GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED

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DIRECTOR-GENERAL'S FINANCIAL REPORT

ON THE 1975 ACCOUNTS

and

REPORT OF THE EXTERNAL AUDITOR THEREON

DIRECTOR-GENERAL'S FINANCIAL REPORT ON THE 1975 ACCOUNTS OF THE GENERAL AGREEMENT ON TARIFFS AND TRADE

1. The Director-General hereby submits his report on the accounts of the General Agreement on Tariffs and Trade for the financial year ended 31 December 1975.

2. Following the decision taken by the CONTRACTING PARTIES to express the budget in Swiss francs with effect from 1 January 1973, the annual accounts for 1975 are presented in Swiss francs.

GENERAL FUND

Income and Expenditure Account
(Statements 1 and 2)

(i) Income

(a) Contributions

3. At the adoption of the income budget, 1975 contributions were assessed on the contracting parties in the amount of SwF 26.335,000. Subsequently, a contribution of SwF 26,880 was assessed on Colombia. Of the total amount of SwF 26,361,880, collections as at 31 December 1975 amounted to SwF 25,073,130.

(b) Miscellaneous income

4. For 1975, miscellaneous income amounted to SwF 781 219 against an estimate of SwF 682,000.

5. The details compared with those of 1974 are as follows:

	1974 SwF	1975 SwF
Interest on investments	1.057,778	612,195
Sale of publications	51.589	56,043
Profit or loss on exchange	(33.914)	(21,947)
Savings on previous year's outstanding obligations	120,101	46,775
Refund of the organization's contribution to the United Nations Joint Staff Pension Fund in respect of participant withdrawals	39,706	57,814
Other income	37.705	30,339
	1.272.965	781.219

6. Interest on investments, covering also interest earned on the Working Capital Fund, includes amounts accrued as at 31 December 1975.

7. "Other income" for 1975 comprises the following:

	Swiss francs
Reimbursement of staff costs for services rendered	4,290
Bank interest on current accounts	5,150
Refund of prior years' expenditure	2,007
Work done for delegations and others	18,110
Proceeds from the sale of equipment	209
Miscellaneous items	573
	30,339

(ii) Expenditure

8. Appropriations for the financial year 1975 were approved by the CONTRACTING PARTIES at a level of SwF 28,267,000. As shown in Statement 2, obligations incurred in 1975 totalled SwF 27,014,694 of which SwF 737,442 were unliquidated as at 31 December 1975, leaving an unencumbered balance of SwF 1,252,306. This surplus resulted mainly from (a) the non-utilization of the provision for unforeseen expenditure; (b) savings made on payments based on or due in dollars, such as salaries and allowances, pension fund contributions and the GATT contribution to the International Trade Centre budget; (c) savings made on salaries due to the fact that a certain number of established posts remained unfilled during various periods of the financial year; (d) savings made on the item for printing as a result of the non-utilization of the provisions for a trade study, for the pamphlet "GATT, what it is", for the Certification of Changes to Schedules and for the comparative tabulations resulting from the Tariff Study; (e) savings made on the section for the 31st session of the CONTRACTING PARTIES since the meeting lasted two days only, whereas provision was made for a two-week session; and (f) savings realized on miscellaneous items such as postal services, heating, electronic data processing, etc.

9. The Council approved transfers of SwF 248,190 which were necessary in order to cover excess expenditure over approved appropriations incurred in Part I - Section 2 - Meetings of the Council and other meetings (SwF 42,083), Part II - Section 7 - Permanent equipment (SwF 35,279) and Part IV - Section 1 - Trade Negotiations (SwF 170,828). The excess expenditure incurred on the item for meetings of the Council and other meetings is a result of the need to recruit additional temporary personnel due to the fact that, when the 1975 budget estimates were prepared, it was not possible to establish a final programme of meetings for 1975 and, therefore, the same figures as approved for 1974 were maintained, taking into account, however, the higher salary costs in 1975. With

regard to permanent equipment, excess expenditure was incurred as a result of the urgent need to purchase an addressing machine and to install a computer terminal for use in Trade Negotiations activities. Further excess expenditure was incurred in connexion with the purchase of Compactus storage units at the former ILO building at a very advantageous price upon vacation by the ILO of the premises and for the urgent need to replace a service car. Excess expenditure for the Trade Negotiations resulted from the need to recruit additional temporary personnel due to accelerated Trade Negotiations activities in 1975 and to rent eight additional offices during most of the year.

10. In connexion with the running of the three staff canteens, subsidies in the form of free accommodation, electricity, heating, water supply, insurance premiums, etc., were charged to the relevant budget items in 1975. In addition, expenditure was incurred for the purchase and maintenance of equipment (SwF 1,451).

Statement of Assets and Liabilities
(Statement 3)

(i) Assets

(a) Investments

11. Investments at 31 December 1975 totalled SwF 4,444,512 which were held in interest-bearing short-term deposit accounts (Schedule A), of which SwF 2,968,877 in respect of the General Fund and SwF 1,475,635 in respect of the Working Capital Fund.

(b) Contributions receivable from contracting parties

12. Contributions receivable from contracting parties amounted to SwF 2,279,197 at 31 December 1975, as shown in Schedule B. Contributions with respect to financial years 1963 to 1972 were assessed in US dollars and the amount still due was US$146,644. This amount, recorded at 31 December 1975 at the internal accounting rate of SwF 2.66 to US$1, equalled SwF 390,072. Contributions for the financial years 1973, 1974 and 1975 were assessed in Swiss francs and an amount of SwF 1,889,125 was due at 31 December 1975 with respect to these financial years.

13. Miscellaneous accounts receivable as at 31 December 1975 totalled SwF 352,936. This amount included outstanding invoices in respect of sale of publications and services rendered of SwF 117,582, accrued interest on investments of SwF 35,482, advances to staff members on education grants of SwF 98,050, on travel subsistence allowances of SwF 22,299 and on salaries of SwF 16,307. Miscellaneous items amounted to SwF 63,216 which included advance payment of insurance premiums, recoverable Swiss Federal taxes, prepaid 1976 expenditure, etc.

(c) Buildings

14. The two GATT-owned buildings were erected on United Nations' land in 1960/61 and 1964/65 at a cost of SwF 951,450 and SwF 1,283,061 respectively. In accordance with the agreement reached with the United Nations (document C/W/78), the United Nations has the option of acquiring these two buildings at either the commercial value at the date vacated by GATT or at a depreciated value arrived at by applying a depreciation rate of 5 per cent per annum to the original construction cost in the case of the first annex and a rate of 6.25 per cent per annum in the case of the second annex. The applicable value on vacation by GATT would be the lower of the values resulting from the two methods of valuation mentioned above. On the basis of the second method of valuation, the two annexes would become the property of the United Nations without further payment by 31 December 1980.

(ii) Liabilities

(a) Miscellaneous accounts payable

15. Miscellaneous accounts payable as at 31 December 1975 amounted to SwF 201,350 representing mainly cheques drawn on banks but not presented (SwF 188,251).

(b) Provision for losses or returns in respect of publications sales

16. Irrecoverable debts in respect of publications sales amounting to SwF 8 were written off in 1975 against this provision.

(c) Provision for contributions in arrears

17. SwF 2,279,197 cover all contributions in arrears as at 31 December 1975. Contributions in arrears relating to financial years 1963 to 1972 are payable in US dollars (see paragraph 12) and provision has therefore been made with respect to arrears for these years on the basis of SwF 2.66 to US$1.

(d) Suspense Account

18. An amount of SwF 515,610 was held on a Suspense Account pending the decision of the CONTRACTING PARTIES with regard to its allocation.

(e) Surplus

19. Excess of 1975 income over estimated income amounted to SwF 126,099 and the unencumbered balance on the 1975 expenditure budget was SwF 1,252,306, resulting in a surplus of SwF 1,378,405. Of this surplus, SwF 689,101 were transferred to the provision for contributions in arrears and SwF 234 were used to write off debts irrecoverable, thus leaving an unencumbered balance of SwF 689,070.

BUILDING FUND

20. In accordance with the CONTRACTING PARTIES' decision (documents L/4097, paragraph 15, and L/4220, paragraph 19), an amount of SwF 1,250,000 was transferred in 1975 to the Building Fund from the 1974 Surplus Account to cover part of the cost of the modifications and renovations being carried out at the new headquarters building before occupancy by the GATT secretariat in 1977. Expenditure in this respect in 1975 amounted to SwF 531,183. The balance available on the Building Fund at 31 December 1975 amounted to SwF 1,314,819.

WORKING CAPITAL FUND
(Statement 4)

21. The principal of the Working Capital Fund stood at SwF 1,431,124 at 31 December 1975. In addition, an amount of SwF 54,546 (US$14,354.12) resulting from the revised assessment in 1965 of advances to the Fund (document L/2482) and SwF 2,354 (US$619.53) resulting from the dissolution of the former Federation of Rhodesia and Nyasaland (document L/2324) remained to the credit of the Governments' accounts.

22. An amount of SwF 8,559, representing advances assessed on Colombia (SwF 7,120), Haiti (SwF 56) and Rhodesia (SwF 1,383) was outstanding on 31 December 1975.

NON-EXPENDABLE EQUIPMENT

23. The value at cost at the time of acquisition through the GATT budget of furniture, equipment (other than minor items) and vehicles still in use amounted to SwF 2,023,746 as noted on the Statement of Assets and Liabilities (Statement 3).

(Signed)

Olivier Long
Director-General

(Signed)

J. Tassin
Director
Administrative and Financial Division

CERTIFICATE OF THE EXTERNAL AUDITOR ON THE ACCOUNTS OF THE GENERAL AGREEMENT ON TARIFFS AND TRADE FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 1975

I have examined the appended financial statements, numbered 1 to 4, of the General Agreement on Tariffs and Trade for the year ended 31 December 1975. I have obtained all the information and explanations that I have required, and I certify, as a result of the audit, that, in my opinion, the financial statements are correct subject to the observations in paragraph 5 of my report.

(Signed)

Douglas Henley
(Comptroller and Auditor General, United Kingdom)
External Auditor

GENERAL AGREEMENT ON TARIFFS AND TRADE

Income and Expenditure Account for the Year ended 31 December 1975

Statement 1

(in Swiss francs)

EXPENDITURE		INCOME		
1975 budget expenditure	27,014,694	Contributions assessed on contracting parties		26,335,000
Excess of income over expenditure	1,378,405	Additional contribution assessed on a contracting party subsequent to the adoption of the scale of contributions		26,880
		Miscellaneous:		
		Interest on investments	612,195	
		Sale of publications	56,043	
		Loss on exchange	(21,947)	
		Savings on previous year's outstanding obligations	46,775	
		Refund of the organization's contribution to the United Nations Joint Staff Pension Fund in respect of participants withdrawals	57,814	
		Other income	30,339	781,219
		Transfer from surplus account		1,250,000
	28,393,099			28,393,099

(Signed)

Olivier Long
Director-General

(Signed)

J. Tassin
Director
Administrative and Financial Division

GENERAL AGREEMENT ON TARIFFS AND TRADE

Statement of Budgetary Expenditure 1975

Statement 2

(in Swiss francs)

	Original Appropriations	Authorized Transfers	Revised Appropriations	Expenditure liquidated	Expenditure unliquidated	Expenditure Total	Balances
PART I - MEETINGS							
Section 1. Thirty-first session of the CONTRACTING PARTIES	125,000	(42,083)	82,917	27,487	1,573	29,060	53,857
2. Meetings of the Council and other meetings	380,000	42,083	422,083	400,633	21,450	422,083	-
TOTAL PART I	505,000	-	505,000	428,120	23,023	451,143	53,857
PART II - SECRETARIAT							
Section 1. Salaries and wages and official travel	13,150,000	-	13,150,000	12,793,343	15,607	12,808,950	341,050
2. Common staff costs	3,175,000	(140,398)	3,034,602	2,803,007	114,094	2,917,101	117,501
3. Common services	1,610,700	(58,019)	1,552,681	1,167,002	385,679	1,552,681	-
4. Printing	385,000	-	385,000	140,794	33,125	173,919	211,081
5. Representation and hospitality	78,000	(3,896)	74,104	74,104	-	74,104	-
6. Public information	5,000	(3,794)	1,206	1,206	-	1,206	-
7. Permanent equipment	150,000	35,279	185,279	149,729	35,550	185,279	-
8. Special projects	20,000	-	20,000	20,000	-	20,000	-
TOTAL PART II	18,573,700	(170,828)	18,402,872	17,149,185	584,055	17,733,240	669,632
PART III - UNFORESEEN EXPENDITURE							
Section 1. Unforeseen expenditure	200,000	-	200,000	-	-	-	200,000
PART IV - TRADE NEGOTIATIONS							
Section 1. Trade negotiations	3,298,300	170,828	3,469,128	3,338,764	130,364	3,469,128	-
PART V - INTERNATIONAL TRADE CENTRE UNCTAD/GATT							
Section 1. Contribution to the International Trade Centre UNCTAD/GATT	5,690,000	-	5,690,000	5,361,183	-	5,361,183	328,817
GRAND TOTAL	28,267,000	-	28,267,000	26,277,252	737,442	27,014,694	1,252,306

(Signed)

Olivier Long
Director-General

(Signed)

J. Tassin
Director
Administrative and Financial Division

GENERAL AGREEMENT ON TARIFFS AND TRADE

Statement 3

Statement of Assets and Liabilities as at 31 December 1975

(in Swiss francs)

ASSETS		GENERAL FUND	LIABILITIES		
Cash in hand		5,000	Miscellaneous accounts payable		261,350
Cash at Banks and Postal Cheque Account		961,238	Contributions paid in advance		749,713
Investments (Schedule A)		2,968,877	Reserve for 1975 obligations outstanding as at 31 December 1975 per Statement 2		737,442
Contributions receivable from contracting parties (Schedule B)		2,279,197			
Miscellaneous accounts receivable		352,936	Provision for losses or returns in respect of publications sales		20,047
Buildings (see Note 1)			Provision for contributions in arrears		2,279,197
First Annex: Construction cost	951,450	NIL	Due to building fund		1,314,819
Deduct: Amortization	951,450		Suspense account (Doc. L/4229)		515,610
Second Annex: Construction cost	1,283,061	NIL	Surplus:		
Deduct: Amortization	1,283,061		Excess of income over expenditure in 1975	1,378,435	
			Deduct: Increase in provision for contributions in arrears	689,101	
			Write off of debts irrecoverable	234	
				689,335	689,070
		6,567,248			6,567,248

BUILDING FUND

Cost in 1974	26,530		From 1973 surplus (document L/3986)	622,532	
Cost in 1975	531,183	557,713	From 1974 surplus (document L/4097)	1,250,000	1,872,532
Due from General Fund		1,314,819			
		1,872,532			1,872,532

Notes:

(1) Disposal of the buildings, which are erected on United Nations land, is subject to an agreement with the United Nations.
(2) Furniture, equipment and vehicles are charged to the budget at the time of purchase; the value at cost of items still held at 31 December 1975 was Sw F 2,023,746.
(3) Stocks of publications, for sale and free distribution, were held.

(Signed)

Olivier Long
Director-General

(Signed)

J. Tassin
Director
Administrative and Financial Division

GENERAL AGREEMENT ON TARIFFS AND TRADE

Statement of Assets and Liabilities as at 31 December 1975

Statement 4

(in Swiss francs)

ASSETS		WORKING CAPITAL FUND	LIABILITIES		
Cash at Banks	3,830		Principal of Fund:		
Investments (Schedule A)	1,475,635		Sums held to the credit of GATT	95,000	
Accounts receivable:			Advances made by contracting parties	1,336,124	1,431,124
Advances assessed on contracting parties	8,559		Accounts payable:		
			Due to Zambia (document L/2324)	2,354	
			Due to contracting parties (document L/2482)	54,346	56,900
	1,488,024				1,488,024

(Signed)

Olivier Long
Director-General

(Signed)

J. Tassin
Director
Administrative and Financial Division

Schedule A

General Agreement on Tariffs and Trade

Investments held on 31 December 1975

(in Swiss francs)

1,000,000	3 3/4 %	Deposit account with Lloyds Bank International Ltd., Geneva due 6 January 1976
510,334	3 1/2 %	Deposit account with Kleinwort Benson, Ltd., London due 15 January 1976
825,635	3 7/8 %	Deposit account with Kleinwort, Benson, Ltd., London due 15 January 1976
600,000	3 1/4 %	Deposit account with Lloyds Bank International Ltd., Geneva due 24 February 1976
508,543	4 %	Deposit account with Kleinwort. Benson, Ltd., London due 27 February 1976
1,000,000	4 %	Deposit account with Lloyds Bank International Ltd., Geneva due 22 March 1976
4,444,512[a/]		

[a/] of which: SwF 2,968,877 against General Fund; and
SwF 1,475,635 against Working Capital Fund

Schedule B

GENERAL AGREEMENT ON TARIFFS AND TRADE

Outstanding contributions as at 31 December 1975

Country	US dollars			Swiss francs			Total
				1973	1974	1975	1973/1975
Bangladesh						36,900	36,900
Belgium						86,353	86,353
Benin					27,800	31,600	59,400
Brazil						23,669	23,669
Burundi	(1972)	24	24	25,500	27,800	31,600	84,900
Central African Republic	(1972)	5,330	5,330	25,500	27,800	31,600	84,900
Chad	(1969)	3,810					
	(1970)	4,170					
	(1971)	4,580					
	(1972)	5,330	17,890	25,500	27,800	31,600	84,900
Chile				4,793	71,700	63,200	139,693
Colombia [1]						26,880	26,880
Congo	(1972)	1,767	1,767	25,500	27,800	31,600	84,900
Dominican Rep.	(1966)	2,421					
	(1967)	9,000					
	(1968)	3,790					
	(1969)	3,810					
	(1970)	4,170					
	(1971)	4,580					
	(1972)	5,330	33,101	25,500	27,800	31,600	84,900
Gabon						5,052	5,052
Gambia						11,697	11,697
Ghana						30,416	30,416
Greece						12,184	12,184
Haiti [2]	(1963)	2,492					
	(1964)	2,500					
	(1965)	2,500					
	(1966)	2,500					
	(1967)	3,000					
	(1968)	3,790					
	(1969)	3,810					
	(1970)	4,170					
	(1971)	4,580					
	(1972)	5,330	34,672	25,500	27,800	31,600	84,900
Indonesia						81,600	81,600
Kampuchea				12,106	27,800	31,600	71,506

Schedule B (Cont'd)

Outstanding contributions as at 31 December 1975

Country	US dollars		Swiss francs			Total
			1973	1974	1975	1973/1975
Korea					113,300	113,300
Malaysia					129,000	129,000
Mauritania				1,409	31,600	33,009
Nicaragua	(1972) 4,910	4,910	25,500	27,800	31,600	84,900
Nigeria					134,300	134,300
Philippines					200	200
Rhodesia 3/	(1966) 11,640					
	(1967) 9,000					
	(1968) 6,630					
	(1969) 5,710					
	(1970) 5,220					
	(1971) 4,970					
	(1972) 5,780	48,950	25,500	27,800	31,600	84,900
Rwanda				8,509	31,600	40,109
Senegal					1,398	1,398
Sierra Leone					31,600	31,600
Tanzania				6,339	31,600	37,939
Togo					13,489	13,489
Tunisia					3,012	3,012
Uganda					31,600	31,600
Zaire				13,519	42,100	55,619
		146,644	220,899	379 476	1,288,750	1,889,125
1963 to 1972: US$146,644 at SwF 2.66 to US$1						390,072
						2,279,197

1/ SwF 7,120 also due in respect of Working Capital Fund assessment.

2/ SwF 56 also due in respect of Working Capital Fund assessment.

3/ SwF 1,383 also due in respect of Working Capital Fund assessment.

REPORT OF THE EXTERNAL AUDITOR ON THE ACCOUNTS OF THE GENERAL AGREEMENT ON TARIFFS AND TRADE FOR THE YEAR ENDED 31 DECEMBER 1975

General

1. In accordance with decisions of the CONTRACTING PARTIES, the Financial Regulations and Rules of the United Nations are, as far as appropriate and for the time being, applied to the financial administration of the secretariat to the General Agreement on Tariffs and Trade. My examination has been carried out in accordance with those regulations and rules and with the financial Resolutions and Decisions of the CONTRACTING PARTIES.

Outturn in 1975

2. Appropriations authorized by the CONTRACTING PARTIES for 1975 were SwF 28,267,000, to be financed by contributions of SwF 26,335,000, estimated miscellaneous income of SwF 682,000 and the transfer of SwF 1,250,000 from the anticipated 1974 surplus. Total expenditure amounted to SwF 27,014,694 (Statement 2), leaving an unobligated balance of appropriations of SwF 1,252,306. Excess expenditure totalling SwF 248,190 was incurred under Section 2 of Part I of the budget, under Section 7 of Part II, and under Section 1 of Part IV, and this was met by authorized transfers from savings under Section 1 of Part I and Sections 2, 3, 5 and 6 of Part II. The appropriation of SwF 200,000 for unforeseen expenditure under Part III was not drawn upon.

3. Actual income exceeded the estimate by SwF 126,099. This was due to a contribution of SwF 26,880 assessed on a new contracting party and to miscellaneous income, after meeting a loss on exchange of SwF 21,947, being SwF 99,219 greater than estimated. This additional income, together with the unobligated balance of appropriations, resulted in a total excess of income over expenditure of SwF 1,378,405 (Statement 1). This was transferred to the Surplus Account included in Statement 3 and, after increasing the provision for contributions in arrears by SwF 689,101 and writing off irrecoverable debts of SwF 234, a disposable surplus of SwF 689,070 remained. The GATT Council has approved the use of part of this surplus to meet increases in salaries and allowances payable to General Service staff in respect of 1975.

Outstanding Contributions

4. The contributions outstanding at 31 December 1974 totalled SwF 1,590,096 being US$157,747 for periods up to 31 December 1972 when contributions were assessed in US dollars, which represented SwF 432,227 at the UN exchange rate of SwF 2.74 to the US dollar ruling at 31 December 1974,

and SwF 1,157,869 in respect of 1973 and 1974. After taking account of amounts received in 1975, the contributions outstanding at 31 December 1975 consisted of US$146,644 for periods up to 31 December 1972, which represented SwF 390,072 at the UN exchange rate of SwF 2.66 to the US dollar ruling at 31 December 1975, and SwF 1,889,125 in respect of the three years 1973 to 1975 giving a total of SwF 2,279,197. This was SwF 689,101 more than the amount outstanding at 31 December 1974 and the provision made against the possible non-receipt of outstanding contributions was increased by transferring SwF 689,101 from the surplus for the year.

Disposal of the Surplus for 1974

5. In paragraph 4 of his Report on the 1974 accounts my predecessor referred to the disposal of the surplus for 1974 and recorded that SwF 515,610 which the CONTRACTING PARTIES had decided should be transferred to the building fund, had been set aside in a suspense account pending a decision by the CONTRACTING PARTIES on proposals by the Director-General to compensate professional staff for losses in their take-home pay in 1974 due to currency fluctuations. The CONTRACTING PARTIES did not take a decision in 1975 and the Director-General decided that the amount of SwF 515,610 should be shown in the Statement of Assets and Liabilities at 31 December 1975 (Statement 3) as remaining in a suspense account.

Building Fund

6. As recorded in paragraphs 8 and 9 of my predecessor's report on the 1974 accounts, a building fund was established in 1974 to meet the cost, estimated at SwF 5,000,000, of renovating and adapting, for the use of the GATT secretariat, part of the building previously occupied by the International Labour Organization. The account of the fund is presented in Statement 3. Receipts to 31 December 1975 totalled SwF 1,872,532 and consisted of SwF 622,532 from the 1973 surplus transferred to the fund in 1974 and SwF 1,250,000 from the 1974 surplus transferred to the fund in 1975. As stated in paragraph 5 above, SwF 515,610 of the 1974 surplus, which the CONTRACTING PARTIES decided should be transferred to the fund in 1975, has been retained in a suspense account. Payments from the fund amounted to SwF 26,530 in 1974 and to SwF 531,183 in 1975 making a total of SwF 557,713. The balance in the fund at 31 December 1975 was SwF 1,314,819.

Losses

7. I have examined the writes-off of irrecoverable debts totalling SwF 242 referred to in paragraphs 16 and 19 of the Director-General's Financial Report. I have no comment to make on them.

Supplies, equipment and stock records

8. Test examinations of the supplies, equipment and stock records maintained by the Organization have been carried out by my officers with satisfactory results.

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9. I wish to record my appreciation of the willing co-operation given by the officers of the Organization during my audit.

(Signed)

Douglas Henley
(Comptroller and Auditor General, United Kingdom)
External Auditor