



INTERNATIONAL TROPICAL TIMBER COUNCIL

COMMITTEE ON FINANCE AND ADMINISTRATION

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APPOINTMENT OF AUDITOR FOR THE FINANCIAL YEARS 2010-2012 [Item 10 of the Provisional Agenda]

1. The Council at its Thirty-first Session held from 29 October to 3 November 2001, in Yokohama, Japan, adopted Decision 10(XXXI) to amend the Rules 7, 17 and 27 of the Financial Rules and Rules relating to Projects of the International Tropical Timber Organization [document No. CFA(II)/5 Rev.2] with a view to appoint an independent auditor of recognized standing for a term of three consecutive years, from among the auditing personnel who are nationals of the Members of the Organization – subject to satisfactory performance – instead of the earlier approved term of one year, for auditing the various accounts of the Organization, viz.: (a) the Administrative Account; (b) the Special Account; (c) the Bali Partnership Fund Account; and (d) the Executing Agencies Account. The Decision authorized the Executive Director to engage the selected auditor on an annual basis and the subsequent re-engagement of the same auditor also on annual basis, to allow an opportunity for evaluation of the performance of the auditor. The Decision precludes the appointment of the same auditor for the following term of three consecutive years.

2. At the same Session, after a review of the offers from the audit firms, the audit firm PriceWaterhouseCoopers, Tokyo, was appointed to audit the accounts of the Organization for three consecutive years beginning with the accounts for the financial year 2001. Subsequently, in July 2004, the Council at its Thirty-sixth Session after a review of the offers, selected audit firm Grant Thornton – ASG Audit Corporation, Tokyo, to audit the accounts of the Organization for three consecutive years beginning with the accounts for the financial year 2004. This firm was re-engaged to audit the Accounts for the years 2005 and 2006. In May 2007, the Council at its Forty-Second Session appointed PriceWaterhouseCoopers Aarata, Tokyo, to audit the Accounts for the years 2007, and subsequently re-engaged to audit the years 2008 and 2009, after a review of their performance.

3. The following audit firms were appointed by the Council as Independent Auditors to audit the Organization's Accounts for the financial periods from 1986 to 2009:

1986/1987	Price Waterhouse
1988	Price Waterhouse
1989	Price Waterhouse
1990	Price Waterhouse (exceptional appointment)
1991	Arthur Andersen & Co.
1992	Arthur Andersen & Co.
1993	Arthur Andersen & Co.
1994	Price Waterhouse
1995	Price Waterhouse
1996	Price Waterhouse
1997	Deloitte Touche - Tohmatsu & Co.
1998	Price Waterhouse
1999	Arthur Andersen - Asahi & Co.
2000	PriceWaterhouseCoopers
2001-2003	PriceWaterhouseCoopers (see also paragraph 2 above)
2004-2006	Grant Thornton – ASG Audit Corporation, Tokyo
2007-2009	PriceWaterhouseCoopers Aarata, Tokyo

4. The audit firm "PriceWaterhouseCoopers Aarata, Tokyo" had audited the Accounts of the Organization for three consecutive years (2007, 2008 and 2009), and accordingly, the Council would need to appoint a new Auditor to audit the Accounts of the Organization for the following term of three consecutive years (2010-2012). With a view to facilitate the decision by the Council at this Session, the Secretariat had initially contacted three of the biggest and six large to medium size audit firms of recognized standing. The Secretariat also invited the audit firms to submit estimates of fees for the three consecutive years. The responses to the invitation to submit proposals are shown in the Annex.

5. Among the six positive responses received by the Secretariat, the audit firm Ernst & Young has a high international standing, while the three others have moderate international affiliation. Of these four audit firms, Grant Thornton has the experience of auditing the financial accounts of ITTO. Estimates of fees submitted by these four firms are as shown below. Approximate equivalents in United States dollars are shown for ease of comparison, using the U.N. official exchange rate for the month of October 2010 of US\$1.00 = Yen 83.66:

(i) Ernst & Young ShinNihon, Tokyo

2010 -- Yen 9,800,000 (or approximately US\$117,140)
2011 -- Yen 9,800,000 (indicative)
2012 -- Yen 9,800,000 (indicative)

(ii) Grant Thornton Taiyo ASG, Tokyo

2010 -- Yen 11,000,000 (or approximately US\$131,400)
2011 -- Yen 11,000,000 (indicative)
2012 -- Yen 11,000,000 (indicative)

(iii) Kyoto Audit Corporation; and

2010 -- Yen 12,000,000 (or approximately US\$143,400)
2011 -- Yen 10,800,000 (indicative)
2012 -- Yen 9,700,000 (indicative)

(iv) BDO Sanyu & Co.

2010 -- Yen 9,500,000 (or approximately US\$113,500)
2011 -- Yen 9,500,000 (indicative)
2012 -- Yen 9,500,000 (indicative)

6. The above firms had submitted the estimates of fees without out-of-pocket expenses and provisions will have to be made for incidental expenses and additional overtime work of auditors, should the audit work be extended beyond the original estimated time. It may be noted that the current audit costs charged by the audit firm PriceWaterhouseCoopers Aarata, Tokyo, in total amount to around Yen 11,500,000/US\$137,450 per year.

7. While, the Secretariat is of the opinion that any one of the above four audit firms could effectively conduct the audit of the financial accounts of ITTO, it would nevertheless, recommend to the Committee for the appointment of the audit firm Ernst & Young ShinNihon LLC, which is a member of the Ernst & Young Global, operating in 140 countries globally.

8. The Committee may take note of this document and recommend to Council at this Session for the appointment of **Ernst & Young ShinNihon, Tokyo** as independent Auditor to audit the Organization's Administrative Account, the Special Account, the Bali Partnership Fund Account and the Executing Agencies Accounts, for three consecutive years beginning with the Accounts for the financial year 2010. The re-engagement of the same Auditor for auditing the Accounts for the following years, of 2011 and 2012, is subject to an annual revision of its performance.

ANNEX

APPOINTMENT OF AUDITOR FOR THE FINANCIAL YEARS 2010-2012
Submission of proposals by Audit Firms

Audit Firm/International affiliate Address	Tel # / Fax #	Contact Person	Status (as of 19/10/10)	First Year Proposed Fee
1 Ernst & Young ShinNihon LLC (Ernst & Young) [新日本有限責任監査法人]	Hibiya Kokusai Bldg., 13F 2-2-3 Uchisaiwai-cho, Chiyoda-ku Tokyo, Japan 100-0011	TEL: +81-3-3503-1100 Mr. Hiroyuki Yaji, Partner yaji-hryk@shinnihon.or.jp Mr. Masayuki Miyairi, Partner miyairi-msyk@shinnihon.or.jp	Meeting held on 08/09/10. Visited ITTO on 24/09/10 and submitted proposal.	¥9,800,000
2 Deloitte Touche Tohmatsu LLC (Deloitte Touche Tohmatsu) [有限責任監査法人トーマツ]	Yaesu Office, Pacific Century Place Marunouchi Bldg., 1-11-1 Marunouchi, Chiyoda-ku, Tokyo 100-6211	Tel: 03-3457-7321 Fax: 03-3457-7426 Mr. Tadashi Sekikawa, Partner	Showed interest but did not submit proposal by 31/09/10.	N/A
3 KPMG Azusa LLC (KPMG) [有限責任あずさ監査法人]	18F, Tokyo Sankei Bldg. 1-7-2 Ootemachi, Chiyoda-ku, Tokyo 100-8172	Tel: 03-3266-7500 Fax: 03-3266-7600 Mr. Takaki Okano	Mr. Okano called on 31/08/10. Declined thru phone due to tight schedule.	N/A
4 Grant Thornton Taiyo ASG (Grant Thornton) [太陽 A S G 有限責任監査法人]	Akasaka DS Bldg. Nishikan 9F 8-5-26 Akasaka Minato-ku, Tokyo 107-0052	Tel: 03-5474-0111 Fax: 03-5474-0112 Mr. Katsuhiko Kaneko, Partner (Team Leader of FY 2004-2006 Audit) kaneko.katsuhiko@gtijapan.or.jp	Meeting held on 07/09/10. Submitted proposal on 24/09/10.	¥11,000,000
5 Toyo Horwath (Crowe Horwath International) [東陽監査法人]	Sumitomo Fudousan Kanda Bldg. 6F 7, Kanda Mitoshiro-cho Chiyoda-ku, Tokyo 101-0053	Tel: 03-3295-1040 Mr. Inoue, Manager, International Division) ino-t@toyo.or.jp	Meeting not held. Inquired through phone. Submitted proposal on 24/09/10.	¥4,240,000
6 Kyoto Audit Corporation ("Cooperating Firm" of PwC) [京都監査法人]	Sekai Boueki Center Bldg. 5F 2-4-1 Hamamatsu-cho Minato-ku, Tokyo 105-6105	Tel: 03-5733-8960 Fax: 03-5733-8961 Mr. Ryoichi Iwasaki, Director ryoichi.iwasaki@kyotoaudit.or.jp	Meeting held on 07/09/10. Submitted proposal through e-mail on 24/09/10.	¥12,000,000
7 BDO Sanyu & Co. (BDO International) [三優監査法人]	Stec Joho Bldg. 15F 1-24-1 Nishi-shinjuku Shinjuku-ku, Tokyo 160-0023	Tel :03-5322-3531 Fax :03-5322-3593 Mr. Soichiro Kitano, Director kitano@bdo.or.jp	Meeting held on 14/09/10. Submitted proposal on 24/09/10.	¥9,500,000
8 Gyosei & Co. (NEXIA International) [仰星監査法人]	Kojimachi Bldg. 2F 3-3-6 Kudanminami, Chiyoda-ku, Tokyo 102-0074	Tel: 03-5211-7878 Fax: 03-5211-7879 Mr. Satoshi TAJIMA, Manager s-tajima@gyosei-grp.or.jp	Meeting not held. Inquired through phone. Submitted proposal on 24/09/10.	¥10,000,000
9 Yusei Audit & Co. (Morison International) [優成監査法人]	Shinjuku Center Bldg. 38F 1-25-1 Nishi Shinjuku Shinkuku-ku, Tokyo 163-0638	Tel: 03-5339-6831 Fax: 03-5339-6832 Mr. Satoshi Miyazaki , Partner miyazakis@yusei.or.jp	Meeting not held. Inquired through phone. Submitted proposal on 17/09/10.	¥8,925,000

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