

General Conference

GC(59)/4

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(GC(59)/1 and Add.1)

Appointment of the External Auditor

Summary

- The term of office of the Agency's current External Auditor - the Comptroller and Auditor General of India — will expire upon the completion of the audit of the Agency's financial statements for 2015. It will therefore be necessary for the General Conference, at its forthcoming regular session, to appoint an External Auditor to audit the Agency's financial statements for the financial years 2016 and 2017.
- In the Note by the Secretariat, 2015/ Note 3, dated 20 January 2015 (Attachment 1), Member States were invited to nominate candidates for consideration by the General Conference at its 2015 regular session. The Note 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 financial statements for 2016 and 2017.
- The Secretariat has received the nominations of the Comptroller and Auditor General of India (Attachment 2), the Audit Board of the Republic of Indonesia (Attachment 3) and the Commission on Audit of the Republic of the Philippines (Attachment 4). No further nominations have been submitted to the Secretariat. Attachment 5 gives a summary of the details of the nominations.
- The Board of Governors considered this matter at its meeting in June 2015. The Board did not make a recommendation on the matter to the General 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 financial statements for the financial years 2016 and 2017.



Atoms for Peace

الوكالة الدولية للطاقة الذرية
国际原子能机构
International Atomic Energy Agency
Agence internationale de l'énergie atomique
Международное агентство по атомной энергии
Organismo Internacional de Energía Atómica

GC(59)/4
Attachment 1

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2015/Note 3

NOTE BY THE SECRETARIAT

Appointment of the External Auditor

The Secretariat has the honour to notify Member States that the present term of office of the Agency's External Auditor (Comptroller and Auditor General of India - CAG) expires with the completion of the audit of the financial statements for the financial year 2015. It will be necessary for the General Conference at its fifty-ninth regular session, in September 2015, to appoint an External Auditor to audit the financial statements for the financial years 2016 and 2017. The 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-ninth 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 financial statements 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 2016 and 2017.

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 Director General as early as possible, and in any case not later than 20 February 2015, 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 2015. The Agency's Division of Budget and Finance would be pleased to provide any further information or clarification that may be required.



20 January 2015

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);

Section 2
Annex I

Financial Regulations

Issued:
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- (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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Delivered By Hand

No. VIEN/110/16/2015

February 16, 2015

The Permanent Mission of India to International Atomic Energy Agency (IAEA) presents its compliments to the International Atomic Energy Agency (IAEA) and has the honour to refer to Agency's Note No. 2015/Note 3 dated 20 January 2015 and to forward herewith printed copies of the nomination papers of the Comptroller and Auditor General of India for appointment as IAEA's External Auditor for third term for the period 2016-17

The Permanent Mission of India avails itself of this opportunity to renew to the International Atomic Energy Agency (IAEA) the assurances of its highest consideration.



International Atomic Energy Agency
[Kind Attn: **H.E. Mr. Yukiya Amano**
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Proposal for the Renewal of
Provision of External Audit Services
for the financial years 2016 and 2017
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 proposal to continue to serve as External Auditor of the Agency for the period 2016 and 2017.

Besides including all the specific requirements mentioned in the Agency's note 2015/ Note 3, 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 re-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 2007, Organization for Prohibition of Chemical Weapons (OPCW) from 1997 to 2003, World Health Organization from 2004 to 2012 and International Centre for Genetic Engineering and Biotechnology (ICGEB) from 1996 to 2004. Besides IAEA, we are on the UN Board of Auditors. We are also the auditors of the World Food Programme (WFP), World Intellectual Property Organization (WIPO) and International Organization for Migration (IOM).

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.

Shashi Kant Sharma

Comptroller and Auditor General of India

February 2015

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Section - A



CURRICULUM VITAE OF MR. SHASHI KANT SHARMA, COMPTROLLER AND AUDITOR GENERAL OF INDIA

Mr. Shashi Kant Sharma took over as the Comptroller and Auditor General of India on 23rd May 2013. Mr. Sharma has long and varied experience of 38 years of working in various capacities at both the Federal and State Governments, particularly in the fields of Defence, Public Administration, Financial Services, Information Technology and Infrastructure Development. His immediate previous position was as Defence Secretary in the Government of India. Prior to that, he held equally important positions as the Secretary in the Department of Financial Services in the Ministry of Finance and the Secretary in the Ministry of Communications and Information Technology. With his wide experience in public service, Mr. Sharma possesses a perceptive insight into the governance processes in the public sector. He has been instrumental in promoting and implementing best practices in various departments in the Government - both Federal and State - in which he held key positions.

Mr. Sharma's responsibilities in the international arena include membership of the UN Board of Auditors and U.N. Panel of External Auditors. 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, Performance Audit and Financial Audit of INTOSAI and also of INTOSAI's Working Groups on Environmental Auditing, Public Debt and Audit of Extractive Industries. Mr. Sharma is Chairman of the Asian Organisation of Supreme Audit Institutions (ASOSAI). By virtue of occupying these very positions in the international fora, Mr. Sharma plays a crucial role in setting Standards and best practices in the field of public audit at the International level.

Mr. Shashi Kant Sharma has a Masters Degree in Political Science from Agra University and a Masters Degree in Administrative Sciences and Development Problems from the University of York, UK.

Mr. Shashi Kant Sharma is a keen golfer and enjoys listening to Indian music.

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 more than 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 he 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 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 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. During 2013-14, CAG certified 6,812 accounts of Union and State Governments, Public Sector Undertakings, Autonomous Bodies and externally added projects. Besides, CAG prepared 136 audit reports on the accounts of the Union/State Government for Parliament/State Legislature. This included audit findings on 164 performance audit engagements incorporating 2,304 recommendations to our audited entities at both federal and state levels.

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) 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).

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 and 2014 to 2020
- World Food Programme (WFP) from 2010 to 2016
- World Intellectual Property Organization (WIPO) from 2012 to 2017.
- International Atomic Energy Agency (IAEA) from 2012 to 2015.
- International Organization for Migration (IOM) from 2010 to 2015.
- 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 2007
- World Health Organization (WHO) from 2004 to 2012
- International Maritime Organization (IMO) from 2000 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 were engaged in facilitating the transition of these two Organizations to IPSAS. Similarly, as a Member of UN Board of Auditors and external auditors to WFP, WIPO and IAEA, we are engaged in assisting the Organizations in assimilating IPSAS into their business processes.

B. As member of international standard setting bodies

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

UN Board of Auditors and Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency

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

International Organization of Supreme Audit Institutions (INTOSAI)

He is Chairman of the Committee on Knowledge Sharing and Knowledge Services

(KSC) and also the Working Group on IT Audit (WGITA) of INTOSAI. He is a member of the Professional Standards Committee of INTOSAI and its sub-committees on Financial Audit, Compliance Audit and Performance Audit. Besides, he is member of majority of Committees/Sub-Committees, Working Groups of INTOSAI. 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 is the Chairman of ASOSAI. He is closely associated with ASOSAI's training, research and publication activities in the area of public auditing and also edits the ASOSAI journal.

Auditors General Global Audit Leadership Forum (GALF)

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.

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. The broad range of audit activities is also in line with the International Standard of Supreme Audit Institutions (ISSAI 5000) which lays down the principles for best audit arrangements for International Institutions.

Financial Audit

As IAEA is now IPSAS compliant, 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 and other field locations as deemed necessary.

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) aims at 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 28 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 recent performance audit of DAE covered activities of Atomic Energy Regulatory Board.

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 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 (NPP): 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 IPSAS compliant. Being a member of the UN Board of

Auditors and the 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 have already migrated or in the process of 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. In the recent past years, the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency has repeatedly invited SAI 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 execution of IPSAS based financial accounting system and implementation of its ERP system, AIPS. Our claim is backed by the following:

i. Competence in IPSAS

We appreciate the fact that IAEA has migrated from United Nations System Accounting Standards (UNSAS) to IPSAS. We have more than 250 audit professionals trained in IPSAS, many of whom have conducted audit of IPSAS related issues in UN, WHO, IMO, WFP and WIPO. As External Auditors, we have adopted a bilateral consultative process and have supported UN, WHO and IMO in their process of migration from the legacy UNSAS accounting system to the one governed by IPSAS.

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” to assist audit teams in undertaking financial audits of international agencies which have either adopted IPSAS or are in the process of adopting them. 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.

ii. 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 400 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 235 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 staff 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 Information & Communication Technology Systems, 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 IAEA, WHO, FAO, WFP 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 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.

Section - B



AUDIT APPROACH

A. Introduction

The Comptroller and Auditor General of India (CAG), 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 and 2014-2020), World Health Organization (2004-2012), Food & Agricultural Organization (2002-2007), International Maritime Organization (2000-2012), World Food Programme (2010-2016), World Intellectual Property Organization 2012-2017 and International Atomic Energy Agency (2012-2015).

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 on 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.

It is also mentioned that a detailed risk assessment exercise incorporating the above elements was carried out by us in September-October 2012 and May-June 2014 which informed our audit planning for the period 2012-2013 and 2014-2015.

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 Safeguard Offices and other field locations as deemed necessary), 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 risks¹ for planning and implementation of IT projects in the public sector;
- Corporate governance and risk management practices in Government-controlled Business Enterprises;
- 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 has followed and will follow a similar approach, which has been codified in our Internal Control Evaluation Manual. 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. Domestically over 400 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) 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 including a Comprehensive Code of Ethics.
2. Regular training of audit staff to update and enhance audit skills and knowledge.

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

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.

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 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 Code of Ethics for the Organization 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 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.

Our auditing standards are under revision to be in line with the new Level 3 International Standards of Supreme Audit Institutions (ISSAIs).

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:

1. Regulations on Audit and Accounts
2. Audit Quality Management Framework
3. Auditing Standards
4. Code of Ethics
5. Manual of Standing Orders (Audit)
6. Auditing IPSAS based Financial Statements: Ready Reckoner. This is essentially for our international audits.
7. Financial Attest Audit Manual
8. Performance Auditing Guidelines
9. Internal Control Evaluation Manual
10. Guidelines for auditing Public Private Partnerships (PPP)
11. Manual of Information Technology Audit

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 Additional Deputy Comptroller and Auditor General (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. 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 a Code of Ethics and specific ethical standards 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, all audit personnel have to sign off an assurance memo at the commencement of each audit assignment. 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 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 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.

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 the 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.

Team Staffing

Audit teams will be sent from India for financial, performance, compliance and IT audits at IAEA Headquarters, Laboratories, regional Safeguard Offices and other sites deemed necessary for deriving assurance. 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 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.

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 of the Agency.

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. 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., an annual training plan is prepared. The training plan includes training objectives, broad areas of training, training infrastructure and quality assurance. For the purpose of quality assurance in training, Training Standards 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 750 trainings every year, covering around 13,000 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., nine RTIs and three RTCs 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) 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), which specializes in training in IT audit and also holds international training programmes for officials of SAIs of other countries. So far, 122 international

training programmes have been held in which about 3700 officials from 136 countries have been trained.

Our newly established International Centre For Environment Audit and Sustainable Development (iCED) has already organized two international training courses on environment audit and sustainable development.

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, Office of the Auditor General of Canada, University of

California, Berkeley, the Wharton School, University of Pennsylvania, etc. 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 UN Board of Auditors and 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 by 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. Besides, we maintain websites of INTOSAI Committee on Knowledge Sharing and Knowledge Services (www.intosai.ksc.org) and INTOSAI online collaboration tool (www.intosaiactool.org).

FINANCIAL PROPOSAL

Section - C



FINANCIAL PROPOSAL

AUDIT FEE AND AUDITOR MONTHS

We will charge a total audit fee of Euro (€) 223,000 per annum which translates into Euro (€) 446,000 for the years 2016 and 2017. For this fee, it is estimated that we will devote a total number of 54.53 auditor months equivalent to 1636 man days for the years 2016 and 2017.

Explanatory Notes

- The fee is based on total recovery of audit costs and covers all costs specified in the Secretariat's Note 2015/Note 3.
- There is marginal increase (3%) in the annual audit fee as compared to audit fee for the period 2014-2015. This is to compensate increased transportation, staff and DSA cost.
- 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 December 2014 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 the audit coverage we have proposed. The work programme offered by us encompasses 1636 man days of work for years 2016 and 2017. At the offered cost of Euro (€) 446,000 for these two years, the per man-day cost of our bid comes to Euro (€) 272.62, which further translates into a per man-hour cost of only Euro (€) 34.07.

Acronyms used in the Document



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

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

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**Vice Chairman
The Supreme Audit Board
Republic of Indonesia**

No: **5** /S/III/02/2015

February **16**, 2015

Mr. Yukiya Amano
IAEA Director General
Vienna International Centre
PO BOX 100, 1400 Vienna, Austria
Ph. (+43 1) 2600, Fax. (+43 1) 26007

Dear Mr. Amano,

The Audit Board of the Republic of Indonesia (BPK) is pleased to present the following proposal to provide financial audit for the International Atomic Energy Agency (IAEA) for the Financial Year 2016-2017.

With the ideal mix of experience, resources and knowledge, we are confident to deliver the expected output that IAEA places on its external auditor. Just to name a few, our strengths that may help you consider our proposal are:

- We are the external auditor of the government of Indonesia. Our main strength is in financial audit – including compliance audit, but we also conduct performance as well as special purpose audits.
- With a total of more than 2,400 entities to be audited annually, BPK has proven its ability to manage its resources effectively, efficiently, and professionally. This claim is supported by the results of peer reviews conducted by SAI New Zealand (2003), SAI Netherlands (2009) and SAI Poland (2014).
- Our auditors hold international audit certifications such as CA, CPA, CIA, CFE, and CISA. They, who are customarily working with risk-based and IT audit approach and experiencing international audit assignments, will be of benefit in overcoming the complexity of the audit.
- We have the experience in auditing nuclear-related entities in Indonesia: National Nuclear Energy Agency and Nuclear Energy Regulatory Agency.
- Completing its rich international experiences in the past, BPK is currently the Chair of INTOSAI Working Group on Environmental Auditing (WGEA) and a member of ASOSAI Governing Board.

We are committed to quality and timely service and we believe we have what it takes to be the external auditor for IAEA.

Should you need further reference or information, we are more than happy to provide it to you.

Sincerely,

Sapto Amal Damandari
Vice Chairman



PROPOSAL

**FOR EXTERNAL AUDITOR OF
INTERNATIONAL ATOMIC
ENERGY AGENCY (IAEA)
FINANCIAL YEAR 2016 -2017**



**THE AUDIT BOARD OF
THE REPUBLIC OF
INDONESIA**

FOREWORD

It is an honour for me to present this proposal to the International Atomic Energy Agency (IAEA) in respect of the appointment of External Auditor for the financial year 2016 – 2017 for their deliberations. This proposal contains all the essential information requested by the IAEA Secretariat through its Note Ref.: N3.00/030405 dated 20 January 2015 regarding Appointment of the External Auditor.

This proposal also elaborates our plan and commitment to comply with the Terms of Reference governing the audit of accounts of the International Atomic Energy Agency, including all Trust and Special Funds, in order to provide reasonable assurance on the opinion we render.

I am aware of the challenges resting in auditing prominent international organizations such as the International Atomic Energy Agency. I do believe that our qualified auditors who are customarily working with Risk-Based and IT Audit Approach, experiencing international audit assignments and audit of National Nuclear Energy Agency and Regulatory Agency, holding of international audit certifications as well as their involvement in many international activities, will be of benefit in overcoming the complexity of the audit.

I assure high quality of audit, communication and cooperation so that during our tenure, we can promote a high degree of fairness and reliability of financial statements, thus maintaining stakeholder trust on the IAEA organization.

I am looking forward to providing our services to you.

Yours sincerely,

Sapto Amal Damandari

Vice Chairman

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CURRICULUM VITAE OF BOARD MEMBERS

THE AUDIT BOARD OF THE REPUBLIC OF INDONESIA

The Audit Board of the Republic of Indonesia is an Supreme Audit Institution that adopts Board System. It consists of Chairman, Vice Chairman and 7 board members. Here are their profiles:



Chairman, Harry Azhar Azis, Ph.D.

Harry Azhar Azis, Ph.D. was appointed as Chairman since October 2014. He was a prominent parliament member (2004-2014) such as Chairman of budget commission as well as Vice Chairman of the finance and economy commission. His education background was Master Degree in Public Economic Policy, University of Oregon, USA, (1990) and Doctoral Degree in Economics of the Oklahoma State University in Stillwater, Oklahoma, USA (2000). Working as a economist in USAID in Jakarta (2002-2003), he was also a reviewer at Journal of Asian Business, University of Michigan, USA (1995-2003).



Vice Chairman, Drs. Sapto Amal Damandari, Ak, CA, CPA

Drs. Sapto Amal Damandari, Ak, CA, CPA has assumed Vice Chairman since October 2014. He has wide and long experience as Board Members. He has been a Board Member VI in 2007-2010, Board Member V in 2010 – 2013 and Board Member II in 2013 – 2014. Mr. Damandari is an accountant by professional and is an active member of the Indonesian Charter of Accountant (IAI). He has been a Chairman of the Consultative Board of the Compartment of the Public Sector Accountant, IAI in 2008-2014 and now is a member of the Advisory Board of the IAI.

Graduated in Accounting from University of Gadjah Mada, he pursued his career both in private and public sector accounting. He has been a senior partner in public accounting firm, lecturer and subject matter expert in budgeting for the House of Representatives. As a Vice Chairman, Mr. Damandari is responsible for the BPK internal management and administration covering such areas as Audit and Institutional Planning, Evaluation and Development; Legal Affairs; Quality Assurance and Internal Audit; Human Resources and Training, and other supports functions. Considering his professional background and portfolios, he holds responsible, on behalf of BPK, for bidding the external audit services for the International Atomic Energy Agency.



Board Member I, Dr. Agung Firman Sampurna, SE, MSi.

Dr. Agung Firman Sampurna, SE, MSi. holds a doctoral degree in Public Administration and Policy. His expertise and broad knowledge in public sector leads to his career as the Board Member of BPK since 2011.

Dr. Sampurna is responsible for auditing Defence, Security, Law and Politic Affairs, such as the Indonesian Armed Forces, Police Department, Ministry of Defence, and Ministry of Foreign Affairs.



Board Member II, Mr. Agus Joko Pramono, M.Acc., Ak.

Mr. Agus Joko Pramono, M.Acc., Ak. was appointed as Board Member of BPK RI on October 2014. He holds a Master Degree in Government Administration. He is also a member of Advisory Board of Indonesian Charter of Accountant (IAI) and Director of Study Center of Invesment and Finance Education.

Mr. Pramono is responsible for auditing Central Bank, Ministry of Finance, and other Financial Institution.



Board Member III, Prof. Dr. Eddy Mulyadi Soepardi, SE, MM, Ak, CFr. A, CA

Prof. Dr. Eddy Mulyadi Soepardi, SE, MM, Ak., CFr.A, CA was appointed as the Board Member since October 2014. Mr. Soepardi is also a member Indonesian Charter of Accountant (IAI). He obtained his doctoral degree in Accounting from Padjajaran University in 2005. Prof. Soepardi is responsible for audit on State Institutions, Public Welfare, Secretary of State, and Research and Technology.



Board Member IV, Prof. Dr H. Rizal Djalil, MM

Prof. Dr H. Rizal Djalil, M.M. was appointed for a second five-year term as a Board member in October 2014. Before joining BPK, he was a Parliament Member responsible for Finance and Economic Affairs. He holds a doctoral degree from Padjadjaran University in 2008. Prof. Djalil is responsible for audit on Environment, Natural Resources, Maritime and Fisheries, Forestry and Agriculture, and Infrastructures.



Board Member V, Dr. Moermahadi Soerja Djanegara, SE, Ak., MM, CPA

Dr. Soerja Djanegara was appointed for a second five-year term as a Board member in October 2014. He obtained a Doctoral degree in Accounting from Padjadjaran University in 2005. Dr. Soerja Djanegara is responsible for audit on Ministry of Religion Affairs, Ministry of Internal Affairs, Regional and Local Governments in Region I covering Sumatra and Java.



Board Member VI BPK RI, Prof. Dr. Bahrullah Akbar, M.B.A., C.M.P.M.

Prof. Akbar was appointed for a second-five year term as Board Member in October 2014. He holds a Master Degree in Public Sector Management, University of Leicester, United Kingdom (2000) and a Doctoral Degree in Government Sector from Padjajaran University in 2013. Prof. Akbar is responsible for auditing Regional and Local Governments in Region II covering eastern Indonesia Provinces (Bali, Nusa Tenggara, Kalimantan, Sulawesi, Maluku, dan Papua). He also conducts audit on Ministry of Health, Ministry of Education, Ministry for the Development of Disadvantage Regions, and Food and Drug Agency.



Board Member VII, Mr. Achsanul Qosasi

Mr. Qosasi was appointed as Board Member since October 2014. He holds his Master Degree in Economics from Jose Rizal University, Philippines. Before joining BPK, he was a Parliament Member responsible for Finance and Economic Affairs. He is now in charge of the audit of State Owned Enterprises, including Banking Sector, Oil and Gas Sector, Forestry Sector, Transportation Sector and other strategic State Owned Enterprises.

CHAPTER I

PROFILE OF THE AUDIT BOARD OF THE REPUBLIC OF INDONESIA

A. History

The Audit Board of the Republic of Indonesia, literally known as BPK: *Badan Pemeriksa Keuangan*, was established in 1947 as mandated by Indonesian Constitution 1945. It is a collegial body consisting of 9 members in which they select among themselves a Chairman and Vice Chairman. The board members serve a 5-year term and can be reelected for another 5 year with a retirement age at 67 years.

The role and position of BPK stipulated by the Indonesian Constitution is to audit the management and accountability of state finance at all government levels – central, provincial and local governments, including state and local owned companies.

The Constitution establishes a high standing position to BPK in Indonesian administration system and structure. BPK is not part of executive, legislature nor judicial branch and therefore, they have a same level of position under the Constitution. The Constitution, Audit Act and BPK Act assure the independence at both operational and financial aspects, as well as autonomy of BPK to perform audits. None can interfere and direct BPK's audit work and results. Government, Parliament and public at large may request BPK to

conduct an audit but the decision may rest at BPK's disposal.

BPK does not report but renders its audit results to Government and Parliament at national and subnational levels for a follow up action in accordance to law. Once tabled at Parliament, the audit reports become a public domain and thus people at large may participate in controlling BPK's product as well as government work in managing and using public money.

BPK's independency and autonomy is indeed in line with the desired independence and autonomy of the state audit institutions as envisaged by the Lima and Mexico Declaration of INTOSAI.

B. Core Values

To meet its vision and mission, BPK keeps its high standing profile by exercising three organizational core values, namely Independence, Integrity, and Professionalism. They can be elaborated as follow:

1. *Independence*

BPK is an independent state institution regarding to organization matters, legislation, and budget, and is free from influence from other parties whatsoever.

2. *Integrity*

BPK emphasizes integrity in all aspects of auditing by requiring each auditor to perform their ethical conduct, standards of behavior,

and professionalism at highest level.

3. Professionalism

BPK conducts its work in accordance with National Auditing Standards, Code of Ethics, Audit Management and Quality Control System Guidelines, Guidance on Quality Assurance, and BPK's core values.

BPK establishes a panel of code of ethics to safeguard the implementation of code of ethics by all auditors. This independent panels comprises representatives of academy, professionals and Board Members.

C. Roles and Functions

BPK main role is to promote transparency and accountability of state finance by conducting audits, providing recommendations and opinions, and exercising a quasi—judicial roles. Not many Supreme Audit Institutions have a strong and unique roles like BPK in both audits and quasi-judicial function systems.

1. Audit function

BPK conducts audits on state finance at national and sub-national levels covering more than 2,400 central and local entities including state and local-owned enterprises. BPK, furthermore, conducts three types of audit namely financial audit, performance audit and special purpose audit, including compliance and investigative audits.

2. Recommendation function

Based on audit results, BPK provides strategic and national recommendations on management and accountability of state finance, including providing considerations to the development of Government Accounting Standards (GAS) and the design of Internal Control System (ICS) at all levels of governments.

3. Quasi-Judicial function

BPK assesses and/or determines the amount of state losses due to unlawful actions committed by treasurers and government officials. In addition, BPK also provides considerations to settlements of state/local losses and expert statements in court proceedings regarding state/local losses.

D. Dealing with State Loss and Criminal Offense

BPK may conduct an investigative audit if there is an indication of state loss and or criminal offense. Should an audit disclose matters which give rise to suspicion that a criminal offence or an act detrimental to the State Finance has been committed, BPK shall present such a case to law enforcement institutions such as the National Police, the Attorney General and the Corruption Eradication Commission.

E. Human Resources

People are the valuable investment in the BPK and we prioritize the capacity development of our auditors and supporting staff through various programs such as scholarship for master, doctoral degree and professional certification. We also engage bilateral cooperation with 18 supreme audit institutions for the capacity building in both financial and performance audit. Cooperation with the Australian National Audit Office (ANAO), for example, aims to share knowledge, skills and practices in performance audit and accrual based financial audit. In addition, similar cooperation has been conducted with the Office of the Controller and Auditor-General of New Zealand (OAG NZ) through secondment program on accrual based financial audit practice.

As per December 2014, the total number of BPK's employees is 6.207 people. Among those, there are of total number of 4,200 auditors.

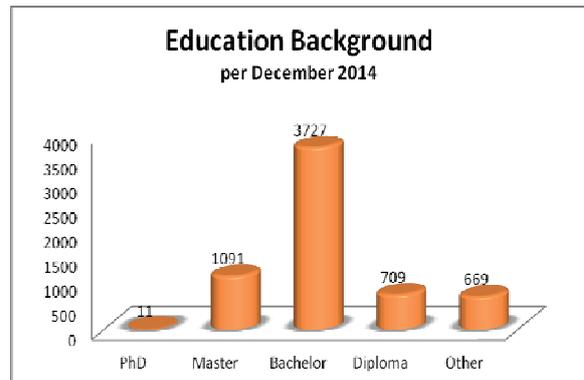
There are many auditors with international audit certifications, as follows:

- 1,200 Chartered Accountant (CA-member of IFAC);
- 20 auditors hold Certified Public Accountant (CPA);
- 17 auditors hold Certified Internal Auditor (CIA);
- 126 auditors hold Certified Fraud Examiner (CFE);
- 10 auditors hold Certified Information System Auditor (CISA).

In light of educational background, here is the profile:

- 11 staffs holding Ph.D degrees,
- 1.091 staffs holding Master degrees.
- 200 staff currently pursue a higher degree such as Master and Ph.D,

Rest of staffs is majority holding bachelor and diploma.



BPK is also continuously providing opportunity for its staffs to pursue other international certification and contribute to the development of international public sector auditing. Currently, we have:

- Eight INTOSAI Development Initiatives (IDI)-ASOSAI Audit Training and Capacity Building Specialists,
- Seven INTOSAI Standards of Supreme Audit Institutions (ISSAI) Facilitators,
- Two IDI certified IntoSAINT trainers,
- Two Certified Knowledge Managers (CKM).

F. Capacity Building and Training Facility

BPK employs staffs with a wide array of academic backgrounds including accounting, economics, law, information technology, statistics, etc.

BPK supports the ongoing development of its workforce by providing training and professional development opportunities both locally and internationally through a network of international partners and stakeholders including universities and other SAIs. BPK adopts the Capacity Building Model developed by the INTOSAI Capacity Building Committee (CBC) and the INTOSAI Development Initiatives (IDI).

BPK recognizes that many complex changes are reshaping its internal and external environment at all levels, and is committed to develop the management systems and capacity to respond accordingly and turn challenges into opportunities for excellence.

The Human Resource Department and the Training Centre of BPK runs excellent learning centers and knowledge management to facilitate and sustain the dissemination of knowledge gained from the certification programs and secondment programs hosted by counterpart SAIs. The forms of knowledge management programs are workshop, training and seminar named Knowledge Transfer Forum. BPK Training Centre has conducted a number of trainings for internal and external stakeholders, namely:

1. Internal Training

Training for internal users is designed based on the Knowledge, Skills and Attitude (KSA) model for each employee category:

- a. Induction Training for all new employees.

- b. Leadership and Managerial Training for managers at levels and positions
- c. Auditor Training which falls into two categories: (i) functional audit training for auditors at all levels or roles and (ii) technical training on specific topics depending on the needs. For example: disaster-related audit, infrastructure audit, procurement audit, analytical procedure, Geographic Information System (GIS) for audit, and human resource management and administration.

2. External Training

As part of its contribution to enhance the capacity of internal audits as well as management of audited entities, Training Center has conducted many training, including the following:

- Training in Public Sector Audit for Public Accountants;
- Government Procurement for government officers;
- Finance and Asset Management for government officers;

3. International Trainings for other SAIs

International Training is conducted under BPK's own programs as well as in cooperation with INTOSAI bodies and concerned SAIs. The following topics are provided in our training programs:

- Forensic Accounting;

- the Use of GIS and Remote Sensing in Audit,
- Performance Audit of Tax Arrears,
- Environmental Audit, including Environmental Audit in specific areas such as Oil and Gas Sector
- Forestry Audit,
- Audit in IT Environment, and
- Investigative Audit.

All trainings are conducted internally in BPK Training Facility. They are equipped with training rooms and halls with modern facilities, laboratory, and dormitory. BPK Training Centers are located in four cities: Jakarta, Yogyakarta, Medan and Makassar to accommodate four geographical areas of the country.

CHAPTER II

BPK AND NATIONAL ACTIVITIES

A. AUDIT ACTIVITIES

BPK's audit on state finance covers all state finances in national and sub-national governments as well as state and local-owned companies.

BPK assesses the appropriateness of financial operation, the fairness of financial statements, the soundness of administration, the compliance to laws and regulations, and the appropriateness of funds utilization.

In accordance to Audit Act 2004 and BPK Act 2006, BPK conducts three types of audits as follow:

1. Financial Audit

It provides the basis for an opinion on the fairness of financial information presented in the state financial reports.

2. Performance Audit/Value for Money Audit (VFM)

It assesses the economy and efficiency of state financial resources and effectiveness of government programs and report findings to the stakeholders.

3. Special Purpose Audit

It addresses specific areas of concern outside the scope of financial and performance audits such as:

- Compliance audits,
- Financial related audits,
- Investigative audits,

- Audits of internal control systems
- Audit of information technology.

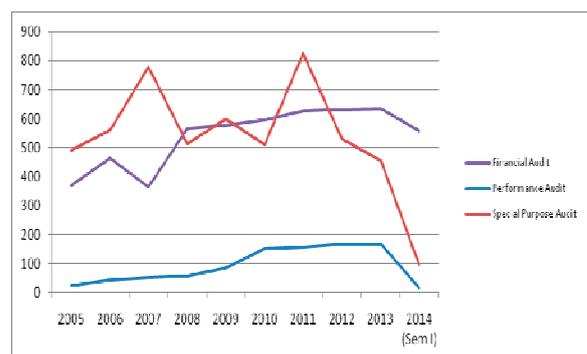
In five years (Period Semester II /2009 until Semester I 2014), BPK has issued 6.900 report, consists of:

- 3.243 financial audit reports,
- 740 performance audit reports, and
- 2.917 special purpose reports.

Financial audit is the statutory audit mandate to be performed annually on National and Sub-national governments (provincial and districts), including state-owned and local owned companies. The latter is in majority conducted by public accounting firms in which their audit reports are submitted to BPK. In 2014, BPK has issued 630 financial audit reports, consist of:

- 86 central government entities,
- 524 local government entities,
- 19 other agency, and
- One consolidated state financial reports which covers State Revenue and Grants amounted of 1.438 trillion rupiah (USD 120 billion) and the State Expenditure amounted of Rp1.650 trillion rupiah (USD 138 billion) in 2013.

Number of Audits Conducted since 2005 until 2014 (First Semester)



As a professional institution, BPK is continuously improving its institutional, organizational and professional staff capacity in accordance to the development of the subject matters and audit practices to deliver high quality audit and zero error in reports. These are in line with the needs of stakeholders. In order to guarantee the quality of audits, BPK establishes quality control system to provide reasonable assurance that its audit work satisfies statutory provisions, audit standards and guidelines.

The BPK's quality control system consists of quality control and quality assurance. Quality control process is implemented in the audit process hierarchically from the audit team to the high level audit manager before the report was published. While quality assurance is the process of monitoring and reporting BPK's compliance with applicable auditing standards to provide the high level audit manager with greater confidence in the issued report.

BPK also actively participates in the corruption eradication. The law enforcer like Police, Prosecutor's Office and the Corruption Eradication Commission (KPK) can propose audit to BPK. Of total investigations by KPK, more than 60% of it came from findings on BPK's audit reports.

Internally, BPK is pioneering in the design and implementation of Fraud Control Systems (FCS). It is a part of a comprehensive Internal Control Systems aiming to focus more on prevention and detection of internal as well as external fraud. As BPK leads on this initiative, it is expected that

government institutions will do the same initiatives.

B. STANDARD SETTING BODY

1. Auditing Standards

BPK is a standard setter of the National Auditing Standards. The Standards adopt INTOSAI Auditing Standards as well as other related international auditing standards in combination with national contexts. A dedicate national committee on Auditing Standards is now working on the INTOSAI Standards of Supreme Audit Institutions (ISSAI) Framework adopted by INTOSAI in its 2010 International Congress.

Furthermore, to operationalize and ensure highly consistent implementation of the Auditing Standards, BPK has developed at least 48 audit and technical guidelines for all three types of audits. For example, its products in the field of financial audit includes National Financial Auditing Standards and guidelines for risk assessment, statistical sampling, working papers.

2. Government Accounting Standards and Internal Control System

According to the Law, BPK is also mandated to provide considerations on the development of the Government Accounting Standard and the design of Internal Control System at national and sub national governments.

Starting in 2015, Government of Indonesia is implementing Full Accrual

Accounting Basis after around 10 years implementation of Cash Toward Accrual Basis. BPK has been instrumental in providing advises to government on both types of accounting bases.

C. PEER REVIEW

To acquire objective opinions on how BPK is functioning, every four years BPK is peer-reviewed by other Supreme Audit Institutions based on international standards. Peer review aims to examine whether BPK design and implement adequately the quality control system in line with National Auditing Standards, and to evaluate BPK's efforts in following up recommendations of the previous peer reviewer.

In 2009, BPK was reviewed by the Netherlands Court of Audit; whereas SAI of Poland carried out this task in 2014. Both SAIs concluded that BPK Quality Control System and Practices are in line with international standards and provides positive organizational and procedural capacity development.

D. PUBLIC ACKNOWLEDGEMENT

As one of the state institution, BPK has received numbers of acknowledgments from other institutions as well as the public for both its work and its existence. In 2008, the Indonesian Community for Remote Sensing (or MAPIN: *Masyarakat Penginderaan Jauh Indonesia*) named BPK as the best governmental entity that introduces and develops the use of

Geographic Information System (GIS) and Remote Sensing (RS) in its audit tasks.

Also, the Ministry of Health (MoH) awarded BPK as one of the best offices in implementing the MoH's program in promoting a healthy and clean work environment. Beside these two awards, BPK also receive several other awards, namely:

- Award on performance accountability ranked "A" for Year 2011-2014;
- Award on High Quality Financial Reporting for Financial Year 2011-2013; and
- Award Bureaucracy Reform ranked "A" from Ministry of State Apparatus Award.

A copy of some awards received by BPK can be found in the Appendix 1.

CHAPTER III

BPK AND INTERNATIONAL ACTIVITIES

BPK has engaged in international audit activities and cooperation to share knowledge as well as build capacity. These activities have positively generated pools of various expertise and professionals. They have been exposed to the international audit standards and practices.

A. International Audit Assignments

BPK is enjoying its cooperation with other Supreme Audit Institutions to contribute in international audits as well as building international audit capacity. Some of them are as follow:

- In cooperation with the France' Cour des Comptes, BPK participated in audits on UN audit missions in Kinshasa, Congo (UNHCR), Eritrea (UNMEE), Kosovo (UNMIK), Aceh (UNICEF, UNHCR, UNOCHA), and New York (UNICEF, UNOCHA, UNJSPF).
- In cooperation with the Commission on Audit of the Philippines, BPK already trained its auditors on the international audit assignments of UN bodies.
- In cooperation with the INTOSAI Development Initiatives (IDI), BPK conducted international cooperative audits and capacity building programs on several audit topics, such as Public Debt and Forest Audit.

In addition to that, BPK is also experienced in performing foreign-funded projects under several international development agencies, projects funded by international donors agencies in Indonesia, namely Asian Development Bank (ADB) and World Bank (WB)

B. INTOSAI (International Organization of Supreme Audit Institutions)

BPK's leadership on the INTOSAI bodies:

- INTOSAI Working Group on Environmental Auditing (WGEA)

Currently, BPK is the Chair of INTOSAI Working Group on Environmental Auditing (WGEA). WGEA is the largest working group in INTOSAI by having 78 members in 2014. BPK has responsibility to manage and ensure that all projects are accomplished. With regards to WGEA project, BPK is the project leader of two projects; renewable energy research project and review of 4 ISSAIs related to the environmental auditing. Aside from becoming the project leader, BPK also involved as subcommittee members of three other research projects.

- INTOSAI Working Group on Audit of Disaster-related Aid (WGAADA).

BPK was co-chaired the working group. Under WGAADA framework, BPK led the project on the development of ISSAI 5520 - Audit on Disaster Related Aid and a

Parallel Audit on Audit of Disaster Related Aid.

Further, BPK also actively participate as a member and/or project leader on others INTOSAI Working Group, such as:

- Working Group on Public Debt. BPK is involved in the annual meeting and project organized by the WG;
- Working Group on IT audit. BPK is an active participant in the IT Project Planning and Detailed Audit Procedures to Review IT Controls, and involved in the development of Intosai IT Audit Guideline Handbook;
- Working Group on Financial Modernization and Regulatory Reform. BPK contributed in the preparation of the TOR and workplan of WGFMR; and
- Working Group on the Fight Against Corruption and Money Laundering. BPK is an active participant on the development of the WG first guideline, Enhancing Integrity, Transparency, Accountability and Good Governance.
- Working Group on Key National Indicators. BPK contribute in designing concept and discussion on Key National Indicators.

BPK also actively involved in the ISSAI 30 - code of ethics Review Project led by SAI of Poland.

C. ASOSAI (Asian Organization of Supreme Audit Institution)

As a chartered member of the ASOSAI since 1979, BPK is still performing its best endeavors to enhance ASOSAI activities and cooperation among its members, such as:

- Chairman of ASOSAI Governing Board (GB) for two periods;
- GB member for 6 periods, including the period of 2015 – 2018. As a member of ASOSAI Governing Board, BPK has a voice in determining ASOSAI's policies and regulations, strategic plans and action plans as well as the annual financial plan, appointing committees, and nominating the next Chair/Secretary General and ASOSAI representatives on the INTOSAI Governing Board; and
- Auditor of ASOSAI Secretariat;

Further, in order to strengthen and implement the ISSAI, BPK involve actively in the program of ASOSAI ISSAI facilitators sponsored by IDI. There are many auditors have been certified by the ISSAI facilitators.

D. ASEANSI (ASEAN Supreme Audit Institution)

The establishment of ASEANSI, as an association of 10 SAIs at the south east asia region was firstly initiated by BPK. BPK was elected as the first Chair and Secretariat in 2011-2013. With this role, BPK took a lead in setting the organization structure, developing its organ and running the first Secretariat

matters and since 2013, BPK became the Secretariat Function of ASEANSAI.

E. Other International Cooperation in Public Sector Audit

Within bilateral framework, BPK enjoys mutual benefits and cooperation with 18 SAIs, including the Australian National Audit Office (ANAO), the Office of the Auditor General of New Zealand (OAG New Zealand) and Audit Office of Malaysia.

In the context of bilateral cooperation, several activities have been done , including cooperative audits, secondment program, training and workshop. Similar activities are already in the pipe line for 2015 and following years.

Moreover, BPK sends its auditors every year to GAO-USA fellowship program as a part of financial audit team.

CHAPTER IV

AUDIT EXPERIENCE IN NUCLEAR RELATED ENTITIES

BPK conducts annual financial audits on two major agencies, namely National Nuclear Energy and Nuclear Energy Regulatory Agency. In addition to that, BPK also performed performance and special purpose audits as mandated by Laws.

A. Audit Approach

BPK conducted risk-based audit approach to these entities. BPK review the organization risks, business risks as well as audit risk. It also included an evaluation of fraud risks and IT assessment and review. By doing so, BPK can identify the number of resources allocate in the audit works.

Electronic Audit (e-Audit) approach is used to generate link-and-match data into physical and logical data relationship where the auditor may identify and analyze irregularities and anomalies of data/information.

Further interrogation of data is being conducted by Computer Assisted Audit Techniques, including the use of IDEA or ACL Software.

B. National Nuclear Energy in Indonesia

One of the entities audited by BPK is the National Nuclear Energy Agency which was established to conduct researches on the development and implementation of nuclear energy in Indonesia. The agency has received Unqualified Opinion for the past 5 years for its financial statements reporting from BPK.

In 2014, BPK published an audit report of the performance audit on the agency about Agency's Research and development Activities and the Utilization of Its Results within the year of 2013-2014.

There were 3 areas covered in this audit:

- research, development and utilization of nuclear science and technology;
- management of non-tax revenues; and
- nuclear waste management.

Based on this audit, BPK recommended the agency to, among others, review its policy especially in the research and development sector, the technology transfer mechanism and its relation to royalty patent and sanction mechanism.

C. Nuclear Energy Regulatory Agency

The Agency was established in 1998 to monitor all activities related to the implementation of nuclear energy in Indonesia.

BPK also holds regular financial statement audits on the Nuclear Energy

Regulatory Agency, where it received an unqualified opinion in 2014.

A performance audit on this agency was conducted to assess:

- Institutional and human resource management;
- Licensing service;
- Inspection; and
- Monitoring and evaluation of the radioactive facility and substances.

CHAPTER V

AUDIT APPROACH FOR EXTERNAL AUDIT SERVICES TO IAEA

This chapter is mainly concerning BPK's response to Financial Regulations of the IAEA pertaining to Article XII, XIII and additional Terms of Reference governing the audit of the International Atomic Energy Agency.

BPK is fully aware and positively complying to the above mentioned Financial Regulations of the IAEA as a basis of our high standard services to the IAEA.

BPK highly considers the ISSAI 1260 vis-à-vis ISA 260 that provides guidance on the importance of communication and cooperation between the auditors and those in charge of the IAEA Governance in order to render high quality audit process and results.

A. Audit Scope

BPK complies to the audit scope as it is regulated in the Financial Regulations of the IAEA, including those in the Additional Terms of Reference (Part V, Section 2, Annex 1).

In addition to conducting audit of the IAEA Financial Statements, on the basis of risk as well as potential improvement to the financial system and procedures, BPK will consider the efficiency of the financial procedures, the accounting system, the internal controls and in general the financial

consequences of administrative process.

Special purpose audit, particularly investigative audit will be consulted with IAEA management in the events that BPK finds an indication of fraud and corruption.

B. Audit Standards and Methodology

BPK will conduct the audit in accordance with Generally Accepted Auditing Standards and the Financial Regulations of IAEA and Additional Terms of References governing the audit of the International Atomic Energy Agency, set out in the Annex to the Financial Regulations. The generally accepted common auditing standards consist of:

- The International Public Sector Auditing Standards (IPSAS) issued by the International Federation of Accountants (IFAC);
- The 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 (ISSAIs);
- 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.

The audit will be performed in accordance with those standards and is designed to provide reasonable assurance that the IAEA's financial report as a whole is free from material misstatement whether due to fraud or misstatements. Reasonable assurance is a high, but not absolute, level of assurance.

Considering its initial audit on the IAEA, BPK will allocate adequate time and resources on planning and a continued understanding of IAEA's business operations. This will enable BPK to identify critical audit components, tailor audit procedures, and perform audit in timely manner as per audit standard and agreement with the IAEA. BPK will conduct the audit based on the IAEA's risk assessment (risk based audit) and will focus on significant financial reporting and system within the IAEA and the manner in which the IAEA seeks to manage those risks. The main audit phases of BPK's approach are as follow:

1. Planning

This phase consists of understanding IAEA's business operations, performing risk assessment, and developing audit plan.

Understanding IAEA's business operations, including its environments, IT system, and internal controls, would help BPK design the work needed, respond to significant risks and hence, prevent from audit failure. In addition to that, BPK also takes into account the findings of previous audits, including

those of performance audits, that provide potential impact on IAEA's financial statements.

In this phase, BPK performs risk assessment as an important part of this phase. The risk assessment process encompasses:

- An analysis of business and organization risks.
- An assessment of inherent risks, both at the financial statement and account balance levels.
- An evaluation of internal control structure and the subsequent assessment of control risk. This also includes IT Control Risk and Fraud Risk Assessment.
- An assessment of the effectiveness of analytical procedures in controlling and detecting risk.

BPK will accept a level of risk that a material misstatement in the financial statement will not be detected by the audit procedures. This risk, which is assessed as low, is accepted because of the significant costs and impracticability of performing an audit that accepts no, or an extremely low, level of risk.

Based on the understanding of IAEA's business operations and risk assessments, BPK will develop an audit plan, which includes tailoring audit programs and procedures specific to IAEA, agreeing on information to be provided by IAEA staff, arranging the exact time of fieldwork, and performing analytical procedures prior to the audit date.

This step ensures that all risks have been addressed.

2. Fieldwork

Fieldwork is the critical part of the audit process and in this phase BPK will complete the assessment of the effectiveness of key controls for the entire year, conduct substantive test of material balances and transactions, check IAEA's compliance on law and regulations, review disclosures in the financial statements, and issue audit opinion on the IAEA's financial statements.

The quality control on the audit will be ensured through routine supervision to achieve effective execution of audit procedures with due regard to the auditing standards and adherence to the best practices.

3. Report Issuance

BPK will deliver three types of audit reports to IAEA:

- Management Letters,
- Short Form Report or the Opinion on Financial Statements, and
- Long Form Report or Annual Audit Report.

BPK will immediately communicate to the IAEA the conditions that have been observed before completion of the audit, such as incompliance to laws and regulations, deficiencies, weaknesses and ineffectiveness of the internal control that affect the organization's ability to record, process, summarize and report

financial data. The final report will be issued after discussing with IAEA's top management.

BPK will ensure that Audit Report delivered to IAEA will be balanced, fair, accurate, and having constructive recommendations.

C. Risk-Based Audit and Internal Control Evaluation

As it is explained earlier, BPK will employ a risk-based audit approach to design audit procedures on the financial statement accounts as well as transaction cycle system.

An internal control system, both manual and computerized controls, will be reviewed to determine the timing, nature and extent of the audits being performed.

Audit tools such as Business Risk Matrix, Audit Risk Matrix and Fraud Risk Matrix will be used to facilitate and ensure sufficient audit procedures. The use of audit tools is a complementary in nature to the professional judgment and skepticism of the auditors.

D. Communication with Those in Charge of Governance

Communication between BPK and those in charge of governance – management, audit committee, internal audit, and other concerned parties is very critical for the success of the audit. BPK will collaborate closely with the Internal Auditor function within IAEA as well as with the Office of Internal Oversight Services. An IAE – EAI

approach, standing for Internal Assisting External Audit and External Assisting Internal Audit will be used to provide optimum benefits of the work of BPK to the governance of the IAEA. By doing so, the external audit work could also promote an efficient and effective audit.

This model is also in line with INTOSAI Governance on the relationship between Internal Auditor and External Auditor.

E. Communication with Previous External Auditor

Communication with previous auditors is a mandatory procedure and is of importance to an initial audit for BPK on the IAEA. A certain amount of time and resources will be allocated adequately to this process.

F. Audit Teams

The Audit Board will supervise directly the work of BPK audit teams on the IAEA.

At operational level, BPK will assign Principal Auditor, same level as Director General in many other SAIs, to lead the audit and provide audit quality controls.

The audit staffs to be assigned to the audit fall in to the following categories:

- Audit Director/Manager/Financial Statement Senior Auditors;
- IT Senior Auditor;
- Senior Internal Auditor of Indonesia's National Nuclear

Energy Agency/National Nuclear Energy Regulatory Agency; and

- Audit Supervisor.

BPK consider highly a gender balance in its audit work in all position based on merit system and equal opportunity.

G. Estimates of Auditor – work – months

We have assessed the audit effort that would be required for auditing operation at headquarter, including the regional offices, liaisons offices, and research laboratories. As mentioned earlier in this proposal, we propose to have an officer (Director of External Auditor) at IAEA Headquarter. The audit at Headquarter will be periodically supplemented by interim audit and the final audit. The audit of the regional offices, liaisons offices, and research laboratories will be conducted at least once during the biennium. Based on this, we estimate that 47 auditor-work-months will be spent in conducting the audit of IAEA per annum.

H. Audit Fees

BPK proposes an audit fee of €414,000 for two years or €207,000 each year for the financial years of 2016 and 2017.

The fee quoted are based on the full recovery of the cost incurred on audit and included all traveling, secretarial and other ancillary costs as well as living expense/per diem of the auditors sent for audit work.

Annual fees of €207,000 covers an audit fee amounting at €119,000 per

year and €88,000 to cover fixed, air fare and supplies expenditure.

Average fee per man per month is €2,532 for each 47 audit staff.

APPENDIX 1. AWARDS RECEIVED

1. Award on High Quality Financial Reporting for Financial Year 2011-2013.



2011



2013

2. Award on performance accountability ranked "A" for Year 2011-2014



2011



2014

3. Award the best offices in promoting a healthy and clean work environment



2014

Appendix 2. AUDIT FEE

NO	Description	LOCATION	Number Person involved	Month	Man	Man/month	Fixed, airfare and office supplies expenses		
							FC	Airfare**	Office Supplies
1	HQ	Viena	Dir/Manager, Auditor/Team Leader	6	5	30	30,000	2,000	32,000
			Supervisor	1	1	1			
2	IAEA Regional Office Toronto	Toronto	Auditor/Team Leader	1	3	3	9,000	2,000	11,000
			Supervisor	1	1	1	3,000		3,000
3	IAEA Regional Office Tokyo	Tokyo	Auditor/Team Leader	1	3	3	9,000	2,000	11,000
			Supervisor	1	1	1	3,000		3,000
4	Liaisons Office New York	New York	Auditor/Team Leader				0		0
			Supervisor				0		0
5	Liaisons Office Geneva	Geneva	Auditor/Team Leader	1	3	3	9,000	2,000	11,000
			Supervisor	1	1	1	3,000		3,000
6	Research Labs Monaco	Monaco	Auditor/Team Leader						
			Supervisor						
7	Research Labs Seibersdorf, Austria	Seibersdorf, Austria	Auditor/Team Leader	1	3	3	9,000	2,000	11,000
			Supervisor	1	1	1	3,000		3,000
	Total					47			88,000

Note to audit fee table

Annual Bidding value
Fixed, airfare and supplies expenditures
Amount allocated for audit fee
Total projected man/months
Average fee per man/month

207,000
88,000
119,000
47
2,532



Permanent Mission of the Republic of the Philippines to the United Nations and other International Organizations, Vienna

No. VN-PH- 73 -2015

The Permanent Mission of the Republic of the Philippines to the United Nations and Other International Organizations in Vienna presents its compliments to the Secretariat of the International Atomic Energy Agency and, with reference to its 2015/Note3, has the honor to forward the nomination of the Commission on Audit of the Republic of the Philippines as the Agency's External Auditor for the fiscal years 2016 and 2017.

The Permanent Mission of the Republic of the Philippines to the United Nations and Other International Organizations in Vienna avails itself of this opportunity to renew to the Secretariat of the International Atomic Energy Agency the assurances of its highest consideration.

Vienna, 20 February 2015

The Secretariat
International Atomic Energy Agency





Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

18 February 2015

Mr. YUKIYA AMANO

Director General International Atomic Energy Agency (IAEA)
Vienna International Center
1400 Vienna Austria

Dear **Director General Amano**,

I have the honour to submit the proposal of the Philippine **Commission on Audit** for the provision of external audit services to the International Atomic Energy Agency (IAEA) for FY 2016-2017.

I trust that the proposal embodies all the information required and demonstrate our sincere commitment to render audit service with the highest degree of efficiency, integrity and professionalism.

Thank you and the entire Commission is looking forward to providing our best efforts geared at improving operations and ensuring accountability for the different funds and programs of IAEA.

Very truly yours,


HEIDI L. MENDOZA
Commissioner
Officer-in-Charge



PROPOSAL

*FOR THE PROVISION OF EXTERNAL AUDIT SERVICES
TO THE INTERNATIONAL ATOMIC ENERGY AGENCY
FOR THE FINANCIAL YEARS 2016 AND 2017*

**Submitted
February 2015**

COMMISSION ON AUDIT
Republic of the Philippines



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For information please contact:
Commissioner HEIDI L. MENDOZA
Telephone Nos. (632) 931 7873 / (632) 931 7593
E-mail: hmendoza@coa.gov.ph

A. Curriculum vitae of the candidate 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 Chairperson 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 Chairperson post was vacated when the term of the appointed Chairperson expired on 2 February 2015. Currently, Commissioner HEIDI L. MENDOZA acts as Officer-in-Charge of the Commission. As Officer-in-Charge, Commissioner Mendoza provides executive management and overall direction to the Commission with the support of Commissioner JOSE A. FABIA.

Curriculum Vitae

HEIDI L. MENDOZA

OFFICER-IN-CHARGE
COMMISSIONER
2011-2018



PROFESSION

Certified Public Accountant

CORE COMPETENCIES

- ✚ Expert in the field of audit, investigation, fraud examination, and advocacy campaign for anti-corruption, integrity, governance and development effectiveness acquired from over 25 years of professional work as state auditor, United Nations auditor, trainer, author and consultant
- ✚ Professional lecturer on Practical Fraud Investigation, Value for Money Audit, Internal Control and Red Flags of Corruption and Corruption Vulnerability Assessment
- ✚ Passionate advocate of good governance and development effectiveness

WORK HISTORY

A. Public Sector

- ✚ *Officer-in-Charge, Commission on Audit*, 3 February 2015 to present
- ✚ *Commissioner, Commission on Audit*, 15 April 2011 to present
- ✚ *Chair, International Organizations' Audit Committee, COA*, March 2012 to present
- ✚ *Consultant, Presidential Anti-Graft Commission*, October to December 2006
- ✚ *Expert Witness*, Various cases filed against erring officials resulting from audits conducted over the years of her stint with the COA to present
- ✚ *State Auditor V (rank of Director II), Commission on Audit*

✚ **Team Leader — COA Group, Special Plunder Case, detailed to the Office of the Ombudsman, September 2004 to 16 March 2006**

- Conducted fraud investigation in order to build up cases of other illegal acts committed by famous generals as a means of accumulating ill-gotten wealth
- Assisted in the Over-all Corruption Prevention Programs of the Ombudsman
- Assisted in the Trial Advocacy Trainings of Prosecutors and in the trainings of newly hired legal assistants
- Assisted in the training of Corruption Prevention Units

✚ **Financial Consultant, detailed to the Transparency of the Office of the Presidential Chief of Staff, Malacañang, Manila, March 2003 to September 2004**

- Formulated anti-corruption policies, such as the audit of tax assessments and the introduction of people centered initiative or participatory investigation
- Conducted audit/investigation of complaints directly addressed to the President
- Conducted inter-agency coordination with the Office of the Ombudsman, non-government organizations, other investigative bodies including the media
- Conducted lifestyle check of selected government officials
- Conducted lectures on Fraud Investigation Techniques, Red Flags of Corruption, Common Anomalies and Irregularities in the government

✚ **Supervising Auditor, Local Government Sector , 2002 to 2003**

✚ **Team Supervisor, Special Task Force on Local Government Units, 2001 to 2002**

- Supervised the audit of at least six Local Government Units which resulted in the filing of at least six cases against various officials
- Reviewed and finalized audit reports, most of which uncovered fraudulent transactions such as falsifications, overpricing, ghost delivery and estafa
- Determined criminal and administrative cases to be filed and secured proper and complete documentation as well as audit and legal evidence
- Prepared affidavit of complaints and the corresponding analysis of Laws, Rules and Regulations violated, degree of participation and persons liable
- Conducted exit conference with agency head
- Attended court hearings and trials pursuant to subpoena being issued by either the Ombudsman or the Sandiganbayan
- Also acted as the Team Leader in forensic auditing of a controversial city government which led to the discovery of at least 430 million pesos worth of fraudulent transactions. The case is now pending at the Sandiganbayan

✚ **Designated as Chief, Value for Money Audit Division, Special Audit Office, 1998 December to 2000**

- Supervised five teams to conduct audit of government agencies and projects funded by foreign borrowings such as the following:
 - Bureau of Animal Industry
 - Home Guaranty Corporation
 - One Stop Shop Tax Credit Processing Center
 - Central Visayas Development Project
 - Provincial Government of Bukidnon
- The audit resulted in uncovering fraud and wasteful utilization of government resources as well as other uneconomical practices.

✚ **State Auditor IV, Fraud Division, Special Audit Office, 1994 to 1998**

- Designated as Team leader in various audit engagements such as but not limited to:
 - Fraud audit of the Provincial Government of Lanao del Sur—resulted in the suspension and immediate dismissal of the provincial treasurer
 - Fraud Audit of the 1991 Seed Money for the Autonomous Region for Muslim Mindanao (ARMM) - resulted in the discovery of massive fund misappropriation and the filing of malversation charges against government officials
 - Fraud Audit of Department of Public Works and Highways-ARMM - resulted in the discovery of massive fund misappropriation, ghost projects and the filing of various criminal charges against government officials
 - Fraud Audit of the Department of Environment and Natural Resources - resulted in the discovery of a private account where collection of environmental charges and fees were siphoned and illegally disbursed

✚ **State Auditor III, Fraud Audit Division, Special Audit Office, 1993 to 1994**

✚ **State Auditor II, Fraud Audit Division, Special Audit Office, July 1989 to December 1992**

✚ **Auditing Examiner, Special Audit Office, December 1984 to June 1989**

✚ **Auditing Aide, Performance Audit Office, March 1984 to December 1984**

B. International Organizations

 **Program Analyst, Asian Development Bank**, 1 October 2010 to 21 January 2011

- Provided assistance to the Country Governance Specialist in the preparation of the Country Partnership Strategy
- Conducted consultation workshop with Civil Society, Business Community and Development Partners on Health and Social Issues
- Prepared thematic papers on Health Governance Issues affecting the Country

 **Consultant, Australian Assistance for International Development (AusAID)**, Philippine Development Forum Working Group on Governance and Anticorruption, January to December 2007

 **Governance and Anticorruption Consultant, Asian Development Bank (ADB)**, January 2008 to June 2010, Philippine Development Forum Working Group on Governance and Anti-corruption; Strengthening Justice Sector Agencies

 **Governance Specialist, Atos Consultancy**

- Mid-term Assessment of Small Project Facilities funded by the European Commission, October 2006 to January 2007
- Final Assessment of Small Project Facilities funded by the European Commission, June to September 2007

 **Governance Specialist, Berenschot Incorporated**, Mid-term Assessment of European Commission (EC) – Office of the Ombudsman (OMB) Corruption Prevention Projects, August to September 2006

 **Local Government Procurement Specialist, Country Procurement Assessment Reform (CPAR) Program, World Bank, Manila Office**, Assessment of the impact of procurement reforms in the Local Government and National Government Agencies including Civil Society participation, 15 June to 30 August 2006

 **Accounting and Internal Audit Expert, ALTAIR - European Commission**, Assessment of the accounting and Internal Audit system at LGUs in support of the Health Sector Reform Program of the EC, March to May 2006

 **Writer, USAID Rule of Law Effectiveness (ROLE) Project**, Corruption Prevention Course Module, May 2006 to May 2007

 **Team Leader, Audit of the Department of Public Information, UN Headquarters, New York**, 11 September to 18 October 2000

Team Leader, Audit of the UNHCR, Warsaw, Rep. of Poland, and Bucharest, Romania, April 2000

 **Team Member, Audit of the UN Environment Programme**, ROE, Geneva, Switzerland, 4 October to 10 November 1999

EDUCATION AND TRAINING

 **Master in National Security Administration, National Defense College of the Philippines**, 2002-2003

- Graduated with Certificate of Merit on Academic Excellence
- Awarded with Bronze Medal for her thesis entitled “Financial Accountability at the Philippine Army”
- Commissioned as Lt. Colonel (Reserved) of the Philippine Air Force, Armed Forces of the Philippines

 **Master in Public Administration, with specialization in Fiscal Administration, University of the Philippines**, 1995-1996

- Graduated on top of the Local Scholarship Program of the Civil Service Commission of the Philippines
- Medal for Academic Excellence

 **Bachelor of Science in Commerce, Major in Accounting, Sacred Heart College**, 1979-1983

- Passed the Certified Public Accountant Licensure Examination in 1984

 **Regional Seminar on Design, Sequencing and Implementation of Public Financial Management Reforms**, IMF Singapore Regional Training Institute, 9 to 13 July 2012

 **XII ASOSAI Assembly and 5th ASOSAI Symposium on “Assimilating the International Standards of Supreme Audit Institutions (ISSAIs)**, ASOSAI, Jaipur, India, 29 February to 3 March 2012

 **Fourth High Level Forum on Aid Effectiveness, INTOSAI**, Busan Korea, 29 November 2011 to 1 December 2011

 **5th Meeting of the INTOSAI Working Group on Accountability for and Audit of Disaster-Related Aid, INTOSAI**, Antalya, Turkey 23 to 27 October 2011

 **How to Integrate Ethics and Integrity into the Auditing Practice of an SAI**, ASOSAI, Board of Audit, Korea, 11 to 14 October 2011

- ✚ ***Seminar Workshop on Assess Forfeiture & Financial Investigations***, ABA-Asia, Intercontinental Hotel, Makati, Philippines, 11-12 December 2003
- ✚ ***Financial and Compliance Audit, COA***, 4 to 15 June 2001
- ✚ ***Total Quality Audit Management and Supervision, COA***, 4 to 8 December 2000
- ✚ ***Workshop on UN Audit Training, COA UN Audit Committee***, 5 to 7 September 2000
- ✚ ***Trainer's Training on the Guide in the Audit of Procurement***, 15 to 18 February 2000
- ✚ ***United Nations Audit Training, COA UN Audit Committee***, 14 June to 23 July 1999
- ✚ ***Audit of Bureau of Internal Revenue Tax Assessments***, 17 to 31 May 1999
- ✚ ***Supervisory Development Course, COA***, 7 to 11 April 1997, 24 to 28 June 1996
- ✚ ***Legal Audit Evidence and Report Writing, COA***, 15 to 19 July 1995
- ✚ ***Annual Staff Development Course, COA***, 1985 to 1998

MEMBER (Professional/Non-Government/People/Voluntary Orgs.)

- ✚ **Asian Organization of Supreme Audit Institutions (ASOSAI)**
- ✚ **International Organization of Supreme Audit Institutions (INTOSAI)**
- ✚ **Philippine Institute of Certified Public Accountants**
- ✚ **Association of Fraud Examiners**
- ✚ ***Ehem-Aha (Anti-Corruption)***
- ✚ ***Dilaab Movement***

LECTURER

- ✚ ***The Relevance of Certified Fraud Examiners in Fighting Graft and Corruption, ACFE 2nd General Meeting***, Bahia Room Intercontinental Hotel, Makati City, 16 August 2012
- ✚ ***International Anti-Corruption Day***, Executive Dining Room, Asian Development Bank, 6 ADB Avenue, Mandaluyong City 1550, Philippines, 9 December 2011

- ✚ ***A Lone Woman's Efforts to Fight Corruption in the Philippines by Heidi Mendoza***, US Government Accountability Office (GAO) 441 G Street, NW, Washington, DC 20548, 29 April 2011
- ✚ ***Effective Auditing As the Bane of Grand Corruption*** by Heidi Mendoza moderated by Sheila Coronel, director of the Stabile Center for Investigative Journalism at Columbia University, 1818 H Street, NW Washington, DC 20433 USA, 29 April 2011
- ✚ ***Corruption in Asia: Expose by a Filipina Whistleblower*** Heidi Mendoza, Maier Room, Fromm Hall, University of San Francisco, Golden Gate Avenue @ Parker, 30 April 2011
- ✚ ***Round Table Discussion on the Cultural Aspect of Corruption***, Jakarta, Indonesia, 25 to 27 April 2006
- ✚ ***Red Flags of Procurement Fraud***, Office of the Government Corporate Counsel, 14 June 2006
- ✚ ***Combating Graft and Corruption in the Local Government Units***, Iloilo City, 25 August 2006
- ✚ ***People's Participation in the Graft and Corruption Prevention Project***, Iloilo City, 25 September 2006
- ✚ ***Fraud Investigation Training Course for the Cambodian Human Rights Center***, Phnom Penh, Cambodia, 10 to 13 October 2006
- ✚ ***Fraud Investigation and Prevention Techniques for Internal Auditors***, Binalonan, Pangasinan, 15 November 2006
- ✚ ***Corruption Risk Identification and Management for the Non-Organic Personnel of the Office of the Ombudsman***, Baguio City, 16 to 17 November 2006
- ✚ ***8th Visayas Wide Annual Convention of Resident Ombudsmen***, 22 to 24 June 2005
- ✚ ***Ombudsman Field Investigation Training for New Recruits(USAID-ROLE)***, July - August 2005
- ✚ ***Ombudsman Field Investigation Training with support from USAID-EGTA***, 22 to 26 March 2004, 19 July to 13 August 2004 and 27 September to 29 October 2004
- ✚ ***Common Procurement Fraud and Irregularities***, Filipinas Heritage Library Makati City, 20 September 2004

- ✚ ***Training on Audit of Internal Revenue Allotment (IRA) for Volunteers of Basic Christian Communities*** funded by the Makati Business Club, Tagaytay City, on various dates in 2004

AUTHOR

- ✚ ***A Guide to Investigation of Common Procurement Fraud and Irregularities***
- ✚ ***Financial Accountability at the Philippine Army***
- ✚ ***Isang Daang Taon ng Pambansang Pagsisiyasat***(1st Prize Winner) Essay Writing Contest, COA Centennial Celebration

JOSE A. FABIA

COMMISSIONER
2014-2020



PROFESSION

Attorney-at-Law

CORE COMPETENCIES

- *Strong background in law, public service, business development, entrepreneurship, public policy development, quality assurance, health insurance, healthcare administration, financing and regulation; personnel development, recruitment and international migration.*
- *Over 31 years of combined experience in law, management governance issues, business, communication, migration and healthcare.*
- *Proven leader who takes initiative in planning and implementing innovative programs in governance, law, communications, health and business.*

WORK HISTORY

A. Public Sector

✚ **Commissioner, Commission on Audit**
(May 2014 – Present)

✚ **Director General, Philippine Information Agency**
(2010-2012)

- Acted as a representative of the Philippines in the ASEAN on Information and Culture (COCI) and represented the COCI in the funds management committee of the ASEAN; chaired the working committee that drafted the ASEAN communications plan.
- Initiated and implemented the Anti-Drug Mules Campaign Program that won Anvil Awards
- Initiated and anchored the Communications and News Exchange Forum (CNEX), a three times a week TV program that effectively communicated and disseminated the various programs and projects of the government.

 **Founding President and CEO, Philippine Health Insurance Corporation**
(1995-1998)

- Acted as a Founding Member of the Philippine Social Security Association, an affiliate of the International Social Security Association of the International Labor Organization in Geneva, Switzerland
- Developed the organizational framework for the implementation of a universal health insurance program in the Philippines.
- Developed the actuarial framework for the health insurance of the poor, self-employed and employed sectors of the Philippine society
- Initiated programs to detect and prevent healthcare fraud
- Developed and implemented with the participation of healthcare providers (hospitals and healthcare professionals), employers and other stakeholders the national health insurance program
- Introduced quality assurance program in hospitals as a vehicle for participation in the national health insurance program
- Developed partnership with local government units in the implementation of the National Health Insurance Program for the Poor
- Acted as Project Manager, Health Care Financing Project (Health Insurance Sector), USAID Project in the Philippines
- Acted as Project Manager, Social Health Insurance for the Poor Project, Government of Germany
- Developed Philippine Insurance Corporation from a Php 150 million company in 1995 into a Php 20 billion company in 1998. Philhealth is now one of the highest earning government corporation in the Philippines.

✚ **Municipal Mayor, Binmaley, Pangasinan, Philippines**
(1992-1995)

- Planned, developed and implemented the Nutrition, Food, Environment and Medicare Program for Indigents. Said Program was adjudged by the Asian Institute of Management, Ford Foundation, and the Department of Interior and Local Government as one of the best local government programs in the country. It won the GalingPook Award for remarkably improving the quality of life of the people of Binmaley, Pangasinan. This program is so adjudged for its innovation, sustainability and replicability.

✚ **Assistant Secretary for Legal Affairs, Department of Health, Republic of the Philippines**
(1987-1991)

- Provided the legal and regulatory framework for the implementation of health programs in the Philippines such as those relating to sanitation, safety, efficacy of drugs, cosmetics and devices as well as the regulation of the practice of profession the health sector
- Advocated for legal reform in the health sector that led to the enactment of the Generics Law, and the Reviewed audit reports of the internal audit services of the Department and initiated administrative charges against erring officials
- Vice-Chairman, Dangerous Drugs Board of the Philippines
- Member, Board of Governors, East Avenue Medical Center
- Trustee, Research Institute for Tropical Medicine Foundation

B. International Organizations

✚ **Consultant, Business and Consultancy Services**
(2012-2014)

- Provide business, development and legal advisory services in the Philippines and Papua New Guinea

✚ **Consultant, Glycan Group of Companies (Switzerland)**
(1998-2010)

- Provided business and consultancy services in the field of international trade law, trade financing and marketing

- Provided development consultancy services to the Province of Sandaun, Papua New Guinea
- Chaired Melakom Global Services, Inc. as a vehicle to provide a link for Filipinos who want to work, live, or do business in other countries
- Introduce micro-lending and social entrepreneurship as a model for doing business with fish farmers in Pangasinan

EDUCATION AND TRAINING

- 📚 **Master's Degree in Entrepreneurship** (with Superior Distinction) from the Asian Institute of Management,
- 📚 **Bachelor of Laws from the University of the Philippines**
- 📚 **Bachelor of Arts from the University of Santo Tomas**
- 📚 Passed the Bar Examinations with the grade of 84.75% in 1982
- 📚 Trained in quality assurance in healthcare under the Joint Commission International for the Accreditation of Healthcare Providers (JCI), USA.
- 📚 Professional communication skills include fluency in English and Filipino

AWARDS AND CITATIONS

- 🏆 **Anvil Award** was given to the Philippine Information Agency for initiating and implementing the Anti-Drug Mules Campaign Program. This Program raised the awareness of the people on the various activities of drug syndicates in recruiting Filipinos as couriers of illegal drugs in other countries. The Program has led to the significant reduction of the number of Filipinos caught as drug couriers in other countries.
- 🏆 **Certificate of Appreciation** for “his pioneering efforts, **particularly in the area of healthcare fraud detection and prevention**” and “in the setting up of its systems and infrastructure that paved the way for the implementation of the National Health Insurance Program”, given by the Board of Directors, Philippine Health Insurance Corporation which is composed of the Secretaries of Health, Labor and Employment, Interior and Local Government, Social Welfare and Development, and the Presidents of

the Social Security System, Government Service Insurance System and the representative of healthcare providers in the Philippines

- ✚ **Galing Pook Award** given by the President of the Philippines upon the recommendation of a Screening Committee composed of representatives from the Ford Foundation, Asian Institute of Management, Government of Canada (CIDA) for designing, planning and implementing the Nutrition, Food, Environment and Medicare Program in Binmaley, Pangasinan
- ✚ **Most Outstanding Pangasinense in Public Service** given by Kaluyagannen Palaris, a socio civic organization based in the Province of Pangasinan.
- ✚ **Medal for Excellence in Public Service** given by the Secretary of Health in recognition of his outstanding performance as Assistant Secretary of Health from 1987-1991

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.

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 auditors assigned in the audit sectors devote 60 to 70 percent of their time and resources in the financial and compliance audits with the remaining 30 to 40 percent in value-for-money audits.

The COA's organization structure is designed to support a Unified and Integrated Audit Approach (UIAA) to assure efficiency, effectiveness, consistency and responsiveness of its audit. This approach is adopted to strengthen the mechanism by which full accountability in the utilization of government resources is established and measured.

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 Fraud Audit Office (FAO) of the Special Services Sector conducts fraud audits based on complaints or requests from stakeholders. Those auditors who are assigned to conduct fraud audits are mostly Certified Fraud Examiners (CFEs).

Moreover, the COA has joined with the Office of the Ombudsman to form a Joint Investigation Team (JIT) to ensure the efficient and successful filing, investigation and prosecution of cases involving graft, corruption and violations of the ethical code of conduct for public officials and employees. The joint team gives priority to the investigation and prosecution of selected high profile-high value cases.

International Activities

The Commission on Audit continues to make its mark in the international audit arena. Represented by its Chairperson, it currently holds a six-year term (2014-2019) as External Auditor of FAO and a four-year term (2012-2013 and 2014-2015) as External Auditor of WHO. Accordingly, it has maintained its membership with the Panel of External Auditors of the UN, the Specialized Agencies and the International Atomic Energy Agency.

As member of the Panel and its Technical Working Group, the COA Chairperson and her Director for External Audit have actively participated in the Panel's Regular Sessions and Meetings of the Technical Working Group. In 2006, the COA was the Chair of the UN Panel of External Auditors including its Technical Group.

The COA was member of the prestigious UN Board of Auditors (UNBOA) for 18 years covering the periods 1984 to 1993 and 1999 to 2008. Its clients included:

-  UN Headquarters/Secretariat
-  UN Environment Programme & UNEP Global Environment Facility
-  UN High Commissioner for Refugees
-  UN Human Settlements Programme
-  UN Joint Staff Pension Fund
-  UN Children's Fund
-  UN University

The COA also serves as auditor of the UN Development Programme (UNDP), UN Children's Fund (UNICEF) and UN Population Fund (UNFPA)-assisted projects contracted by their respective Country Offices in the Philippines. Based on agreed Terms of Reference, COA performs audit of programmes and projects of international non-government organizations such as the World Bank, Asian Development Bank (ADB), European Commission, Australian Agency for International Development (AusAID) and US Agency for International Development (USAID) implemented in the Philippines.

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 31st (2002) Governing Board Meeting, the 9th (2003) ASOSAI General Assembly, and the 46th Governing Board meeting in February 2013. During the 12th Assembly of ASOSAI held in Jaipur, India on March 3, 2012, the COA was elected

to the Governing Board for a three-year term.

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, Financial Audit, and other related subjects, through study visits, observation tours, knowledge sharing and discussions on best practices. 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: Environmental Audit; Quality Assurance on Performance Audit; Audit of Privatization and Quality Assurance in Financial Audit. On October 2014, COA hosted the INTOSAI Working Group on Environmental Audit general assembly.

To further enhance cooperation and knowledge sharing within the region, COA joined the ASEAN Supreme Audit Institution (ASEANSAI), established in November 2011 with ten member states of ASEAN, and selected as Chair of the Training Committee and a member of Knowledge Sharing and Strategic Planning committees. It hosted the first meeting of the Training Committee in June 2012.

B. Audit Approach and Staff

Integrated Results and Risk-Based Audit Approach

To ensure the adequate audit coverage of all IAEA resources, an Audit Work Plan will be prepared annually. The Plan includes the following:

- (a) *Scope of audit* – refers to the scope of work of the External Auditor which is governed by IAEA Financial Regulation 12 and the Annex to the Financial Regulations on Additional Terms of Reference Governing External Audit of the International Atomic Energy Agency. Audit resources will be committed to financial and compliance audits as well as performance audits or Value-for-Money (VFM) audits.
- (b) *Collaboration with IAEA’s Internal Audit* – refers to the need to coordinate and collaborate with the IAEA’s Office of the Internal Oversight Services (OIOS).
- (c) *Audit Approach and Methodology* – pertains to COA’s use of the Integrated Results and Risk-based Audit approach which involves the following principal activities:
 - Understand the operations to identify and prioritize risks,
 - Assess risk management strategies and controls;
 - Communicate value delivered and measure satisfaction; and
 - Monitor quality control in audit services.

In all stages or activities, the audit work will be closely supervised by the Chairperson and two Commissioners through the Director of External Audit.

- (d) *Audit Schedule* - refers to the Offices to be audited based on risk assessments and the timing/date of audit. There shall be two audit visits per year, the interim and the final audits at the IAEA Headquarters and selected Regional offices.
- (e) *Types of audit to be conducted* – refers to financial and value-for-money audits to be conducted for each audit visit.

Financial audit aims to provide IAEA with the assurance that the accounts and underlying financial transactions are free from material errors and comply with IPSAS and IAEA Financial Regulations.

VFM audit will be conducted to assess managerial efficiency with the end in view of eliminating waste and promoting economic and efficient use of resources, and ascertain whether desired results have been achieved and programmes have accomplished their purposes and objectives. The purpose is to add value to the IAEA’s management and accountability process.

- (f) *Mechanisms for Communicating of Audit Results – describes the manner (i.e., through Audit Observation Memorandum/ Management Letter/Audit Report) and timeframe for the issuance thereof.*

Upon completion of each audit visit, the findings and recommendations shall be raised in a Management Letter (ML) issued to IAEA officials concerned. The ML issued shall be based on audit issues and recommendations raised in various Audit Observation Memoranda (AOMs) issued to concerned auditee officials in the course of the audit for their immediate response and/or corrective action. The auditee response to these AOMs shall provide significant basis for the audit conclusions and recommendations finally raised in the ML.

A long-form audit report with the auditor's opinion in the consolidated financial statements shall be issued at the end of each annual financial reporting period consolidating the results of the audit in all IAEA offices visited during the period and shall, likewise, contain a consolidation in a separate section of the value for money audit results of at least one critical area of operations which shall cut across headquarters and field offices.

Standards governing our auditing work

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.

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.

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 highly-trained professional and multi-disciplinary staff complement of 8,094 belonging to the following disciplines:

Personnel Qualification	No.	Percent
Certified Public Accountants (CPA)	3,558	44 %
Lawyers	54	1 %
CPA-Lawyers	117	1 %
Engineers	345	4 %
Accountancy graduates	2,662	33 %
Other disciplines	1,358	17 %
Total	8,094	100 %

Of the COA's staff complement, 32 have doctorate degrees while 1,732 have master's degrees. Likewise, some personnel have international certifications such as Certified Fraud Examiner (CFE) and Certified Internal Auditor (CIA).

COA has more than 200 auditors in its Pool of UN Auditors wherein the proposed 40 staff (See Annex A) were selected. The Audit Director and the auditors to be involved in the audit shall be sourced from the proposed staff. The IAEA audit shall be performed by a team of dedicated professionals with the required level of expertise in auditing international organizations. The COA Chairperson shall oversee the audit in general. In performing the assignment, he/she shall be supported by the COA Commissioner(s), 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 auditors were chosen through a competitive selection process. They had undergone rigid screening which included examinations, interview and training on audit of UN agencies. They continuously attend training on current developments in accounting and auditing as well as in information technology and ERP system to keep them attuned to the requirements of client agencies. The proposed staffs have actual audit experience in UN which ranged from 0.19 to 12.75 years or at least two audit engagements.

All the officers and staff included in the audit proposal have professional and/or auditing qualifications. They are all CPAs and authorized to practice accountancy in the Philippines after passing the required professional licensure examination administered by the Philippine Professional Regulation Commission. Two are CIAs; two are CFEs; two are lawyers and twenty-eight have post graduate degrees.

COA officers and staff have well-developed soft and hard skills that are required of an auditor in the performance of their work. They possess computer skills in Microsoft Office applications, computer-assisted audit tools/techniques, and internet/web processes and have experience in auditing agencies operating in a highly computerized environment. They have effective communication skills (oral and written) and are proficient in English language other proposed staff are proficient in two more languages. More importantly, they have good interpersonal skills with the ability to work in a multicultural environment.

The COA officers and staff also possess the technical knowledge and expertise in conducting audits of the national, local and corporate agencies of the Philippine government. They have audit experience in COA ranging from 10 to 34 years performing comprehensive audits (financial, compliance, performance/value-for-money, fraud and special audits) as resident auditors. The senior auditors are experts in the review of audit reports. They act as resource persons in various trainings and seminars (local and international). They have the ability to lead and manage teams in which they coach, mentor, motivate and develop staff.

Considering the number of years of being the External Auditor of UN and its specialized agencies, the proposed officers and staff who had been assigned to audit UN agencies on an engagement basis have already gained extensive audit experience and acquired sufficient knowledge of the UN system.

As the current External Auditor of FAO and WHO, all the proposed officers and staff have experience in the audit of agencies using Oracle Enterprise Resource Planning Systems (ERPs) and customized systems interfacing with the ERP. Three auditors in the proposed staff had actual training on Oracle ERP at Oracle University in the Philippines.

For the past seven years, auditors assigned to audit FAO have been exposed to Oracle ERP now called Global Resource Management System (GRMS). Likewise, auditors assigned to WHO have been exposed with Global Management System (GSM) in Oracle platform since 2012. In the previous UN audit engagements of the proposed officers and staff, they gained experience in the audit of various systems such as UN Integrated Management Information System (IMIS), System, Application Products (SAP), Program Manager System (PrOMS) and Peacekeeping Application Systems.

The proposed staff have actual experience in the audit of IPSAS-based financial statements in WHO (2012 to 2014) and in FAO in 2014 including other international agencies and funds with financial statements prepared in accordance with IPSAS in local audits in the Philippines. A number of auditors in the proposed staff were even involved in the review of FAO IPSAS Accounting Policies and Guidelines, and WHO IPSAS Accounting Policy.

The COA's International Organizations' Audit Committee (IOAC) determines the training needs of the auditors in the Pool of UN Auditors which COA maintains. The training programme shall update and attune the proposed staff to current developments in accounting and auditing as well as in information technology and Enterprise Resource Planning (ERP) system, and provide specialized knowledge and skills required in the audit of IAEA.

The COA officers and staff have attended the training on the Integrated Risk-Based Audit Approach which integrates the different audit services such as financial and compliance audit, agency-based value-for-money audit, government-wide and sectoral performance audit and fraud audit into a holistic audit approach. They have also attended the Forensic Accounting conducted by the World Bank in 2011 including updates on ISA, IAS and IPSAS which are regularly conducted by the IOAC and/or COA's Professional and Institutional Development Sector (PIDS), the training arm of the Commission.

The proposed officers and staff will continue to undergo training courses that would be conducted by the IOAC, and the PIDS. The PIDS implements the COA Ladderized Training Program. Under this Program, training is designed to provide knowledge and skills required by their functional position or level of responsibility.

C. Audit Fee and Auditor-Months for the Audit of Accounts for Financial Years 2016 and 2017

Proposed Audit Fee (in Euros)

Based on our assessment of the IAEA requirements, we propose an annual audit fee of Euro 250,000 corresponding to 22 auditor-months for a total of Euro 500,000 for 2016 and 2017. Details are shown in the table below:

Particulars	2016	2017	Total
Daily Subsistence Allowance	171,120.00	171,120.00	342,240.00
Travel and Related Costs	30,880.00	30,880.00	61,760.00
Other Costs	48,000.00	48,000.00	96,000.00
Total	250,000.00	250,000.00	500,000.00

The proposed audit fees include mainly costs of daily subsistence allowance, airfare and travel related costs, audit briefings/update, attendance to meetings, other ancillary costs and contingencies. The fees do not include the salaries of the audit staff and officials as they are permanent personnel of COA. The man-days committed by the Technical Committee for the quality control of audit work and outputs are not included in the computation of audit fees.

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 ¹					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)		
Services at Headquarters							
COA Chairperson ²	1	0.3	0.3				0.3
Audit Director ³	1	2	2	1	2	2	4
Auditors ⁴	5	1.3	6.5	6	1.5	9	15.5
Services at Regional Offices							
Auditors ⁴	2	1	1	2	1	1	2
Grand Total Auditor-Months			9.8			12	21.8

Explanatory Notes:

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

² The COA Chairperson or his/her representative shall attend a meeting of the Board of Governors/Conference once for each financial period.

³ 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.

⁴ 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 2016 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

Annex A

PHILIPPINE COMMISSION ON AUDIT

Summary of Auditors' Qualifications, Work Experience, IPSAS/ORACLE based Audits and Knowledge of IAEA/UN Languages

No.	NAME	PROFESSIONAL QUALIFICATIONS	WORK EXPERIENCE (No. of Years)		Number of IPSAS-based Audits Performed	W/ Audit Experience in ORACLE/ ERP	Knowledge of IAEA/UN Languages
			UN Organizations	National Organizations			
1	Martin, Lito Q.	CPA, Lawyer, MBA	5.71	27.00	10	√	2
2	Mutia, Rizalina Q.	CPA, MGM	11.35	27.00	5	√	2
3	Anacay, Joseph B.	CPA, MBA	3.00	35.00	1	√	2
4	Sese, Martha Roxana C.	CPA, MBA	12.75	29.00	3	√	2
5	Racelis, Michael L.	CPA, MAC	2.02	31.00	9	√	2
6	Cabug, Danilo V.	CPA	1.63	29.00	9	√	3
7	Isidro, Lucila M.	CPA, MM	1.98	24.00	2	√	2
8	Adelino, Mary S.	CPA, MBA, MNSA	1.00	31.00	4	√	3
9	Abellera, Liza L.	CPA/MPA	0.46	28.00	2	√	2
10	Agustin, Elena L.	CPA	0.37	36.00	2	√	2
11	Almazan, Amaryllis B.A.	CPA, MPA	0.50	30.00	1	√	1
12	Antasuda, Carmelita O.	CPA, MM	0.46	33.00	2	√	1
13	Arzadon, Remigio Jr. A.	CPA	0.50	32.00	3	√	1
14	Bacani, Michael R.	CPA	0.75	31.00	1	√	2
15	Barredo, Eileen W.	CPA	0.06	16.00	1	√	3
16	Briones, Marilyn C.	CPA, MBA	0.64	31.00	4	√	1
17	Cabochan, Lorna D.	CPA, MBA	0.72	26.00	5	√	1
18	De Jesus, Maribeth F.	CPA, MBA	1.00	33.00	1	√	2
19	Domingo, Osana D.	CPA, Lawyer, MBA	0.27	17.00	2	√	1
20	Dondonilla, Adela L.	CPA/MBA	1.48	29.00	4	√	2
21	Dulay, Jeannelyn V.	CPA	0.64	16.00	2	√	1
22	Dungo, Christine C.	CPA/MM	0.22	17.00	3	√	1
23	Ferrerros, Ma. Theresa B.	CPA	0.77	31.00	5	√	1
24	Filler, Digna Cresencia D.	CPA	0.58	26.00	3	√	2
25	Flores, Mary Jane F.	CPA	0.19	14.00	1	√	1
26	Gojunco, Teresita R.	CPA	0.73	37.00	2	√	2
27	Lagunoy, Estela Marie B.	CPA, CFE, MBA	0.87	25.00	2	√	1
28	Marcos, Dondon P.	CPA, CFE, CIA, MBM	0.31	12.00	5	√	1

No.	NAME	PROFESSIONAL QUALIFICATIONS	WORK EXPERIENCE (No. of Years)		Number of IPSAS-based Audits Performed	W/ Audit Experience in ERP	Knowledge of UN Languages
			UN Organizations	National Organizations			
29	Marcos, Ma. Carmela E.	CPA, CIA, MBM	0.25	10.00	1	√	1
30	Mendoza, Visitacion Q.	CPA, MBA	0.65	32.00	4	√	2
31	Pablo, Rita R.	CPA, MBA	0.52	30.00	1	√	1
32	Perez, Sandra Rowena D.	CPA	0.92	15.00	1	√	1
33	Poso, Irene F.	CPA, MBA	0.73	39.00	1	√	1
34	Ramos, Joycelyn R.	CPA	0.88	25.00	6	√	1
35	Ramos, Pearl L.	CPA, MPA	0.83	32.00	1	√	1
36	Rosales, Renato O.	CPA/MBA	0.19	28.00	2	√	1
37	Silloriquuez, Mark C.	CPA, MM	0.30	13.00	2	√	1
38	Ugay, Rhodora F.	CPA/MBA/MPA/LLB	0.33	30.00	4	√	1
39	Visaya, Heherson P.	CPA/MBM	0.47	21.00	5	√	2
40	Yacat, Virginia A.	CPA/MBA	0.20	33.00	3	√	2

*Legend:

CPA - Certified Public Accountant

CFE - Certified Fraud Examiner

CIA - Certified Internal Auditor

MBA - Master in Business Administration

MGM - Master in Government Management

MNSA - Master in National Security Administration

MPA - Master of Public Administration

MM - Master in Management

MM-BM - Master of Management in Business in Management

MPM - Master in Public Management

MAC - Master in Accountancy

COMMISSION ON AUDIT

PROPOSAL FOR THE PROVISION OF EXTERNAL SERVICES
FOR THE INTERNATIONAL ATOMIC ENERGY AGENCY
FOR THE FINANCIAL YEARS 2016 AND 2017

Commonwealth Avenue
Quezon City 0880 PHILIPPINES
www.coa.gov.ph

Summary of the Nominations of the Comptroller and Auditor General of India, the Audit Board of the Republic of Indonesia
the Commission on Audit of the Republic of the Philippines and
for Appointment of the External Auditor of the Agency for 2016 and 2017

Information requested ¹	India	Indonesia	Philippines
Curriculum vitae of nominee	Provided curriculum vitae of Comptroller and Auditor General of India	Provided profile of the Chairman, Vice-Chairman and Members of the Audit Board of the Republic of Indonesia	Provided curriculum vitae of Commissioners (2) of the Commission on Audit of the Republic of the Philippines
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 range of audit activities	Included both scope of audit as well as range of audit activities	Included both scope of audit as well as range of audit activities
Audit specialities to be available	Described a number of audit specialties that are available.	Described a number of audit specialties that are available.	Described a number of audit specialties that are available.
Proposed audit fee covering audit related salaries, secretarial and other support costs, travel costs and living expenses of external auditor and staff	Provided an audit fee of €223,000 per annum (€446,000 in aggregate) for 2016 and 2017.	Provided an audit fee of €207,000 per annum (€414,000 in aggregate) for 2016 and 2017.	Provided an audit fee of €250,000 per annum (€500,000 in aggregate) for 2016 and 2017.
Number of auditor-months to be devoted to the audit	Estimated at 54.53 auditor months for the assignment for 2016 and 2017.	Estimated at 94 auditor months for the assignment for 2016 and 2017	Estimated at 44 auditor months for the assignment for 2016 and 2017

¹ Note by the Secretariat dated 20 January 2015.