

NOTE BY THE EXECUTIVE SECRETARY**SUMMARY OF NOMINATIONS
FOR THE EXTERNAL AUDITOR OF THE OPCW**

1. In response to the Note by the Executive Secretary of the Preparatory Commission (PC-XVI/2), three nominations for the External Auditor of the OPCW had, as of 5 May 1997, been received by the Secretariat from the following States Parties: India, the Netherlands and the United Kingdom of Great Britain and Northern Ireland. The Secretariat also received a nomination from the following signatory State: Pakistan.
2. The Attachment to this Note summarises each of the three nominations currently under consideration in the light of the following criteria:
 - proposed audit fees and estimated total number of audit days;
 - curricula vitae of the Auditor-General and the audit team;
 - details of national and international activities of the Auditor-General's office; and
 - envisaged audit activities and audit specialities of benefit to the OPCW.
3. Copies of the original nominations are available on request.

Attachment

SUMMARY OF NOMINATIONS

INDIA

Proposed audit fees and estimated total number of audit days

<u>Year</u>	<u>Audit fees in Dfl.</u>	<u>Audit days</u>
1997	57,000	109
1998	65,500	109

Curriculum Vitae of the Auditor General and the audit team

Mr V.K. Shunglu obtained his Bachelor's Degree in Arts from St. Stephens College, Delhi University in 1959 and went on to take a Masters Degree in History from the same University. He joined the Indian Administrative Service in 1962 and held various assignments under the State Government including Principal Secretary Finance, Commercial Taxes, Secretary Planning. He was deputed to the Central Government and held various posts in the Ministry of Commerce, Ministry of Finance and Cabinet Secretariat.

Mr Shanglu was appointed as Special Secretary Power in 1993 and as Secretary Health and Family Welfare in 1994. He was appointed Secretary, Department of Industrial Policy and Promotion as well as the Department of Company Affairs in 1995. Mr Shanglu had worked in the Asian Development Bank from 1985 to 1990 and was on sabbatical at the Economic Development Institute of the World Bank in 1976.

He took over as the Comptroller and Auditor General of India on 15 March 15, 1996. He is a member of the UN Board of Auditors and the Governing Board of the International Organisation of Supreme Audit Institutions (INTOSAI). He is also the Chairman of the Asian Organisation of Supreme Audit Institutions (ASOSAI) and the INTOSAI Standing Committee on EDP Audit. He is also the External Auditor to the newly established International Centre for Genetic Engineering and Biotechnology (ICGFB).

Mr Kanwal Nath is the Director of External Audit representing India on the Audit Operations Committee of the Board of Auditors of the United Nations, and is presently responsible for managing and coordinating audits of five United Nations organisations - United Nations Headquarters, United Nations High Commissioner for Refugees, United Nations Environment Programme, United Nations Habitat and Human Settlements Foundation and United Nations University - for which India bears prime responsibility. In case India is elected as External Auditor for OPCW, he will be responsible for coordination and supervision of this audit.

Mr Nath holds a Master's degree in Physics from the University of Delhi as well as a Post Graduate Diploma in Development Finance from the University of Birmingham. He has worked in the Indian Supreme Audit Institution for nearly 28 years, and has wide experience in both certification and performance audit of both the Federal and Provincial Governments, as well as government controlled commercial undertakings. Prior to his appointment as Director of External Audit, he was on secondment to the Government of India as Joint Secretary in the Ministry of Water Resources.

The Audit Team responsible for conduct of the audit of OPCW will be:

- headed by a Senior Audit Director, designated as **Accountant General** within the organisation, who is responsible for the audit of an entire Provincial Government or a group of Federal Government Departments;
- assisted by an Audit Manager, designed as **Senior Deputy Accountant General/Deputy Accountant General** within the organisation, who is responsible for the audit of a Federal Government Department of a group of Departments of a Provincial Government;
- and supported by an Audit Supervisor, designated as **Audit Officer** within the organisation, who heads teams, conducting individual certification or performance audits.

Curriculum vitae of prospective members of the audit team

Mr N.R. Rayalu holds a Master's Degree in Science from Andhra University and attended the "International Auditor Fellowship Programme" conducted by the General Accounting Office (which is the Supreme Audit Institution of the USA) in 1985. He has been with the Indian Supreme Audit Institution for nearly 25 years and has managed several field formations responsible for the audit of Federal Government Departments.

Mr. P.K. Mukhopadyay holds a Master's Degree in Humanities from the University of Calcutta and attended the International Auditor Fellowship Programme conducted by the Canadian Comprehensive Auditing Foundation, Ottawa in 1990-91. He is presently heading a key field formation, responsible for audit of a Provincial Government, and has special expertise in the area of forensic audit, as well as use of IT in auditing.

Mr A. Sathyavardhana holds a Master's Degree in Nuclear Physics from Andhra University, as well as a Degree of Law in the University of Delhi. He also holds a Post Graduate Diploma in Management and is an Associate Member of the Institute of Cost and Works Accountants of India which is one of the premier professional accounting bodies in India. He has served in various capacities in the Indian Supreme Audit Institution, including as Director of Audit, Indian Accounts at Washington with responsibility for external oversight of Indian Missions in North and South America. He has also been seconded as Deputy Secretary to the Department of Atomic Energy of the Government of India. He is presently heading a field formation responsible for audit of a Provincial Government.

Mr Niranjan Pant holds a Master's Degree in Mathematics from the University of Lucknow and attended the "International Auditor Fellowship Programme" conducted by the General Accounting Office of the USA in 1987. He is also a Member of the Institute of Internal Auditors, Florida. He has been with the Indian Supreme Audit Institution for nearly 20 years and has vast experience in performance and certification audit of the Federal and Provincial Governments, as well as parastatal bodies. He has been on secondment for a period of four years as financial Adviser to the General Insurance Corporation of India, which is the holding company for the entire general insurance sector in India. He is also formally trained in audit of EDP-based systems and has conducted several such audits in the recent past.

All four candidates have had extensive experience in the audit of the United Nations Organisations on behalf of the Comptroller and Auditor General of India, who is a member of the United Nations Board of Auditors.

Details of national and international activities of the Auditor-General's Office

National activities

As the most important instrument of accountability, the Comptroller and Auditor-General of India is responsible for auditing the accounts of both the Federal and Provincial Governments as well as of a large number of bodies and authorities owned, controlled or financed by these governments. While he has the sole discretion in determining the scope and extent of audit, and in reporting on the results of audit, he has promulgated a set of auditing standards (which are in line with the auditing standards issued by the International Organisation of Supreme Audit Institutions (INTOSAI)). These standards establish the basic principles and practices which government auditors are expected to follow in the course of audit. The Comptroller and Auditor-General is also represented by his deputy on the Institute of Chartered Accountants of India, the governing council of the leading professional body of Indian private sector auditors.

International activities

Asian Organisation of Supreme Audit Institutions

The Comptroller and Auditor-General of India has been playing an active role in the international and regional associations of Supreme Audit Institutions (SAIs). He is a charter member of the Asian Organisation of Supreme Audit Institutions (ASOSAI) and hosted its first Assembly at New Delhi in May 1979 as well as its sixth Assembly in November 1994, and is presently chairman of ASOSAI. He has been bringing out the Asian Journal of Government Audit on behalf of ASOSAI since its inception in 1983. Officers from his office have also participated in the ASOSAI research projects on "Accountability and Control of Public Enterprises", Financial Accountability and Management in Government and "Audit of Public Works and Projects".

International training

The Office of the Comptroller and Auditor-General of India has also been conducting international training programmes on a variety of auditing themes for the benefit of SAI staff from the Asian, African and Pacific regions. Since 1979, thirty-five such programmes have been conducted, with the participation of nearly a thousand staff members from different SAIs.

International Organisation of Supreme Audit Institutions

The Comptroller and Auditor-General of India has been an active member of INTOSAI. He is a member of the Governing Board of INTOSAI, and chairs INTOSAI's Standing Committee on EDP Audit, which supports SAIs in developing their knowledge and skills in the use and audit of information technology. He has made significant contributions to the INTOSAI Development Initiative (IDI) and has been participating actively in the triennial Conferences of Commonwealth Auditors-General. The Indian Supreme Audit Institution has also served on the Board of Auditors of the South Asian Association for Regional Co-operation (SAARC).

United Nations Board of Auditors

The Comptroller and Auditor-General of India was elected as a member of the Board of External Auditors of the United Nations for a three-year term from July 1993. He has since been re-elected for a further three-year term till June 1999. As a member of the Board, the Comptroller and Auditor-General of India bears prime responsibility for the audit of the United Nations Headquarters, the United Nations High Commissioner for Refugees, the United Nations Environment Programme, the United Nations Habitat and Human Settlements Foundation and the United Nations University. The recent reports of this Board, to which India has made significant contributions, have been widely appreciated.

Envisaged audit activities and audit specialities of benefit to the OPCW

(a) Audit activities

The scope of audit conducted by the Comptroller and Auditor-General of India covers:

- financial and compliance audit, which includes audit against appropriations, and assessing compliance with applicable laws, rules and regulations;
- property audit, which extends beyond scrutinising the mere formality of the wisdom and economy of expenditure and highlights cases of improper expenditure or waste of public money; and

- efficiency cum performance audit, with a view to assessing whether government programmes, projects and schemes have achieved the desired objectives at the lowest cost and whether they have produced the intended benefits, from the point of view of economy, efficiency and effectiveness.

(b) Specialities

- We have been conducting the audit of the United Nations Organisation for the last four years, and the audit mandate for the OPCW is very similar to that for the UN Board of Auditors. Our existing professional expertise in the audit of international organisations will thus prove to be an important asset if we are nominated as the External Auditor of the OPCW.
- We have a vast pool of audit professionals, who have cleared a rigorous departmental examination covering various areas of accounting and auditing, and whose skills are continuously upgraded through in-house and external training. A policy of periodic staff rotation is followed with a view to maintaining innovation in audit approaches, while at the same time maintaining a reasonable degree of continuity.

THE NETHERLANDS

Proposed audit fees and estimated total number of audit days

<u>Year</u>	<u>Audit fees in Dfl.</u>	<u>Audit days</u>
1997	23,094	60
1998	21,116	55

Curriculum vitae of the Auditor-General and the audit team

Both the Audit Director and the proposed team leader are members of the Royal Dutch Institute of Registered Accountants (Royal NIVRA). They are subject to the rules of conduct and professional practice issued by NIVRA to ensure the proper conduct of the audit of financial statements. In addition to complying with these rules of conduct, they perform their audits in compliance with standards of auditing and related services on the basis of the International Standards on Auditing issued by the International Federation of Accountants (IFAC).

The Audit Directorate of the Netherlands currently consists of a core audit team which consists, apart from the director of the Audit Directorate, Andreas Th. A. Koet RA, of Ronald J.F. Baarends RA as team leader, and Erik R. van Zuidam RA as one of the team members. The core team will be completed with one or more Assistants.

Curriculum vitae of Director, Audit Directorate

Surname : Koet
Given names: Andreas (Andre) Theodorus Antonius
Address: Westerweg 1, 1862 CA Bergen (NH) , the Netherlands
Telephone: 00 31 2208 - 97843 (home)
00 31 70 - 3428562 (work)

Professional

career: Trainee with a public accountancy firm, at present: Coopers & Lybrand
(1975 - 1984)
(Senior) manager Internal Audit Department of the Vrije Universiteit,
Amsterdam (1984-1988)
Director of the Audit Department, Ministry of Finances, The Hague
(1984-1997). Main areas of responsibility:

- Audit of the Dutch Inland Revenue Service
- General Management

Other activities:

Member of the Audit Board of the Council of the European Social
Development Fund
Professor of “management accounting” at the accountancy course organised by
NIVRA (1987-1988);
Professor at Vrije Universiteit (from 1988) postgraduate course in accountancy
and controllers

Publications:

On the following topics:

- operational audit
- accountancy and parliamentary control
- government auditor and financial management
- operational audit of governmental organisations

Curriculum vitae of proposed team leader and staff

Proposed team leader

Surname : Baarends
Given names : Ronald Johannes Franciscus
Address : Borneostraat 130, 2585 TW
Residence : The Hague, the Netherlands
Place and date of birth: Oostburg, 23 February 1968
Nationality : Dutch

Ronald Baarends studied tax-law and accountancy (University of Amsterdam). He joined the Ministry of Finances in 1986, trained and worked with the revenue services and has worked at the audit directorate since 1990. He is currently employed within the Audit Directorate as

Head of the Audit Treasury unit. His record includes several projects in the fields of management information systems, activity-based costing and performance measurement.

Proposed staff:

Surname	:	Van Zuidam
Given names	:	Eric Robert
Address	:	Roemer Visscherlaan 41, NL-3705 SC
Residence	:	Zeist, the Netherlands
Place & date of birth	:	Zeist, 25 December 1967
Nationality	:	Dutch

Eric van Zuidam is auditor for the tax and customs administration. The main element of his job is providing and coaching audit-related services. He has a major in business economics and an audit degree from the Vrije Universiteit Amsterdam. He has worked as assistant of the controller for the Directorate of State Property. He has worked extensively with management contracts between headquarters and branches.

Details of national and international activities of the Auditor-General's Office

The main task of the Audit Directorate is to carry out the audit of the yearly departmental financial statements. The obligations, receipts and expenditure accounted for in these statements includes national taxes and excise, national debt, funds appropriated to provinces and municipalities, and proceeds from the sale of state property. The advisory and supportive tasks focus on financial procedures, the accounting system and the internal financial controls. Activities in these fields have provided the Audit Director and his staff with valuable experience of a broad range of government environments.

Envisaged audit activities and audit specialities of benefit to the OPCW

The audit approach is divided into four phases. In the pre-planning phase the activities of the OPCW in relation to the financial statements would be analysed. The planning phase includes risk assessment and results in the audit plan. In the executive phase the audit team tests financial control, as well as transactions and their appearance in the accounts. In the reporting phase they would submit, not later than 31 May following the end of the financial period to which they relate, the audit opinion and the audit report to the Executive Council. The audit report would contain a description of the nature and scope of their examination, any matters affecting the completeness of accuracy of the accounts, other matters that should be brought to the notice of the Conference of the States Parties, the accuracy or otherwise of the supplies and equipment records as determined by stocktaking and examination of the records; and transactions accounted for in a previous financial period in relation to which further information has been obtained or transactions in a later financial period about which the External Auditor believes the OPCW should be informed.

UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND

Proposed audit fees and estimated total number of audit days

<u>Year</u>	<u>Audit fees in Dfl.</u>	<u>Audit days</u>
1997	174,000	197
1998	218,000	240

Curriculum vitae of the Auditor-General and the audit team

The Auditor-General

The Comptroller and Auditor General, Sir John Born, took up his post in 1988. He was educated at the London School of Economics, where he took a first class honours degree in Economics and a PhD. Since 1956 he has mainly worked in the Ministry of Defence. He has also worked in the Treasury, in the Northern Ireland Office and at the Civil Service College.

In 1985 Sir John became Deputy Under Secretary of State for Defence Procurement in the Ministry of Defence, responsible for the formulation and coordination of Ministry of Defence procurement policy, including contractual, industrial, sales and international aspects; and for relations with industry and other government departments.

Sir John has been a visiting Professor at the London School of Economics since 1983.

Senior staff in London sharing responsibility for the audit would be:

John Higgins, Assistant Auditor General who, as part of his many responsibilities, would advise the Comptroller and Auditor-General and his Deputy on OPCW audits.

Jim Rickleton is the Associate Director who would have direct responsibility for the OPCW. He is a member of the Chartered Institute of Public Finance and Accountancy and is also qualified as Certified Information Systems Auditor, and has had considerable exposure to both financial and value for money audit. Between 1988-92 he was the Audit Manager for the audit of the five UK Research Councils. Prior to this he spent three years on the National Audit Office financial Audit Technical Group providing advice and training on all aspects of financial audit including advising on the audits of the Food and Agricultural Organisation and the World Food Programme. In 1992 he was appointed Private Secretary to Sir John Bourn, Comptroller and Auditor-General, whom he continued to serve until March 1995. In January 1995 he was appointed as the UK's Liaison Officer for the European Court of Auditors; and also is a member of the Technical Group of the Panel of External auditors of the United Nations, the Specialised Agencies and the International Atomic Energy Agency.

The Geneva based staff are led by:

Steve Townley, Audit Manager, has over 10 years post-qualification experience in public sector auditing and finance, with wide experience of international audits including the World Food Programme, Food and Agriculture Organisation of the United Nations and the United Nations Development Programme. He is our resident Audit Manager, and is currently responsible for our audits of the International Labour Organisation and the International Training Centre of the ILO. He has over six years experience with United Nations auditors and sits on the Technical Group of the UN Panel of External Auditors.

Audit staff assigned to the OPCW audit would be drawn from our resident staff in Geneva and London of internationally experienced and fully qualified accountants with French and Spanish language skills. In addition, specialist expertise, particularly in the computer field, is provided from our London office. Other staff assisting on the audit would be graduate partly and fully qualified accountants.

We would expect most members of the team to remain for a sufficiently long period to establish, and make full use of, a body of knowledge about the OPCW. Any replacement staff members would be of equally high calibre. This should provide the balance of continuity and experience, coupled with fresh insight, that we consider essential for carrying out a high quality and cost-effective audit of the OPCW.

Details of national and international activities of the Auditor-General's Office

The National Audit Office (NAO) has wide experience of auditing international organisations:

- the NAO has provided audit services for a number of years to the International Labour Organisation as well as to other Specialised Agencies of the United Nations, including the International Maritime Organisation, and the International Atomic Energy Agency;
- the Comptroller and Auditor-General is a member of the United Nations Board of Auditors;
- the NAO has various other international audits including several Commonwealth bodies;
- our long association with the audit of development aid, with the aid programmes of both the United Kingdom and the United Nations, has given our staff valuable experience of working in multicultural and geographically diverse organisations. This has assisted us over the years in broadening our approach, practice and perceptions.

Envisaged audit activities and audit specialities of benefit to the OPCW

- (a) The NAO's audit approach focuses on the concepts of materiality and risk and on the needs of the main users:
- materiality is an audit concept which recognises that financial statements can rarely be absolutely correct. A matter is regarded as material if its inclusion,

omission, misstatement or non-disclosure is likely to distort the overall view given by the financial statements. Audit work therefore concentrates on all key areas of activity and the external auditor's report on the financial statements is confined to substantial issues. Less important matters will be dealt with in discussion and correspondence with the Secretariat;

- risk evaluation includes an assessment of the strengths and weaknesses of controls within the Organisation's financial systems, to determine the likelihood of material error occurring. The results of the assessment help to determine the level of audit evidence needed to support the audit opinion; concentrate efforts towards high risk areas; and to improve the cost-effectiveness of audit testing;
- the overall aim is to provide governing bodies, the main users of financial statements, with a clear assurance that the accounts and underlying financial transactions are free from material error and comply with the Financial Regulations.

(b) Within this framework, the audit of the OPCW would include the following specific aspects:

- (i) a policy of liaison and cooperation with the Internal Audit, whose work we will take into account where possible in our own evaluations and assessments;
- (ii) an audit emphasis on the identification, review and examination of areas of risk;
- (iii) full coverage of both financial and value-for-money management audits in line with the Organisation's expectations and the External Auditor's responsibilities under the OPCW's Financial Regulations;
- (iv) a commitment to a substantive long-form audit report with constructive recommendations on both financial and value-for-money management issues, presented to the Executive Council with the External Auditor's opinion on the annual financial statements;
- (v) the assignment of internationally-experienced staff, readily available at management and auditor levels, for advice or consultation; and
- (vi) availability for appointment for further periods to suit the Organisation.

Specific qualifications for the OPCW audit

Our staff have the professional capability, background and experience to provide a high quality external audit service to the OPCW. We can offer:

- experienced high quality staff:
 - all staff recruited into the NAO are university graduates with good honours degrees. They are required to become members of the Institute of Chartered Accountants in England and Wales (ICAEW);
 - the members of our London and Geneva based staff who would be assigned to the OPCW audit have extensive experience of financial auditing in a wide range of bodies and have previous experience of international audits, including other specialised agencies of the United Nations;
 - staff assignments are rotated to ensure a balance between continuity, independence and the application of fresh minds to the job;
 - our staff can call as necessary on NAO in-house specialists, including statisticians, computer experts and economists;
- existing knowledge of the Organisation:
 - our participation in the work of the Preparatory Commission's Finance Group has already given us extensive knowledge of the Organisation's financial management which will help to ensure the immediate effectiveness of the audit team.

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