for Prohibition of Chemical Weapons (OPCW) from 1997 to 2003
- International Centre for Genetic Engineering and Biotechnology (ICGEB) from 1996 to 2004
- Food and Agriculture Organization (FAO) from 2002 to 2008
- United Nations World Tourism Organization (WTO) from 2000 onwards

- World Health Organization (WHO) from 2004 to 2011
- International Maritime Organization (IMO) from 2000 to 2011
- World Food Programme (WFP) from 2010 to 2016
- International Organization for Migration (IOM) from 2010 to 2012.

This long association has enabled us to create a specialized pool of professionals experienced in the audit of international organizations, with substantial knowledge of standards, procedures, financial systems, and other operations relating to international organizations. The UN system is currently in the process of transition to IPSAS based financial accounting systems. As external auditors to WHO and IMO, we are currently engaged in facilitating the transition of these two Organizations to IPSAS. Similarly, as external auditors to WFP, which was one of the first UN Agencies to adopt IPSAS, we are engaged in assisting the Organization in assimilating IPSAS into its business processes.

#### **B. As member of international standard setting bodies**

The CAG is affiliated to the following standard setting and international organizations:

##### **International Organization of Supreme Audit Institutions (INTOSAI)**

He is a member of the Governing Board of INTOSAI and Chairman of the Committee on Knowledge Sharing and Knowledge Services as also the Working Group on IT Audit (WGITA). He is a member of the Professional Standards Committee of INTOSAI and its sub-committees on Compliance Audit and Performance Audit. The CAG of India is also a member of the Working Group on Environmental Auditing and the Task Force on INTOSAI Communication Strategy. He has, therefore, been closely

associated with the work related to setting and revising standards, establishing best practices and preparation of audit guidance.

##### **Asian Organization of Supreme Audit Institutions (ASOSAI)**

He was the Secretary General of ASOSAI till 2009 and continues to be a member of its Governing Board. He is closely associated with ASOSAI's training, research and publication activities in the area of public auditing and also edits the ASOSAI journal.

##### **Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency**

He is a member of the Panel and is, thus, closely associated with its activities in establishing standards, best practices and guidance in the area of audit of International Organizations.

##### **Auditors General Global Working Group (GWG)**

He is a member of this select group of Auditors General that come together to address current and emerging audit issues of concern that have surfaced in the wake of new challenges such as globalization, privatization and growth of Information Technology.

##### **International Public Sector Accounting Standards Board (IPSASB)**

An officer of the CAG is a member of the IPSAS Board as a nominee of the Institute of the Chartered Accountants of India.

As will be seen from the above, the CAG of India brings with him vast experience of not only auditing multifarious national and international organizations, but also rich experience of setting standards and best practices, at both national and international level. This has helped his organization to remain abreast of all developments taking place in the frontier areas of audit, thus giving his staff the cutting edge level knowledge and

skills which enable them to provide best value to their auditee clients.

## **RANGE OF AUDIT ACTIVITIES ENVISAGED**

### **A. Scope of audit**

We realize that the General Conference, the Board of Governors and the Management of IAEA have a fundamental interest in good governance, accountability and transparency in IAEA. We strongly believe that good, well-organized and independent External Audit will contribute to better and more transparent management of IAEA, thus contributing to its economy, efficiency and effectiveness. Keeping this basic objective in view, we have proposed financial, performance and compliance audits. This broad range of audit activities is also in line with the International Standard of Supreme Audit Institutions 5000 (ISSAI 5000) which lays down the principles for best audit arrangements for International Institutions.

#### **Financial Audit**

As IAEA proposes to migrate to IPSAS by the year 2011, our financial audit will include attest functions of the financial statements and providing an opinion on the financial statements prepared under IPSAS. Our opinion and report shall conform to the requirements prescribed in the relevant clauses contained in the 'Additional Terms of Reference governing the audit of the International Atomic Energy Agency'.

#### **Performance Audit/Value for Money (VFM) Audit**

This will cover audit of diverse areas including assessing whether the programmes and projects have achieved the desired objectives at optimum cost, that operations have been carried out with due regard to economy and efficiency and that they have been effective. The areas for performance audit will be selected on the basis of the quantum of

resources allocated to them and the risk to the efficient and effective operation of IAEA.

#### **Compliance Audit**

This will include audit against appropriation and assessing compliance with applicable rules, regulations and legislative authority. We will examine the propriety of transactions and report cases, if any, of wasteful and improper expenditure. The focus of audit, however, will be on enabling corrective measures to prevent recurrences and to recommend changes that may be needed to the system of internal controls, their adequacy and implementation. Compliance Audit will be carried out in Headquarters, Laboratories and Safeguard Offices.

#### **Information Technology (IT) Audit**

SAI India carries out IT audits under the broad framework of financial, performance and compliance audits. It covers audit of IT systems including all types of ERP systems like SAP, Oracle, PeopleSoft, JD Edwards etc. We note that IAEA's Agency-wide Information System for Programme Support (AIPS) is under implementation for providing greater financial control and improvements to the operational capacity of IAEA. The system is critical for reliable and efficient financial reporting under International Public Sector Accounting Standards.

Our IT Audits in IAEA will focus on IT Governance areas which primarily include strategic alignment, value delivery, risk management, resource management and performance measurement. The objectives of our IT Audits will concentrate on substantiating that internal controls exist to minimize business risks and that they function as expected. We will also provide assurance regarding confidentiality, integrity, reliability and availability of Information and IT resources. We will also assess the integrity of financial reporting through computer assisted audit techniques.

## AUDIT SPECIALITIES

### A. Domain Appreciation of Atomic energy: Audit expertise in SAI India

#### About Department of Atomic Energy in India

The Atomic Energy Commission was set up in August 1948 under the Atomic Energy Act 1948. The Department of Atomic Energy (DAE), created in 1954, aims at harnessing nuclear energy for power generation and developing nuclear and other advanced technologies for use in health care, agriculture, industry, research and other areas. The main mandate is the production of safe and economical nuclear power, using indigenous uranium and thorium resources. Towards this end, it is involved in:

- Developing in stages pressurized heavy water reactors, fast breeder reactors and advanced thorium reactors with associated fuel cycle systems.
- Building research reactors for production of radioisotopes and carrying out programmes on isotope and radiation technology applications in medicine, agriculture and industry.
- Developing advanced technologies such as lasers, accelerators, supercomputers, control and instrumentation and encourage transfer of technology to industry.
- Supporting basic research in nuclear energy and related frontier areas of science.

The units under the DAE are segregated in three sectors viz. power, industries & minerals and research & development. The units are run mainly departmentally and a couple of units for mining and one for power generation are run as public sector units on commercial lines.

#### About the audit arrangements

Audit of the DAE is being conducted by the Comptroller and Auditor General of India since the formation of DAE in 1954. However, in order to take an integrated audit view of the

various scientific activities of the Government of India including the critical activities of the DAE, the CAG of India in 1986 created a dedicated office for the audit of scientific departments and for the last 24 years this office has been auditing and commenting on the complex activities of the DAE spread throughout the country.

#### Types of audit services offered

Our audit staff carry out various kinds of audit assignments which include:

- Certification of accounts (Appropriation and Finance) of the DAE
- Certification of the accounts of the commercial units under DAE
- Compliance audit of DAE and its units
- Performance audit of DAE and its units

Since atomic energy is a highly sensitive and regulated industry, compliance audit and performance audit assume great significance.

#### Our Reports on Atomic Energy

**Bhabha Atomic Research Centre (BARC):** BARC is a premier nuclear R&D centre of DAE. Its facilities include research reactors used for research and isotope production and plants for manufacture of uranium metal, nuclear fuels, fuel reprocessing and waste immobilization and seismic stations. At BARC we have reviewed:

- Functioning and setting up of research reactors
- Performance of the beryllium plant
- Setting up and functioning of a nuclear desalination plant
- Performance of the R&D activities at BARC
- Compliance related issues on various individual projects. Nuclear Fuel Complex (NFC): NFC is an industrial unit of DAE, which fabricates enriched uranium fuel for reactors

and produces zircaloy products required for power reactors. At NFC we have reviewed:

- Performance of NFC covering all its activities
- Various compliance related issues

**Heavy Water Board (HWB):** HWB is an industrial facility of DAE involved in production of heavy water which is used as a moderator and coolant in certain nuclear reactors. At HWB we have reviewed:

- Costing for the production of heavy water
  - Compliance related issues
- Nuclear Power Programme:** India's nuclear programme is to be carried out in three stages involving Pressurised Heavy Water Reactors in the first stage, Fast Breeder Reactors in the second stage and Thorium Breeder Reactors in the third stage. We have examined:
- Nuclear power profile of the DAE
  - Performance of Nuclear Power Corporation in operating its power plants
  - Performance of second stage Fast Breeder Reactor
  - Research and development activities in the frontier areas of lasers, accelerators and radioisotope applications
  - Management of fuel for Pressurised Heavy Water Reactors: Front-end of the Nuclear Fuel Cycle
  - Functioning of the Gamma Ray Observatory for Astrophysics experiments
  - Project Management in the Board of Radiation and Isotope Technology
  - Procurement of stores and inventory management in DAE.

#### **B. IPSAS and ERP; critical interdependencies**

We have noted that the Agency is in the process of IPSAS which is expected to be completed in 2011. Being a member of Panel of External Auditors of the United Nations, its Specialized Agencies and the International

Atomic Energy Agency and also the External Auditors of International Organizations which are migrating to IPSAS, we understand that the adoption of IPSAS is beginning to have a major impact on United Nations system organizations, extending well beyond accounting. The conversion to IPSAS enables enhanced management of resources and business processes and improves results-based management. Depending on the organizations' initial readiness for IPSAS requirements, the transition to IPSAS has been a major project for most organizations as it impacts accounting, financial reporting and associated information technology systems and leads to a new approach to planning, decision-making, budgeting and financial reporting.

Having realized the interdependencies between IPSAS and information systems, we have synergized our skills in IPSAS with expertise in ERP Audits. Our role in facilitating smooth transitions from legacy accounting and IT systems to IPSAS and ERP based systems in WHO and IMO are examples of our ability to synergize our competencies in IPSAS with expertise in ERP audits. A three phased approach was adopted in these two agencies. In the development and rollout phase, IPSAS implementation and ERP implementation were evaluated independently. In the second phase, a Data Migration audit was conducted to evaluate the integrity and quality of data migration from legacy system to ERP with specific focus on business rules and policies pertaining to IPSAS. In the third phase, a post implementation review of ERP and the interim audit of financial statements of the organization under IPSAS was conducted. This approach yielded rich dividends in enabling smooth change over to a new governance regime with IPSAS and ERP. For the last three successive years, the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency has invited India to share with other members of the Panel, wherever possible, our audit procedures on ERP implementations with reference to IPSAS.

Therefore, our special strengths in IPSAS and ERP systems together with the broad understanding of the sector are what we will bring to the table as our audit specialities, which would be of immense benefit to IAEA in its ongoing migration to IPSAS based financial accounting system and implementation of its ERP system, AIPS. Our claim is backed by the following:

### C. Competence in IPSAS

We appreciate the fact that IAEA is in an advanced stage of migration from United Nations System Accounting Standards (UNSAS) to IPSAS. We have more than 200 audit professionals trained in IPSAS, many of whom have conducted audit of IPSAS related issues in WHO and IMO. As External Auditors, we have adopted a bilateral consultative process and have supported these two agencies in their ongoing process of migration from the legacy UNSAS accounting system to the one governed by IPSAS. Checking adjusted opening balances and conducting detailed interim audits have been a part of our audit strategy in this regard in these two organizations.

We have recently been appointed as External Auditor of WFP through a competitive selection process where the key criterion in the evaluation of bids was the expertise of the prospective bidders in auditing IPSAS based financial statements. As WFP has already migrated to IPSAS, we will also have rich experience in auditing fully IPSAS compliant financial statements by the time we take over as External Auditor of IAEA.

Further, CAG has constituted the Government Accounting Standards Advisory Board (GASAB) for prescribing Indian Government Financial Reporting Standards (IGFRS), which are an adaptation of accrual IPSAS to Indian requirements. GASAB has also issued guidance on "Auditing IPSAS Financial Statements" (**Annexure VII**) to assist audit teams in undertaking financial audits of

international agencies which have either adopted IPSAS or are in the process of adopting them. An officer of CAG is also a member of the IPSAS Board as a nominee of the Institute of Chartered Accountants of India and is assisted in meetings of the IPSAS Board by the Member- Secretary of GASAB. These associations have given us valuable experience in IPSAS and insights into the nuances of these standards.

Our audit professionals are familiar with various accounting frameworks including IFRS, Accounting Standards issued by the Institute of Chartered Accountants of India and IPSAS. We have established competencies in auditing UNSAS financial statements.

With expertise in UNSAS, Indian GAAP and IPSAS, our audit professionals are eminently placed to facilitate transition of UN and its agencies to IPSAS and to work with those which have already migrated to IPSAS to assimilate IPSAS in their business procedures and financial management structures and processes.

With the ultimate objective of delivering a high value added professional output, each member of the audit team selected for international audits is trained in IPSAS under our 'Continued Professional Education Programme' for the UN system under collaboration with Institute of Chartered Accountants of India.

### D. Audit of ERP and other IT systems

Our capabilities in the field of audit in Information Technology environment are internationally recognised and our processes are benchmarked with international best practices. Our credentials in this area are given below:

- The CAG is the Chairman of the Working Group on IT Audit (WGITA) of INTOSAI, which is the apex organization for the

Auditors General (or their equivalents) worldwide. The Chairmanship has been entrusted to India in recognition of its demonstrated proficiency in such audits. The CAG is also assisting several SAIs in capacity building in the field of IT audit by training and secondment of experts to them.

- Domestically over 350 audits of IT systems of diverse platforms and databases have been conducted; COBIT has been adopted as the framework to guide the IT audits in the country. We have audited vast distributed database systems, mainframes and ERP applications including Oracle financials, SAP, PeopleSoft etc. apart from Information Security Audits using BS7799.

- Our team of auditors won the “Prime Minister's Award for Excellence in Public Administration” for our Information Technology Audit in 2006-07.

- More than 200 IT audit reports have been brought out on critical and sophisticated IT systems covering planning, programme implementation and specific IT issues.

- We have a large number of officers who are Certified Information Systems Auditor (CISA), apart from 500 IT audit specialists (level II and III IT Auditors as defined in the IT Audit Curriculum of the INTOSAI IT Audit Committee) amongst our professional staff. They are proficient in use of Computer Assisted Audit Techniques such as IDEA, SQL, TOAD, etc.

- The professionals who are deputed for audit of international organizations are well equipped to conduct audit in a computerized environment. Members of this pool have conducted audit of Integrated Management Information System at UN Headquarters in New York, ATLAS, PIREs and HRMS system. One of our earlier notable assignment was to assess the preparedness of UN to manage the Y2K problem.

- We have conducted audit of SAP and Oracle based ERP systems in WHO, FAO and IMO. In the case of WHO, apart from a detailed study of project processes in the Global Management System (GSM) in which several areas of risk were highlighted, we recently carried out an audit of the project processes and preparedness for implementation of Global Management System (GSM) and data cleaning and conversion under the new ERP package to obtain assurance on the data conversion process.

- Our audit reports on ERP systems have focused on:

- Controls implemented to ensure the integrity of financial information in various functions viz., procurement, travel, disbursement of funds, month-end procedures and operation of interfaces, human resources and pay roll.

- Tests of security, authorizations and segregation of duties within ERP focusing on review of use of roles to control access within ERP, role assignments to identify conflicts or issues with segregation of duties, password and other controls in operation, and restriction on powerful transactions.

- System administration procedures focusing on processes and approvals for system configuration changes, system access changes, and new user access and assignment of rights.

- IS controls over the ERP environment covering, among others, physical and logical access and application controls.

- Though we are not the External Auditor of International Thermo Nuclear Experimental Reactor (ITER), its information systems audit was outsourced to us by the Financial Audit Board (FAB) of ITER in view of our recognized IT audit abilities. The focus of this audit was SAP security and implementation. The FAB has requested us for future support for at least next 4 years.

## Section - B



### AUDIT APPROACH

#### A. Introduction

The Comptroller and Auditor General of India (CAG), on appointment as External Auditor of International Atomic Energy Agency (IAEA), will adopt a risk based execution strategy formulated to add value to the performance of IAEA while providing independent assurance to the General Conference. In addition to certifying the accounts of IAEA, we will report on the economy, efficiency and effectiveness of the financial procedures, the accounting system, the internal financial controls and the general administration and management of IAEA. The strategy will be consistent with providing high quality, cost effective and professional external audit services as rendered to UN organizations like United Nations (1993-1999), World Health Organization (2004 onwards), Food & Agricultural Organization (2002-2007), International Maritime Organization (2000 onwards), United Nations World Tourism Organization (2000 onwards), World Food Programme (2010 onwards) etc.

This section describes the detailed audit approach that we will follow for this assignment and the various elements that constitute the building blocks of this approach.

#### B. Standards framework

The audit of IAEA will be conducted in accordance with the following standards:

- The International Standards of Auditing (ISA) issued by the International Federation of Accountants (IFAC) and adopted by the Panel of External Auditors of the United Nations, its Specialized Agencies and the International Atomic Energy Agency as its Common Auditing Standards;

- Auditing guidelines issued by the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency;

- The Auditing Standards of the International Organization of Supreme Audit Institutions (INTOSAI);

- The framework of UN Accounting Standards/International Financial Reporting Standards (IFRS) and accounting standards applicable to IAEA i.e. International Public Sector Accounting Standards (IPSAS) of the IFAC;

- Article XII of the Financial Regulations of IAEA and Additional Terms of Reference governing the audit of the International Atomic Energy Agency, set out in the Annex to the Financial Regulations.

Adherence to internationally accepted auditing standards and proven audit methods will form the basis of our assurance for providing high quality professional audit services to IAEA.

#### C. Audit Process

Audit will be carried out through a three stage process:

##### Planning

Prioritization of audit areas will be done on the basis of risk assessment conducted with reference to financial materiality, significance, topicality and visibility, and with reference to any specific areas indicated in terms of Article XII of Financial Regulations of IAEA. In determining materiality, we would consider whether there are any Agency specific factors to take into account. We would consider whether issues other than relative monetary values would be material to the Member States. In determining materiality, we would pay

particular attention to the General Conference's consideration of the IAEA's programme and budget.

The internal control environment will be evaluated to decide the extent of reliance to be placed thereon, based on which the nature and extent of substantive audit testing will be determined. Coordination will be established with the Office of Internal Oversight Services (OIOS) to avoid duplication of effort. Our approach on evaluation of Internal Controls has been explained in detail in paragraph E.

We will interact with the Management before finalizing the overall audit strategy. Timing of individual audit assignments will also be discussed with the Management. Entities to be audited will be informed of the timeframe and terms of reference of the audit assignment in advance.

Each Audit Team will draw up an audit plan outlining the scope and objectives of the particular audit assignment, the areas of concern to audit, time frames for various activities and the exact job specification of each member of the Audit Team. Progress against the plan will be monitored in each case to ensure that the audit task is completed in an efficient and cost effective manner.

### **Execution**

Audit execution will commence with an Entry Conference where the audit plan, consisting of audit objectives and audit approach, will be discussed with the Head of the audited entity and their views taken into account. The audited entity will also be apprised of the data, information and documents required by the audit team in the conduct of the audit assignment. Fieldwork will be conducted at the Headquarters of IAEA as well as at its field locations (Laboratories and Safeguard Offices), as required. Audits will be performed with a view to obtaining assurance regarding the accuracy of the financial statements, compliance with rules, regulations and the adequacy of internal financial controls,

and in general, the economy, efficiency and effectiveness of the administration and management of the Agency. This will involve collection of evidence through scrutiny of financial records (both manual and computerized) and examination of supporting documentation, analysis of trends and variations, re-performance of calculations, interviews with key staff of the audited entity, questionnaires etc.

Audit Requisitions will be issued to request for any data, information and records etc. not otherwise readily available but needed specifically by the audit team.

Preliminary audit findings will be communicated to the official in-charge of the functional area being audited in the form of Audit Query for response and confirmation of facts and figures.

After considering the response received to the Audit Query, an Audit Observation will be issued containing audit findings and recommendations. An Audit Observation may be finalized after incorporating the responses received to more than one Audit Query.

Meetings can be held to discuss audit issues at the request of either the audited entity or the auditor.

Each audit assignment will close with an Exit Conference with the Head of the audited entity. The Exit Conference is an opportunity for the entity to discuss the audit findings and recommendations with the audit team. This also affords an opportunity to the audit team to clarify any points of doubt that the entity may like to raise. The record of the Exit Conference will be sent to the Head of the audited entity for his confirmation and record.

### **Reporting**

While reporting the results of audit we will comply with the requirements as stated in the Article XII of Financial Regulations of IAEA and Additional Terms of Reference governing

the audit of the International Atomic Energy Agency, set out in the Annex to Financial Regulations. Following the principle of “no surprises”, the reporting process will be elaborate, affording an opportunity to the Management to respond to the audit findings at each stage.

The principal steps in the reporting process stage will be:

- Preliminary audit findings will be communicated by the audit team to the head of the audited entity in the form of Audit Query for comments and response, after considering which an Audit Observation will be framed wherever considered necessary;

- After taking into consideration the responses received to the Audit Observations and the deliberations in the Exit Conference, a Management Letter bringing out significant audit issues will be issued by the Principal Director (International Relations) at CAG's Headquarters to the Director General, with copies to the Director, Division of Budget and Finance and Head of the audited entity;

- Based on the reply to the Management Letters, the Draft Audit Report will be issued to the Director General to give an opportunity to the Management to comment on the audit findings;

- Based on the responses to the Draft Audit Report and further discussion, if any, the Final Audit Report will be transmitted to the Board of Governors for its observations and onward transmission to the General Conference, together with the audited financial statements, in accordance with the Financial Regulations.

The entire reporting process will thus be marked by a vigorous two-way exchange of audit observations and findings on one side, and Management views and comments on the other, at all stages. The final report to be presented to the General Conference through the Board of Governors will contain nothing

which had not been brought to the notice of the IAEA Management earlier.

To ensure that they meet the highest standards of quality, all audit products to be presented to General Conference through the Board of Governors, will be reviewed by a committee of very senior SAI personnel, who are otherwise responsible for finalizing the CAG's national audit reports, before such reports are approved by the CAG for onward transmission to IAEA.

We will, while communicating audit findings make appropriate and constructive recommendations. As brought out above, the issue of reports will be preceded by comprehensive discussions and consultations with the senior Management. As a part of quality assurance, the audit work will be reviewed by experienced audit professionals unconnected with the audit to ensure that the audit assignment has been conducted with due regard to standards and best practices.

### **Audit Reports**

The detailed reporting process has been described above. As explained therein, there will be three types of audit products which will be delivered to IAEA.

- (a) Management Letters,
- (b) Short Form Report or the Opinion on Financial Statements,
- (c) Long Form Report or Annual Audit Report.

While the Draft Audit Report will be issued to the Director General, the Short Form Report or the Audit Opinion on the Financial Statements and the Long Form Report or the Annual Audit Report will be presented to the Governing Body of IAEA, i.e. the General Conference of IAEA through the Board of Governors.

All time lines for completion of each stage of the audit process and the delivery of various

audit products will be settled after mutual discussion with the Management before each assignment is taken up. The actual implementation of the assignment will then be monitored at CAG's Headquarters to ensure that there are no slippages in the time schedules decided earlier.

It will be ensured that the audit results presented to the IAEA Management through Management Letters and Audit Report will be balanced, fair, and accurate and will have constructive recommendations.

#### **Issue and management of recommendations**

The Management Letters and Audit Reports will conclude with constructive recommendations. The recommendations will be finalized after obtaining the response of the Management on our audit findings. We will do an internal review to ensure that the recommendations are practical and add value. The recommendations will be discussed in the Exit Conference to ensure that there is mutual agreement on them. They will address the objectives of the audit i.e. economy, efficiency, effectiveness, accountability, improvement in financial management and controls.

The implementation of the recommendations will be monitored periodically. For this purpose a mutually agreed follow up procedure will be established. The recommendations will be managed through a follow up programme which will be oriented towards;

- Compliance with the accepted recommendations with emphasis on encouraging the implementation rather than highlighting the lack of action;
- Follow-up on the accepted recommendations for which compliance reports are awaited;
- Testing the quality of implementation of recommendations and impact thereof.

#### **D. Collaboration with Office of Internal Oversight Services (OIOS)**

We follow a systems based approach in which the study of internal control structures in audited organizations is an integral part of audit process. Such a study also covers an analysis of internal audit arrangements. The quantum of substantive auditing to be performed and resources to be deployed is based on such studies. Audit work gets drastically reduced in organizations where internal controls including internal audit is strong. Audit effort on areas already audited by internal audit is minimised so as to avoid duplication of audit effort. We will follow this standard audit procedure in the audit of IAEA and closely interact with the Agency's Office of Internal Oversight Services to synergize the audit effort and coordinate audit activity so as to avoid duplication of work.

#### **E. Evaluation of Internal Controls**

##### **Enterprise Risk Management (ERM)**

SAI India regularly conducts audits of internal control systems in individual Departments/ Ministries of the Government of India and the State Governments; such audits cover the adequacy and effectiveness of risk management in different areas - operational, financial and personnel. In addition, risk management is a key audit focus area for us in different sectors, such as;

- Credit risk management in Government/Government-controlled financial institutions;
- IT-related risks<sup>1</sup> for planning and implementation of IT projects in the public sector;
- Corporate governance and risk management practices in Government-controlled Business Enterprises;

<sup>1</sup> These are covered under the CoBIT framework, which is the standard audit methodology adopted by SAI-India for IT audits.

- Natural disaster risk management activities; and
- Risk management systems in tax organizations.

However, neither the Government of India nor the State Governments had formal standards/frameworks for internal control and risk management. Consequently, SAI India partnered with other key stakeholders in the Government of India (including the Planning Commission, the Ministry of Finance, and the Controller General of Accounts) in developing an Internal Control and Risk Management (ICRM) Framework for major schemes/programmes of the Government. The ICRM Framework covers the major phases of the risk management process viz. setting the risk management context; risk assessment; risk treatment; risk monitoring; risk assurance; and risk re-assessment. The Framework draws upon concepts/ principles enshrined in internationally accepted frameworks (notably the ERM-Integrated Framework of COSO, the supplementary guidance on ERM issued by the INTOSAI Sub-Committee on Internal Controls, as well as the Australia/New Zealand Risk Management Standard AS/NZ 4360), which have been appropriately adapted to the working environment in the Indian public sector.

Our evaluation of internal controls in IAEA will follow a similar approach, which has been codified in our Internal Control Evaluation Manual (**Annexure X**). This will enable us to determine the level of assurance that can be derived from the internal control framework of IAEA for the purposes of designing our audit procedures and tests. Such an exercise will also provide us opportunities to recommend suitable improvements required, if any, to further improve the efficacy of controls in the Agency.

### CoBIT framework

Our staff is fully equipped with technical skills, knowledge and experience of using the internal control framework of Control

Objectives for Information and related Technology (CoBIT) in undertaking audits of IT systems. As mentioned earlier, domestically over 350 audits of IT systems of diverse platforms and databases have been conducted. CoBIT has been adopted as the framework to guide the IT audits in the country. To quote an example, the audit of IS controls over the SAP environment in International Thermonuclear Energy Reactor (ITER) Organization was conducted after risk analysis and against standard benchmarks applicable in CoBIT framework.

### F. Quality assurance and control

The CAG of India follows a rigorous quality assurance regime to ensure that all its products meet the highest standards of quality. We have an Audit Quality Management Framework (AQMF) (**Annexure III**) for the Organization, the compliance of which is mandatory. The AQMF has five broad parameters of quality management processes, viz. leadership and direction, human resources management, audit management, clients and stakeholders relations and continuous improvement. These parameters are further divided into "Quality Management Elements", each of which has then been mapped to "Key Instruments Employed (KIE)" - KIEs' being the Constitution of India, CAG's (Duties, Powers and Conditions of Service) Act, Auditing Standards, Manuals, Guidelines etc.

To ensure high standards of audit, several quality assurance procedures are implemented. These are:

1. Establishment and compliance with documented audit standards and audit methods and procedures.
2. Regular training of audit staff to update and enhance audit skills and knowledge.
3. Frequent evaluation of audit staff through periodic tests.
4. Well laid down system of supervision of audit operations both at Headquarters and field offices.

5. Independent review of audit operations by Internal Audit and Headquarters inspection teams.
6. Rigorous scrutiny of audit findings, both at field offices and Headquarters, by persons not involved in audit fieldwork so as to ensure that audit findings meet standards of materiality and evidence. This also includes detailed discussion of draft audit findings with the audited entity.
7. Review of working papers.
8. Structured mid-term review of operations.
9. Implementation of an audit management information system.

## G. Value and knowledge framework

### CAG's Auditing Standards

The CAG has prescribed Auditing Standards patterned on the auditing standards being used internationally. These have been disseminated throughout the Organization and are used as a basis for evaluating audit operations. These Standards are subjected to constant review and modified whenever required, to keep pace with the developments taking place globally and to bring them in conformity with the best practices. The latest edition (2002) of CAG's Auditing Standards (**Annexure IV**) is in line with the Auditing Standards issued by the INTOSAI in 2001. The Standards include ethical standards, which are similar to the INTOSAI code of ethics'.

The Auditing Standards include the following:

- (a) Basic Postulates
- (b) General standards
- (c) Field standards
- (d) Reporting standards

### Basic Postulates

The Basic Postulates are the fundamental premises and requirements which guide the auditors in forming their opinions and reports,

particularly in cases where no specific standards apply.

The Basic Postulates prescribe, inter alia, that;

- (i) the auditing standards shall be complied with by the auditors in all matters that are deemed material;
- (ii) the auditors shall apply their own judgment to the diverse situations that arise in the course of audit;
- (iii) there shall be an effective accountability process in operation;
- (iv) all audit activities shall be consistent with the audit mandate of the CAG;
- (v) audit shall avoid conflict of interest between the auditor and the auditable entity.

### General Standards

The General Standards describe the qualifications of the individual auditor and the combined qualifications of the SAI, the compliance of which enables them to carry out the task related to conduct of audit and reporting of audit findings in a competent and effective manner. These standards establish a foundation for credibility of work of the auditor and the SAI.

The General Standards cover the aspects of independence, professional competence, due care, professional judgment and quality control.

### Field Standards

The Field Standards provide an overall framework for conducting and managing an audit.

The Field Standards include aspects of planning, supervision and review, examination and evaluation of internal controls, compliance with applicable laws, rules, regulations and audit evidence.

## Reporting Standards

The Reporting Standards provide an overall framework for the auditor and the audit institution for reporting the results of audit.

The Reporting Standards encompass the form and content of all audit opinions and reports which need to be consistent with the principles laid down with regard to, (a) objectives and scope, (b) completeness, (c) addressee, (d) identification of subject matter, (e) legal basis, (f) compliance with standards, and (g) timeliness.

## Ethical Standards

These standards apply to the head of the SAI, executive officers and all individuals working for and on behalf of the SAI. The SAI has the responsibility to ensure that all its auditors acquaint themselves with the values and principles contained in the Conduct Rules for government servants in India and they act accordingly. The following auditing standards have ethical significance:

- The auditor and the SAI should be independent and should avoid conflicts of interest with the audited entity on matters that may impair their independence materially.

- The auditor and the SAI must possess the required competence.

- The auditor must exercise due care and concern in complying with the auditing standards.

- The auditor should at all times maintain absolute integrity and devotion to duty.

- The auditor should not disclose information obtained in the auditing process to third parties, either orally or in writing.

Further, all SAI employees are civil servants and are subject to the Central Civil Services (Conduct) Rules, 1964 (**Annexure V**) that prescribe standards of behavior and ethical

conduct. Information regarding all financial transactions, gifts received, property acquired has to be notified on occurrence and where stipulated, prior permission is to be taken. These Conduct Rules are very similar to the Standard of Conduct for the International Civil Service.

## Audit methodologies

In addition to the Auditing Standards, an important aspect of quality assurance in SAI India is the prescription and codification of audit methodology for all types of audits and also for audits by nature of transactions. These are supplemented by administrative instructions, guidance and technical circulars. This methodology is in line with International Auditing Standards and internationally accepted best practices.

Following are our laid down standards and principles (copies of all are enclosed).

1. Regulations on Audit and Accounts (**Annexure II**)
2. Audit Quality Management Framework (**Annexure III**)
3. Auditing Standards (**Annexure IV**)
4. Manual of Standing Orders (Audit) (**Annexure VI**)
5. Auditing IPSAS based Financial Statements: Ready Reckoner. This is essentially for our international audits. (**Annexure VII**)
6. Financial Attest Audit Manual (**Annexure VIII**)
7. Performance Auditing Guidelines (**Annexure IX**)
8. Internal Control Evaluation Manual (**Annexure X**)
9. Guidelines for auditing Public Private Partnerships (PPP) (**Annexure XI**)
10. Manual of Information Technology Audit (**Annexure XII**)

## **Mechanism to ensure adherence to professional standards**

As already described in the foregoing paragraphs, the CAG has an elaborate system to ensure that all audit work is carried out in conformity with the auditing standards, prescribed methodologies and best practices. This is ensured by the Audit Quality Management Framework. A hierarchical framework for audit guidelines is in place, starting with the SAI-wide auditing standards and guidelines, followed by function-specific guidance, and then instructions at the level of the local field formations. This hierarchy of guidance is constantly reviewed and those instructions which become incongruent are weeded out.

Supervisory officers, both in field offices and Headquarters, exercise checks to ensure compliance with the Auditing Standards, manuals and codes, and operational instructions while carrying out their prescribed supervision of audit operations and outputs. Further, audit operations are also independently checked by the Internal Audit wings in each office and by the Director of Inspection (Head of the internal audit function in SAI India) in Headquarters. Audits are supervised by senior staff according to prescribed norms and field offices visited by the CAG's deputies as well as CAG from time to time.

Each Audit Report that is presented to the Parliament or the State Legislature undergoes a robust review process. Each significant audit finding targeted for inclusion in the Audit Report is subjected to detailed scrutiny and review at multiple levels, followed by detailed discussions, both with the audit team proposing the finding and the audited entity, to arrive at a balanced view of the transactions and to ensure that every finding is supported by competent, sufficient, relevant and reliable evidence and can stand up to legislative scrutiny.

We also have a rigorous system of peer review of all field offices and Headquarters office. A copy of the Guidance on Peer Review is enclosed as **(Annexure XIII)**. The Peer Review framework brings out various measures required to ensure quality control and assurance in audit.

The CAG is assisted by an Audit Advisory Board at the apex level which advises on strategic issues and also reviews the methods and procedures. The proceedings of the Board, which meets every quarter and whose members are leading figures from the public life and professional bodies, focus on the activities of the CAG with particular reference to quality and serve as an important tool in the quality assurance process. The Audit Advisory Board has as one of its member the President of the Institute of the Chartered Accountants of India, which is the nodal standard setting body in the country in the field of corporate accounts and audit of private corporate bodies.

We are also subject to the Right to Information Act, 2005. This automatically contributes towards quality assurance as the Right to Information Act empowers every citizen of the country to seek any information from us, inspect any document and seek certified copies thereof.

## **H. Maintaining client confidentiality**

We note that maintaining strict confidentiality by our staff while dealing with documents of IAEA would be of paramount importance. As explained in foregoing paragraphs, we have elaborate system to ensure ethical conduct of our staff. We have specific ethical standards **(Annexure IV)** which require the auditor to maintain absolute integrity at all times and prohibit him from disclosing information obtained in the auditing process to third parties, either orally or in writing. To ensure compliance, the Senior Audit Directors annually sign off an assurance memo certifying that the code of professional conduct has been

adhered to. The ethical conduct is monitored and reflected in the annual performance reports of the officials. Further, the staff being civil servants, are subject to the Central Civil Services (Conduct) Rules (**Annexure V**) that prescribe standards of behaviour and ethical conduct. These Conduct Rules are very similar to the Standard of Conduct for the International Civil Service. Information regarding all financial transactions, gifts received, property acquired have to be notified on occurrence and where stipulated, prior permission taken. The annual performance appraisal of the staff has a specific entry relating to integrity of conduct. Besides, all officials have to file an annual statement of immovable property. For dealing with staff that fail to meet standards of professional and ethical conduct required, the provisions of the Civil Services (Classification, Control & Appeal Rules), 1965 (**Annexure XIV**) are resorted to, which codify all disciplinary methods including imposition of penalties and holding of formal inquiries. This also takes care of potential conflict of interest situations where the capacity of an auditor to make an independent decision or judgment may be influenced or prejudiced by considerations of a personal nature, or considerations emanating from a third party, resulting in the interests of IAEA being inappropriately affected.

### **I. Continuity with the previous External Auditor**

We will follow the International Standard for Supreme Audit Institutions (ISSAI 5000) to ensure continuity with the work done by the previous External Auditor. Detailed guidance for handing over by the outgoing External Auditor and taking over by the incoming External Auditor has been prescribed by the Panel of External Auditors of the United Nations, its Specialized Agencies and the International Atomic Energy Agency to ensure smooth and effective succession. We will follow these procedures.

We will also hold meetings with the previous auditor to gain an understanding of IAEA, its customs and practices.

As per the procedure of the UN Panel of External Auditors, a formal record of the hand-over is prepared and kept on file by both the predecessor and successor auditors. It lists the documents handed over and the key information provided orally. IAEA will be kept informed of these arrangements.

Through the handing over process, we expect to gain information about the following:

- Audit approach and strategy;
- Audit areas covered during past financial periods and programme of work for the current financial period;
- Important decisions taken on audit matters;
- Communications to oversight and management bodies of IAEA regarding fraud and illegal acts, if any;
- Disagreements with the Agency as to accounting principles, auditing procedures and other significant matters, if any; and
- Unresolved audit matters and any other matters that could have an important impact on future audits, if any.

As audit background information, we expect to receive the following documents:

- Management Letters and audit observations issued and replies received thereto;
- Lists recapitulating audit areas covered and field offices visited, if any; and
- Relevant documentation on unresolved audit matters or matters that could have an important impact on future audits, if any.

We believe that this approach would ensure smooth transition and effective continuity with the work done by the previous External Auditor.

## NUMBER AND LEVEL OF STAFF TO BE INVOLVED IN THE AUDIT

### A. Human Resource of SAI India

Being the auditor of all the three tiers of Government in India – Federal, State and Local (municipal and village) - CAG of India heads one of the largest SAIs in the world. SAI India boasts of a rich human resource pool, professionally qualified in diverse fields thus enabling the CAG to handle audit assignments even in very specialized areas. The availability of such in-house expertise allows the CAG to dispense with the hiring of any consultants or experts from outside or to outsource any work to outsiders. This goes a long way in ensuring client confidentiality.

Staff of SAI India have the status of government employees and normally continue in employment till retirement. Government employment in India enjoys a high status and hence employee turnover is very low. Recruitments are also limited to filling vacancies arising out of retirements. The Organization, therefore, has a workforce which is stable in character and numbers. However, turnover of staff in individual assignments is ensured through periodic rotation between different wings enabling them to get wider exposure and at the same time preventing development of complacency and vested interests. There is also frequent updating of skills and knowledge through training programmes.

### B. Core Team for managing IAEA Audit

The Core Team for managing and administering IAEA Audit Project in Headquarters of CAG of India at New Delhi will be headed by Principal Director, International Relations, who is of the rank of a senior Audit Director. He will be directly assisted by Director, International Relations, who is of the rank of an Audit Manager and an Audit

Professional. This team will be supported by specialized groups headed by officers of the rank of Senior Audit Directors specializing in issues relating to IPSAS, ERP systems, internal control evaluation and fraud examination.

The Core Team will be the External Auditor's interface with the Management of IAEA on audit matters and will provide liaison and support to IAEA as and when necessary. The Team will be available for interaction with Board of Governors and the OIOS. This will assist us in greater appreciation of governance related issues of IAEA through personal contact with representatives of the IAEA, especially the Office of Internal Oversight. Since the Core Team has been handling audit of International Organizations of which the Comptroller and Auditor General of India is the External Auditor, it has wide experience in managing audits and administering quality assurance regime for international audit reports.

The Core Team will be responsible for strategic planning, risk assessment, audit programming, designing and administering training programmes for on site audit teams, examining audit reports and replies of the management thereto as a part of quality assurance process, assisting the CAG of India in monitoring and supervision of the audits and finalization of audit reports.

We have an office at London headed by a Senior Audit Director. We will leverage the resources of this office for this assignment due to its proximity to Vienna. Moreover, this will enable us to meet any exigency which may require our immediate response at IAEA headquarters in Vienna.

### Team Staffing

Audit teams will be sent from India for financial, performance, IT and compliance audits of IAEA Headquarters, Laboratories, and regional Safeguard Offices. The audit teams deployed for the audit of IAEA Headquarters as well as field missions will be supervised by the Core Team.

## Team composition

The audit staff to be assigned to the audit of IAEA will be drawn from a pool of experienced and well qualified audit professionals. They will have high core competence in planning, implementing and reporting on financial, compliance, and performance audits covering social and technical programmes, scientific departments, commercial undertakings, registered societies etc. The audit professionals to be deployed for the audit of IAEA fall into the following categories:

- (a) Senior Audit Directors
- (b) Audit Managers
- (c) Audit Supervisors and Professionals

Each audit team will consist of a Senior Audit Director, Audit Manager and Audit Professionals. It will be ensured that the Audit Teams will have expertise in relevant accounting and auditing standards and procedures (including IT audit). They will have thorough knowledge of rules and regulations of IAEA, important administrative instructions, budgeting, financial statements and the IAEA accounting and IT systems. The audit teams

will be so composed as to ensure that the team as a whole is the repository of all knowledge, skills and experience required for effectively carrying out the audit tasks assigned to it.

Quality Control in the audit procedure will be ensured through supervision by the SAI senior management to achieve effective execution of work plan with due regard to the auditing standards and adherence to the best practices.

## Profile of the Audit Team

We will like to present profiles of a representative sixteen of our audit professionals who could be associated with the audit of IAEA. It will be seen from the profiles (as below) that all the 16 audit personnel have intensive public sector auditing experience. Out of 16, 14 personnel have experience of auditing UN Organizations, ranging from 3 weeks to 5 years. Regarding professional qualifications, nine (9) possess international certifications such as Certified Internal Auditor (CIA) / Certified Information Systems Auditor (CISA) / Certified Information Security Manager (CISM) while eight (8) are either Chartered Accountants or Cost Accountants.

## Resume of Senior Audit Directors

Name	Mr. Jayanti Prasad
Academic/Professional Qualifications	Master in Science (Physics) & Member of Indian Audit and Accounts Service and Professional Government Auditor
Experience in Auditing UN Organizations	5 years
Experience in Public Sector Auditing	15 years

Name	Mr. H Pradeep Rao
Academic/Professional Qualifications	Master of Arts (Political Science) Master in Business Administration (MBA) Certified Internal Auditor (CIA) Member of Indian Audit and Accounts Service and Professional Government Auditor.
Experience in Auditing UN organizations	2 years
Experience in Public Sector Auditing	28 years

<b>Name</b>	<b>Mr. Gautam Guha</b>
Academic/Professional Qualifications	Master of Arts (English) Certified Information Systems Auditor (CISA) Member of Indian Audit and Accounts Service and Professional Government Auditor.
Experience in Auditing UN Organizations	2 years
Experience in Public Sector Auditing	29 years

<b>Name</b>	<b>Mr. S.K. Jaiswal</b>
Academic/Professional Qualifications	Bachelor of Commerce in Accountancy Chartered Accountant (CA) Company Secretary (Intermediate) CS (Inter) Member of Indian Audit and Accounts Service and Professional Government Auditor.
Experience in Auditing UN Organizations	2 years
Experience in Public Sector Auditing	16 years

<b>Name</b>	<b>Mr. AK Ojha</b>
Academic/Professional Qualifications	Bachelor of Technology in Electronics (B.Tech) Certified Information Systems Auditor (CISA) Masters in Business Administration (MBA) Member of Indian Audit and Accounts Service and Professional Government Auditor.
Experience in Auditing UN Organizations	3 years
Experience in Public Sector Auditing	17 Years

<b>Name</b>	<b>Mr. Partha Sarathy Das</b>
Academic/Professional Qualifications	Bachelor of Technology (B.Tech), Certified Information Systems Auditor (CISA) Certified Internal Auditor (CIA) Member of Indian Audit and Accounts Service and Professional Government Auditor.
Experience in Auditing UN Organizations	3 months
Experience in Public Sector Auditing	15 Years

## Resume of Audit Managers

Name	Mr. Sandip Roy
Academic/Professional Qualifications	Bachelor of Technology (B.Tech), Certified Information Systems Auditor (CISA) Certified Internal Auditor (CIA) Certified Fraud Examiner (CFE) Certified Information Security Manager (CISM) Member of Indian Audit and Accounts Service and Professional Government Auditor.
Experience in Auditing UN Organizations	3 months
Experience in Public Sector Auditing	14 Years

Name	Mr. K.S. Gopinath Narayan
Academic/Professional Qualifications	Bachelor in Technology (B.Tech), Certified Internal Auditor (CIA) Certified Information Security Manager (CISM) Member of Indian Audit and Accounts Service and Professional Government Auditor.
Experience in Auditing UN Organizations	3 months
Experience in Public Sector Auditing	14 Years

Name	Mr. Guruzada Srinivas
Academic/Professional Qualifications	Bachelor of Arts Chartered Accountant (CA) Company Secretary (CS) Cost Accountant (ICWA) Certified Internal Auditor (CIA) Certified Information Security Manager (CISM) Member of Indian Audit and Accounts Service and Professional Government Auditor.
Experience in Auditing UN Organizations	5 months
Experience in Public Sector Auditing	12 Years

Name	Dr. Deepak Kapoor
Academic/Professional Qualifications	Bachelor of Commerce Cost Accountant (ICWA) Certified Internal Auditor (CIA) Certified Information Security Manager (CISM) Member of Indian Audit and Accounts Service and Professional Government Auditor.
Experience in Auditing UN Organizations	3 months
Experience in Public Sector Auditing	11 Years

Name	Mr. Neelesh Kumar Sah
Academic/Professional Qualifications	Bachelor of Science Certified Information Systems Auditor (CISA) Certified Internal Auditor (CIA) Member of Indian Audit and Accounts Service and Professional Government Auditor.
Experience in Auditing UN Organizations	2 months
Experience in Public Sector Auditing	12 Years

## Resume of Audit Supervisors and Professionals

Name	Mr. Raj Kumar Yadav
Academic/Professional Qualifications	Bachelor of Commerce Chartered Accountant (CA) Professional Government Auditor
Experience in Auditing UN Organizations	—
Experience in Public Sector Auditing	22 Years

Name	Mr. Ajay Kumar
Academic/Professional Qualifications	Bachelor of Commerce Chartered Accountant (CA) Professional Government Auditor
Experience in Auditing UN Organizations	6 weeks
Experience in Public Sector Auditing	26 Years

Name	Mr. Kamalendu
Academic/Professional Qualifications	Bachelor of Commerce Intermediate of Chartered Accountancy Professional Government Auditor
Experience in Auditing UN Organizations	3 weeks
Experience in Public Sector Auditing	26 Years

Name	Mr. Arun Kumar Diwan
Academic/Professional Qualifications	Bachelor of Commerce Cost Accountant (ICWA) Professional Government Auditor
Experience in Auditing UN Organizations	—
Experience in Public Sector Auditing	11 Years

Name	Mr. Vidya Bhusan Relhan
Academic/Professional Qualifications	Bachelor of Commerce Cost Accountant (ICWA) Professional Government Auditor
Experience in Auditing UN Organizations	6 weeks
Experience in Public Sector Auditing	22 Years

As stated in our work approach, audit will be carried out through a three stage process consisting of planning, execution and reporting. The Senior Audit Director will be the Team Leader and responsible for prioritisation of audit areas on the basis of risk assessment including evaluation of the internal control environment. He will also be responsible for concurrent monitoring of audit work to ensure quality and adherence with the Auditing Standards. He will also maintain contact with the Core Team for guidance. Audit Managers and Audit Supervisors will carry out audit execution in their specific areas allocated by the Senior Audit Director. This will involve collection of evidence through scrutiny of financial records (both manual and computerized) and examination of supporting documentation, analysis of trends and variations, re-performance of calculations, interviews with key auditee staff, questionnaires etc. The Audit Observation will be framed wherever considered necessary by the Senior Audit Director. After taking into consideration the responses received to the Audit Observations and the deliberations in the Exit Conference, a Management Letter bringing out significant audit issues will be issued by the Principal Director (International Relations) to the Director General.

### **C. Building professional competence in-house**

#### **Professional qualifications**

Being an organization with a large staff, the CAG conducts his own professional examinations at different levels of the hierarchy. The passing of these examinations is a mandatory precondition for appointment at a professional level in the Organization. A similar examination, after comprehensive induction training, is also held for freshly recruited Audit Managers. The passing of this examination is necessary for their continuation in service. The rationale of ensuring core professional competence and continuing professional

education within the Organization also stems from the fact that no professional body outside the CAG has either the experience or the expertise of understanding the nuances of Government auditing.

Though there is no mandatory requirement for our staff to acquire membership of professional bodies or acquire professional certification outside of what is prescribed within the Organization, the staff is encouraged through an incentive policy, to obtain international certifications and higher degrees. As can be seen from their resumes, they have higher degrees in accounting, finance, business, administration or law. They also possess international certifications like Certified Internal Auditor (CIA), Certified Information Systems Auditor (CISA), Certified Information Security Manager (CISM), Certified Fraud Examiner (CFE) etc.

#### **Continuous Professional Development**

To ensure highest professional standard of his staff, the CAG follows a rigorous training policy and a scheme for Continuous Professional Development. Continuous Professional Development is aimed at equipping the audit staff with the necessary skill-sets required to meet the emerging challenges arising out of rapid changes taking place in the operating environment. With this as focus, a training need analysis is conducted to determine the gaps between the available and required skill-sets, which determine the required level of Continuous Professional Development.

As part of this emphasis on developing capacity, consistent with the trends and issues in the field of auditing including risk-based audit planning, IT audit, environment audit, performance audit in an increasingly complex environment, forensic audit etc., a five year training plan is prepared. The training plan includes training objectives, broad areas of training, training infrastructure and quality assurance. The five year training plan is

implemented through preparation of annual training plans prepared on the basis of a training need analysis, which is carried out every year. For the purpose of quality assurance in training, Training Standards (**Annexure XV**) have been formulated by the CAG. These trainings are then delivered through a network of training institutes.

A major chunk of training is imparted through a country wide network of nineteen training institutions called the Regional Training Institutes (RTIs) and Centres (RTCs). These institutes are specifically meant for Audit Supervisors, Audit Professionals and Audit Support Staff. These institutes put together, conduct about 650 trainings every year, covering around 11,500 staff members. Structured Training Modules are prepared for each topic identified for training by various RTIs. Each of these modules is reviewed by a subject matter expert and peer reviewed by another RTI.

Considering the need for institutional linkage for issues being discussed in various Working Groups, research projects and Committees of INTOSAI, ASOSAI, UN Panel of External Auditors, Conference of Auditors General of Commonwealth, etc., eight RTIs have been nominated as nodal centres of excellence in various subjects.

SAI India has a training academy called the 'National Academy of Audit and Accounts' ([www.naaa.gov.in](http://www.naaa.gov.in)) for its Audit Managers and Senior Audit Directors. This Academy holds professional courses for newly recruited Audit Managers, besides a large number of in-service refresher and specialist courses.

We also have an 'International Centre for Information Systems and Audit' ([www.icisa.cag.gov.in](http://www.icisa.cag.gov.in)), which specializes in training in IT audit and also holds international training programmes for officials of SAIs of other countries. So far, 99 international training programmes have been held in which about 3000 officials from 121 countries have been trained.

With a view to providing depth to the professional development of staff with focus on priority areas of each field office, the field offices of the CAG conduct specific function related training courses in-house.

Besides pre-scheduled training programmes, just-in-time training courses are also held for staff to be deployed on specialised audit assignments.

It is our policy that all staff deputed for audit of international organizations must undergo specific training relating to his or her specialised audit assignment. Such trainings will also be held for staff deputed for the audit of IAEA.

It is reiterated that as a part of our standard procedure, staff deployed for audit of IAEA will regularly acquaint themselves with the new and emerging areas of audit, which we as an Organization keep abreast of by virtue of being the Chair of INTOSAI Knowledge Sharing Committee. This will include updates on various accounting frameworks, ERP systems and domain specific knowledge.

We also send our staff to training courses organized by reputed institutions of India. The Organization, largely to make its staff aware of international trends and practices in auditing, deposes a significant number of its staff to training programmes abroad. These include trainings conducted by INTOSAI, ASOSAI, and Supreme Audit Institutions such as the Government Accountability Office of the USA, National Audit Office of UK and the Office of the Auditor General of Canada. Additionally, staff is also deputed for trainings by availing of the cooperation programmes of Australia, Japan and UK.

The importance given to training in the Organization is evidenced by the fact that the average training days per staff member during the last three years varied between 8 and 10 per annum.

#### **D. Capability of auditing international organizations**

The staff of SAI India has extensive experience of the accounting systems, financial regulations, staff regulations, operations, procurement, transport and IT systems in UN and similar organizations. We have also kept abreast of the latest changes and trends in these areas on account of our ongoing audits and our membership of the Panel of External Auditors of the United Nations, its Specialized Agencies and the International Atomic Energy Agency. We pursue a dynamic audit approach capable of responding to the circumstances in which each of our audited organization operates. We are aware of the strong presence of Information Technology in the operations of the organizations and have adequate IT audit capability to review IT operations.

All our staff is proficient in English as all our Audit Reports are prepared in English. In addition, we also have adequate proficiency in French, Spanish and Arabic. Hence, the staff deployed for the audit of IAEA will possess requisite language skills.

It may be noted that our staff are attuned to working in a multilingual environment as our Audit Reports are also issued in regional languages of the States. They also have the ability to work alone, outside their national setting and in different cultural environments.

#### **E. Communication system employed within the Organization**

CAG's organization employs state of the art Information Technology infrastructure and commensurate security system and practices. We use secure corporate mailing system using Microsoft Exchange Server. The internal network is fortified by use of two layered firewall and Intrusion Detection Systems. Centralized virus management is deployed over the network. We implement mission critical large scale IT systems for our internal use. These include use of applications on Oracle 11i. The expertise we gained on implementing the large IT systems within the Organization has led to robust Information Systems security practices.

Our websites are hosted and maintained by National Informatics Centre (NIC), the premier national public sector IT services provider. NIC also provides us internet services and supports maintenance of our network. We conduct periodic systems audits and penetration tests to improve our security system. We have further upgraded our communication infrastructure by operationalising a corporate Virtual Private Network (VPN) for all communication requirements in 2010.

# **FINANCIAL PROPOSAL**

## Section - C



### FINANCIAL PROPOSAL

#### AUDIT FEE AND AUDITOR MONTHS

We will charge a total audit fee of Euro (€) 187000 per annum which translates into Euro (€) 374000 for the years 2012 and 2013. For this fee, it is estimated that we will devote a total number of 46.33 auditor months equivalent to 1390 man days for the years 2012 and 2013.

#### Explanatory Notes

- The fee is based on total recovery of audit costs and covers all costs specified in the Secretariat's Note 2010/Note 64.
- Calculation of audit fees is based on working days at the IAEA and do not include related work undertaken at our Headquarters.
- There is no element of fixed cost as we do not propose to charge any Audit Fee. We only propose to claim reimbursement of costs, all of which are in the nature of variable costs.
- The cost calculation is based on UN DSA rates for January 2011 and airfares that are currently applicable. However, any material changes in the cost on account of increase in the rate of DSA, air travel and staff costs, change of relevant exchange rate, changes in the scope or programme of work, or to reflect extraordinary items that were not foreseen earlier will be reviewed with IAEA either at our request or at the request of IAEA. Any increase in cost on account of these elements will be claimed on actuals with sufficient documentation supporting such claims. Further, these claims will be subject to approval by the competent authority of IAEA.

#### Analysis of our cost with reference to the proposed programme of work

To put it in proper perspective, our financial bid may be read in the context of our technical proposal and audit coverage we have proposed. The work programme offered by us encompasses 1390 man days of work for years 2012 and 2013. At the offered cost of Euro (€) 374000 for these two years, the per man-day cost of our bid comes to Euro (€) 269.06, which further translates into a per man-hour cost of only Euro (€) 33.63.

# List of Annexures



<b>Annexure -I</b>	Duties, Powers and Conditions of Service) Act, 1971
<b>Annexure II</b>	Regulations on Audit and Accounts
<b>Annexure III</b>	Audit Quality Management Framework (AQMF)
<b>Annexure IV</b>	CAG's Auditing Standards
<b>Annexure V</b>	Central Civil Services (Conduct) Rules, 1964
<b>Annexure VI</b>	Manual of Standing Orders (Audit)
<b>Annexure VII</b>	Auditing IPSAS based Financial Statements: Ready Reckoner
<b>Annexure VIII</b>	Financial Attest Audit Manual
<b>Annexure IX</b>	Performance Auditing Guidelines
<b>Annexure X</b>	Internal Control Evaluation Manual
<b>Annexure XI</b>	Guidelines for auditing Public Private Partnerships (PPP)
<b>Annexure XII</b>	Manual of Information Technology Audit
<b>Annexure XIII</b>	Guidance on Peer Review
<b>Annexure XIV</b>	Civil Services (Classification, Control & Appeal Rules), 1965
<b>Annexure XV</b>	Training Standards

## Acronyms used in the Document



<b>ASOSAI</b>	Asian Organization of Supreme Audit Institutions
<b>AQMF</b>	Audit Quality Management Framework
<b>BARC</b>	Bhabha Atomic Research Centre
<b>CAG</b>	Comptroller & Auditor General of India
<b>CFE</b>	Certified Fraud Examiner
<b>CIA</b>	Certified Internal Auditor
<b>CISA</b>	Certified Information Systems Auditor
<b>CISM</b>	Certified Information Security Manager
<b>COBIT</b>	Control Objectives for Information and related Technology
<b>DAE</b>	Department of Atomic Energy
<b>DPC Act</b>	C&AG's Duties, Powers and Conditions of Service Act
<b>ERP</b>	Enterprise Resource Planning
<b>FAO</b>	Food and Agriculture Organization
<b>GAAP</b>	Government Accepted Accounting Principles
<b>GASAB</b>	Government Accounting Standards Advisory Board
<b>GSM</b>	Global Management System
<b>GWG</b>	Global Working Group
<b>HWB</b>	Heavy Water Board
<b>IA&amp;AD</b>	Indian Audit and Accounts Department
<b>IAEA</b>	International Atomic Energy Agency
<b>ICGEB</b>	International Centre for Genetic Engineering and Biotechnology
<b>ICRM</b>	Internal Control and Risk Management
<b>ICWA</b>	Institute of Cost and Works Accountants of India
<b>IDEA</b>	Interactive Data Extraction and Analysis

<b>IFAC</b>	International Federation of Accountants
<b>IFRS</b>	International Financial Reporting Standards
<b>IGFRS</b>	Indian Government Financial Reporting Standards
<b>IMO</b>	International Maritime Organization
<b>INTOSAI</b>	International Organization of Supreme Audit Institutions
<b>ISSAI</b>	International Standard of Supreme Audit Institutions
<b>IOM</b>	International Organization for Migration
<b>IPSAS</b>	International Public Sector Accounting Standards
<b>ISA</b>	International Standards for Auditing
<b>ITER</b>	International Thermonuclear Experimental Reactor Organization
<b>KIE</b>	Key Instruments Employed
<b>NACAS</b>	National Advisory Committee on Accounting Standards
<b>NFC</b>	Nuclear Fuel Complex
<b>OIOS</b>	Office of Internal Oversight Services
<b>OPCW</b>	Organization for Prohibition of Chemical Weapons
<b>PP</b>	Public Private Partnerships
<b>RTI</b>	Regional Training Institutes
<b>SAI</b>	Supreme Audit Institution
<b>SQL</b>	Structured Query Language
<b>TOAD</b>	Tool for Oracle Application Developers
<b>UN</b>	United Nations
<b>UNSAS</b>	United Nations System Accounting Standards
<b>WGITA</b>	Working Group on IT Audit
<b>WHO</b>	World Health Organization
<b>WTO</b>	United Nations World Tourism Organization

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No. VN-PH- 57 -2011

The Permanent Mission of the Republic of the Philippines presents its compliments to the Secretariat of the International Atomic Energy Agency and, with reference to its Note VN-PH-42-2011 dated 27 January 2011 presenting the candidature of the Philippine Commission on Audit for the provision of external audit services to the International Atomic Energy Agency for the period 2012 to 2013, has the honor to provide the originals of the documents containing the curriculum vitae of the Members of the Commission, details on its national and international activities, and information on its audit specialties, audit approach and proposed audit fee.

The Permanent Mission of the Republic of the Philippines avails itself of this opportunity to renew to the Secretariat of the International Atomic Energy Agency the assurances of its highest consideration.

Vienna, 02 February 2011

*To the*  
Secretariat of the International Atomic Energy Agency





**Proposal for the Provision of  
External Audit Services to the  
International Atomic Energy Agency (IAEA)  
for 2012 and 2013**

**Submitted by the  
Philippine Commission on Audit (COA)**

**January 2011**

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## **A. Curriculum Vitae and Details of the National and International Activities**

### *BACKGROUND*

The Commission on Audit (COA) is the Philippines' Supreme Audit Institution. The Philippine Constitution declares its independence as a constitutional office, grants it powers to audit all accounts pertaining to all government revenues and expenditures/uses of government resources and to prescribe accounting and auditing rules, gives it exclusive authority to define the scope and techniques for its audits, and prohibits the legislation of any law which would limit its audit coverage.

By constitutional design, the COA is headed by the Commission Proper, a collegial body composed of a Chairman and two Commissioners, who are appointed by the President of the Philippines with the consent of the Commission on Appointments for a term of seven years each without reappointment. The Commission Proper is responsible for deciding cases brought before it, determining and formulating policies, promulgating rules and regulations, and prescribing standards governing the efficient and effective performance of its powers and functions. The Chairman acts as the presiding officer of the Commission Proper and the chief executive officer responsible for the general administration of the COA.

The present members of the COA Commission Proper are:

1. Chairman Reynaldo A. Villar
2. Commissioner Juanito G. Espino, Jr.
3. Commissioner Evelyn R. San Buenaventura

## *Curriculum Vitae*

### **REYNALDO A. VILLAR, LLB**

Commission on Audit, Commonwealth Avenue  
Quezon City, Philippines  
Phone: (632) 9319220/ (632) 9319232  
E-mail: [ravillar@coa.gov.ph](mailto:ravillar@coa.gov.ph)



#### **Present Position/s**

- **CHAIRMAN**  
Philippine Commission on Audit (COA)  
11 June 2008 - present
- **EXTERNAL AUDITOR**  
Food and Agriculture Organization (FAO) of the United Nations  
1 July 2008 – present
- **MEMBER**  
Multi-Sectoral Anti-Corruption Council  
Office of the Ombudsman
- **MEMBER**  
Constitutional Integrity Group

#### **Previous Position/s**

- **ACTING CHAIRMAN**  
Philippine Commission on Audit (COA)  
2 February – 11 June 2008
- **MEMBER**  
United Nations Board of Auditors (UNBOA)  
2 February – 30 June 2008

- **COMMISSIONER**  
Philippine Commission on Audit (COA)  
2 February 2004 – 2 February 2008
- **OFFICER-IN-CHARGE**  
Chairman of the Philippine Commission on Audit (COA)  
29 October – 13 November 2007  
20-30 June 2007  
15 May – 8 June 2007  
11-15 September 2006  
30 November – 9 December 2005  
10-17 December 2004  
29 November – December 2004
- **DEPARTMENT LEGISLATIVE LIAISON OFFICER**  
(with rank of Assistant Commissioner)  
Philippine Commission on Audit (COA)  
1995 – 2 February 2004
- **HUMAN RESOURCE MANAGEMENT OFFICER V**  
Philippine Commission on Audit (COA)  
1989 – December 1995
- **STAFF OFFICER II**  
Philippine Commission on Audit (COA)  
1988 – 1989
- **TECHNICAL ASSISTANT** to the General Manager  
Philippine Virginia Tobacco
- **BOARD MEMBER**  
Province of Pangasinan  
1980 – 1986
- **DELEGATE / FLOOR LEADER**  
Philippine Constitutional Convention  
1971
- **LEGAL ASSISTANT** to the Provincial Governor  
Province of Pangasinan  
1968

## Work Experience in the Private Sector

- **Law Practitioner**  
1968 – 1971, 1973 – 1980
- **Professor of Constitutional Law**  
College of Law, Ateneo de Manila University  
1982

## Academic Qualifications

- **Admitted to the Philippine Bar**  
1968
- **Bachelor of Laws**  
Ateneo de Manila University  
1967
- **Bachelor of Arts, Major in Political Science**  
Ateneo de Manila University  
1963

## Special Studies, Trainings, Seminars and Conferences Attended

- 51<sup>st</sup> Regular Session of the Panel of External Auditors of the United Nations, Specialized Agencies and International Atomic Energy Agency  
Berne, Switzerland  
6 – 7 December 2010
- 50<sup>th</sup> Regular Session of the Panel of External Auditors of the United Nations, Specialized Agencies and International Atomic Energy Agency  
Bonn, Germany  
7-8 December 2009
- Finance Committee Meeting of the Food and Agriculture Organization of the United Nations  
Rome, Italy  
27-31 July 2009
- 49<sup>th</sup> Regular Session of the Panel of External Auditors of the United Nations, Specialized Agencies and International Atomic Energy Agency  
Paris, France  
22 November – 6 December 2008

- 62<sup>nd</sup> Regular Session of the United Nations Board of Auditors  
New York, USA  
4-21 July 2008
- Seminar on "Corporate Governance for Philippine Banks"  
Conducted by the Bankers Institute of the Philippines  
18-19 January 2007
- 47<sup>th</sup> Regular Session of the Panel of External Auditors of the United Nations,  
the Specialized Agencies and the International Atomic Energy  
Manila, Philippines  
4-5 December 2006
- 22<sup>nd</sup> Meeting of the Technical Group of the Panel of External Auditors of the  
United Nations, the Specialized Agencies and the International Atomic Energy  
Manila, Philippines  
27 November – 1 December 2006
- 36<sup>th</sup> (2006) Special Session of the United Nations Board of Auditors  
Manila, Philippines  
6 December 2006
- 27<sup>th</sup> Annual Convention of the Government Association of Certified Public  
Accountants  
Iloilo City  
19-22 October 2005
- 59<sup>th</sup> Regular Session of the United Nations Board of Auditors  
New York, USA  
19 June – 5 July 2005
- United Nations Industrial Development Organization (UNIDO) Industrial  
Development Board (IDB) Conference  
Vienna Austria  
10-18 June 2005
- International Conference on Challenges to Development Innovation  
Conducted by the National College of Public Administration and Governance  
(NCPAG) and Center for Policy and Executive Development
- Electronic – New Government Accounting System  
September 16, 2003

- GO-Civil Society Consultative Workshop on "Framework for Reforms in the Legislative System"  
Conducted by the Institute for Political and Electoral Reforms  
30 July – 1 August 2003
- Change Management Capability Workshop  
Conducted by the COA Change Management Support Unit  
9, 13 & 14 June 2000
- Rules of Procedures in the Office of the Ombudsman and Sandiganbayan  
Conducted by the Philippine Legal Research Center  
16 March 1996
- Symposium on Due Process of Rights Adjudication of Guilt  
Conducted by the University of the Philippines Law Center  
11 November 1995
- Symposium on Due Process and the Post-Indictment Rights to Counsel  
Conducted by the University of the Philippines Institute of Human Rights  
18 August 1995
- Performance Audit  
1-6 May 1988
- Government Accounting and Auditing  
1988
- Short Courses for Legal Affairs in Government Service  
Conducted by the University of the Philippines Law Center  
1988
- Advanced Course for Senior Law Practitioners  
Conducted by the University of the Philippines  
1988

#### **Government Examinations Passed**

- Philippine Bar Examinations, 1968

#### **Number of years in COA**

- 22.8 years (started 18 April 1988)

## Professional and Civic Membership / Position Held

- **Integrated Bar of the Philippines (IBP)**  
Member
- **Philippine Jaycees**  
Senator Chapter Member  
Former Chapter President
- **Rotary Club**  
Co-founder, Urdaneta Chapter
- **Philippine Jaycees**  
Senator Chapter Member  
Former Chapter President
- **Order of Utopia**, Ateneo Law fraternity  
Founder

## Personal Information

Age : 68  
Date of Birth : 24 September 1941  
Place of Birth : Pangasinan, Philippines  
Civil Status : Married

## ***Curriculum Vitae***

### **JUANITO G. ESPINO JR.**

*Certified Public Accountant*

Commission on Audit, Commonwealth Avenue  
Quezon City, Philippines

Phone: (02)9319306 / (02)9317451(Office)

E-mail: [jgespino@coa.gov.ph](mailto:jgespino@coa.gov.ph)



#### **Career/Position**

- **COMMISSIONER**  
Philippine Commission on Audit (COA)  
11 May 2006 – present  
(Joined COA on 13 March 1978)
- **ASSISTANT COMMISSIONER**  
COA – Corporate Government Sector (CGS)  
14 March 2004 – 10 May 2006
- **DIRECTOR IV**  
COA – Corporate Government Sector, Local Government Audit Office, National  
Government Audit Office No. I  
April 1996 – 13 March 2004
- **COORDINATOR FOR REGIONAL OFFICES**  
COA – Office of the Chairman  
April 1996 – February 2001
- **REGIONAL DIRECTOR**  
COA Regional Office No. V, Legaspi City  
December 1989 – May 1992  
COA Regional Office No. III, San Fernando, Pampanga  
June 1992 – May 1993
- **AUDITOR-IN-CHARGE**  
National Development Company (NDC) and subsidiaries  
24 July – 31 December 1984

- **OFFICER-IN-CHARGE and CHIEF, AUDITING SYSTEMS SPECIALIST**  
COA – Technical Service Office (Systems Division)  
13 March 1978 – 30 May 1980

### Work Experience/s in the Private Sector

- **Auditing Systems Consultant, Sycip, Gorres, Velayo & Co., CPAs (SGV)**  
World Bank project for the Government of Republic of Sierra Leone, West Africa  
“Public Sector Management Support Project”  
14 June 1993 – December 1995
- **Senior Auditor**  
United Nations, New York  
1985 – 1989 (while in COA in concurrent capacity)
- **Senior Auditor and Junior Audit Staff**  
Sycip, Gorres, Velayo & Co., CPAs (SGV)  
December 1972 – March 1978
- **Accounting Instructor**  
College of Commerce, University of San Agustin, Iloilo City  
1975 – 1977
- **Junior Auditor**  
I. Diaz & Associates, CPAs  
1970 – 1972

### Career in Detail

- **Commissioner**

As a member of the Commission Proper (CP), the highest policy-making body of the COA, he decides cases on money claims, appeals on disallowances/suspension/charges, request for relief from money and property accountabilities, requests for write-off/condonation, etc.; determines policies, promulgates rules and regulations, and prescribes standards governing the performance by the Commission of its powers and functions; and, assists in the general administration of the Commission upon proper delegation by the Chairman.

- **Assistant Commissioner**  
Corporate Government Sector (CGS)

Responsible in the preparation and implementation of plans and programs in the audit of 76 government-owned and controlled corporations (GOCCs), 52 subsidiaries, and 453 water districts; Supervises six cluster directors and 1,995 audit staff; Proposes policies in the audit of GOCCs and participates in the Commission Proper meetings.

- **Director IV**  
Cluster II – Financial B, Corporate Government Sector; Local Government Audit Office; National Government Audit Office No. I

Responsible in the overall supervision in the audit of 23 GOCCs and subsidiaries under the cluster such as GSIS, SSS, HDMF, PDIC, etc; Responsible in the preparation and implementation of plans and programs in the audit of local government units (LGUs) throughout the Philippines; Responsible for the preparation and implementation of plans and programs in the audit of national government units such as Department of National Defense, Department of the Interior and Local Government, Department of Finance, Office of the President, and others.

- **Coordinator for Regional Offices**  
Office of the Chairman, COA (in concurrent capacity)

Coordinates and monitors activities of COA Regional Offices in behalf of the Chairman.

- **Auditing Systems Consultant, Sycip, Gorres, Velayo & Co., CPAs (SGV)**  
World Bank Consultant in Public Sector Management Support Project for the Government of Sierra Leone; Responsible in the review and evaluation of the existing audit and audit systems and proposed and developed new approaches in budget and audit systems and procedures.

- **Regional Director**  
COA Regional Office No. V, Legaspi City and COA Regional Office No. III, San Fernando, Pampanga

Directly responsible in the supervision of audits of all agencies (LGUs, GOCCs and national government agencies) in the concerned regional offices.

- **Senior Auditor**  
United Nations, New York (while in COA in concurrent capacity)

Assigned in three audit engagements to audit the Programme Budget Office, UN Headquarters; and United Nations Environment Programme and United Nations Center for Human Settlements and Foundation in Nairobi, Kenya.

- **Auditor-In-Charge**

National Development Company (NDC) and subsidiaries

Responsible in the audit of financial accounts and operations of NDC and its subsidiaries, during the absence of the auditor.

- **Officer-In-Charge and Chief, Auditing Systems Specialist**

Systems Division, Technical Service Office, COA

Supervises conduct of studies in the improvement of audit procedures of COA; Responsible in the preparation of audit guides and manuals; Developed accounting systems and procedures of client agencies of government.

- **Senior Auditor and Junior Audit Staff**

Sycip, Gorres, Velayo & Co., CPAs (SGV)

Assigned in various capacities as Junior Audit Staff, Semi Senior and Senior Auditor and was involved in the supervision and audit of banks, sugar centrals/refineries, trading corporations, agricultural companies, oil depots, railway system, and others.

- **Accounting Instructor**

University of San Agustin College of Commerce

Taught the subjects on Accounting and Auditing Theories, Taxation, and Practical Auditing.

- **Junior Auditor**

I. Diaz & Associates, CPAs

While an Accounting student, he was responsible in the audit of various clients such as agricultural companies, sugar central, trading business and gasoline stations.

## **Chairmanship / Committees**

- **Chairman**

Government Integrated Financial Management Information System (GIFMIS)

21 January 2010 – Present

- **Chairman**  
Public Sector Auditing Standards Board (PSASB)  
October 2010 - Present
- **Chairman**  
Audit Committee, Food and Agriculture Organization (FAO) of the United Nations  
CY 2008 – Present (up to 2012)
- **Chairman**  
Technical Committee, United Nations Audit Committee (UNAC)  
October 2004 – June 2008
- **Chairman**  
Risk-Based Financial Audit Manual (RBFAM) Steering Committee
- **Chairman**  
Steering Committee, Harmonization and Managing for Results Project  
Asian Development Bank Funded Project
- **Chairman**  
Committee to draft the implementation guidelines of the Philippine Public Sector  
Auditing and Assurance Standards
- **Representative of the Chairman**  
Technical Board of Permanent Committee  
(The Committee consists of the Secretary of Finance as Chairman, and the  
Secretary of Budget and the Chairman of COA as members)
- **Member**, COA Adjudication Board, responsible for the adjudication of claims and  
money matters as delegated by COA Commission Proper
- **Member**, Committee on the Philippine Auditing Standards under the Auditing  
Standards and Practices Council (ASPC)
- **Representative of the Commission**  
Auditing and Assurance Standards Council (AASC) (7 February 2006)

### Academic Qualifications

- **Doctor of Humanities, *honoris causa***,  
Lyceum-Northwestern University, Dagupan City, Pangasinan  
07 April 2010
- **Master in Business Administration**  
(Completed academic requirements and passed Comprehensive Examinations)  
University of Santo Tomas, 1980

- **Bachelor of Laws** (earned units)  
Aquinas University, Legaspi City, 1990
- **Bachelor of Science in Commerce, Major in Accounting** (Top 10%, 400 graduates)  
University of San Agustin, Iloilo City, 1972

### Government Examinations Passed

- Philippine Certified Public Accountant Board Examinations, 1975

### Grant/Fellowship/Scholarship

- **Risk Management and Internal Control System**, Study Visit to Australia sponsored by the Philippines-Australia Partnership for Economic Governance and Reforms (PEGR) and AusAID  
November – December 2009.
- **United Nations Development Programme (UNDP)**, Fellow on Infrastructure Audit, US Department of Agriculture Graduate School, Washington D.C., USA  
March – April 1982
- **Iloilo City Government Scholar for a Four (4) – Year Course**, BS Commerce, Major in Accounting  
June 1968 – March 1972.

### Seminars/Trainings Attended

- **Risk Management**, Asian Institute of Management (AIM), Makati City  
14-15 October 2003
- **Corporate Valuation**, Asian Institute of Management (AIM), Makati City  
16-17 September 2003
- **Policy Audit**, handled by Comptroller General of Israel, State Accounting & Auditing Center, Quezon City  
3-14 September 1984
- **Audit of United Nations Agencies**, COA State Auditing & Auditing Center  
April 1984

- **Operational Auditing using GAO Techniques**, US Department of Agriculture Graduate School, Washington DC, USA  
March 1982
- **Audit of Fraud Waste and Abuse using GAO Techniques**, US Department of Agriculture (USDA) Graduate School, Washington DC, USA  
March 1982
- **Senior Executive Development Programme (SEDP)** for COA Officials  
3 January to 12 March 1981
- **Human Resource Development**, Compro International, Manila Hotel  
25-30 June 1979

### Awards Received

- **Most Outstanding Master Mason for Public Accountancy**  
Awarded by the Most Worshipful Grand Lodge of Free and Accepted Masons of the Philippines during its 92<sup>nd</sup> Annual Communication on 25 April 2008 in Bacolod City.
- **Special Achievement Award in International Professional Development**  
Awarded by the Philippine Institute of Certified Public Accountants (PICPA)  
Given on the 24<sup>th</sup> of November 2005 during the 2005 PICPA National Convention, Fort Santiago, Intramuros, Manila.
- **2004 Pasidungog Awards**  
Outstanding Sta. Barbaranon in Government Service  
Sta. Barbara, Iloilo Province, 17 November 2004

### Professional and Civic Membership/Position Held

- **Honorary Chairman**, Filipino Chinese Firefighters Foundation of Davao Inc., Davao City, 3 July 2010
- **Junior Grand Warden**, The Most Worshipful Grand Lodge of Free and Accepted Masons of the Philippines, San Marcelino, Manila, April 2010 – April 2011
- **National President**, Government Association of Certified Public Accountants (GACPA) 2004 up to 2005

- **Founding Chairman**, GACPA Scholarship Program and GACPA Website, 2004
  - **Member**, GACPA Advisory Council, 2005 – present
- **Board of Directors**, Philippine Institute of Certified Public Accountants (PICPA) Representing Government Sector  
CY 2003 – 2004
    - **Member, Ethics Committee**  
CY 2009 – Present (up to 2012)
    - **Vice-President for External Affairs**  
CY 2003 – 2004

### Personal Information

Age : 58

Date of Birth : 11 June 1952

Place of Birth: Iloilo City

Civil Status : Married to the former **Ma. Susana Sanchez Saldaña**, a Certified Public Accountant (CPA) and a retired Manager of Business Development Bank of Canada, Manitoba, Canada

Children : **Ma. Paula S. Espino**, 31 years old  
3<sup>rd</sup> Year Student in the College of Medicine  
Ph. D. in Biochemistry; Master of Science in Biochemistry  
Bachelor of Science in Genetics  
University of Manitoba, Winnipeg, Manitoba, Canada

: **Monique S. Espino**, 28 years old  
Bachelor of Science in Architecture  
University of Manitoba, Winnipeg, Manitoba, Canada

## ***Curriculum Vitae***

### **EVELYN R. SAN BUENAVENTURA**

*Certified Public Accountant*

# 1206 F Renaissance Towers 1000  
Meralco Avenue, Pasig City, Philippines  
Phone: (062) 931-7593/ (062) 931-7873  
E-mail: [ersanbuenaventura@coa.gov.ph](mailto:ersanbuenaventura@coa.gov.ph)



#### **Current Position /s**

- **COMMISSIONER**  
Philippine Commission on Audit (COA)  
5 January 2010 - present
- **Chairperson**  
Public Sector Accounting Standards Board (PSASB)  
Philippine Commission on Audit (COA)

#### **Work Experience in the Private Sector**

- **Senior Partner**  
San Buenaventura & Co., CPAs
- **Accounting Instructor**  
University of the East and Pamantasan ng Lungsod ng Maynila, 1971-1976
- **Accounting Technician**  
US Naval Supply Depot, Subic Bay, 1967-9171

#### **Career in Detail**

- **Commissioner**

As Commissioner of the Philippine Commission on Audit, I sit as the Chairman of the Public Sector Accounting Standards Board (PSASB) whose task is to formulate and implement public sector accounting standards and to establish and maintain linkages with international bodies, professional organizations and

academe on accounting and related fields on financial management. Together with the two other members of the Commission Proper, we decide and adjudicate cases involving money claims against government, appeals for notice of disallowances, and assist in the general administration of the operation of the Commission on Audit.

- **Senior Partner**

As senior partner of our accounting firm, San Buenaventura and Company CPAs, my work involved management consulting, independent auditing of our client's books, systems and procedures review, fraud audit, project feasibility preparation, and finance sourcing. Our clients are engaged in diverse businesses ranging from real estate, merchandising, insurance, construction, janitorial, professional services, banking, education, condominiums, and non-profit associations. The practice of accounting requires continuing professional development, which I accomplish through my active involvement in professional groups like the Philippines Association of Management Accountants where I serve as a Director, the Institute of Management Accountants USA, where I am a member, and the Philippine Institute of Certified Public Accountants (PICPA), where I am Co-Chairman of Geographical Area Chapters and Affiliates (GARCA), and a member of the Committee on International Affairs. I also attend local and international conferences to update myself on the latest pronouncements and standards in accounting practice.

- **Accounting Technician / Accounting Instructor**

My first job was with the US Naval Subic Bay where I worked as an Accounting Technician at the Naval Supply Depot, Subic Bay, for four years until 1971, when I moved with my family to Manila where I started an accounting practice with my husband and 2 CPA friends. On the sides, I taught accounting and auditing subjects at the University of the East, and the Pamantasan ng Lungsod ng Maynila from 1971 to 1976, at the same time studying for my master's degree at the Ateneo de Manila in Makati.

## Academic Qualifications

- **Master in Business Administration**  
(Completed academic requirements)  
Ateneo de Manila University
- **Bachelor of Science in Accountancy**  
University of the East, Manila

## **Government Examinations Passed**

- Philippine Certified Public Accountant Board Examinations

## **Special Studies, Trainings, Seminars and Conferences Attended**

- Inter-Agency Committee on Public Financial Management (PFM) Reform Roadmap  
Taal Vista Hotel, Tagaytay, 13-14 January 2011
- Forum on the 2011 National Expenditure Program (NEP)  
Penthouse Discovery Suites, 20 November 2010
- Conference on International Financial Reporting Standards  
Moscow, Russia, 21-23 October 2010
- Briefing on Knowledge Sharing Program (KSP) by Korea Digital Budget & Accounting System (dBrain)  
COA CP Board Room, 7 October 2010
- 1<sup>st</sup> ASEAN Meeting of Government Accounting Standards Setters  
Bali, Indonesia, 3-8 August 2010
- The 6<sup>th</sup> Asia Pacific Audit and Governance Summit 2010  
JW Marriott, Kuala Lumpur, 29-30 June 2010
- Asia Conference on Effective Micro and Small Business Compliance Management – Tax Policy and Tax Administration Solutions  
Manila Peninsula, Makati City, 2-5 March 2010
- West Pacific Quota International Conference  
Las Vegas, Nevada, USA, October 2008
- Rotary International Centennial Convention  
Chicago, USA, June 2005
- Soroptimist International of America (SIA) Conference  
Calgary, Canada, August 2004
- International Conference of the Institute of Management Accountants (IMANET)  
Nashville Tennessee, USA, 21-25 June 2003
- Soroptimist International of America (SIA) Conference  
San Diego, California, USA, July 2002

- International Conference of the Institute of Management Accountants (IMANET)  
San Diego, California, June 2002  
New Orleans, Louisiana, USA, 14-22 June 2001

### Professional and Civic Membership / Position Held

- **Philippine Institute of Certified Public Accountants (PICPA)**  
Member; Co-Chairman – GARCA, 2010-2011
- **Institute of Management Accountants (IMANET) – USA**  
Member, 2007-2010
- **Philippines Association of Management Accountants (PAMA)**  
Director, 2007-2008
- **Rotary Club of Makati – Bonifacio**  
Director – Community Services, 2006-2008
- **Soroptimist International of the Philippine Region (SIPR)**  
Internal Auditor, 2009-2010
- **Soroptimist International of Makati**  
President, 2002-2004
- **Quota Club of Manila**  
President, 2005-2006

### Personal Information

Age	:	65
Date of Birth	:	14 September 1946
Place of Birth	:	Dinalupihan, Bataan
Civil Status	:	Married to Leopoldo E. San Buenaventura, Former Congressman, 10 <sup>th</sup> Congress of the Philippines (2 <sup>nd</sup> District of Camarines Sur, 1995-1998)
Children	:	Leo (management graduate and law student), Lear (mechanical engineering graduate), and Levi (doctor)

## ***National Activities***

The COA is an independent constitutional body which performs the attest function over the finances and operations of all branches of Philippine government. It has exclusive authority under the Constitution to define the scope of its audit and examination and establish the techniques and methods required or called for by the audit engagement. It submits to the Office of the President and both Houses of Congress (Senate and the House of Representatives) an annual report on the financial condition and results of operations of the Government and all its instrumentalities (Sec. 4, Article IX-D of the 1987 Philippine Constitution).

### *Regular audits*

Financial and compliance audits as well as value for money audits (economy, efficiency and effectiveness) are conducted year-round by COA auditors nationwide. The COA's organization structure is designed to respond to the needs of the client auditees in national, local and corporate agencies nationwide.

Of the 6,680 auditors assigned in the audit sectors, time and resources are allocated to the following types of regular audits:

<b>Type of Audit</b>	<b>Man-months</b>	<b>Percentage Allocated</b>
Financial and compliance	34,736	60 - 70%
Value for money	18,704	30 - 40 %
<b>Total</b>	<b>53,440</b>	<b>100 %</b>

### *Special audits*

The Special Audits Office (SAO) of the COA's Special Services Sector also conducts value for money audits or performance audits which are conducted either government-wide or sector-wide. In addition, it conducts other special audits such as rate, franchise, levy, and subsidy audits. The SAO which has 49 staff devotes 90 per cent of its resources to value for money or performance audits.

Moreover, the Fraud Audit and Investigation Office (FAIO) of the COA's Legal Services Sector also conducts fraud audits based on complaints or requests from stakeholders. The FAIO which is composed of 38 staff devotes 70 per cent of its resources to fraud audits.

### *Audit reports*

Annually, the COA issues around 13,435 audit reports broken down as follows:

<b>Sector</b>	<b>No. of reports</b>	<b>Issued to</b>
National Government	337	Heads of national government agencies
Corporate Government	125	Heads of corporations/Board of Directors
Local Government	1,788	Local chief executives of provinces, cities and municipalities
	11,099	<i>Punong Barangays</i>
Special Services (Performance audit)	27	Heads of implementing agencies
Legal Services (Fraud audit)	59	Heads of agencies
<b>Total</b>	<b>13,435</b>	

In addition, the National Government Sector issues around 2,375 Management Letters yearly.

## ***International Activities***

The Philippine Commission on Audit continues to make its mark in the international audit arena. Represented by its Chairman, it currently holds a four-year term (1 July 2008 – 30 June 2012) as External Auditor of the Food and Agriculture Organization (FAO) of the United Nations.

The COA as an organization has gained extensive experience at the United Nations (UN) for 20 years (as at current date) in the light of the Philippines' membership/terms of office at the UN Board of Auditors (UNBOA) in 1984-1993 and 1999-2008 and as External Auditor of FAO effective 1 July 2008. Accordingly, it has maintained its membership with the Panel of External Auditors of the United Nations, the Specialized Agencies, and the International Atomic Energy Agency.

The COA was Chair of the UNBOA in 1988-1989, 2001 and 2005-2006; Chair of the Panel of External Auditors and its Technical Group in 2006; and Chair of the UN Tripartite Committee of Oversight Bodies in 2005-2006. In 2006, it hosted the 47<sup>th</sup> Regular Session of the Panel of External Auditors and the 22<sup>nd</sup> Meeting of its Technical Group, as well as the 36<sup>th</sup> Special Session of the UNBOA.

It also continues to derive significant audit experience in the UN Development Programme (UNDP)-assisted projects contracted by the UNDP Country Office in the Philippines (16 years), the UN Population Fund (UNFPA)-assisted projects contracted by the UNFPA Country Office in the Philippines (three years), and the United Nations Children's Fund (UNICEF)-assisted projects contracted by the UNICEF Country Office in the Philippines (one year).

The COA is a long standing member of the International Organization of Supreme Audit Institutions (INTOSAI) and a founding member of the Asian Organization of Supreme Audit Institutions (ASOSAI). Under the ASOSAI, it was the first Secretary-General in 1979, the Chair of the Governing Board in 2003-2006, and a member of the Audit Quality Management System Research Project in 2004-2006. It also hosted the 31<sup>st</sup> (2002) Governing Board Meeting and the 9<sup>th</sup> (2003) ASOSAI General Assembly.

As a member of the ASOSAI Pool of Training Specialists, the COA has been continuously participating in providing resource persons in ASOSAI Workshops on areas like: Environment Audit; Quality Assurance on Performance Audit; Audit of Privatization and Quality Assurance in Financial Audit.

The COA has active participation in training conducted by the INTOSAI Development Initiative (IDI). The most recent of which is the IDI Transregional Capacity Building Programme on Public Debt Management. SAI Philippines is also one of the three countries that will host the IDI Review Meeting for Audit of Public

Debt Management scheduled on March 23-30, 2011, which will be attended by 30 participants from the 12 different ASOSAI member countries.

The Commission has also provided inputs on the copy of the INTOSAI Resolution, on the reissue of Lima and Mexico Declaration; comments on the ISSAI Practice Note 1240 on the auditor's responsibility in respect to INTOSAI Working Group (WG) on Accountability and Audit Disaster-related Aid (ADA) and filled-up information in different survey questionnaires on INTOSAI programmes and activities.

As part of the commitment of the SAI Philippines to INTOSAI/ASOSAI, the COA continues to provide other SAIs requests for information on subjects related to Information Technology (IT) Audit, Performance Audit, and other related subjects, through study visits, observation tours, knowledge sharing and discussions on best practices. The SAI Bangladesh is recently requesting for short-term training for their key officials on Risk-based Audit; Financial Audit; Performance Audit; and Human Resource Management which is scheduled in February 2011 for two batches.

## B. Audit Approach and Staff

### ***Risk-Based Audit (RBA) Approach***

In full consideration of the requirement and scope of work of the IAEA External Auditor as defined in IAEA Financial Regulation 12 and the Annex to the Financial Regulations "Additional Terms of Reference Governing the Audit of the International Atomic Energy Agency," we shall employ the **Risk-Based Audit (RBA)** approach in our audit engagement. The approach shall afford a more comprehensive audit for IAEA in the context of achieving the goals of: (a) assessing financial statement misstatement, both intentional (fraud in financial reporting and misappropriation of assets) and unintentional; (b) evaluating operations viability to provide assurance to the Board that expenditures are in compliance with their intentions and do not include wasteful/improper expenditures; and, (c) identifying improvement opportunities with respect to, *inter alia*, efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of IAEA.

The RBA process framework entails the primary activities carried out in each of the following major process components:

1. *Understanding the operations to identify and prioritize risks.* We shall understand the business of IAEA in the context of reviewing its strategy, operations, performance and information framework to identify, source and prioritize the key information and information processing risks that impact the audit of the financial statements.
2. *Assessing IAEA risk management strategies and controls.* We shall evaluate how IAEA management controls the more significant and likely information and information processing risks. The evaluation shall involve the identification of risk controls, evaluation of the control design and recommend measures if the design is ineffective, test the effectiveness of risk controls and recommend measures to improve the risk controls if found ineffective. The assessment of IAEA risk controls shall provide a basis for extensive reliance on their risk control processes and developing value added insights on improving those processes. The results shall provide us a higher degree of ongoing assurance on the processes that produce the results reported in the financial statements.
3. *Managing residual audit risk to reduce residual audit risk to an acceptable level.* We shall determine whether IAEA's risk control processes are effective in reducing the identified risk to an acceptable level or, to the contrary, if deficiencies exist in those control processes resulting in residual audit risk. We shall evaluate IAEA's analyses and actions on risks identified, and perform risk reduction procedures, *inter alia*, testing IAEA financial

transactions or account analyses, testing reconstruction of account activity and balance, and recommend measures for the improvement of IAEA's information and information processing systems. Testing of controls shall encompass evaluation of general and applications controls in a computer-based information systems environment.

4. *Communicating value delivered and measuring satisfaction.* We shall prepare and issue the External Auditors' Report (management letter in interim audits and long-form report at the end of the financial year) detailing the results of our audit. The report shall also include the status of implementation of previous audit recommendations and its impact on IAEA's objectives, as part of our monitoring and evaluation component of communicating results.

#### Standards governing our auditing work

In the context of public interest and support to strengthen the worldwide accountancy profession, we adhere to high-quality professional standards. We conduct our audits (i.e. comprehensive audit – financial and compliance and value for money audits) in conformity with: (a) the International Standards on Auditing (ISA); (b) auditing standards of the International Organization of Supreme Audit Institutions (INTOSAI); and (c) such other auditing standards that may be relevant to the audit of IAEA, and other benchmarks and best practices for value for money audits.

#### International Public Sector Accounting Standards

Our audit approach shall support the IAEA's implementation of International Public Sector Accounting Standards (IPSAS) which commences in 2011. The audit shall monitor closely the implementation of IPSAS in the financial reporting process to ensure transparency and relevance of the financial statements produced adopting these new accounting standards.

#### Information and audit evidence gathering, and access to audit work papers

We shall obtain sufficient appropriate audit evidence in accordance with ISA 500 (Audit Evidence) by undertaking work at the IAEA Headquarters and regional offices. Request for information shall be communicated in advance to give IAEA management sufficient time to make the necessary arrangements/preparation. We highly regard and observe the Code of Ethics for Professional Accountants developed by the International Ethics Standards Board for Accountants (IESBA). The Code provides a conceptual framework to ensure compliance with the fundamental principles of professional ethics. Among such guiding principles is the respect by external auditors of the confidentiality of information acquired during the course of performing professional services and not to use or disclose any information without proper and specific authority or unless there is a legal or

professional right or duty to disclose. We assure IAEA that we shall respect the privileged and confidential nature of any information so classified by IAEA.

If we are given the opportunity to be IAEA's partner through our external audit services, we anticipate the outgoing External Auditor to smoothly hand over sufficient information and audit work papers in accordance with INTOSAI hand-over protocol.

#### Quality assurance

We shall ensure that audit quality controls are designed, implemented and working effectively. We shall perform an Audit Quality Control Review for every audit visit in accordance with ISA 220 (Quality Control for an Audit of Financial Statements) and adopted by INTOSAI as ISSAI 1220. No auditor's report shall be issued until the completion of the audit quality control review.

The Quality Assurance Checklist adopted by the United Nations Board of Auditors (UNBOA) and thereafter, by us in our audit of international organizations shall, likewise, be implemented as part of the audit methodology in the audit of IAEA.

Our audit plans and programs shall be presented to and reviewed by a technical working group and an Audit Committee composed of senior COA officials. Audit Observation Memoranda shall be reviewed by the Audit Director with the audit execution being monitored closely by the technical working group. Management Letters shall be reviewed by the Audit Director and the technical working group and thereafter, presented to the Audit Committee prior to its release to the audit client.

#### Collaboration with IAEA's internal audit

While we shall have the sole responsibility for the audit opinion to be expressed on the financial statements of IAEA and for the determination of the nature, extent and timing of external audit procedures, we shall consider that certain parts of the work of IAEA's Office of Internal Oversight Services (OIOS), whose functions provide assurance about a sound internal control system that enhances reliability of IAEA financial statements, shall be relevant in our audit.

When considering the work of OIOS, we shall conform to the standards embodied in ISA 610 (Using the Work of Internal Audit) which deals with the external auditor's responsibility in determining the extent and adequacy of the specific work of internal auditors for the purposes of the audit.

We shall obtain a sufficient understanding of the activities of OIOS to identify and assess the risk of material misstatement of the financial statements and to design and perform further audit procedures.

We need to consider the work plan for the period of the OIOS in our audit plan. Where the work of internal audit shall be considered a factor in determining the nature, extent and timing of the external auditor's procedures, it will be desirable to agree in advance the timing of the external audit procedures, the extent of audit coverage, materiality levels and proposed sampling methodology, documentation of the work performed and review and reporting procedures. Meetings with the OIOS officials shall be held at appropriate intervals during the audit period. We would need to be advised of and be allowed access to relevant internal auditing reports and be kept informed of any significant matter that comes to the internal auditor's attention which shall affect our work. Likewise, we shall inform the internal auditor of any significant matters which may affect their work.

#### Other Audit Assignments

We shall carry out additional specific examinations at the request of the IAEA General Conference and the Board of Governors and issue separate reports on the results thereof in accordance with IAEA Financial Regulation 12.05.

#### ***Number and level of staff to be involved in the audit***

The COA's strength comes from a core of professional and multi-disciplinary staff complement of 8,500 of which 85 per cent are professionals. It has 3,118 Certified Public Accountants (CPAs). The COA's professional accountants are active members of the Philippine Institute of Certified Public Accountants (PICPA), which is a member of the International Federation of Accountants (IFAC). Its professional staff are also members of the following organizations/bodies:

- Government Association of Certified Public Accountants
- Association of Government Accountants of the Philippines
- Philippine Association of Corporate State Auditors
- National Government Auditors Organization
- Local Government Auditors of the Philippines
- Association of CPAs in Education
- Information Systems Audit and Control Association
- Association of Government Internal Auditors
- Philippine Association for Government Budget Administration
- Integrated Bar of the Philippines

The COA's officials and auditors are proficient in oral and written English, and all auditors who graduated with their college/university degrees prior to school year 1987-1988 had at least 12 units of Spanish.

COA auditors regularly attend in-house trainings, professional conferences and seminars on auditing best practices and emerging trends and techniques. Selected

auditors are also sent abroad from time to time to undergo various trainings on auditing practices and approaches.

COA auditors for deployment to the United Nations (UN) agencies had undergone rigid screening and training on UN audits. Around 200 senior auditors who had direct audit work experiences in the UN and its Specialized Agencies and Programmes constitute the COA UN Pool of Auditors.

The IAEA audit shall be performed by a team of dedicated professionals with the required level of expertise in auditing international organizations. The COA Chairman, Mr. Reynaldo A. Villar, shall oversee the audit in general. In performing his assignment, he shall be supported by the COA Commissioner, Mr. Juanito G. Espino, Jr. as Audit Committee Chairman, and a senior COA Director to be designated as Audit Director. The Audit Director shall be responsible for the management of the IAEA audit and shall be supported by functional teams at the Headquarters and Regional Offices.

The proposed Audit Director and an estimated 15 auditors to be involved in the audit shall be sourced from the 60 auditors currently active in the COA UN Pool of Auditors (attached as **Annex A**). They all have professional accounting and/or auditing qualifications, i.e., they have passed the required professional licensure examinations for Certified Public Accountants (CPA) administered by the Philippine Professional Regulation Commission (PRC). About 63 per cent have masteral degrees and seven are lawyers. The proposed staff have direct experiences in the audit of the UN and its Funds and Programmes as well as specialized agencies which range from 3 to 270 months or an average of 14 months. Their audit work experiences particularly for financial and compliance and value for money audits range from 14 to 33 years. As they have been UN auditors, the proposed staff are exposed to audits of various information systems in the UN, including the SAP Enterprise Resource Planning (ERP) in previous UNICEF audits and Oracle ERP in FAO audits. They also have varying degrees of exposure in financial audit under the International Financial Reporting Standards (IFRS)/Philippine Financial Reporting Standards (PFRS) and/or IPSAS.

The proposed staff would still continue to undergo training courses as necessary to update and attune them to current developments in accounting and auditing as well as information technology, and to provide specialized knowledge and skills required in the audit of IAEA.

### C. Audit Fee and Auditor-Months for Audit of the Accounts for 2012 and 2013

#### *Proposed audit fee (in Euros)*

We propose an audit fee of Euro 263,000 corresponding to 22 auditor-months for 2012. Details are shown in the table below:

Name/ Job Title	No. of Auditor- Months	Total DSA	Travel Cost	Other Costs	Total
<b>Services at Headquarters</b>					
COA Chairman	0.30	7,500.00	3,750.00		11,250.00
Audit Director	4.00	31,440.00	4,500.00		35,940.00
Team Leader	2.80	21,222.00	3,000.00		24,222.00
Team Member	12.70	96,416.00	13,500.00		109,916.00
<b>Services at Regional Offices</b>					
Team Leader	1.00	7,860.00	3,000.00		10,860.00
Team Member	1.00	7,860.00	3,000.00		10,860.00
				60,000.00	60,000.00
<b>Totals</b>	<b>21.80</b>	<b>172,298.00</b>	<b>30,750</b>	<b>60,000.00</b>	<b>263,048.00</b>

The proposed audit fee includes mainly costs of daily subsistence allowance, travel, audit briefings/update seminars, attendance to meetings, other ancillary costs and contingencies. The fee does not include the salaries of the audit staff as they are permanent personnel of the Philippine Commission on Audit.

The same audit fee and auditor-months are proposed for 2013.

## **Estimated Total Number of Auditor-Months**

The details of the proposed 22 auditor-months for each financial period are as follows:

Name (if available) Job Title (a)	Type of Audit <sup>1</sup>					Grand Total Auditor- Months (h)=(d)+(g)	
	Survey/Interim Audit		Total Auditor- Month (d)= (b)*( c)	Final Audit			Total Auditor- Month (g)= (e)*( f)
	No. of Auditors (b)	Months ( c)		No. of Auditors (e)	Months ( f)		
<b>Services at Headquarters</b>							
COA Chairman <sup>2</sup>	1	0.3	0.3				0.3
Audit Director <sup>3</sup>	1	2	2	1	2	2	4
Team Leader <sup>4</sup>	1	1.3	1.3	1	1.5	1.5	2.8
Team Member <sup>4</sup>	4	1.3	5.2	5	1.5	7.5	12.7
<b>Services at Regional Offices</b>							
Team Leader <sup>4</sup>	1	0.5	0.5	1	0.5	0.5	1
Team Member <sup>4</sup>	1	0.5	0.5	1	0.5	0.5	1
<b>Grand Total Auditor-Months</b>			<b>9.8</b>			<b>12</b>	<b>21.8</b>

### **Explanatory Notes:**

<sup>1</sup> There shall be two audit visits (i.e., interim and final) for each financial period

<sup>2</sup> The COA Chairman shall attend a meeting of the Board of Governors/Conference once for each financial period.

<sup>3</sup> The Audit Director who is responsible for the management of IAEA audits shall also attend at least one meeting of the Board of Governors/General Conference.

<sup>4</sup> The audit teams shall be composed of five to six auditors at the Headquarters and two auditors at the Regional Offices per audit visit.

The first interim audit visit in 2012 shall include an audit survey of the IAEA as it is crucial to our understanding of the business of IAEA and accordingly, preparation of the strategic audit plan. Initial procedures to be performed shall cover the documentation of the system and/or updating the existing system documentation, identification and assessment of key controls, and analytical review procedures aimed at gaining knowledge of financial accounts. The extent of testing to be performed shall be based on the level of risk identified and the reliability of the internal control environment. Audit sampling in accordance with ISA 530 (Audit

Sampling and Other Means of Testing) shall be extensively used to ensure an efficient audit process.

The final audit at each financial period end shall involve detailed testing of account balances and review of disclosures made in the financial statements the results of which shall be evaluated to render an opinion on the financial statements for the period.

In addition to financial audit, value for money audit shall constitute a part of our proposed audit work to provide the IAEA General Conference and the Board of Governors assurance that issues related to efficiency, economy and effectiveness in the operations are identified and addressed.

## Annex A

### Proposed Staff with their Qualifications and Audit Experiences

	Name of Auditors	Academic Qualification*	Audit Experience	
			UN and Other International Organizations (man-months)	Commission on Audit (years)
1	Mutia, Rizalina Q.	CPA, MGM	270	26
2	Encallado, Winnie Rose H.	CPA, Lawyer, MNSA, MPA	168	29
3	Cabatuan, Sabiniano G.	CPA	72	31
4	Anacay, Joseph B.	CPA, MBA	30	32
5	Anacay, Lorna V.	CPA	38	31
6	Bernales, Cecilia E.	CPA, MBA	19	20
7	Arzadon, Remegio Jr. A.	CPA	13	22
8	Factora, Roberto F.	CPA, MM	13	20
9	Joves, Eleanor G.	CPA	14	18
10	Dela Cruz, Cora Lea A.	CPA	11	27
11	Yambao, Maria Theresa S.	CPA, MBPA	10	24
12	Baon, Miguela S.	CPA, MM	7	29
13	Ferrerros, Ma. Theresa B.	CPA	7	26
14	Gervacio, Ethel V.	CPA	7	24
15	Briones, Marilyn C.	CPA, MBA	7	23
16	Salazar, Concepcion V.	CPA, MBA	7	22
17	Sarmiento, Caridad A.	CPA	8	21
18	Sy, Manolo A.	CPA, Lawyer	6	31
19	Mendoza, Emmie M.	CPA, MBA	5	33
20	Catubay, Estelita B.	CPA	5	32
21	Gequinto, Teresita M.	CPA, MBM	5	30
22	Benitez, Lourdes D.	CPA, MPA	5	30
23	Nota, Edita O.	CPA	5	30
24	Catalon, Luisita A.	CPA, Lawyer	5	28
25	Pajara, Teresita A.	CPA, MPA	5	28
26	Inguillo, Ma. Lisa P.	CPA, MPA	5	26
27	Sison, Daria B.	CPA, MBA	5	26
28	Rugayan, Lilibeth N.	CPA, MPA	6	25
29	Miran, Marilyn B.	CPA, MBA	5	22
30	Ramos, Jocelyn R.	CPA, MM	5	19
31	Villariza, Vency T.	CPA, MPA	7	14
32	Manapsal, Beatriz T.	CPA, MBA	4	32
33	Padernal, Eduardo D.	CPA, MM	4	31
34	Mendoza, Annabeth D.	CPA	5	29
35	Carmen Antasuda	CPA, MM	4	29
36	Gorgonio, Raquel C.	CPA	4	28
37	Santos, Edna D.	CPA, Lawyer	4	28

	Name of Auditors	Academic Qualification*	Audit Experience	
			UN and Other International Organizations (man-months)	Commission on Audit (years)
38	Rafanan, Eden T.	CPA, MPA-Lawyer	5	26
39	Moises, Emma V.	CPA, MPA	4	26
40	Payofelin, Gloria Melba Joy C.	CPA	4	24
41	Cabochan, Lorna D.	CPA, MBA	4	21
42	Arlos, Teresita Y.	CPA, MBA	4	20
43	Yulde, Eyren M.	CPA	4	18
44	Guiling, Rasdy M.	CPA	5	14
45	Adelino, Mary S.	CPA, MNSA, MBA	3	30
46	Garcia, Shalymar M.	CPA, MBA	3	29
47	Recabo, Annie L.	CPA, MBA	3	27
48	Poserio, Ma. Cristina N.	CPA	3	27
49	Fortu, Edna P.	CPA, MBA, Lawyer	3	26
50	Oboy, Jaime N.	CPA	3	26
51	Masangcay, Elsielin C.	CPA, MBA	3	26
52	Benedictos, Connie G.	CPA, MPA	3	25
53	Segovia, Owen Celestino A.	CPA	3	25
54	De Joya, Lydia F.	CPA, MPA	3	25
55	Talob, Carmencita Eden C.	CPA	3	24
56	Guiriba, Willy N.	CPA	3	24
57	Odtojan, Marites A.	CPA, MBA	3	24
58	Calayan, Jerry A.	CPA, MBA	3	24
59	Tenorio, Corazon D.	CPA, MM	3	22
60	Lim, Perlita C.	CPA, MM, Lawyer	3	21
Average			14	25

\*Note: CPA - Certified Public Accountant

MGM - Masters in Government Management

MNSA - Masters in National Security Administration

MPA - Masters in Public Administration

MBA - Masters in Business Administration

MM - Masters in Management

MPBA - Masters of Business in Professional Accounting



No. VN-PH- 213 -2011

The Permanent Mission of the Republic of the Philippines presents its compliments to the Secretariat of the International Atomic Energy Agency and has the honor to refer to its VN-42-2011 dated 27 January 2011 on the candidature of the Philippine Commission on Audit (COA) for the provision of external audit services to the International Atomic Energy Agency for the period 2012 to 2013.

The Permanent Mission of the Republic of the Philippines has the further honor to inform that Mr. Reynaldo A. Villar, who was Chairperson of the COA at the time of the submission of its candidature, has resigned from the post. Mrs. Gracia M. Pulido-Tan has been appointed to replace Mr. Villar as COA Chairperson, and accordingly as the Philippine candidate for the post of IAEA External Auditor.

Attached is a copy of the curriculum vitae of Mrs. Pulido-Tan.

The Permanent Mission of the Republic of the Philippines avails itself of this opportunity to renew to the Secretariat of the International Atomic Energy Agency the assurances of its highest consideration.

Vienna, 28 April 2011

To the  
Secretariat of the International Atomic Energy Agency





# *Curriculum Vitae*

**MA. GRACIA M. PULIDO-TAN**

**Chairperson**

**Philippine Commission on Audit**

**External Auditor**

**Food and Agriculture Organization of the United Nations**

Tel. Nos: (632) 931-9220; 0917-819-9993

E-mail: [cmgptan@coa.gov.ph](mailto:cmgptan@coa.gov.ph)

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## **PROFESSION**

**Attorney-at-Law**

**Certified Public Accountant**

## **CORE COMPETENCIES**

***Legal, Finance, Governance and Administration expertise*** acquired from 28 years of professional work (in the Philippines, United States of America, People's Republic of China and the Kyrgyz Republic) as private law and accounting practitioner, Government official, professor, lecturer, author and international consultant

- Providing strategic advice and support in law, capacity development, strategic planning, partnership building, and economic reform measures;
- Developing and implementing corporate strategy and management systems;
- Reviewing, analyzing, and formulating policy measures, administrative processes, rules and regulations;
- Developing finance framework, revenue generating schemes, and resource mobilization programs;
- Managing project teams and undertaking performance monitoring, results-based reporting, and communication;
- Employing high level relational and communication skills.

## PROFESSION and WORK HISTORY

### A. National/Government Sector

- **Chairperson, Philippine Commission on Audit (5 April 2011 to present)**
- **Professor, University of the Philippines**
  - Mandatory Continuing Legal Education, UP Law Center and other MCLE providers ( 2005 to present; on call)
  - Income, Business and Transfer Taxes; Tax Remedies and Procedures College of Law (2001 – 2008)
  - Taxation Committee, UP College of Law Faculty (2010)
- **Consultant, Ways and Means Committee, Senate of the Philippines (2006)**
- **Undersecretary, Revenue Operations Group, Department of Finance, Manila, Philippines (May 2003-February 2005)**
  - Undersecretary-in-Charge
    - Bureau of Internal Revenue
    - Bureau of Customs
    - One-Stop Shop and Duty Drawback Center
    - Capital Market and Financial Institutions Tax Reforms
    - Securitization and SPAV Law Implementing Regulations
  - Chairperson, Task Force on Revenue Measures
  - Representative – LEDAC Legislative Working Group
  - Chairman, BIR Rulings Review Committee
  - Representative/Presentor, “Financial Blueprint of the Philippines in the Next 6 Years,” Philippine Investment Seminar organized by the Embassy of the Republic of the Philippines in Japan, Japan Business Federation, ASEAN-JAPAN Centre, Tokyo (2004)
  - Country Representative, ASEAN Member Countries’ International Tax Regimes – the Promotion of Economic Growth and Regional Investment,” ASEAN-Australian Development Cooperation Program, Bali (2004)
  - Country Representative, 13th Tax Conference, Asian Development Bank Institute/Japan Ministry of Finance/Organization for Economic Cooperation and Development, Tokyo (2003)

- **Expert Witness**, Philippine International Air Terminals Company, Inc. v. Government of the Philippines, ICC Case No. 12610/TE/MW/AVH, Philippine Build-Operate-Transfer Laws
- **Commissioner, Presidential Commission on Good Government**, Mandaluyong City, Philippines (October 2002-May 2003)
  - In-Charge of Research and Finance
  - Asset Management
  - Government Nominee Director, United Coconut Planters Bank and Independent Realty Corporation

## **B. International**

- **External Auditor, Food and Agriculture Organization of the United Nations** (5 April 2011 to present)
- **Team Leader and International Project Management Specialist, Tax Administration Reform and Modernization Project for the Kyrgyz Republic**, Asian Development Bank/ Kyrgyz Republic (2008-2009)
- **Legal Consultant, Electronic Governance for Efficiency and Effectiveness**, Canadian International Development Agency / BearingPoint, Inc. Philippines (2007-2008)
- **International Tax Administration Specialist, China Tax Reform Project**, Asian Development Bank /People's Republic of China (2005-06)
- **Tax Specialist, KPMG Peat Marwick Main & Co.**, New York City, USA (1987)

## **C. Private Sector**

- **Independent Director, Asia United Bank**, Philippines (2007 to 4 April 2011)
- **Independent Director, Rural Bank of Angeles**, Philippines ( 2010 to 4 April 2011)
- **Partner, Tan & Venturanza Law Offices**, Pasig City, Philippines (1988-October 2002)
  - Tax and Estate Planning
  - Corporations and Special Projects
  - Investments and Doing Business
  - Property Transactions and Development
  - Partner in Charge for Finance, Training and Professional Development

- *Associate, Sycip Salazar Feliciano & Hernandez, Makati City, Philippines (1982-1986)*
  - Tax and Corporations
  - Banking and Finance
  - Labor Standards and Litigation

## **EDUCATION and TRAINING**

### ***Master of Laws (Tax), New York University (1987)***

- Gerald L. Wallace Scholar

### ***Bachelor of Laws, University of the Philippines (1981)***

- Seventh Place, Class of 1981
- College Scholar
- Member, Order of the Purple Feather
- Member, Editorial Board, Philippine Law Journal
- Team Captain, 1980 Jessup Moot Court Competition in International Law, Washington, D.C., U.S.A.

### ***B.S. in Business Administration & Accountancy, University of the Philippines (1977)***

- College Scholar
- UP-Government Scholar
- Staff Member, Philippine Collegian

### ***Other Trainings, International Taxation and Wealth Transfer***

- International Bureau of Fiscal Documentation (Amsterdam)
- International Bar Association (London)
- American Bar Association (Washington, DC)

## **PROFESSIONAL MEMBERSHIPS**

### ***International Bar Association (London, United Kingdom)***

- Individual Tax and Estate Planning, Wills, Trusts and Succession
- Membership and Marketing, Committee N
- Practice Management and Technology

***American Bar Association (USA)***

- International Associate, Sections on Taxation, International Law and Practice, and Law Practice Management

***Tax Management Association of the Philippines***

- President, 1997
- Representative to various technical working groups of the Philippine Bureau of Internal Revenue

***Asia-Oceania Tax Consultants Association (Japan)***

- Vice President, 1997

***Philippine Institute of Certified Public Accountants***

***Integrated Bar of the Philippines***

***U.P. Women Lawyers' Circle***

- Trustee and Treasurer, 2008 to present

**PAPERS, LECTURES AND CONFERENCES**

***International Consultant, Philippines, "Estate Planning for US Citizens,"*** authored by Michael Galligan, Esq., New York, USA, Thomson Reuters (Oct. 2009)

***New York State Bar Association International Law and Practice Section***

- Panelist, "Comparative Estate Law – Funds and Families Moving Across Borders," Singapore (2009)
- Panelist, "Cross Border Estate Planning From A Western Pacific Perspective," Shanghai (2006)

***International Law Practicum*** (Journal of the New York State Bar Association's International Law & Practice Section), USA

- Author, "Estate Planning Considerations Under Philippine Law," 1 International Law Practicum, Vol. 20 (Spring 2007)

***Asia- Oceania Tax Consultants' Association***

- Speaker, "AOTCA: Catalyst for Best Practice in Tax Administration," Shanghai (2008)

- Speaker, "*The Use of Fiscal Policies to Attract Foreign Investments*," Hong Kong (2006)

***U.P. Law '81 Tax Lectures***, Manila (2006)

- Lecturer, "*Taxation of Mergers and Acquisitions*"
- Lecturer, "*Estate Planning Techniques*"

***International Tax Services Group***, Boston (Sept. 2010)

- Speaker, "The Challenges of Tax Reform"

***Ministry of Finance***, People's Republic of China (2006)

- Lecturer, "*Effective Tax Administration*," PROC Tax Officials Conference, Guilin, China

***Philippine Institute of Certified Public Accountants Summit***, Cebu (2005)

- Speaker, "*Tax Measures for Economic Growth*"

***Non-Performing Assets Conference***, Manila (2004)

- Speaker, "*Philippine Situationer and Non-Performing Assets Impact on the Philippine Economy*"

***Philippine Association of Management Accountants***, Manila (2004)

- Speaker, "*Enhancing Values for Strategic Leadership*"

***Association of Certified Public Accountants in Public Practice***, Manila (2003)

- Speaker, "*The Professional Responsibility of Public Accountants in Fiscal Deliverance*"

***International Wealth Transfer Practice Conference***, London (2002)

- Speaker, "*Estate Planning Techniques for Latin American, Middle Eastern and Asian Clients*"

***International Bar Association***

- Panel Chair, "*Customary and Statutory Succession*," Durban, South Africa (2002)
- Panel Chair and Speaker, "*Offshore Trusts*," Cancun, Mexico (2001)

***World Women Lawyers Conference***, London (2001)

- Speaker, "*Restrictions on Transfer of Assets in a Regime of Forced Heirship*"
- Speaker, "*Women and Children in the Family: The View from the Philippines*"

*Asia-Oceania Tax Consultants Association Conference, Taipei (1999)*

- Speaker, *“The Philippine Income Tax System”*

*First National CPA-Lawyers Convention, Cagayan de Oro (1998)*

- Speaker, *“The Role of CPA-Lawyers in Tax Practice”*



PERMANENT MISSION OF SPAIN  
TO THE INTERNATIONAL ORGANIZATIONS  
VIENNA

NV/ No. 13/2011

The Permanent Mission of Spain to the United Nations Office and the international organizations in Vienna presents its compliments to the International Atomic Energy Agency (IAEA) and, with reference to the Note by the Secretariat 2010/Note 64 dated 3 December 2010, has the honour to nominate Mr Manuel NÚÑEZ PÉREZ, President of the Spanish Court of Audit, for appointment as the IAEA External Auditor for a period of two years, i.e. for the financial years 2012 and 2013.

As President of the Spanish Court of Audit — the supreme body in this field, provided for in the Spanish Constitution, which guarantees its independence — the candidate has the highest level of professional competence, as well as considerable experience in the auditing of international organizations.

The President of the Court of Audit, in response to the IAEA's requirements, offers a high-quality technical and professional approach to the auditing of the Agency and would provide an extremely cost-effective team of the highest standard specialized in international organizations.

The nomination of Mr Núñez Pérez has the full support and confidence of the Spanish Government.

The curriculum vitae of the nominee is attached, along with a presentation of the approach to the proposed audit, the number and level of staff that would be involved, a financial proposal in euros and an estimate of the time that the auditors would devote to the work, expressed in auditor-months.

The Permanent Mission of Spain takes this opportunity of reiterating to the International Atomic Energy Agency the assurances of its highest esteem.

Vienna, 27 January 2011

[stamp of the Permanent Mission of Spain to the  
international organizations]



**PROPOSAL FOR APPOINTMENT OF EXTERNAL AUDITOR OF  
THE INTERNATIONAL ATOMIC ENERGY AGENCY (IAEA)**

*(financial years 2012-2013)*

*(SUMMITTED BY THE COURT OF AUDIT OF SPAIN)*

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**- I. -**

**CURRICULUM VITAE OF MR. MANUEL NÚÑEZ PÉREZ,**  
**PRESIDENT OF THE TRIBUNAL DE CUENTAS (SPANISH SAI)**

**I. PERSONAL DETAILS:** Mr. Nunez was born in Órbigo (Leon), Spain, on 28 October 1933.

**II. TRAINING AND COMPETITIVE EXAMINATIONS:**

- He is lawyer of the Bar Association of Madrid and a State Civil Servant.
- Law Degree from the University of Oviedo (Spain). He also studied journalism at the *Complutense* University of Madrid (Spain).

**III. PROFESSIONAL DETAILS**

**1. At the Spanish Court of Audit:**

- Mr. Núñez was elected Member of the Spanish Court of Audit by the Parliament on 30 October 2001. He was appointed, by the Full Session of the Court of Audit, President of the Auditing Section of the Court of Audit and Head of the Audit Department for Regions and Autonomous Cities on 12 November 2001.
- The Full Session of the Court of Audit, elected Mr. Núñez as President of the Institution on 12 November 2007. He was appointed by Royal Decree 1539/2007 of 23 November 2007, and designated as such by H.M. the King of Spain.
- As President of the Spanish Court of Audit, Mr. Núñez holds also the position of Secretary General of the European Organisation of Supreme Audit Institutions (EUROSAI), International Organisation made of 50 Members (Supreme Audit Institutions of 49 European countries, and the European Court of Auditors). In this capacity, he participates actively in international forums and meetings related to auditing, as well as in the meetings held at national and international levels in this field. In this context, Mr. Núñez develops a very active activity for keeping contacts and communication among EUROSAI members, and supporting the Congress and the Governing Board of the Organisation (*please, see item of this proposal concerning the international activities of the Spanish Court of Audit*).
- Mr. Núñez takes part, on regular basis, in the Congresses and activities of the International Organisation of Supreme Audit Institutions (INTOSAI) -in his double capacity of President of the Spanish Court of Audit and Secretary General of EUROSAI-. He also participates in a number of the INTOSAI Committees, Sub-Committees and Task Forces, where the Spanish Supreme Audit Institution is a member.

- Mr. Núñez participates in the Assemblies of the Organisation of Latin-American countries Supreme Audit Institutions (OLACEFS); Institution where the Spanish Court of Audit takes part as Adherent Member.
- Mr. Núñez keeps permanent international collaboration with a number of Supreme Audit Institutions, with which international cooperation agreements have been signed for exchanging knowledge, skills and information, and developing joint audit initiatives in the field of public funds auditing. He is also involved in supporting other Supreme Audit Institutions under projects for technical assistance for enhancing capacity building.
- In the framework of the European Union, Mr. Núñez is a member of the Contact Committee of Presidents of EU Supreme Audit Institutions; assembly for exchanging experiences related to the auditing of UE funds and promoting the collaboration in the EU context, taking common positions on the new EU developments, and developing joint audit activities in the EU area.
- Mr. Núñez has leaded the external audits of several international organisations and programmes, twinning projects and technical assistances entrusted to the Spanish Court of Audit.
- He has published several works in connection to the performance of the functions of the *Tribunal de Cuentas*, the role of Supreme Audit Institutions and the challenges they face for contributing to the improvement of management and good governance, the benefits of cooperation for strengthening public external audit, and the coordination among entities in charge of the control/audit of the public sector financial and economic activity.

## **2. In the State General Administration and Government:**

Among others, Mr. Núñez has held the following positions:

- Director of the Publications Service of the Ministry of Education and Culture (1976).
- Secretary of State for Employment and Work Relations (1980).
- Minister of Health and Consumption (1981-1982).

## **3. At the Parliament**

- Mr. Núñez has been Member of the Parliament (MP) during several legislatures.
- Within his duties as MP Mr. Núñez took part in the Committees on Rules, Budget, Infrastructure, Public Administration, Justice and Home Affairs, Education and Science, Social Policy and Employment. He held in these committees the positions of President, Secretary or Spokesperson.
- He has participated as a Speaker and Spokesman on numerous organic and ordinary laws.

#### **IV MERITS AND HONORS**

- He is a Doctor *Honoris Causa* by the University of San Antonio de Cuzco, Peru
- He holds several decorations, including:
  - Grand Cross of Charles III.
  - Order of Constitutional Merit.

- II. -

**NATIONAL AND INTERNATIONAL ACTIVITIES OF THE  
COURT OF AUDIT OF SPAIN (TRIBUNAL DE CUENTAS DE  
ESPAÑA): RANGE OF AUDIT ACTIVITIES ENVISAGED**

**BACKGROUND, LEGAL FRAMEWORK AND STATUS OF THE *TRIBUNAL DE CUENTAS***

The Spanish Court of Audit, in its current form, was established by the Constitution of 1978, though the origins of a certain kind of audit of public funds in Spain can be found in the XV Century. The institutions that have been carrying out that task, have adopted historically different structures and denominations up to the present model.

The current Court of Audit of Spain is described in the Constitution as "*the supreme audit institution, responsible for auditing the accounts and economic management of the State and the public sector*" (section 136). The Constitution sets out its functions, independence, the governing principles and the status of its members. It also includes provisions for further legislation to regulate its composition, organisation and duties.

That provision was fulfilled by the Spanish Court of Audit's Organic Act (*Ley Orgánica 2/1982*, of the 12<sup>th</sup> May), which set the powers entrusted to the SAI. It also ratified the status of the Institution as completely independent in the performance of its functions and subject only to the Law. It recognizes, as well, its competence to approve its own budget. The above-mentioned Act was developed by the Spanish Court of Audit's Functioning Act (*Ley 7/1988, de Funcionamiento del Court of Audit* of 5<sup>th</sup> April), that regulates the procedures through which the Institution carries out its audit and jurisdictional functions.

The independence of the Spanish Court of Audit involves the independence of the Institution itself (at organic, functional and budgetary levels), of its Members and the staff:

*- Independence of the Institution:* The Court of Audit doesn't depend on any other Entity. It deals with the Parliament, providing it technical reports concerning the financial management of the public funds attending to criteria of legality, regularity, efficiency, efficacy and economy, for the Parliament to carry out its competence of political control of the Government. The Court of Audit carries out its competence with full independence: the full Session approves the Annual Audit Programme (where audit requests from the Parliament are also included), approves its own audit standards and procedures, develops the audit procedures, applies its financial resources to the audit in the way considered appropriate and approves the audit reports. No influence or mandate can be received by the Court of Audit in the development of its competences, apart from the ones given by Law.

- *Independence of the Members of the Spanish Court of Audit (Audit Counsellors)*: They are appointed by the Parliament (six by the Upper Chamber and six by the Lower Chamber), by three-fifths majority vote in either House (60% majority). A specific and qualified background is needed for being appointed Member of the Court of Audit. The mandate of the Members lasts 9 years (whilst the Houses' term lasts 4). The agreements concerning the audit function are taken by the Full Session, which requires the agreement of the majority.

The Audit Counsellors are independent and irremovable and they are subject to the same causes of disqualification, conflict of interest and prohibitions as established for judges. They will cease to serve in their position either when their term of office expires, by reasons of conflict of interest, by virtue of non-revisable judicial sentence, or by reasons of disqualification or death.

- *Independence of the staff*: (please, see item below concerning the staff of the *Tribunal de Cuentas*)

- *Budgetary independence*: The Spanish Court of Audit draws up its own budget, which is incorporated in an independent section of the General State Budget and is subject to the approval of the Parliament without amendments. The Court manages its own budget.

## **STRUCTURE, COMPOSITION AND ORGANISATION OF THE *TRIBUNAL DE CUENTAS***

The *Tribunal de Cuentas* consists of 12 Members, Audit Counsellors. As said, they are elected by the Parliament by a qualified majority of the three fifths of the Chamber. The Organic Act of the *Tribunal de Cuentas* specifies that, in order to qualify for election as an Audit Counsellor, an individual must have at least 15 years' professional experience either as an auditor or attorney of the *Tribunal de Cuentas* or as a certified public accountant, magistrate, university teacher, public functionary belonging to Bodies in which higher academic qualification is a requisite for incorporation, solicitor or economist, all of accredited competence. All Members are elected together for a nine-year period. They are eligible for reappointment.

The Audit Counsellors are independent and irremovable. They have the status of judges and all of them have an equal standing within the *Tribunal de Cuentas*. The President of the Court has specific faculties and has the condition of "primus inter pares". The supreme decision-making body is the Full Session (Pleno), which is composed by all 12 Audit Counsellors and the Prosecutor. The Full Session has, among others, the competences to approve the Annual Audit Program, to agree the initiation of the auditing procedures, to establish technical directives to which the different auditing procedures must be submitted to, to approve the reports, to raise conflicts affecting the *Tribunal de Cuentas*' competences or attributions and to consider appeals from administrative decisions delivered by organs of the *Tribunal de Cuentas*.

The President of the *Tribunal de Cuentas* is elected by the Full Session among the Audit Counsellors for a three-year mandate –with possibility of reelection-, and he/she is appointed by the Monarch. The President represents the *Tribunal de Cuentas* and, among others, has the faculties to convene and preside over the Full Session and the Ruling Committee (*Comisión de Gobierno*), to exercise supreme authority in respect of the staff, to exercise top level inspection of the *Tribunal de Cuentas's* internal services and secure their coordination and efficiency, and to order expenditure.

The Ruling Committee is comprised by the President of the *Tribunal de Cuentas* and the Presidents of the Audit and Jurisdictional Sections. The Presidents of both Sections are elected at the same time than the President of the *Tribunal de Cuentas* and for the same period. The Ruling Committee has, among others, the following functions: to maintain permanent relationships with the Parliament, to prepare the meetings of the Full Session drawing up the appropriate agenda and proposing it to the President, and to lay down the working regime for the staff.

The Auditing Section (*Sección de Fiscalización*) is comprised by the Audit Counsellors responsible for each of the seven Audit Departments. One of them is also the President of the Section. The functions of the Auditing Section include the monitoring of the auditing procedures handled by the Departments and the endorsement of the draft audit reports to be proposed to the Full Session for approval.

As said, seven Departments carry out the audit tasks within the *Tribunal de Cuentas*. The work is assigned following sector and territorial criteria: the First Department covers the General Statement of State Accounts and the economic Ministries; the Second, the public sector related to the political-administrative area; the Third, the management of the Social Security and Social action plans; the Fourth, the public enterprises of the State; the Fifth, the financial public entities and foundations of the State; the Sixth, the Regional administrations and the Seventh, the local entities and administration. There is also a Unit in charge of the audit of political parties under the direction of two Audit Counsellors.

The Trial or Jurisdictional Section (*Sección de Enjuiciamiento*) is made up of the President of the Section and three Audit Counsellors; each of those three Counsellors is in charge of a first instance jurisdictional Department. The jurisdictional function is exercised in first instance by an Audit Counsellor, and in appeal by a Bench -that is made up of the President of the Section and the two Audit Counsellors in charge of Jurisdictional Departments, that have not judged the case in the first instance-.

The *Tribunal de Cuentas* Prosecutor's Office is a functional dependency of the State Prosecutor. Their functions are to further the action of justice in defence of legality and the protection of public interests.

There is also a Secretary General (*Secretario General*), who is elected by the Full Session among the civil servants at the service of the Court of Audit belonging to the Senior Bodies of Attorneys or Auditors of the Court of Audit, or other Senior Bodies of the public Administration working in the Institution. The Secretary General carries out functions

conductive to support the performance of their governing duties by the President, the Full Session and the Ruling Committee, in all matters concerning the internal operation of the *Tribunal de Cuentas* (such as management, handling, documentation and registering). The Secretary General takes part in the Full Session and Ruling Committee meetings as a non-voting member and draws up the minutes, and also provides legal advice to the ruling bodies of the Court of Audit. He/she exercises, under authorisation of the President, whatever powers devolved upon him,-in personnel matters and as contracting organ-, which do not require prior authorisation by or cognisance of the Full Session or the Ruling Committee. The Secretariat General is organized into those administrative units which may be necessary in order to attend dealing with files, administrative management of general and governmental matters and those affecting personnel, economic and budget matters, the inspection and performance of its own services, purchases and acquisitions, computerization and data processing, the general registry, the archives and the library.

### **THE STAFF OF THE *TRIBUNAL DE CUENTAS***

The staff at the Court of Audit's service are mainly civil servants. There are also regular and temporary personnel.

The *Tribunal de Cuentas* has a staff of some 750 people, including approximately 450 professional staff (200 senior auditors and attorneys, and 250 junior auditors). The rest of the staff takes on administrative and support duties. The professional staff of the *Tribunal de Cuentas* is composed of members of the specific three Bodies of the *Tribunal de Cuentas* (Senior Bodies of Attorneys and Auditors, and Junior Auditors) and other personnel belonging to Senior or Junior Bodies of the Public Administrations. All of them are university graduates, mainly in Law and in Economics and had to pass very strict competitive examinations in order to join the *Tribunal de Cuentas*. There are also IT experts.

The qualifications demanded to join the Spanish Supreme Audit Institution, reinforced by the continuous training offered according to the internal Training Programme, as well as the experience gained and the procedures set in place, are a guarantee for the good results obtained in the audits performed. The Spanish Court of Audit is aware of how important it is to provide its staff with means and resources to update the professional knowledge that they require to carry out their tasks.

The Court of Audit pays special attention to the improvement of the continuous training of its staff on fields such as auditing and accounting; budgetarial, economical-patrimonial and national accounting and the criteria applied in their elaboration; EU funds audit, auditing practice, public foundation auditing; performance audits...

This guarantee of professionalism is also backed by the participation of officers from the Spanish Supreme Audit Institution in the external audit of international institutions and agencies, as well as in international seminars in the auditing field.

The staff of the Court of Audit, while auditing, are subject to the main principles of impartiality, objectivity, expertise and professional qualification, professional diligence and professional secret, being a concrete assignment of competencies among them and taking on responsibilities. The professional activity of our personnel is conducted according to a code of ethics.

### **FUNCTIONS AND NATIONAL ACTIVITIES OF THE TRIBUNAL DE CUENTAS: RANGE OF ACTIVITIES ENVISAGED**

The two functions of the *Tribunal de Cuentas* are described as: the permanent and ex-post external auditing of the economic and financial activity of the public sector; and the trying for accounting liability where such arises in respect of persons entrusted with the handling of public monies or assets.

#### **THE AUDITING FUNCTION**

The *Tribunal de Cuentas* is responsible for performing the external, permanent and ex-post auditing of the economic-financial activity of the Spanish public sector. The Spanish Court of Audit has full competence over all the public funds throughout all the national territory (Section 136 and 153.d of the Spanish Constitution), including the audit of EU funds managed by national authorities.

The auditing function consists in verifying that the economic-financial activity of the public sector applied to the execution of public sector income and spending programmes, conforms to the principles of legality, efficiency, efficacy and economy. So, in the performance of the auditing function, the *Tribunal de Cuentas* will analyse, not only the accuracy and reliability of the accounts of the public entities, but it will also verify that the economic-financial activity conforms to the mentioned principles in the execution of public income and spending programmes.

The public sector in Spain is composed of the State administration; Regional Administration; Local Administration; Social security and its management bodies; public Agencies, public corporations and other public enterprises (at State, regional and local levels).

Moreover, the *Tribunal de Cuentas* is also responsible for auditing subsidies, credits, endorsements and other public sector assistances received by private natural or legal persons; also, to perform other supervisory activities on specific issues, such as on political parties (ordinary activity; and EU, presidential, regional and local electoral activity).

In this regard, the Organic Act for Funding Political Parties (*Ley Orgánica 3/1987*, of 2<sup>nd</sup> July), attributes the *Tribunal de Cuentas* the competence to exercise the external audit of the accounts and financial statements of the political parties that perceive funds from the public budget, due to their representation into the Lower Chamber of the Parliament. The Organic Act of the General Electoral Procedure (*Ley Orgánica 5/1985*, of 19<sup>th</sup> June) entrusted the

*Tribunal de Cuentas* the competence to verify the accounts and financial statements related to electoral campaigns of those political organizations that perceive electoral funds.

The auditing function of the Spanish Court of Audit covers, among others, the following fields:

- The examination and checking of the General State Accounts.
- The examination and checking of the General and partial Accounts of all the bodies and institutions included in the public sector (State, regional and local levels), and those which persons who draw or are beneficiaries of aids from the public sector must produce.
- The examination of files related to public procurement (at State, regional and local levels).
- The examination of the status and variations in the patrimony of the State and other bodies of the public sector.
- The examination of files related to extraordinary and supplementary loans, as well as those concerning inclusions, extensions, transfers and other modifications made to the initial budget loans.

The initiative for the auditing function is held by the *Tribunal de Cuentas*, the Parliament, and, within their particular sphere of competence, the regional legislative assemblies.

The Full Session of the Court of Audit adopts the Annual Audit Programme every year. This Programme consists on a list of the audits to be developed during the period, including the ones imposed by the regulations, those audits agreed by the *Tribunal de Cuentas ex-officio*, and those ones requested by those legally empowered to do so (the Parliament and the Regional legislative assemblies) -if considered appropriate-.

The audit activity is subject to detailed and rigorous procedures described in its own regulations, which guarantee the reliability and foundation of the results. The *Tribunal de Cuentas* has developed its own technical standards, in accordance with the INTOSAI Audit Standards (ISSAIs), Regulations and Principles, as well as with the other international audit standards generally accepted.

### **Submit of annual accounts**

Every entity belonging to the public sector is obliged to submit its annual accounts to the *Tribunal de Cuentas*. The states and documents, the procedure, the time to do it and the authority in charge of, are determined in their specific laws and regulations. The recipients or beneficiaries of public aids like subsidies, loans or guarantees, as well as those private individuals who administer, collect or look after public funds or securities are also under the

obligation to submit the accounts established by law. Every contract signed by any public entity has also to be submitted to the *Tribunal de Cuentas*.

The political parties that receive funds annually due to their presence into the Lower Chamber of the Parliament must also submit their annual statements. The political parties that, according to the electoral regulations, receive public funds to finance political campaigns or have the right to perceive them -due to their electoral results-, must also present the accounts and states of the campaign activity under the date and conditions established in the regulations.

### Auditing procedures

The audit process is submitted to the legal prescriptions contemplated into the specific Acts of the *Tribunal de Cuentas* and, where these are lacking, to the provisions of the Administrative Procedure Act (*Ley 30/1992*, of 26<sup>th</sup> November).

The Functioning Act of the *Tribunal de Cuentas* highlights that the auditing function is carried out by means of the examination of the different general annual accounts of public entities, of any other account statement of any public entity or particular granted with public funds (such as subsidies, loans or guarantees), of the files related to contracts made by public entities, of the status and variations in the public patrimony, of the files of modifications made to the initial budget loans and any other measures which may prove to be suitable for the reliable fulfillment of its function (section 31). The accounts are examined by the correspondent Department of the *Tribunal de Cuentas* that can develop it by using the sample-selection system and applying auditing techniques.

The *Tribunal de Cuentas* carries out different kinds of audit: legality, regularity, compliance, audit of systems and procedures and performance audit. Usually it develops them in a combined way, as it analyses the different aspects involved in the management of public funds.

The main guidelines of each audit ("Technical Directives") are approved by the Full Session. The audit field-works are carried out by an audit team, according to the working programs and applying the generally accepted audit rules and principles.

According to Section 27.2 of the Functioning Act, the *Tribunal de Cuentas* may obtain and use, for purposes of the exercise of its auditing function, the results of any auditing function or internal control carried out in the bodies of the public sector, or the results of the external auditing of the regional audit institutions, in the manner established in the Act.

As the first step of the audit works, the existence and functioning of the internal control is always tested, in order to establish the grade of confidence the external audit can rely on them. Their results, as well as the reports from other external audit bodies or experts, when available, are studied and taken into consideration by the Court o Audit to the appropriate extent -after the necessary checks-.

The Audit work has never been subcontracted to private audit companies or contracted with other experts so far, although it could be done under our Regulations (Section 7.4 of the Organic Act establishes that the *Tribunal de Cuentas* may commission suitably-qualified experts). In any case, the results of the work of those experts should be assumed by the *Tribunal de Cuentas*, not being considered in legal terms as the work of the private audit company that had materially carried it out.

In all the procedures, the draft audit report is remitted to the audited body, thus enabling it to make comments, which are taken into account, when appropriate, and included -as an appendix- in the report or memorandum adopted by the *Tribunal de Cuentas*. In its report, the Tribunal records any infringements it detects, indicating any liability arising in its view and the steps required for the prosecution thereof.

The findings of the audit are drafted in reports and ordinary or extraordinary memoranda, submitted to the Parliament and published in the Official State Gazette. When the auditing activity refers to regions or to bodies dependent on them, the report is sent also to the regional legislative assembly and it is published in the Regional Official Gazette.

The *Tribunal de Cuentas* can also submit to the Parliament Motions or Notes, whenever it may consider appropriate, proposing those measures which, in its opinion, are conducive to the improvement of the economic-financial management of the Public Sector, in the light of the reports or memoranda and of the result of its auditing or the auditing procedures within its knowledge.

### **Reporting to the Parliament**

The *Tribunal de Cuentas* produces the following audit documents to be presented to the Parliament:

- *Annual Memory of Performance*: it shows a summary of the audit and jurisdictional activities, as well as the institutional and international relations developed during the previous year, highlighting the most relevant audit results.
- *Annual Final Declaration of the General Statement of State Accounts*: Specific provisions are contemplated for performing it. The General Statement of State Accounts is produced by the State Internal Control Body (IGAE), according to the prescriptions contained in the General Budgetary Act, and is submitted to the Court of Audit by the Government within 10 months after the end of the year. It includes the State Administrative Public Sector, the State Public Companies Sector and the State Foundational Public Sector. The *Tribunal de Cuentas* examines the General Statement by delegation of the Parliament. The Full Session of the *Tribunal de Cuentas* must approve the Final Declaration. It is passed to the Parliament and copied to the Government.
- *Annual Report of the activity of the Regional and Local Public Sectors*: in order to provide the Parliament with information similar to that referred to the State Public

Sector. This report is produced taking into account the Annual Reports of the Annual General Statements of regions and local governments.

- *Special audit Reports* on issues agreed by the Court of Audit, according to its priorities included in the Annual Audit Programme.

- *Motions or Notes*: the *Tribunal de Cuentas* can submit to the Parliament whatever recommendations that it may consider appropriate, taking into account its audit experience and its knowledge on the operating of the entities of the public sector. It proposes legal measures and/or good practices that, in its opinion, can conduct to improvements in the public management.

All the audit reports, motions and notes approved by the Full Session of the *Tribunal de Cuentas* are presented to the Parliament by the President of the Institution for its parliamentary processing. The consideration of the reports of the *Tribunal de Cuentas* by the Parliament is carried out through the Mixed Committee for the Relationship with the *Tribunal de Cuentas* (*Comisión Mixta Congreso-Senado para las Relaciones con el Tribunal de Cuentas*). This Committee consists on members of both the Lower Chamber and the Higher Chamber of the Parliament.

All the reports of the *Tribunal de Cuentas* and the resolutions adopted by the Parliament concerning their fulfilment are published in the Official Gazettes. Reports are also available on the *Tribunal de Cuentas*' website ([www.tcu.es](http://www.tcu.es)).

### JURISDICTIONAL FUNCTION

The jurisdictional function of the *Tribunal de Cuentas* are confined to the Jurisdictional Section, over those accounts that the persons "*collecting, auditing, administering, keeping safe, managing or utilising public goods, monies or assets are obliged to render*". The purpose of the accounting jurisdiction of the *Tribunal de Cuentas* is to get the recovery of mismanaged public funds. The *Tribunal de Cuentas* does not decide about criminal responsibilities (that stay under the scope of the criminal courts), but it has to sentence about the accounting responsibilities coming from the same facts; so that both procedures (accounting and criminal) are compatible. The Jurisdictional Section examines cases referred to that kind of responsibility at the request of the Prosecutor, the Public Administration affected by the damage or under public action. The Prosecutor is competent to start the procedures of accounting responsibility and to intervene in those in progress defending the public interest.

The Functioning Act establishes that "*the accounting jurisdiction shall hear the claims for liability emerging from the accounts which such persons in charge of handling public funds are obliged to render, and which are construed against them when, through wilful misconduct, fault or serious negligence, they cause deficits in those funds as a result of actions or omissions contrary to the regulatory laws of the budgeting and accounting procedures which proves to be applicable to public sector entities. Or, where appropriate, to the persons or entities receiving subsidies, credits, endorsements or other aids from that*

*sector. It will only hear secondary liabilities when the direct liability, declared beforehand and not rendered effective, is accountable" (section 49.1).*

The liability for the loss or waste of public money is personal. Where a public official or an individual that manages public funds is directly liable because has wilfully acted in a way that has resulted in loss or waste, he or she must repay the full amount of the loss. Where it is not feasible to prosecute the person directly liable, it may be possible to prosecute a person who could have prevented the act and did not. This is known as subsidiary liability and arises particularly where the second person was negligent in carrying out supervisory duties. The *Tribunal de Cuentas* can also judge private persons if they have illegally received public subsidies or other public funds, or if they cannot prove that the money has been spent on the purposes established by regulations.

The Jurisdictional Section deals with the initial handling of legal proceedings carried out under accounting law, the procedures prior to the initiation of those proceedings, and cases heard by the *Tribunal de Cuentas* as a matter of first instance or appeal. It also carries out the appeals against resolution presented on certain proceedings that are of an administrative nature and are handled by the affected public Administration in the field of accounting responsibilities. The procedures also include precautionary measures against the goods of the possible civil responsible of the loss.

The appeals for rehearing against the resolutions of the *Tribunal de Cuentas* can be presented to the Supreme Court of Justice (*Tribunal Supremo*).

Only the *Tribunal de Cuentas* is competent to carry out the jurisdictional function in relation to the accounting responsibility. Nevertheless, it can delegate some of its administrative activities related to the preparation of the procedures to the regional audit institution.

### **INTERNATIONAL ACTIVITIES OF THE SPANISH TRIBUNAL DE CUENTAS : ACTIONS ENVISAGED**

The interest of the Court of Audit for the international relations has a long tradition. Its intervention has been very active in the constitution of the Regional Organisations of Supreme Audit Institutions (SAIs). These relations have been object of a special impulse during the last decades, constituting a reflective priority from the integrative movements operating in the current times.

#### **ACTIVITIES IN THE SCOPE OF THE EUROPEAN UNION**

The Spanish Court of Audit carries out its competencies and, in general, it develops its performance, not only in the national scope and with internal reach, but also in the international field. It can even be affirmed that, in occasions, the national exercise of its own functions has an international impact. This fact has a clear manifestation in the activities and relationship maintained in the framework of the European Union (EU).

The relationship between The Spanish Court of Audit and the European Court of Auditors (ECA) can be contemplated from the double functional and organic perspective.

The first perspective includes the group of interconnections that arise as a consequence of the concurrence of audit competencies of both Institutions regarding the EU funds managed in Spain. The second of the mentioned aspects refers to the institutional relationships developed in the EU framework between the Spanish Court of Audit and the ECA as well as with the SAIs of the Member States of the UE.

a) Relations derived of the audit of the Community funds managed in Spain:

The Spanish Court of Audit is competent to audit the economic-financial administration of the public sector and, in consequence, the EU funds applied by Spanish entities. This auditing is carried out following the same procedures, in the same way and jointly with that of the funds of national origin. In consequence, the results of the audits of the Spanish Court of Audit, in what refers to EU funds or projects, activities or public initiatives financed with them, are of great interest for the ECA. For this reason, the Spanish SAI sends to ECA a copy of its audit reports.

Even when the responsible entity before the Parliament and the European Council for the management of EU funds is the European Commission, and since more than 80% of those funds is administered by the member States, ECA carries out in these ones on-the-spot audits with the purpose of verifying the national administration of the EU funds. In this framework, the Spanish Court of Audit collaborate with ECA in the framework of section 287.3 of the Functioning Treaty of the European Union, that establishes the general principles of "cooperation", "mutual trust" and respect to the "independence" of each Institution.

Due to the lack of other provisions to regulate how to make this cooperation effective, it is ruled from the practice agreed between the ECA and the SAI of each Member State. The involvement of the Spanish Court of Audit in this regard is the following:

- . It develops a *liaison function between the ECA and the national entities audited by ECA*, giving course to the announcements of missions, communications and transmission of results of the audits, and allegations to those ones between both instances.

- . It designates auditors regularly to attend the missions of the ECA in Spain, as *observers*. Such officers don't have a direct intervention in the execution of the EU controls neither in the drafting of the results, but they develop an important supportive function to ECA facilitating their knowledge, as experts, on the national systems of management and internal control. Their presence also facilitates obtaining valuable information about the regularity and the effectiveness of the management carried out by the national entities, as well as about the specific risks on concrete sectors; data that can

be of great utility in the development of the national competencies (audit and jurisdictional) by the Spanish Court of Audit itself.

- *It receives all the information, the results of the audits on EU funds managed in Spain, carried out by the ECA, as well as the national observations made on them.* It provides The Spanish Court of Audit with important data on management, facilitating it the use of the results obtained by other audit institution in the development of their own inspections.

The functional collaboration between the Spanish Court of Audit and ECA also takes place in other areas that, equally, try to facilitate the reciprocal support and to promote the exchange of information.

The Spanish Court of Audit (as the rest of the SAIs of the EU) can nominate, and in fact appoints periodically *an officer that, with temporary character, works at ECA* in the ordinary exercise his/her activity (as auditor of ECA), without being subject to national mandate. Likewise, it includes the possibility to carry out a reciprocal exchange of officers (in the double via national/EU). The national auditors give this way an important support to the ECA, as experts in the knowledge of the regulations and practice of national management and control, what facilitates that institution the audit of the EU funds in the Member States.

On the other hand, and in order to bring closer the knowledge of the results of the audit from the ECA to the Spanish sectors interested in the management and control of EU funds, *the Annual Report of the ECA and the Statement of Assurance are presented annually in Spain*, as a joint initiative of the ECA and the Spanish Court of Audit, once they have been presented to the European Parliament.

b) Institutional relations of the Spanish Court of Audit developed in the EU framework.

The relationship and the cooperation in the EU framework between the Spanish Court of Audit and the ECA, as well as with the SAIs of the EU become effective at diverse levels. Among those ones, it is appropriate to highlight the following lines of involvement of the *Tribunal de Cuentas* in these EU matters:

- *The Contact Committee of Heads of EU SAIs:* the Heads (Presidents/Auditors General) meet annually with the purpose of keeping informed of the development of the technical activities carried out during the period, according to the mandates given, and to design and approve new performances; exchanging EU relevant knowledge and experience within an EU context; improving professional co-operation; initiating and co-ordinating the conduct of audit activities of common interest in the EU field; determining positions on emerging issues concerning auditing in the EU field; implementing the framework of co-operation with the SAIs of future Member States; and sharing information, views and results with interested others outside the Contact

Committee. It constitutes the institutional vehicle for these relationships at the EU highest level.

-. *Liaison Officers of the EU SAIs*: they hold a formal meeting, at least once a year. They act as focal point, at technical level, among the EU SAIs to implement the mandates of the Contact Committee, and to verify the activity developed and the results obtained by the working groups of the EU, as well as to prepare the meetings of the Heads. Besides these meetings, they keep a permanent contact with technical and informative purposes.

-. *The Working Groups of the EU*: they are set up *ad hoc* by decision of the Contact Committee, with the purpose of carrying out studies and preparing specialized reports on concrete matters of common interest for SAI of the EU; facilitating technical support to the Liaison Officers and SAI Heads. The participation in these Groups depends on the voluntary decision of each SAI. Currently, the Spanish Court of Audit is taking part in the following EU Working Groups: "Audit of Structural Funds", "Cooperation among SAI of the EU and between these ones and the ECA", "National SAI reports on EU Financial Management", "VAT Fraud in extra-community operations", "Audit Quality" and "Audit Activities", as well as in the Audit Networks on "Fiscal Policy" and "Audit of the Lisbon/Europe 2020 Strategy".

-. *Co-ordinated Audits* (under basic rules, with different audit teams and independent national results) carried out, under voluntary basis, by the ECA and the SAIs of the EU member States. Two coordinated audits in the area of Structural Funds in which the Spanish Court of Audit has participated, have to be highlighted: "Management and control systems for assistance granted under the Structural Funds" (2002-2004) and "Performance audit of the Structural Funds programmes in the areas of employment and/or environment" (2007-2008).

-. *Meetings of experts of diverse SAIs of the EU for the study and exchange of knowledge and experiences* on concrete aspects on the development of their functions. These meetings can be carried out bilaterally among the SAI or in a wider way including all or most of them.

-. *Training activities* delivered in seminars, congresses, and meetings or in practices of experts of SAIs of the EU carried out in other EU SAI (in this framework, the Spanish Court of Audit has facilitated practical training to officers of SAIs of the EU).

#### CO-OPERATION PROJECTS IN EU CANDIDATE COUNTRIES AND IN COUNTRIES WITH PREFERENTIAL AGREEMENTS

The Spanish Court of Audit has developed a number of co-operation and twinning projects in the Candidate Countries to the Accession to the EU, and in countries with preferential agreements with the EU. Among others, the following can be mentioned:

- Co-operation with the Bulgarian Government for the preparation of the Law on the Supreme Audit Institution of Bulgaria, in 1990.
- Co-operation as adviser to the Government of Bulgaria (as expert of TAIEX of the European Commission), on the programme "Control and Audit of Structural Funds", held in Sofia on 22-26 March 1999.
- Organisation of several workshops and seminars for the staff of different SAIs: Poland, Romania, and Slovak Republic (PHARE Initiative).
- Junior partner in a Twinning project for the Strengthening of the Slovenian Supreme Audit Institution (2002).
- Participation of experts of the Spanish Court of Audit in a workshop on "Internal Control Checking" organised by the SAIs of the Candidate Countries and the Community Initiative SIGMA (Bratislava, September 2002).
- Participation of staff of the Spanish Court of Audit, as short-term experts, in a Twinning project in the SAI of Romania, led by the SAIs of the United Kingdom and Greece.
- Assistance to the Lithuanian SAI in the preparation and planning of an audit on the "Management of the Police Department in the Interior Ministry" (2002).
- Junior partner in a Twinning project for the Strengthening of the Slovenian Supreme Audit Institution, led by the National Audit Office of the United Kingdom (2002-2004).
- Leader in a Twinning project for the Strengthening of the Romanian Court of Accounts (in co-operation with the German Court of Audit, as junior partner). The project started on September 2003, with duration of two years.
- Junior partner in a Twinning- Light Project for the Auditing of Public Debt by the Bulgarian Supreme Audit Institution, led by the German SAI, starting in 2005 (duration: 6 months)
- Junior partner in a Twinning Project for the Strengthening of the Bulgarian Supreme Audit Institution, led by the German SAI, starting in 2005 with duration of two years.
- Participation of short-term experts from the Spanish Court of Audit in a Twinning project for the Strengthening of the Turkish Court of Accounts, led by the National Audit Office (United Kingdom), 2005.

- Leader in a Twinning project for the Strengthening of the Romanian Court of Accounts (in co-operation with the German Court of Audit that acted as junior partner). The project started on 2005, with duration of two years.
- Participation of staff of the Spanish Court of Audit, as short-term experts in a Twinning Project in the General Territorial Inspection of the Kingdom of Morocco, in collaboration with the French Ministry of Finance and the French Cooperation Agency – CIVIPOL, 2008-2009).

#### ACTIVITIES IN THE FRAMEWORK OF INTERNATIONAL ORGANISATIONS OF SUPREME AUDIT INSTITUTIONS

- *THE TRIBUNAL DE CUENTAS AS A MEMBER OF THE INTERNATIONAL ORGANISATION OF SUPREME AUDIT INSTITUTIONS (INTOSAI)*

INTOSAI was established in 1953, under the auspices of the United Nations (UN), with the purpose of promoting the exchange of ideas and experiences among the SAIs all over the world. At the moment, they are 189 full-right members and four associate members. It has its permanent headquarters in Vienna (Austria), under the leadership of the Austrian SAI as General Secretariat.

The Spanish Court of Audit is a member of INTOSAI since its constitution, attending the Congresses of the Organisation and having participated and taking part in several committees and working groups. In particular, the *Tribunal de Cuentas* is a member of the Sub-committees of Financial Audit and Internal Control Standards of the Professional Standard Committee, and of the Capacity Building Committee of INTOSAI. It participates in the Task Force set up for the Financial Crisis, and in the INTOSAI-Donors Cooperation for financing capacity building in INTOSAI.

Regional Groups have been created within INTOSAI, with the purpose of fomenting professional and technical cooperation of the SAIs members in the corresponding geographical region. The Presidents and Secretaries General of these Regional Groups should present at the INTOSAI Congresses the reports on the activities carried out during their mandate. In the case of EUROSAI, the mentioned report is presented by the President of the Spanish Court of Audit as the Secretary General of the Organisation.

- *THE TRIBUNAL DE CUENTAS AS A MEMBER OF THE EUROPEAN ORGANISATION OF SUPREME AUDIT INSTITUTIONS (EUROSAI)*

EUROSAI was established in Madrid in 1990. This Organisation has the purpose of favouring the relations among the States of Europe in the field of public auditing; replying to the need of collaboration that exists among the European SAIs; contributing to the approach of the different systems, procedures and methods of the public audit; and exchanging experiences among those institutions.

EUROSAI is composed at the present time of 50 members: 49 SAIs of European countries and the ECA. The organs of EUROSAI are: the Congress, the Governing Board and the Secretariat.

*The Secretariat of EUROSAI is located, with a permanent character, at the Court of Audit of Spain, having its headquarters in this Institution, and being the General Secretary of the Organisation the President of the Spanish SAI.*

The EUROSAI Governing Board approved in its meeting held in 2000 in Madrid (Spain) the creation of a *Training Committee, co-chaired by the SAI of Spain and France*, as technical Group of the Organisation that, under the direction of the Governing Board, it take charge of elaborating proposals for the planning and execution of a EUROSAI common training policy. Currently, it is developing an intense work in the performance of the EUROSAI Training Strategy 2008-2011, approved by the VII Congress (Poland, 2008).

Equally, two Working Groups related to "Information Technology" (presided over by the SAI of Norway) and "Environmental Audit" (presided over by the SAI of Switzerland), and a Task Force for the Audit of Funds allocated to Disasters and Catastrophes (chaired by the SAI of Ukraine) have been constituted and operate regular within EUROSAI.

The activity developed by the Spanish Court of Audit in the framework of EUROSAI is articulated from diverse perspectives:

- *As EUROSAI Secretariat*: it corresponds to the Spanish Court of Audit to manage the administrative Office of the Organisation, what constitutes a very important material part of its international activities, as well as to facilitate the premises and the necessary staff for its operation.

The competencies of the General Secretary, among others, are to prepare the agenda and the records of the meetings of the Governing Board, to apply its decisions, to execute the budget of the Organisation and present the accounts, the annual financial report and the Auditors' report. It is also attributed to the Secretariat the expedition of certificates, keeping relations among the members of EUROSAI and the promotion of contacts among them in the periods among Congresses.

The Secretariat also takes care of the coordination and publication of the EUROSAI Magazine (yearly) and the Newsletter (quarterly), as well as of the setting up and maintenance of a documental database with diverse regulations and publications contributed by the SAI members. It also acts as relationship vehicle with entities related to the Organisation, as the INTOSAI Development Initiative (IDI) and SIGMA.

As General Secretary of EUROSAI, the President of the Spanish Court of Audit maintains intense communication with the General Secretaries of INTOSAI and of the other Regional Organisations of SAIs.

- In its condition of *member of the EUROSAI Congress and of the Governing Board*, the President of the Spanish Court of Audit participates equally in its sessions as General Secretary of the Organisation, and he/she takes part in the adoption of decisions.

- As *co-chair of the EUROSAI Training Committee*, the Spanish Court of Audit develops an intense work in favour of a better planning, execution and supervision of the common training policy among the SAIs of the Organisation. Specially, in co-operation with the INTOSAI Capacity Building Committee (CBC) and the Initiative to the Development of INTOSAI (IDI)

- The Spanish Court of Audit participates in the *Working Groups* on "Information Technology" and "Environmental Audit", taking part in their meetings.

- As for the *cooperation of EUROSAI with other Regional Groups of INTOSAI and Organisations of Regional Audit Institutions* (the *Tribunal de Cuentas* has a special involvement, in its capacity as EUROSAI Secretariat, as the coordination body in this kind of cooperation initiatives):

- Collaboration is kept between *EUROSAI and OLACEFS*, by means of holding periodic joint Seminars, which first edition took place in Madrid (Spain) in 2000, under the hosting of the Court of Audit of Spain. The following Conference was held in *Cartagena de Indias* (Colombia) in 2002, the next one was organised in London (United Kingdom) in 2004, the Fourth in Lima (Peru) in 2005, the Fifth in (Lisbon) Portugal in 2007, and the Sixth in Margarita Island (Venezuela) in 2009. The Spanish Court of Audit participated in all of them.
- Collaboration is kept between *EUROSAI and ARABOSAI* (Arab countries Organisation of Supreme Audit Institutions), by means of holding periodic joint Conferences: the first edition took place in Tunisia (Tunis) in 2006, and the second in Paris (France) in 2009. The next joint Conference will be held in the Arab Emirates in March 2011. The Spanish Court of Audit has participated in all of them.
- Cooperation between *EUROSAI and the European Organisation of Regional Audit Institutions (EURORAI)*, is maintained, equally, under periodic basis, and with an active participation of the Spanish Court of Audit (by means of presentation of reports and participation in discussion panels). The Encounters have been held so far, in Madeira (Portugal) in 2001, and Copenhagen (Denmark) in 2003.

- **THE TRIBUNAL DE CUENTAS AS A MEMBER OF THE LATIN AMERICAN AND CARIBBEAN SUPREME AUDIT INSTITUTIONS (OLACEFS)**

The Spanish Court of Audit takes part, as Adherent Member, in OLACEFS. It entitles our SAI to participate in the General Assemblies, conferences and seminars of the Organisation. As Member of both Regional Organisations of INTOSAI, the Spanish Court of Audit, as

said before, played a relevant role in the promotion of the joint Conferences EUROSAI-OLACEFS, and offered Madrid as the host for the First one in 2000.

### BILATERAL COOPERATION AGREEMENTS AND TECHNICAL SUPPORT PROVIDED TO OTHER SAIs

The Spanish Court of Audit has developed intense bilateral collaboration activity with other SAIs, usually under the framework of bilateral co-operation agreements. Among otherS, the following agreements can be highlighted: signed with the SAIs of Brazil, Peru, Honduras, Venezuela, Colombia, Uruguay, Panama, Argentina, Dominican Republic, Moldova, Russian Federation, Ukraine, Chile and Vietnam. Some agreements are nowadays in preparation, particularly with the SAIs of Romania, China and Mexico.

These agreements have the aim of promoting cooperation among the signing SAIs with the purpose of carrying out joint audit activities and exchanging experiences and information in the scope of the audit of the public Administrations, in their institutional, technical, scientific and financial aspects.

In the agreements are also included the activities in which this collaboration will be materialized; among them, the holding of courses, seminars, conferences and other academic and professional training actions among the signatory SAIs; the exchange of experts and technicians in the audit field; the training and the instructors' bringing up to date; joint audit activities, technical assistances, the realization of joint projects of technical research and documentation exchange.

### EXTERNAL AUDITOR OF INTERNATIONAL ORGANISATIONS AND PROJECTS

The auditing experience of the Spanish Court of Audit has propitiated its participation in audits of international projects and organisations, what has been carried out in a coordinated way with the Ministry of Foreign Affairs and the Embassies or Permanent Representations Offices in the different countries of location of the organisations or projects to be audited.

The Spanish Court of Audit has developed the external audit of the following International Organisations and Projects:

- *International Organisation of Supreme Audit Institutions (INTOSAI)*: financial periods 1989, 1990 and 1991.

Under article 10 of the INTOSAI Statutes, the XIII Congress, held in Germany in 1989, designated as auditor to the Spanish Court of Audit, together with of the SAI of Egypt, to revise the financial statements, the report on the financial administration and the budgetary administration of the Organisation corresponding to the period 1989-1991.

For the performance of these controls, the auditors visited the headquarters of the General Secretariat of INTOSAI, at the SAI of Austria. The respective reports were

presented to the successive Governing Boards and later on they were approved by the Congress.

- ***The European Organisation for Nuclear Research (CERN) and its Pension Fund:*** financial periods 1998, 1999, 2000, 2001 and 2002.

The *Tribunal de Cuentas* appointed to that effect a team of auditors under the management of an Audit Counsellor. The work developed by the team was collected in two audit reports for each financial year: one of the CERN and another of their Pension Fund (that has separate accounting). The reports have had as main objective to verify the representativity of the financial statements, in accordance with that required by the regulations of the CERN. But already from the first financial year, the reach extended from that kind of audit to other aspects related to the analysis of the administration procedures, the confirmation of the execution of results in certain areas, the evaluation of the efficiency and economy of the management of the CERN, making recommendations for the improvement of the administration; procedure that can serve as a guideline to future audits.

- ***The European Molecular Biology Laboratory and the European Molecular Biology Conference (EMBL):*** financial periods 1998, 1999 and 2000.

The appointed audit team by the Spanish Court of Audit, under the direction of an Audit Counsellor, developed a financial audit being adjusted to the regulations applied to such Institutions. The corresponding confirmation of balances and the exam of the correct representation in the annual accounts of the information coming from the accounting entries, were carried out. The reports published included observations and suggestions for the improvement of the administration procedures.

- ***The Western European Union (WEU):*** financial periods 1997, 1998 and 1999.

The Spanish Court of Audit audited the accounts of the WEU corresponding to the period 1997-1999. This Organisation includes three Entities: the Institute of Studies and Security (with headquarters in Paris, France), the Centre of Satellites (with headquarters in *Torrejón de Ardoz*, Madrid) and the General Secretary (with headquarters in Brussels, Belgium).

The object of the audit was that defined in the financial standards of the referred Institutions; in short, the report should mention if the financial estates represent the financial transactions clearly and they agree with the books and invoices of the Organisation; if the transactions reflected in the states agree with the budgetary standards that regulate them; if the assets and the money in deposits and in cash have been verified by means of a certification received directly from the receivers of the Organisation, and if the available credits in the budgets of this one have been used appropriately. Although the audit reports were issued without exceptions, they included observations and suggestions for the improvement of procedures. Regarding the WEU as Organisation, the suggestions and the auditors' comments are the origin of some new

financial standards in which elaboration and design collaborated the Spanish Court of Audit and it had as immediate consequence the setting up of a new computerized accounting system.

- ***The European Fighter Aircraft (NETMA)- EF-2000 PROGRAM:*** financial periods 1989 to present (the audit works will be extended while there are open phases of the Program; the forecast is that they will be carried out up to –at least- 2014).

The audit works of the different phases of the European Fighter Aircraft Program, EF-2000, are carried out jointly with the SAIs of the four participant countries (United Kingdom, Germany, Italy, and Spain), by mandate contained in the side letter (supplementary letter) and the Memo of Understanding (MOU) no. 3 of this Program, signed at the end of 1988 by the respective Ministries of Defence; this agreement was ratified later on the occasion of the signature of the MOU no. 5 in December 1995.

The audit works, that are carried out annually from 1989, are made in collaboration with the Audit Organ of NATO, International Board of Auditors (IBAN), following the audit procedure agreed by the SAI through a document denominated "Modus Operandi."

As in other audits, the Spanish Court of Audit designated a team of auditors that acted under the direction of an Audit Counsellor.

As the external audit of the Entity and of the managing Agency of the Program (NEFMO/NETMA) correspond to IBAN, the participant countries accepted unanimously their SAIs to collaborate with IBAN in the audits of NEFMO to be able to obtain from the managing Agency of the Program (NETMA), located in Munich (Germany), all the precise information, as well as to audit the entries that are considered necessary. This way, it becomes possible to perform its control functions on the national Administrations and they can draft the reports to be submitted to the parliaments in the form foreseen in their regulations.

This works have been performed permanently by the Spanish SAI in close co-operation in what refers to the different phases of execution of the Program: development, production and confirmation of flight of prototypes, investment for the production, production and operation and logistical support.

The audit works carried out in co-operation with the SAI of the participant countries in the Program EF2000, allow to obtain and to contrast information and documentation in what refers to the control of the financial states of the NETMA Agency, as well as to check the current situation of the different phases of the EF2000 Program. The audit that is performed annually facilitates the Spanish Court of Audit the effective control of the contractual situation of the different phases of the EF2000 Program, as well as of the financing and justification of the investments.

- ***Common Organization for promoting defence and weapons co-operation (OCCAR-EA):***

As a member of the Board of Auditors for OCCAR, the Spanish Court of Audit participates, from 2006, in the audit of the mentioned Initiative for a common Defence.

- ***Financial Mechanisms of Military and Defensive Operations of the European Union (ATHENA):***

As a member of the College of Auditors for ATHENA, the Spanish Court of Audit has participated from 2006 to 2009 and from 2011 on, in the audit of the mentioned Community Initiative.

- Organisational Review of the Financial Control Office of the ***European Organisation for the Exploitation of Meteorological Satellites (EUMETSAT)***, 2010.
- A member of the staff of the Spanish Court of Audit is a member of the ***Standing Advisory Committee on Audits –SACA- of the CERN*** since 2007 (his mandate has been renewed in 2010, for another three-year period).

#### OTHER INTERNATIONAL CO-OPERATION ACTIVITIES OF THE SPANISH COURT OF AUDIT

Besides the specific activities referred, other international audit performances of the Spanish Court of Audit can be highlighted:

- *Institutional visits to the Court of Audit of Presidents and Authorities of other SAIs.*
- *Meetings of officers of different SAIs.*
- *Apart from the co-operation with the SAIs of Latin American countries through OLACEFS, technical assistances -carried out in those countries in the framework of the execution of the agreements for bilateral co-operation signed or outside these ones- are being developed by the Spanish Court of Audit in the field of training, in cooperation with the Spanish Agency for International Cooperation and Development (AECID) and the International and for Latin America Foundation of Administration and Public Policies (FILAPP). This activity consists on the implementing by the Spanish Court of Audit of courses on audit of public funds in the Training Centres that AECID has in Antigua (Guatemala), Cartagena de Indias (Colombia), Santa Cruz de la Sierra (Bolivia) and Uruguay. So far, the Tribunal de Cuentas has organised several Conferences with the SAIs of Latin America in the Training Centre of Antigua (2003), Cartagena de Indias (2003, 2006 and 2008), and Santa Cruz de la Sierra (2004).*
- *Since 2005, the Tribunal de Cuentas cooperates with the Spanish Foundation “Centro de Educación a Distancia para el Desarrollo Económico y Tecnológico” (CEDDET),*

organising and providing *training "on-line"* to civil servants of Latin-American countries, mainly from audit institutions.

-. For complementing the mentioned training "on-line", the *Tribunal de Cuentas*, in cooperation with CEDDET, has launched a *Latin-American Audit Experts Network*, for keeping in touch to the participants in that training

-. Besides the international audits, experts of the Spanish Court of Audit participate periodically in *meetings of International Organisations related with the audit activity; being the Board of Auditors of NATO* the entity of this nature with which it stays in a more regular contact (working groups, ordinary meetings...).

### -III-

## AUDIT SPECIALITIES OF THE TRIBUNAL DE CUENTAS OF SPAIN THAT COULD BE OF BENEFIT TO THE IAEA

We would like to underline some elements and characteristics that the *Tribunal de Cuentas* could offer for the benefit of the external audit of the IAEA. Among others, the following advantages related to the audit works and the experience of the staff proposed for the audit team of IAEA, can be highlighted:

- The *independence* of the Spanish Court of Audit, its Members and staff, who are not subject to any external mandate, ensures the adequate *impartiality and objectivity* necessary to carry out a sound audit.

-. The large experience of the *Tribunal de Cuentas* in *financial, regularity, compliance, and performance audits*.

-. The *wide scope of the audit* developed by the Spanish SAI, which covers any kind of public funds and any type of public organisation/entity/body.

-. *Our SAI has audited national public entities dealing with energetic resources and, in particular, nuclear energy*, such as: the *Consejo de Seguridad Nuclear* (Nuclear Safety Committee), the *CIEMAT* (public research agency dealing with energy, environment and vanguard technologies and with various areas of basic energetic research, under the Ministry of Science and Innovation), *ENRESA* (public company in charge of the safe management, storage and disposal of the radioactive wastes produced in Spain), *ENUSA Industrias Avanzadas S.A.* (publicly traded company which core business is the front end of the nuclear cycle, which covers from the management and supply of enriched uranium to fuel manufacturing, as well as provisions of engineering services and fuel services to the nuclear power plants), and the *Comisión Nacional de la Energía* (the National Energy Committee, as the regulatory body for energetic systems and organisations). The national experience of the *Tribunal de Cuentas* in auditing this kind of entities can facilitate high-quality expertise on these issues (nuclear plants, prevention

measures, management, scientific technologies, reactors, irradiation...) that could be useful in the audit of the IAEA.

- As it has been explained above, the Spanish Court of Audit has a *large experience in performing external audits of international institutions and projects*. Some of them, are also connected to the management of energetic resources, such as the CERN and the EMBL, what provides a very interesting experience for auditing of the IAEA.

- The *audit methodology* of the Spanish Court of audit has been developed according to the international systems and best practices. Each audit step adds value for getting the findings and allows providing constructive advice on the public financial management, risks, systems, internal control...

- A continuous process of *quality assurance* is carried out during the audit process by the Spanish Court of Audit. Controls for guaranteeing audit quality are well put in place.

- Special attention is paid by the Spanish Court of Audit to the *assessing of internal control within the auditee*. It is analysed from the perspective of the systems put in place, as well as the performance of the supervisory and internal control task. A reliable internal control requires from the SAI the performance of less intense and somewhat different audit checks, as the work of other control bodies is used attending to the appropriate requirements. It contributes to provide efficiency, added value and coordination to audit works.

- The Spanish procedure for *developing the relations between the Court of Audit and the auditees* is very similar to the one described in the Financial Regulations of the IAEA. In the Spanish national audit procedure, a stage for making observations and having comprehensive discussions with the audited body once the draft audit report is prepared and for consideration of its comments is also envisaged.

- The Spanish Court of Audit has a *large experience in auditing public funds reporting on the audit findings* and possible irregularities detected in the management of public funds, *raising recommendations to the Parliament for improving public management*. As said above, when exposing about "reporting to the Parliament", the *Tribunal de Cuentas* has also expertise in raising motions or notes to the Parliament containing more global recommendations conducive, in its opinion, to the improvement of concrete areas of the public economic-financial systems, entities and management. These motions and notes have frequently boosted legal changes and the implantation of good practices among public managers.

- The highly *qualified staff* and experienced auditors trained to carry out audits under the internationally recognised auditing standards. The Spanish SAI is especially exigent with the qualification of its staff. A high level competitive examination is required for becoming member of its staff, and they are subject to a continuous process of training in new audit skills and in the application of IT to audits. They are subject to periodical evaluations. The Internal Audit Standards of the Spanish Court of Audit demand the

Executive staff to have also the highest technical qualification for the performance of their function, as well as know-how and experience in organisation and management of human resources and teams leadership and coordination.

- The Spanish Court of Audit has developed and updated *audit manuals, guidelines and standards*, in accordance with INTOSAI principles and standards, that are very useful in order to facilitate the audit planning, the fieldwork, the checking of the internal control and the reporting of audit findings. IPSAS have been incorporated to the Spanish Public Accounting Plans, so any accounting and its auditing take them into consideration.

- The Spanish Court has fully incorporated to the audit the *use of information technology*, using the latest audit software in developing its tasks.

- The *Tribunal de Cuentas* has established a *wide range of contacts and co-operation relations with the SAIs of the EU countries and the European Court of Auditors*, taking part in the Contact Committee of Heads of EU SAIs and in the different working groups and taskforces set up for the analysis and benchmarking of concrete areas in the EU auditing field. It enables us *to be update* and learn from each other's audit practices. The *Tribunal de Cuentas* has also *links with candidate and close to candidate countries* - through twinning projects; assistance projects; training programmes, seminars, workshops and conferences-, what has *strengthened our expertise in widening the knowledge of different audit systems and developing audit cooperation techniques*.

-. The *Tribunal de Cuentas* has also *actively participated in activities in developing countries* through twinning projects; technical assistance projects; training programmes, at bilateral level, and in the banner of international cooperation projects jointly with Spanish institutions for international cooperation, as well as with INTOSAI Development Initiative (IDI), the BID, the World Bank and some other international entities.

- The Spanish Court of Audit develops the *permanent Secretariat of EUROSAI*. This circumstance allows it to keep direct and fluent contacts with the members of the Organisation (currently made of 50 European SAIs); promoting liaison between them during the interval of the different Congresses. On those responsibilities, the President of the Spanish Court of Audit is in charge of drafting proposals to be submitted to the governing bodies; preparing the draft EUROSAI budget (for a three-year period) to be submitted to the Congress' approval; and managing the EUROSAI funds, presenting the accounts and financial statements of EUROSAI and drafting an annual financial report. Consequently, the Spanish SAI has also a *large experience in promoting cooperation and on management and accounting issues of International Organisations*.

-. The Spanish Court of Audit is very *much involved in the design and implementation of international audit standards*. It is actively participating in the development of international public standards by taking part and contributing in some of the Sub-Committees of the *INTOSAI Professional Standards Committee*; concretely, in the Sub-Committees for Financial Audit Guidelines, and for Internal Control Standards. The Court of Audit was also a member of the Working Group of the Contact Committee of

Heads of *EU* SAIs for developing Common Audit Standards and Homogeneous Audit Criteria tailored for the EU context (2007-2010). In the scope of *EUROSAI*, the Spanish Court of Audit is a member of the Task Force for *EUROSAI* Strategic Planning 2011-2017 for designing a global strategy for the Organisation, which will involve, among other tasks, the implementation, at *EUROSAI* level, of *INTOSAI* Audit Standards.

- The Spanish Court of Audit has *designed a structured audit for the IAEA, but it offers also the necessary flexibility in its performance* in order to make it adaptable to the concrete circumstances that would be arising during the audit process. The *Tribunal de Cuentas* is open to all the options, comments and tasks that from the election of its audit proposal could be derived.

***B) Presentation of the Approach to the Audit of the International Atomic Energy Agency (IAEA); and the number and level of staff to be involved in the audit.***

**APPROACH TO THE AUDIT OF THE  
INTERNATIONAL ATOMIC ENERGY AGENCY**

**AUDIT SCOPE**

The audit proposed by the Spanish Court of Audit would cover the functioning of the Main Offices of IAEA, in Vienna, as well as at its Operational liaison and regional offices, research centers and scientific laboratories. It would also include the control of the Funds that are under the management responsibility of the IAEA. Our audit will include the financial aspects of the Organisation, the accounts of IAEA, and also the efficiency of the financial procedures, the accounting systems, the internal financial controls and the financial consequences of administrative practises.

The audit of the IAEA shall be performed on its accounts, including the Trust and Special Funds, in order to check that the financial statements are in accord with the books and records of the Agency; that the financial transactions reflected in the statements are in accordance with the Financial Rules and Regulations, the budgetary provisions, and other applicable directives; and that the securities and funds on deposit and on cash have been verified by certificate received directly from the Agency's depositories or by actual count.

**TECHNICAL PROPOSAL**

The inherent objective of performing auditing duties is to guarantee, not only the appropriate representativeness of the accounts prepared by the organisation audited, but also to safeguard the fulfilment of the objectives of the organisation, evaluating the degree of effectiveness and efficiency achieved in its management.

The *Tribunal de Cuentas* presents this technical proposal due to its interest in participating and collaborating with such an Organisation as the IAEA, distinguished by the commendable objectives to which its efforts are applied, serving as intergovernmental forum for scientific and technical co-operation in the peaceful use of nuclear technology. The Spanish Court of Audit is convinced that the high qualification and experience of its staff will guarantee that the auditing duties are successfully performed, contributing for the IAEA to achieve its high aims. This is backed by our previous experiences in the audit of international organisations working on similar fields, such as the CERN and the European Molecular Biology Laboratory (EMBL).

**EXECUTION STRATEGY**

The scheduling of the auditing activity is directly correlated to the dimension and structure of the organisation to be controlled, to the volume of its activity and the prior knowledge that may be obtained of it. On the other hand, this scheduling must always be considered

flexible and open enough, according to the needs and new development arising along the performance of the audited activity.

Through this approach, as the IAEA has an organisation based on many years of activity (from 1957), with relevant internal control procedures in place and ongoing monitoring by external auditing, we consider that a future external auditing will be very much facilitated by this background. So, we will begin our audit work from the in-dept knowledge of previous works.

### AUDIT STANDARDS

The external audit of the IAEA would be performed in accordance with the IAEA's Financial Rules and Regulations, in full compliance with its budgetary provisions and other applicable directives and additional terms of reference governing the audit of the Agency. So, we will take complete knowledge of the Agency's accounting principles, practices, rules and regulations. We will also take into account the United Nations System Accounting Standards.

The audit of the IAEA would be carried out under the Auditing Standards of the INTOSAI (ISSAIs); the Common Auditing Standards and Auditing Guidelines issued by the Panel of External Auditors of the United Nations and its Specialised Agencies, the Audit Standards of the International Federation of Accountants, and the International Accounting Standards.

The Spanish Court of Audit has developed, as said before, its own Internal Audit Rules, that cover the principles of the INTOSAI Audit Standards, which include:

- The definition of basic concepts on auditing: kinds of audits and general principles;
- Standards concerning auditors: basic professional needs, assignment of competencies, responsibilities, development of adequate skills, duties, professional diligence, professional secret and ethical code;
- Standards for audit performances: permanent revision of the accounts, books and records of the audited entity; audit planning (preliminary activities, technical directives and working programs); evaluation of internal control; audit implementation; monitoring and supervision.
- Standards concerning the elaboration of the reports: structure, framework (audit findings, conclusions and recommendations), characteristics (concise, accuracy, objectivity and clarity, constructive manner), objective (appropriate, conclusive and preventive follow up action).

## AUDIT METHODOLOGY

The audit procedure will cover the different stages of revision of the accounts, books and records of the auditee; planning; implementation; evaluation of the internal control, risk analysis; monitoring and supervision; and reporting.

The planning process shall involve the prioritisation of audit areas (general areas and specific areas or projects outlined by the Governing Organs of the IAEA) and the determination of the scope and nature of essential audit testing at Headquarters and in Regional Offices. The responsible audit team shall draw up an audit plan in order to establish the audit assignments, the audit areas concerned, time schedule for the different activities and the particular tasks of each member of the team. The development of the different audit tasks shall be monitored against the plan to ensure that they have been completed in a regular, efficient and cost effective manner. Quality control will be developed along the audit.

The performance of the audit (fieldwork) shall be carried out to obtain assurance of the accuracy of the financial statements in accordance with the Financial Rules and Regulations, the budgetary provisions and other applicable directives; to check the efficiency of the financial procedures and the adequacy of internal controls; and to control the verification of the securities and funds on deposit. This would involve the collection of evidence by verifying financial records, analysing trends and variations, checking calculations, interviews...

The reporting of audit results shall comply with the requirements stated in the Financial Regulations and Additional Terms of Reference ruling the external audit of the IAEA. The report shall include the scope and character of the examination, the matters affecting the completeness and accuracy of the accounts, other matters which should be brought to the notice of the Board and the General Conference of the Agency, (cases of presumptive fraud, improper expenditure, defects in the general system or in the regulations governing the budgetary process...), etc. The external auditor shall express and sign an opinion on the financial statements.

Preliminary audit findings will be brought to the notice of the IAEA Director General for comments and observations. While reporting the audit findings, after comprehensive discussions with the IAEA senior management, the external auditor shall make constructive recommendations when appropriate. After taking into due consideration the replies received, the final audit report will be transmitted through the Board of Governors to the General Conference.

As said before, audit work shall be carried out at the higher level and shall be closely managed and supervised by the President of the Spanish Court of Audit, as the Head Auditor and main responsible person for the performance of the audit.

-II.-

NUMBER AND LEVEL OF THE STAFF TO BE INVOLVED IN THE AUDIT OF  
THE INTERNATIONAL ATOMIC ENERGY AGENCY

The staff of the *Tribunal de Cuentas* proposed for the audit of the IAEA, either the ones that will manage, coordinate, supervise and monitor the works from the Headquarters of the Spanish SAI, as well as the team that will develop the work on the spot within the sites of the IAEA are highly experienced. All of them:

- Have a *long carrier in the Spanish Court of Audit* developing audit tasks, what ensures a *wide knowledge of external audit entities*, their way of operating, development of their functions, their commitments, principles and ethic codes.
- Are *university graduates* and have their respective *echelons* in the administrative ranks and level of responsibility.
- Have wide *experience in auditing public funds and bodies*, and, in particular, *organisations that develop similar activities* as the ones carried out by the IAEA.
- Are *experienced in developing external audits of international organisations and programmes* and take part, regularly, in international activities and international cooperation initiatives.
- Are well *trained in auditing skills, techniques and procedures*, as well as in properly developing the different phases of the auditing process: preliminary works, planning, scheduling, developing the audit (on the spot works and in-house work) and reporting.
- Have an *in-dept knowledge and practice* on the *INTOSAI Audit Standards for SAIs (ISSAIs) and IPSAS*, as well as on other international audit standards and guidelines.
- Have *experience in working in groups*. The directors and coordinators of the audit are skilful in *managing and coordinating groups*, as well as *supervising and monitoring* their work and the *quality* of the results.
- Are well *trained in dealing with the auditees*, looking for their cooperation for developing the audit works and considering their comments and explanations; keeping their *independence and the confidentiality of the information* required by auditors' codes.
- Have good *abilities and skills in using IT* for auditing.
- Have also good *English skills* in reading, speaking and writing, being able to work and report in that language, as well as in *French and Spanish*.

According to the approach proposed on Part B of this proposal, the performance of the external audit of the IAEA would be carried out by a ***Team made of nine people, all of them senior auditors***. Some of the members of the Team will develop their functions mainly from the Headquarters of the *Tribunal de Cuentas*, and some others will work both, on-the-spot in the site of the IAEA in Vienna -or in its different offices and dependences, when needed-, and in the Headquarters of our Office. The members of the Team that will

develop their work from the Tribunal de Cuentas will travel to the IEAE Headquarters when required along the performance of the audit and reporting.

The *Head of the audit* (Head Auditor) will be the President of the Spanish Court of Audit. This offers a sound guarantee of the highest backing, commitment and technical involvement of our *Tribunal de Cuentas* and a high-ranking making-decision power that ensures the smooth performance of the audit.

The Head Auditor shall receive permanent support from *two high-level members of his staff, senior auditors*. They will be in charge, respectively, for the *overall direction and supervision of the audit works and results*, and for the *coordination of the audit team on-the-spot with the Head Auditor*. These senior auditors, with more than twenty years experience in audit tasks, have wide abilities at technical level and leading and managing groups, and experience in international audits and international cooperation projects.

The Head Auditor will count on the collaboration of *other two senior auditors* –that will lead the works on-the-spot-, that, jointly with *other four auditors*, would carry out, under permanent basis, the audit works at the IAEA Headquarters, as well as at the Spanish Court of Audit Headquarters in Madrid, according to the specific work schedule previously agreed. At this stage, some ten weeks are foreseen for this team to develop their work in the dependences of the IAEA. They will move to Vienna and, if needed, to any other of the dependencies of the IAEA. They will deal with the material checking of the accounts, the financial statements, the books and supportive documentation of underlying operations. They will verify the internal control systems in place and will keep the necessary contacts with the responsible people for these tasks. This team will also be in touch with the directive and managerial staff of the IAEA, as well as with the staff dealing with the daily business, and will have the necessary interviews with them for collecting information and materials for developing the audit and drafting the audit report in view of the findings.

The *Team* proposed for the external audit of the IAEA will be supported at the Spanish Court of Audit's by *other in-house experts* in concrete and very specialised works, which will enrich and add value and quality to the audit task.

***C) Proposed audit fee (expressed in Euros) and an estimate of the total number of auditor-months which would be devoted to the audit of the accounts for 2012 and 2013).***

**FINANCIAL PROPOSAL FOR THE AUDIT OF**  
**THE INTERNATIONAL ATOMIC ENERGY AGENCY, 2012-2012**

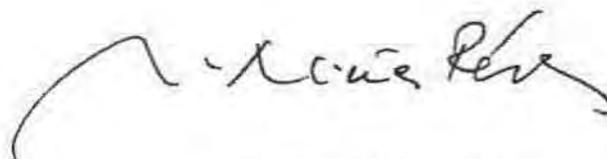
The Spanish Court of Audit proposes to undertake the *2012-2013 audit* for a *total fee of 240,000€ (120,000€ per year)*.

Being the *Tribunal de Cuentas* a non-lucrative Institution, this fee pursues a partial recovery of the audit costs: covering travel expenditure, allowance, according to the Spanish legislation for public servants acting in foreign countries, working costs and other similar expenses made for/in the development of the audit.

It is estimated that the team that will deal with the works on-the-spot will devote *32 auditor-months per annum (704 working days per annum)*, including 14 auditor-months on the ground in Vienna.

Taking into account that the audit team that will move to Vienna under permanent basis would be made of six senior auditors, the field-work at IAEA Headquarters would reach a total length of some ten-weeks time there, to be agreed between the *Tribunal de Cuentas* and the IAEA.

The remaining time scheduled in this proposal will be devoted to the audit by the referred components of the audit team and the other members of the team, at the Headquarters of the Spanish Court of Audit in Madrid.



Manuel Núñez Pérez  
President of the *Tribunal de Cuentas*  
SPAIN



Comparison between the Nomination of the Comptroller and Auditor General of India, the Chairman of the Philippine Commission on Audit, and the President of the Spanish Court of Audit, for Appointment of the External Auditor of the Agency for 2012 and 2013

Information requested <sup>1</sup>	India	Philippines	Spain
Curriculum vitae of nominee	Provided curriculum vitae of Auditor General plus profile of audit team.	Provided curriculum vitae of Chairman and Commissioners plus profile of audit team.	Provided curriculum vitae of President plus profile of audit team.
Details of national and international activities of Auditor General's Office	Included details of national and international Auditing activities.	Included details of national and international Auditing activities.	Included details of national and international Auditing activities.
Indication of the range of audit activities envisaged	Included both scope of audit as well as audit approach.	Included both scope of audit as well as audit approach.	Included both scope of audit as well as audit approach.
Audit specialities to be available	Described a wide range of audit specialities to be available.	Described a wide range of audit specialities to be available.	Described a wide range of audit specialities to be available.
Proposed audit fee covering audit related salaries, secretarial and other support costs, travel costs and living expenses of external auditor and staff	Proposed an audit fee of €374 000 for both 2012 and 2013 (€187 000 per annum).	Proposed an audit fee of €26 000 for both 2012 and 2013 (€263 000 per annum).	Proposed an audit fee of €240 000 for both 2012 and 2013 (€120 000 per annum).
Number of auditor-months to be devoted to the audit	Estimated at 46.33 auditor months for the assignment for both 2012 and 2013.	Estimated at 44 auditor months (22 auditor months per annum) for the assignment for both 2012 and 2013.	Estimated at 64 auditor months (32 auditor months per annum) for the assignment for both 2012 and 2013

<sup>1</sup> Note by the Secretariat dated 3 December 2010.