

General Conference

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Item 12 of the provisional agenda
(GC(65)/1 and Add.1)

Appointment of the External Auditor

Summary

- The term of office of the Agency's current External Auditor — the Audit Board of the Republic of Indonesia — will expire upon the completion of the audit of the Agency's financial statements for 2021. 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 2022 to 2027.
- In the Note by the Secretariat, 2020/Note 79, dated 20 November 2020 (Attachment 1), Member States were invited to nominate candidates for consideration by the General Conference at its 2021 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 2022 to 2027.
- In addition to the above, a further Note by the Secretariat, 2021/Note 1, dated 15 January 2021 (Attachment 2), was issued to notify Member States about the eight nominations that were received as follows: the Accountability State Authority of the Arab Republic of Egypt (Attachment 3), the German Supreme Audit Institution (Attachment 4), the Comptroller and Auditor General of India (Attachment 5), the Board of Audit and Inspection of the Republic of Korea (Attachment 6), the Commission on Audit of the Republic of the Philippines (Attachment 7), the Accounts Chamber of the Russian Federation (Attachment 8), the Turkish Court of Accounts (Attachment 9) and the National Audit Office of the United Kingdom (Attachment 10). No further nominations have been submitted to the Secretariat. Attachment 11 provides a summary of the details of the nominations.
- The Board of Governors considered this matter at its meeting in June 2021. 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 2022 to 2027.

Atoms for Peace and Development

الوكالة الدولية للطاقة الذرية

国际原子能机构

International Atomic Energy Agency

Agence internationale de l'énergie atomique

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2020/Note 79

NOTE BY THE SECRETARIAT

Appointment of the External Auditor

The Secretariat has the honour to notify Member States that the term of office of the Agency's current External Auditor (Audit Board of the Republic of Indonesia) will expire with the completion of the audit of the financial statements for the financial year 2021. It will, therefore, be necessary for the General Conference at its sixty-fifth regular session, in September 2021, to appoint an External Auditor to audit the financial statements for the financial years 2022 to 2027.

In this regard, Member States are reminded of document GC(61)/DEC/14 *Term of Office of the External Auditor*, in which the General Conference decided that “*the appointment of the Agency's External Auditor shall be made through a competitive selection process for a non-renewable six-year term starting from the audit of the financial statements for the financial year 2022, with another appointment possible only after a break of at least one term.*”

Member States are invited to nominate candidates whom they wish the General Conference to consider at its sixty-fifth regular session for appointment as the External Auditor of the Agency. The full text of Article XII of the Agency's Financial Regulations and the additional terms of reference governing audits of the Agency's 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 financial statements for 2022 to 2027.

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 8 January 2021, 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 2021. The Agency's Division of Budget and Finance would be pleased to provide any further information or clarification that may be required.



20 November 2020

Enclosure

To all IAEA Member States

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.

Financial Regulations

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

2021/Note 1

NOTE BY THE SECRETARIAT

Appointment of the External Auditor

Further to the Note by the Secretariat 2020/Note 79, through which Member States were invited to nominate candidates whom they wish the General Conference to consider at its sixty-fifth regular session for appointment as the External Auditor of the Agency to audit the financial statements for the financial years 2022 to 2027, the Secretariat wishes to notify Member States that the following eight nominations were received by the specified date of 8 January 2021:

- Accountability State Authority of the Arab Republic of Egypt
- German Supreme Audit Institution
- Comptroller and Auditor General of India
- Board of Audit and Inspection of the Republic of Korea
- Commission on Audit of the Republic of the Philippines
- Accounts Chamber of the Russian Federation
- Turkish Court of Accounts
- National Audit Office of the United Kingdom

By the end of March 2021, full details of the nominations as submitted will be provided to the Programme and Budget Committee for its consideration, in all official languages of the Board of Governors.



15 January 2021

To all IAEA Member States



PERMANENT MISSION
OF THE ARAB REPUBLIC OF EGYPT
IN VIENNA

5 January 2021
UN/ 004 /21

NOTE VERBALE

The Permanent Mission of the Arab Republic of Egypt in Vienna presents its Compliments to the Secretariat of International Atomic Energy Agency (IAEA), Department of Management, and in reference to the Secretariat Note 2020/Note 79, regarding the appointment of the IAEA's External Auditor for a non-renewable six-year term, starting from the audit of the financial statements for the financial year 2022, has the honour to present the candidature of the Accountability State Authority, the supreme audit institution of the Arab Republic of Egypt, for this position.

Kindly find attached the nomination documents which include the following:

- 1- Curriculum vitae of the nominee and details of the national and international activities of the Auditor-General's office.
- 2- Presentation of the approach to the audit.
- 3- Proposed audit fee and an estimate of the total number of auditor-months which would be devoted to the audit of the financial statements for 2022 to 2027.

The Permanent Mission of the Arab Republic of Egypt avails itself of this opportunity to renew to the Secretariat of International Atomic Energy Agency (IAEA), Department of Management, the assurances of its highest consideration.



To
Secretariat of the International Atomic Energy Agency – Department of Management
Cc: Office of the IAEA Director General abdulrazak@iaea.org



جمهورية مصر العربية
Arab Republic of Egypt



الجهاز المركزي للمحاسبات
Accountability State Authority

Cairo, 3 January 2021.

H.E. Mr. Rafael Moriano Grossi
Director General of the International Atomic Energy Agency

With reference to the IAEA note No. 79/2020 regarding the invitation of the IAEA member states to nominate their own Supreme Audit Institution to appoint an external auditor to audit the IAEA's financial statements for the financial years 2022 to 2027.

I have the honor to submit this offer proposed by the Supreme Audit Institution of Egypt (Accountability State Authority – ASA) in order to carry out this mission with the purpose of contributing to maintaining the impeccable performance of the Agency. It is our firm belief that ASA is in a particularly qualified position to perform this task for the following reasons:

- ASA is one of the leading auditors in the field of public entities.
- ASA has a comprehensive and in depth understanding of the IAEA background.
- As a professionally capable institution, the ASA has the capacity and efficacy to address your requirements in a timely, flexibly accommodating, and reliable manner.
- With its vast and immense experience in the implications and reputable credibility in the field of financial audit and in the application of the international financial audit methodology, the ASA guarantees the delivery of exceptionally immaculate and consistent quality work that achieves the required objectives.
- The ASA is well trained in providing support and working collaboratively on frameworks like those required by the IAEA for this particular assignment.

In the attached proposal, you will find the highlighted details of the accomplishments of the ASA in terms of global sustainability issues.

It would give the entire ASA team great pleasure to work with your team on the achievement of your esteemed assignment.

This proposal is valid for two years from the date of this letter.



Counsellor/ Hesham Badawy

**President of the
Accountability State Authority of Egypt**



Proposal
**As for the Appointment of the External Auditor's
Services**
to International Atomic Energy Agency
For the Financial Years 2022- 2027
Ref: 2020/ Note 79





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Chapter 1: Accountability State Authority (ASA) Profile Presentation

A. The General profile

- **Introduction, Vision and Mission:**

- Accountability State Authority – ASA (established in 1942) is the Supreme Audit Institution of Arab Republic of Egypt (SAI Egypt).

- **The ASA is an independent organization with public legal personality subordinated to the President of the Arab Republic of Egypt** and its main aim is to achieve effective control over state funds, other public figures, and other persons stipulated by its law. It also helps the House of Representatives in carrying out its functions in this control.

Vision: ASA is one of the leading institutions in the field of financial audit over public sector entities and an example to be followed in terms of independence, integrity and transparency at the global level.

Mission: Assisting the Egyptian government and public, private and international entities to improve performance and enhance the principles of accountability, transparency, and safeguarding of public funds by providing independent and objective assurance and advisory services.

Core Values: Responsibility, Objectivity, Transparency, Integrity, Professional Excellence, Confidentiality of work and Accountability.

- **Source of Authority (Constitution and laws)**

- The Constitution of the Arab Republic of Egypt.
- Law no. 144 of 1988, amended by law no. 157 of 1998.

- **Auditing mandate (jurisdictions)**

ASA exercises the following types of audits:

- Financial audit, both accounting and legal aspect (including compliance and IT Audit).
- Performance audit and follow up on the implementation of the plans.
- Legal oversight of decisions issued regarding financial irregularities.

ASA carries out its mandate with respect to the following entities:

- Units comprising the administrative body of the State and local government units.
- Public entities, public institutions, public sector bodies and companies, establishments and cooperative societies affiliated to any of them in various activities at all levels in accordance with the respective laws.

Companies that are not considered public sector companies in which a public entity, a public sector company or a public sector bank share at least with 25% of its capital.

Labor and professional syndicates and unions.

Political parties, national press institutions and partisan newspapers.

Entities in which laws stipulate that they are subject to the supervision of the ASA.

Any other entity assisted by the State, or guarantees a minimum profit for them, or the law stipulates that their funds are considered state-owned.



B. Organizational Structure

The organizational structure of ASA consists of a President, two Vice Presidents, President Deputies as the Head of the Central Departments, Head of Accounts Control Department, Technical Supervisory Members (Auditors), and Others (who hold specialized, organizational or administrative positions... etc.).

ASA President is assisted by a Bureau body, comprising a technical office headed by President's deputy and consultants.





C. ASA President Profile

***Counsellor/ Hesham Badawy
President of Accountability State
Authority of Egypt***

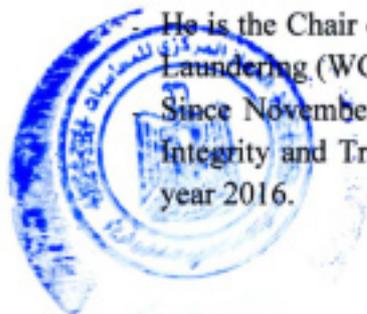


Counsellor/ Hesham Abd-ElSalam Hassan Badawy assumed the Presidency of the Accountability State Authority of Egypt on the 7th of August 2016 for four years by virtue of the Republic's Presidential Decree no. 353 for the year 2016. On the 7th of August 2020 he was re-appointed as ASA President for a similar period by virtue of the Republic's Presidential Decree no.456 for the year 2020.

- In 1980, he graduated from the faculty of Law - Cairo University.
- In 1981, he started off his Judiciary career as a Prosecution Assistant and stepped up in the Judiciary posts until assuming the post of the Premier Advocate General of the Supreme State Security Prosecution from 2000 up till 2012.
- From 1998 to 2012, he was appointed as a member of the International Cooperation Committee on Fighting Against Corruption affiliated to the Ministry of Justice.
- In the period from 2005 to 2012, he was a member of the National Coordinating Committee for Combating Money Laundering and Terrorism Financing, as well as a member of the Money Laundering Legal Committee in the Money Laundering Unit of the Central Bank.
- During the period from 2012 to 2015, he was appointed a Judge in Cairo Court of Appeal.
- In 2015, he held the position Assistant Minister of Justice for fighting against corruption affairs.
- As ASA President, he became Chair of the AFROSAI Governing Board which was entitled to the ASA of Egypt during 2014-2017. Then, he assumed the position of the second Vice-President of AFROSAI Governing Board Chair until the 15th General Assembly.
- On December 7th 2015, he was appointed 1st Vice-President of the Accountability State Authority by virtue of the Republic's Presidential decree no. 451.
- He obtained the title of AFROSAI Second Honorary President since 2017 and throughout his tenure as ASA President.

- He is the Chair of the INTOSAI Working Group on Fight Against Corruption and Money Laundering (WGFACML).

- Since November 17, 2016, he is a member of the Ministerial Committee for enhancing Integrity and Transparency established by virtue of the Cabinet's Decree no 3009 for the year 2016.





- He worked as a lecturer at the National Center for Judiciary Studies affiliated to the Ministry of Justice, the National Centre for Criminal and Social Research, the Administrative Control Authority, the Institute for Preparing Police Commanders, and the Police Academy.
- He participated in many international conferences related to fighting against corruption and money laundering crimes.
- He joined two committees to amend the Egyptian Penalty Law and Terrorism Law.

D. ASA Human Resources :

A significant number of ASA Auditors Capacity

ASA is characterized with a significant number of technical staff members (5740). They receive comprehensive training upon their recruitment and continuously during their career levels at the ASA Central department for training to meet the requirements of Continuous Professional Education (CPE) according to INTOSAI methodology. ASA provides an opportunity for its staff to pursue national and international certificates in order to contribute to the development of international public sector audit. There are many members certified as follows:

Post Graduate Academic Degrees:

- Ph.D.
- Master degrees.
- Post graduates higher studies diploma in accounting and auditing, information technology and law.

Professional Membership and Certificates:

- Members and Fellows of Egyptian Society of Accountants & Auditors ESAA (ESAA is the Egypt's representative in IFAC) and a founding member of the Federation of Mediterranean Certified Accountants.
- Certified Public Accountant (CPA).
- Certified Information System Auditors (CISA).
- Certified Internal Auditor (CIA).
- Certified in ACCA IFRS and IPSAS.
- Certified trainer according to the INTOSAI Development Initiative (IDI) trainers methodology.

Capacity Building & Training:

Believing in the importance of developing audit work and raising professional competences, the Accountability State Authority seeks to promote the professional performance of its auditors and all its staff members along with keeping pace with the recent updates in the auditing and accounting domains. This is done through paying due attention to training staff and setting integrated methodology for performance development within the ASA along with getting acquainted with all the relevant laws and updates. It is also important to say that a Quality Improvement Program is applied.

First: The Central Department of Training and Continuing Education lays down an annual anticipated training plan which is continuously reviewed to include workshops in consistency with the recent updates of the audit profession through targeting the execution of 146 workshops and training courses annually including computer - based



audits and ERP audits.

Second: The ASA Central Department for International Relations and Conferences organizes the ASA all forms of participation in or hosting of conferences, meetings, workshops, external scientific or training seminars, along with studying their results and outcomes for achieving the optimal maximum benefit thereof by exchanging and conveying experiences to the ASA staff along with pursuing and applying the recent updates in auditing and accounting domains both regionally and internationally.

E. ASA Independence :

ASA is independent from other governmental institutions.

- According to the Constitution of the Arab Republic of Egypt, ASA is an independent body.
- Law no. 144 issued in 1988 stipulates, "The ASA is an independent body with public legal personality that reports to the President of the Republic" as head of State and not as the head of the executive authority and assists the Parliament in carrying out its controlling tasks.

ASA has an independent budget.

- ASA has an independent budget included as a lump sum in the State budget. The bureau of the ASA sets the rules for organizing the ASA's accounts, the expenses and the inventory system as well as other financial and administrative affairs.
- ASA has the freedom to dispose the financial appropriations allocated to it in the general budget of the State, which is in line with the basic principles of Lima Declaration that recommends that the Supreme Audit Institution must have authority to use freely its allocated budget.

ASA is independent when determining the scope of work.

- Law no. 144 issued in 1988 has given ASA's members the right to access information and documents so that the audit work can be performed in high quality and its results documented.
- Members of the ASA are not subject to removal from their positions without a court order.
- The members of the ASA have the power of the judicial seizure with regard to the irregularities related to the work done while carrying out their supervisory functions.

ASA has demonstrated objectivity and integrity in the discharge of its duties and responsibilities;

- Members of the ASA adhere to the professional standards, code of ethics, best professional practices and the Quality assurance manual.
- Their work -in all stages- is subject to technical review and inspection to ensure its quality.

ASA takes into consideration not to assign any audit staff having any conflict of interest with the auditee.

Staff of the ASA are prohibited from joining any of the political parties.

They have to declare whether they have any close relatives to the 3rd degree serving at the auditee.

They cannot last for more than 3 years at the same auditee.

The conditions of appointing the President of ASA and members:



- The President of the ASA shall be appointed by a decree of the President of the Republic for a period of four years renewable for a similar period or periods. His Excellency may not be relieved from his position and his resignation shall be accepted by a decision of the President of the Republic;
- The President of ASA has the powers empowered to the Minister of Finance stipulated in laws and regulations regarding the use of the ASA's allocations in its budget and in organizing and managing its business;
- He also has the powers empowered to the minister concerned with administrative development and the Head of the Central Agency for Organization and Administration for any business related to the ASA and its employees.
- ASA staff should be appointed upon holding a general competition in accordance with the law, taking into consideration the availability of the appropriate academic qualifications and passing the necessary exams.

F. ASA Related Audit Experience over Nuclear Entities:

- ASA accomplishes its responsibilities and initiates of auditing process over the Ministry of Electricity and Energy in Egypt, its projects and its subsidiaries, including the Egyptian Nuclear Power Stations Authority which is a public economic authority of special nature, established by law no. 13 of the year 1976 and its amendments; the Nuclear and Radiological Regulatory Authority established according to article no. 11 of the law no. 7 of the year 2010 as an independent body reporting to the Prime Minister.

G. ASA Regional and International Auditing Experience:

■ African Union:

ASA of Egypt is a permanent member of the AU Board of External Auditors (BoEA) appointed by the Executive Council to Audit the AU accounts and gives an audit opinion on its financial statements and the management letter.

- The audit is conducted in accordance with International Standards on Auditing.
- The financial statements are prepared in accordance with International Public Sector Accounting Standards (IPSAS).

■ Common Market of Eastern and Southern Africa (COMESA):

ASA of Egypt is a member of COMESA Board of External Auditors (COBEA) for the years 2017-2019. It chairs COBEA for the fiscal year 2018. This board is responsible for external auditing of COMESA Secretariat and its Agencies according to COBEA Charter.

- The audit is conducted in accordance with International Standards on Auditing.
- The financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS).

H. ASA Regional and International memberships and participations:

At the INTOSAI level, ASA is:

1. Chair of INTOSAI Working Group on Fight Against Corruption and Money Laundering (WGFACML) since 2008. Upon the consensus of WG members who reached now 35 member SAIs, the WG developed guidelines as guidance to auditors and provides technical material for many training courses in the field of audit on INTOSAI level, beside the participation in several forums and meetings related to fight against corruption and money laundering on international level.



2. Member of the steering committee of INTOSAI knowledge Sharing and Knowledge Services Committee (KSC) being the chair of WGFACML.
3. Member of INTOSAI Working Group on Environmental Auditing.
4. Member of INTOSAI Working Group on Public Debt.
5. Member of INTOSAI Working Group on IT Audit.
6. Member of INTOSAI Working Group on Audit Extractive Industries.
7. Member of Internal Control Standards Subcommittee emerging from INTOSAI Professional Standards Committee.
8. Member of Task Force on INTOSAI Auditor Professionalization (TFIAP) representing the ARABOSAI.
9. The ASA chaired the INTOSAI Governing Board during the period 1995-1998.
10. The ASA will host the XXVth INCOSAI in 2025 representing the AFROSAI's region.

At the AFROSAI level, ASA is:

1. A permanent member of AFROSAI Governing Board being the Chair of the Board of Editors of the African Journal of Comprehensive Auditing.
2. Chair of AFROSAI Audit Subcommittee affiliated to the AFROSAI Governing Board.
3. Member of AFROSAI Working Group on Environmental Auditing and its Steering committee chaired by SAI of Nigeria, where ASA is one of the WG founders.
4. Member of AFROSAI two Technical Committees; Capacity Building Committee chaired by SAI of Senegal and Knowledge Management and Sharing Committee chaired by SAI of Kenya.
5. The ASA chaired the AFROSAI Governing Board twice; during (1990-1993) and (2014-2017) after hosting the 5th and 13th General Assemblies (in 1990 and 2014 respectively).

At the ARABOSAI level, ASA is:

1. Vice Chair of ARABOSAI Committee on SDGs Auditing.
2. Member of ARABOSAI Professional and Audit Standards Committee.
3. Member of ARABOSAI Strategic Plan Committee.
4. Member of ARABOSAI Institutional Capacity Building Committee.
5. Member of ARABOSAI permanent Technical Committee for the Financial Control Journal's affairs.
6. The ASA chaired the ARABOSAI Governing Board during the period 1998-2001.

Chapter 2: SAI Egypt's audit approach



SAI Egypt laid down its vision concerning this contract and how it will manage and deliver audit assignments.

SAI Egypt will adopt a risk-based audit strategy in conformity with the following relevant standards:
International Standards of Auditing (ISA)
INTOSAI Framework of Professional Pronouncements (IFPP)

According to ISA 315, SAI Egypt will identify and assess the risks of material misstatement through understanding IAEA and its environment as the audit teams adopt a risk-based



approach for auditing processes. In so doing, SAI Egypt makes risk assessments of material misstatements at the financial statement and assertion levels, based on an appropriate understanding of the IAEA and its environment, including internal controls. SAI Egypt should be familiar with assertions made by management, as described in ISA 500 Audit Evidence.

SAI Egypt's approach requires its teams to identify the key assignment risks faced by the IAEA, to consider the impact these risks could have on the financial statements, and then to plan our audit procedures accordingly.

In this and the following sections, will be discussed each of these aspects of SAI Egypt approach in more detail, and demonstrate how they will allow us to deliver high quality work that addresses your requirements.

Our approach of delivering assignments consists of five elements:

- Understanding IAEA environment and planning.
- Fieldwork.
- Reporting.
- Control and quality assurance.
- Follow- up.

A. Understanding IAEA Environment and Planning

SAI Egypt has established audit teams for its work within this framework. All of whom have strong experience of financial auditing in public / international sector organizations. This approach ensures that SAI Egypt will have sufficient capacity to respond swiftly and flexibly to your requirements, and that it will maintain continuity of staffing on its work within this framework.

IAEA auditing work will be assigned to a sufficient team, which will consider a variety of required experience and qualification in a way which ensure providing continuity of the working for audit assignment

SAI Egypt will adhere to IAEA financial regulations to undertake the audit assignments. Where necessary, SAI Egypt will develop appropriate documentation – such as checklists and audit programs.

SAI Egypt has also established a technical support team which will provide advice and support to our audit teams on legal issues if required.

In addition to the specialist skills of SAI Egypt's technical support team, all members of our audit teams are proficient in the use of statistical and sampling techniques for audit purposes, including the use of computer assisted audit techniques as well as have a very good command in English. This will allow them to work effectively with large volumes of data and to use statistical sampling techniques to increase the efficiency of our work when required.

When SAI Egypt starts to undertake an audit assignment, it will then identify the best team positioned to undertake this assignment, bearing in mind their skills, experiences and capabilities. Each assignment will be led by a senior auditor, potentially working with one or more auditors, as required.

Each assignment will be discussed with your team, to understand any salient issues and to



agree upon timescales for delivery and reporting. The senior auditor for the assignment will contact the auditee within five days of our discussion to undertake the audit, to agree a date, time and location for the on-site fieldwork to take place.

We recognize, however, that the duration of each audit can only be assessed once the audit has commenced, based on what is found during the audit.

The aim of the audit will be to assess whether:

- The economic events have been registered correctly for records.
- The IAEA has control of data use.
- The organizational structure remains 'as registered' or any major changes/special events are accounted for.
- High risk areas of data accuracy/security are identified and managed appropriately.

This audit plan will set out:

- The objectives of our audit.
- The work that we will perform, including any specific audit testing.
- The information and documentation that we will require from the auditee.
- How we will report our findings.
- Timescales for fulfillment of our work.
- Members of the audit team and their contact details.

This exercise also will provide us with a valuable initial evidence base for assessing the level of testing to be performed on later audits, and acts to inform the risk-based audit approach we would seek to adopt in planning and targeting our resources most effectively. With your agreement, we would propose to share this audit plan with the auditee. This will allow us to generate clarity around our work, to ensure that the information we require is available to us, and to complete our on-site work efficiently and with the minimum of inconvenience to the auditee.

Handover arrangements:

We will liaise with your current auditors, if it is necessary, and consider their audit reports and any other findings that may have a continuing impact. On completion of the appointment we will also ensure effective handover to our successor.

B. Fieldwork

We will start our fieldwork for each audit with a kick-off meeting in which we will introduce ourselves, meet the key individuals within the organization being audited, outline our work and address any concerns that the auditee may have.

We will undertake our audit fieldwork in line with the audit methodology designed for you, with a view to address the audit objectives outlined above and to identify significant areas of non-compliance.

We will obtain sufficient and appropriate audit evidence to support our findings and conclusions, which we will retain on an audit file for each assignment.

We will formulate a conclusion for each audit in line with the applied methodology, using the following ratings:



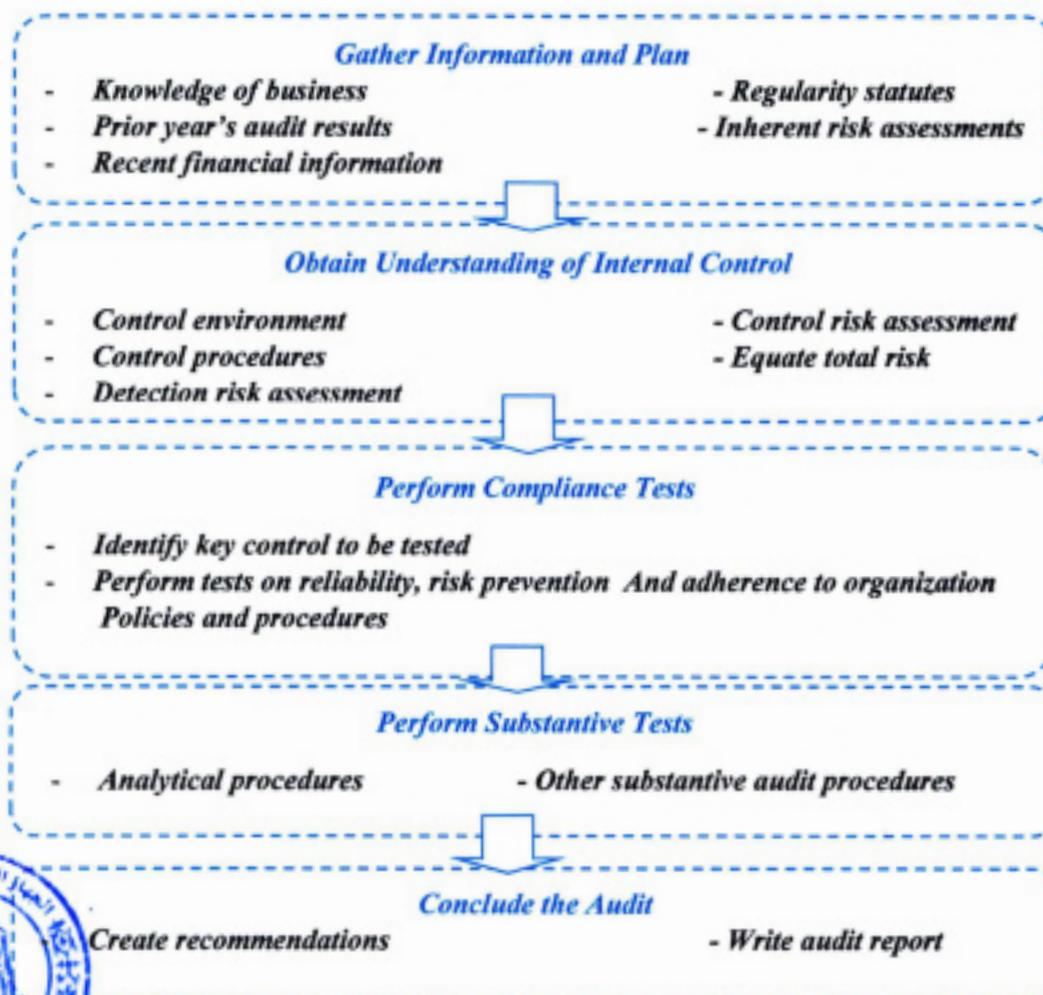
1. Pass.
2. Pass with improvement actions agreed between auditor and auditee.
3. Fail and Non-Compliance.

We will end our fieldwork with a debrief meeting in which we will explain our key findings and conclusions. Where we have reached a conclusion that improvement actions are to be done, we will seek to reach initial agreement with the auditee on what these actions should be. Where we have concluded that a 'fail' rating is warranted, we will explain to the auditee the implications of this and will outline the necessary steps required.

IT Audit:

ASA would also like to point out that the report will include a section for reviewing the information system, which focuses on general control (ITGC) procedures for existing information systems that are used to issue the financial statements of IAEA.

ASA adhere to the general auditing principles as laid down under the INTOSAI Framework of Professional Pronouncements (IFPP) and also the internationally recognized IT frameworks including ISACA's COBIT framework, ISACA's IS Audit and Assurance Standards and International Organization for Standardization (ISO) standards.





The major categories of general controls that we will consider are:

- Organizational and management controls.
- IT operational controls.
- Physical controls (access and environment).
- Logical access controls.
- Controls for IT acquisition.
- Program change controls.
- Business continuity and disaster recovery controls.

Key activities

- Interview key process owners, users and IT support.
- Maintain extensive understanding of existing application functionality to the extent necessary to understand the process and controls.
- Identify key security controls within the application.
- Review identified risks within the application; probabilities of occurrence and level of exposure.
- Analyze the controls to assess whether controls sufficiently address all risks and satisfy the control objective.
- Identify control weaknesses, if any.

Scope of Auditing Financial Statements Work

1. Review contracts issued by IAEA.
2. Review financial statements.
3. Review supporting documents from which the financial statements were prepared.
4. Evaluate if there were any misstatements made during the preparing financial statements process.
5. Evaluate if there were any misapplications of accounting principles.
6. Examine records in order to determine if any IAEA employee misused his powers to acquire illicit gains either cash or in any other form.
7. Conduct risk assessment in conjunction with financial internal controls.
8. Develop templates and tools to support the engagement.
9. Document all results.
10. Issue a final Audit Report.

Performance audit

SAI Egypt will develop an audit plan for the period of its mandate to cover what is to be assessed as IAEA key performance risks and the operational and strategic matters of interest to member states. We will cover areas that matter and where we can add value and insight.

Communication with those in charge of governance:

SAI Egypt places a high value on communication between our representatives and those responsible for governance in IAEA, management, audit committee, internal audit and other concerned parties to promote and optimize benefits for our auditing work. We will attend relevant governing bodies and audit committees, whenever possible, seeing these as an essential part of both delivering our messages and in obtaining information to ensure our audit is relevant and focused on the key issues.

Audit Team:

SAI Egypt pays a great concern to the international auditing work as a priority and this work will be under the direct supervision and affiliated office of the SAI Egypt's President, therefore IAEA auditing work will be assigned to a competent team which will consider a



variety of required experience and qualification in a way which ensures providing a continuous high quality audit service.

C. Reporting

Upon completion of audit mandate audit, we will issue a detailed report in accordance with ISA, outlining: observations and recommendations to enhance IAEA's internal control environment; our proposed audit opinions; and significant issues for concern the management and/or the governing entities.

Our external auditor's report will concisely summarize the key remarks and recommendations to the Board, it will be shared in appropriate time to incorporate management's comments before finalization and will provide insight on the most significant matters of interest to Member States.

It will be ensured that audit results are balanced, fair, and accurate and have constructive and implementable recommendations. The major audit products will include the following:

- Interim audit Report.
- Management Letters
- Short Form Report (Audit Opinion on Annual Financial Statements)

The timelines for submitting audit reports will be decided after discussion with IAEA management and will be monitored at ASA headquarters to prevent slippages.

D. Control and Quality assurance

SAI Egypt has developed robust quality assurance arrangements, designed to ensure that all of the work it undertakes and all of the deliverables that it produces are clear, insightful and supported by appropriate evidence.

SAI Egypt sets out more details of its quality assurance arrangements as follows:

- As one of the INTOSAI's leading SAI, SAI Egypt has a reputation and profile in the INTOSAI for delivering a consistently high standard of service.
- SAI Egypt vision summarizes its commitment to providing high quality services to each and every assignment:
- "The purpose of SAI Egypt is to be one of the leading bodies in the field of financial control over public sector institutions and an example to be followed in terms of independence, integrity and transparency at the global level."
- This statement provides the foundation on which all SAI Egypt services are based. It is incorporated into the organization's strategy and supported through our values.
- We continually focus on delivering a high quality service. This means building robust quality control procedures into our core processes and procedures rather than bolting them on at the end. Quality must build on the foundations of high quality well trained staff and a robust methodology.
- In practice, our rigorous process of quality assurance, ongoing performance review and a proactive approach to knowledge transfer result in a "learning loop", in which methodologies, efficiency and performance continually improve.





The diagram summarizes SAI Egypt's approach and each level is expanded upon below.

- We recruit the best staff through our rigorous selection and assessment criteria. In addition, we expect future talent to develop with our application of the most effective in-house and external training support.
- Our methodology determines that we use a standardized approach and work papers. SAI Egypt also has standards of evidence and working papers, including requirements for working paper keeping.
- At key periods of our work, we conduct review of the work completed.

Furthermore, SAI Egypt developed a series of measures to be implemented at the onset of its work under the framework, to ensure the implementation of your methodology robustly and consistently. In particular:

- For each senior auditor's first audit, the audit file and reports will be reviewed by another senior auditor prior to the review of the Audit Manager.

SAI Egypt will use the findings of our quality assurance reviews to identify any areas where further information or clarification may be required, and will ensure that the appropriate action is taken to address these previous points. This could include, for example, specific guidance notes on key issues or refresher training on particular aspects of the audit methodology.

Continuous Improvement Programme

Quality is at the heart of everything we do at SAI Egypt. Our good name and the value that this brings to our assignment are our most valuable asset. ASA has therefore developed a rigorous review process to ensure overcome challenging of our work based on integrity and objectivity. This is continually reviewed to identify new ways to improve our approaches and methodologies.

This process within the firm includes:

- Regular sessions where knowledge on recent engagements is shared with particular emphasis on what worked well and what did not.



- Ensuring that all our staff are professionally qualified and attend regular ongoing training on technical, industry and skills matters.
- Ensuring the involvement of specialists on key risk aspects of engagements.
- Committing to a global set of INTOSAI values, which call for enhancing integrity and independence.

SAI Egypt is also deeply concerned about acquiring a comprehensive understanding to the assignments.

E. Follow - up

The follow-up process may begin with a request to the IAEA for an update on the status of the action taken to implement the recommendations from prior years' audits. The request may include the following questions:

- What are the IAEA steps that have been taken to achieve the needed improvements?
- How well are IAEA progressing in those efforts?

There can be five different situations/audit views in the eventual assessment of follow-up action.

- **No progress or insignificant progress:** we may qualify our opinion as “no progress” or “insignificant progress”.
- **Planning stage:** we could observe that the formal plans for IAEA changes have been created and approved, with appropriate resources and a reasonable timetable. In the follow-up report we may conclude that the IAEA has some preliminary progress within the concept of addressing the previous recommendations.
- **Substantial implementation:** In this scale, the audit team observes that the enabling structure and processes are in place and integrated in some parts of the IAEA, and some achieved results have been identified as well. This refers to “substantial progress” in the implementation of recommendations.
- **Full implementation:** This scale represents the status of “best achievement”. In the report, we conclude that the enabling structures and processes are operating as intended and implemented fully in all intended areas of the IAEA.
- **A recommendation is no longer applicable:** It is feasible that we indicate non-applicability where the recommendation is obsolete due to time lapses, new policies, etc. This scale should be attentively differentiated from the first scale, which is labeled as “no progress” or “insignificant progress”.





Chapter 3: Audit Fee

We would charge an annual audit fee of 235,000 Euro for each of the financial statements for the financial years from 2022 to 2027.

Our audit fee is based on the full recovery of costs incurred on the audit.

The annual fee is based on a total resource requirement equal to approximately 25 auditor-months for each financial year.

The fee would cover the audit-related salaries, secretarial and other support costs, all incurring travel costs and living expenses of the External Auditor and his staff (except the internal transportation, it will be borne by the auditee).

The fee would be fixed and would be increased only in exceptional circumstances, such as any significant extra audit requested by the General Conference or the Board under Regulation 12.05. In these circumstances, we will discuss the situation with IAEA staff in advance of any variation in the fee.

In accordance with Regulation 12.06, we would expect free office accommodation, local transportation and telephone/ internet facilities to be provided at IAEA premises as required for the performance of the audit.





Permanent Mission of the Federal Republic of Germany
to the Office of the United Nations and
to other International Organizations, Vienna

Ref. no.: Pol-10-467.43 ERP

Note no.: 39 / 2020

Verbal Note

The Permanent Mission of the Federal Republic of Germany to the Office of the United Nations and to other International Organizations in Vienna presents its compliments to the Secretariat of the International Atomic Energy Agency and, with reference to IAEA note No. 2020/Note 79 dated 20 November 2020, has the honour to present the candidacy of the Bundesrechnungshof, the German Supreme Audit Institution, as External Auditor of the IAEA for the years 2022 to 2027.

In this regard, the German Permanent Mission kindly submits the attached letter from the President of the Bundesrechnungshof to the Director General of the IAEA, presenting a proposal to audit the IAEA's financial statements for the financial years 2022 to 2027. Furthermore, a supporting letter by the German Federal Foreign Office and the German Federal Ministry for Economic Affairs and Energy is also attached.

The Permanent Mission of the Federal Republic of Germany to the Office of the United Nations and to other International Organizations in Vienna avails itself of this opportunity to convey to the Secretariat of the International Atomic Energy Agency the renewed assurance of its highest consideration.

Vienna, 21 December 2020

Secretariat
International Atomic Energy Agency
Wagramer Str. 5
1400 Vienna





Der Präsident

Bundesrechnungshof

Rafael Mariano Grossi
Director General
International Atomic Energy Agency
Vienna International Centre
PO Box 100
1400 Wien
AUSTRIA

Bonn, 16. December 2020

Dear Mr Grossi,

With regard to the Note by the Secretariat (Note 2020 / 79) of the International Atomic Energy Agency, I herewith put forward the candidacy of the Bundesrechnungshof (German SAI) as External Auditor of the IAEA for the years 2022 to 2027.

The German SAI has served in this capacity already from 2004 to 2011. During this period, we also accompanied and supported the IAEA in implementing the IPSAS.

As a member of the United Nations Board of Auditors from 2016 to 2022, we are currently carrying out a key international audit mandate within the UN System.

In placing our candidacy, we can also build on broad experience as external audit auditors of other international organizations. Apart from the skills and the availability of staff, the German SAI offers you several audit specialties such as a long-standing track record of performance audit that could be of major benefit to the IAEA. Our audit will therefore support the IAEA in making sustainable efficiency gains to further enhance the effectiveness of the Agency's mission performance.

The German SAI is committed to providing high-quality audit services as the External Auditor of the IAEA. I would be delighted if the IAEA would approve our candidacy.

Please accept my sincere wishes for a Happy and Healthy New Year,

Yours sincerely,

Kay Scheller



Federal Ministry
for Economic Affairs
and Energy



Federal Foreign Office

Andreas Feicht

State Secretary

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H. E. Mr. Rafael Mariano Grossi
Director General
International Atomic Energy Agency
VIC - A2839
1400 Wien
ÖSTERREICH

Excellency,

The IAEA has invited Member States to nominate candidates for the appointment as External Auditor for the period 2022 to 2027.

The German Federal Government supports the efforts made by the IAEA to carry out its activities in the most efficient and effective manner as you have pointed out at the last meeting of the Board of Governors on 18 November 2020. In this regard, an independent external audit plays an important part. We are convinced that Germany's Supreme Audit Institution, the Bundesrechnungshof, is very well suited for this task: we would therefore like to express the Federal Government's utmost support for the Bundesrechnungshof's candidature as External Auditor to the IAEA. The Bundesrechnungshof has carefully prepared a comprehensive, professionally convincing and competitive offer to the IAEA.

Allow us highlight just some background information about its activities on both the national and international level. The independent Bundesrechnungshof audits the financial and commercial management of federal institutions in Germany. Annual revenues and expenditures covered exceed €700 billion. Moreover, it has a long track record as External Auditor of a wide range of

international organizations. Being a member of the UN Board of Auditors in the 2016 to 2022 term, the Bundesrechnungshof holds one of the major international external audit mandates for the second time, which also makes it an excellent candidate for offering audit services to the IAEA. It can also draw on vast experience in remote auditing which is particularly important in these times during the Covid-19 pandemic. Finally, the Bundesrechnungshof previously served as IAEA's External Auditor from 2004 to 2011 and can build on that experience.

We are convinced that the Bundesrechnungshof will be highly committed to enhance the efficiency and the effectiveness of the important work that the IAEA performs and will help to ensure that national and international funds are being put to best use under your leadership.

We wish you and the entire staff of the IAEA joyful holidays and a happy New Year.

Yours sincerely,



**Federal Ministry
for Economic Affairs
and Energy**



**Federal Foreign
Office**

Bundesrechnungshof
German Supreme Audit Institution

Offer of Services as
External Auditor

of the

International Atomic Energy Agency

for the period 2022 to 2027

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A. Preface

The German Supreme Audit Institution (SAI) is a supreme federal authority and a fully independent audit institution subject only to the law.

We do financial audits, compliance audits and performance audits of federal financial management, revenues and expenditures. We look into the economy, efficiency and effectiveness of governmental actions.

We report on our audit findings and make recommendations for improvement. We follow up on our audit recommendations.

We also provide pro-active advice to governmental bodies.

Since we can step in while programs are still underway we can help to ensure that shortcomings are addressed at an early stage. Moreover, we can give advice at very short notice.

We are committed to enhancing the quality of public sector accountability, public sector governance and public sector performance.

Over the years we have provided our audit services to a number of international bodies.

With regard to the NOTE BY THE SECRETARIAT (Note 2020 / 79) of the International Atomic Energy Agency, we would be happy to provide our expertise also to the Agency for the years 2022 to 2027.

B. Curriculum vitae of Mr. Kay Scheller, President of the German SAI

born on 28 January 1960 in Kiel / Germany



1981 – 1986	Law studies followed by
1987	First state examination and junior barrister training
1991	Second state examination (qualification for the Bench and the Bar)
1991	State Premier’s Office Mecklenburg-West Pomerania
1991 – 1994	Federal Ministry of Women and Youth
1994 – 1997	Federal Ministry of Education and Research
1997 – 1999	Federal Chancellery
1999 – 2014	Christian Democratic Union / Christian Social Union (CDU/CSU) parliamentary group
2005 - 2014	Director of the Administration of the CDU/CSU parliamentary group
Since 30 June 2014	President of the German Supreme Audit Institution
	ex officio functions
	Federal Performance Commissioner
	Chair of the Federal Personnel Committee

External Auditor

- Member of the United Nations Board of Auditors (2016 – 2022)
- Chairman of the United Nations Board of Auditors (2018 – 2020)
- United Nations Industrial Development Organization (UNIDO, 2014 – 2018)
- Organization for the Prohibition of Chemical Weapons (OPCW, 2014)
- Organization for Security and Co-operation in Europe (OSCE, 2014 – 2015)
- European Organization for the Exploitation of Meteorological Satellites (EUMETSAT, 2014 – 2017)
- World Trade Organization (WTO, 2014 – 2020)
- United Nations World Tourism Organization (UNWTO, 2014 – 2015)

C. National audit activities

Status

The German SAI has the status of a supreme federal authority in full accordance with ISSAI 1 para. 5 (Declaration of Lima). It is an independent institution of government audit, subject only to the law. The status of the SAI, the independence of the SAI's Members and its key functions are guaranteed by the German Constitution (article 114 section 2, Basic Law). The German SAI is not part of the federal government and is not subject to any instructions from either the executive branch or the legislature.

Independent Supreme Audit Institution embedded in the Constitution

Staff

Our staff totals some 1,100. We have nine audit divisions with 49 audit units and one division for international audit work. Administrative functions are carried out by a support division. Our auditors all hold a bachelor or master degree. The professional qualifications range from public administration, law, economics and business administration, to various engineering specialties and computer science. We strive for gender balance within our staff. A considerable number of our auditors have also been deployed in our international audit activities.

Approximately 1100 staff with university degrees in public administration, law, economics, engineering and computer science

The staff assigned to the audit of international organizations have excellent knowledge of and expertise in accounting issues. All auditors have a record of several years of practical working experience in at least one government department or agency, in auditing firms and other private sector businesses.

This highly proficient workforce provides the German SAI with a sound basis for auditing international organizations.

National audit mandate

Our audit mandate covers:

- federal financial management;
- federal trading funds;
- public bodies incorporated under federal law;
- social security institutions incorporated under federal law or state law, such as health insurance bodies and pension institutions;
- and the management of federal government shareholdings in private sector enterprises.

Various national audit missions

Reporting

We submit an annual report on our audit findings to both chambers of the federal parliament and to the federal government. In addition to annual reporting, we report on matters of particular significance at any time.

Annual reporting, additional reports on matters of particular significance

Advisory role

We are also authorized to conduct audits of administrative decisions that have not yet had a financial impact. This is a far-reaching mandate that enables us to carry out performance audits on a real-time basis and allows us to check government expenditure before any money has actually been spent. We use our audit findings as a basis for advising government departments and agencies, and also parliament, on decisions to be taken, notably in connection with budgeting.

Advising the government on administrative decisions

Financial audit

We provide audit coverage of the overall federal financial management, including extrabudgetary funds. We are responsible for auditing federal budget revenues and expenditures.

Financial audit of the federal budget, certification of the federal annual accounts

Our role is to provide assurance on the regularity and compliance of government operations. For this purpose, we check government operations against supporting documents, applicable statutory provisions, regulations and rules. An essential part of the financial audit is the certification of the federal annual accounts.

Regularity, compliance and performance audit

We carry out both regularity and compliance audits, as well as performance audits. Our timely audit approach seeks to develop audit findings that help to enhance future actions, rather than merely criticizing past shortcomings and weaknesses.

Regularity and compliance audits to examine if regulations have been observed

In our regularity and compliance audits we examine whether applicable laws, the budget, any pertinent regulations, provisions and rules have been observed.

We also carry out performance audits that are guided by the criteria of economy, efficiency and effectiveness to ensure that good value for money is obtained. Our auditors pay special attention to the effectiveness of public sector management and fraud sensitive activities.

Performance audits guided by the criteria of economy, efficiency and effectiveness

Scope and depth of audit work

As an independent audit body, the German SAI is free to set audit priorities and arrange for sample audits. A major purpose of audit programming is to provide a reliable overview of federal financial management and to avoid any audit gaps. Audit requests submitted by Parliament or its committees are met to the extent possible.

Annual audit programs to avoid audit gaps, systematic analyses of government programs, field work

We conduct field work and desk research to collect all pertinent information, records and vouchers we need for our audit work. Where necessary, we consult with experts from different fields, such as universities, audit firms and/or other audit institutions.

Audit experience in nuclear energy sector

The mandate of the German SAI in connection with nuclear energy comprises both nuclear facilities and regulatory authorities supervising the nuclear energy sector.

Audit of both nuclear facilities and regulatory and supervisory authorities

In recent years, we have been auditing, among others,

- decommissioning and dismantling of research reactors, including overall planning, management and control during the decommissioning and dismantling of nuclear test facilities¹,
- decommissioning of the mine repository for radioactive waste (Asse II)²,
- Federal Ministry for the Environment and Nuclear Safety's oversight of speedy and cost-effective construction of the Konrad final repository for low and intermediate level radioactive waste³,
- IT security at the Federal Office for Radiation Protection⁴.

¹ <https://www.bundesrechnungshof.de/de/veroeffentlichungen/produkte/beratungsberichte/bis-2016/2015-bericht-uebergreifende-aspekte-der-planung-steuerung-und-kontrolle-bei-stilllegung-und-rueckbau-nuklearer-versuchsanlagen>

² <https://www.bundesrechnungshof.de/en/veroeffentlichungen/products/beratungsberichte/langfassungen/2019-report-asse-ii-mine-project-pdf/view>

³ <https://www.bundesrechnungshof.de/en/veroeffentlichungen/products/annual-reports/dateien/2016-annual-report-volume-ii-abridged-version> (page 7, item 5)

⁴ <https://www.bundesrechnungshof.de/en/veroeffentlichungen/products/annual-reports/2019/2019-annual-report-on-federal-financial-management-abridged-version> (page 35, item 21)

D. International audit activities

International audit activities are an integral pillar of the German SAI's international strategy.

Broad experience
and up to date
knowledge in
auditing UN entities

Experience gained in the audit of the United Nations

Currently, and for the second time since 1989 to 1992, the German SAI is one of the three External Auditors of the United Nations for the period 2016 – 2022. This mandate enables the German SAI to further expand its knowledge and experience when it comes to the audit of the United Nations and its organizations.

UN organizations and projects audited by the German SAI as a member of the UN Board of Auditors

- United Nations Peacekeeping (PKO, since 2016)
- United Nations High Commissioner for Refugees (UNHCR, since 2016)
- United Nations Procurement Division (UNPD, since 2018)
- United Nations Capital Development Fund (UNCDF, since 2018)
- Strategic Heritage Plan (SHP, since 2016)
- United Nations Framework Convention on Climate Change (UNFCCC, since 2016)
- United Nations Convention to Combat Desertification (UNCCD, since 2016)
- United Nations Office at Geneva (UNOG, since 2016)
- UN Procurement Division (since 2016)
- Office of the High Commissioner for Human Rights (OHCHR, since 2016)
- United Nations Development Program (UNDP, since 2018)
- United Nations Development Program – Global Environmental Finance (UNDP-GEF, since 2018)
- United Nations Office on Drugs and Crime (UNODC, 2016 – 2018)
- United Nations University (UNU, 2016 – 2018)
- United Nations Institute for Training and Research (UNITAR, 2016 – 2018)

Other organizations in the UN system audited by the German SAI:

- International Atomic Energy Agency (IAEA, 2004 – 2011)
- United Nations Industrial Development Organization (UNIDO, 2014 – 2018)
- World Trade Organization (WTO, 2014 – 2019)

- United Nations World Tourism Organization (UNWTO, 2014 – 2015)

Other international organizations audited by the German SAI:

- Organization for Security and Co-operation in Europe (OSCE, 2014 – 2016)
- Organization for the Prohibition of Chemical Weapons (OPCW, 2011 – 2014)
- European Organization for the Exploitation of Meteorological Satellites (EUMETSAT, 2014 – 2016)
- Wassenaar Arrangement (2015 – 2019)
- Institut Laué-Langevin (since 2008)
- Franco-German youth foundation (since 2005)
- Polish-German youth foundation (since 1991)
- Franco-German University (since 1997)
- Franco-German Research Center St. Louis (ISL) (since 2006)
- Organization for Joint Armament Cooperation, OCCAR (since 2005)
- Multinational Corps Northeast (since 2020)

E. International cooperation

INTOSAI

The German SAI is a member of the International Organization of Supreme Audit Institutions (INTOSAI). INTOSAI promotes the international exchange of ideas and experience in the field of government auditing. At present, INTOSAI has 195 Full Members, 5 Associated Members and 1 Affiliate Member. Currently the German SAI is involved in five committees and working groups:

- Financial Audit and Accounting Subcommittee
- Performance Audit Subcommittee
- Capacity Building Committee
- Working Group on Financial Modernization and Regulatory Reform
- Working Group on Evaluation of Public Policies and Programs

Active member of INTOSAI sub-committees and working groups

EUROSAI

The European Organization of Supreme Audit Institutions (EUROSAI) is one of INTOSAI's regional working groups. EUROSAI aims at promoting professional, technical cooperation and mutual support and at fostering the sharing of information and experiences in the European region. Its members are 49 European SAIs and the European Court of Auditors. Currently the German SAI is cooperating within EUROSAI as

- Non-Government Board Co-leader of Strategic Goal 1 (Professional cooperation)
- Member of the Working Group on Environmental Audit
- Member of the IT Working Group
- Co-publisher of the EUROSAI Innovations Newsletter

Co-leader of EUROSAI Strategic Goal 1

Active member of working groups

Technical cooperation

The German SAI provides professional expertise in the field of development cooperation of the Federal Government. In cooperation with the German Society for International Cooperation (GIZ), we provide consultation and training to support SAIs in building and developing their capacities.

We work closely with a number of SAIs, sharing ideas and experience by means of e.g. parallel audits, joint seminars and workshops, discussion contacts both at top management and working level as well as staff exchanges.

Professional expertise in development cooperation and capacity building

F. Approach to the audit of IAEA

We would carry out the audit of the IAEA in accordance with

- Article XII of the Agency's Financial Regulations and the additional terms of reference governing audits of the Agency's financial statements
- the International Standards on Auditing (ISA) and
- the INTOSAI Framework of Professional Pronouncements (IFPP).

Audit in accordance with IAEA's Financial Regulations, ISA and IFPP

Our understanding of the entity

Established as an independent organization within the United Nations family in 1957, the IAEA is the international centre for cooperation in the nuclear field. The Agency works with its 172 Member States and other partners to promote the safe, secure and peaceful use of nuclear technologies.

Headquartered in Vienna, Austria, IAEA has offices in Geneva, New York, Tokyo and Toronto and operates a total of 19 Laboratories worldwide. Approximately 2,500 employees advance six major programmes following three thematic priorities:

- Peaceful uses of nuclear technology
- Safety and Security
- Non-Proliferation

IAEA prepares its financial statements in line with International Public Sector Accounting Standards since Financial Year 2011. The Agency's most recent financial statements for 2019 and the audit opinion thereon have been transmitted to the Board of Governors by the auditor at 31 March 2020. As in prior years, the audit of the financial statements was conducted in compliance with the International Standards on Auditing and the auditor issued an unmodified opinion.

As at 31 December 2019, the Agency's cash and cash equivalents as well as non-current investments amount to EUR 685 million, nearly equalling the total liabilities. These liabilities primarily comprise employee benefit liabilities in relation to post-employment benefits (e. g. After-Service Health Insurance) and deferred revenue. More than one-third of the total revenue of IAEA stems from voluntary contributions, half of which relate to Technical Cooperation activities. Expenses are dominated by salaries and employee benefits, reflecting the Agency's operating model as knowledge driven provider of professional services.

Transfers include grants to implementing partners and research grants.

In implementing its Medium-Term Strategy 2018 to 2023, IAEA pursues six strategic objectives across all its programmes to continuously meet current and evolving needs and priorities of Member States, including the achievement of the Sustainable Development Goals (SDG). Also, the Agency anticipated the need to position itself to take prompt actions to seize opportunities and minimize adverse consequences of unexpected developments.

This is reflected in a recent statement of IAEA Director General Rafael Mariano Grossi to the Board of Governors. Considering the continued demand for the Agency's services and financial constraints of the Member States due to the coronavirus disease 2019 pandemic, the upcoming 2022 – 2023 Draft Programme & Budget is prepared with a focus on finding sustainable efficiencies and ensuring the effectiveness of activities.

Financial audits

Financial audits aim at assessing whether financial statements present fairly the financial position at the end of a financial period, and whether the financial statements have been prepared in accordance with the relevant accounting guidelines and policies, applied on a basis consistent with that of the preceding financial period.

Focus on audit of financial statements in compliance internationally accepted standards

We plan, prepare, conduct and report on our audit exercises in compliance with internationally accepted standards. We follow the International Standards on Auditing (ISA) issued for the private sector and the INTOSAI Framework of Professional Pronouncements (IFPP). Following an agreement between the INTOSAI Professional Standards Committee (PSC), the International Federation of Accountants (IFAC) and its independent standard-setting body the International Auditing and Assurance Standards Board (IAASB), the IFPP adopts ISA as financial auditing standards.

Setting out the overall responsibilities and objectives of an independent auditor, ISA 200 obliges us to comply with ethical requirements and to plan and perform the audit in order to obtain reasonable assurance that the financial statements are free from material misstatement. For SAIs, ethical requirements are specified in ISSAI 130 ("Code of Ethics") and ISSAI 140 ("Quality Control for SAIs").

Following a risk-based audit approach, we will apply ISA 315 “Identifying and Assessing the Risks of Material Misstatement”. The strengths and weaknesses of controls within the organizations’ financial systems will be assessed in order to determine the likelihood of material errors occurring. The results of this risk assessment would help to determine the level of audit evidence needed to support the audit opinion, to concentrate efforts on addressing high risk areas, and to improve the cost-effectiveness of audit testing. Audit procedures used to address identified risks and to obtain sufficient appropriate audit evidence will, inter alia, include

Risk assessment as part of our audit work

- analytical procedures (ISA 520),
- sample testing of transactions and vouchers (ISA 530) and
- reliance on the work of internal auditors (ISA 610).

All audit work is supported by commercial audit software. The audit team is familiar with established ERP systems including ORACLE and SAP/UMOJA applications.

To form our audit opinion, we refer to ISA 700 (Revised) (“Forming an Opinion and Reporting on Financial Statements”). The standard also specifies the content of our auditor’s report.

Compliance audits

The additional terms of reference governing audits of the International Atomic Energy Agency’s financial statements ask the auditor to assess whether the financial transactions reflected in the statements have been in accordance with the Financial Rules and Regulations, the budgetary provisions, and other applicable directives and to express an opinion thereon.

Compliance audits are closely aligned with financial audits

We will apply ISSAI 400 (“Compliance Audit Principles”) and ISSAI 4000 (“Compliance Audit Standard”) and perform additional procedures to obtain sufficient audit evidence. To minimize the resulting audit burden, we will closely align these additional procedures with the financial audit. For example, we would further scrutinize transactions that have already come to our attention instead of selecting additional samples.

Performance audit

In addition to conducting financial and compliance audits we will review the efficiency of the financial procedures, the accounting system, the internal financial controls, and, in general, the financial consequences of administrative practices. We conduct

Performance audits to ensure good value for money

performance audits focusing on economy, efficiency and effectiveness in line with ISSAI 300 “Fundamental Principles of Performance Auditing”, ISSAI 3000 “Performance Audit Guidelines” and ISSAI 3100 “Performance Audit Guidelines: Key Principles to ensure good value for money”.

Our national and international experience in performance audit work enables us to cover a wide range of performance audit areas, as for example the effectiveness of

- Internal Control Systems,
- cash management and investments,
- procurement procedures,
- implementing partner management,
- personnel management issues,
- IT including cyber security or
- the implementation of the United Nations Sustainable Development Goals (SDG).

Our timely audit approach seeks to develop audit findings that help to enhance future action, rather than merely criticizing shortcomings and weaknesses relating to the past. Our audit will therefore support IAEA management in finding and achieving sustainable efficiencies. It will further enable those charged with governance to assess achieved improvements.

Cooperation with the Office of Internal Oversight Services

One key part of our audit approach will be a close working relation with the Office of Internal Oversight Services (OIOS). In order to avoid duplication of efforts, we make use of the information provided by OIOS and exchange our findings and reports. As to the financial audit of certain funds, the External Auditor may consider relying on the audit work carried out by OIOS.

Close working relationship with OIOS

Use of remote audit techniques

Audit work will mainly take place at the Agency’s headquarters and in selected regional offices, liaison offices and laboratories. However, remote auditing has been an integral part of the German SAI's audit approach since several years. We were able to further expand our expertise in remote auditing during the Covid-19 pandemic.

Remote auditing as an integral part of the audit approach

The German SAI strives for a smooth, efficient and effective audit process at the IAEA, also taking into account the Agency’s specific

needs and environment. Against this background, we will use remote audit techniques in the audit of the IAEA as appropriate and in close coordination with the Agency.

Handover procedures

As recommended in INTOSAI GUID 5090, we will ensure a smooth handover from our predecessor, as well as to our successor. We would appreciate receiving all documents officially issued and received by our predecessor, such as audit observations and management letters. Access to audit working papers of our predecessor is also helpful and would be highly appreciated.

Smooth handover ensured

As a matter of course, we will furnish to our successor all documentation, including our working papers, to the extent that doing so would not be in conflict with our independence and/or the relationship of trust with the IAEA and the auditee.

Reporting

For each financial year we will provide a short form report (audit opinion on the financial statements) and a long form report.

Annual reporting in accordance with the Financial Regulations

We will submit our audit report to the Board in accordance with Regulation 12.08 of the Agency’s Financial Regulations and the additional terms of reference governing the external audit of the IAEA. We will apply ISA 260 “Communication with Those Charged with Governance”.

Additionally, management letters will be an integral part of our communication with the IAEA.

G. Audit specialties that could be of benefit to the Agency

Mandating the German SAI would offer several audit specialties that could be of benefit to the IAEA:

- In view of the comprehensive know-how and resources in auditing UN organizations and programs, the German SAI can respond flexibly and quickly to new topics and developments. We are thus also in a position to fulfill requests for examination by the General Conference and the Board in a timely manner.
- Our national and international experience in performance audit work enables us to cover a wide range of performance audit areas as mentioned above and contributes to the efficient and effective use of the Agency's resources.
- In auditing the nuclear energy sector, we can rely on both our national audit experience and the experience from auditing the IAEA between 2004 and 2011.
- The German SAI's headquarters is located close to Vienna which enables the audit team to travel to the Agency's offices on short notice. If necessary, our auditors could also be present at meetings etc. outside the audit cycle.
- Due to its experience as External Auditor of the IAEA (2004 – 2011), the OPCW (2011 – 2014) and the Wassenaar Arrangement, the German SAI is accustomed to conducting arms control audits with the necessary sensitivity.
- Our auditors, especially those who are currently auditing UN Peacekeeping, UNDP or UNHCR, are accustomed to conducting audits even in places with special health and safety conditions.

IAEA could benefit from several audit specialties the German SAI offers

H. Audit staff

We will provide an internationally experienced staff, which in terms of qualification and composition is specifically tailored to auditing the IAEA:

Internationally
experienced staff with
tailored qualification

- Our audit team foreseen for the Agency will comprise a Senior Audit Manager, Audit Managers and Senior Auditors, all of whom will report to an experienced Audit Director.
- Our team will consist of technical experts who have performed audit work within the UN system for several years. It will include auditors who have audited the IAEA between 2004 and 2011 and are therefore already familiar with the Agency.
- Our team will encompass a broad variety of both theoretical and hands-on expertise (accountancy, law, economics, IT, engineering etc.) gathered during prior audit missions at the headquarters of various UN organizations as well as field missions in various countries including those with special health and safety conditions.
- Our team will be familiar with different cultural and social settings.
- Our team will work in English. Some team members, however, are also fluent in Spanish and French.
- Our audit team will reflect the vast specialized knowledge available within the German SAI in all public sector audit fields. In addition, some auditors previously worked in private sector audit companies.
- During the audit term, the composition of our team will remain stable to the extent possible.
- For the composition of our team, we strive for gender balance.

I. Total number of auditor months, number and level of staff to be involved

We offer IAEA the services of the German SAI for the period from 2022 to 2027 in accordance with the Note of the Secretariat (2020/Note 79).

Total staff estimated at 51 auditor work months per financial year

We have assessed the audit effort required for auditing operations at headquarters, regional offices, liaisons offices and laboratories. The headquarters will be audited twice a year (interim audit in autumn and final audit in spring) und supplemented by field visits at selected other locations. In addition to on-site audits, remote audits are part of our audit process as far as possible and in coordination with the Agency.

For each financial year we assess staffing needs for auditing IAEA to amount to 51 auditor work months in full time equivalent.

Against this background, we plan the following number and level of staff to be involved:

- 1 Director of External Audit
- 1 Senior Audit Manager
- 4 Audit Managers
- 8 Senior Auditors

In addition, our back office will support the audit team.

J. Audit fee

The audit fee amounts to EUR 230,000 for each financial year from 2022 to 2027, in total EUR 1,380,000 for the six-year period of audit services.

Audit Fee of EUR 230,000
per financial year

The audit fee covers the audit related salaries, secretarial and other support costs, travel costs and living expenses of the auditors. Travel costs cover travel between the German SAI's office, the Agency's headquarters in Vienna and other Agency offices.

भारत का स्थायी मिशन
विएना

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No. Vien/Amb/2020/122

29 December 2020

The Permanent Mission of India in Vienna presents its compliments to the Office of Director General, International Atomic Energy Agency (IAEA) and has the honour to state that the Comptroller & Auditor General of India has decided to submit his candidature for appointment of the External Auditor of the International Atomic Energy Agency (IAEA) for the term 2022 to 2027.

2. In this regard, this Embassy has the honour to enclose a copy of the formal nomination papers which include:

- (i) Curriculum Vitae of the Comptroller and Auditor General of India
- (ii) Credentials of the Comptroller and Auditor General of India giving details of national and international activities, including details of audit specialities that would benefit the Agency
- (iii) Audit approach, number and level of staff to be involved in this audit
- (iv) Proposed Audit fee and an estimate of auditor-months

3. This Embassy would like to draw attention to the extensive international audit experience and expertise possessed by the office of the Comptroller and Auditor General of India and would like to state that they would be in a position to provide high quality and effective professional external audit services to the Agency.

4. The Permanent Mission of India in Vienna avails itself of this opportunity to renew to the Office of Director General, International Atomic Energy Agency (IAEA) the assurances of its highest consideration.

Office of Director General
International Atomic Energy Agency
Vienna International Centre
Vienna

(Attn: H.E. Dr. Rafael Mariano Grossi)



DIRECTOR GENERAL'S OFFICE

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Proposal for the Provision of External Audit Services to International Atomic Energy Agency

for the financial years 2022 to 2027

Comptroller & Auditor General of India



Introduction by the Comptroller and Auditor General of India

I have the honour of presenting to the International Atomic Energy Agency (IAEA) my formal proposal for the External Audit of the Agency for the period 2022 to 2027.

Besides including all the specific requirements mentioned in the Agency's note 2020/Note 79, dated 20 November, 2020, my proposal also explains, for the appreciation of IAEA, the professional, ethical and infrastructural framework within which my Organization operates. The assignment of external audit of IAEA will be carried out within the same framework.

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

Our cumulative international audit experience of over 88 years includes audit of the United Nations Organizations from 1993 to 1999 and from 2014 to 2020, Organization for Prohibition of Chemical Weapons from 1997 to 2003, Food and Agriculture Organization from 2002 to 2008, World Food Programme from 2010 to 2016, World Health Organization from 2004 to 2011, International Maritime Organization from 2000 to 2012, World Intellectual Property Organization from 2012 to 2017, World Tourism Organization from 2000 to 2014, International Centre for Genetic Engineering and Biotechnology from 1996 to 2004, International Organization for Migration from 2010 to 2016 and **International Atomic Energy Agency from 2012 to 2016**. Recently, we have been selected as External Auditor of Food & Agriculture Organization for the term 2020-2025, World Health Organization for the term 2020 to 2023 and the Inter-Parliamentary Union for the term 2020 to 2022.

Our skilled professional staff are experienced auditors and accountants. We have a large cadre of professionals with qualifications in engineering, accounting, finance, business administration and law. Our certified Information Technology (IT) auditors have reported on critical and sophisticated IT systems both within the country and in international organizations. Our strong professional credentials include knowledge of international accounting standards such as International Public Sector Accounting Standards (IPSAS) which have been adopted in the United Nations system that we currently audit. We are recognized as a pioneer Supreme Audit Institution in using data analytics in public auditing.

My Organization is at the forefront of international standard setting and knowledge sharing and dissemination in public sector auditing. I chair the UN Panel of External Auditors and International Organization of Supreme Audit Institutions (INTOSAI) Knowledge Sharing and Knowledge Services Committee as well as its Working Group on IT Audit and the Compliance Audit Sub-Committee, besides being on the Governing Board of INTOSAI. My Organization also plays an active role in the Asian Organization of Supreme Audit Institutions (ASOSAI) and is a member of its Governing Board. My Organization has received the prestigious Jorg Kandutsch Award of INTOSAI, in recognition of our professional expertise and contributions.

In line with our commitment for the international organizations, my organization does not seek any audit fee for the audit of IAEA, but only a reimbursement of the costs incurred in audit.

While submitting this proposal, I affirm my commitment and assurance for providing high quality, cost effective professional external audit services. Our services will cover the deliverables mentioned in IAEA's Secretariat Note No. 2020/Note 79, dated 20 November, 2020.

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 achieving greater efficiency and effectiveness in operations.

Girish Chandra Murmu
Comptroller and Auditor General of India

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Part A

Profile of the CAG of India



1. Curriculum Vitae of the CAG of India

1. The Comptroller and Auditor General (CAG) of India is the Supreme Audit Institution (SAI) of India. Mr. Girish Chandra Murmu assumed office as the Comptroller and Auditor General of India on 8th August 2020. Prior to this, Mr. Murmu was the first Lieutenant Governor of the Union Territory of Jammu and Kashmir. Mr. Murmu has rich and diverse public service experience of more than three decades at senior positions in finance, administration and public policy. He served in various capacities in Government of India such as Secretary of the Department of Expenditure, Special and Additional Secretary in the Department of Financial Services and Department of Revenue, and Joint Secretary in the Department of Expenditure. Besides this, Mr. Murmu has served on important assignments in the State Government of Gujarat. He has wide experience in administrative, economic and infrastructure fields.
2. Mr. Murmu is a postgraduate in Political Science from Utkal University. He holds an MBA degree from the University of Birmingham.
3. With his vast experience in public service, Mr. Murmu possesses a perceptive insight into the governance process in the public sector. He has been instrumental in promoting and implementing innovative practices in various departments in the Government at both Federal and Provincial levels.
4. As the Comptroller and Auditor General of India, Mr. Murmu is responsible for auditing the accounts and related activities of all the three tiers of government i.e. the Federal, State and Local. These include ministries/departments of Government of India and the State Governments, state owned public commercial enterprises controlled by the Federal and State Governments, non-commercial autonomous bodies and authorities financed by the Federal and State Governments, and Local bodies responsible for municipal activities etc. His primary responsibility is ensuring financial accountability in the governance process and making recommendations for the improvement of systems and procedures.
5. Mr. Murmu is currently the Chair of the UN Panel of External Auditors. He has been appointed external auditor of World Health Organization (WHO) from 2020 to

2023, of Food and Agriculture Organization (FAO) from 2020 to 2025 and of the Inter-Parliamentary Union (IPU) from 2020 to 2022. Mr. Murmu is a member of the Governing Board of INTOSAI and Chairman of INTOSAI Knowledge Sharing and Knowledge Services Committee, which is one of the four main committees of INTOSAI. He also chairs the INTOSAI Working Group on IT Audit and the Compliance Audit Sub-Committee. He is a member of other Goal Committees of INTOSAI, viz. Professional Standards Committee, Capacity Building Committee and Policy, Finance and Administrative Committee. He is a member of the Performance Audit Sub-Committee, Financial Audit and Accounts Sub-Committee and of various Working Groups of INTOSAI. He is also a member of the Governing Board of ASOSAI. He is closely associated with ASOSAI's training, research and publication activities in the area of public auditing and is also Chair of the Board of Editors of ASOSAI journal. By virtue of occupying these key positions in the international fora, Mr. Murmu plays a significant role in setting international standards and best practices in the field of public audit.

2. General Information about the Organization

Establishment of office of CAG

6. The office of the CAG of India was established in 1860 and has a

history of 160 years. The institution of the CAG of India is a creation of the Indian Constitution, which came into being on 26 January 1950 after India became an independent republic. The provisions relating to the appointment (including removal and non-eligibility for further government appointment), administrative and financial independence, role and functions, determination of the conditions of service of officers working under the CAG, and presentation of the reports of the CAG to the legislature are enshrined in the Constitution and an Act of Parliament. The terms and conditions of service and the powers and responsibilities of CAG are further laid down in the Comptroller and Auditor General (Duties, Powers and Conditions of Service) Act 1971-called CAG's DPC Act, which also empowers CAG to make regulations. CAG has framed Regulations under these powers.

Independence

7. The Constitution of India enables independent and unbiased audit by the CAG by providing for appointment of the CAG by the President of India; special procedure for removal of the CAG, as applicable to a judge of the Supreme Court; salary and expenses of the CAG not being subject to vote of Parliament; and making the CAG ineligible to hold any other Government office after completion of term.

Procedure for appointment/ removal of CAG

8. The CAG of India is appointed by the President of India by warrant under his hand and seal. CAG's DPC (Duties, Powers and Conditions of Service) Act 1971 states that CAG shall hold his office for a term of 6 years or 65 years of age, whichever is earlier. As per the Constitution of India, CAG shall only be removed from office in like manner and on the like grounds as a Judge of the Supreme Court, that is, he shall not be removed from the office except by an order of the President of India passed after an address by each house of Parliament supported by a majority of not less than two third of the members of that house present and voting has been presented to the President in the same session for such removal on the ground of proven misbehaviour or incapacity.

Institutional Independence

9. The CAG of India does not report to any authority and is independent of both the executive and the legislature. Under the constitution, CAG submits his Audit Reports to the President of India or the Governor of the State, as the case may be, who shall cause them to be laid before the Parliament or the State Legislature. These reports are then taken up for discussion by the committees of legislature, notably the Public Accounts Committee and the

Committee on Public Undertakings, established for this purpose.

10. 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.

Financial autonomy

11. The CAG of India has financial independence in terms of Article 148 (6) of the Constitution, according to which the administrative expenses of the office of the Comptroller and Auditor General, including all salaries, allowances and pensions payable to or in respect of persons serving in that office, shall be charged upon the Consolidated Fund of India. An expenditure charged on the Consolidated Fund is not subject to vote by the Parliament. This Constitutional provision ensures the financial autonomy of the institution of the CAG.

Management of SAI budget

12. CAG functions through over a hundred offices at the federal and state levels. These offices prepare their annual budgets and audit plans, based on the scope of audit,

audit risk assessment and resource availability. The budgetary requirements of each office are compiled and the consolidated budget requirements are incorporated separately in the Government of India budget under a separate and distinct head of accounts. The CAG operates his budget independently after the budget of the Government of India is passed by the Parliament.

Scope of work

13. Section 23 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 empowers the CAG to make regulations in relation to scope and extent of audit including broad principles in regard to audit of receipt and expenditure. No external authority can dictate or influence in any way the scope and extent of audit. In terms of Regulation 13 of the Regulations on Audit and Accounts, CAG is the sole authority to decide the scope and extent of audit 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. The scope of CAG's audits are decided through a well laid down risk assessment of the audit universe.

Objectivity and Integrity

14. The audit staff under SAI India works in an elaborate, time tested framework for ensuring

compliance with highest standards of professional and personal conduct. The CAG Auditing Standards (2017) contain provisions to ensure that the requirements of objectivity and integrity are adhered to. All employees and officers of CAG of India are civil servants and are subject to the statutory Central Civil Services (Conduct) Rules, 1964 that prescribe the standards of behaviour and ethical conduct in civil service. The Conduct Rules require all employees to maintain absolute integrity and devotion to duty and do nothing which is unbecoming of a government servant. The violation of the Conduct Rules can lead to a scale of prescribed minor and major penalties, including removal and dismissal from service. These Conduct Rules are very similar to the Standard of Conduct for the International Civil Service.

15. In addition, CAG has prescribed a Code of Ethics for its employees, in force since 2012, which applies to all auditors, officers and all individuals working for and on behalf of SAI India and includes the head of SAI (CAG). The SAI has the responsibility to ensure that all its auditors acquaint themselves with the values and principles contained in the Code of Ethics and act accordingly.

3. National Activities

A. Auditor to national public sector organizations

16. In the national context, CAG is responsible for auditing the accounts of all the three tiers of government i.e. the Federal, State and Local. The following is an indicative description of the entities audited by CAG:

- All Federal and State Government departments and offices including departmental commercial undertakings like the Indian Railways.
- Over 1500 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 4,800 bodies and authorities substantially financed by Federal and State Governments.
- Over 3,000 Local Bodies (third tier of governance) at the municipal and village level.

17. The functions of CAG in relation to audit have been provided in the CAG's DPC (Duties, Powers and Conditions of Service) Act and include the following:

1) Audit of all expenditure of the Union and State Governments

2) Audit of all Trading & Manufacturing, Profit & Loss Account and Balance Sheets, etc. kept in any department of the Union or the State

3) Audit of Receipts & Expenditure of Bodies or Authorities substantially financed from Union or State revenues

4) Audit of receipts of the Union or the States

5) Audit of accounts of stores and stock kept in any office or department of the Union or of the States

6) Audit of government companies and corporations

7) Audit of accounts of authorities or bodies for which a request is made by the President of India or Governor of a State on mutually agreed terms and conditions.

18. The following special responsibilities have also been entrusted to the CAG:

- Providing technical guidance and support to the Local Fund Audit wings of the State Governments, who are the primary auditors of the urban and rural local bodies

- Conducting a review of the performance of the Federal Government in meeting its

obligations under the Fiscal Responsibility and Budget Management Act, 2003, as amended in 2012.

- Certifying the net proceeds of Central taxes/duties, which are shareable with the States

19. The CAG of India audits both receipts and expenditure. The scope of audit covers financial audit, performance audit and compliance audit. During 2019-20, CAG produced 118 audit reports for presenting to the Parliament and State Legislatures which contained 1,716 recommendations and included 104 Performance (value-for money) audit topics. In addition, CAG performed financial audits of 4,912 accounts of the Union (Federal) and State Governments, Public Commercial Enterprises, Autonomous Bodies, Externally Aided Projects and others.

B. Member of national standard setting bodies

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

Institute of the Chartered Accountants of India (ICAI)

21. 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)

22. 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)

23. 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)

24. 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).

4. International Activities

A. External auditor of international organizations

25. The CAG of India has a long cumulative experience of over 88 years as external auditor of United Nations, its Agencies and other international organizations. CAG is currently the external auditor of World Health Organization (WHO) from 2020 to 2023, Food and Agriculture Organization (FAO) from 2020 to 2025 and Inter-Parliamentary Union (IPU) from 2020 to 2022. In the past, CAG's international audit portfolio included:

- 1) United Nations (UN) from 1993 to 1999 and 2014 to 2020
- 2) Food and Agriculture Organization (FAO) from 2002 to 2008
- 3) World Health Organization (WHO) from 2004 to 2011
- 4) World Food Programme (WFP) from 2010 to 2016
- 5) International Maritime Organization (IMO) from 2000 to 2012
- 6) World Tourism Organization (UNWTO) from 2000 to 2014

7) International Organization for Migration (IOM) from 2010 to 2016

8) World Intellectual Property Organization (WIPO) from 2012 to 2017

9) International Atomic Energy Agency (IAEA) from 2012 to 2016

10) Management Assessment of International Thermonuclear Experimental Reactor (ITER) in 2011

11) International Centre for Genetic Engineering and Biotechnology (ICGEB) from 1996 to 2004

12) Organization for Prohibition of Chemical Weapons (OPCW) from 1997 to 2003

26. This long association has enabled the CAG of India to create a specialized pool of professionals experienced in the audit of international organizations, with substantial knowledge of standards, procedures, financial systems, and operations of International organizations. Currently, our pool of officers includes more than 330 Audit Directors/ Managers who have direct experience of UN audits. They have extensive experience of auditing the management and accounting systems, financial and staff regulations, operations, procurement, transport and IT systems in UN and similar organizations. We have also kept abreast of the latest changes and trends in these areas on account of

our ongoing audits and our membership of the Panel of External Auditors of the UN. We have also developed sufficient IT audit capability to review the Information Technology systems and operations in the UN system.

27. As external auditors of WHO, IMO, WIPO, IAEA, IOM and UN, we were involved in auditing their transition to IPSAS and incorporation of IPSAS into their business processes. We have audit teams with years of experience in audit of ERP systems, IT systems, Audit of procurement, projects and value for money audits.
28. We have recently conducted the audit of UMOJA, the Enterprise Resource Planning (ERP) solution of the UN. We have already prepared Progress reports on UMOJA and ICT in United Nations. Besides, in our previous term in the UN Board of Auditors, we have conducted audit of Integrated Management Information System at UN Headquarters in New York, Atlas and HRMS (Human Resources Management System).
29. We have also conducted audit of SAP and Oracle based ERP systems in WHO, FAO, IAEA, WFP and IMO. Our IT audit of WHO, which covered 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, was appreciated by the UN Panel of External Auditors.

30. Many of our officers have also served various UN agencies and International organizations on secondment and possess excellent knowledge of the systems and procedures of UN entities.

B. Member of international standard setting bodies

31. The CAG of India is the Chair/member of the following international organizations:

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

32. CAG is Chair of the UN Panel of External Auditors. Previously also, CAG was Chair of the Panel in 2012 and 2013 and Vice Chair in 2019. He has been closely associated with its activities in implementing standards, best practices and guidance in the area of audit of International Organizations. The main objectives of the Panel are to further the co-ordination of the audits for which its members are responsible, and to exchange information on audit methods and findings.

- 2) International Organization of Supreme Audit Institutions (INTOSAI)**

33. CAG of India is a member of the Governing Board of INTOSAI and Chairman of the Committee on Knowledge Sharing and Knowledge Services, which is one of the four Goal Committees of INTOSAI. Besides, he is the Chair of the Working Group on IT Audit (WGITA) and the Compliance Audit Sub-Committee. He is a member of the Steering Committees of the other three Goal Committees of INTOSAI, viz., Professional Standards Committee, Capacity Building Committee and the Public Finance and Administration Committee. He is a member of Financial Audit and Accounts Sub-Committee (FAAS) and Performance Audit Sub Committee, and various 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, and is required to oversee the process of quality assurance of the INTOSAI documents on standards and guidance. The Forum of INTOSAI Professional Pronouncements (FIPP), the designated standard setting body of INTOSAI, was chaired by an officer of CAG from 2015 to 2018 and currently an officer from CAG is a member of FIPP.

3) Asian Organization of Supreme Audit Institutions (ASOSAI)

34. CAG is a founding member of ASOSAI and also ex-officio member

of its Governing Board. He is Chair of Board of Editors of ASOSAI Journal and is closely associated with ASOSAI's training, research and publication activities in the area of public auditing. CAG has been the Chair of ASOSAI during 1979-1983, 1994-97 and 2012-15 and Secretary-General of ASOSAI from 2000 to 2009.

4) Auditors General Global Audit Leadership Forum (GALF)

35. The CAG of India 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, and to explore opportunities to share information and work closely together.

5) Commonwealth Auditors General Forum

36. CAG is an active member of this group comprising the Auditors General of the Commonwealth. The Commonwealth Auditors General Conference is organized every three years to discuss matters of mutual professional interest and concern and to share experience.

5. RANGE OF AUDIT ACTIVITIES ENVISAGED

A. Scope of audit

37. We understand 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.

B. Financial Audit

38. This includes

- Attest function of the annual financial statements of IAEA, in accordance with Regulation 12.03, Article XII of IAEA Financial Regulations and the Additional Terms of Reference Governing External Audit,
- Evaluation of the appropriateness of the accounting policies used by IAEA and the reasonableness of the accounting estimates and disclosures contained in its Financial Statements providing an opinion on the financial statements.

39. We are aware that IAEA Financial Statements are prepared in accordance with the International Public Sector Accounting

Standards (IPSAS). We have more than 850 audit professionals trained in IPSAS most of whom have conducted audit of IPSAS related issues in United Nations, IAEA, WFP, WHO, IMO, IAEA, WIPO and IOM. 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'.

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

40. This covers 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 would be selected on the basis of the quantum of resources allocated to them and risk to the efficient and effective operation of IAEA.

D. Compliance Audit

41. This includes 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.

E. Information Technology (IT) Audit

42. SAI India carries out IT audits under the broad framework of financial, performance and compliance audits. It covers audit of IT systems including ERP systems like SAP, Oracle, PeopleSoft, JD Edwards etc. The objectives of our IT Audits will focus on substantiating that internal controls exist to minimize business risks and that they function as expected. 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.

43. 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.

44. We will 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 (CAATs).

45. Information Systems Audits is one of the focus areas of SAI India. Our role in facilitating smooth transitions from legacy accounting and IT systems to IPSAS and ERP based systems in United Nations, WHO and IMO are examples of our ability to synergize our competencies in IPSAS with expertise in ERP audits. We have recently conducted (a) audit of Information and Communication Technology (ICT) resources in United Nations and (b) IT audit of UMOJA (ERP system in the United Nations).

6. Audit specialties

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

About Department of Atomic Energy in India

46. 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.

47. 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

48. 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 34 years this office has been auditing and commenting on the complex activities of the DAE spread throughout the country.

Types of audit services offered

49. 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
50. 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):

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

- Functioning and setting up of research reactors
- Performance of the beryllium plant
- Setting up and functioning of a nuclear desalination plant
- Performance of the R&D activities at BARC
- Compliance related issues on various individual projects.

Nuclear Fuel Complex (NFC):

52. 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):

53. 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:

54. India's nuclear programme is to be carried out in three stages involving Pressurized 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 Pressurized 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. Audit of IT, ERP systems, IPSAS and SDGs

Expertise in Information Technology (IT) and Enterprise Resource Planning (ERP) systems Audit

55. SAI India's capabilities in 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.
56. 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. CAG has also assisted several SAIs (Bangladesh, Oman, Saudi Arabia and Vietnam) in capacity building in the field of IT audit through training their staff and secondment of experts.
57. Domestically, over 600 audits of IT systems of diverse platforms and databases have been conducted. We have audited vast distributed database systems, mainframes and ERP applications including Oracle financials, SAP, PeopleSoft etc. apart from Information Security Audits using Bs7799.
58. Our team of auditors won the "Prime Minister's Award for Excellence in Public Administration" for our Information Technology Audit in 2006-07.
59. More than 225 IT audit reports have been brought out on critical and sophisticated IT systems covering planning, programme implementation and specific IT issues.
60. We have over 60 officials 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, etc. The professionals who are deputed for audit of international organizations are

well equipped to conduct audit in a computerized environment.

61. We have recently conducted the audit of UMOJA, the Enterprise Resource Planning (ERP) solution of the UN and Information and Communications Technology (ICT) strategy in United Nations. Besides, in our first term in the UN Board of Auditors, we have conducted audit of Integrated Management Information System at UN Headquarters in New York, ATLAS, PIREs and HRMS system.
62. We have also conducted audit of SAP and Oracle based ERP systems in WHO, FAO, IAEA, WFP and IMO. Our IT audit of WHO, which covered 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, was appreciated by the UN Panel of External Auditors.
63. 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.

Use of Technology in Audit

64. The CAG of India understands that more efficient use of data will improve public administration capabilities and the fact that use of big data is an important means of enhancing the performance of SAIs. Therefore, a variety of auditing tools/ software are used by SAI India, depending on the requirement of the auditors, the auditing environment and the level of access established with the auditee unit. These include Specialised auditing tools (such as IDEA, ACL, AO), Statistical analysis (SPSS, SAS), Excel, SQL query, Analysis Language such as C, R,

Python, Knime and Tableau (for data analytics and visualization).

65. The above tools are being used as per the requirement of the situation and skillset of the user on case-to-case basis. The Data Analytics Guidelines (2017) of SAI India envisage employing data analytics wherever data is available in electronic format. Accordingly, data analytics has been employed in Compliance Audits, Performance Audits and Financial Audits. Some of the areas where data analytic techniques have been employed are Power Distribution Sector, Health Sector, Revenue audit, etc.
66. SAI India is at the forefront of big data analytics and has formulated a Big Data Management Policy in 2015. A Centre for Data Management and Analytics (CDMA) has been established for using big data in audit. The Guidelines for Data Analytics explain the concept of data analytics, outline the data analytic process and envisage development of data analytic models.
67. SAI India has more than 650 audit professionals trained in Data Analytics. We are applying processes, qualitative and quantitative techniques in the audit of United Nations Organizations to enhance audit productivity and gain indepth understanding of the audited entity's business behavior. Data is extracted and categorized to identify and analyze behavioral

data and patterns, and the techniques vary according to organizational requirements.

Expertise in Auditing IPSAS based Financial Statements

68. CAG has more than 850 audit professionals trained in IPSAS, many of whom have conducted the audit of IPSAS related issues in United Nations, WHO, IMO, WFP, WIPO, IAEA and IOM. CAG of India has audited WHO, IMO, UN, WFP, WIPO, IAEA, and IOM during their transition to IPSAS.
69. In addition, our audit professionals are trained in various accounting frameworks including International Financial Reporting Standards (IFRS), and Accounting Standards issued by the Institute of Chartered Accountants of India. They have considerable experience in financial and performance audit of Government-controlled companies that are required to follow Indian commercial accounting standards, which have been substantially harmonized with IFRS.
70. 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.

71. With expertise in IPSAS and IFRS, our team members are eminently placed to provide high value audit services to IAEA.
72. 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.

73. 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 specialties, which would be of immense benefit to IAEA in its execution of IPSAS based financial accounting system and implementation of its ERP system, AIPS.

Auditing Sustainable Development Goals

74. CAG is in the forefront of the initiatives related to auditing the SDGs. SAI, India supported INTOSAI Development Initiative (since 2016) in strengthening capacities of SAIs for auditing preparedness for SDG implementation.
75. Nationally, CAG audited the Preparedness of the Government for the Implementation of Sustainable Development Goals (Audit Report No. 8 of 2019). Internationally, as a member of the UN Board of Auditors, CAG took up audit of SDGs as a cross cutting theme in UN Audit in the year 2017. Audit of UN DESA (Department of Economic and Social Affairs) with focus on SDGs was also taken up by SAI India in 2018-19.
76. CAG's International Centre for Environment Audit and Sustainable Development (iCED), Jaipur, is internationally acclaimed and engaged in trainings on Audit of Sustainable Development Goals (SDG). The Centre is also the Global

Training Facility for INTOSAI in
Audit of Environment and Audit of
Extractive Industries.

C. Achievements of CAG of India

• Extensive experience in public audit

- Established over 160 years as the sole public auditor, CAG functions with 138 offices.
- In 2019-20, CAG prepared 118 audit reports for presenting to the Parliament and State Legislatures, containing 104 performance (value for money) audit topics with 1,716 recommendations.
- In addition, CAG performed financial audits of 4,912 accounts of the Union (Federal) and State Governments, Public Commercial Enterprises, Autonomous Bodies, Externally Aided Projects and others.
- The first interactive Digital Report of CAG on 'Working of Inland Container Depots and Container Freight Stations' was presented in the Parliament in January 2019. With this innovative step in Audit Reporting, CAG of India became one of the few Supreme Audit Institutions presenting their reports in a web based interactive format.
- CAG performs financial, compliance and Value for Money (Performance) audits over a wide gamut of Ministries/Departments including Ministry of Parliamentary Affairs.

• Widespread Expertise in International Audits

- Over 88 years of cumulative experience as external auditor of

United Nations, its Agencies and other international organizations- United Nations (1993 to 1999 and 2014 to 2020), FAO (2002 to 2008), WFP (2010 to 2016), WHO (2004 to 2011), IAEA (2012 to 2016), IMO (2000 to 2012), WIPO (2012 to 2017), UNWTO (2000 to 2014), ICGEB (1996 to 2004), IOM (2010 to 2016) and OPCW (1997 to 2003).

- CAG is currently the external auditor of World Health Organization (WHO) from 2020 to 2023, Food and Agriculture Organization (FAO) from 2020 to 2025 and Inter-Parliamentary Union (IPU) from 2020 to 2022.
- CAG was assigned by the Financial Audit Board of International Thermonuclear Experimental Reactor (ITER) to assess the IS controls over the SAP environment of its ERP system in 2010, and also conducted the Management Assessment of ITER in 2011.
- As external auditors of WHO, IMO, WIPO, IAEA, IOM and UN, we were involved in auditing their transition to IPSAS and incorporation of IPSAS into their business processes.
- We have recently conducted the audit of UMOJA, the Enterprise Resource Planning (ERP) solution of the UN and ICT strategy in United Nations. We have also conducted audit of SAP and Oracle based ERP systems in WHO, FAO, IAEA, WFP and IMO.

- **Key role in International Accounting/ Auditing Bodies**

- Chair of the UN Panel of External Auditors.
- Member of the Governing Board of INTOSAI and Chairman of INTOSAI Knowledge Sharing and Knowledge Services Committee.
- Chair of the INTOSAI Working Group on IT Audit and the Compliance Audit Sub Committee.
- Member of INTOSAI's Professional Standards Committee, Capacity Building Committee and Policy, Finance and Administrative Committee.
- Founding Member of ASOSAI and presently on its Governing Board.
- Chair of the Board of Editors of ASOSAI journal.
- Member of Auditors' General Global Audit Leadership Forum (GALF)
- Member of the Commonwealth Auditors General Forum.

- **Professional & Skilled Manpower**

- CAG of India has a staff strength of nearly 45,000, including 15,000 supervisory officers and over 500 audit managers.
- All professional staff have a basic qualification of a university degree; many possess professional and advanced academic qualifications.
- Over 1000 officers/ staff possess professional qualifications such as CISA, CIA, CA, MBA, CMA, CFE, CPA, IT and Engineering, etc.
- We have around 500 IT audit specialists and more than 650 audit professionals trained in Data Analytics.
- Currently, our pool of officers includes more than 330 Audit Directors/ Managers who have direct experience of UN audits.
- SAI India has more than 850 audit professionals trained in IPSAS, many of whom have conducted the audit of IPSAS related issues in United Nations, WHO, IMO, WFP, WIPO, IAEA and IOM.

Given its vast experience and expertise in auditing at national and international levels, and in the audit of activities and programmes related to the operations of IAEA, CAG of India is ideally placed to provide high quality, professional external audit services to the IAEA.



1. Audit Approach

A. Introduction

77. 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 (2004-2011), Food & Agricultural Organization (2002-2008), International Maritime Organization (2000-2012), World Food Programme (2010-2016), World Intellectual Property Organization (2012- 2017) and International Atomic Energy Agency (in our earlier term from 2012- 2016). 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

78. 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.

79. 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

80. Audit will be carried out through a three stage process:

Planning

81. 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. It is also mentioned that a detailed risk assessment exercise incorporating the above elements was carried out by us during our previous term in IAEA 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

82. 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.

83. 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.
84. 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.
85. 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.
86. 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

87. 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.

88. 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.

89. 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.
90. 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.
91. 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

92. 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.

93. 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.
94. 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.
95. 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

96. 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.

97. 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)

98. 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)

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

- Credit risk management in Government/Government-controlled financial institutions;
- IT-related risks 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.

100. 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 reassessment. 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.

101. Our evaluation of internal controls in IAEA has followed (in our previous term as external auditor) 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 increase the efficacy of controls in the Agency.

CoBIT framework

102. 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 600 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

103. 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.

104. 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.

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

105. 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 Standards include ethical standards, which are similar to the INTOSAI 'code of ethics'.

106. CAG's Auditing Standards fall into the following categories:

107. **Basic postulates:** Basic assumptions, consistent premises, logical principles and requirements which help in developing auditing standards and serve the auditors in forming their opinions and reports, particularly in cases where no specific standards apply.

108. **General Standards:** Consist of General principles and principles related to the audit process. The former includes principles related to ethics and independence, professional judgement, quality control, etc. while the latter relate to planning, conducting, reporting and follow-up of the audit.

109. **Specific Standards:** Specific considerations regarding applicability of general standards to financial, compliance and performance audits, which the auditors shall observe during the conduct of these audits.

110. The Auditing Standards are supplemented by the Performance Audit Guidelines (2014), Financial Attest Audit Guidelines (2015), Compliance Audit Guidelines (2016) and other Guidelines, Notes and Practice Guides.

Code of Ethics

111. The Code of Ethics applies 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 are a few of the principles contained in this Code:

- 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.

112. 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.

Audit methodologies

113. 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

114. 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.

115. 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.
116. 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.
117. 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.
118. 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.
119. 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 members 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.

120. 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

121. 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.

122. 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.

2. NUMBER AND LEVEL OF STAFF TO BE INVOLVED IN THE AUDIT

A. Human Resource of SAI India

123. 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.

124. 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.

125. 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

126. 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.

127. 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

128. 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

129. 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 Professionals

130. 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.

131. 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 prioritization 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

132. Being an organization with a large staff, the CAG conducts his own professional examinations at different levels of the hierarchy.
133. 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.
134. 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

135. 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.
136. 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.
137. 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.
138. These trainings are then delivered through a network of training institutes. A major chunk of training is imparted through a country wide network of twelve training institutions called the Regional Training Institutes (RTIs) and Centres (RTCs).
139. 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., ten RTIs and two RTCs have been nominated as nodal centres of excellence in various subjects.

140. 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.

141. Our International Centre for Environment Audit and Sustainable Development (iCED) also organizes many national and international training courses on environment audit and sustainable development.

142. 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.

143. Besides pre-scheduled training programmes, just-in-time training courses are also held for staff to be deployed on specialized audit assignments. It is our policy that all staff deputed for audit of international organizations must undergo specific training relating to his or her specialized audit assignment. Such trainings will also be held for staff deputed for the audit of IAEA.

144. 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.

145. 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.

146. 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

147. 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.

148. 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.

149. 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

150. 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.

151. 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.



AUDIT FEE AND AUDITOR MONTHS

152. We will charge a total audit fee of Euro (€) 225,000 per annum which translates into Euro (€) 1,350,000 for the years 2022 to 2027. For this fee, it is estimated that we will devote a total number of 168 auditor months equivalent to 5,040 auditor-days as per details below:

Year	Audit Fees	Audit Costs (Euro)	Total (Euro)	Auditor Months	Auditor Days
2022	Nil	225,000	225,000	28.00	840
2023	Nil	225,000	225,000	28.00	840
2024	Nil	225,000	225,000	28.00	840
2025	Nil	225,000	225,000	28.00	840
2026	Nil	225,000	225,000	28.00	840
2027	Nil	225,000	225,000	28.00	840
Total	Nil	1,350,000	1,350,000	168.00	5,040

Explanatory Notes

- The fee is based on total recovery of audit costs and covers all costs specified in the Secretariat's Note 2020/Note 79 dated 20 November 2020.
- Calculation of audit costs is based on working days at IAEA Headquarters, Vienna and its field locations only and does not include work to be undertaken at CAG Headquarters, New Delhi, India (related to Project Management and Quality Assurance), for which no separate costs/ fees will be charged.
- SAI India is a not-for-profit Supreme Audit Institution; hence it does not propose to charge any audit fees. 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 2020 and airfares that are currently applicable.
- The quantum of resource deployment will remain the same in subsequent years. We do not expect any significant rise in cost of our audit in subsequent years except for any variations in cost of air travel, staff costs and rates of DSA, which we expect should not exceed a cap of 8 percent.

153. 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 (with an overall cap of 8 percent) on account of these elements will be claimed on actual 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

154. 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 5,040 auditor-days of work for years 2022 to 2027. At the offered cost of Euro (€) 1,350,000 for these six years, the per auditor-day cost of our bid comes to Euro (€) 267.86, which further translates into a per auditor-hour cost of only Euro (€) 33.48.

Acronyms used in Document



ACRONYMS USED IN 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 Generally 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

IOM International Organization for Migration

IPSAS International Public Sector Accounting Standards

ISA International Standards on 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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PERMANENT MISSION OF THE REPUBLIC OF KOREA
VIENNA

KPM-2021-002

The Permanent Mission of the Republic of Korea to the International Organizations in Vienna presents its compliments to the Secretariat of the International Atomic Energy Agency (IAEA) in Vienna and, with reference to the latter's note 2020/Note 79, has the honour to forward herewith the proposal by the Board of Audit and Inspection of the Republic of Korea with regard to the appointment as the IAEA's External Auditor for the financial years 2022 to 2027.

The Permanent Mission of the Republic of Korea to the International Organizations in Vienna avails itself of this opportunity to renew to the Secretariat of the International Atomic Energy Agency the assurances of its high consideration.

Vienna, 7 January 2021



Secretariat
International Atomic Energy Agency
in Vienna



Mr. Rafael Mariano Grossi
IAEA Director General
Vienna International Centre
PO Box 100, 1400 Vienna, Austria

8 January 2021
BAINT-2021-01(8/01/2021)

Dear Director General Grossi,

It is indeed an honor to submit the enclosed proposal to the International Atomic Energy Agency (IAEA) concerning the appointment of an External Auditor for the financial years 2022-2027. The proposal contains the basic information on the Board of Audit and Inspection of the Republic of Korea (BAI) as well as its unique strengths, audit strategies, and suggestions tailored to the IAEA.

Since it joined the IAEA as a founding member in 1957, the Republic of Korea has faithfully pursued the peaceful use of nuclear energy, and built a trustworthy relationship with the IAEA. The IAEA has also played an important role in promoting nuclear security and safety on the Korean Peninsula. We believe that, if the BAI is appointed as the IAEA's External Auditor, it will help to further strengthen cooperation between the agency and the Republic of Korea.

The BAI has accumulated a wealth of audit experience over the past 70 years and is a highly trusted institution thanks to its innovative audit approach and professionalism. It has also been introduced as one of the leading Supreme Audit Institutions by the OECD. In this regard, we believe that we have what it takes to promote the accounting transparency and efficiency of the agency, and would very much appreciate the opportunity to serve Member States in the capacity of the External Auditor.

Sincerely yours,

Choe, Jae-hyeong

Chairman
The Board of Audit and Inspection of the Republic of Korea



PROPOSAL

FOR EXTERNAL AUDITOR OF
INTERNATIONAL ATOMIC
ENERGY AGENCY (IAEA)
FINANCIAL YEARS 2022-2027



THE BOARD OF AUDIT AND INSPECTION
OF THE REPUBLIC OF KOREA

FOREWORD

I am very pleased to submit this proposal to the International Atomic Energy Agency (IAEA) in connection with the appointment of an External Auditor for the 2022-2027 financial years. This proposal has been prepared in accordance with 2020/Note 79, dated 20 November 2020, containing the basic information on the Board of Audit and Inspection of the Republic of Korea (BAI) and the BAI's strengths, audit strategies, and suggestions tailored to the IAEA.

The BAI has a wealth of professional audit experience and expertise accumulated over the past 70 years and has contributed to enhancing nuclear safety through related audits. As a Supreme Audit Institution (SAI), the BAI established a nationwide audit structure and improved the overall audit capability for the public sector, keeping close cooperation with internal audit units. Furthermore, the BAI has pursued continuous innovation. In order to establish a creative and proactive administrative culture in the public sector, the BAI has changed the focus of audit policies by moving from regulatory aspects into consultative and supportive ones through initiatives such as preliminary consulting services and rules for exemption from punishment. Also, the Audit Data Analysis System, an expert system utilizing IT audit methods has increased efficiency and reduced the burden on audited organizations, promising to be an optimal solution for remote-audits amidst the COVID-19 pandemic. Most audited organizations are satisfied with these improvements and the BAI's cases were introduced as the best practices of leading SAIs by the OECD.

In the past years, the BAI could not participate in international audit activities due to overwhelming domestic audit demands, but these demands are now efficiently met with IT-based audits and public audit system. Accordingly, the BAI would like to play a vital role in the global community in order to fulfill the responsibility as a Member State, which would help improve the BAI's audit competence.

The BAI plans to organize a dedicated audit team and expert advisory group with high ethical standards and expertise for the IAEA. In addition, the BAI will establish an effective channel to communicate closely with the IAEA. The BAI will develop a multi-year audit plan in consultation with the IAEA and take measures for remote audits, easing the potential audit burden on the IAEA. The BAI would like to have an opportunity to serve as the External Auditor of the IAEA, with a desire to provide committed services to international organizations and strong support for the peaceful use of nuclear energy. The IAEA and its Member States can be assured of the transparency and reliability of its financial statements, and improved operations. By submitting this proposal, I look forward to becoming a trustworthy partner of the IAEA and prospering together.

Choe, Jae-hyeong

Chairman, The Board of Audit and Inspection of the Republic of Korea



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Curriculum Vitae

1.1 Chairman



Mr. Choe, Jae-hyeong

Chairman
The Board of Audit and
Inspection of the
Republic of Korea

Choe, Jae-hyeong was appointed as the 24th Chairman of the Board of Audit and Inspection (BAI) of the Republic of Korea in January 2018, after being nominated by President Moon Jae-in, consented by National Assembly.

He stepped up for new challenges to improve the transparency of audit process, and protect the rights of audited organizations. He also served as the Secretary General of the Asian Organization of Supreme Audit Institutions (ASOSAI) and has promoted the BAI's globalization. Moreover, he has driven innovations in the public sector through audits.

As a legal expert, he brings with him over 30 years of pertinent experience in civil, criminal and constitutional laws, presiding over international trade, civil, corruption and bribery, as well as intellectual property rights cases.

Prior to joining the BAI, Mr. Choe held a wide range of key posts, including President of the Judicial Research and Training Institute (2017-2018), Presiding Judge of the High Court (2015-2017), Chief Judge of the Family Court (2014-2015), and Chief Judge of the District Court and Family Court (2012-2013).

He also worked as a Rapporteur Judge at the Constitutional Court of Korea (1995) and served as a faculty member at the Judicial Research and Training Center (2000), fostering and educating young legal professionals through academic research on legal theories and actual cases.

Born in 1956, Mr. Choe graduated from the College of Law, Seoul National University (1979), passed Korea's National Judicial Examination in 1981 and was a Visiting Researcher at the Yale Law School in 1993.

1.2 Council of Commissioners

The Council of Commissioners consists of seven commissioners, including the chairman. Currently, six commissioners have been appointed, while one remains vacant. The curriculum vitae of the five commissioners, excluding the chairman, are as follows:



Mr. Kim, Jin-kook

Mr. Kim was appointed as a commissioner in July, 2017. He is a human rights lawyer and has an extensive legal knowledge in the field of labor. He graduated from the Seoul National University in 1985, and has been working as a lawyer since 1981. Prior to the appointment, he held various posts in the public sector such as a commissioner of Korea Communications Standards Commission (2003-2004) and secretary to the President for Legal Affairs (2005-2007).



Ms. Kang, Min-ah

Ms. Kang was appointed as a commissioner in March, 2018. Prior to the appointment, she served as a professor in the Department of Public Administration at the Ewha University (2004-2018). She obtained a Ph.D. degree in Health Policy from Harvard university in 2003. She held various posts in the public sector such as an advisor to the Innovation Task Force in Ministry of Foreign Affairs (2017) and a member of the Presidential Committee on the 4th Industrial Revolution (2017). She has also played a proactive role as the moderator in OECD Auditor Alliance since 2020.



Mr. Son, Chang-dong

Mr. Son was appointed as a commissioner in March, 2018. Since joining the BAI in 1993, he held various key posts such as the Director of Bureau of Special Investigation (2012-2014), Director of Bureau of Industry and Financial Services Audit (2014-2016), and Director of Bureau of Finance and Economy Audit (2016). In addition, He has played a leading role in the introduction of rules for exemption from punishment and preliminary consulting services. He acquired a master's degree in Public Administration from the University of Michigan in 2004.



Mr. Yoo, Hee-sang

Mr. Yoo was appointed as a commissioner in November, 2019. Since he joined the BAI in 1993, he held various key posts such as the director of Bureau of Industry and Finance (2016-2017), the head of the Office of Public Sector Inspection (2017-2018) and the Deputy Secretary General (2018-2019). He majored in Political Administration in the Korea University in 1990, and received a master's degree in Policy from the Seoul National University in 2000.



Mr. Lim, Chan-woo

Mr. Lim was appointed as a commissioner in February, 2020. Since he started his career as a public official in 1989, he held various positions at the Office for Government Policy Coordination such as Director of Planning and General Policy (2014-2015) and the head of the Bureau of Social Coordination (2015-2017). Mr. Lim is highly reputed as an expert with both theories and practices in various fields of Public Administration. He received a master's degree in Public Administration from Seoul National University in 1991.

02

General Information on the BAI

2.1 History

The BAI is a constitutional institution established in 1948, alongside the modern Korean government. The origin of the BAI could date back to the 15th century Joseon Dynasty, but before that there had been a supreme agency overseeing audits and inspections in consecutive kingdoms throughout the country's thousands of years of history. In the Joseon Dynasty, an inspection agency called *Saheonbu* was established to oversee government officials. Government officials, who committed misconduct or accounting fraud, were subject to impeachment regardless of their rank or status.

Mapae and the Emblem of the BAI



Mapae



BAI's Emblem

Apart from the inspection agency itself, the king appointed a secret envoy called *Amhaengeosa*, mandating him to investigate the wrongdoings of local leaders and deal with the difficulties faced by local people. The envoy was usually disguised as a beggar or a commoner and interacted with the local people to observe public sentiment and the reputation of the local leader. If the envoy determined that the people were suffering from the corruption of the local leader, he revealed his identity and commenced an audit and investigation of the local government on behalf of the king. The envoy carried a *Mapae*, a brass medallion engraved with horses, as a symbol of his authority and identity. He could not only present the medallion at stations to request horses, but also use it as a seal to stamp official disposition documents. The former emblem of the BAI was in the shape of the

medallion, which symbolized integrity, independence, and intolerance towards corruption. The BAI changed the emblem in 1998 to a new one which symbolizes “an eye and an ear” to better reflect the BAI’s willingness to communicate with audited organizations and earn the public’s trust by acting as the eye and the ear of citizens.

After Korea established a modern government, the “Commission of Inspection” was formed under the President to supervise and inspect the duties of central and local government employees while the “Board of Audit” was founded to carry out the audits of central government agencies, local governments, government-invested organizations, etc. However, the functions of the Commission of Inspection and the Board of Audit were not clearly differentiated.

As such, the revised constitution of the Republic of Korea of 1962 prescribed the merger of these two organizations into the current Board of Audit and Inspection (BAI), which was established on March 1963 under the Board of Audit and Inspection Act (BAI Act).

Since its establishment in 1948, the BAI has earned the trust of Korea’s citizens and made great efforts to guarantee accounting transparency of the public sector and efficiency of public administration, and has successfully pursued its mission, “Right Audit, Right Nation”.

2.2 Roles and Functions

The BAI is the Supreme Audit Institution (SAI) of Korea which conducts audits on more than 66,000 central government agencies, local governments, and other public entities, as stipulated in the Constitution of the Republic of Korea and the BAI Act. As such, the BAI has complete and independent authority over the entire audit procedures: selecting audit subjects, collecting related information, initiating audits, performing field work, examining individual responsibilities, gathering evidence, and reporting. Similarly, IAEA audits will be performed independently, and every material issue will be reported directly to those charged with governance of the IAEA.

The BAI is not only functionally independent regarding its audit procedures, but it also has a full autonomy over its budget and human resource management, which is guaranteed by the BAI Act. In addition, the Constitution provides for a four-year term for the Chairman and Commissioners. They can only be removed from office when the National Assembly finds out that they are unable to carry out their duties effectively or are shown to have committed a crime. As stipulated in the Constitution and the BAI Act, the BAI performs important functions such as verifying and auditing accounts, inspecting public officials, protecting civil interests and more.

Audit of accounts

The final accounts of the state are verified by the BAI in order to make sure that the nation's financial resources have been spent wisely and benefited the public. Also, the BAI conducts audits of the accounts of central government agencies, local governments, and other public entities to ensure that the budget is used properly for citizens and the financial statements are free from material misstatements.

Inspection of public administration

Meanwhile, the BAI examines the operations of government agencies and the duties of their employees, to clarify that their duties are carried out in accordance with the nation's laws and principles, performing audits of the accounts and inspection of public officials, since accounting transparency cannot be achieved without ensuring the integrity of the public officials.

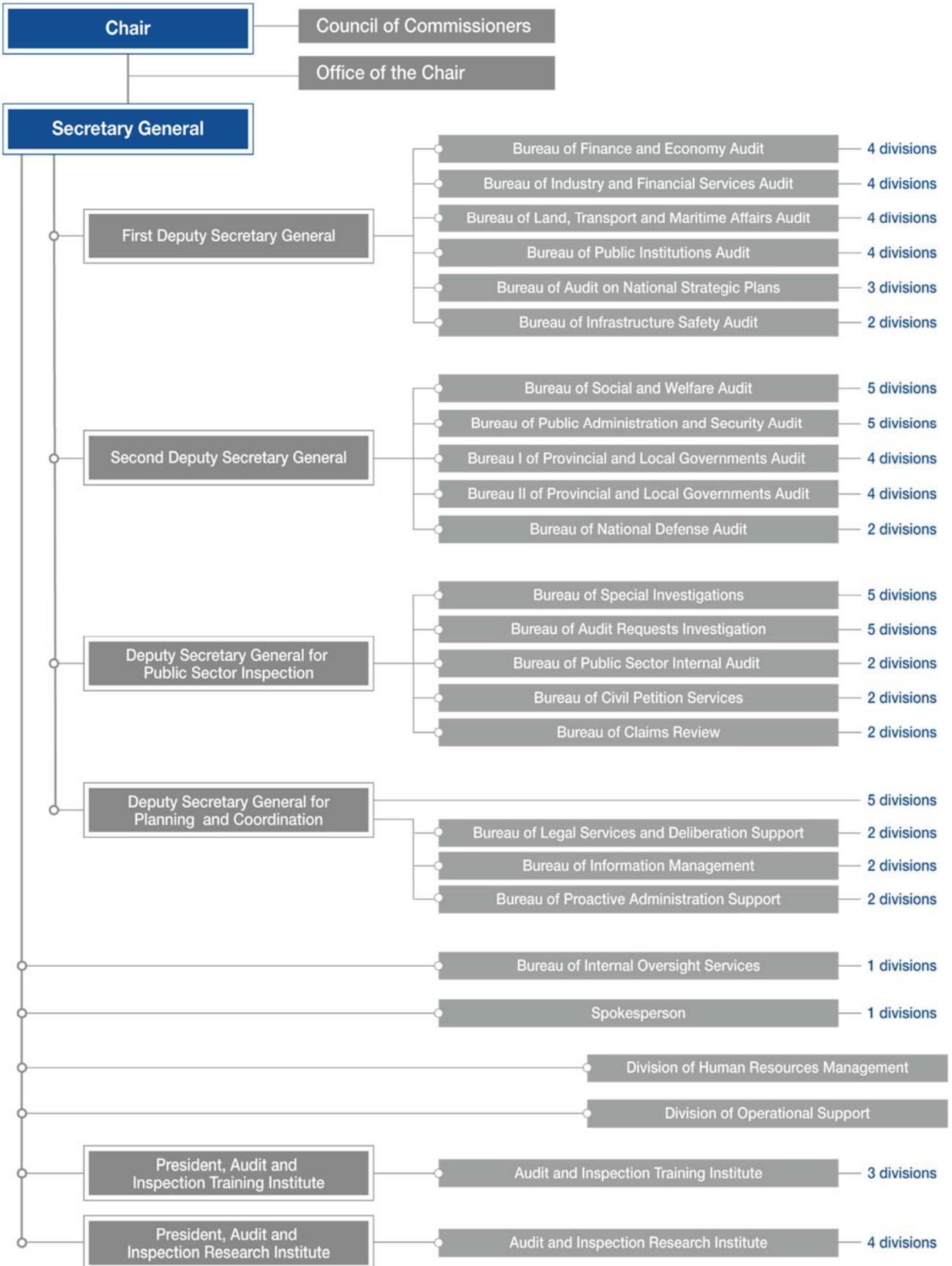
Protection of civil rights and interests

Last but not least, the BAI plays a role as a watchdog to protect civil rights and interests. The National Assembly or more than 300 citizens who sign a petition may request the BAI to conduct a particular audit and inspection in case a public institution breaks the law or is engaged in corruptions which cause considerable harm to the public good through negligence or unlawful acts.

2.3 Organization, Budget and Human Resources

The BAI is, simply put, composed of the Council of Commissioners, the Secretariat supervising all bureaus and divisions, the Training Institute and the Research Institute. The Council of Commissioners is the highest authority of the BAI, making key final decisions on audit policies, plans and results submitted by the Secretariat. The Training Institute provides education and training to other public officials from internal audit units of the public sector as well as the BAI's employees. The Research Institute performs elaborate studies on the systems and methodology of audit and inspection, looking into policies and businesses of the audited organizations. As of 31 October 2020, the BAI employed 1,082 people, of which 890 were audit professionals with an average of 13 years' audit experience. In 2019, the BAI's annual budget was EUR 103 million.

Organization Chart



The BAI has a pool of rich human resources, recruited through rigorous competitions and examinations and equipped with professional skills in diverse fields. They include 95 CPAs, 53 Attorneys, 50 professional engineers and architects, 302 Master degree holders (94 abroad), 45 Ph.D. degree holders, 13 tax accountants as well as digital forensic experts, a medical doctor and a pharmacist. To reinforce expertise, 31 specialists are systemically fostered in the professional fields of energy, R&D, IT, environment, finance, national defense, etc. Likewise, international audit professionals who are proficient in both English and accounting have been strategically fostered with the establishment of a new department called the Division of Audit and Research on International Organizations. This Division consists of CPA, CFA, Attorney, and other senior staff who have MBA or Ph.D. degrees in engineering. Besides, the BAI dispatches its officials, on a secondment basis, to audit related departments at the National Tax Service, Defense Acquisition Program Administration, Korea Hydro and Nuclear Power, local governments, etc. to utilize their knowledge and experience, while positions at the Training Institute, the Research Institute, the Inspector General, etc. are open to candidates outside the BAI in order to promote professional and innovative capability.

2.4 Training Capacity

Since the establishment of the Audit and Inspection Training Institute, it has been offering 26 online courses and 40 offline courses annually to more than 230,000 public auditors, including those of the BAI and internal audit units of public organizations. The Training Institute develops sustainable governance in public audits by fostering competent auditors, placing high priority on the fairness and reliability of the national accounting system, cultivating problem solving skills, and securing the integrity of the public sector. Accordingly, the Training Institute operates specialized training courses since every BAI employee is required to take 100 hours of training courses annually. Apart from the 100 hours of compulsory training, the BAI requires its audit staff to complete at least 30 hours of specialized training courses annually for promotion to a higher level. These specialized courses cover human resource management audits, financial audits, performance audits, and inspections of public officials.

In addition, the Auditor Candidate Course is provided for newly employed staff through an intensive training program. These auditor candidates certified under the Auditor Qualification System learn basic audit principles as well as methodological practices in each stage of the audit procedures. Upon completion of the Auditor Candidate Course, candidates are expected to be equipped with enough competence to work immediately on on-site audits and successfully perform their duties. Meanwhile, the BAI provides its staff with opportunities

for international education programs such as post-graduate courses or secondment to foreign SAs, accounting firms, and international organizations. Until now, 210 out of 890 auditors (23.5%) have studied abroad or been on the job training in foreign entities for at least two years. Among them, 98 auditors have studied or have been trained in the U.S., while 76 auditors have done so in Europe. As of 2020, six auditors are enrolled in the post-graduate courses in the U.S., the U.K., etc. and 10 auditors are engaged in overseas job training at the Canadian Audit and Accountability Foundation, the International Maritime Organization, etc.

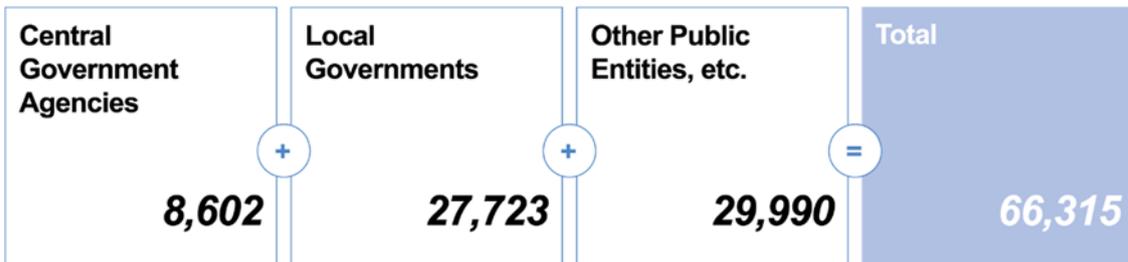
Annually, the Training Institute offers 21 training courses regarding internal audits and accounting for more than 5,000 employees of internal audit units of central government agencies, local governments and other public entities. The internal audit course consists of internal audit methodology and inspection techniques, while the accounting course consists of government accounting and procurement procedures. The Training Institute also provides international audit-capacity curriculums to public auditors of foreign countries, disseminating audit know-how. So far 472 auditors from 66 countries have participated in these programs.

03

National Audit Activities

The BAI performs financial audits, management audits, performance audits, special purpose audits, and audits requested by citizens. The number of organizations subject to the BAI's audit exceeds 66,000.

Organizations subject to BAI's Audits



3.1 Financial Audits

The BAI performs audits of the financial statements as well as key performance indicators (KPI) of government agencies. Also, the BAI reviews the financial audits of state-owned entities conducted by private accounting firms.

Annually, the BAI conducts financial audits of the financial statements of 54 government agencies and the consolidated financial statements of the central government. The financial statements are prepared in accordance with the National Accounting Standards (NAS), which are based on the accrual basis of accounting and adopted by the Korean government in 2009. The NAS has been developed using the International Public Sector Accounting Standards (IPSAS) as a reference.

In 2019, the BAI performed financial audits on 54 government agencies. The objective of this audit was to examine whether the financial statements were drawn up in accordance with the NAS and free from material misstatements due to error or fraud. Despite COVID-19 situation, all financial audits for the year 2020 were conducted as planned without delay. The BAI found and corrected misstatements in the statement of financial position amounting to EUR 12.4 billion (0.7% of consolidated assets), and misstatements on the statement of financial performance amounting to EUR 4.1 billion (0.2% of consolidated assets).

Usually, the BAI makes corrections on the financial statements directly in accordance with the BAI Act, instead of providing an audit opinion regarding the fairness of the financial statements. Also, the BAI reviews key performance indicators (KPI) as a part of the financial audits to examine whether they were set up and implemented appropriately in accordance with the Result Based Budgeting (RBB) framework. In 2019, 2,415 KPIs of 54 government agencies were reviewed and 17 findings were reported.

Types of Misstatements

(Unit: millions of EUR)

Types		Asset	Liability	Net Income
Omission or double recording of assets		3,999.0	56.7	521.2
Misstatements related to valuation of assets		1,496.5	-	394.9
Misstatements related to asset acquisition		888.7	-	680.5
Omission or double recording of liabilities		40.0	159.6	121.9
Classification error, etc.		5,757.9	4.1	2,393.6
Total	Misstated amount	12,182.1	220.4	4,112.1
	Net effect on Financial Statements	Δ230.0	127.1	1,283.6

In addition, the BAI reviews the financial audits of 23 state-owned entities annually. They are audited annually by private accounting firms in accordance with the International Financial Reporting Standards (IFRS), and submit the audited financial statements to the BAI. The BAI reviews the working papers of the auditors to make sure that the financial audits were performed properly. The BAI found in the financial statements of Korea National Oil Corporation (KNOC) that the deferred corporate income tax assets and tax revenue were overstated by EUR 52.5 million. Originally, the KNOC recognized deferred tax assets, projecting it would be able to generate sufficient taxable income from its UK subsidiary, whereas the BAI found the oil reserves were not commercially viable. Subsequently, the BAI determined that the previous projection of the future taxable income of KNOC was inaccurate and should be revised, recommending a reissuance of the audit report with the revised financial statements, and asking the Financial Supervisory Service to take appropriate measures regarding the external auditor who had performed the financial audit.

3.2 Performance Audits and Special Purpose Audits

The performance audit evaluates and diagnoses the effectiveness, efficiency and economy of the policies, procedures, and projects, identifies the root cause of the problem and suggests measures for possible improvement. In 2019, the BAI conducted 16 performance audits, and reported 235 audit findings and recommendations. The BAI's performance audits also deal with items on the national agenda such as the problems arising from aging population and the sustainability of national finance as well as education budget. For example, the BAI conducted a performance audit of the education budget of local governments and found that the local governments could not fully utilize the budget due to the time discrepancy between budgetary revenues and expenditures. As such, the BAI recommended the Ministry of Education flexibly adjust the education grant rate, which had been fixed to a certain percentage of the central government's tax revenue, to adapt to the changing circumstances such as the decrease in school-age population.

The special purpose audit examines specific issues or events that have significant impacts, and identifies the causes and improvement measures. In 2019, the BAI conducted 76 special purpose audits and reported 1,127 audit findings and recommendations. Earthquakes hitting southeastern Korea in 2016 gave rise to suspicion that the construction of geothermal power plants in the region might have led to ground instability. The BAI cooperated with geologists to discover actual cause and consequent effect, examining whether the related parties had taken necessary steps to identify risk factors and had responded appropriately. Furthermore, the BAI found that the related parties did not report a previous occurrence of smaller earthquakes, nor did they implement safety measures needed to prevent additional earthquakes.

3.3 Management Audits and Audits Requested by Citizens

Management audits comprehensively analyze and verify whether audited organizations manage their main functions, human resources, budgets and expenditures with due diligence. In 2019, the BAI conducted 36 audits and reported 783 findings with recommendations. For example, the accounts of Korea Electric Power Company (KEPCO) were examined regarding their financial structure and sustainability, as the company has reported losses for five consecutive financial years. The BAI pointed out that electric power loss amounting to EUR 1.3 billion was generated during the electricity transmission process every year and recommended that the KEPCO invest in alternative transmission facilities which involve lower electric power loss to improve management performance.

The BAI also performs audits upon request from the National Assembly or citizens, examining specific issues or the appropriateness of government's policies and procedures. In 2019, the BAI performed 43 audits requested by citizens, and reported 82 audit findings and recommendations. For example, according to citizens' request, the BAI investigated whether biological hazard generated from a fertilizer plant had caused cancer of 22 residents residing in a nearby village. The BAI found that the municipal government had illegally permitted the fertilizer plant to emit waste gas despite being unable to satisfy the qualification criteria.

3.4 Setting Auditing Standards

The BAI established the Public Sector Auditing Standards in 1999, which are applied to BAI audits and internal audits performed by public institutions. The Public Sector Auditing Standards stipulate general standards such as independence, professionalism and due diligence as well as detailed audit procedures. Although Public Sector Audit Standards specified practical guidelines for audits performed by public institutions, they still lacked the formal elements such as the organization of audit bodies and rights and obligations required for audit activities.

As such, the BAI enacted the Act on Public Sector Audits in 2010 to ensure the independence and autonomy of the supreme audit institution as well as internal audit units of the public sector, in accordance with the INTOSAI Lima Declaration of 1971. It provides the legal basis for internal audit procedures such as audit planning, performing, and reporting as well as the measures needed to support internal audit units such as dispatching audit staff or providing education and training.

In this regard, the BAI successfully established a cooperative system between the BAI and 672 internal audit units, contributing to the efficient management of the national audit resources. Under the cooperative system, the BAI communicates with the internal audit units when it sets up its annual audit plans to prevent duplication of audit work and blind spots.

4.1 International Audit

The BAI has started to audit international organizations only recently, because it had previously focused on national audit activities to domestic audit demands of 66,000 entities with 1,000 staff members. Now that the BAI has successfully pursued cooperation with internal audit units of audited organizations under the Act on Public Sector Audits and that the IT-based audit infrastructure and methodology have significantly reduced burden of workloads, the BAI has decided to engage in international audit activities with innovative passion, expertise, audit experience accumulated over the past 70 years. The BAI is now more than ready to contribute to the global community with its audit capacity commensurate with the Korea's financial contribution that has increased rapidly.

Since the appointment of the Chairman Choe, Jae-hyeong in 2018, the BAI has begun to recognize how other SAIs have contributed to international organizations by serving as the external auditor of international organizations and the significance of international audit activities. In this regard, the BAI has set up a long-term plan to engage in external audits of international organizations in order to fulfill its obligations and responsibilities as a member of the global community. In 2019, the BAI ran for a post of the United Nations Board of Auditors (UNBOA) and obtained 78 votes from member states, second to China. In 2020, the BAI was appointed as the External Auditor of the International Criminal Court (ICC) in the Hague, the Netherlands, for the financial years 2021-2024, following the predecessors, the UK and France.

Besides, the audit coverage of the BAI has extended to the government's international activities such as overseas resource investments, diplomatic offices management and official development assistance (ODA). The BAI found that state-owned companies had failed despite huge overseas resource investments in 169 energy projects with EUR 8.7 billion in losses so far, EUR 9.8 billion in deficit expected in the future. Since 2010 the BAI has examined whether the ODA budget had been used improperly and there was redundant assistance in the annual budget amounting to EUR 2.3 billion. The BAI has pointed out policy and institutional problems of ODA projects as well as problems regarding budget implementation at the individual sites in the foreign countries.

Audits on ODA

2010	Auditor Days Overseas: 220, Domestic: 180	2014	Auditor Days Overseas: 1,110, Domestic: 200
	Number of Findings 58		Number of Findings 64
2016	Auditor Days Overseas: 700, Domestic: 169	2018	Auditor Days Overseas: 150, Domestic: 220
	Number of Findings 95		Number of Findings 23

4.2 International Cooperation

The BAI served as Chair of the International Organization of Supreme Audit Institutions (INTOSAI, 2001-2004) and a member of the Governing Board (1998-2010). Currently, the BAI participates in seven working groups including IT Audit, Public Debt, and Environment Auditing to utilize the most recent information technologies while exchanging opinions and research outcomes. The BAI also served as Chair of the Asian Organization of Supreme Audit Institutions (ASOSAI, 2009-2018) and successfully accomplished the mission involving financial reform, establishment of strategic plans, and cooperation with the European Organization of Supreme Audit Institutions (EUROSAI). In addition, the BAI participated as the representative of ASOSAI in the Joint Conference of INTOSAI-Regional Working Groups held in June 2018, in order to reconcile strategic plans between INTOSAI and regional working groups, data development, and exchange information and audit cases related to the operation of secretariats of regional working groups. Meanwhile, the BAI participated in the third ASOSAI-EUROSAI Joint Conference in 2019 where the BAI Chairman Choe, Jae-hyeong presented the BAI's response and main audit cases related to ageing population and dementia. Moreover, the BAI decided to perform a joint audit with the SAI of Israel related to changes in the labor market in the near future, considering the role of SAIs.

Since 1983, the BAI has held international seminars every third year to spread awareness of its audit systems and knowledge, as well as share experience among nations. As such, the BAI international seminars invite officials from the member SAIs of ASOSAI to visit Korea for discussing specific matters that are applicable in field audits. In the 13th BAI International

Seminar held in 2019, officials and invited experts from 24 states participated, sharing audit cases, audit methodologies, issues and plans related to cases of IT utilization in the audit field. Annually, the SAIs of Korea, Japan and China hold a workshop to share audit results and perform peer-reviews, which has become a model of sub regional technical cooperation in the ASOSAI. In this workshop each country obtains objective opinions on audit methodology, learning about the best audit practices of other SAIs and recent audit issues. In 2019, the BAI's audits on "Scientific and technological development, innovation projects and policies" were peer-reviewed by the SAIs of China and Japan. In addition, the SAI of each country has conducted joint research on recruitment, capacity building and human resource management.

The BAI is planning to establish a MIKTA SAIs' meeting, where the SAIs of Mexico, Indonesia, Korea, Turkey and Australia meet every year beginning in the year 2021 and the BAI presides as chair. The BAI will discuss new audit issues and share audit experiences of international organization.

In 2001-2019, the BAI had entered into exchange and cooperation agreements with 13 institutions and signed MOUs with 10 institutions for exchanging data and information on public audit fields, cooperating in research and seminar, and enhancing capability along with other SAIs. Recently, the BAI reached an agreement with the Chilean SAI to implement an exchange program. The BAI will dispatch its auditors to Chile and they are expected to participate in field audits of international organizations. Also, the BAI employees played a role as an expert member of the audit committee of the OECD, reviewing the audits performed by the internal and external auditors.

05

The Strengths of the BAI

5.1 Audits on Nuclear Power Plants

The BAI has examined management of nuclear power plants and compliance with safety standards, making recommendations on material weaknesses detected during the audit. After Japan's Fukushima nuclear meltdown in 2011, it is generally agreed that safety management in nuclear power plants should be examined thoroughly. Accordingly, in 2012 the BAI examined 21 nuclear power plants' safety status and emergency management, and recommended improvement measures regarding problems discovered during the audit and inspection. The BAI concluded that failure to follow safety standards had caused a blackout in a plant and the plant could not deal with this accident due to the lack of emergency response procedures. Also, the BAI accused plant employees and the company involved of misusing components, falsifying warranties, and colluding in contract price fixing. Meanwhile, several nuclear power plants revealed drawbacks in operation management: overhauls performed without a systematic basis, unauthorized physical access, network security vulnerability to cyber-based attack such as Stuxnet and deficiencies in Supervisory Control and Data Acquisition (SCADA).

In 2013, more cases of falsifying warranties for components in nuclear power plants were identified. A government-wide investigation led by the Nuclear Safety and Security Commission was initiated. However, this investigation could not be properly carried out due to the diverse interests of related parties. In order to support the investigation, the BAI reviewed issues around the government-wide investigation, a sample review of foreign procurement contracts and other undetected risks, while surveying 1,500 related people with questionnaires about control environment, management integrity, causes of misbehavior and more. The BAI concluded that moral hazard in the test certification system for the equipment purchased was rampant and the equipment was inappropriately inspected when received. Therefore, the BAI recommended improvement measures regarding purchase cycle and quality control.

As for the supplier value chain of the nuclear power plant infrastructure supported by the government engineering company (KEPCO E&C) and nuclear fuel company (KEPCO NF), the BAI detected material weaknesses in 2015. KEPCO E&C, which has world-class design technology in architectural engineering and nuclear steam supply systems, was vulnerable to wireless eavesdropping and information leakage. KEPCO NF, which professionally

provides high-end nuclear fuel design and fabrication, failed to pay appropriate attention to those who had exhibited significantly higher radiation exposure doses.

A 5.8 magnitude earthquake hit southeastern Korea in 2016, a part of country where several nuclear power plants are located. Also, some plants were reported to be in danger due to contaminated steam generators and corroded liner plates. To alleviate increasing concerns, the BAI reviewed potential obstacles to safety management in plants and performed compliance audits according to IAEA safety standards. As a result, the BAI found that some buildings in plants were not designed to be earthquake-resistant and that the plant operators should take appropriate measures to prevent flooding. Some plants had the thickness of liner plates erroneously measured below the safety standard and had not been regularly examined by the operational safety review team (OSART) run by the IAEA. Last but not least, the BAI noticed that hundreds of millions of dollars were spent modernizing deteriorating plants at the end of their life cycles before approval for continued operation.

In 2019, the National Assembly requested the BAI launch a probe into the government's evaluation of the economic feasibility of a certain nuclear reactor closure. In order to guarantee legitimate implementation of the Post Nuclear Policy, the BAI thoroughly investigated the decision-making process and gathered evidence through digital forensic examination. The BAI concluded that profitability projection for the nuclear reactor was manipulated and sent the investigation reference materials to the prosecution. Moreover, the BAI has continuously revealed waste, inefficiencies and unethical practices regarding nuclear power management while inspecting cases such as construction works for nuclear waste disposal, management overrides for excessive compensation, foreign contracts for importing facilities, and falsely delayed nuclear projects due to the opposing residents.

The BAI not only audits and inspects related organizations, but also consults on their decision making or administration in advance upon request. Such related organizations include the Ministry of Trade, Industry and Energy (MOTIE), which establishes nuclear power policy and monitors implementations; the Nuclear Safety and Security Commission (NSSC), which ensures high level nuclear safety and protects nuclear facilities; the Korea Institute of Nuclear Safety (KINS) and the Korea Foundation of Nuclear Safety (KFNS), which supports research over radiation protection from the use of nuclear power; the Korea Hydro & Nuclear Power Co., Ltd (KHNP), which manages nuclear power plants, generating more than a quarter of total electric power generated in Korea; the Korea Electric Power Corporation Plant Service & Engineering (KPS), which provides plant maintenance services, facility monitoring, and performance improvements; and the KEPCO Data Network (KDN), which provides IT services for automation and control over power generation.

5.2 IT-based Audit Activities

The BAI introduced the most current IT tools to reduce audited entities' burden while enhancing audit performance and developing efficient audit management. The BAI carries out information technology audits to examine the development and maintenance of information systems in public entities, as they have actively introduced these systems to perform duties in line with IT development. In accordance with the Control Objectives for Information and Related Technologies (COBIT) framework, the BAI seeks to promote the integrity of information systems and related controls of public entities. As such, it established guidelines to address the general principles, approach, and methodology related to IT audits. This enables the BAI to provide citizens with an assurance of integrity, reliability, and value for money of IT implementations.

The BAI established a dedicated Division of IT Audit, which conducted audits on a variety of IT-related audit subjects over the past three years, including 62 information systems, 31 cyber security control centers and 354 major IT-based facilities, and made 281 recommendations accordingly. During the course of these audits, the BAI inspected the specific domains of public entities' information systems including IT governance, system access authorization, cyber security, and disaster recovery plan. It also communicated results for management implementation, preventing inefficient use of budgets and leakage of confidential information by public entities.

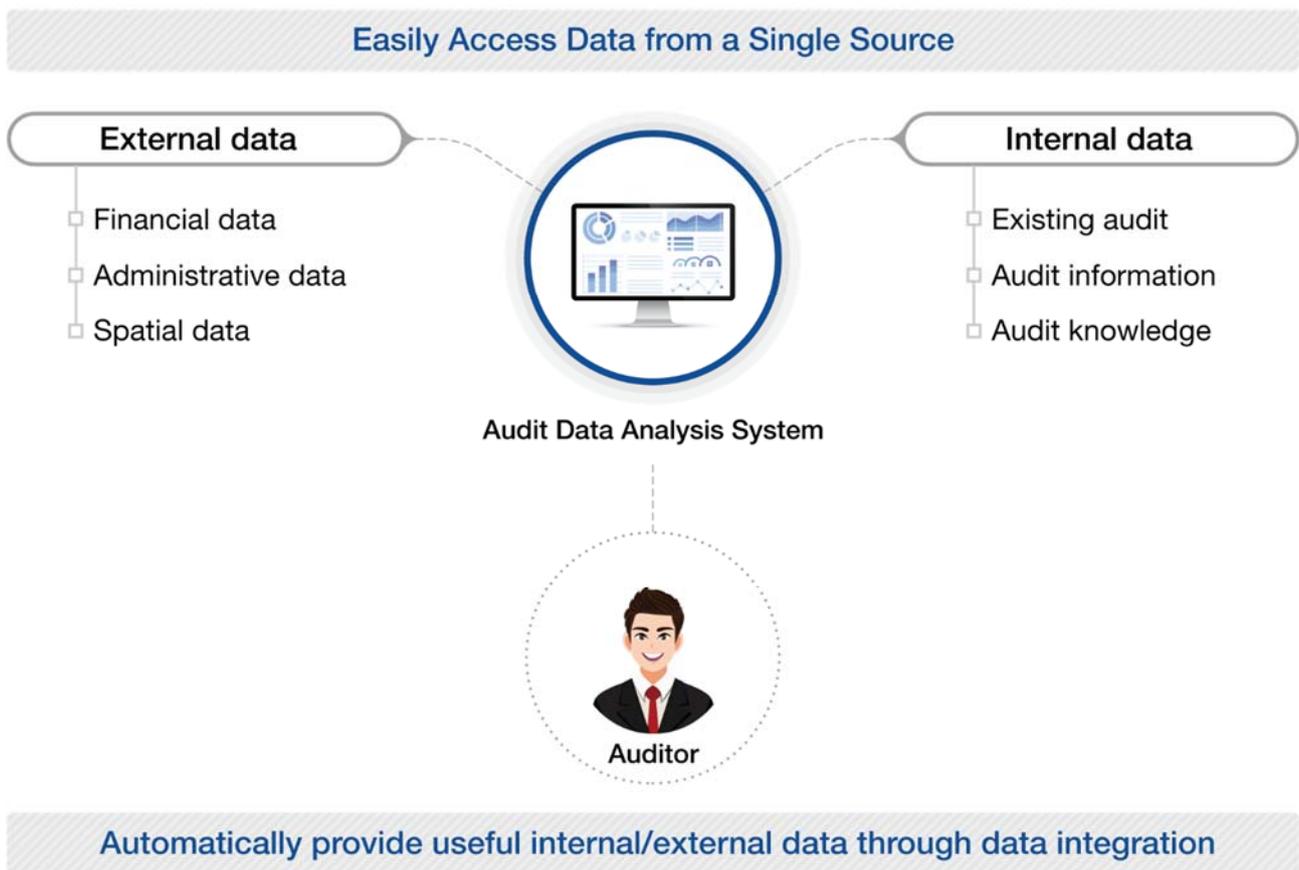
List of Main IT Audit Activities

Development and Management of National Information programme	<ul style="list-style-type: none"> » 14 information systems Programme of six public entities in areas of education (NEIS), taxes (WeTax), and others » Inspection of economic feasibility, compliance and quality control
Management of National Cyber Security	<ul style="list-style-type: none"> » 31 cyber security control center and 354 major IT-based facilities » Examination of propriety on information protection management
Construction and Operation of National Spatial Information System	<ul style="list-style-type: none"> » Five government departments with 48 spatial information systems Programme worth EUR 410 million » Inspection of utilization and modification of spatial information DB

Audit Data Analysis System

The BAI has sought to revise its audit methodology in order to ease the audit burden on audited organization, shorten the audit period, and improve accuracy of the data received. “The Audit Data Analysis System”, an expert system established in 2017, collects and analyzes digital information for audit and inspection. This system integrates past audit results, audit information, audit knowledge and other data within the BAI, connecting them to external information systems operated by public entities. In addition, the BAI has continuously transformed the system to improve its structure and introduce additional functions.

Audit Data Analysis System Overview

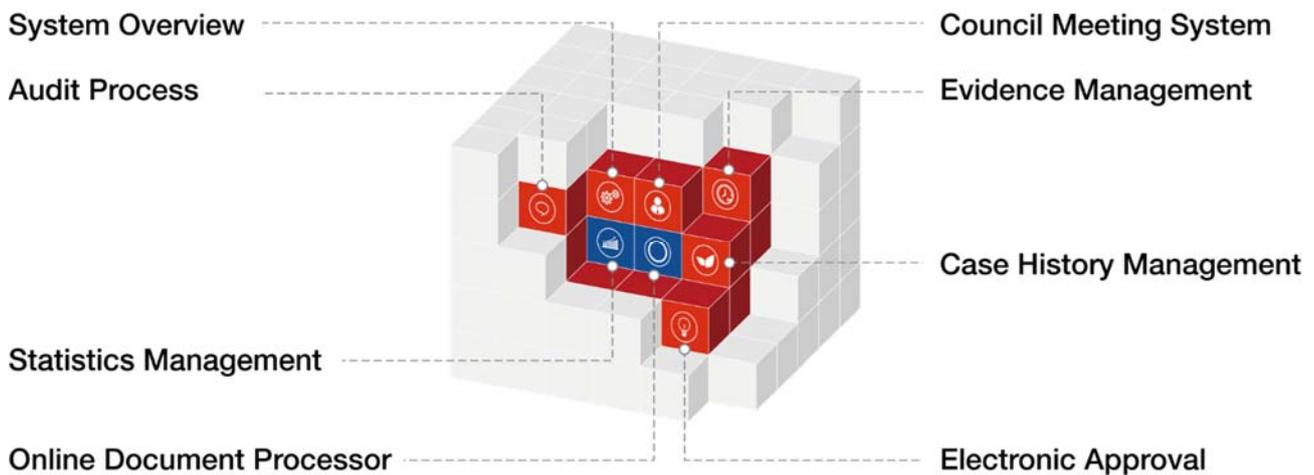


Currently, the Audit Data Analysis System offers a wide range of information on finance, accounting, construction, education and other areas, as it is connected to the information systems of five government agencies, 20 public organizations with their own ERP systems such as SAP, and five research institutions. In addition, it provides 149 status reports, 47 analysis indicators, and spatial information related to licenses and permits. In 2017-2020, 191 audit findings and recommendations were made using the system. Moreover, it enables auditors to search locations for land and building information, and conduct spatial analysis to measure area, radius, and distance.

Digital Audit Processing System

Meanwhile, the BAI digitized audit processes from planning to reporting, and increased speed and efficiency. With this “Digital Audit Processing System”, a decision support system, an auditor can electronically submit audit documents to obtain clearance over the network and receive feedback in each step of the process, if corrections need to be made. As such, the system enables the auditor to monitor the progress in real-time, which effectively leads to increased audit transparency. Furthermore, an auditor can link data and documentation collected during the course of audit to the electronic audit report, which makes it convenient to access the audit evidence needed.

Major Functions of Digital Audit Processing System



5.3 Coordination of the Public Audit System

As the Supreme Audit Institution, the BAI supports the audit activities of internal audit units of public entities. Thanks to the synergy which may arise from the combined services of the BAI and internal audit units, the overall audit capability of the whole nation may go up when optimized. Under the Act on Public Sector Audits, which stipulates the basic requirements on the composition and operation of internal audit units of public entities, the BAI established the Audit Activity Coordination Council and prevented duplicative audits and blind spots, which led to increased efficiency of the public audit system. The Public Audit Information System (PAIS) discovers the existence of redundant audits during the audit planning phase, and reports them to the Council for coordination. In 2019, 1,207 out of 6,512 audits turned out to be redundant, which were reflected in the 2020 audit plan accordingly. To ensure internal audit activities’ robustness, the BAI assesses internal audit results based on four grades from A to D.

In order to refine audit procedures, the BAI also conducts satisfaction surveys from audited organizations after the audit activities are completed. The BAI evaluated these activities using five criteria, which included professionalism, impartiality, integrity, ease of audit burden, and disclosure of audit results. Annually, more than 100 audited organizations participate in the survey while the overall audit satisfaction scores have increased and the score for ease of audit burden, *inter alia*, has substantially improved. In 2013, the satisfaction score for ease of audit burden was 29.2 as audited organizations made complaints for the burden of submitting audit data within a short period of time. The BAI has minimized visits to organizations to collect data, adjusted the number of auditors and data submission deadline, leading to an increased score of 69.3 in 2019. The BAI also periodically conducts field examinations to find out whether audit rules and procedures are rigorously followed. If the BAI discovers auditors who place unnecessary burdens or pressure on audited organizations, it takes appropriate measures to rectify the situation.

5.4 Promotion of Proactive Administration

The BAI collects audit information from diverse sources such as press releases, civil complaints, interviews, and internal audits. This information is brought to the Inspection Information Department, which comprehensively reviews those that require further investigation, carries out interviews with related parties, verifies the data received from related institutions, and then develops an inspection plan in order to detect indications of inappropriate conduct. In order to exchange this information and share ideas to implement fraud detection measures, the BAI signed a Memorandum of Understanding (MOU) with the Supreme Prosecutor's Office and National Police Agency, and participate in the Council of Anti-Fraud Policy.

However, the BAI not only audits and inspects, but also operates innovative systems to assist officials in proactively conducting their duties. The BAI provides preliminary consulting services to aid public officials in performing their duties proactively, expressing opinions on regulations when public entities have difficulties applying them. If public officials perform their duties based on opinions consulted on by the BAI, they are exempt from punishment for the consequences. Since the introduction of preliminary consulting in 2019, the BAI received 179 requests and processed 148 cases, of which 79 cases were accepted for consulting. When the cases are completed, they are disclosed on the PAIS so that public entities can refer to them and carry out their duties when applicable.

The BAI also provides exemption from punishment for proactive actions, when public officials violate regulations or are forced to do so in the course of fulfilling their duties in the public interest, without intention or gross negligence.

The BAI has established a Proactive Governance Advisory Committee to review and provide advice on cases requested by audited organizations or on BAI's own initiatives. So far 212 cases were exempted: 56 requested cases, and 156 *proprio motu* cases. For example, a pumped-storage power plant was unable to conclude a contract due to warranty disputes, although its power facility had broken down. As such, the management carried out emergency construction work without a contract, which constitutes a violation of law. The management was exempted from punishment as its action served the public interest by minimizing power supply downtime.

06

Audit Approach for the IAEA

In 2015, the BAI audited the government response to the Middle East Respiratory Syndrome (MERS) outbreak in the Republic of Korea, and recommended that Korean health authorities establish an efficient disease control system, and its effectiveness was proved during the COVID-19 pandemic. As such, the BAI thoroughly understands the challenges in an audit environment amidst the spreading disease. The BAI recognizes that the COVID-19 situation presents new key risk areas for the operations and financial statements preparation processes of audited entities. In some cases where COVID-19 has increased the level of overall audit risk, additional efforts may be required to make available adequate audit evidence and to express an appropriate audit opinion. This unprecedented situation has encouraged us to navigate through a variety of contactless audit methods comparable to in-person audits.

6.1 Audit Strategies

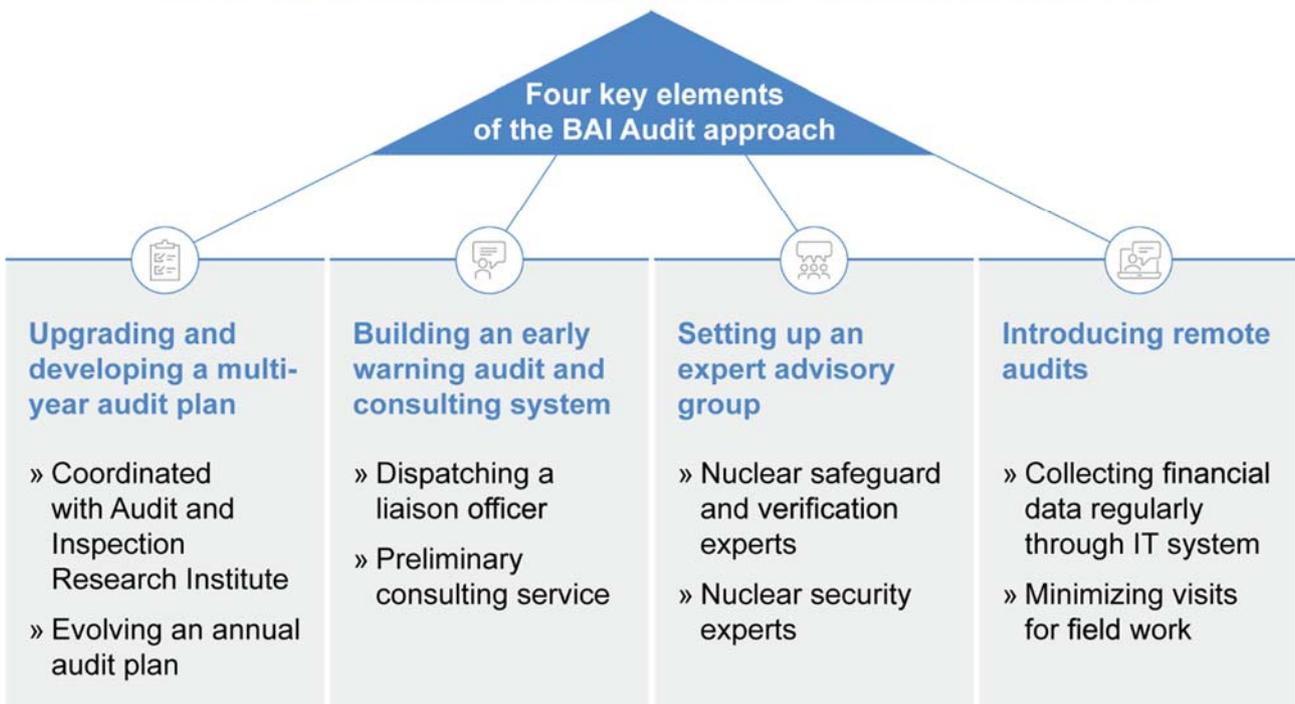
As mentioned above, the BAI's strengths in audits over the years will be adapted to the IAEA audit in consideration of audit environment surrounding the entity. The BAI will provide the highest quality audit services through a flexible approach to ensure a perfect fit for the IAEA, and its engagement activities as the external auditor will cover the financial statement audit and performance audit on the good governance of the IAEA. Depending upon the need of the IAEA management, a special purpose audit may be included within the audit scope.

The BAI has followed all the rules and procedures mandated by the INTOSAI encompassing competence, integrity and ethical values. The IAEA financial statements will be prepared in accordance with the International Public Sector Accounting Standards (IPSAS) and presented by the management of the IAEA. The external auditor will conduct the financial statements audit according to the International Standards on Auditing (ISA), carry out the performance audit based on the International Standards Supreme Audit Institutes (ISSAI) on specific topics discussed in advanced with the IAEA. Significant weaknesses identified and critical issues raised during the audit will be promptly reported to the IAEA. Other rules and regulations designed to gently guide its audits are the Financial Rules and Regulations of the IAEA, hands-on audit manual, guidelines on internal control standards for the public sector, guidelines on the audit of corruption prevention, and guidelines on the evaluation of public policy. The BAI will effectively communicate with the IAEA, yet maintain its

independence and encourage a client-oriented approach. The BAI will not only examine whether the agency’s rules and procedures are rigorously followed, but also provide valuable feedbacks to help improve the performance of the IAEA.

The main attributes of the BAI’s proposed audit approach for the IAEA are put into four initiatives: establishing a multi-year audit plan, building an early-warning audit and consulting system, organizing an advisory panel of experts, and introducing remote audit methods.

Enhancing Accounting Transparency and Efficiency for the IAEA



First of all, the multi-year audit plan will be established by the audit team and the Research Institute. The Research Institute of the BAI, which has 30 experienced doctoral-level audit researchers and issues risk analysis reports relating to the audit environment every year, has made significant contribution to risk analysis necessary to perform detailed audit planning. These audit researchers will actively participate in establishing the overall audit plan on the IAEA that guides the development of the annual audit plan. Audit topics in a specific year will be derived from the multi-year audit plan, which will continually evolve in audit environment surrounding the IAEA every year. The auditor will update and change the overall audit plan as necessary during the course of the audit. This strategic plan helps us gear up for a systematic and high quality audit.

Second, the BAI will build an early-warning and consulting system. Geographic location is likely to be a challenge to lead a successful audit. In order to properly address this barrier, the BAI aims to build an early-warning system which enables it to identify weaknesses ahead

of site visits and come up with the best solution by timely responding to abnormal transactions or events and continuously consulting with the IAEA. To facilitate this system and to closely communicate in a timely manner, the BAI is considering the launch of a liaison office in Vienna or the dispatch of an experienced auditor to the IAEA. The duties of the liaison officer will cover some of the roles of the audit team, which involves being well-informed of the financial reporting process and thereby preventing a flood of work during the field work. In addition, the BAI will provide the preliminary consulting service, known as one of its strengths, which offers the IAEA practical advice on problems arising from operational work.

Third, the BAI is considering organizing an advisory panel of experts. As the BAI has hands-on audit experience in dealing with national and public agencies relating to nuclear safeguards, verification and safety, it has been closely tied with industry experts and nuclear specialists who can provide constructive advice to the audit team throughout the audit process. This expert advisory group will be composed of experts from agencies related to nuclear safety or transparency such as the Nuclear Safety and Security Commission (NSSC), the Korea Radioactive Waste Agency (KRWA), the Korea Atomic Energy Research Institute (KAERI), the Korea Institute of Nuclear Nonproliferation and Control (KINAC) and the Korea Hydro Nuclear Power (KHNP), whose business operations are included as part of the BAI audit coverage. Holding regular meetings with the advisory panel will help grasp how the IAEA works and pinpoint specific risks, which will ensure a successful audit.

Last but not least, the BAI will introduce remote audit methods, particularly under the ongoing COVID-19 pandemic. The BAI has been required to develop remote audit methods in response to the demand of e-audit. As such, it has made efforts to reduce the period of the stay for on-site audits, and collect more evidence online. In consultation with the IAEA, the BAI will come up with a plan to collect all journal entries with transactions and detailed calculations regularly from the IAEA before the final audit, which enables the work conducted to be evenly distributed throughout the year. Also, this plan can make significant risk factors identified and dealt with promptly. The BAI hopes the unprecedented public health crisis ends soon and would like to carry out normal audit procedures, taking advantage of in-person audit methods. However, in case of unavoidable circumstances, the BAI plans to obtain the audit evidence by using electronic means such as email or cloud service, and use teleconferencing platform for discussion with people in charge. These tools will help us ensure that the efficiency of the remote audit is almost equal to that of the normal in-person audit. In other words, the BAI's financial audit will comply with the "Remote audit procedure during the COVID-19 outbreak" that has been developing by the BAI, which guarantees the audit quality is maintained regardless of the audit method.

6.2 Overall Audit Process

The BAI's audit, which may be tailored reflecting the discussion with the IAEA, will be conducted in four steps: planning, assessing risk, performing fieldwork, and reporting.



In the planning phase, the BAI will establish an audit team in consideration of overarching issues such as the involvement of experts, the determination of materiality and general understanding of the legal and regulatory framework surrounding the IAEA. The BAI will use more resources into transition during the change of the auditors. The BAI has been cooperating strongly with the Audit Board of the Republic of Indonesia (BPK) through providing the opportunity for BPK's staff training and arranging the MIKTA SAI's annual meeting as mentioned above. Communicating closely with the predecessor auditor, the BAI will follow appropriate procedures to understand thoroughly the IAEA including reviews of audit working papers. Topics for performance audit will be chosen through discussion with the IAEA.

In the risk assessment phase, the external auditor will focus primarily on the assessment of the design and implementation of internal control. Deficiency in internal control refers to whether a control is designed, implemented or operated in such a way that it is unable to prevent, or detect misstatement in the financial statements. The result of the risk assessment will help us determine the nature, timing and extent of substantive procedures to be performed. Design and implementation of IT infrastructure (hardware, operating system) and application software will be evaluated by IT specialists at this phase. Test of controls and in-depth interviews will be widely conducted before the field work.

In the field work phase, a specific audit procedure that is optimized for assertion of management will be carried out. For example, to obtain reasonable assurance relating to completeness assertion for liabilities, payments after the settlement of accounts, rather than the accounts payable sub-ledger, will be reviewed. The BAI will try to obtain sufficient appropriate audit evidence from substantive procedures such as test of details and analytical procedure. The audit evidence gathered will be evaluated, while specific topics such as subsequent events and litigation will be clarified. Findings and recommendations arising from the audit will be briefly discussed with the IAEA at the end of the period.

In the reporting phase, an intensive review process will take place over a period of two weeks, before issuing the final report. The Division of Audit Quality Control of the BAI will take responsibility for the in-house review. The external auditor will request a written representation from the IAEA management responsible for the financial statements and knowledge of matters concerned. Findings and recommendations will be reported to Board of Governors through the Programme and Budget Committee (PBC). Finally, the external auditor will definitely make sure all confidential information and data gathered during the audits will be rigorously protected and strictly forbidden to be released under ISSAI 130-Code of Ethics.

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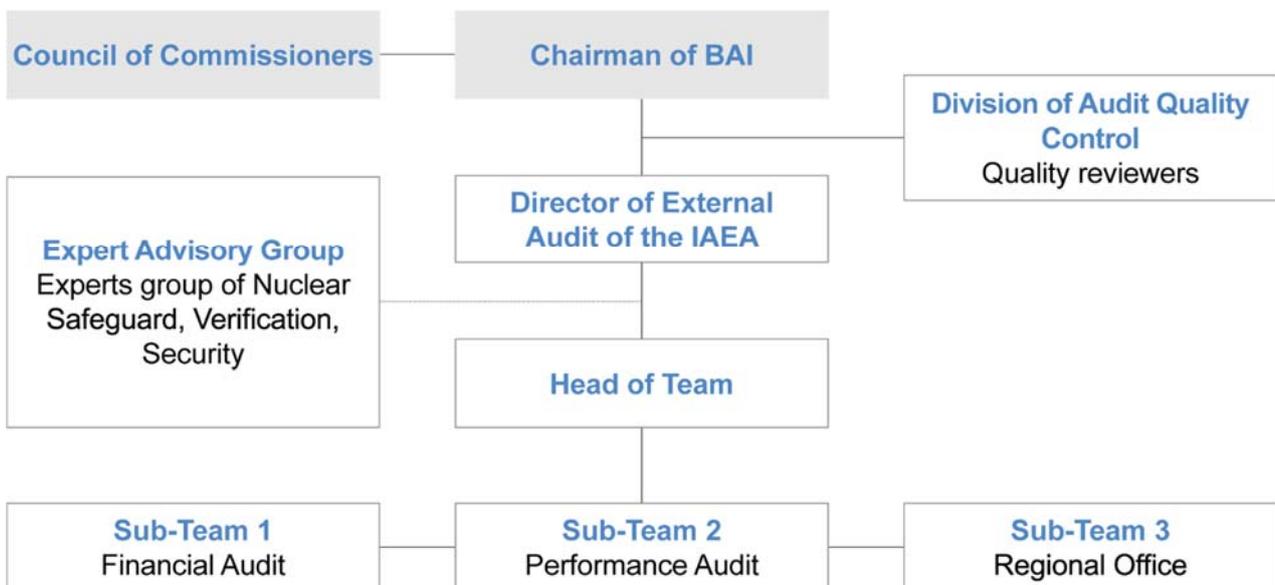
Audit Team, Fees, and Auditor-Months

The BAI understands the difficulties and challenges that the IAEA may face during the change of the external auditor. Accordingly, the BAI will set up dedicated audit teams with professional competence and extensive experience in public sector. With the systematic audit plan and preliminary preparations, the BAI will perform the initial audit effectively and efficiently without redundant or unnecessary procedures. Through this, the BAI will ensure that the transition to the new external auditor minimizes the additional burden on the IAEA staff and operations.

7.1 Audit Team

The audit team will consist of three audit sub-teams to handle each part of its audit, advisory specialists, and quality reviewers, as detailed below. As such, the audit team can respond quickly to potential and important issues while communicating efficiently and sharing information in a timely manner.

Organization Chart for the Audit Team



“The BAI will strive to maintain consistency in our audit team to ensure continuity and quality of our audit mandate except where unavoidable.”

To ensure the consistency and continuity of BAI's audit mandate, a new professional team of international organization will be established, and strict criteria are set for selection of auditors who are proficient in accounting and English. The audit team will be composed of highly qualified professionals who possess sufficient qualifications, and wide-ranging audit experience in various fields to improve efficiency and the best audit service for the IAEA. The qualifications of the audit team members assigned to the IAEA audit are listed below:

- » **Auditors holding a CPA or other financial licenses that have experience auditing the public sector, auditing budget results, or complex IFRS reporting entities.**
- » **Audit experts who have experience in and extensive knowledge of the nuclear power industry.**
- » **Internal audit experts, for evaluation of the entity's risks and internal controls.**
- » **IT specialists holding a CISA license and actuary specialists with expertise in pension funds.**

All of the team members have sufficient years of audit experience and will be assigned to carry out day-to-day operation of the audit, while each leader of customized sub-team having over 10 years of experience will deal with issues in the early stage. A director and a team head, both of whom have over 15 years of audit experience, will play a role in conducting the audit activities and managing risks to ensure the high quality of the audit.

Audit experience and Members

Position	Average Audit experience	No. of Team Members
Director	Over 20 years	1
Team Head	Over 15 years	1
Team Leaders	Over 10 years	3
Auditors	5 to 10 years	7-8
Other specialists	Over 5 years	1-2

Outside of the auditing period, there will be training sessions on general and specific aspects of the IAEA, together with audit methodology and accounting seminars. In doing so, audit team members will always be prepared and well-equipped.

7.2 Proposed Audit Fees

The audit costs are calculated based on the auditor-months the BAI plans to spend on the audit, taking into consideration travel costs, other ancillary costs, and a daily subsistence allowance (UN DSA rates) for audit staff. With regard to this, the detailed audit-months are listed in the next section. The proposed audit fees for the financial years 2022-2027 are presented below:

Proposed Audit Fees

Year	Audit Months	Daily Subsistence Allowance	Travel and Related costs	Total Audit Costs	Proposed Audit Fee
2022	33	€ 204,255	€ 78,684	€ 282,939	€ 250,000
2023	32	€ 198,900	€ 76,089	€ 274,989	€ 250,000
2024	32	€ 198,900	€ 76,089	€ 274,989	€ 250,000
2025	32	€ 198,900	€ 76,089	€ 274,989	€ 250,000
2026	32	€ 198,900	€ 76,089	€ 274,989	€ 250,000
2027	32	€ 198,900	€ 76,089	€ 274,989	€ 250,000
Total	193	€ 1,198,755	€ 459,129	€ 1,657,884	€ 1,500,000

The BAI seeks to only recover its necessary costs, excluding the salaries of staff and any margin. These costs take into account only those audits conducted on-site. The BAI will absorb the costs of professional time associated with the audit phase performed at a distance such as planning audit procedure, quality control, without charge. The BAI assumes that IAEA will provide facilities such as office space, supplies, and communication tools needed to carry out the audit at the headquarters and regional offices. Hence these costs are not included in the estimated costs.

The estimated audit costs for this engagement are EUR 1,657,884 for the audit, covering the financial years 2022-2027. But the BAI proposes a total audit fee of EUR 1,500,000, equivalent to an annual fee of EUR 250,000. The difference between estimated costs and the proposed audit fee of EUR 157,884 is part of the BAI's effort to reduce the financial burden on the IAEA considering the impact of the COVID-19 pandemic on the global economy.

7.3 Proposed Auditor-Months

The BAI calculated the number of auditor-months based on the experience acquired through audits and deep understanding of the IAEA. This estimation is based on the required audit resources and plan to ensure a high quality and efficient audit. The planned auditor-months and the number of team members for the financial years 2022-2027 are presented below:

Proposed Auditor-Months

Activities	Work Performed On-site or from Distance	Location	Member	No. of Members	Total Work Months per Year (2022)	Total Work Months per Year (2023-2027)
Transition	Onsite	Indonesia	Team leader /Auditor	3	1	-
Planning	Distance or Onsite	Head quarters or from distance	Director/ Team leader	3	6	6
Interim audit	Onsite	Head quarters	Director/ Head	2	1	1
			Team leader/ Auditor	9	9	9
		Regional office	Team leader/ Auditor	3	3	3
Final audit	Onsite	Head quarters	Director/Head	2	1	1
			Team leader/ Auditor	9	9	9
		Regional office	Team leader/ Auditor	3	3	3
Total				34	33	32

In the first year, it takes an additional month for a total of three staff members, including a team leader, to manage and proceed with the transition in an effective way. The BAI, with the help of the IAEA, will schedule meetings with the predecessor auditor to review their working papers and to discuss specific issues that may be relevant on-site. In the planning phase, the BAI will obtain a thorough understanding of the IAEA, analyzing risk, and conducting other preparation work from distance. Control tests and substantive audit procedures are performed during an interim audit and final audit work on-site.

The core team of 11 team auditors, including both the Director and Head of the audit team, will remain engaged in the project at the Headquarters, and other audit team consisting of three auditors will be assigned to a selected regional office every year. According to the

audit plan, a total number of 32 auditor-months or 960 working days for each year is required to carry out this work (33 months or 990 days for the first-year audit). The BAI is also willing to assign the additional staff and time to the audit, if necessary, depending on the difficulty and nature of the audit, at no extra cost.



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

No.VN-PH- 401 -2020

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 the latter's Note No. 2020/Note 79 dated 20 November 2020, has the honor to put forward the nomination of the Commission on Audit of the Republic of the Philippines as External Auditor to audit the financial statements of the Agency for the financial years 2022 to 2027.

The Permanent Mission has the further honor to enclose the proposal of the Commission on Audit for the provision of external audit services to the IAEA for 2022-2027.

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, 18 December 2020

The Secretariat
International Atomic Energy Agency
Email: Official.Mail@iaea.org



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Republic of the Philippines

COMMISSION ON AUDIT

Komisyon ng Pagsusuri



PROPOSAL

**FOR THE PROVISION OF EXTERNAL AUDIT SERVICES
TO THE INTERNATIONAL ATOMIC ENERGY AGENCY (IAEA)**

For the financial periods 2022 to 2027



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Annex A - Curriculum Vitae of Chairperson Michael G. Aguinaldo

Annex B - Summary of auditors' qualifications, work experience, and IPSAS/ERP-based audits

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Background

1. The Commission on Audit (COA), the Philippines' Supreme Audit Institution (SAI), is an independent constitutional body. It has the power, authority, and duty to examine, audit, and settle all accounts pertaining to the revenue and receipts of, and expenditures or uses of funds and property, owned or held in trust by, or pertaining to, the Government, or any of its subdivisions, agencies, or instrumentalities, including government-owned or controlled corporations with original charters.
2. The COA have exclusive authority to define the scope of its audit and examination, establish the techniques and methods, and promulgate accounting and auditing rules and regulations, including those for the prevention and disallowance of irregular, unnecessary, excessive, extravagant, or unconscionable expenditures or uses of government funds and properties.
3. 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 Republic of the Philippines with the consent of the Commission on Appointments for a term of seven years each without reappointment and can be removed from office only through impeachment. 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.
4. Currently, Chairperson (equivalent to Auditor-General) Michael G. Aguinaldo provides executive management and overall direction to the Commission with the support of Commissioner Roland C. Pondoc.
5. In this proposal, the COA offers to perform comprehensive, quality, efficient, effective and responsive audit services, namely: financial statements and compliance audits (regular audits); value-for-money audits (performance audits and programme-results review); information technology (IT)/computer-based systems audits; human resources audits; risk management audits; asset and inventory management audits; special audits upon request of the General Conference or the Board; and when strongly indicated, fraud audits.

A. Qualifications of the nominee and COA's national and international activities



A.1 The nominee

6. Chairperson Michael G. Aguinaldo is a lawyer with extensive legal, governance and administration expertise acquired from 32 years of professional work as private law practitioner, government official, and professor. He was previously the External Auditor of the World Health Organization (WHO), the Food and Agriculture Organization (FAO) of the United Nations, the United Nations Industrial

Development Organization (UNIDO). Currently, he is the External Auditor of the International Labour Organization (ILO).

7. He was appointed to head COA on 24 March 2015. Prior to his appointment, Chairperson Aguinaldo was the Deputy Executive Secretary for Legal Affairs of the Office of the President, Republic of the Philippines handling formulation of operational policies, standards and processes for efficient and effective provision of legal and legislative assistance and services to the organizational units of the Office of the President and the different departments and government agencies. As Deputy Executive Secretary, he reviewed and prepared decisions on appeals from resolutions, orders and actions of different departments under the jurisdiction of the President and petitions for executive clemency. He also reviewed and submitted recommendations on proposed bills and enrolled bills passed by Congress, the legality of treaties, conventions and executive agreements entered into by the government with other countries for consideration of the President.

8. He also headed the Investigation and Adjudication Office (formerly the Presidential Anti-Graft Commission) and oversaw the implementation of integrity initiatives consistent with the United Nations Convention Against Corruption.

9. Before joining government, Chairperson Aguinaldo was a partner and member of the Executive Committee of the Romulo Mabanta Buenaventura Sayoc & de los Angeles law firm. Having been with the law firm for 17 years, Chairperson Aguinaldo acquired extensive experience in the conduct of legal audit and due diligence of acquisitions and mergers and in compliance-related matters for both foreign and domestic corporations. He has also handled litigation and arbitration for both domestic and international clients in civil, tax, securities and labor cases, and petitions and appeals before the Court of Appeals and the Supreme Court.

10. Chairperson Aguinaldo is also a faculty member of the Ateneo de Manila University School of Law, and has taught courses in Obligations and Contracts, Credit Transactions, Legal Forms, Labor Relations, Labor Standards Law and Negotiation Seminar.

11. The Chairperson obtained his law degree from the Ateneo de Manila University in April 1992. He placed 7th in the 1992 Philippine Bar Examinations. He also holds a Special Degree in International Economic Law obtained from the University of Michigan in Ann Arbor, Michigan in May 1997.

12. The enclosed Annex A-Curriculum Vitae of Chairperson Michael G. Aguinaldo will provide further details as regards the qualifications, education, experiences, and achievements of the nominee.

A.2 COA's national and international activities

A.2.1 National activities

13. 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

14. Financial and compliance audits as well as value for money audits (economy, efficiency, effectiveness, and ethics) are conducted year-round by COA auditors nationwide. 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

15. The Special Audit Office (SAO) and Performance Audit Office (PAO) 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.

16. The Fraud Audit Office (FAO) 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). COA also undertakes audits of information technology/computer-based systems under the Information Technology Audit Office (ITAO). Special audits normally take an average of three to six months.

17. 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.

A.2.2 International activities

18. The COA has extensive experience as External Auditor in the United Nations (UN) System. It started serving as the external auditor of the UN with its election to the UN Board of Auditors (UNBOA) for three consecutive terms from 1984 to 1993. COA was elected anew for another three-year term from 1999 to 2002 and was re-elected to an unprecedented six-year term from 2002 to 2008.

19. The COA continues to make its mark in the international audit arena. It previously held a 12-year term (2008-2019) as External Auditor of FAO and it has served eight-year term (2012-2019) as External Auditor of WHO and a two-year term (2018-2019) as External Auditor of UNIDO. Currently, COA has eight-year term (2016-2024) as External Auditor of ILO.

20. The COA has maintained its membership with the Panel of External Auditors of the UN, and its specialized agencies. As member of the Panel and its Technical Working Group, the COA Chairperson and his Director for External Audit actively participates 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.

21. 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.

- **Excellent track record** as Auditor of the United Nations and its agencies



22. The COA is a long standing and active 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.

23. 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 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.

24. To further enhance cooperation and knowledge sharing within the region, COA joined the ASEAN Supreme Audit Institutions (ASEANSAI), established in November 2011 with ten member states of the ASEAN. The COA is the 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.

25. Below are the details of COA's current membership in the Working Groups/Committees/Task Forces/Programs of INTOSAI, ASOSAI, and ASEANSAI:

a. INTOSAI

i. Capacity Development

- Capacity Building Committee (CBC) - Member
- CBC Task Force on INTOSAI Auditor Professionalization (TFIAP) - Member
- Self-Assessment on Integrity (IntoSAINT) - Member
- SAI PMF Advisory Group – Member

ii. Knowledge Sharing

- Working Group on Public Debt (WGPD) - Chair
- Working Group on IT Audit (WGITA) - Member
- Working Group on Environmental Auditing (WGEA) - Member
- Working Group Fight Against Corruption and Money Laundering (WGFACML) - Member
- Working Group on Audit of Extractive Industries (WGEI) - Member
- Working Group on Evaluation of Public Policies and Programs (WGEPPP) - Member
- Working Group on Public Procurement Audit (WGPPA) - Member
- Working Group on Big Data (WGBD) - Member
- Forum of SAIs with Jurisdictional Functions - Member

iii. Other Projects

- Privatization (Project 2.7) - Contributor
- Auditing Sustainable Development Goals - Participant
- SAIs Engaging with Stakeholders - Mentor/Participant
- IDI Strategy, Performance Measurement and Reporting (SPMR) Facilitation Program - Participant
- KSC Research Project on the "Citizen Participation in Public Audit" - Participant

b. ASOSAI

- IDI-ASOSAI Certification Programme - Accredited Specialist
- Capacity Development Program - Mentor/Participant
- 11th ASOSAI Research Project - Participant
- 12th ASOSAI Research Project - Participant
- IDI-KSC-ASOSAI Cooperative Audit of SDG Implementation: Strong & Resilient National Public Health Systems (linked to SDG 3D) - Participant

c. ASEANSAI

- Training Committee - Chair
- IDI-ASEANSAI Cooperation on ISSAI Cooperative Financial Audit - Mentor/Participant
- Audit of Public Procurement - Mentor
- Fraud Audit/Investigation - Mentor

B. Approach to the audit and the number and level of staff

B.1 Description of auditing standards governing our work

26. We will conduct our audits in accordance with generally accepted auditing standards, conformably with: (a) International Standards of Auditing (ISA) published by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC); (b) International Standards for Supreme Audit Institutions (ISSAIs) prescribed by the INTOSAI; and (c) such other auditing standards that may be relevant to the audit of the IAEA, and other benchmarks and best practices for value for money audits.

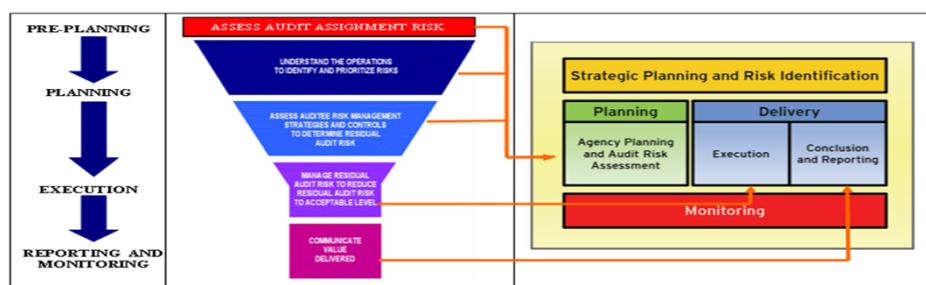
B.2 Audit approach and execution strategy

B.2.1 Integrated Results and Risk-Based Audit (IRRBA) approach

27. With full consideration for the scope of work of the IAEA External Auditor as defined in Article XII - External Audit of the Financial Regulations and the Additional Terms of Reference Governing the Audit of the International Atomic Energy Agency, the COA shall implement IRRBA approach in its audit engagement. This approach affords a more comprehensive understanding of the IAEA’s business and operations to identify risks that adversely affect IAEA’s achievement of its objectives; relates these risks to financial statement misstatement risks for the purpose of rendering an opinion on the fairness of the presentation of the financial statements; and allows for a sound assessment of risk controls and risk management process and identification of operational improvement opportunities.

28. The IRRBA approach was a result of a contractual agreement entered into by the Philippine Government with the International Bank for Reconstruction and Development (World Bank) to improve the effectiveness and efficiency of our audits the development and adoption of a results-based integrated audit methodology that will focus on the outputs and outcomes.

COA audit framework, Risk-Based Audit and Integrated Results and Risk-Based Audit Framework



29. This approach integrates our different audit services into a comprehensive, structured resource-efficient audit framework, in terms of inputs and resources, process, and audit results that are responsive to client needs and expectations. This approach groups the series of activities to be undertaken into four phases of the audit: Planning, Execution, Reporting, and Monitoring and Follow-up.

i. Planning

30. The ISA and ISSAI require that the auditor should plan the audit in a manner which ensures that an audit of high quality is carried out in an economic, efficient, effective, and ethical way and in a timely manner. The COA places great value on adequate audit planning as it helps to ensure that appropriate attention is devoted to important areas of the audit, the potential risks and problems are identified and that our work is completed expeditiously. Planning also assists us in proper assignment of work to assistants and in coordination of work done by other auditors and experts. The major activities to be undertaken under the planning phase are:

a. Understand the auditee and document understanding

31. Sufficient knowledge and understanding of IAEA is fundamental to planning, executing the audit procedures, and evaluating the results of these procedures. COA's audit plan shall be based on a sound understanding of IAEA, such as but not limited to the following:

- Mandate, mission, vision
- Management strategies, philosophies, policies and practices
- Organizational structure and staffing
- Authorities and responsibilities granted at specific levels
- Major programmes and projects
- Nature and location of operations
- Financial regulations and legislative authorities
- Critical processes followed by the various levels in the accountability hierarchy for setting goals and monitoring performance
- Accountability relationships
- External environment, including political, economic, social, and technological factors
- Resources: financial (budgets and income); capital assets, human resources
- Information technology
- Key reports and operating manuals
- Clients, customers, beneficiaries
- Suppliers, contractors, consultants
- Oversight bodies/committees

b. Conduct financial and operational performance review

32. Based on available data, COA shall conduct preliminary review of financial and operational performance by identifying financial trends, possible misstatements, and business/agency risks; and performing analytical review.

c. Identify and source agency risks

33. There is need to identify risks or probable acts or events occurring that would have adverse effect on IAEA's achievement of its objectives. COA will determine agency risks with high significance and high likelihood of occurrence, and those which will impact the financial statements and disclosures. Our process includes the sourcing of risks or identifying the cause or causes of risks, to be able to properly manage risks and institute appropriate controls to prevent risks from occurring or to control them to acceptable level.

d. Assess risk controls and determine adequacy of risk management process of IAEA

34. After determining the key risks IAEA is facing, we will assess the adequacy of risk controls and risk management process in place to prevent or minimize risks and to determine how IAEA controls its key risks and how Senior Management knows the risk controls that are operating effectively.

e. Determine materiality level

35. We will determine the materiality level on a particular audit engagement to provide us a quantitative guideline in making materiality decisions during the course of the audit. In determining materiality level, we will keep in mind the reasonable users of the financial statements of IAEA, the probable uses that they will have for the audited financial statements, and the precision that they will require of the financial statements to make their decisions. We will maintain an open communication with IAEA management in setting up the materiality level.

f. Determine and assess audit risks

36. Audit risks refer to the risks that the auditor may render an opinion on the financial statements that contain material errors or misstatements. We will determine and assess any residual audit risks in order to identify the effective audit approach on identified risk areas and attain the level of confidence that our conclusion reached at the end of the audit is the right one.

g. Prepare Initial Planning Memorandum, Audit Programmes and other audit planning outputs

37. We will prepare the following at the end of the planning phase:

- *Initial Planning Memorandum* - this is the audit plan which contains components such as:

- Background information/description of IAEA, thrust area, or accounts selected
 - Rationale/justification for selection
 - Audit focus and scope
 - Audit objectives
 - Audit criteria
 - Sources of evidence
 - Audit approach and methodology
 - Materiality level
 - Organizational units of IAEA involved
 - Other offices involved/linkages
 - Time budget and significant dates
 - Administrative requirements
- *Audit Programme* - it is the list of audit objectives and audit procedures to be performed in managing residual audit risks or in conducting substantive test. It also contains the name of the external auditor performing the procedure, timeframe or date when the audit procedure is to be performed or completed and working paper reference.

ii. Execution

38. This is the phase of the Results-Based Audit (RBA) framework that the Initial Planning Memorandum and Audit Programmes are implemented through the following activities:

- a. *Conduct substantive tests* - substantive tests provide evidence as to the fairness of the presentation of financial statements and may be carried out using the following procedures:
 - Analytical review
 - Test of details of transactions
 - Test of details of balances
 - Test of accounting estimates
- b. *Gather evidence for substantive tests* - Under this sub-process, we will obtain sufficient competent evidential matter to afford us a reasonable basis for our opinion, judgments, conclusions and recommendations through inspection, observations, inquiries, confirmation, re-performance/re-calculation, vouching, and other techniques.
- c. *Prepare working papers* - We will prepare working papers to serve as records of the procedures applied, the tests performed, the information obtained, and the pertinent conclusions reached in the audit engagement.
- d. *Review working papers* - We will critically examine the file documentation to ensure that more than one level of experience and judgment is brought to bear on the work carried out and on the conclusions reached, to minimize the risk of an error being overlooked, and to ensure that the work has been performed and documented in accordance with the audit standards.

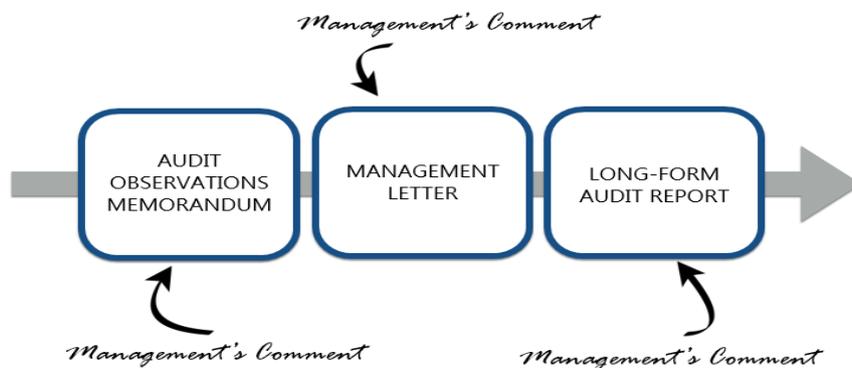
- e. *Prepare and review audit queries* - As necessary, we will prepare and issue audit queries to IAEA officials concerned to obtain additional information on areas under audit.

iii. Conclusion and Reporting

39. 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's response to these AOMs shall provide significant basis for the audit conclusions and recommendations finally raised in the ML.

40. 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 all offices.

41. In accordance with Section 6 of the Additional Terms of Reference Governing the Audit of the IAEA, the Director-General shall be afforded the opportunity to comment on our findings. After taking into consideration the comments received from the Director-General, the auditor's report shall be transmitted to the General Conference through the Board of Governors.



a. *Management Letter* - the ML shall contain the following:

- A brief introductory paragraph which identifies the organization (headquarters, field and liaison offices, centres, or category 1 institutes) and/or activity (fund or programme) being audited at the time/period covered and a statement that the observations and recommendations were discussed with the IAEA officials concerned and that their responses have been incorporated in the letter where appropriate;
- A paragraph that briefly describe the main objectives of the audit and the areas of examination and review;

- A brief paragraph acknowledging the cooperation given by Management and the staff of the audited organizational units of IAEA;
 - Main recommendations – a list of main recommendations to aid senior management in identifying the corrective action required; and
 - Detailed findings and recommendations – arranged in the order of importance, recommendations for corrective actions and the management reaction to them. This section also includes comments on the extent of corrective action taken on the observations made in prior reports/management letters, as appropriate.
- b. *Independent Auditor's Report (Audit Opinion)* - we shall render an audit report which shall contain the opinion on the fairness of presentation of the annual financial statements of IAEA in accordance with ISA and ISSAI.
- c. *Report of the External Auditor* - we shall render a long-form audit report which will provide the details of the audit results, including recommendations and operational improvements, consisting of the following:
- Executive Summary
 - Mandate, Scope and Methodology
 - Results of Audit
 - Disclosures by Management
 - Status of Implementation of Audit Recommendations
 - Acknowledgement

iv. Monitoring and follow-up

42. After audit reports are issued, we will monitor and verify the extent of management's action to the audit recommendations to assure us that the benefits of the audit work are realized. Monitoring and follow up are also aimed at ensuring that audit recommendations are actually implemented at various levels and systems of IAEA; validating that the recommendations as implemented are truly advantageous to IAEA; and affording us an opportunity to re-evaluate analytical techniques and evidence that aid in the formulation of the audit conclusions and recommendations.

43. The timing and frequency of monitoring and follow-ups depend on the degree and extent of management's action or inaction on the recommendation, hence, we will not lose sight that the nature and magnitude of the recommendation affect the extent of action of management. In this view, we will give management enough lead-time and the necessary assistance to implement the recommendations.

B.2.2 Assignment execution strategy

44. Two audit visits shall be undertaken for each financial period. During the first audit visit, an audit survey of the IAEA shall be included 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 existing 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 used to ensure an efficient audit process. The audit at 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.

B.2.3 Linkage and collaboration with IAEA's Office of Internal Oversight Services

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

46. When considering the work of the Office of Internal Oversight Services, we shall conform to the standards embodied in ISA 610 (Using the Work of Internal Audit) which deals with the external auditor's responsibility in determining the extent and adequacy of the specific work of the Office of Internal Oversight Services for purposes of the audit. We shall obtain a sufficient understanding of its activities to identify and assess the risk of material misstatement of the financial statements and to design and perform further audit procedures.

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

B.2.4 Interactions with the relevant Committees and the Governing Body

48. We shall attend and participate actively as may be appropriate in the meetings of the IAEA Audit Committee, the Programme and Budget Committee of the Board of Governors, and the IAEA General Conference. Our participation is intended to address significant matters on financial reporting, use of resources, internal control arrangements, risk management process, and other audit related matters which they may wish to be clarified or discussed further in aid of their functions.

B.2.5 Information and audit evidence gathering, and access to audit work papers

49. 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.

50. 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 and Panel of External Auditors of the United Nations hand-over protocols.

B.2.6 Other audit assignments

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

Quality Assurance Embedded in Audit Process

- **Multi-level review** of audit findings, documentation of audit issues and conclusions on audit work performed
- Conduct of **quality assurance** reviews per engagement including audit team management
- Review process commences **with pre-planning activities** until issuance of report
- Validate implementation of audit recommendations through **periodic** status reports



B.2.7 Quality assurance

52. 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. Every audit report shall only be issued after the completion of the audit quality control review.

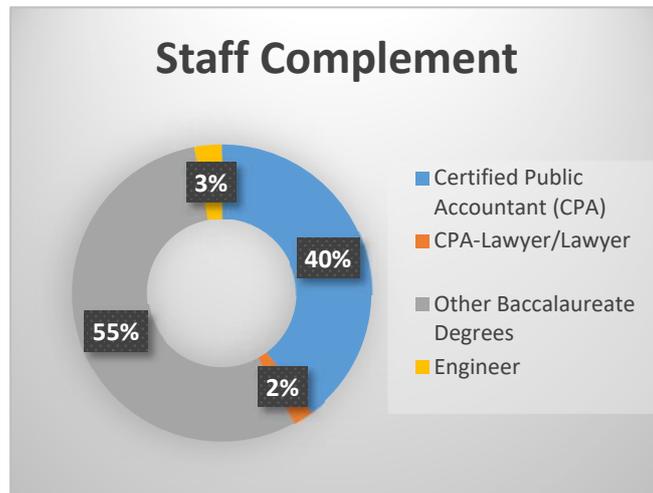
53. The Quality Assurance Checklist adopted by the UNBOA and thereafter, by us in our audit of international organizations shall, likewise, be implemented as part of the audit methodology in the audit of IAEA.

54. Our audit plans and programs shall be presented to and reviewed by our internal Technical Working Group (TWG) and the COA's International Organizations' Audit Committee (IOAC) composed of senior COA officials. AOMs shall be reviewed by the Director of External Audit with the audit execution being monitored closely by

the TWG. The MLs and long form reports shall be reviewed by the Director of External Audit and the TWG and thereafter, presented to the IOAC prior to its release to IAEA.

B.3 Number and level of staff to be involved in the audit

55. COA's strength comes from a core of highly-trained professional and multi-disciplinary staff complement of 13,595 belonging to the following disciplines: Certified Public Accountant (CPA) – 5,405; CPA-Lawyer/Lawyer – 294; Engineer – 401; and Other Baccalaureate Degrees – 7,495.



56. A number of officers and staff have international certifications such as CFE, Certified Internal Auditor (CIA), Certified Forensic Accountant (CFA), Certified Internal Control Auditor (CICA) and Certified Information System Auditor (CISA).

57. The COA officers and staff possess the technical knowledge and expertise in conducting audits of the national, local and corporate agencies of the Philippine government. They have extensive audit experience in COA performing comprehensive audits (financial, compliance, performance/value-for-money, fraud and special audits) as resident auditors.

58. 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. More importantly, they have good interpersonal skills with the ability to work in a multicultural environment.

59. COA has more than 200 staff in its Pool of Auditors for International Organizations wherein at least 60 auditors (Annex B) will be drawn for audit deployments to IAEA. These proposed auditors, who are CPAs or CPA-Lawyers, were chosen through a competitive selection process. They had undergone rigid screening which included examinations, interview and training on audit of international organizations. The proposed auditors to IAEA have already gained extensive audit experience and acquired sufficient knowledge of the UN system from their previous audit assignments to UN offices, its specialized agencies, programmes and funds.

60. As former External Auditor of FAO, WHO and UNIDO and currently for ILO, all the proposed officers and staff have experience in the audit of agencies using Enterprise Resource Planning Systems (ERPs) such as SAP (Systems Applications and Products in Data Processing) and Oracle E-Business Suite Applications and

customized systems interfacing with the ERP. 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.

61. The proposed staff have actual experience in the audit of IPSAS-based financial statements in FAO, WHO, UNIDO, and ILO 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.

62. The 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 ERP system, and provide specialized knowledge and skills required in the audit of IAEA.

63. 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 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.

64. 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 a COA Commissioner, as Audit Committee Chairman, and a senior COA Director to be designated as Director of External Audit. The Director of External Audit shall be responsible for the management of the IAEA audit and shall be supported by functional teams at the Headquarters and Regional Offices.

C. Proposed audit fee and an estimate of the total number of auditor-months

C.1 Proposed audit fee

65. Based on our assessment of the IAEA requirements, we propose an **annual audit fee of Two Hundred Forty Thousand Seven Hundred Seventy-seven and 34/100 Euros (EUR 240,777.34)**. We will maintain the same annual audit fee for the financial periods 2022 to 2027. The proposed audit fee includes mainly costs of daily subsistence allowances, travel and related costs. The fee does not include the salaries

of the audit staff and the services rendered by the COA IOAC and support staff for quality assurance activities while in Manila.

Table 1. Details of Annual Audit Fee (in Euros)

Particulars	Daily Subsistence Allowance	Travel and Related Costs	Total
Services at Headquarters	166,584.32	36,643.61	203,227.93
Services at Regional Offices	27,009.22	10,540.18	37,549.41
Total	193,593.54	47,183.79	240,777.34

66. Any additional audit fee may be agreed upon on a case-to-case basis on audit of projects requested by donors or certain specific examinations requested by the General Conference and/or the Board.

C.2 Estimated auditor-months

67. The details of the proposed 37 auditor-months for each financial period are as follows:

Table 2. Details of the proposed auditor-months

Name (if available) Job Title (a)	Audit Visits ¹					Total Auditor-Months (g)=(e)*(f)	Grand Total Auditor-Months (h)=(d)+(g)
	Survey/Interim Audit		Total Auditor-Months (d)=(b)*(c)	Final Audit			
	No. of Auditors (b)	Months (c)		No. of Auditors (e)	Months (f)		
<i>Services at Headquarters</i>							
COA Chairperson or Commissioner ²	-	-	-	1	0.63	0.63	0.63
Quality Reviewers ³	-	-	-	2	0.83	1.67	1.67
Audit Director ⁴	1	1.83	1.83	1	1.83	1.83	3.67
Auditors ⁵	9	1.20	10.83	9	1.20	10.83	21.67
<i>Services at Regional Offices, Liaison Offices, and Research Laboratories</i>							
Auditors ⁵	3	0.97	2.92	3	0.97	2.92	5.83
<i>Services at COA Central Office</i>							
COA Audit Committee and support staff ⁶	4	0.5	2	4	0.5	2	4
Grand Total Auditor-Months			17.58			19.88	37.47

Explanatory Notes:
¹ There shall be two audit visits (i.e., interim and final) for each financial period
² The COA Chairperson or Commissioner shall attend a meeting of the Board of Governors/Conference once for each financial period.
³ The Quality Reviewers are responsible in ensuring that audit quality controls are designed, implemented and working effectively.
⁴ 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.
⁵ The audit teams shall be composed of five to six auditors at the Headquarters and two auditors at the Regional Offices per audit visit.
⁶ The COA Audit Committee and support staff shall also perform quality control work for which no audit fee will be charged.

68. 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 an assurance that issues related to efficiency, economy and effectiveness in the operations are identified and addressed.

C.3 Balance of audit work between Headquarters, regional offices and liaison offices, and research laboratories

69. Our selection of offices/areas for audit shall take into account the risk assessments of IAEA management and the Office of Internal Oversight Services as well as the results of our initial field survey which shall continuously be updated by changes in the client’s internal and external environment and the results of our past and current audits. This is to recognize that new risks may continuously emerge and old risks may change due to dynamics in the operations and the environment.

70. For the first year of audit, around 17 auditor-months or 47 percent of available person-months shall be devoted to audit work in the Headquarters while 19 auditor-months or 53 per cent of total auditor-months for the year shall be utilized for audit work in the regional offices and liaison offices, and research laboratories. This proportion shall be reviewed and updated in the succeeding years on the basis of the results of the audit.

C.4 Audit Management

71. The audit shall be performed by a team of dedicated professionals with the required level of expertise in auditing international organizations. The COA Chairperson, Michael G. Aguinaldo, shall oversee the audit in general and report to the IAEA General Conference through the Board of Governors. In performing his assignment, he shall be supported by the COA Commissioner, Mr. Roland C. Pondoc (C.4.1), and the Director of External Audit, Mr. Lito Q. Martin (C.4.2).

72. The Director of External Audit shall be responsible for the management of the IAEA audit and shall be supported by functional teams at the IAEA Headquarters, regional/liaison offices, and research laboratories. The Director of External Audit shall be based at the headquarters in Vienna, Austria, for at least three months during each financial period. The Director of External Audit shall supervise and manage the audits

of headquarters, regional and liaison offices, and research laboratories and attend meetings of the IAEA Audit Committee, the Programme and Budget Committee of the Board of Governors, and the IAEA General Conference, as appropriate.



C.4.1 Commissioner Roland C. Pondoc

73. Commissioner Roland Café Pondoc was nominated to the Commission on Audit on February 6, 2018 and was confirmed unanimously by the Commission on Appointments on March 14, 2018, for a term of seven years expiring on 02 February 2025. A Certified Public Accountant and a Lawyer, Commissioner Pondoc concentrated his love for education with his Alma Mater, the University of Mindanao (UM) - Davao City, for 22 years, while practicing both of his professions.

74. He served as a professor in the Colleges of Accountancy, Law, Business Administration, Criminology and the Graduate Studies of the said institution from 1994 to 2016. He was an Assistant Dean of the College of Law and served as Officer-in-Charge/Director of the Office of the Student Affairs. Commissioner Pondoc's exceptional work as an educator was recognized by his Alma Mater which awarded Commissioner Pondoc the Golden Harvest Award for Outstanding Professor in the years 2008, 2009 and 2010. As Commissioner of COA, he was bestowed with the Institutional Award, the highest award given to outstanding Alumni by the University of Mindanao. And while in the academe, he also served his co-employees being the President of the UM Employees Cooperative for six consecutive years, from 2005 until 2010.

75. He was also a National Awardee as an Outstanding Business Educator in the Field of Accountancy in the years 2004 and 2011 conferred by the Philippine Council of Deans and Educators in Business and by the Petron Foundation. Moreover, he became a National Awardee of the Philippine Institute of Certified Public Accountants (PICPA) for four times: as Most Outstanding CPA in Education in 2008; as Most Outstanding PICPA Member in 2009; as Most Outstanding PICPA Chapter President in 2015; and most recently, as Most Outstanding CPA in Government in 2018.

76. After he decided to resign from his full-time work in the academe, he diverted his concentration to public service. Commissioner Pondoc joined the government service in 2014 as full-time Legal Officer of the Southern Philippines Medical Center where he also provided free legal services to indigent patients of the said hospital.

77. Prior to his nomination, Commissioner Pondoc was appointed as the Assistant Executive Secretary in the Office of the President on September 1, 2016, and specifically assigned as the Assistant Deputy Director General for the Administration, Logistics and Finance of the Association of Southeast Asian Nations (ASEAN) 2017 National Organizing Council for the entire period of the Philippine Hosting of the ASEAN 2017 Summits and Related Meetings. He was directly in-charge of all logistic requirements of each conducted meeting regardless of its location in the country and

the number of foreign and local delegates involved. He was also in charge of carefully and critically monitoring the proper utilization of the budget intended for the said events. As a result of his dedication and contributions toward the successful Philippine Hosting of ASEAN 2017, he was recognized in 2018 as recipient of the Presidential Citation conferred by no less than President Rodrigo Roa Duterte in Malacañan Palace.

78. Commissioner Pondoc was a *magna cum laude* graduate of Bachelor of Science in Commerce major in Accounting in 1988. He obtained his Bachelor of Laws in 2001 as a recipient of the Achiever's Award, and his Master in Business Administration in 1997. He was a recipient of the Tambuli Award as Most Outstanding Alumnus as educator in 2009 and as Outstanding UM Alumnus Awardee in government service by the UM Alumni Association, Inc. in 2019.

79. With his mentioned work background, it shows that he has covered all four sectors of CPA practice, Commerce and Industry, Academe, Public Practice and Government Sectors, respectively. He is a Reservist of the Philippine Air Force with the rank of Lieutenant Colonel, and also a Licensed Real Estate Appraiser, a Licensed Real Estate Broker, as well as a member of ASEAN Chartered Professional Accountants (ACPA). Presently, he is the Chairperson of the Gender and Development Focal Point System of COA and one of the prime movers of the Integrity Management Program in the Commission on Audit.

C.4.2 Director Lito Q. Martin

80. Director Lito Quijano Martin currently heads the International Audit and Relations Office (IARO) of the Commission on Audit (COA), the office that delivers the international audit and relations activities of the Commission. A Certified Public Accountant (CPA), a Lawyer and a Certified Internal Control Auditor (CICA), Director Martin's expertise in the field of Audit, Investigation, Evaluation, Inspection, Finance, Governance and Administration were derived from the 33 years of professional work as auditor, lawyer, investigator, accounting practitioner, UN Auditor, Director of External Audit, government official, and professor.



81. Director Martin has more than 10 years of extensive experience as Director of External Audit in the UN System. He managed the audit of four UN specialized agencies where the Commission on Audit is the External Auditor, namely: FAO, ILO, WHO, and UNIDO. Likewise, he directed the audit of nationally executed projects of UNFPA and UNDP, USAID and AusAID projects in the Philippines. He provided strategic directions, overall management and delivery of audits of the specialized agencies including but not limited to preparation and execution of comprehensive audit plan on the organizations, manning and supervision of audit teams, training of auditors, conduct of audit risk assessment, preparation of audit reports and overall responsible in delivering a quality audit service on the international organizations. He

engaged with various oversight committees of the entities audited like the audit, finance, administration, programme and budget committees. He is also a member of the Technical Group of the Panel of External Auditors of the United Nations, the IAEA and Specialized Agencies since 2010.

82. Director Martin has also extensive experience in the academe. He served as professor in the undergraduate and graduate courses in his Alma Mater, the Saint Louis University - Baguio City, School of Accountancy and Business Management for 8 years (1999 – 2007) and as professor in the University of Baguio, School of Law for 6 years (2004 - 2010). He was also a senior lecturer of financial management courses in the University of the Philippines – Baguio City from 1995-1996. In addition, he is a professional lecturer on Organizational Management, Fraud Investigation, Audit Evidence, Integrated Strategy in Tackling Fraud and Corruption, Value for Money Audit, Procurement, Internal Control Framework and Risk Management.

83. Director Martin started his career in COA in 1987 where he progressively rose from the ranks from State Auditor to Senior Director. During his time as State Auditor, he is responsible for the delivery of quality audit services to national government agencies and corporations and ensure the efficient and effective conduct of financial, compliance and value-for-money audits of various including the assessment of operational performance on audited agencies. Moreover, he conducted fraud audit investigations and act on complaints brought to the Commission on Audit against government officials and employees. He was also chosen as External Auditor of the UN Board of Auditors in 1992, 1993 and 2008 where his international audit career began. He audited several UN Offices in New York, among these were the Human Resource Management Office, the Office of the General Services - Procurement, and the UN Treasury under the Department of Management. He also audited the United Nations Institute for Training and Research (UNITAR) in Geneva. As Director, he served as the Regional Cluster Director in the COA Cordillera Administrative Region from 2003 to 2006, as Assistant Cluster Director for the COA Local Government Sector, Central and Northern Luzon Cluster from 2007 to 2008 and as Assistant Regional Director for COA Regional Office No.1 from 2009 to October 2010 until his present assignment as Director, COA IARO.

84. Director Martin finished his degree of Bachelor of Science in Commerce, Major in Accounting, Cum Laude at the University of Pangasinan in 1986. He obtained his Master of Science in Business Administration degree in 1994 and his Bachelor of Laws degree in 1999 at the Saint Louis University.

85. Moreover, Director Martin is active in professional organizations. He served as President of the Government Association of Certified Public Accountants, Director in the Philippine Institute of Certified Public Accountants and life-member of the Integrated Bar of the Philippines.

86. Finally, Director Martin was a recipient of various awards one of which is the Lingkod Bayan Award in 2011, an award bestowed by the President of the Republic of the Philippines to exceptional government employees who made significant contribution to public service.

D. The Philippine Commission on Audit Offer to IAEA and its Member States: A Summary

87. The Philippine government has nominated the Philippine Commission on Audit (COA), led by its Chairperson, **Mr. Michael G. Aguinaldo**, as candidate for External Auditor of the IAEA for the term 2022-2027.

D.1 COA's extensive engagement with the UN System

88. COA's vital role in the governance of the UN commenced with its membership in the UNBOA for the years 1984-1992 and continued in 1999-2007. COA continues to serve as the **external auditor** of the FAO from 2008-2019, WHO from 2012-2019, ILO from 2016-2019 with a renewed mandate until 2023, and the UNIDO from 2018 to 2019.

89. COA's experience and competencies, acquired through its incumbency as the external auditor of the UN and its specialized agencies, have driven it to forge ahead and work towards securing a seat in the UNBOA, where it hopes to bring its wealth of experience, fortitude and commitment to help improve the very foundation of UN governance. To deliver its mandate, COA envisions a full range of audit value, with due regard to UN's unique mandate of maintaining international peace and security, protecting human rights, managing humanitarian aid, promoting sustainable development and upholding the rule of international law.

90. As the former external auditor of the FAO, WHO and UNIDO, and currently as external auditor of ILO, COA actively and comprehensively reviews the application of Results-Based Management in the implementation of the agencies' programmes and projects under the Sustainable Development Goals or the SDGs, and the implementation of Enterprise Risk Management in relation to the other governance mechanisms of accountability and internal control.

91. To further enhance COA's reputation, capability and credibility, it continuously aspires for excellence through establishing close collaboration with the INTOSAI and the IPSAS Board, among other professional bodies, so it can progressively carry out its mandate in accordance with international standards. But even if COA receives, it also ensures that it gives. It has been COA's operating philosophy to also contribute to the international public audit community. COA has been a major source of subject matter experts of INTOSAI training initiatives and has collaborated with other SAIs in their bids as external auditors of the UN. In fact, in 2009, COA gave orientation sessions to the auditors of SAI People's Republic of China, its successor in the UNBOA. Most recently, the Accounts Chamber of the Russian Federation, recognizing COA's institutional capability, has requested that COA share its knowledge with the SAI Russian Federation as it prepares to participate in the audit of UN and its specialized agencies.

D.2 COA's value-driven audit approach

92. COA's audit engagements with the UN and its specialized agencies have driven its audit approach to be more insightful and effective in assisting decision-makers, particularly, the delivery of independent assessment of the UN programmes,

operations and results. COA has also calibrated its audits, offering the right foresight to its clients in identifying emerging challenges and current vulnerabilities. These perspectives, and more, have made COA's audits effective vessels of change.

93. Furthermore, COA's audits are closely linked with the following:

- COA anchors its audits on competency and integrity platforms so that its auditors are equipped with the necessary soft and hard skills to assure work quality;
- COA plans and calibrates its audit approaches to best suit the operation models of its clientele for better audit scopes;
- COA uses up-to-date audit tools and techniques necessary to excellently complete the audit undertakings;
- COA closely engages with its clients and other oversight bodies to identify and define areas where risks reside so that audits can bring in more value; and
- COA focuses its resources to audit activities that matter for more effective coverage and value.

D.3 Plans and programmes for IAEA

94. If appointed as External Auditor of IAEA, COA, led by Chairperson Aguinaldo, will strongly and assiduously work to:

- Ensure that **transparency and accountability is instituted** in the IAEA for the efficient and effective use and allocation of resources especially with the adoption of the SDGs;
- Undertake a **risk-based audit approach** to focus its limited resources to aspects of the operations that have the most significant impact on the delivery of services by IAEA;
- Efficiently implement its audit plans and **maximize audit coverage** in areas of operations or in locations that are considered high risks to the delivery of programmes and projects;
- **Continuously dialogue** and work together with the management and staff of the IAEA to be able to develop and put forward recommendations that are truly necessary and implementable, taking due account of best practices and the IAEA's technical, managerial, and financial capacities;
- Endeavor to **deliver in a timely manner its audit reports** to the General Conference and the Board of Governors, and its management letters to the respective Management of the audited offices, to enable them to promptly take corrective actions and decisions;
- **Coordinate with other oversight bodies** like audit committees, programme and budget committee, internal audits, and the Joint Inspection Unit to ensure coordination and coherence of plans and activities and a more comprehensive coverage of their work;

- **Deploy auditors and other experts** who have the professional expertise and experience relevant to and required by the specific audit work assigned, who are physically and psychologically fit for the rigorous and painstaking work, that effective, world-class audit demands, and who have proven relational and communication skills of the highest level; and
- Ensure that the external audit services to the IAEA are delivered in conformity with international audit standards and with **the highest level of integrity and independence**, for the sole purpose of enhancing accountability and transparency in corporate governance.

D.4 Reasonable audit fee

95. COA offers reasonable audit fee commensurate to the costs of daily subsistence allowance, travel related costs and other ancillary costs. The fees do not include the salaries of the audit staff and officials as they were permanent personnel of COA. The auditor-months committed by the IOAC and support staff for the quality control of audit work and outputs are not included in the computation of the proposed audit fee.



MICHAEL G. AGUINALDO

CHAIRPERSON, PHILIPPINE COMMISSION ON AUDIT

CORE COMPETENCIES

Legal, Audit, Governance and Administration expertise acquired from 32 years professional work as private law practitioner, government official and academe professor and external auditor of various UN specialized agencies -

- Providing strategic directions for the conduct of external audit of specialized agencies of the United Nations;
- Formulating operational policies, standards and processes for efficient and effective provision of state accounting and auditing as well as legal and legislative assistance and services;
- Reviewing and providing recommendations on proposed bills and enrolled bills passed by Congress, the legality of treaties, conventions and executive agreements entered into by the government with other countries;
- Conducting legal audit and due diligence in acquisitions and mergers as well as developing corporate and financing structure of special projects in infrastructure, telecommunications and energy sectors;
- Developing and implementing corporate strategy and management systems;
- Reviewing, analyzing, and formulating policy measures, administrative processes, rules and regulations;
- Managing project teams and undertaking performance monitoring, results-based reporting, and communication;
- Employing high-level relational and communication skills;

PROFESSION AND WORK HISTORY

PUBLIC SECTOR

❖ Chairperson, Commission on Audit (25 March 2015- present)

- Chairperson, INTOSAI Working Group on Public Debt
- Vice-Chair, INTOSAI Research Project on Citizen Participatory Audit
- Member, International Organization of Supreme Audit Institutions (INTOSAI)
- Member, Asian Organization of Supreme Audit Institutions (ASOSAI)
- Training Committee, Association of Southeast Asian Nations Supreme Audit Institutions (ASEANSAI)
- Project Leader, Long-term ASEANSAI Programme on ISSAI Implementation

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Commonwealth Avenue
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 coa.gov.ph

 (632) 931-9220
(632) 931-9223

- Member, Constitutional Fiscal Autonomy Group
- Principal- COA, Public Financial Management (PFM) Committee
- Principal- COA, Philippine Inter-Agency Anti-Graft and Corruption Council
- Principal- COA, Multi-Sectoral Anti-Corruption Council

❖ **Chairperson, INTOSAI Working Group on Public Debt**

- Developed guidelines and other informative materials for the use of SAIs to encourage proper reporting and sound public debt management.
- Supported SAIs in developing their knowledge and skills in Public Debt Audit through exchange of knowledge, experiences, information and collaboration among WGP members, partners and stakeholders.

❖ **External Auditor, Food and Agriculture Organization of the United Nations (2015-2019), World Health Organization (2015-2019), International Labour Organization (2016 - present), United Nations Industrial Development Organization (2018-2019)**

- Audit of accounts including all Trust Funds and special accounts of the Organization in conformity with International Auditing standards.
- Made observation with respect to the efficiency of the financial procedures, the accounting system, and the internal financial controls and, in general, the administration and management of the Organizations.
- Recommended measures to improve internal control, enhance accountability and transparency, and operational efficiency and effectiveness of the Organizations.
- Expressed and signed independent audit opinions on the financial statements of the Organizations.
- Prepared, submitted, and presented the Report of the External Auditor to the respective Governing Bodies.

❖ **Deputy Executive Secretary for Legal Affairs, Office of the President of the Philippines (May 2011- March 2015)**

- Head, Investigation Division of the Office of the President
- Chairman, Bids and Awards Committee
- Implemented integrity initiatives consistent with the United Nations Convention Against Corruption.
- Reviewed and prepared decisions on appeals from resolutions, orders and actions of various departments and petitions for executive clemency.
- Reviewed and submitted recommendations on proposed bills and enrolled bills passed by Congress, the legality of treaties, conventions and executive agreements entered into by the government with other countries for consideration of the President.
- Prepared, reviewed and processed Presidential issuances including executive orders, administrative orders, memorandum circulars and proclamations.
- Reviewed and prepared recommendations on government contracts.

PRIVATE SECTOR

❖ **Partner & Member of Executive Committee, Romulo Mabanta Buenaventura Sayoc & de los Angeles law firm (October 1994- May 2011)**

- Special projects in infrastructure, telecommunications and energy sectors.
- Legal audit in acquisitions and mergers and in compliance-related matters for both foreign and domestic corporations.
- Business outsourcing services, e-commerce, corporate law and labor matters
- Public utilities
- Insolvency and corporate rehabilitation proceedings.
- Litigation and arbitration in civil tax, securities, labor cases and special civil actions, petitions and appeals before the Supreme Court.

❖ **Associate, De Borja Medialdea Ata Bello Guevarra and Serapio law firm (December 1992- October 1994)**

- Litigation, labor and corporate matters for domestic and international clients
- Civil law, corporate matters, commercial transactions and labor practice
- Litigation matters before judicial courts, including the Supreme Court and administrative agencies

❖ **Professor, Ateneo De Manila University School of Law (October 1994- present)**

❖ **Faculty member, FEU-La Salle JD-MBA Joint Degree Program (January 2006- April 2011)**

❖ **Faculty member, De La Salle University (September 1987-April 1990)**

❖ **Lecturer, Mandatory Continuing Legal Education seminars**

MEMBERSHIP IN INTERNATIONAL PROFESSIONAL BODIES

- Panel of External Auditors of the United Nations, the Specialized Agencies, and the International Atomic Energy Agency
- International Organization of Supreme Audit Institution
- Asian Organization of Supreme Audit Institutions
- ASEAN Supreme Audit Institutions
- International Federation of Accountants
- Institute of Internal Auditors
- Association of Certified Fraud Examiners
- Information Systems Audit and Control Association

EDUCATION

2019

Doctor of Laws

Honoris Causa

Pamantasan ng Lungsod ng Maynila

Doctor in Public Administration

Honoris Causa

Polytechnic University of the Philippines

1997

Master of Laws

Special Degree in International Economic Law

University of Michigan

1992

7th Placer Philippine Bar Examination

Juris Doctor

Ateneo De Manila University School of Law

1987

A.B. Philosophy

De La Salle University

**Summary of auditors' qualifications, work experience,
and IPSAS/ERP-based audits**

No.	NAME	Professional Qualifications	WORK EXPERIENCE		Number of IPSAS-based Audits Performed	W/ Audit Experience in ORACLE/ ERP
			(No. of Years)			
			UN Organizations	National Organizations		
1	Martin, Lito Q.	CPA, Lawyer, MBA, CICA	10.07	33.49	47	✓
2	Acana, Katrina Q.	CPA, Lawyer	0.41	12.73	5	✓
3	Acebedo, Marie Frances Hazel S.	CPA	0.41	20.07	5	✓
4	Agcaoili, Ronald T.	CPA, MBA	0.16	19.84	2	✓
5	Andres, Jeselton Jae E.	CPA	0.33	10.72	4	✓
6	Ansing, Aries A.	CPA, LLB	0.41	10.27	5	✓
7	Asnawi, Arman H.	CPA, MPA	0.33	9.68	4	✓
8	Awilan, Nikki D.	CPA, MBA	0.25	19.76	3	✓
9	Balibay, Clint D.	CPA	0.49	12.73	6	✓
10	Banauag, Noelle Charmaine P.	CPA	0.33	10.63	4	✓
11	Barcelona, Ricelyn D.	CPA, MBA, CFE	0.49	20.18	6	✓
12	Barillo, Frederick R.	CPA, Lawyer	0.58	10.71	7	✓
13	Bautista, Jocelyn B.	CPA	0.33	21.84	4	✓
14	Cabantud, Racel A.	CPA, Lawyer	0.49	11.18	6	✓
15	Camacam, Nadja Lyn A.	CPA, MBA	0.58	10.3	7	✓
16	Cinco, Kathleen E.	CPA, LLB	0.58	22.2	7	✓
17	Clavio, Jo Anne Bless A.	CPA	0.25	8.83	3	✓
18	Cuarteros, Myra Eliza T.	CPA, MBA	0.25	19.84	3	✓
19	Daen, Melissa M.	CPA, MMgt	0.41	22.29	5	✓
20	Denoyo, Mark Denvill V.	CPA, MBA	0.49	16.12	6	✓
21	Domingo, Osana Theresa D.	CPA, Lawyer, MBA	0.58	27.78	7	✓
22	Duaban, Frebe G.	CPA	0.49	10.81	6	✓
23	Fernandez, Dorothy P.	CPA, MPM	0.49	20.18	6	✓
24	Gepte, Shogar-Ann V.	CPA	0.25	12.18	3	✓
25	Gonzales, Juan Carlos V.	CPA, CFE, CFA, CICA	0.58	10.83	7	✓
26	Gutay, Ma. Luisa P.	CPA, CFE	0.41	12.87	5	✓
27	Ignacio, Jeni Theresse E.	CPA, MBA	0.49	9.77	6	✓
28	Lagunoy, Estela Marie B.	CPA, MBA, CFE	0.58	32.03	7	✓
29	Lamen, Sherilyn Racquel D.	CPA, LLB	0.41	22.15	5	✓
30	Lao, Cherrybelle A.	CPA, MBA	0.41	20.4	5	✓
31	Lazaga, Jessah Mae C.	CPA	0.25	10.7	3	✓
32	Lazo, Nonavi I.	CPA, LLB	0.49	13.62	6	✓
33	Lorenzo, John Ian S.	CPA, Lawyer, CFE	0.49	15.56	6	✓
34	Manaoat, Omar G.	CPA, LLB	0.41	20.44	5	✓

No.	NAME	Professional Qualifications	WORK EXPERIENCE		Number of IPSAS-based Audits Performed	W/ Audit Experience in ORACLE/ ERP
			(No. of Years)			
			UN Organizations	National Organizations		
35	Mangacop, Fahad D.	CPA, Lawyer	0.33	10.48	4	✓
36	Manubay, Kimberly Anne T.	CPA, MBA	0.16	10.29	2	✓
37	Marcos, Ma. Carmela E.	CPA, MBM, CIA	0.25	14.99	3	✓
38	Marcos, Dondon P.	CPA, MBM, CFE, CIA, CICA	6.64	14.95	21	✓
39	Martinez, Gretchen Grace T.	CPA, MMgt	0.25	11.18	3	✓
40	Mendoza, Jonah C.	CPA	0.49	11.56	6	✓
41	Mendoza, Marah M.	CPA, MPA	0.41	20.7	5	✓
42	Mistiola, Maria Cristina Irene F.	CPA, CIA, CFE	0.33	11.4	4	✓
43	Pandi, Raymond John Z.	CPA, MPA	0.41	8.49	5	✓
44	Perez, Rowena D.	CPA, MBA	0.41	22.16	5	✓
45	Periquet, Kathrina May N.	CPA	0.33	12.77	4	✓
46	Pio, John Gilbert P.	CPA	0.41	8.85	5	✓
47	Pito, Janet L.	CPA	0.41	22.19	5	✓
48	Reynoso, Isaiash C.	CPA, CISA	0.33	21.93	4	✓
49	Silloriquuez, Mark C.	CPA	0.74	15.32	9	✓
50	Soriano, Rosalie C.	CPA	0.33	6.74	4	✓
51	Catalan, Mary Ann S.	CPA	0.49	9.73	6	✓
52	Sunico, Tracy Ann D.	CPA, MBA	0.82	20.74	10	✓
53	Tabinas, Amy Joane C.	CPA	0.49	12.8	6	✓
54	Tagadan, Analou P.	CPA, MBA	0.33	13.06	4	✓
55	Tiongson, Eumaida P.	CPA, Lawyer, MPA	0.90	20.49	11	✓
56	Ugay, Rhodora F.	CPA	0.66	36.57	8	✓
57	Vegas, Maria Vanessa B.	CPA, MBM	0.25	9.81	3	✓
58	Visaya, Heherson P.	CPA, MBM, CICA	4.64	27.12	25	✓
59	Wahing, Rholyn P.	CPA	0.41	12.09	5	✓
60	Yap, Marita A.	CPA	0.25	20.63	3	✓

*Legend:

CPA - Certified Public Accountant

CFE - Certified Fraud Examiner

CIA - Certified Internal Auditor

CICA - Certified Internal Control Auditor

CISA – Certified Information Systems Auditor

LLB - Bachelor of Laws degree

MBA - Master in Business Administration

MPA - Master of Public Administration

MM - Master in Management

MM-BM - Master of Management in Business in Management

MPM - Master in Public Management

MGM - Master in Government Management

MAC - Master in Accountancy

MNSA - Master in National Security Administration

COMMISSION ON AUDIT

PROPOSAL FOR THE PROVISION OF EXTERNAL AUDIT SERVICES TO THE INTERNATIONAL ATOMIC ENERGY AGENCY (IAEA)

For the financial periods 2022 to 2027

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





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

No.VN-PH-43-2021

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, further to this Mission's VN-PH-401-2020 dated 18 December 2020 nominating the Commission on Audit (COA) of the Republic of the Philippines for the post of External Auditor for 2022-2027, has the honor to transmit the enclosed "*Addendum to the Proposal of the Commission on Audit of the Republic of the Philippines for the Provision of External Audit Services to the International Atomic Energy Agency (IAEA)*". The Addendum contains supplemental and additional information with regard to the calculation of COA's audit fees, including in the event of a remote audit.

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, 26 January 2021

The Secretariat
International Atomic Energy Agency
Email: Official.Mail@iaea.org



Enclosures: As stated.

**ADDENDUM TO THE PROPOSAL OF THE COMMISSION ON AUDIT OF THE
REPUBLIC OF THE PHILIPPINES FOR THE PROVISION OF EXTERNAL AUDIT
SERVICES TO THE INTERNATIONAL ATOMIC ENERGY AGENCY (IAEA)**

Subject of the Addendum : Section C, paras. 65-66 and Section D.4, para. 95 of COA’s proposal

A. Supplemental information to Section C, paras. 65-66 and Section D.4, para. 95 of COA’s proposal

1. As provided in Section C.1 of our Proposal for the provision of external audit services to the IAEA, our proposed annual audit fee is Two Hundred Forty Thousand Seven Hundred Seventy-seven and 34/100 Euros (EUR 240,777.34) for the financial periods covering 2022-2027, as shown below:

Particulars	Daily Subsistence Allowance	Travel and Related Costs	Total
Services at Headquarters	166,584.32	36,643.61	203,227.93
Services at Regional Offices	27,009.22	10,540.18	37,549.41
Total	193,593.54	47,183.79	240,777.34

2. The proposed annual audit fee mainly includes daily subsistence allowance (DSA), provision for travel expenses and other related costs. The calculated fee was inclusive of costs related to the following audit activities:

- a. *Planning* – A five-day activity (for each audit visit) to be performed to understand the client as well as identification of important audit areas, potential risks, and problems with the end view of ensuring that a high quality audit will be carried out. It is also during the planning activities that a Senior External Auditor assigns or designates audit areas to the team members. Results of the planning activities are presented and reviewed by the Technical Working Group of COA’s International Organizations Audit Committee (IOAC) as part of COA’s quality control measure. Participants of the planning activities includes the Chairperson of COA, Director of External Audit, Quality Assurance Reviewers and the audit teams. In our proposal, we only calculated the cost related to planning activities to a minimal amount of EUR 1,194.01 for the 145 audit man-days or 4.83 auditor-months for each financial period since the said activity will be performed in Manila, Philippines.
- b. *Execution/ Fieldworks* – During audit execution/ fieldwork, the audit team implements the results of the planning activities such as those indicated in their Audit Programmes and Initial Planning Memorandum. Gathering of sufficient

appropriate evidence through substantive testing as well as issuance of audit queries/memorandum to concerned officials are being performed during this stage of the audit. Daily subsistence allowance related to execution/ fieldwork amounts to EUR 191,946.64 for the 804 man-days or 26.80 auditor-months per financial period. We used the equivalent EUR value on DSA rate of USD 300.00 per man-days for audit of Headquarters and USD 240.00 for audit of Regional Offices which is lower than the ICSC DSA rate of USD 320.00.

- c. *Reporting* – Immediately after completing the audit, reports such as Management Letters (ML), Independent Auditors Report (IAR) and Report of the External Auditor are being prepared based on the audit findings and recommendations raised during the fieldworks. A multi-level review by the Quality Assurance Reviewers and the Director of External Audit will be implemented to ensure high quality audit reports are issued to the IAEA. We will also afford comments of Management to the issues raised to ensure balanced reporting. Reporting stage includes the participation and dedication of COA Chairperson, Director of External Audit, Quality Assurance Reviewers, and Senior External Auditors. Costs related to reporting only amounts to EUR 452.90 for the 55 man-days or 1.83 auditor-months for each financial period.

3. Meanwhile, travel and related costs per audit period amounting to EUR 47,183.79 is inclusive of travel costs (estimated costs of plane tickets) of EUR 38,290.51, and other related costs of EUR 8,893.28. We estimated that the travel cost per plane ticket for audit visit to Headquarters and Regional Offices are EUR 1,235.18 and EUR 1,646.90, respectively. Moreover, other related costs includes overhead, administration, review, supervision and contingency costs.

B. Additional information on the process and fees involved in the event of a remote audit

4. As the global effects of the COVID-19 pandemic continue, alternative auditing techniques such as remote audit approach needs to be implemented in order to continuously deliver external audit mandate. In case of remote audit, we propose an annual audit fee of One Hundred Sixty Thousand Five Hundred Forty and 18/100 Euros (EUR 160,540.18). The proposed audit fee includes only the daily subsistence allowance at a rate of USD 10.00 per man-days for planning and reporting, and USD 240.00 per man-days for execution/ fieldwork. Relatedly, travel and other related costs was not included in the proposed audit fee in case of remote audit. The details of our calculated annual audit fee (in Euros) in case of a remote audit are provided below:

Particulars	Daily Subsistence Allowance
Services at Headquarters	133,530.96
Services at Regional Offices	27,009.22
Total	160,540.18

5. In case of a possibility of another lockdown or travel restrictions, we will coordinate and engage intensively with the IAEA Management to discuss and agree on the preferred process in order to execute the audit mandate. Nevertheless, the Commission on Audit of the Republic of the Philippines wishes to inform the IAEA that we already implemented remote auditing during our audits of International Labour Organization (ILO), World Health Organization (WHO), and the United Nations Industrial Development Organization (UNIDO).

6. The SAI Philippines delivered its mandate to its client-international organizations by taking the first step to address the challenges in implementing remote auditing, such as:

- a. *Leveraging on the use of available technological resources in the performance of audit works* – We used reliable virtual communications tools in performing our remote audits like Zoom, GoToMeeting, Skype for Business, Join.Me, among others.
- b. *Keeping track all requests in one place* – It may be trivial but we deemed it critical in affording timely collection of data or information from the management. It is also helpful to have visibility into the individuals that are responsible for performing the control processes to be cognizant that some control owners that you need to interview are available or not, so you can make timely adjustments to your testing plan and schedule. We arranged with management that all documents needed for the audit are place in a sharepoint or folder where we could access in the Philippines.
- c. *Keeping client engaged in the audit* – Ideally, in-person interactions with management are invaluable when we perform our audits. Nonetheless, we implemented remote auditing by keeping positive interactions with management, there are times talking about non-work related items and we focused on how to deepen the relationship and lend support as well as getting feedback from the management. We made sure that interviews are properly scheduled considering the time zones and issues needed to be resolved in a virtual meeting are provided in advance.
- d. *Keeping audit team engaged in the audit* – We implemented ways to provide some structure for the team to do their best work remotely. We instituted a regular virtual meeting where team members talk about the audit progress and their priorities, where they are stuck and what pressing questions they may have. In doing this, it provides opportunities for team members to discuss where they need quick support, stay informed on client-side developments, and enables providing response to emerging challenges.
- e. *Strengthened supervision and control* – When audit team members are geographically dispersed during the duration of the audit, managing remotely

requires a more reinforced supervision and control. Hence, in all stages or activities, the audit works were closely supervised by the Director of External Audit. We critically ensure that more than one level of experience and judgment is brought to bear on the work carried out and on the conclusions reached, to minimize the risk of error being overlooked, and to ensure that the work has been performed in accordance with the audit standards. Likewise, we strengthened our audit quality controls to ensure that we are constantly acquiescent with the generally accepted audit quality control review.

7. The SAI Philippines strived for quality as well as value-adding audits despite being in a challenging environment. In implementing remote audits, we strengthened our International Organizations' Audit Committee (IOAC) with a Technical Working Group (TWG) composed of COA senior officials to ensure quality on our audit plans, programmes, execution and reports.

8. Before any team deployment, an audit planning and briefing must be conducted by the IOAC. Audit planning documents shall be reviewed by the Audit Director and TWG before presentation to the IOAC. Likewise, Management Letters and Audit Reports undergo the same process before these are released to the audited Organization. In all stages or activities, the audit work shall be closely supervised by the Chairperson and the IOAC through the Director of External Audit.

9. Overall despite the challenges on remote auditing, we were able to complete the audit, observe the applicable international standards on auditing and deliver the audit reports required from us by our auditee-organizations.

21-00129E
Translated from Russian

**ПОСТОЯННОЕ ПРЕДСТАВИТЕЛЬСТВО
РОССИЙСКОЙ ФЕДЕРАЦИИ ПРИ
МЕЖДУНАРОДНЫХ ОРГАНИЗАЦИЯХ В
ВЕНЕ**



**PERMANENT MISSION
OF THE RUSSIAN FEDERATION TO THE
INTERNATIONAL ORGANIZATIONS
IN VIENNA**

Erzherzog-Karl-Strasse 182
A-1220 Vienna

Tel. (043-1) 282 53 91, 282 53 93
Fax (043-1) 280 56 87

No. 4961-n

The Permanent Mission of the Russian Federation to the International Organizations in Vienna presents its compliments to the Secretariat of the International Atomic Energy Agency and, with reference to the note by the Secretariat, Ref. 2020/Note 79 of 20 November 2020, has the honour to forward a copy of the application of the Accounts Chamber of the Russian Federation to participate in the competitive selection process for the External Auditor of the IAEA for the period 2022–2027, along with the associated presentation.

In the light of current logistical constraints, the original application cannot be delivered by the closing date given in the aforementioned note by the Secretariat (8 January 2021). We would therefore ask the Secretariat to consider this application as official, on the understanding that the original will be sent at a later date.

The Mission avails itself of this opportunity to renew to the Secretariat the assurances of its highest consideration.

[stamp of the Permanent Mission of the
Russian Federation to the International
Organizations in Vienna]
Vienna, 31 December 2020

SECRETARIAT OF THE INTERNATIONAL
ATOMIC ENERGY AGENCY
Vienna



PROPOSAL

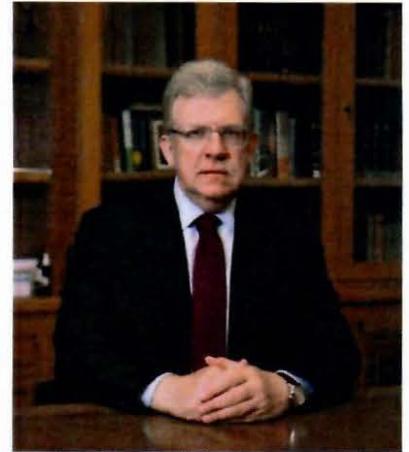
ACCOUNTS CHAMBER OF THE RUSSIAN FEDERATION EXTERNAL AUDITOR APPOINTMENT

Moscow, 2020

Introduction: Chairman of the Accounts Chamber of the Russian Federation

Dear member states,

With regard to the appointment of the External Auditor of the International Atomic Energy Agency (IAEA) for the financial years 2022 – 2027, we are pleased to express interest of the Accounts Chamber of the Russian Federation (Accounts Chamber, ACRF) to put forward our candidacy for the appointment.



Our vision is to focus on value-adding activities that create sustainable growth of social, environmental and economy dimensions of the organizations we audit. This means our program is tailored for the organization assuming its purpose, core values, strategic objectives and business specifics.

Our mission is to deliver high quality professional services with integrity, competence and due care. Promote transparency, accountability and focus on benefits for the global society coming from fair and responsible governance in the audit. In this context, we look at External Auditor's role not only from control function standpoint. Auditor's main function is to be a partner of the Organization and its members.

Currently, the Accounts Chamber acts as Chairman of the International Organization of Supreme Audit Institutions (INTOSAI). We are running a number of international projects, including the audit of the United Nations Industrial Development Organization (UNIDO) and the audit of the International Anti-Corruption Academy (IACA). In addition, the Accounts Chamber's experts are permanent members of the Independent Audit Advisory Committee and the group of independent external auditors. We believe, that such broad experience will support our complex program of IAEA External auditor.

On our audit engagements we propose trending mix of on-site and remote audit in COVID-19 context. In addition, we apply international best practices, including risk-based approach, streaming Big Data analytics techniques and various Data Science tools. Our audit team is built of multiple experts with international experience more than 10 years and practical knowledge of various industries.

In the current proposal we would like to present key information of Accounts Chamber, audit approach and fee. We are looking forward to step forward.

Sincerely,

Aleksei Kudrin

Chairman of the Accounts Chamber of the Russian Federation

A handwritten signature in blue ink, consisting of several overlapping loops and curves, positioned to the right of the typed name and title.

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I. THE CV OF THE ACCOUNTS CHAMBER'S CHAIRMAN

Aleksei Kudrin is the Chairman of the Accounts Chamber of the Russian Federation and one of the key economy experts of Russia. He has extensive experience in regards of financial reporting and control at multiple governmental levels. In addition, Aleksei Kudrin is Chair of INTOSAI for the period 2019-2022. This Organization includes 195 supreme audit institutions (SAIs) all over the world. In November 2019 Aleksei Kudrin was also appointed as UN External auditor, so his broad international experience is diversified and seems to be valuable for IAEA.

Summary of Mr. Kudrin key mandates and jobs description for the past 30 years:

- 2020-2022. External auditor of United Nations Industrial Development Organization (UNIDO). As Engagement Leader Aleksei Kudrin is leading diverse team and demonstrating deep understanding of the business noting key issues of the organization. His audit approach is transparent and well-structured. In addition, 2020-year work is performed 100% remotely with no compromise to the audit process and quality.
- 2012-2018 Aleksei Kudrin held leading positions in economy strategic development organizations (Center for Strategic Research). This position upscaled and upgraded competence of Mr. Kudrin making his vision focused on trending technologies and processes, so valuable in the audit.
- 2000-2011 Aleksei Kudrin was the Russian Minister of Finance. He was repeatedly recognized Finance Minister of the Year by reputable British financial publications. As the Russian Finance Minister Aleksei Kudrin contributed to Russia's joining the Financial Action Task Force on Money Laundering (FATF). In addition, he supported compliance to FATF recommendations to Russia later on. As the Minister of Finance Aleksei Kudrin managed to significantly improve Russia's position in Open Budget Survey.
- In 1990s Aleksei Kudrin was at different governmental positions, including the Deputy Head and Comptroller General of the Russian President Office in 1993-1996 and Head of Financial Department in Saint Petersburg's Mayor's Office paying special attention to the effective utilization of public resources.

II. General information

The Accounts Chamber is practicing and developing competences of staff in strategic audit that aims to external oversight on the achievement of nationally agreed targets including those linked to the Sustainable Development Goals (SDGs).

The Accounts Chamber of the Russian Federation is the supreme state audit institution (SAI) established in accordance with the Constitution of the Russian Federation. The tasks of the Accounts Chamber include organization and monitoring of the intended and effective use of federal budget funds and auditing the feasibility and efficiency of achieving strategic goals of social and economic development of the Russian Federation.

In the capacity of control body, the Accounts Chamber promotes transparency and efficiency in management of budget funds and public resources in general, promotes greater accountability of government bodies and increases orientation of their activities for implementation of public interests.

In accordance with the Lima Declaration of the International Organization of Supreme Audit Institutions (INTOSAI), the Accounts Chamber of Russia is functionally and organizationally independent of the government authorities it audits.

In 2018-2021, the Accounts Chamber of the Russian Federation is the President (Chair) of INTOSAI.

Accounts Chamber of the Russian Federation Structure

The Accounts Chamber consists of the Board and Office. The Board is the main governing body of the institution. It considers the main issues of the activities of the Accounts Chamber. The Board consists of the Chair of the Accounts Chamber, Vice Chair, 12 Members of Board and the Head of Office (with the right of deliberative vote).

The Chairman of the Accounts Chamber is appointed by the State Duma for a term of six years on the proposal of the President of the Russian Federation. The Deputy Chairman of the Accounts Chamber is appointed by the Federation Council for a term of six years on the proposal of the President of the Russian Federation. The Federation Council and the State Duma each appoint six auditors of the Accounts Chamber for a term of six years on the proposal of the President of the Russian Federation. The same person has no right to hold the above positions for more than two consecutive terms.

Relevant local and international experience

- Public sector – 25 years
- United Nations organizations (UN Independent Audit Advisory Committee (IAAC) – 13 years
- International Anti-Corruption Academy (IACA) – 4 years
- The Union State of Belarus and Russia – 19 years

- The Eurasian Customs Union – 5 years
- The Eurasian Economic Union (EEU) – 5 years
- Joint and parallel audits with foreign SAIs – 24 years (over 100 of audits)
- United Nations Industrial Development Organization (UNIDO) – External Auditor for 2020 – 2022
- International Organization of Supreme Audit Institutions (INTOSAI):
- Chair of the Governing Board for 2019 – 2020
- European Organization of Supreme Audit Institutions (EUROSAI) and Asian Organization of Supreme Audit Institutions (ASOSAI). Participates in Working Groups on:
 - ✓ Information Technologies
 - ✓ Environmental Auditing
 - ✓ Audit of Funds Allocated to Disasters and Catastrophes
 - ✓ Task Force Audit & Ethics
 - ✓ Regional Working Group on Environmental Auditing
- Joint and Parallel audits since 1999
- Auditing experience of United Nations organizations
- UN Independent Audit Advisory Committee (IAAC) from 2008 to 2022

III. Audit of the IAEA

Accounts Chamber of the Russian Federation (ACRF) currently acts as UN External auditor. At this role ACRF actively promotes international auditing core trends including innovative thinking & technologies, integrated assurance where risk response aims to direct assurance activities to where they will create the most value for the organization.

Scope of the audit

The audit is planned in conformity with International Standards on Auditing (ISA) and professional pronouncements of auditing standards in the public sector The International Standards of Supreme Audit Institutions (ISSAI).

Financial statements prepared under IPSAS and UN accounting guidance.

The audit scope includes the following directions:

- Financial Statements audit to assure whether financial reporting is free from material misstatements.
- Performance audit to consider whether financial management and governance perform economically, efficiently and effectively to achieve the purpose for which organization was established.

Based on scope above ACRF as an auditor provides to the organization the following reports:

- External auditor report. This report includes audit opinion on financial statements and key considerations (recommendations) in respect of economy, effectiveness and efficiency.
- Reports to those charged with governance with interim and final considerations. Interim highlights are helpful to the auditee's management understand areas of focus on timely basis.
- Interim presentations of work done and considerations noted in the audit. Close communication and cooperation with auditee create relationships that make auditor the strategic partner of the organization.

The following topics used to be addressed as part of communication with auditee's management:

- IT audit considerations. This involves understanding the organization's IT environment and IT systems (including ERP system):
 - **Effectiveness of IT general controls (ITGC)** and management steps to respond identified risks and IT gaps.
This area helps to understand whether organization designed IT in the way that is able to prevent or detect material misstatement.
 - **Operation of internal controls**, including IT and IT-dependent.
Auditor considers whether effective controls are designed and operating in the way that organization is running business effective. Aim of the auditor is to identify areas where processes shall be automated (instead of manual doing) and controls shall be implemented.

- **Cybersecurity considerations.**

Remote works and moving organization's resources to open platforms elevates cybersecurity risks dramatically.

Auditor considers effectiveness of management actions and attitude from the one side, and technical security of the organization from another. Procedures include cybersecurity assessment and penetration testing, so management receives very important insight on whether organization is actually protected from external and internal attacks.

- Processes overview. UN organizations have quite complex interconnected processes, so it's important to consider legacy processes and room for processes development and redesign. ACRF bases financial audit on core processes of the organization, so audit considerations and findings are strongly connected to the organization's business. Auditor defines 12-15 key processes and designs program based on them.

Key IAEA processes include:

- Understand IT environment: assess key elements of IT environment, key IT controls and their design effectiveness
- Financial Statements Closure process (FSCP): preparation trial balances in Oracle (and other ERP-systems and modules if applicable), preparation of financials (including cash flows, changes in equity, budget, segment reporting)
- Projects management and organizations structure
- Budgeting: process of preparation and approval RB, TC budget, extrabudgetary and other sources
- Revenue and receivables:
 - a) Assessed contributions and receivables
 - b) Voluntary contributions, including contributions in kind.
 - c) Deferred revenue related to assessed contributions, TCF, NPC
 - d) Other revenue (investment revenue, other, etc.)
- Payroll including in-house employees and consultants
- Purchases and payables
- Operating and other expenses
- Cash receipts and cash disbursements (including deposits and other investments)
- Capital assets, including fixed assets, construction-in progress, intangibles and depreciation & amortization
- Employee benefits (post-employment plans)
- Provisions and other estimates (including impairment and allowance for doubtful accounts)
- FOREX: realized and unrealized foreign exchange gains/ losses.

Audit approach

In order to deliver professional services ACRF designs detailed audit program. This program provides deep insight of audit process for the auditor and auditee. Key aspects of the program are highlighted below.

Audit includes key stages: planning, execution audit and completion stage (final).

Suh approach helps auditor allocate the work among the financial year, so management receives feedback and findings on the interim stages. This helps those charged with governance timely react on identified gaps and consider identified gaps in the annual financial reporting process. The process of audit is based on the following procedures:

- Planning procedures (including description of processes (narratives) and their walkthrough.
- Substantive work: substantive analytical procedures to identify key risk-areas and test of details to inspect supporting documents.
- Controls: test of controls, including IT, IT-dependent and manual controls designed and operating.

The combination of these procedures helps auditor to perform combined risk-assessment based on complexity of the transactions and their risk.

Planning stage

At the planning stage auditor performs the following imperative steps:

- **Detailed plan development.** Transparent planning helps auditor and auditee plan resources accurately and provides opportunity for early feedback on the focus areas. ACRF provides “big picture plan” with overall audit strategy driven by key risks and detailed plan with 400-450 tasks allocated to team.
- **Information requests and interview.** Designed process of information request helps auditor keep effectiveness, because duplicate or unnecessary requests are minimized. Interview checklists provide understanding of the procedures purpose, so the communication is focused.
- **Identification significant classes of transactions (SCOTs).** This approach helps auditor to design strategy around areas where material misstatement may be identified and key inefficiencies may be noted. Considerations around less risky areas are minimized.
- **Process-based audit.** Understanding the process helps auditor at the early steps get the insight, how the organization is operating and what are potential wrong-doings. So, the audit strategy includes procedures that are tailored to the organization, rather than performing unnecessary abstract procedures. Identified risks are attached to real process-steps of the organization, so management is able to respond issues noted fast.
- **Interim test of details.** Running interim work helps auditor decrease rush and pressure during final audit. This helps auditor to keep focus on annual financials, rather than supporting documents inspection for the whole period.

Planning stage results:

- 12-15 process narratives (including Visio-based schemes), walkthrough

for every process that is attached to significant class of transactions.

- Lead schedules and breakdowns for all key accounts
- Interim test of details: inspection supporting documents for 8-11 months (depending on interim procedures timing).

Execution stage

At the execution stage substantive tests are performed. The work is smoothly integrated with planning stage, so most of procedures are performed before final part of engagement where annual financial statements are ready for audit. Key ACRF approached to execution:

- Analysis is performed on Data analytics platforms. Data-driven analysis helps to identify various suspicious transactions just looking into the organizations data. This minimizes support auditor inspects and increases value from the procedures because conclusions are more systematic and wide-spreading, rather than local and narrow.
- IT audit helps to find balance between assessment of controls (ability of the organization to prevent and identify misstatements) and substantive work (inspection of supporting documents).
- Substantive analytic and test of details.

Also, execution stage includes performance audit. Auditor performs assessment of processes identified at planning stage and concludes what are processes for performance audit. Selection process for performance audit review is based on key stakeholder's interest and usually involves 3-5 processes for audit.

Performance audit involves not only understanding of the process flow, but also performance of maturity assessment. Auditor performs detailed analysis using set of dimensions and provides overview: where organization is, what are key benchmarks across the peer group. Assessment is performed using various approaches including ISO, ISSAI and various ACRF practical techniques.

Benchmarking the IAEA process versus peer groups will provide deep understanding of the actual organization performance and will help prioritize management actions.

Execution stage results:

- Completed test of details and test of controls
- List of preliminary audit observations and conclusions, other information to be reported under ISA 260 – communication to those, charged with governance

Completion stage

Final audit stage includes wrap-up audit procedures, including year-end test of details and test of controls and preparation final External auditors report with conclusions and observations.

Completion stage results:

- External auditor's report

The audit team for the IAEA

Independence, professional competence, scientific approach, evidential basis and ethical norms are the core values for the ACRF in high-quality audit and consultancy.

The staff assigned to the audit of the IAEA has excellent knowledge and skills in audit, has been involved in many projects both at the national level and abroad.

Our selected members of the audit team have cumulatively work experience in ministries and other federal structures, international accounting and auditing firms and public companies. The auditors of the ACRF are qualified and experienced in such areas as: financial audit, management and value-for-money audits, performance audit, IT audits including cybersecurity. Accounts Chamber conducts annual financial audits of “Rosatom” State Nuclear Energy Corporation and a number of other nuclear related state bodies.

With adoption of a new development strategy of the Accounts Chamber in 2018 and taking into consideration the future directions for public auditing approved by “Moscow declaration” at the XXIII INTOSAI Congress in Moscow in 2019 our auditors are currently improving their competences in the area of SDGs and strategic audits.

Some members of the audit team are also actively involved in the development of standards and guidelines in the framework of INTOSAI.

Audit fee

We prepared breakdown of the auditor's fees as follows below. Fees are assessed in thousands EUR and based on expert's composition tailored for IAEA's needs:

#	Fee Description	Amount, th's EUR 1 year	Amount, th's EUR 6 years
1	Travel expenses	110,4	662,4
2	Audit fee	72	432
Total amount		182,4	1 094,4

Travel expenses information breakdown:

#	Travel Expenses Inputs	Amount 1 year	Amount 6 years
1	Audit team members	12	
2	Number of trips in full months: - HQ: Vienna, Austria - Liaisons Office: Geneva, Switzerland - Research Labs: Seibersdorf, Austria - International Centre for Theoretical Physics: Trieste, Italy	2	12
3	Travel expenses per 1 team member per month (accommodation, flights, etc.)	4,6 th's EUR	
Total travel expense, th's EUR		110,4	662,4

#	Audit fee	Amount 1 year	Amount 6 years
1	Audit team members: <i>team 9 people, manager, director, engagement leader</i>	12	
2	Number of working months	4	24
3	Average salary per month per person	1,5 th's EUR	
Total audit fee, th's EUR		72	432



2020

APPOINTMENT OF EXTERNAL AUDITOR

*Proposal for audit 2022-2027
International Atomic Energy Agency*

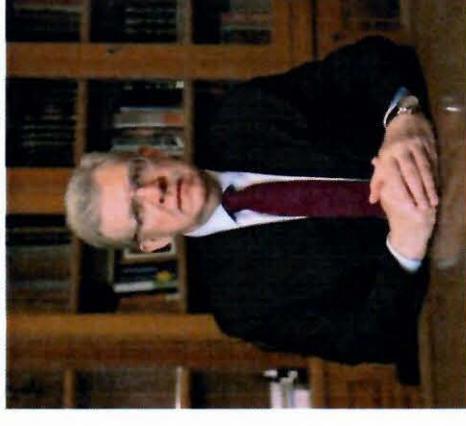
The Accounts Chamber of the Russian Federation

The Chairman of the Accounts Chamber of the Russian Federation

Dear Member States,

Let us express our gratitude for the opportunity to put forward the candidacy of the Accounts Chamber of the Russian Federation for the appointment of the External Auditor of the International Atomic Energy Agency (IAEA) for the financial years 2022 – 2027.

We are pleased to present our vision and approach to the audit of the IAEA in conformity with International Standards on Auditing (ISA) and professional pronouncements of auditing standards in the public sector as well as the specifics of the IAEA.



Kind regards,

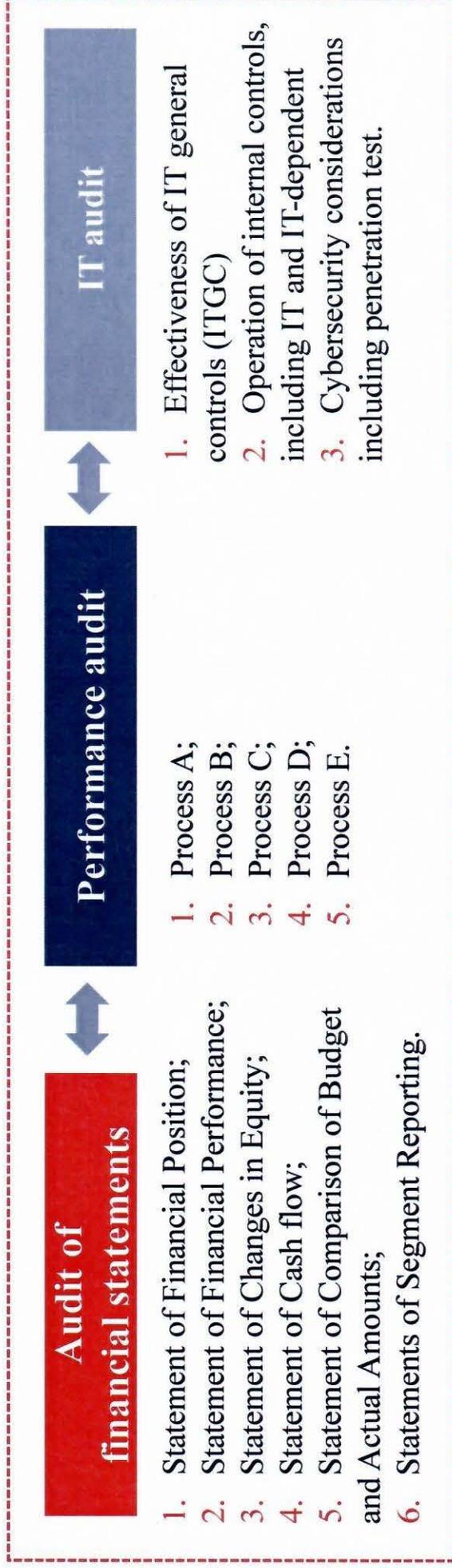
Aleksei Kudrin

The Chairman of the Accounts Chamber of the Russian Federation

A handwritten signature in blue ink, which appears to be 'AK', written in a stylized, cursive script.



Scope of Audit



REPORTS TO BE PREPARED

External Auditor Report

Interim report to those charged with governance

Interim presentations of work done



Audit Project Flow



Audit approach aligned for all audit streams: financial audit, performance audit and IT audit.

<ul style="list-style-type: none">• Planning procedures, including description of processes (narratives) and their walkthrough;• Detailed audit strategy and risk assessment to identify key risk areas.	<ul style="list-style-type: none">• Substantive work: analytical procedures and test of details to inspect supporting documents.• Controls: test of controls, including IT, IT-dependent and manual controls designed and operating.	<ul style="list-style-type: none">• Wrap-up audit procedures
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External Auditor Report



Planning

1	Detailed plan development
2	Information requests and interview
3	Identification of significant classes of transactions (SCOTs)
4	Understanding of key processes and preparation of their descriptions (narratives)

Planning stage results

- 12-15 process narratives (including Visio-based schemes), walkthrough for every process to every significant class of transactions;
- Breakdowns and interim inspection of supporting documents for key accounts;
- Assessment of IT environment and design of key controls;
- Significant risks identified.



Execution and Completion

FINANCIAL AUDIT

- Analytics is performed on Data science platforms;
- IT audit helps to find balance between assessment of controls (ability of the organization to prevent and identify misstatements) and substantive work (inspection of supporting documents);
- Substantive analytic and test of details (inspection of supporting documents).

PERFORMANCE AUDIT

- **3-5 processes** for performance audit selected based on key stakeholder's interest: investigation whether key processes prepared using economy, effectiveness and efficiency principles;
- **Maturity assessment:** where organization is compared to peer group and what are key benchmark. Assessment is performed using various approaches including ISO, ISSAI and various Accounts Chamber of the Russian Federation practical techniques.

COMPLETION

- Wrap-up all documents;
- Preparation of External Auditor Report and other reports to communicate with those charged with governance.



Key IAEA processes

Audit considerations and findings are strongly connected to the organization’s business operations. Auditor defines **12-15 key processes** and designs audit program based on them.

We considered potential processes that shall be considered for financial and performance audit:

- | | |
|---|--|
| 1 | Understand IT environment (ITGC assessment) |
| 2 | Financial statement closure process (FSCP) |
| 3 | Project management and organization structure |
| 4 | Budgeting |
| 5 | Revenue and receivables |
| 6 | Payroll including in-house employees and consultants |
| 7 | Purchases and payables |

- | | |
|----|---|
| 8 | Operating and other expenses |
| 9 | Cash receipts and cash disbursements |
| 10 | Capital assets, including fixed assets |
| 11 | Employee benefits (post-employment plans) |
| 12 | Provisions and other estimates |
| 13 | FOREX |
| 14 | 15 |
| 15 | Other processes |



Audit Fee

#	Fee description	Amount, th's EUR per 1 year	Total amount, th's EUR for 6 years
1	Travel expenses	110,4	662,4
2	Audit fee	72	432
	TOTAL	182,4	1 094,4

#	Travel expenses breakdown	Amount
1	Number of years	6
2	Number of audit members	12
3	Number of trips per 1 year	2
4	Accommodation, tickets and other travel expenses, per 1 trip per person	4,6 th's EUR
	Total travel expense for 6 years	662,4 th's EUR

#	Audit fee breakdown	Amount
1	Number of years	6
2	Number of audit members	12
3	Number of working month, per year	4
4	Average salary, per month per person	1,5 th's EUR
	Total audit fee for 6 years	432 th's EUR



Additional information on the auditing work

PLANNED ON-SITE VISITS

- **12 audit visits;**
- **12 audit members;**
- **22 working days per visit.**

OUR AUDIT TEAM

The auditors of Accounts Chamber of the Russian Federation:

- Qualified in international auditing (ACCA, DipIFR, other qualifications);
- Experienced in international audit more than 10 years;
- Experienced in UN audit including 3 streams: financial, performance (project management, procurement, value-for money) and IT audit;
- Actively participate in international events including INTOSAI working groups (Big data, etc.), UN events (Panel of External auditors), foreign SAIs experience exchange.





Thank you

Accounts Chamber of the Russian Federation

2020



Z-2021/68324910/32185556 -

The Permanent Mission of the Republic of Turkey to the Office of the United Nations and other International Organizations in Vienna presents its compliments to the Secretariat of the International Atomic Energy Agency (IAEA), and with reference to the Agency's note no: 2020/Note 79, dated 20.11.2020, has the honor to enclose herewith the nomination forms of the Turkish Court of Accounts for appointment as External Auditor for the financial years 2022-2027. The letter of Mr. Seyit Ahmet Bař, President of the Turkish Court of Accounts, addressed to Mr. Rafael Mariano Grossi, Director General of the IAEA, regarding this nomination is also attached.

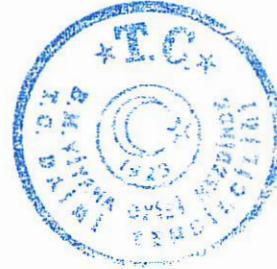
The Permanent Mission of the Republic of Turkey to the Office of the United Nations and other International Organizations in Vienna avails itself of this opportunity to renew to the Secretariat of the International Atomic Energy Agency the assurances of its highest consideration.

AMG

Vienna, 7 January 2021

Encl.: As stated

Secretariat of the
International Atomic Energy Agency
IAEA
Vienna





**T.C. SAYIŞTAY BAŞKANLIĞI
TURKISH COURT OF ACCOUNTS**

**Rafael Mariano
Grossi
IAEA Director
General Vienna
International Centre
PO Box 100
1400 Vienna, Austria
Tel: (+43-1) 2600-0
Fax: (+43-1) 2600-7**

Dear Mr Grossi,

It is a great honor for me, as the President of the Turkish Court of Accounts (TCA), to declare our candidacy for the appointment of the External Auditor of the International Atomic Energy Agency (IAEA) for financial period of 2022-2027 and thereby to present the following proposal to put forward our interest and competence for this task.

TCA, with its deep rooted history, has been one of the main pillars of the Turkish public administration tradition for 158 years and constantly develops the way it functions to be more responsive and agile to the specific and emerging needs of its stakeholders. This forward looking perspective supported by its strong organisational structure and quite competent and qualified human resources will surely make great contribution to the possible collaborative work between IAEA and TCA.

Audit is a means of collaborative work between the auditor and the auditee. Always bearing this in mind, TCA proposes a mutual collaboration with IAEA, based on the audit of its financial statements and operational performance so that the activities of IAEA are more transparent and accountable with a better fiscal credibility and discipline.

Based on its experience in different audit types, TCA generated in 2019 highly qualified 476 regularity audit reports, 658 judicial reports and 36 reports on the audit of performance information of public entities. This wide range of work enables TCA and the auditors be aware of different cases with different findings and accumulate enormous amount of knowledge, which will be used in the audit of the IAEA. TCA's usage of innovations and new technologies in auditing processes along with its capability on evaluation of internal control and IT systems will provide guidance and assistance to the extent possible for the well-functioning of the IAEA.

Having a full understanding of especially the Medium Term Strategy 2018-2023 of the IAEA, TCA is aware of its responsibility as the External Auditor to achieve its task in the most accurate and effective manner, therefore contributing to the achievement of the IAEA's strategic objectives as well as vision and mission.

As delivered in the proposal in detail, TCA has already accumulated specific audit experience on nuclear related entities at national level as well as experience on audit of international organisations and internationally granted funds in many areas. If the TCA is selected and assigned as the upcoming External Auditor of the IAEA, this would also be a great opportunity for the TCA to extend its audit portfolio at international level and share its best audit practices through well designed audit prcedures.

TCA, as the EUROSAl's current President taking active roles in international activities, is well adapted to and has a solid grasp of the issues that are on the agenda of the European countries and international Supreme Audit Institutions. This comprehensive knowledge will surely pave the way for the TCA to focus on such issues that are generally member-oriented or for the purpose of better-service providing of the Agency.

Last but not the least, we would like to reiterate our commitment to the audit of the IAEA with all possible resources for the financial period 2022-2027 and look forward to your assessment on our candidacy.

Sincerely,



Seyit Ahmet BAŞ
President



TURKISH COURT OF ACCOUNTS

PROPOSAL

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FOR EXTERNAL AUDIT SERVICES TO THE INTERNATIONAL ATOMIC ENERGY AGENCY (IAEA)

FINANCIAL PERIOD
2022 - 2027



CURRICULUM VITAE OF PRESIDENCY of TURKISH COURT OF ACCOUNTS (TCA)



Seyit Ahmet BAŞ
President

He graduated from the Department of Public Administration at Istanbul University in 1989. He got his Master's Degree in Finance at Boston University in the USA between the years of 2001-2003. He served for Ministry of Finance as tax inspector between the years of 1991-2003, as a Head of Department at the Revenue Administration between the years of 2003-2005, as an Adviser to the Minister at the Ministry of Finance between the years of 2005-2006, as a Founding General Director at the General Directorate of Revenue Policies between the years of 2006-2010, and as a Deputy Undersecretary at the Ministry of Finance between the years of 2010-2011. He acted as the co-chairman of the Taxes and Incentives Committee of Investment Environment Improvement Coordination Council between the years of 2006-2010, as a member of the Coordination Council and as the Chairman of the Taxes Committee of the İstanbul International Finance Centre Project between the years of 2010 – 2011. He worked as the Chairman of the Technical Delegation of Turkey within the framework of the aid program for the Turkish Republic of Northern Cyprus between the years of 2010 – 2011. He worked as the founding Chairman of the Public Oversight, Accounting and Auditing Standards Authority between the years of 2011-2015. He was working as the Undersecretary of the Ministry of Finance as of 29.08.2015, when he was elected as the President of the Turkish Court of Accounts (TCA) on 23.06.2016 at the 106th session of the Parliament. He worked as the Chairman of ECOSAI Governing Board between the years of 2016-2019. He has been the President of the EUROSAI since May 2017.



Fikri ÖZKÖK
Vice President

He graduated from Gazi University Bolu Economic and Administrative Sciences Faculty, Business Administration Department in 1987. He served as the Controller of Local Administrations of the Ministry of Internal Affairs between the years 1990 and 2004, and as the Head of Personnel and Training Department of the Privatization Administration between 2004-2011. In 2011, he was elected as a member of the Court of Accounts by the General Assembly of the Turkish Grand National Assembly. He was appointed as Vice President, who is responsible for management, on 13.07.2016.



Zekeriya TÜYSÜZ
Vice President

In 1991, he graduated from Istanbul University, Faculty of Political Sciences, Department of Public Administration. In 1992, he started to work in the Turkish Court of Accounts. He received her master's degree in Political Science from the Institute of Social Sciences, Gazi University and a doctorate in Political and Social Sciences from Gazi University, Institute of Social Sciences, Department of Public Administration. His book 'Perfectionism in Political Theory' was published. In 2011, he was elected as a member of the Court of Accounts by the General Assembly of the Turkish Grand National Assembly. He became Vice President, who is responsible for audit, on 02.11.2018. He knows English.



İsmail ÇAY
Director General

İsmail ÇAY was born in Göynük on 03.03.1970. He graduated from the Department of Finance, Faculty of Economics and Administrative Sciences, Anadolu University in 1991. He started working in the TCA in 1992. In 2012, he completed TODAİE Master's Programme on Public Administration. He was appointed as Director General on 05.07.2019 and is responsible for the groups conducting the audits of local administrations as well as the group charged with the training of the assistant auditors. He knows English.



Onur DERİCİ
Director General

Onur DERİCİ was born in Ankara in 1966. He graduated from the Department of Economics, Faculty of Economics and Administrative Sciences, Atatürk University in 1988. He started working in the TCA in 1992. He was appointed as Director General on 05.07.2019 and is responsible for the groups conducting the audits on the energy sector as well as on the state economic enterprises. He knows English.



Oğuz ÇALIK
Director General

He graduated from the Faculty of Political Sciences of Ankara University in 1990. He started working in the Turkish Court of Accounts in 1991. He was seconded to the Public Procurement Authority between 06.08.2002 and 13.09.2013. He was assigned as Director General on 14.11.2018. Audit groups for which Mr. Çalık is responsible include groups auditing the general budget entities, Ministry of Interior, Directorate General for Security and the audit support group dealing with Final Account. He knows English. He has independent External Auditor Certificates/ Certified Public Accountant Certificates.



Hüseyin DİKİLİTAŞ
Director General

He graduated from the Faculty of Political Sciences of İstanbul University in 1990. He worked as Accounting Inspector in the Ministry of Finance for a while and started working in the Turkish Court of Accounts in 1992. He was assigned as Director General on 14.11.2018. He is responsible for the groups auditing the universities as well as the audit-planning group. He has Independent External Auditor Certificates/Certified Public Accountant Certificates.



Mehmet ÇIVGIN
Director General

He graduated from the Department of Public Administration, Faculty of Economics and Administrative Sciences, Gazi University in 1999.

He obtained master's degree on Audit in Public Administration from the Institute of Social Sciences of Gazi University. He has an IDI ISSAIs Financial Audit Facilitator Certificate. He started working in the Turkish Court of Accounts in 2003 and was assigned as Director General on 01.05.2018.

He is responsible for the audit groups related to the IT audit, data analysis, international relations and EUROSAI as well as the audit support group dealing with the in-service trainings. He knows English.



Üzeyir GÜLCAN
Director General

He graduated from the Department of Public Administration, Faculty of Political Sciences, İstanbul University in 1998. He worked as Assistant Auditor and Auditor in the Prime Ministry Supreme Auditing Board between 2001 and 2010. He started working in the Turkish Court of Accounts on 19.12.2010 and was assigned as Director General on 25.01.2018. He is the Director General responsible for the Department of Support Services and Department of Social Affairs. He knows English.



Ahmet Zafer SARI
Director General

He graduated from the Department of Labour Economics and Industrial Relations, Faculty of Economics and Administrative Sciences, Gazi University, in 1999. He obtained master's degree on Audit in Public Administration from the Institute of Social Sciences of Gazi University in 2014 and completed TODAİE 52th Term Public Diplomacy Training Program in 2017. He worked as Assistant Auditor and Auditor in the Prime Ministry Supreme Auditing Board between 2001 and 2010 and started working in the Turkish Court of Accounts on 19.12.2010. He acted as Deputy Director General of Budget and Financial Services in the Ministry of National Defence from 15.11.2016 to 13.08.2018. He was assigned as Director General in the Turkish Court of Accounts on 07.12.2018. He is mainly responsible for the Audit Support Group on Legal Affairs, Department of Human Resources and Department of Strategy Development. He knows English.

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I. Prominent Characteristics of the TCA as a Powerful and Exemplar Institution

a. Structural Characteristics

An Independent Institution with Rooted History and Constitutional Basis

The Turkish Court of Accounts has a rooted history dating back to the Court of Control and integrity, audit body of historical Turkish states namely Karahanids, Gaznavids and Seljukies, and to the Court of Accounts established in 1862 during the Ottoman Empire. The latter laid the foundations of today's institution, the Turkish Court of Accounts (TCA).

TCA has been a key institution in supporting the development of transparency, lawfulness and accountability in the Turkish public administration by increasing its institutional capacity on the basis of continuous development culture since its establishment.

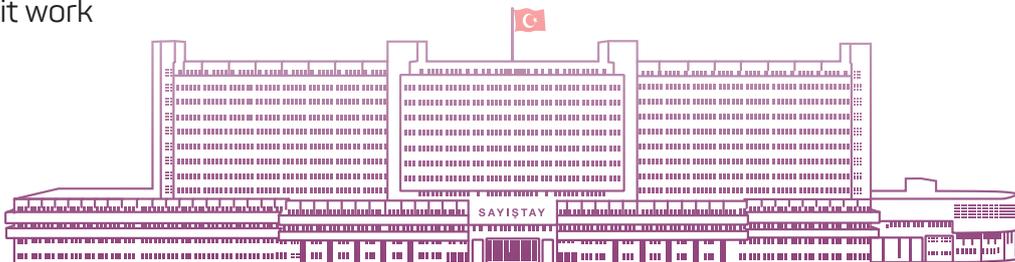
TCA has been a constitutional body since its establishment, defined as an independent court in the constitution of The Republic of Turkey.

TCA, with its deep rooted history, has been one of the main pillars of the Turkish public administration tradition for 158 years.

TCA has both the “de jure independence” which refers to the legal framework comprising constitutional and legal provisions, and other forms of laws and “de facto independence” manifestating this independence in its audit work.

TCA is fully compliant with the prerequisites stated in the Lima and Mexico Declarations (INTOSAI Principles) with respect to:

- Having a legal framework safeguarding the administrative, operational and financial independence
- Constitutional guarantee of the rights of President of TCA and Members of Chambers to ensure their independence
- Having a sufficiently broad mandate and full discretion to discharge its functions
- Having unrestricted access to any kind of documents and information related to its audit work



- Being fully empowered to report its findings annually and independently to Parliament or any other responsible public body, making the reports public without allowing any interference.
- Being fully empowered to follow-up the results of its audit findings and recommendations
- Being independent of the Executive, fully entitled to manage its financial and human resources

TCA is an exemplar supreme audit institution on the basis of its full compliance to the principles of administrative, operational and financial independence.

Forward Looking Perspective Based on a Well-Designed and Integrated Strategy

Being more ambitious to best serve to Parliament and welfare of citizens, TCA has prepared strategic plans, operational plans and performance programs with a forward looking perspective since 2000.

To remain successful and relevant as a supreme audit institution, TCA constantly develops the way it functions to be more responsive and agile to the specific and emerging needs of its stakeholders.

Within the framework of the new Strategic Plan entered into force in 2019, the TCA set two main strategic priorities:

Strategic Priority 1: To increase the positive and value adding impact of the audit on the well functioning and soundness of public financial management.

Implementation strategies to materialize this priority are defined as:

- Effective implementation of risk-based audit approach
- Increase the effectiveness of audit by enhancing the audit perspective, approach and capacity
- Enhancement of accountability and fiscal transparency in public administrations by virtue of audits and trials
- Rapid and effective functioning of judicial processes
- Safeguarding the benefit of external stakeholders by contributing to the well functioning of the public financial management system

Strategic Priority 2: To strengthen the corporate capacity to develop the TCA into a model organisation maintaining high standards.

Implementation strategies to materialize this priority are defined as:

- Ensured effective human resources management in order to increase professional and technical competency
- Increased employee satisfaction built on a strengthened organizational structure

Fundamental values adopted by the TCA in the path to achieve these priorities are set as:

- *Independence and Objectivity;* Performing audits in an unbiased and objective manner and in compliance with the professional code of ethics is an indispensable element of institutional credibility.
- *Good Governance and Responsiveness to Expectations;* Our fundamental policies include the pursuit and implementation of the principles of good governance such as accountability, transparency, effectiveness, participation, equality, fairness, consistency, rule of law, being scientific, etc.
- *Innovativeness;* Keeping up with the emerging issues and rapid changes in the public sector environment, it is important to follow the innovative initiatives on the basis of continuous development understanding and to put the ones needed into practice.
- *Professional Competency;* Quality in audit will be possible with the auditors, who have professional independence, are creative and can think analytically, are prone to teamwork and cooperation and have internalized the audit culture. With this belief, the target is the continuous improvement of the knowledge and skills of the professional staff.

Among the key performance indicators that materialize the TCA's integrated and forward looking strategy, the followings worth mentioning to display the TCA's continuous efforts to add value to the well functioning of the public sector:

- Increase in the number of institutions improving their financial management, performance management and internal control systems
- Increase in the number of audits deemed "satisfactory" as a result of the evaluations performed by the quality assurance team



- Increase in the implementation rate of recommendations and findings
- Increase in the number of audit guidelines reviewed and/or updated in accordance with the international auditing standards and contemporary audit methodology
- 100% compliance to international standards in the documentation and archiving aspects of audits
- Number of subject-based audits which will create a net benefit for the citizens and the parliament

Strong Organisational Structure at Both Administrative and Staff Level

TCA, thanks to its deep rooted background and experiences in the public sector audit, has a strong organisational structure in terms of its both administration and technical levels.

Having judicial powers, the TCA conducts its works through its boards having duties and responsibilities in different areas:

- General Assembly, the highest decision-making body of the TCA,
- Report Evaluation Board where the audit reports of the TCA are discussed for final quality control before submission to the Parliament and public,
- Board of Appeals where appeals against the decisions of the TCA judicial chambers are evaluated and settled,
- Board of Chambers where decisions are taken concerning the regulations adopted by the public entities on financial matters as well as the regulatory processes in the nature of regulations.
- Board of Audit, Planning and Coordination, which prepares and monitors the strategic plan and annual programs of the TCA.

TCA's reputation as an esteemed and exemplar institution is also reflected in the profile of its staff such that TCA's human resources is quite competent and qualified which paves the way for the fulfillment of its duties and responsibilities in the most accurate and effective manner.

Having young and dynamic human resources, TCA is aware of its responsibility to get use of these resources at the best effective way and to carry them to higher levels.

As a brief snapshot of the human resources at the TCA by the end of 2019;

- 1 President and 2 Deputy Presidents
- 8 Chairmen of judicial Chambers and 48 Members,
- 1 Chief Prosecutor and 10 Prosecutors,

- 8 Directors General (3 responsible for administration and 5 responsible for audit)
- 55 rapporteur auditors working in the chambers and
- 727 auditors working in the audit and support groups,
- 993 supporting staff.

In total, 1853 persons are working in the TCA.

386 of those have master's degree while 25 of them have doctoral degree.

37 of our colleagues have postgraduate degrees abroad and 10 have been included in the Jean Monnet scholarship program. In addition, 38 colleagues have participated in internship programs in various audit fields at the European Court of Auditors so far.

Out of the TCA personnel,

- 250 auditors have Independent External Auditor Certificates/Certified Public Accountant Certificates
- 22 auditors have IDI certificates (ISSAI Financial Audit and Compliance Audit Trainer Certificate, SAI Performance Evaluation Program Certificate and Risk-Based Approach in Financial Audit Certificate)
- 3 auditors have INTOSAINTE Moderator Certificates
- 2 auditors have CISA Certificates.



Focused Approach on Continuous Development Via Training Activities

The TCA organizes in-house, external and international trainings to increase institutional capacity in itself and in other public entities under Turkish public management and other SAIs and to develop personnel's professional knowledge and competencies.

The TCA has a multi-faceted training facility in Ankara. Dozens of trainings are held in this facility by the TCA and other public entities.

- *Training Activities for its Personnel:* In the scope of trainings for auditors, a system of receiving annual 40 hours/credits (20 hours –main audit topics, 10 hours-sectoral training, 10 hours-supporting topics such as conferences etc.) have been introduced to increase auditors’ professional and other types of knowledge.
- *Training Activities for Other Public Entities:* Upon the request of the public entities or requests from universities or student clubs, TCA provides training programmes on the topics falling under its mandate in order to contribute to the institutional capacity development of demanding public entities or plans career day programs.
- *International Training Activities for other SAIs:* TCA, based on its bilateral relations with other SAIs, organizes international trainings for them on many areas such as financial, performance, IT, public procurement or ethics audit as well as computer-aided audit or audit of public enterprises by the help of its team consisting of expert auditors.

Eagerness to Enhance Its Communication and Cooperation Tools

Developing its Own Communication Strategy

Adhering to its fundamental value of “Good Governance and Responsiveness to Expectations”, TCA has developed a multi-year communication strategy covering all of its stakeholders.

In its 2019-2023 Communication Strategy, communication has been designed with a proactive approach as a system, which goes beyond the reporting function between the TCA and its stakeholders, highlights feedback mechanisms and works in a two-way system.

In the strategy, communication strategies complying with the steps to be taken by the TCA for assuming an effective role in the fulfillment of the Sustainable Development Goals (SDGs) adopted by UN in 2015 have been developed, institutional risks of the TCA have been taken into consideration, and the necessary communication channels have been developed to eliminate or mitigate the potential negative impacts of these risks on the audit and judicial activities of the TCA.

Publishing TCA Journal and Books

“TCA Journal” is published quarterly as a peer-reviewed national journal. It contains professional and academic studies particularly related to social sciences topics such as audit, management, and judgement, written by TCA staff, academicians and the managers and experts of public entities.

In addition, the TCA also publishes the books of its staff, academicians and NGOs working in the fields of audit and accounting.

b. Operational Characteristics

TCA is a well structured organisation entrusted with many duties such as audit, reporting, judicial function, opinion delivery and guidance to ensure accountability and financial transparency in public sector.

Having a Well Designed and Effective Audit Strategy

In addition to the strategic plan prepared in accordance with the expectations of the internal and external stakeholders, a five-year audit strategy that determines the priorities and scope of the audit activities to be carried out in the upcoming five-year period was prepared.

TCA has a five-year audit strategy which aims to keep the institution relevant, flexible and responsive to emerging issues and changing conditions.

TCA's audit strategy highlights that:

- Active participation in the works for seeking global solutions for global problems through common and parallel audits encouraged and supported by INTOSAI and other international-regional organisations within the framework of 2030 targets of the UN,
- Conducting its activities in line with the international audit standards,
- Increasing institutional capacity in the field of audit by improving the technical infrastructure of audit and benefiting from information systems in maximum,
- Conducting works for the delivery of the judicial services faster and more effectively for the sake of the right to a fair trial and
- Cooperation with other national and international professional institutions and relevant agencies.

Wide Audit Mandate

The TCA audits all entities and resources within the Turkish public administration unless otherwise indicated.

TCA's audit coverage can be stated as:

- (1)a) Public administrations within the scope of the central government budget and social security institutions, local governments, joint stock companies established by special laws and with more than 50% of its capital directly or indirectly owned by the public sector and other public administrations (with the exception of professional organisations having a public status);
- b) Provided that the public share is no less than 50%, all types of administrations, organisations, institutions, associations, enterprises and companies affiliated to, or founded by the administrations listed in point (a), or those of which the above mentioned administrations are directly or indirectly partners;
- c) All types of domestic and foreign borrowing, lending, repayments, utilization of foreign grants received, giving grants, Treasury guarantees, Treasury receivables, cash management and other matters related to these, all transfers of resources and their utilization and the utilization of domestic and foreign resources and funds, including European Union funds;
- d) All public accounts, including private accounts, funds, resources and activities regardless of whether these are in the public administrations budget.
- (2) Turkish Court of Accounts shall also audit the accounts and transactions of international institutions and organisations within the framework of the principles set out in the relevant treaty or agreement.

Audit Approach Based on Standards

Compliance to ISSAIs. The TCA Law states that the audits will be carried out in accordance with the international auditing standards and with due consideration to the implementation of the contemporary audit methodologies. In this scope, the TCA adopts an approach based on international standards in all its works.

- The auditing manuals of the TCA are prepared and updated based on the INTOSAI Framework of Professional Pronouncements (IFPP) (previously known as ISSAI Framework).
- For maintaining quality assurance, each stage of audit is reviewed constantly in terms of its conformity with ISSAIs through effective hot and cold review quality procedures.
- A significant part of the annual training program of the TCA focuses on understanding the standards.

- In terms of TCA's contribution to the preparation of ISSAIs, the TCA auditors pioneered the preparations of documents of ISSAI 5510 Audit of Disaster Risk Reduction and ISSAI 5520 Audit of Disaster-Related Aid.

Audit of financial statements prepared in line with IPSAS:

Accruals accounting began to be used in Turkey with the implementation of the Public Financial Management and Control Law No: 5018

The Government Accounting Standards Board was established to determine standards to adapt to International Public Sector Accounting Standards (IPSAS). Up to now, 30 government accounting standards have been published which cover 41 IPSAS standards. The relevant regulations and by-laws regarding public accounting system have been amended accordingly and it has become compulsory for the public entities to prepare their financial statements in line with these standards.

In this respect, the TCA audits the financial statements prepared by the public entities in line with IPSAS and also provides guidance function to them. Indeed, TCA is an active member of the Government Accounting Standards Board to provide insights for the alignment of the national accounting standards to be fully compliant with the IPSAS on theoretical level. When it comes to the practical implementation, TCA's audit findings and recommendations shed a light on the path to full compliance.

TCA has undertaken a guidance function for public entities in addition to its auditing function with its competency to give advices on conformity with IPSAS.

Compliance to International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS): International Accounting Standards and Financial Reporting Standards have been translated into Turkish and published in the Official Gazette since 2005.

The TCA carries out its audits on financial statements of State Enterprises prepared in line with IAS and IFRS. The scope covers many State Economic Enterprises ranging from banking, public insurance business to extractive industries and diversified public companies.

Compliance to Information Technology Assurance Framework (ITAF): ITAF provides a single source through which IT audit and assurance professionals can seek guidance, research policies and procedures, obtain audit and assurance programmes, and develop effective reports. As the TCA, we developed an IT Audit manual comply with ITAF and other related international audit standards.



Experience in Different Audit Types

In accordance with TCA Law no.6085, TCA conducts the following audit types:

1. Financial Audit

TCA conducts financial audit to provide reasonable assurance on reliability and accuracy of financial reports and statements in accordance with results of the assessment of accounts and transactions of public administrations as well as their financial activities, financial management and control systems.

2. Compliance Audit

TCA carries out compliance audit pertaining to the examination of the compliance of accounts and transactions related to the revenues, expenditures and assets of public administrations with laws and other legal arrangements.

In general, compliance audit and financial audit are conducted together in TCA as *Regularity Audit*.

3. Audit of Performance Information

Based on the performance information provided by the auditees, TCA conducts this audit through the measurement of results of activities in the Activity Reports of public entities with respect to objectives and indicators determined by public administrations within the framework of accountability in their Strategic Plans and Performance Programmes.

4. Performance (Value For Money-VFM) Audit

It is carried out by measuring and evaluating the results of the activities in relation to the targets and indicators determined by the administrations within the framework of accountability, and examining whether public resources are used effectively, economically and efficiently.

5. IT Audit

Since its first IT audit in 2002, TCA has taken important steps on the IT audit methodology, adopted a risk- based audit approach and prepared its Information Systems Audit Manual.

The TCA carries out the IT audits in the scope of regularity audits or independently focusing on the assessment of the security, efficiency and effectiveness of identified information systems/projects and/or public entities.

The TCA Regularity Audit Manual contains a control set for assessing the IT controls at a basic level, and it is applied in all regularity audits.

Audit Planning with a Risk-Based Approach

In the annual audit program, public entities to be audited, audit subjects, types of audits, ongoing audit activities planned to be finalized in that year are specified.

While preparing the audit program, the following are taken into consideration:

- Risk situation determined as a result of the analysis of all data related to the public entities,
- Whether an entity was audited in previous years,
- findings of previous years
- Assessments concerning the internal control environment and accounting system and points needed to be improved in accordance with these assessments.

Annual audit program is prepared by the Board of Audit, Planning and Coordination in line with the Audit Strategy Document prepared and risk analyses carried out by the relevant Audit Group in consideration of the expectations of the Parliament, public and auditees as well as the opinions and recommendations of the heads of audit groups and judicial chambers.

An Integrated Reporting System with Increased Audit Impact

Facts and Figures on TCA's 2019 Audit Engagements

- 476 regularity audit reports published in 2020 consisting of
 - ✓ 177 central government entities
 - ✓ 2 Social Security institutions
 - ✓ 205 local government entities
 - ✓ 81 state economic enterprises
 - ✓ 4 Development Agencies
 - ✓ 7 Other institutions
- 113 reports on audit of political parties, sent to the Constitutional Court
- 658 judicial reports
- In general, 94,81% Audit coverage:
 - ✓ General Budget Entities: 99,98%
 - ✓ Regulatory and Supervisory Institutions: 97,87%
 - ✓ Social Security Institutions: 100%
 - ✓ Metropolitan Municipalities: 100%
 - ✓ State Economic Enterprises: 100%
 - ✓ Special Budget Entities: 96,42%
- 5.050 billion TL (EUR/TL 6.6841 as of 31.12.2019) of public funds audited in 2019 corresponding to 94,81% of national budget expenditure
- Statement of General Conformity covering central budget expenditure of 1000 billion TL (EUR/TL 6.6841 as of 31.12.2019); total public debt of 1327 billion TL and Treasury guarantees of 114 billion TL.
- Consolidated General Government Sector Financial Statistics Reports covering assets amounted of 5145 billion TL and liabilities amounted of 1606 billion TL.
- 36 reports on the audit of performance information of public entities

Brief Info on Latest Performance Audit (Value For Money) and Thematic Audit Engagements

As an essential requirement, TCA strives to be relevant and responsive to emerging situations as well to topics attracting the citizens' and the Parliament's interest. To achieve this, TCA has conducted performance and thematic audits on the below mentioned topics:

- Preparation Works for the Implementation of Sustainable Development Goals
- Flood Risk Management Activities (Environmental Audit)
- Effectiveness of Tax Collection Processes
- Effectiveness of Social Security Premium Collection Processes
- Management of Municipal Properties
- Collection of Taxes, Duties, Charges and Fees in the Municipalities
- Scientific Research Projects Of Universities

The thematic audits in the planning stage are also as follows:

- Audit of Activities for the Development of Domestic and National Software Sector
- Audit of Activities for the Development of Domestic Pharmaceutical Industry
- Audit of Activities for the Development of Livestock Sector in Turkey
- Audit of the Financial Impact of the Measures Taken Against the COVID-19 pandemic



TCA's General Evaluation Reports

TCA submits general reports¹ to the Parliament every year encompassing the results of annual activities of audited organizations and reflecting insights about financial matters deemed by the TCA appropriate to be addressed by the Parliament.

TCA add value to the well functioning of the public financial management in Turkey through these reports.

External Audit General Evaluation Report displays:

- Crucial facts and figures on audit results
- Overview of the strategic planning and performance management system
- Evaluation on internal control systems of public administrations
- Findings deemed material and/or general in the reports
- Recommendations for regulation amendments as an audit impact

In 2019 External Audit General Evaluation Report, 6549 audit findings regarding the financial and compliance audit as well as evaluation of the internal control systems were consolidated and analysed for 476 public institutions.

Statement of General Conformity

This is a significant tool to evaluate the conformity of the implementation results of the central government budget with the results established on the basis of public administration accounts.

The TCA assesses the compliance of actual value of debt assumption commitments with that of predetermined limits set in the budget law and gives assurance to the Parliament on conformity.

To that end, TCA recalculates the annual net domestic and external borrowings, the total borrowings, and total guaranteed facility and onlent borrowing notes, then assesses the compliance of these amounts with that of predetermined limits set in the budget law.

TCA has a vital role in supporting fiscal credibility and discipline.

¹ For more details on TCA's general reports, please see <https://www.sayistay.gov.tr/en/?p=2&CategoryId=20>

The Accountability General Evaluation Report

With this instrument, TCA gives assurance on the accuracy of the financial information and performance information disclosed to public through a declaration of assurance within the scope of strategic plan, performance program and budget relations.

Financial Statistics Evaluation Report



The conceptual and analytical framework of Government Finance Statistics (GFS) is adopted in Turkey for financial statistics disclosure which provides a reporting base suitable for analyzing and evaluating fiscal policy, predominantly the performance of the general government sector.

Annual financial statistics published by the Ministry of Finance are evaluated by the TCA in terms of its preparation, publication, accuracy, reliability and conformity to the predetermined standards.

TCA is expertised on auditing the consolidated financial statements of the general government financial statistics therefore encouraging the presentation of robust financial information and the accuracy of full picture of the general government's financial position and performance.

Other General Reports

Other than above mentioned general reports, TCA publishes "Development Agencies General Evaluation Report" and "Public Enterprises General Reports".

Specific Audit Experience on Nuclear Related Entities at National Level

In Turkey, nuclear related activities, studies and projects are carried out by several institutions working collaboratively under the national nuclear programme.

The institutions playing important roles in this collaboration are namely:

- **Turkish Atomic Energy Authority:** In 1956, General Secretariat of Atomic Energy Commission was established in Ankara as an organization affiliated to the Prime Ministry and in 1982, the Commission was restructured as Turkish Atomic Energy Authority.

The mission of the institution is to be a pioneer in ensuring that Turkey benefits from nuclear technology and to perform the regulatory and supervisory activities in nuclear field.

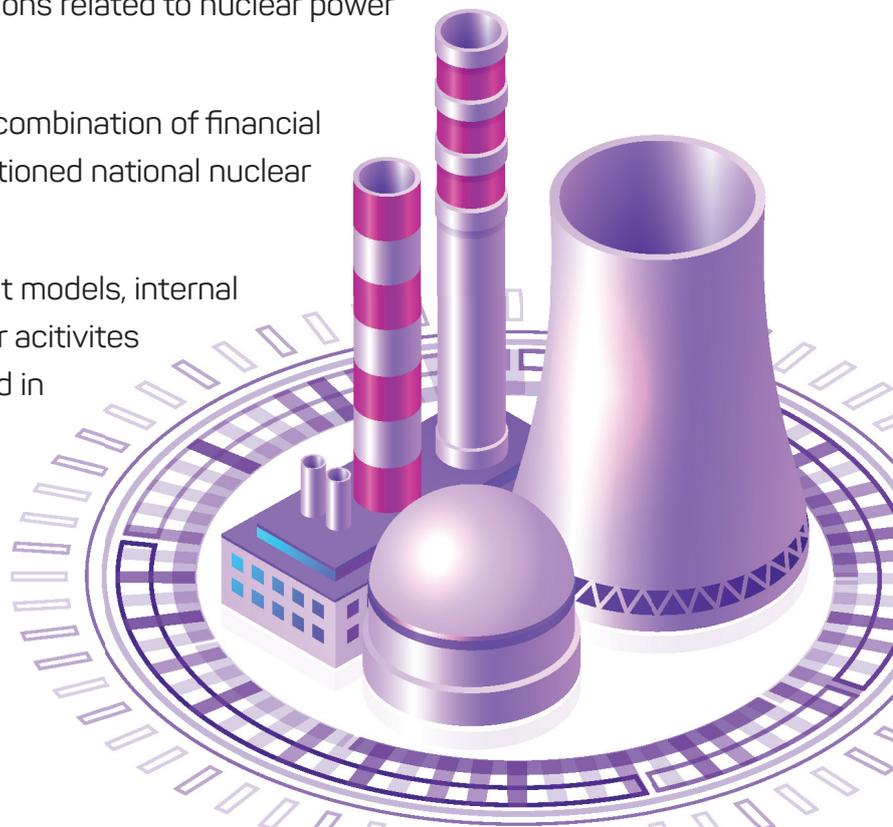
With the purpose of performing research, development, application and training activities in nuclear field, Ankara Nuclear Research and Training Center (ANAEM), Ankara Nuclear Agriculture and Livestock Research Center (ANTHAM) and Sarayköy Nuclear Research and Training Center (SANAEM) were established and Turkish Atomic Energy Authority's activities are being performed by these three centers.

- **Nuclear Regulatory Authority:** Established in 2018, Nuclear Regulatory Authority has duties to specifically provide the safety, security and nuclear assurance related to nuclear energy and ionizing radiation activities as well as effective management of radiation sources and radioactive waste.
- **Ministry of the Energy and Natural Resources/General Directorate of Nuclear Energy and International Projects:** The unit established in 2019 is mainly in charge of the realization of nuclear power plant projects and participation in studies carried out by national and international organizations related to nuclear power plants.

TCA conducts annual regularity audits (combination of financial and compliance audit) in the above mentioned national nuclear related entities.

TCA evaluates entities' risk management models, internal control, monitors the compliance of their activities with the predetermined indicators stated in their strategic plans and performance programs.

As an indispensable part of its audit approach, TCA also evaluates IT management systems of the entities.



Usage of Innovations and New Technologies in Auditing Processes

The TCA is in a continuous modernising process renewing and enhancing the usage of innovations and new technologies in auditing processes. The aim of TCA is to develop its auditing capability by making audit procedures more manageable and using resources more efficiently.

SayCap (Audit Management Program)

All audit teams use the SayCap program for planning, executing, documenting and managing the audit processes in line with international standards.

SayCAP, which allows also for remote access, is continuously updated and developed in line with the decisions of Board of Audit, Planning and Coordination and the changes in audit manuals.

CAATs-Data Analysis

Being responsive to the changes in data both in terms of structure and quantity, TCA attaches great importance to the increased use of Computer Aided Audit Techniques (CAATs).

There are ongoing works for developing the CAATs and increasing the use of those techniques and tools to achieve the integration of big data and data analysis to our daily work.

The main goals are to increase efficiency and effectiveness of audits, decrease the use of resources, lessen the work load, develop analysis for the early detection of errors and risks, and maintain automation for continuous audit and continuous monitoring.

Development of Analysis Scenarios for CAATs

The TCA has developed analyses that work on the financial and non-financial data of public entities that are subject to audits and realize the controls of errors and risks. In addition, the TCA has prepared analyses for testing the completeness and accuracy of data.

Thanks to those analysis, the data are reviewed periodically and/or instantly in terms of compliance with pre-defined parameters, which brings automation and standardization to audits.

Auditors can access the analysis results on the TCA's Data Analysis System called "VERA" with a secure connection. The user-friendly and flexible design of VERA enables auditors



to detail the existing analysis or take them as basis to prepare different analyses. At the same time, auditors can design new and original scenarios according to the structure of the auditees and the governing legislation.

A sampling module that works on VERA was also designed by the TCA to eliminate the possible error risks deriving from the application of manual approach, increase the auditors' capability to assess the risks of material error in various accounts and optimize the use of resources in sampling practices.

Collection of Data from Auditees

The data and other financial information of administrations under central government are kept in a system called "Integrated Public Financial Management System" and received electronically over a secure database connection.

The data of the local administrations are communicated to the TCA through the "Municipality Data Acquisition System (BVAS)".

Risk Assessment System

The TCA has developed a central data processions function, which detects the existing risks related to local administrations before the annual audit programming/planning process and reports them to the management and which plays a key role in determining the audit strategy.

With this system, local administrations are assessed by taking into account their budget size, investments, incomes, transaction volumes, size of their expenses, demographic structure, and then they are graded and classified according to their risk profiles. The results of the assessment are used by the management before preparing the annual audit plans.

Classification of Audit Findings

The TCA works on the classification of audit findings annually to improve the audits. In this context, every year, all findings in audit reports (as indicated in the below table) are classified according to certain criteria and presented to the auditors on a special information system to be used in the audits of the following year.

The aims of this system are:

- to increase the quality of reporting,
- to develop audit strategy,
- to strengthen communication with public entities, parliament and other stakeholders,
- to increase the public entities' level of fulfilling audit findings

Having the Power of Judicial Authority

Judicial reports are prepared and inquiries are initiated in case that the following are detected during the audit of the accounts and transactions of the public entities:

- A decision, transaction or action against the legislation,
- A public loss resulting from a decision, transaction or action against the legislation,
- Determination of the public officer leading to this public loss,
- A connection between the public loss and the decision, transaction or action of the determined public officer against the legislation.

Inquiries are notified to the public officers held responsible and their defence statements are taken in the legal period. Provided that the audit team maintains the same conviction on the public loss and responsibility after they assess the statements, judicial report is prepared and sent to the relevant chamber for the initiation of the trial process.



TCA's Authority of Delivering Opinion on the By-laws

TCA delivers opinion as an enforcement condition on the by-laws to be regulated on financial matters by public entities under general management and regulatory transactions serving as by-laws.

This kind of opinion is considered as an important tool in ensuring fiscal discipline in public financial management and sound operation of hierarchy of norms, and indicates the importance of TCA within Turkish Public Financial System. The TCA gave 198 opinions in 2019.

Ultimate Aim of Guidance on Functioning of the Public Entities

TCA implements a three-phase systematic method with the aim of creating a better public administration, facilitating the functioning of the public entities and strengthening their institutional structures.

In the first phase, functioning of the internal control systems of the public entities and their situations in financial management and performance management are assessed through the answers given to certain questions uploaded in the SayCap Audit Management Program by the audit teams during the audits carried out by the TCA. By this means, public entities are assessed in terms of internal control, financial management and performance management.

In the second phase, within the scope of the classification of findings carried out by the TCA, annual audit findings concerning the public entities are classified in detail, and the deficiencies and weaknesses of each public entity in the abovementioned systems are determined. Classification of findings informs the TCA about the areas which the auditors should focus on in the audit of a specific public entity.

In the final phase, TCA monitors the issues detected in the audits and use the data obtained from monitoring to shape the audit plans of the next year. Thanks to this system, TCA can determine the focus of audits for improving the internal control, financial management and performance management systems of the public entities and can also plan trainings for the improvement of these systems through its findings.

II. TCA's Extensive Experience in International Cooperative Activities

a. TCA's Membership to the International Organisations

The TCA is in a close collaboration with the international and regional organisations of SAIs.

The TCA carries out the following duties for these organisations:

- ✓ Member of INTOSAI
- ✓ President of EUROSAI Governing Board (GB) (2017-2020) and Member of EUROSAI GB (2017-2023) and Member of ECOSAI Governing Board (2019-2022)
- ✓ Member of ASOSAI Audit Board (2018- 2021)
- ✓ Member of Jurisdictional Forum

The TCA also takes an active part in different working groups of international organisations as a member/participant:

- ✓ Member of Knowledge Sharing Committee (INTOSAI)
- ✓ Member of Capacity Building Committee (INTOSAI)
- ✓ Member of Subcommittee on Peer Reviews (INTOSAI)
- ✓ Member of Working Group on IT Audit (INTOSAI)
- ✓ Member of Working Group on Environmental Auditing (INTOSAI)
- ✓ Member of Working Group on Value and Benefits of SAIs (INTOSAI)
- ✓ Participant of Working Group on Big Data (INTOSAI)
- ✓ Member of Working Group on Environmental Auditing (EUROSAI)
- ✓ Member of Working Group on the Audit of Funds Allocated to Disasters and Catastrophes (EUROSAI)
- ✓ Member of IT Working Group (EUROSAI)
- ✓ Holder of Overall Governance and Culture Portfolio (EUROSAI)
- ✓ Member of Task Force on Audit and Ethics (EUROSAI)
- ✓ Member of Task Force on Municipality Audit (EUROSAI)
- ✓ Member of Working Group on Environmental Auditing (ASOSAI)
- ✓ Member of ASOSAI Research Project
- ✓ Participant of ASOSAI Capacity Development Program on IT Audit

Holding the EUROSAI Presidency between 2017-2021



The TCA is the President and a Governing Board member of EUROSAI, which is the European regional organisation of INTOSAI, aiming to promote professional cooperation among its members and strengthen public sector audit and public financial management with its 50 members.

TCA acted as the First Vice President of EUROSAI between 2014-2017 and took over the Presidency at the X EUROSAI Congress organized in May 2017 in Istanbul until 2020 which was extended to 2021 due to pandemic crisis.

TCA is also the head of the Coordination Team which is a small unit within the EUROSAI Governing Board aiming to facilitate the decision-making of the Governing Board and the regular monitoring of the implementation of the EUROSAI Strategic Plan.

Together with the duties and activities due to the Presidency, TCA carries out the works for preparing the Mid-term Review Report and Progress Report to be submitted to the EUROSAI General Assembly and Governing Board as well as preparing the other demanded documents on quality assurance requirements of the EUROSAI products.

Among the eight Governing Board members, the TCA is also the leader of Overall Governance and Culture Portfolio responsible to contribute to the development of an organisational structure that operates effectively and efficiently.

One of the TCA's prominent projects as Presidency was the Project on "Reaching out to all EUROSAI Members: Visualization of the EUROSAI Operational Plan and Encouraging Members' Participation" and as a result of this Project, TCA designed a web page (which is also directly linked to the Twitter account @EUROSAI_OP) to visualize EUROSAI Operational Plan to convey projects and activities to more countries and increase participation (www.eurosaio.org).

ECOSAI Membership

The ECOSAI is a regional forum of the Supreme Audit Institutions of the South and Central Asian regions founded in 1994.

The TCA acted as the Chairman of the ECOSAI Governing Board in the period of 2013-2016 and also in the period of 2016-2019, now being a member of ECOSAI Governing Board for the period of 2019-2022.

ASOSAI Membership

The TCA was the GB member of ASOSAI between 2015 and 2018, and in the 14th ASOSAI General Assembly, it was elected as an Audit Board member.

Other International Activities

In the scope of bilateral cooperation, Memoranda of Understandings (MoU) were signed with 30 SAIs and 6 international organisations for developing collaboration. The activities conducted under MoUs form the basis of the mutual exchange of information and international trainings. As the SAI of Turkey, which is a bridge between the East and West, the TCA also acts as a bridge in the world of SAIs in accordance with its country's overall policy.

b. Experience on Audit of International Organisations and Internationally Granted Funds

Audit of Funds Granted by UNICEF to Public Entities

The protocol concerning the audit of funds provided by UNICEF to public entities was signed on 17.04.2017 between the TCA and the UNICEF Turkey Country Office. Within the framework of the protocol, the audits of the TCA aimed at detecting whether the expenditures made from the funds granted by UNICEF comply with the contract of partnership signed with between UNICEF and relevant public entities as well as the objectives specified in the annual plans or programs and delivering opinion of the accuracy and reliability of financial statements related to the expenditures made from these funds.

In this scope, it has been three years since the audits on the UNICEF funds were initiated, and a decision was taken for conducting audits on the funds used by eight public entities in 2019. Within the framework of the said cooperation, audits and reporting processes continue.

Audit of Funds Granted by the UN High Commissioner for Refugees (UNHCR) to Public Entities

A protocol was signed between the TCA and the UN High Commissioner for Refugees (UNHCR) on 17.04.2019 for the audit of funds provided by UNHCR to the public entities.

Within the framework of the protocol, the audits of the TCA aimed at detecting whether the expenditures made from the funds granted by UNHCR comply with the contract of partnership signed with between UNHCR and relevant public entities as well as the objectives specified in the annual plans or programs and delivering opinion of the accuracy and reliability of financial statements related to the expenditures made from these funds. In this respect, funds used by three public entities were audited and audit reports were prepared in 2019.

The partnership between UNHCR and TCA has recently been adopted as a good practice meeting all the requirements set and thereby included on the Digital Platform of the Global Compact on Refugees (GCR)².

Developing 8 External Audit

D-8, also known as Developing-8, is an organisation for development cooperation among the following countries: Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, Pakistan and Turkey established on June 15, 1997.

The objectives of D-8 Organisation for Economic Cooperation are to improve member states' position in the global economy, diversify and create new opportunities in trade relations, enhance participation in decision-making at international level, and improve standards of living.

The external audit of D-8 Accounts was performed by the TCA and SAI of Bangladesh in 2015-2016. The TCA completed the 2017-2018 audits of the Developing-8 Organisation and submitted its report to the Presidency of the Organisation.

Audit of ASOSAI Accounts

The main duty of TCA as a member of ASOSAI Audit Board is to audit the accounts of the organisation every three years and render its report to the Assembly.

International Public Audit of Energy Charter Treaty

The TCA participated in the international public audit of the Secretariat of the Energy Charter Treaty (ECT), in which our country is signatory.

Upon the request of the contracting states, a decision was taken for the conduct of a Public Audit of the Secretariat of the Energy Charter Conference by an international commission. The Audit Commission, which was chaired by an auditor from the TCA, consisted of 15 auditors from 10 countries/international organisations.

The overall objective of the audit was to provide the Energy Charter Conference with reasonable assurance on whether the Secretariat used the funds allocated in accordance with the principles determined by the signatory countries.

² For more details on this good practice, please see <https://globalcompactrefugees.org/article/unhcr-tca-partnership-audit-public-institutions>

III. A Quick Look at the Operational and Financial Matters of IAEA

Operating Environment of the IAEA



The IAEA was established on 29 July 1957 by the Conference in New York held at United Nations Headquarters and the Statute entered into force with the objective of “to accelerate and enlarge the contribution of atomic energy to peace, health and prosperity throughout the world”.

The Agency with 172 Member States (as of December 2020) and 63 years of international service, helping to ensure that nuclear materials are not diverted from peaceful purposes. This is an important and unique contribution to international peace and security.

147 countries and territories are receiving support through the Agency’s technical cooperation programme, including 35 least developed countries. The Agency helps to improve the health and prosperity of millions of people by making nuclear science and technology available in health care, food and agriculture, industry and many other areas.

The medium-term strategy 2018-2023 is a guiding document for the Agency to determine a strategic direction and roadmap to prepare the its programme and budget by identifying its priorities.

Growing Demand for Support from Member States and Recent Challenges

Support in the achievement of the SDGs

As it is well known, at the UN Sustainable Development Summit in September 2015, world leaders adopted the Sustainable Development Goals (SDGs) contained in *Transforming our world: the 2030 Agenda for Sustainable Development* and committed themselves to the full implementation of this Agenda by 2030.

Since then, recognition and implementation of the 17 SDGs has been a prioritized concern on the agenda of almost all national and international institutions. Taking into account the global concerns about poverty, hunger, human health, energy and climate change, demand for peaceful applications of nuclear techniques have been enormously increased. Undoubtedly this justified demand put an additional emphasis on the evolving mission of IAEA which is extremely important more than ever.

As also stated in the medium-term strategy, IAEA is aware of its responsibility to support its Member States in the achievement of the SDGs.

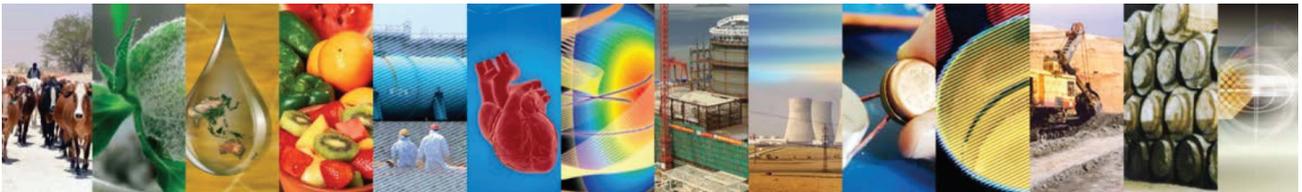
Support in ensuring safety of nuclear science and applications

Due to the growing interest of Member States in nuclear science and applications as well as in research and technology development, Agency's support is now more requested to facilitate the safe, secure and enhanced utilization of research reactors and accelerators for research and development.

Need for enhancing the technical capacity of IAEA

Adhering to global nuclear safety framework, all countries make great efforts to improve and strengthen nuclear safety, emergency preparedness and radiation protection of people while being active in also international efforts in the field of nuclear security.

To this end, the Agency has to keep its technical capabilities always updated in order to confront current and evolving challenges and risks to nuclear security.



Financial Matters of the Agency

During 2019, the IAEA generated a revenue of €580.73 million and recognized expenses amounting to €570.66 million, as well as managed assets and liabilities amounting to €1,213.45 million and €695.81 million, respectively. Out of these, Nuclear Verification Major Programme incurred €180.85 million of expenses (31.69%) and administered €172.31 million of PPE & Intangibles (14.20%).

The regular budget of the Agency is financed by member states' assessed contribution, other contributions, exchange revenue and miscellaneous income. In 2019, total revenue was decreased by 0.74% and expenditure was increased by 1.62% as compared to 2018.

The financial position of the Agency was reported as quite healthy based on the key indicators of overall net assets value and value of current assets over value of current liabilities showing the strong resource sufficiency.

The issue of outstanding contributions from member states and efforts of the Agency to increase collection was also noted in the External Audit Report by stressing the fact that increasing amount of outstanding assessed contributions could affect the Agency's functions and its financial stability.

IV. Sound Reasons to Work with TCA in the External Audit of IAEA

Audit is a means of collaborative work between the auditor and the auditee. Always bearing this in mind, TCA proposes a mutual collaboration with IAEA, based on the audit of its financial statements and operational performance so that the activities of IAEA are more transparent and accountable.

Comprehensive Perspective on the Audit Scope

The TCA defines its 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).

The TCA considers to conduct the audit of the IAEA Financial Statements, evaluate the efficiency of the financial procedures, the accounting system, the internal financial controls and the financial consequences of administrative practices. Also, if they are specified, agreed procedures are implemented in the audit work, as well. In addition, The TCA will analyse the risk of fraud in accordance with the ISSAI 1240 and fulfill its responsibilities accordingly.



Adherence to Audit Standards and Regulations in Force

In carrying out both the financial and performance audit of the IAEA, the TCA plans to reflect its comprehensive experience related to the understanding of ISSAI and IPSAS by adhering them during its audits and accordingly, targets to provide a reasonable assurance in terms of compliance with these standards.

Indeed, the TCA will conduct the audit in accordance with ISSAIs, financial regulations of IAEA and Additional Terms of References governing the audit of the IAEA and internationally accepted audit methodologies. IFRS and IPSAS will be taken into account for the financial audit.

TCA's Ultimate Aim of Guidance on Functioning of the IAEA

The TCA's approach to the external audit of IAEA will be based on the pillars of guidance and leading through providing qualified audit services and engaging in close collaboration with the auditee. In other words, with this proposal, the TCA proposes to lead and guide the IAEA by working closely with it contributing to the following objectives:

- ✓ speeding up the functioning,
- ✓ establishing the good governance principle,
- ✓ developing transparency and accountability in management and,
- ✓ finally strengthening the institutional structure.

As pointed out in the Medium Term Strategy 2018-2023, the Agency will seek prioritization and efficiency gains in the planning and implementation of its programme and budget. To do this, sharing of best practices, lessons learned and innovative management approaches as well as the recommendations of External Auditors mean a lot. In this respect, TCA will provide its guidance and assistance to the extent possible for the well-functioning of the IAEA.

Systematized Methods in Audit Stages

TCA, in its regular work, implements a systematized method with the aim of creating a better administration, facilitating the functioning of it and strengthening its institutional structure. To this end, if the TCA undertakes the task of the external audit of IAEA in terms of both financial and performance perspectives, the implementation of the methods will be as follows:

- ***An effective assessment on internal control and accounting systems***

Functioning of the internal control and accounting systems of the Agency and its situation in both financial and performance management are assessed through the feedbacks given to certain questions generated regarding the operational environment of the IAEA.

TCA will evaluate the five components of internal control system (control environment, risk assessment, control activities, information and communication, and monitoring) to determine efficiency and effectiveness of the internal control system.

As a result of evaluation there will be an assessment on the whole system beyond just financial reporting.

Since it is stated also in the previous audit reports of the Agency that there exist areas for improvement in the internal controls, the results of TCA's assessment will be undoubtedly value adding to the internal control and accounting systems of IAEA and may be adopted and even integrated into its internal evaluation systems.

- **Carrying out fundamental IT controls**

TCA will also evaluate the fundamental IT controls of the IAEA via its experienced experts and inform the management of the IAEA in detail by presenting the existing situation based on the fundamental controls made regarding those systems used by the IAEA.

Both the budget and operations of the Agency have naturally a segmented/fragmented structure which necessitate better IT capabilities to support evolving business needs and continued security of information. For this very reason, an efficient analyses of IT infrastructure and IT management of the Agency by the TCA will be value adding to the development of the current IT systems.

TCA has also experience in the Enterprise Resource Planning (ERP) Audit since it is widely used by Turkish public institutions, especially by those with complex transactions. In this scope, public entity audit manuals attach particular importance to the issue of understanding the internal control and IT systems of entities which is very closely with the ERP systems therefore paving the way for the TCA to gain such experience.

- **Planning audit with a risk-based approach**

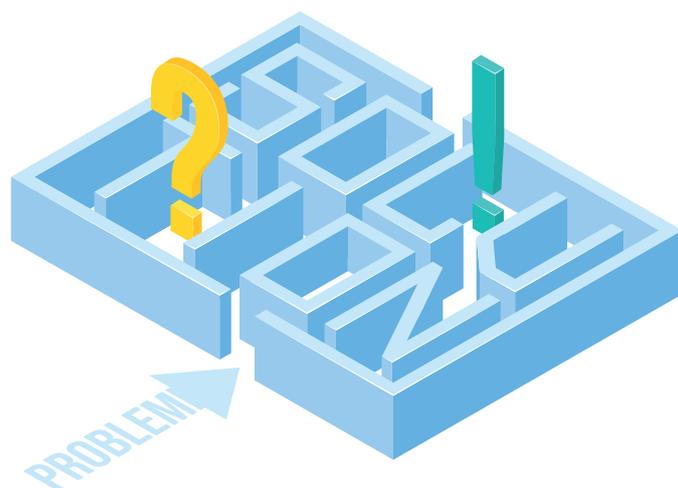
The TCA adopts a risk-based approach to its audit also in compliance with ISSAI 1330, ISSAI 3000 and ISSAI 4000.

Understanding IAEA's business operations, including its operating environment, accounting system and financial structure, IT system, and internal controls, would help the TCA design the necessary work, respond to significant risks and hence, conduct an effective, efficient and enriching audit.

In determining the risks, the TCA also takes into account the findings of previous audits including those of performance audits that provide potential impact on IAEA's financial statements.

The TCA performs risk assessment as an important part of this phase to obtain sufficient appropriate audit evidence with the minimum cost and within the shortest time. The risk assessment process includes:

- An assessment of inherent risks, both at the financial statement and account balance levels.
- An assessment of control risk through evaluating the internal control system.



Based on the understanding of IAEA's business operations and risk assessments, the TCA will develop an audit plan, including an audit program and procedures specific to IAEA. In addition, the TCA will also provide all kinds of support on any other topics requested by the IAEA in reference to the protocol to be made.

Audit tools such as ACL or Oracle BI will be used in the course of the audit.

- ***Focused fieldwork with sufficient quality control measures***

In this phase, the TCA will obtain sufficient appropriate audit evidence by conducting substantive procedures including analytical procedures and the detailed examination of the accounts and transactions underlying the accounting records; testing of the accounting and internal control systems of IAEA in order to obtain audit evidence about whether these systems operate effectively enough to prevent any material misstatements; performing analytical procedures as an evaluation of financial information through analysis of rationale relationships among both financial and non-financial data and checking IAEA's compliance on rules and regulations in accordance with ISSAI 1500 and 1520.

The TCA will inform the IAEA about significant detections and evaluations, such as detection of significant control deficiencies, suspected fraud even though its impact on the financial statements may not be significant, detection of fraud and material misstatements.

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.

A two-phase quality control system, which is in compliance with the "elements" and "application guidance for SAls" of ISSAI 140 has been established in the TCA with the aim of ensuring quality in audits. The first phase consists of the quality control works conducted during the execution of the audit and before the audit report is finalized. The second phase of the quality control system includes quality assurance works, carried out with the aim of assessing the effectiveness of quality control processes and the compliance of completed audits with the audit manuals in effect and determining the necessary actions for capacity building.

- ***Communication with those charged with governance***

The TCA acknowledges the importance of communication with the auditee and those charged with governance throughout the audit process. Effective communication will be prioritized, and the requirements of ISSAI 200 and ISSAI 1260 will be met. In addition; the cases of fraud, wasteful or improper expenditure, or expenditure not in conformity with the governing authority will be reported according to the Additional Terms of Reference.

- **Result-oriented reporting**

While making the necessary notifications in different formats throughout the audit process, the TCA will express an audit opinion on the financial statements and will issue a long form annual report indicating the results of the audit at the end of the process. This final report will be issued after elaborating the problematic areas with the IAEA's management.

The TCA will ensure that Audit Report is balanced, clear, fair, accurate, and reader-friendly and includes constructive recommendations.

Performance Audit Approach Responsive to the Needs of IAEA and Its Member States

As mentioned in the "Growing Demand for Support from Member States and Recent Challenges" part above, IAEA has been facing with more concerns of the Member States especially in the area of the achievement of the SDGs or ensuring safety of nuclear science and applications together with some internal concerns such as the need for enhancing the technical capacity of IAEA.

In this respect, in designing the performance audit approach, it will be wise for the TCA to focus on such issues that are generally member-oriented or for the purpose of better-service providing of the Agency.

Especially on IAEA's progress on achievement of nine of the 17 Sustainable Development Goals (SDGs) and possible guiding role and support to its Member States, TCA could provide great assistance to the Agency by conducting a related performance audit since the TCA has experience in the audit of evaluating the preparedness and progress for achievement of SDGs.

In line with this, the TCA also proposes to conduct performance information audit for evaluating the achievement of and progress towards the strategic objectives set in the Medium Term Strategy 2018-2023 as well as key performance indicators that the Agency predetermined for its operations. This assessment may include the evaluation of the effectiveness of the monitoring system established by IAEA for measuring the achievement of strategic objectives.

TCA's Exclusive Experience in Development and Effective Implementation of Communication Strategy

Being aware of the importance of communication with stakeholders in today's modern world, the TCA has already prepared its *2019-2023 Communication Strategy* that aims to switch the current communication practices to a new modern strategy through a well-directed change management.

The new communication strategy which is designed with a proactive approach is expected to create a greater audit impact and enhanced public recognition of the TCA.



In order to use the opportunity to create a positive public image via responsive communicative actions, the TCA has opened up new communication channels such as social media accounts, websites in different foreign languages and a website module for training requests from other SAIs.

As highlighted in the Medium Term Strategy of the IAEA, communication and open dialogue with Member States is essential with a focus on those areas in which the Agency can make a unique contribution. For the promotion of its wide recognition and its mission, activities and achievements, the Agency should also develop an effective and responsive communication strategy, with a process through which the TCA may give assistance and value adding contributions.

TCA's Gained Experience as EUROSAI Presidency in Multinational Cooperative Engagements

As EUROSAI President and holder of Overall Governance and Culture Portfolio since 2017, TCA has engaged in many professional cooperation activities ranging from drafting General Procedures, Strategic Plan and Operational Plan, monitoring and reporting of the effective implementation of the objectives in these plans and active contribution to the audit related projects.

Taking the significant responsibility of the EUROSAI Presidency on, TCA has always been well aware of the issues that are on the agenda of the European countries and structured its modus operandi accordingly to meet the evolving expectations of the member States.

In this respect, based on this gained experience as EUROSAI Presidency in multinational cooperative engagements, TCA will have an enriched external audit role for the Agency by providing remedial and future oriented recommendations in order to add value to the work of Member States and foster their active participation.

V. Estimation of Audit Effort and Audit Fees

Composition and Qualifications of the Audit Teams

The TCA President Mr. Seyit Ahmet BAŞ will directly supervise the work of TCA audit teams on the IAEA.

The TCA will assign one Director General to lead the audit and provide the audit quality controls.

The assigned audit staff will be a Team Leader and five Team Members, who will have the following qualifications with excellent command in English:

- ✓ Having Postgraduate Degrees in Economics including Accountancy and Auditing, and other majors, namely Laws and Social Sciences
- ✓ Good command of International Standards on Auditing (ISSAI),
- ✓ Good command of International Standards on Accounting (IPSAS),
- ✓ Having (at least one team member) Independent External Auditor Certificates/Certified Public Accountant Certificates,
- ✓ Having (at least one team member) CISA Certificate

In addition, a technical support office will be established within the TCA. This office will provide the necessary support services, especially on IT issues, for the team during the audit process. This support will be made within the knowledge of IAEA and in line with the information security policy of the Organisation.

The TCA also pays attention to gender balance in all audit assignments based on the merit system.

Estimates of Auditor - work – months

We have assessed the audit effort that would be required for auditing operation at headquarter, including the regional offices, liaison offices and laboratories&research centres.

The audit at Headquarter will be periodically supplemented by interim audit and final audit. The audit of the regional offices, liaison offices, and laboratories&research centres will be conducted at least once during the biennium. Based on this, we estimate that 39 auditor/work-months will be spent in conducting the financial, IT and performance audits of IAEA per year.

Audit Fees

The TCA proposes an audit fee of €1.442.721,6 for six years or €240.453,6 per year for the financial years of 2022-2027.

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

Annual fee of €240.453,6 covers an audit fee amounting to €199.903,6 per year and €40.550 to cover fixed, air fare and supplies expenditure.

Average fee per capita per month is €5.125,7 for each one of 39. (See the "Audit Fee" table below for details)

Any material changes in the cost items included for calculation of the audit fee or any changes in the scope or programme of work due to unforeseen circumstances will be reviewed with IAEA either at our request or at the request of IAEA. Any increase in cost will be supported by sufficient documentation and be subject to approval by the competent authority of IAEA.

Table: Audit Fee

	Description	Location	Number person involved	Month	Man	Man/month	Fixed, airfare and office supplies expenses (In EURO)			
							FC	Airfare	Office Supplies	Total
1	HQ	Vienna	Dir/Manager, Auditor/Team Leader	4	7	28		11900	2000	13900
2	IAEA Regional Office Toronto	Toronto	Auditor/Team Leader	0,5	2	1		5200	2000	7200
3	IAEA Regional Office Tokyo	Tokyo	Auditor/Team Leader	0,5	2	1		3800	2000	5800
4	Liaisons Offic New York	New York	Auditor/Team Leader							
5	Liaisons Office Geneva	Geneva	Auditor/Team Leader	1	3	3		1800	2000	3800
6	Research Labs Monaco	Monaco	Auditor/TeamLeader							
7	Research Labs Seibersdorf, Austria	Seibersdorf, Austria	Auditor/Team Leader	1	3	3		4500	2000	6500
8	ICTP (International Centre for Theoretical Physics), Trieste	Trieste, Italy	Auditor/Team Leader	1	3	3		1350	2000	3350
	TOTAL					39		28550	12000	40550

Note to Audit Fee Table (in EURO)

Annual bidding value.....	€ 240.453,6
Fixed, airfare and office supplies expenses.....	€ 40.550
Amount allocated for audit fee.....	€ 199.903,6
Total projected auditor/work-months.....	39
Average fee per auditor/work-months	€ 5.125,7



United Kingdom Mission to the UN Vienna

08 January 2021

H.E. Rafael Mariano Grossi
Director General
International Atomic Energy Agency
Vienna International Centre
1400 Vienna

**United Kingdom Mission
to the UN and other
International Organisations**
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Dear Director General Grossi,

It is my pleasure to present the United Kingdom's nomination of the Comptroller and Auditor General of the United Kingdom and his National Audit Office (NAO) for the Appointment as the External Auditor of the IAEA as requested in 2020/Note 79.

The National Audit Office have developed the attached document to support their bid. The document contains an overview of the United Kingdom's independent audit institution and a detailed account of its experience with domestic and international public bodies. It outlines the National Audit Office's external audit model, details the range of audit activities envisaged and highlights specialities that would be of added benefit to the Agency's objectives.

The bid also provides the Curriculum Vitae's of the Nominee and the team that would carry out the external audit function, and the proposed audit fees and time frames.

The National Audit Office have experience of providing external audit services to the IAEA. They provide a modern, responsive, risk-focussed and high-quality external audit service, offering tremendous expertise and specialist input, which will benefit the Agency. They are also committed to increasing engagement on their audit activities with Member States, including through briefings on the issues raised in their reports.

I would like to thank you for your consideration of our nomination, and your continued leadership.

Yours sincerely,

William Gatward

William Gatward
Deputy Permanent Representative to IAEA and CTBTO



National Audit Office

JANUARY, 2021

International Atomic Energy Agency:
Proposal of the UK Comptroller and Auditor
General for the provision of external audit
services

We are the UK's independent public spending watchdog.

We promote the highest standards in financial management and reporting, the proper conduct of public business and beneficial change in the provision of public services.

The Comptroller and Auditor General is the head of the National Audit Office (NAO), the United Kingdom's Supreme Audit Institution. The Comptroller and Auditor General and the NAO are independent of the United Kingdom Government and ensure the proper and efficient spending of public funds and accountability to the United Kingdom's Parliament. We audit the accounts of all UK central public sector bodies. The NAO has provided external audit services to international organisations, including the United Nations, working independently of its role as the Supreme Audit Institution of the United Kingdom. The NAO has a dedicated team of professionally qualified staff with wide experience of the audit of international organisations.

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Foreword

1 I am very pleased to submit this proposal for the provision of external audit services to the International Atomic Energy Agency (the Agency) for audit of the financial statements for the financial years 2022 to 2027.

2 As Comptroller and Auditor General of the United Kingdom's Supreme Audit Institution, the National Audit Office, I am able to provide a modern, responsive, risk-focused, quality external audit service. Our record shows we have significant experience in auditing international organisations; supporting enhanced good governance and transparency in international organisations. We have extensive expertise in auditing International Public Sector Accounting Standards (IPSAS) based financial statements.

3 Our focus is on adding value through our audit work. Our performance audit work is recognised internationally, and well received by governing bodies and management in supporting the objectives of the bodies we audit. We have significant in-house experience on topics which will be relevant to reviewing the performance of the Agency. We share a collective commitment to technical co-operation and to ensuring the benefits of investment is maximised. Together with our strong skills in key areas of activity such as human resource management, procurement, and the management and delivery of major projects, we can add real value to the Agency and the way it uses its resources and achieves its aims.

4 We support clients to improve the quality and reliability of their financial management and help clients fully realise the benefits of financial reporting. This leads to the better use of data to inform decision making, and ultimately, to better quality and more efficient outcomes. It also enhances the accountability for the use of resources, and we have highlighted ways in which organisations can improve and enhance the way they report performance to Member States. Our clients tell us that we keep them to high standards of financial reporting but that we support them through practical insight and observations to make reporting processes as efficient and as practical as possible.

5 We value open dialogue and the audit process will be a transparent one in which we communicate our findings to management throughout the audit, avoiding unwelcome surprises. Our audit will be an inclusive and constructive process, working closely with the Secretariat and Member States from the independent and objective position of the external auditor. Our audit is risk focused and makes best use of modern technology. Our approach, with due consideration of Internal Oversight's work, will be tailored for the Agency's circumstances to provide a cost-effective and efficient service minimising our carbon-footprint.

6 We will keep you informed of our work and will respond appropriately to any concerns and issues which are raised. We welcome Member States involvement in our risk assessment, ensuring our audit is responsive to stakeholder concerns. We offer the opportunity to brief Member States on the results of our audit and to help make the detail of our work more assessable ensuring it provides the best opportunities to enhance accountability and maximise the value of our outputs.

7 This submission sets out more information about our capability to serve as the External Auditor to the Agency:

- Part One provides a curriculum vitae of the key staff members as well as detail on the national and international activities of the UK National Audit Office, including the range of audit activities and specialities that could be of benefit to the Agency. We also highlight that we successfully held a previous mandate as the Agency's external auditor which ended in 2003;
- Part Two includes a presentation of our approach to the audit and the number and level of staff who would be involved; and
- Part Three provides the proposed audit fee (expressed in Euros) and an estimate of the total number of auditor-months for the six-year period.

8 I welcome the opportunity to submit a proposal for the provision of external audit services to the Agency and to serve once again as the Agency's External Audit.



Gareth Davies

Comptroller and Auditor General of the United Kingdom

7 January 2021

Part One

Activities of the UK National Audit Office

Comptroller and Audit General

1.1 The Comptroller and Auditor General (C&AG) is the head of the National Audit Office (NAO) and an Officer of the House of Commons, he was appointed on a 10-year non-renewable term of office in 2019. He can be removed from post by the Queen only with the approval of both UK Houses of Parliament. On our domestic work, the C&AG reports directly to the UK Parliament and his reports are considered and scrutinised by the Public Accounts Committee, a cross-party committee of the House of Commons.

The National Audit Office

1.2 Under the leadership of the C&AG, the NAO scrutinises UK central government spending on behalf of Parliament. The audit and inspection rights are enshrined in legislation and vested in the C&AG who appoints the staff of the NAO. These staff, therefore, are totally independent of government, are not civil servants, and do not report to any Government Minister.

1.3 The NAO can trace its roots as far back as the “Auditor of the Exchequer” in 1314 and has existed in its present form since 1983. In addition to our UK audit responsibilities we have a tradition of auditing international and United Nations organizations which extends over 60 years and have therefore amassed considerable experience and expertise in the conduct of international audits, including, four terms on the United Nations Board of Auditors, mandates at numerous UN Specialized Agencies and as the Agency's external auditor for several terms ending in 2003. The NAO strongly supports the development of audit practice internationally and participates in a variety of technical co-operation programmes with national governments and other Supreme Audit Institutions.

Curriculum vitae of senior international team

Comptroller and Auditor General



Gareth Davies: Comptroller and Auditor General

Gareth Davies was appointed C&AG on 1 June 2019. Throughout his career he has been committed to the provision of external audit and assurance services across the UK and the international public sector. Originally starting with the Audit Commission, with statutory responsibilities for the external audit of local government and the National Health Service, rising to the role of Managing Director of the Commission's Audit Practice. From there Gareth moved to become Head of Public Services at Mazars, a global accountancy firm specialising in provision of audit and advisory services internationally. Gareth has also served in various Trustee roles in large third sector Non-Governmental Organizations, sharing a commitment for providing cost effective provision of aid. He is Fellow of the Chartered Institute of Public Finance and Accountancy (CIPFA) and a member of the Institute of Chartered Accountants in England and Wales (ICAEW).

Executive Leader



Kate Mathers, Executive Leader, National Audit Office

Kate Mathers is a member of the NAO's Executive Team and is jointly responsible for leading the NAO's financial audit practice. A Chartered Accountant, Kate has been with the NAO for more than 18 years' and has extensive experience auditing a wide range of public sector bodies.

Prior to joining the NAO's leadership team, Kate was the NAO's Director of Financial Audit Practice and Quality, leading the team responsible for NAO-wide audit policy and methodology, financial reporting technical matters and audit quality. More widely, Kate has held senior management positions in finance and operations while on secondment from the NAO. Kate sits on the Board and Council of the ICAEW and is the Chair of their Learning and Professional Development Board.

Engagement Team



Damian Brewitt: Director, International Audits: Engagement Director

Damian has had a career in external audit for more than 26 years, he is a qualified Chartered Accountant. (CIPFA and ICAEW). After 10 years with the Audit Commission he began his career at the NAO managing audits of international organisations, including the audit of the International Atomic Energy Agency, Comprehensive Nuclear Test Ban Treaty Organisation; Organization for Security and Co-Operation in Europe; the World Food Programme; World Meteorological Organization and the International Labour Organization.

After seven years as Director on several significant and high-profile UK portfolios, including Culture, Media and Sport (2012 London Olympics) and the Ministry of Defence, he returned as Director responsible for the UK's international work. He led the European based UK portfolio on the UN Board of Auditors, including UN High Commission for Refugees, UN Office for Project Services and UN Office of Drugs and Crime. Damian was the Convenor of the Technical Group of UN Panel of External Auditors in 2018 and 2019.



Simon Irwin: Audit Manager – International, Engagement Manager

Simon has had a 30-year career at the NAO and is a qualified accountant. He has extensive experience with our UN and other international clients, including extensive work with the UN Board of Auditors. Simon is a licenced IPSAS practitioner.

Simon is an experienced manager with a breadth of knowledge across the NAO's client portfolio. He has strong experience in both IPSAS and IFRS and helped guide many clients through the challenges of implementing IPSAS. He currently manages our audits of the World Intellectual Property Organization and the Pan American Health Organization. He represents the UK at the UN Panel of External Auditor's Technical Group.

Highly qualified and diverse workforce

1.4 We employ around 900 full time equivalent staff. Most of our staff are qualified or trainee accountants and all our financial audit practice are members of, or trainees with, the main accountancy institutes. We are a registered trainer with the ICAEW which provides the main route for our graduate and school leaver intakes. This expertise is supported by other specialist staff in areas such as: commercial and contracting; corporate finance; digital transformation; operations and process management; project delivery; and regulation. This means we have a deep resource pool from which to provide a highly qualified and experienced team to audit the Agency.

1.5 The NAO is committed to promoting equality and diversity. We have a diverse workforce and encourage a genuine and widespread recognition of the positive difference diversity can bring. The NAO received a gold rating in the “Opportunity Now and Race for Opportunity” benchmarking surveys for gender and ethnicity equality respectively. Our diversity also allows us to draw on colleagues' wider skills, including linguistics, to support our international audits.

National activities of the NAO

Autonomy and independence

1.6 To preserve our autonomy and independence, our budget is set by Parliament, not the Treasury or Government of the day. For each financial year, the NAO prepares a resource estimate which is reviewed by the Public Accounts Commission (TPAC), a Committee of the House of Commons, which also appoints our external auditors and scrutinises our performance. It challenges us in the same way we challenge others to improve the efficiency of operations. All of our non-statutory audit engagements are required to recover their full costs. This provides greater assurance over the independence of the audit, as our work is not dependent on funding from national government and is in line with the principles of the International Organization of Supreme Audit Institutions (INTOSAI).

Financial audit

1.7 The C&AG, with the support of NAO staff, provides an independent audit opinion on some 400 individual accounts across the public sector. Our work complies fully with International Auditing Standards, which underpin the international standards of auditing of supreme audit institutions (ISSAIs).

1.8 The C&AG is the Statutory External Auditor for all UK Government Departments and many other significant UK public sector entities, such as the BBC, Network Rail and public funded financial service companies. Our financial audit work provides direct assurance on more than £1.7 trillion of government expenditure. Our portfolio includes

bodies relevant to this assignment, such as the Department for Business, Energy and Industrial Strategy, the Office for Nuclear Regulation, UK Atomic Energy Authority and the Nuclear Decommissioning Authority. This gives us knowledge of the nuclear industry which can help our consideration of performance audit topics relevant to the nuclear environment.

Performance audit

1.9 Branded in the UK as value for money studies, we examine the efficiency, effectiveness and economy with which public bodies use their resources. Typically, this focuses on a specific area of government expenditure and seeks to reach a judgement on whether value for money has been achieved. We also make recommendations on where improvements to public services can be made.

1.10 This work fully complies with international standards of performance audit. Many of our reports have highlighted issues across government leading to significant improvement in public services. Last year alone, our reports identified over £1 billion of positive financial impacts. Our success in identifying improvements in the delivery of public services which lead to savings is in part down to the way we select and design our work programme and how we work to ensure that our recommendations are followed up.

1.11 We have a positive engagement with the UK Parliament and the Public Accounts Committee (PAC), other select committees and individual MPs in their scrutiny of public spending and delivery. The PAC considers most of our value-for-money reports, and some of our investigations and financial audit work, in sessions at which committee members take evidence from the senior officials of the organisations under scrutiny. In the international environment we have extensive experience in delivering our audit results to governing bodies and offering briefings to Member States to make the results of our work more accessible and to better understand their assurance needs.

Investigations

1.12 We conduct investigations to establish the facts when people or our work identify concerns about the use of public funds. Our investigations give a rapid and timely account of a situation or issue. To enable us to make this evidence available quickly, investigations do not seek to conclude on value for money. They are fact-based studies and allow Parliament a quick and early look at emerging issues and projects. There has been considerable interest across the European community of Supreme Audit Institutions (SAIs) in this work.

NAO's International activities

Audit of international organisations

1.13 Our long association with the audit of international organisations, and with the international development and technical co-operation programmes, has given our staff valuable experience of working in multi-cultural, multi-national and geographically dispersed organisations. This has assisted us over the years in broadening our approach, practice and perceptions as well as providing insight into specificities of international organisations such as results based management, budgetary processes and the management of programmes.

1.14 Within the UN family, we have extensive experience of providing external audit to the United Nations, its Fund and Programmes and the Specialized Agencies. On 30 June 2016, we concluded a six-year term on the United Nations Board of Auditors (previously serving a nine-year term until 30 June 2001) where during our mandate we audited major entities such as the UN Secretariat, UNHCR and UNOPS. Within the past 15 years, the C&AG has held tenure as the appointed External Auditor of the International Labour Organization; the World Food Programme; Comprehensive Nuclear Test Ban Treaty Organisation; and the World Meteorological Office. We have a proven track record in auditing Specialized Agencies, which include looking at areas such as the effectiveness of technical co-operation programmes and to ensure that available resources are utilised to best effect. Members of the proposed team have specific knowledge of the Agency from our previous tenure as its external auditor in 2003.

1.15 The NAO is currently the External Auditor of the Organisation for the Prohibition of Chemical Weapons, the Special Tribunal for the Lebanon, the Pan American Health Organization; the World Intellectual Property Organization and the Advisory Centre for World Trade Organization Law. The NAO has been appointed as the External Auditor of the International Telecommunications Union from 2022.

1.16 Our experience allows us to draw upon a wealth of best practice and enables us to respond authoritatively on new issues and accounting judgements. We are eager to help our clients draw upon good practice and use our networks to help foster common approaches through forums such as the UN Task Force on Accounting Standards, with whom we have had regular engagement. Our clients tell us that we keep them to high standards of financial reporting but that we support them through practical insight and observations to make reporting processes as efficient and as practical as possible.

International relations

1.17 Our audit assignments and leading role with the UN Panel of External Auditors – chairing it in 2018 and 2019 – and INTOSAI has kept us in the vanguard of wider developments affecting international bodies. These include implementing and driving

benefits from IPSAS, supporting business transformation and organizational reform, improving governance, internal control and accountability, enterprise risk management, information technology, results based budgeting and performance reporting, in all of which we have particular expertise and can draw on specialist internal teams.

1.18 Working with audit offices across the world provides an insight into different approaches and new perspectives on ways of working. We use these relationships to increase the use of international comparators in our reports. For example, we have set up an international project group on auditing the response to the COVID-19 pandemic. More widely, our international work improves our approaches to value for money studies in subjects such as the environment and national defence.

1.19 Our strong international reputation leads to us being approached by other SAIs to participate in their Peer Reviews – an INTOSAI approach to foster learning and improvement. We have recently completed such reviews of SAI Lithuania, SAI Netherlands and will complete a peer review of SAI France in February 2021.

1.20 The C&AG and his staff hold several formal positions. These include membership of INTOSAI and of the European Organization of Supreme Audit Institutions (EUROSAI); and represented by NAO technical experts who serve as members on a range of INTOSAI and EUROSAI Committees and Working Groups including those on Professional Standards, Capacity Building, Sustainable Development Goals, Environmental Auditing, Data Analytics, COVID-19 and Financial Modernization and Regulatory Reform.

Peer to peer capacity building

1.21 The UK NAO shares the Agency's long-term commitment to technical cooperation programmes and has worked with several SAIs. For example, our recent portfolio of direct support projects includes working with the SAIs of Nepal, Ethiopia, Cyprus, Trinidad and Tobago, Jamaica, Nigeria, Tanzania, Ukraine, Georgia, the UK Overseas Territories, Vietnam, Morocco, Sweden and Kosovo, among others.

Audit specialities

Experience of International Public Sector Accounting Standards

1.22 We have major experience in auditing IPSAS financial statements and were a significant influence in the introduction of IPSAS within international organisations. The NAO was at the forefront of the implementation of IPSAS within the United Nations System, from working alongside the World Food Programme as the first Specialized Agency to adopt IPSAS in 2008, through to the work with the UN Secretariat on its successful implementation in 2014.

1.23 We have excellent direct working relationships with senior members of the IPSAS Board, which gives insight into the principles of the standards and of what changes are under discussion. This is further enhanced by our direct participation in the UN Task Force on Accounting Standards.

Relevant audit experience in nuclear related entities

1.24 Our UK audit portfolio provides us with experience of the operating environment for bodies engaged in nuclear science and technology, and we can draw upon sector expertise within our office where necessary to support our work. These teams will be available to consult and advise on this audit as necessary. While not a conclusive list, some examples of directly relevant UK work are set out below:

The Office for Nuclear Regulation

1.25 The Office of Nuclear Regulation (ONR) is the UK's independent nuclear regulatory body, with the legal authority to regulate nuclear safety, security and conventional health and safety at 36 licensed nuclear sites in Great Britain.

The Nuclear Decommissioning Authority

1.26 The Nuclear Decommissioning Authority (NDA) is responsible for operating, decommissioning and cleaning up 17 nuclear reactor and research sites in the UK. The NDA's work includes reprocessing spent fuel from old nuclear reactors, managing and storing nuclear materials, removing and managing contaminated waste, and decontaminating and dismantling legacy facilities.

Managing infrastructure projects on nuclear regulated sites

1.27 The UK has various major large and complex nuclear construction projects underway at nuclear-regulated sites. We have published reports which specifically examine progress to date on these projects.

Technology and data analytics

1.28 We recognise the importance of technology in the delivery of services to Member States and our audit will assess any risks from the use of these technologies to the administrative operations of the Agency. Our audit approach also uses and applies data science and technology to improve the quality and efficiency of the way we undertake our audit.

1.29 We make extensive use of computer assisted audit techniques including the application of interrogation software to analyse large datasets of transactions processed and utilised by the organisations we audit. In using these techniques, we can identify trends and patterns in the movement of significant account balances. This helps us to identify potential risks for further detailed investigation, such as unusual journal entries, and leads to greater efficiency in our audit approach. We also use the software to identify erroneous or unusual transactions such as manual accounting entries, duplicate transactions and to re-perform the construction of client data to validate the accuracy of financial statements.

1.30 Our experience in data analytics allows us to perform detailed analysis of the efficiency of business processes in key areas such as purchase to pay (procurement), travel expenses, payroll and budget. We expect to deploy specialist IT auditors who support our audit teams in evaluating automated controls and interactions between systems to ensure that controls are appropriate and well designed. Our clients often find our insight in this area useful in enhancing their own management controls and to see how they can make better use of their existing data sets.

Information systems audit experience

1.31 We have developed expertise in the audit of ERP systems and their implementation including Oracle, Aggresso, Workday, Salesforce, Microsoft Dynamics and SAP. We regularly report on the development of digital services and platforms; cyber security; technology and data strategies and enterprise resource planning (ERP) implementations. NAO has specialists in digital transformation, technology, data science as well as qualified Certified Information Systems Auditors (CISA) who are at the forefront of developing audit methodologies that both ensure quality and add insight to our clients in relation to major IT change programmes and upgrades.

1.32 Modern, efficient methods for review of information systems are fully integrated into our mainstream financial audit work and our internal training programmes and all staff have a proficiency in and awareness of information systems audit. We review the complexity of the information systems of all clients as part of our preliminary planning work and, at that stage, identify whether we need to draw on specialists with extensive experience of reviewing and advising clients. We are familiar with the system configurations for budget allocations and commitments made in line with UN analogous Financial Regulations; and which often operate on a modified cash basis.

Centres of Expertise

1.33 Financial statements are becoming increasingly complex with the need for preparers to engage experts in the preparation of their accounts. As a result of this increasing complexity, the demands on auditors to have the appropriate skillset to respond to this have also increased. The NAO has looked to keep pace with these developments. We have done this through the creation of internal centres of expertise. These centres of expertise provide an internal source of expertise on specialist areas and act as a gateway to individual audit teams who seek to engage experts on their audits. The role of these centres of expertise is therefore to provide an extra level of support to audit teams.

1.34 Of relevance to the Agency, we have established centres specialising in:

- property and the valuations of buildings and can advise on valuations of specialised assets;
- post-employment benefits and actuarial methodologies, relevant to those liabilities arising from long-term employee benefits;
- financial instruments and the accounting for investments; and
- a centre for fraud and error, which provides guidance on addressing the audit risks associated with possible fraudulent and erroneous transactions.

We will be able to draw on experts to support our audit of the Agency's financial statements.

Part Two

Our audit approach

Understanding the Agency

2.1 Our audit approach will be grounded in our understanding of the Agency and tailored to the needs of Member States. Our audit is not simply there to ensure good accountability of the use of resources, but to add value through relevant and far reaching recommendations for continuous improvement.

2.2 The Agency is a not-for-profit autonomous intergovernmental organisation and is the world's centre for cooperation in the nuclear field and seeks to promote the safe, secure and peaceful use of nuclear technologies. The need for its work continues to grow, as the potential for nuclear technology and energy to provide solutions to both meeting the ambitions of Sustainable Development Goals and the rising global demand for energy.

2.3 This work is funded through both assessed and voluntary contributions from Member States and non-Member States donors. Reliable funding will be critical to the Agency achieving its strategic objectives. This is in the context of a world which will be recovering from an unprecedented public health crisis; a crisis which will impact on the economies, priorities and the resources of Member States for many years to come.

2.4 The ability of the Agency to demonstrate efficiency in its work and to allocate resources to achieving the best outcomes will be an essential feature of its forward programme. And this is where there is real value in our External Audit approach. We would have a comprehensive and independent overview of all aspects of the Agency's operations. Our work will not just certify the financial statements but offer a suite of recommendations on how to improve and optimise many parts of the Agency's work. We can draw on examples of best practice from our extensive back catalogue of work; an approach which has led to £1 billion of financial impacts being directly attributed to our reports last year in the UK.

Financial audit

2.5 Our financial audit will be conducted in accordance with International Standards on Auditing. Our overall objective is to plan and perform our audit to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement and that in all material respects the expenses and revenues of the Agency have been applied in accordance with the Member States' intentions. Our audit is designed to provide an opinion on the fair presentation of the financial statements in compliance with IPSAS and that transactions comply with the Financial Regulations and Rules

2.6 Our audit is performed in three main phases of work: planning, fieldwork and completion which are summarised in Figure 1. Subject to detailed discussions with the Secretariat, the expectation of our annual cycle would be to conduct the audit planning work in the late summer, with interim audit completed during the autumn and final audit work in February. Field visits would be carried out to Regional offices, Liaison offices or laboratory sites on a cyclical basis over the period of the audit tenure where it was necessary to look at elements of projects or programmes.

Performance audit

2.7 As we increase our understanding of the Agency's operating environment and the challenges it faces, we will develop a plan for the period of our mandate to cover what we assess as the key performance risks. Our programme will focus on the key operational and strategic matters of interest to Member States. We ensure that we cover the areas that matter, and where we can add value and insight.

2.8 We aim to be at the leading edge in assessing public service performance, and we adopt innovative approaches and techniques. We work to standards that draw on best practice in performance audit, and we are recognised leaders in this field. Our work follows a clear process methodology that ensures the topics we select will add value and that the scope of our work uses our best experts. The work is underpinned by regular review to ensure the evidence for our findings is sound and that we are making the best added value recommendations. We make good use of our extensive back catalogue of international and domestic reports.

2.9 Our team has extensive experience of undertaking performance audit of international organisations, we supplement this by using dedicated performance audit staff with a wide range of professional expertise in specific subject matters, including for example: human resources management; project management and procurement, results based budgeting; capital projects; IT systems and change management, efficiency measures, business process improvement and the effectiveness of programme and project management.

2.10 We will draw our conclusions and recommendations together in a long form report which will be published alongside our audit opinion as set out in Figure 1.

Figure 1: the NAO audit approach



Risks and documenting our work

2.11 Throughout the audit we adopt a risk-based approach and seek to take assurance where possible from the internal controls in place. The International Standard of Auditing (ISA) 315 (Revised) deals with the auditor's responsibility to identify and assess the risks of material misstatement in the financial statements. The revised standard enhances the auditor's risk assessment procedures in identifying and assessing the risks of material misstatement.

2.12 Our electronic audit package has standard work programmes for IPSAS audit areas, and these reflect years of experience in delivering IPSAS audits in international organisations and ensures the programmes address and link to the requirements of ISAs. We apply these programmes proportionately within the context of risk and materiality.

2.13 All audit working papers, evidence and other documentation will be stored, reviewed and managed electronically using our encrypted corporate audit software. The software we use contains detailed work programmes, audit checklists, reporting templates and toolkits to support a modern and comprehensive financial audit and to evidence a thorough two-review of audit results. The work programmes provide assurance that our audits cover all the requirements of International Standards on Auditing.

Materiality

2.14 The concept of materiality recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement.

2.15 During the planning process, we determine a level of materiality which provides a basis for our detailed risk assessment procedures, and for determining the nature, timing and extent of further audit procedures. This level is a matter of professional judgement and based on our judgement about the sensitivity to error of the users of the account. The ranges we typically apply in the NAO are one to two per cent of gross expenditure/turnover or gross assets.

2.16 We are fully transparent in sharing the detail of our assessed levels of materiality, including these in our standard planning reports which we would share with the Agency, and this is embedded in our normal ways of working.

Fraud

2.17 We comply with the requirements of ISA 240 The auditor's responsibility to consider fraud in an audit of financial statements. Whilst our audit cannot be relied upon to identify all misstatements, we plan our audit of the financial statements so that we have a reasonable expectation of identifying material misstatements (including those resulting from fraud). In addition to the use of analytics, we incorporate an

element of unpredictability as part of our approach, and report to those charged with governance on our approach to fraud risk; where we have identified fraud; or where we obtain information that indicates the possibility of fraud. We also review managements arrangement and comment on its commitment to preventing, detecting and encouraging an anti-fraud culture.

Working with the Office of Internal Oversight

2.18 At our planning stage we meet with the Office of Internal Oversight to discuss their current project work and any reviews undertaken in the year. We consider any matters of specific concern internal oversight may have where additional work and focus may be required by external audit or if there are any areas where reliance on the work of internal oversight can be taken. This meeting helps our understanding of the Agency's operations during the year and helps inform our assessment of the audit risks.

2.19 If our planning discussions highlight areas where there may be overlap with work performed by internal oversight, we will seek to place reliance on their work in this area after reviewing, and considering their working papers, findings and conclusions. We would do this to ensure a more efficient and effective external audit providing it is of the appropriate standard and is completed in accordance with our audit timetable. We see clear benefits in working cooperatively to maximise the assurance coverage available to the Member States.

Data security

2.20 As an international organisation with safeguarding responsibilities, it is important that you have confidence in how we use your data and ensure it is protected and held securely. We take the security of our clients' data seriously. Specifically, we have processes to ensure the proper management of sensitive data and we commit to only request personal data where necessary; to agree with you in advance how we use, secure, destroy and account for that data; and for all requests to be authorised by a senior employee.

2.21 Our IT systems are accredited to a high business impact level which allow us to store highly sensitive data where it becomes necessary for audit purposes. Our protection measures include several layers of access control on which we are externally accredited. These measures allow us to hold sensitive data securely within encrypted files, and to communicate at the conclusion of our audit on its destruction or secure retention. Our Information Security Management Systems (ISMS) have (as of April 2020) also received external certification against the ISO/IEC 27001:2013 standard.

Information technology applications

2.22 Our IT arrangements have been proven to be highly effective both during our international assignments and during the challenging lockdown environment of Covid-19, where we have continued to fully deliver our audits of international organisations, despite the disruptions. The NAO will use the following systems for its audit:

- *Specialised audit software*: encrypted, automated audit working papers and storage of associated relevant audit evidence.
- *Office 365 applications*: including Outlook, Sharepoint, Excel, Word and Teams. Most of the detailed audit work will be documented in Excel and Word documents and stored within our audit software.
- *Audit Information Management System (AIMS)*: A tool used to store bulk ledger data. The internally developed software allows the automated mapping of general ledgers and trial balances to financial statement codes. It provides analytic tools to identify risk in areas such as journals and variances. This is a key tool to enable us to undertake risk based and efficient audits in a secure environment for client data.
- *Tableau*: A reporting tool used in tandem with AIMS to allow visualisation techniques to be applied to the output of our data analytics work.
- *Huddle*: This is a collaboration tool we propose to use to facilitate the requesting and sharing of information and data with clients. This has been a major way in which we have continued to deliver audits during the Covid-19 lockdown and is a secure and approved platform under our stringent security protocols. Should the Agency require the use of a different collaboration tool for sharing information, we would agree, subject to our due diligence with acceptable outcomes.
- *Bloomberg*: we have a Bloomberg terminal with access to the data service, which provides real-time financial data for the verification of investments and to gain access to wider market information.

Communication and engagement

2.23 We adopt a practical and supportive approach to our work and will maintain an open and regular dialogue with the Secretariat to facilitate open discussions on issues as they arise. Our commitment to our audit clients includes being available at the right level to respond to our clients' needs, especially to significant issues raised by management or the governing bodies, and outside of the routine audit cycle, our senior staff to be readily available for consultation when the need arises.

2.24 We consider the specific circumstances and concerns of our clients, taking a structured approach to client engagement including planned regular communication throughout the audit. A key element of this is consulting early on our plans and the issues as we understand them, actively and transparently tracking outstanding issues; and communicating major issues as they are identified to promote a 'no surprises' ethos. This maximises the chance of positive resolution, and to increase the impact of our findings or recommendations.

2.25 We envisage that senior team members will be in regular communication both remotely and onsite during the period of our mandate and be available in person for

our presentations to the Governing Body. We will have greater face to face engagement with Agency staff in the early years of our mandate and adapt remote working in consultation with management once we are more familiar with the Agency.

Engagement letter and audit planning report

2.26 After our initial planning work, we agree our letter of engagement, as required by International Standards on Auditing. Following our detailed planning visit, we finalise and share our audit plans. We feel it is important to engage management and those charged with governance early in respect of the key audit risks identified. This ensures our audit is focused on the key risks and challenges relevant to the entity and its governing body. Our audit strategy will outline:

- our overall approach to carrying out the audit, including our levels of materiality;
- our view of the key audit risks faced by the Agency and our planned audit approach to address those risks and the nature and focus of our performance audit work;
- the detailed agreed timetable for completion of the assignment to ensure that the results of the audit are available in good time for the relevant governing body meetings;
- our liaison with internal audit and management experts such as actuaries; and
- the relative responsibilities of the Agency and the NAO to ensure a comprehensive and successful audit.

Audit completion report

2.27 At the conclusion of our audit work, in accordance with International Standard on Auditing 260 - *Communication with Those Charged with Governance*, we will issue an Audit Completion Report which includes key internal control observations and our recommendations to enhance the Agency's control environment. Our Audit Completion Report will outline:

- any significant issues that we, as independent auditors, consider should be brought to the attention of those charged with governance including any misstatements identified and adjustments made and the responses to risks we identified in our initial plans and during our audit;
- our proposed audit opinions on the financial statements (prepared in accordance with ISA700 - *Forming an Opinion and Reporting on Financial Statements*); and
- any recommendations to management for improvements to the Agency's operations, governance or controls.

Long form audit report

2.28 We will also present the draft External Auditor's report containing the major findings and recommendations arising from our performance audit work, to senior management in good time for the Secretariat to offer comments for us to take into account in finalising the report to meet the timetable requirements of the Board of Governors and the General Conference.

2.29 We would attend relevant meetings as required. Our aim in this is to keep the Agency informed throughout the audit and to discuss any significant issues at the earliest opportunity. The Director and Audit Manager will be available to meet and discuss any concerns that the Secretariat, or Board Members may have on an ad hoc basis.

2.30 We have found that Member State Representatives welcome additional briefings to support their understanding of our reports. These additional interactions, outside of the formal governing body, help them to gain a deeper appreciation of the detail and the practical implications of the recommendations made, ensuring they gain maximum value from External Audit reports and the experience we offer. It also provides a forum for Member States to better understand the, sometimes complex, content of the financial statements and the wider governance practice. We would provide these at no extra cost to the audit.

Auditing standards and quality

2.31 Quality is fundamental to our approach and to our ability to help improve the financial reporting of those we audit. Our stakeholders have high expectations of us, and maintaining quality is crucial to providing credible and authoritative commentary on how public bodies use their resources. Our commitment to quality is reflected in our reputation as financial audit expects.

2.32 We comply with International Standards on Auditing (ISAs) in all our financial audits. Every member of staff is fully versed in these standards and they practice them in all their work. We are at the forefront to the UN Panel of External Auditors in promoting good practice in the application of these standards and through our prior Chair role we embedded these as a major element of the Panel's agenda. Our working practices fully conform to the INTOSAI Framework of Professional Pronouncements (IFFP). Compliance is supported by the NAO's Financial Audit Manual, which provides detailed guidance on how our audit methodology interprets and implements the ISAs. This is underpinned by rigorous quality processes

Quality assurance processes

2.33 Quality procedures are built in at every stage of our financial audits through:

- matching the resources we deploy to the level of complexity and risk posed by the audit;
- a two-stage review of all audit files; and
- consultation with our technical team and/or a specially convened 'audit panel' with senior membership on any matters of significant audit judgment.

2.34 For the highest risk audits and new audit engagements such as this, we also require an engagement quality control review by an independent NAO director. Finally, we conduct regular retrospective 'cold reviews' of our audit work.

2.35 In addition, there is an external review of our quality. Each year, the UK's Financial Reporting Council's (FRC) audit quality review team inspect a sample of our audits. The same team also inspect the largest private sector audit firms to the same standards. The results of both our cold reviews and the annual FRC inspection provide valuable indicators of areas of our methodology or practice which may benefit from specific focus. These areas arise both from the results of individual inspections performed on a sample basis, and areas chosen annually by the FRC for thematic focus.

2.36 The key elements of quality at the NAO - which apply to our audit work, our approach to ethical matters, and the service standards our clients can expect of us - are summarised in the diagram below (Figure 2)

Figure 2: Key elements of audit quality



Team composition and skills

Skills and experience

2.37 The team proposed for the audit of the Agency has significant and specific expertise in the audit of international organisations and IPSAS financial statements. This experience allows us to approach the audit of technical areas with particular relevance to the Agency's financial statements, such as the valuations of After Service Health Insurance, accounting for rights to use property and shared services, capital projects, and valuations of specialist equipment and inventories. We also have specific expertise in the assessments of revenues from non-exchange contracts under IPSAS 23, which can be complex and an area of risk with a mix of assessed and extra-budgetary contributions. We have been actively engaged with the IPSAS Board and the UN Task Force on Accounting Standards in the debate on its successor standard and the associated exposure drafts on revenue and transfer expenses.

2.38 As previously highlighted, we employ other specialist staff, who form part of our dedicated performance audit team. Expertise available to utilise on the audit encompasses staff with competence and experience in areas such as: human resources, procurement, corporate finance and investment; IT system and digital transformation; results-based management; operations and process management; programme and project delivery; regulation; and governance and risk management. We consider these to be skills relevant to the work we anticipate at the Agency.

2.39 NAO staff are fluent in English and educated to degree level or equivalent. The NAO has an extensive language pool and we can draw on auditors with fluency in other languages if the assignment requires it.

Team structure and size

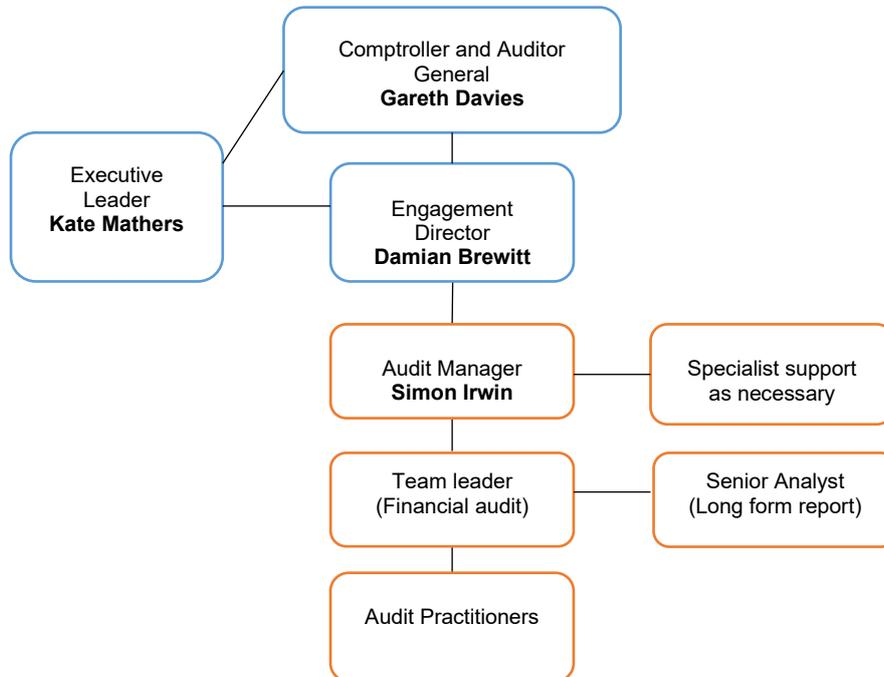
2.40 The Engagement Director is responsible to the C&AG for the delivery and oversight of the audit and the quality of the overall outputs and the client engagement. Operational management of the team rests with the Engagement Manager and the team is overseen by the Audit Principal. Other team members are allocated to specific aspects of the work, based on risk and their expertise.

2.41 We value the importance of staff continuity on audits which is why on retendering for this audit we are proposing to retain the core senior team throughout the duration of the assignment. We also plan our audit teams so that juniors progress through the roles from year to year, such that usually one year's "assistant" may be a future "team leader" to enable individuals to develop their understanding of the organisation and its systems and issues and to also provide you with continuity of knowledge between audits.

2.42 Until we have undertaken detailed engagement planning, it is difficult to forecast the precise resourcing needs in very specialist areas, as these are driven by our assessment of risk. However, we would estimate that the size of the core audit team would be equivalent to five staff members people working under the direction of the Engagement Director.

2.43 Our risk-based approach, use of data analytics and to ability to draw on short term experts from our centres of expertise allows us to streamline the core audit team. The proposed structure of the core team is set out in Figure 3.

Figure 3: structure of the core team



Training and experience

2.44 We are a professional training organisation, employing more than 70 new graduate trainees each year. As part of their professional requirements, all qualified staff must partake in and evidence their continued professional development (CPD), and this is audited both internally and externally to ensure compliance. Our requirements more than exceed the expected level of CPD of the professional institutes. We require each member of staff to undertake a minimum of 40 hours each year across a range of professional, management and personal effectiveness topics. As part of this, staff receive mandatory central training on all new accounting and auditing standards. This is supported by our in-house dedicated training team, the use of electronic learning modules and a substantial budget for external and specialist training.

2.45 A key area of training and development is in the use of Information Technology and data analytics. We have established specific training mandated for all financial audit staff. We see the use of IT and data analytics as the future of audit and we are investing heavily to support teams in this.

Professional and ethical conduct

2.46 To comply with ISAs and the professional ethics of the professional accountancy bodies of which our staff are members, teams are required to comply with both ISA requirements, and their institute's ethical standards. Our audit opinions draw specific attention to these matters, demonstrating our commitment to them.

2.47 In addition to complying with the ISAs, staff are required to follow the Ethical Standards for Auditors published by the UK Financial Reporting Council (FRC) and International Standards on Quality Control for audits (ISQC 1). Alongside the Engagement Director's responsibilities to ensure this, there is central monitoring of compliance underpinned by a culture of professionalism, rigour and openness to challenge. Key features of our framework for promoting the highest ethical standards include specific training courses; an annual conduct declaration; procedures to identify threats and implement necessary safeguards on individual audits; and rotation of senior staff every seven years – exceeding the requirements of ethical standards.

2.48 These requirements are reinforced by specific documentation to be completed by each team member on our audit files, confirming compliance, and to record a positive statement around any potential, perceived or actual conflicts of interest with the audited entity, or individuals within the entity. We have strict rules to remove staff from teams if they are unable to complete these declarations, or if circumstances change during the audit. Compliance with these requirements is required both to retain membership of their professional institutes and to comply with the NAO's own Code of Conduct. Failure to comply has disciplinary consequences. We expect and demand high standards of professional conduct and practice from all our staff.

A sustainable audit

2.49 In line with the UN's sustainability goals and the Agency's own commitment to carbon reduction, we have decided to accelerate our own progress in managing our resources sustainably and aim to be a net zero carbon organisation by 2029. This means that we will have a neutral impact on the climate through greenhouse gas emissions, in advance of the UK's overall target of 2050

2.50 This means we monitor our audit activities and ensure our travel habits are as efficient as possible. While face to face meetings and presentations to governing bodies are a vital part of an external audit, we will make sure these are done only when necessary and we will avoid travel whenever we can make effective use of digital technology to achieve the aims of the audit while ensuring we are suitably responsive and available to the Secretariat and Member States.

Building on our successful delivery of audits in 2020, we will work with the Secretariat to develop appropriate remote access capabilities to enable off-site working for aspects of the more routine transactional audit work. Any such access would be in full compliance with the Agency's and our own security protocols. Our methods of working have demonstrated our ability and commitment to meeting our client's expectations for reporting to governing bodies.

Part Three

The cost of our audit

3.1 We will complete the audit mandate for a total fixed fee of 1,488,000 Euros over the period, including travel and secretarial costs as set out in Figure 4.

3.2 Our fees seek only to recover the costs of the audit, in line with the principles of INTOSAI. This provides greater assurance over the independence of the audit and that our work is not dependent on funding from national government.

3.3 The fixed audit costs include audit related salaries, secretarial and other support costs, travel costs and living expenses. Travel costs cover travel between the NAO's London office and the Agency's Headquarters in Vienna and to other Agency offices as may be required.

3.4 Our fixed audit costs for the six years allows for 105 auditor months working on the core financial audit and performance audit work. Our costs reflect the skills of our staff and the focus of our audit effort to drive efficiency reduces the level of audit inputs. This serves to minimise the impact of our audit on the Secretariat and the amount of travel input required. Senior and key members of the audit team would be readily available for advice and consultation at no additional cost.

Figure 4

Breakdown of audit costs and auditor months

	Financial and Performance audit staff costs	Travel Costs	Total Audit Costs
	EURO	EURO	EURO
2022-2027	1,312,400	175,600	1,488,000

We anticipate the initial years of our mandate will require greater resource input, but we propose to bill on the basis of 248,000 Euros per annum for the term of our mandate, with no inflation increases.

3.5 In preparing this fee quotation and budget for the costs of the audit, we have made the following assumptions.

- The nature and extent of the Agency's activities will not change significantly from that disclosed in the most recently published financial statements;
- The Agency will provide fully IPSAS compliant management-reviewed financial statements, and the supporting documentation, to agreed target dates;
- The Agency will provide transaction data to the audit team in one of the widely used electronic formats suitable for use in our audit work;
- We will be provided appropriate access (including remote access) to Agency systems (in full compliance with security protocols) to facilitate efficient working; and
- No additional requirements will be placed on the External Auditor than those requirements that are stated in the Financial Regulations of the Agency; and

3.6 Should the Agency wish us to undertake any separate project audits, or additional work beyond that necessary to support the audit opinions, we would be happy to consider undertaking these. Terms of reference and fees for such work would be negotiated separately, and fees based on the same principals as the above.

Information requested¹	Accountability State Authority of the Arab Republic of Egypt	German Supreme Audit Institution	Comptroller and Auditor General of India	Board of Audit and Inspection of the Republic of Korea	Commission on Audit of the Republic of Philippines	Accounts Chamber of the Russian Federation	Turkish Court of Accounts	National Audit Office of the United Kingdom
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.	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.	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 €235,000 per annum (€1,410,000 in aggregate) for 2022 to 2027.	Provided an audit fee of €230,000 per annum (€1,380,000 in aggregate) for 2022 to 2027.	Provided an audit fee of €225,000 per annum (€1,350,000 in aggregate) for 2022 to 2027, subject to fluctuations of up to 8% for variations in staff costs, air travel and DSA.	Provided an audit fee of €250,000 per annum (€1,500,000 in aggregate) for 2022 to 2027.	Provided an audit fee of €240,777.34 per annum (€1,444,664.04 in aggregate) for 2022 to 2027.	Provided an audit fee of €182,400 per annum (€1,094,400 in aggregate) for 2022 to 2027.	Provided an audit fee of €240,453.6 per annum (€1,442,721.6 in aggregate) for 2022 to 2027.	Provided an audit fee of €248,000 per annum (€1,488 000 in aggregate) for 2022 to 2027.
Number of auditor-months to be devoted to the audit	Estimated at 150 auditor months for the assignment for 2022 to 2027.	Estimated at 306 auditor months for the assignment for 2022 to 2027.	Estimated at 168 auditor months for the assignment for 2022 to 2027.	Estimated at 193 auditor months for the assignment for 2022 to 2027.	Estimated at 225 auditor months for the assignment for 2022 to 2027.	Estimated at 288 auditor months for the assignment for 2022 to 2027.	Estimated at 234 auditor months for the assignment for 2022 to 2027.	Estimated at 105 auditor months for the assignment for 2022 to 2027.

¹ Note by the Secretariat dated 20 November 2020.