Legal Opinion concerning the authority of the Executive Board in respect to the Internal Control Framework for IFAD Investments

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For: Information
Legal Opinion concerning the authority of the Executive Board in respect to the Internal Control Framework for IFAD Investments

This opinion responds to the question raised at the 125th Audit Committee meeting which was held on Monday, 19 November 2012 concerning the Internal Control Framework for IFAD Investments established by the President and the role of the Executive Board in assessing its adequacy.

In accordance with the powers granted to the President under Article 6, Section 8(d) of the Agreement Establishing IFAD the President shall, under the direction of the Governing Council and the Executive Board, be responsible for conducting the business of the Fund and organizing its staff. In so doing he/she shall determine the internal structure of the Fund.

As far as the internal control structure for managing the financing of IFAD is concerned, in particular with regard to investments carried out with cash funds not immediately needed for the Fund’s operations or administrative expenses, the President shall act in accordance with the Financial Regulations of IFAD, established by the Governing Council at its First Session in 1977 and the last time amended at its Thirty-Fifth Session in 2012. Regulation VIII of said Regulations provides that

“In investing the resources of the Fund, the President shall be guided by the paramount considerations of security and liquidity. Within these constraints, and subject to the policy statement laid down by the Executive Board, the President shall seek the highest possible return in a non-speculative manner.”

Moreover, Regulation XIV provides that to ensure an effective financial administration of the Fund, the President shall prescribe such rules, procedures and guidelines as may be necessary to implement the Financial Regulations.

In the exercise of the powers conferred on the President by both the Agreement Establishing IFAD and the Financial Regulations, the President establishes an internal control framework for IFAD’s investments which is consistent with the provisions of IFAD’s basic legal documents. The framework is submitted to the Executive Board for information together with the Investment Policy Statement at the final session of each year for the Executive Board to be acquainted with the way the adequacy of the Internal Control Framework is addressed.

Any concern by the Executive Board with respect to the adequacy of the Internal Control Framework must be taken as guidance by the Executive Board under Article 6, Section 8(d) of the Agreement Establishing IFAD to the President who will make the necessary changes in accordance with the advice received.