

---

## **Terms of Reference and Rules of Procedure of the Audit Committee of the Executive Board**

---

Document: EB 2023/138/R.9/Rev.1

Agenda: 7(c)

Date: 11 December 2023

Distribution: Public

Original: English

**FOR: APPROVAL**

**Useful references:** Terms of Reference and Rules of Procedure of the Audit Committee of the Executive Board ([EB 2009/97/R.50/Rev.1](#)).

Revision of the Charter of the IFAD Office of Audit and Oversight ([EB 2021/134/R.49](#))

Enhanced Complaints Procedure for alleged Non-Compliance with IFAD's Social, Environmental and Climate Assessment Procedures (SECAP) ([EB 2022/136/R.27](#))

Terms of Reference and Rules of Procedure of the Audit Committee of the Executive Board ([EB 2023/138/R.9](#))

IFAD Ethics Charter ([EB 2023/140/R.19/Rev.1](#))

---

---

**Technical questions:**

**Claudia ten Have**  
Secretary of IFAD  
Office of the Secretary  
e-mail: [c.tenhave@ifad.org](mailto:c.tenhave@ifad.org)

**Charalambos Constantinides**  
Director  
Office of Audit and Oversight  
e-mail: [c.constantinides@ifad.org](mailto:c.constantinides@ifad.org)

**Berkis Patricia Perez**  
Chief of Ethics  
Ethics Office  
e-mail: [b.perez@ifad.org](mailto:b.perez@ifad.org)

---

## **Terms of Reference and Rules of Procedure of the Audit Committee of the Executive Board**

### **1. Establishment and composition**

- 1.1. The Executive Board, acting under rule 11 of the Rules of Procedure of the Executive Board, hereby establishes the Audit Committee.
- 1.2. The Audit Committee shall be composed of nine Executive Board members or alternate members appointed by the President pursuant to rule 11 of the Rules of Procedure of the Executive Board, as follows: four members from List A, two members from List B and three members from List C. The term of office of the Audit Committee shall be three years.
- 1.3. The Committee shall elect its chairperson from among its List A Committee members. In the absence of the chairperson during a scheduled meeting of the Committee, the chair will be temporarily assumed by another member from List A selected by the Committee.

### **2. Role and conduct of business**

- 2.1. As a subsidiary body of the Executive Board, the role of the Audit Committee is to assist the Executive Board in exercising supervision over the financial administration and internal oversight of the Fund.
- 2.2. A quorum of any meeting of the Audit Committee shall be constituted when representatives of a majority of its members are present.
- 2.3. The Audit Committee shall not vote but shall set out the views expressed by its members in the reports it submits to the Board. Notwithstanding the foregoing, the chairperson shall attempt to secure consensus in order to present in its reports to the Executive Board, as far as possible, the unanimous views of the Audit Committee. In the absence of a consensus, the minority views and opinions shall be reflected.
- 2.4. The Audit Committee shall hold regular meetings. The schedule of regular meetings shall be determined by the Committee at least at each preceding meeting or preferably one year in advance. Meetings can also be convened by the chairperson at any other time if required.
- 2.5. The official record of the discussions and decisions taken during Audit Committee meetings shall be the Audit Committee minutes. The minutes shall be approved by all participating members and may be submitted to the Executive Board. The chairperson will report to the Board on the deliberations of Audit Committee meetings.<sup>1</sup>
- 2.6. The meetings of the Audit Committee shall be open to such staff members of the Fund as the President may, from time to time, designate for that purpose, except:
  - (i) When the Audit Committee requests the President to limit such designation to the Director of the Office of Audit and Oversight to attend a particular Audit Committee meeting for the purpose of providing information and views on matters concerning internal control and audit systems;
  - (ii) When the Audit Committee wishes to meet with the external auditor without the presence of staff members; and
  - (iii) When the Audit Committee wishes to have a closed session.
- 2.7. Subject to the availability of resources within the administrative budget, the Audit Committee may, under exceptional circumstances, obtain outside expert advice in

---

<sup>1</sup> The procedure governing the drafting and finalization of chairpersons' reports to the Executive Board may be consulted in document AC 2017/145/R.2.

accounting, financial, legal and other matters to assist it in the discharge of its responsibilities, giving reasonable advance notice to the Executive Board and the President of its intention to do so.

- 2.8. Executive Board members who are not members of the Committee may also attend the meetings as observers, except for the meetings foreseen by paragraph 2.6.(i), (ii) and (iii) above.

### 3. **Responsibilities**

- 3.1. The Executive Board may refer to the Audit Committee any question related to the financial administration and internal oversight of the Fund for which the Executive Board is responsible under the Agreement Establishing IFAD and the Financial Regulations of IFAD adopted by the Governing Council. In addition, the Audit Committee shall have the following permanent responsibilities:

- (a) Every year, prior to consideration by the Board, review the annual budget of the Fund in accordance with section 10 of article 6 of the Agreement Establishing IFAD, and regulation VI, paragraph 1 of the Financial Regulations of IFAD;
- (b) Oversee the process for the selection of the Fund's external auditor and recommend to the Executive Board the appointment of a firm as the Fund's external auditor, review any significant changes in the scope or financial terms of such appointment and report to the Executive Board on any issues related thereto that require the attention of the Board;
- (c) Every year, prior to the inception of the external audit, meet with the external auditor to discuss its scope and design in accordance with regulation XII, paragraph 2 of the Financial Regulations of IFAD, and report to the Executive Board on any issues related thereto that require the attention of the Board;
- (d) Every year, review the report(s) of the external auditor and the audited financial statements of the Fund to be submitted by the Board to the Governing Council in accordance with regulation XII, paragraph 6 of the Financial Regulations of IFAD, and provide its opinion and comments thereon to the Executive Board;
- (e) Every year, review the risks faced by the Fund and assess the risk management practices and procedures in place, and provide its opinion and comments thereon to the Board;
- (f) Review the level of the General Reserve as part of the annual submission of the financial statements to the Executive Board;
- (g) Determine whether the internal control and audit systems established by the President in accordance with regulation X of the Financial Regulations of IFAD are adequate and whether the internal audit function is efficient and effective, and report to the Executive Board on any issues related thereto that require the attention of the Board;
- (h) Commission special investigations from the external auditor or any other suitable entity concerning one or more specific aspects of the financial administration and audit systems;
- (i) For the purpose of making the determination referred to in subparagraph (g), the Committee shall, particularly:
  - (i) Examine the annual reports of the Office of Audit and Oversight in all aspects of its work, which include all audit activities, results of audits undertaken, results of investigations undertaken and sanctions applied;
  - (ii) Examine the internal audit annual workplan and, if necessary, make proposals for the consideration of the President;

- (iii) Examine all amendments to the internal audit charter and, if necessary, make proposals for the consideration of the President;
  - (iv) Examine whether the internal audit recommendations have been adequately taken into account and promptly acted upon;
  - (v) Have access to internal audit reports and examine such reports as deemed necessary.
- (j) Determine whether the recommendations of the external auditor provided in accordance with regulation XII, paragraph 3 of the Financial Regulations of IFAD have been adequately taken into account, and report to the Executive Board on any issues related thereto that require the attention of the Board. For that purpose, should it so desire, the Committee may call periodically for the external auditor to make observations with respect to the efficiency of the financial procedures, the accounting system and internal financial controls;
- (k) Be consulted on the appointment, performance and termination of the Director of the Office of Audit and Oversight;
- (l) Review the applicability of generally accepted international auditing and accounting standards and special directions of the Executive Board to the Fund's yearly audit, in accordance with regulation XII, paragraph 2 of the Financial Regulations of IFAD, and provide its opinion and comments thereon to the Board;
- (m) Examine regularly the adequacy of the internal oversight mechanisms put in place by the organization; and
- (n) Conduct general oversight of the ethics function and its activities and report to the Executive Board thereon as applicable. In so doing, the Audit Committee will:
- (i) Examine all amendments to the Ethics Charter and, if necessary, issue proposals for the President's consideration;
  - (ii) Examine the Ethics Office's annual workplan and, if necessary, issue proposals for the President's consideration;
  - (iii) Review the adequacy of resources of the Ethics Office and the results of its work;
  - (iv) Review the overall performance of the ethics function;
  - (v) Provide independent advice to Senior Management on the selection/appointment/renewal, and dismissal/removal, or any change to the terms of reference of the Chief of the ethics function; and
  - (vi) Issue recommendations on the ethics function.

- (o) Oversee the impartial review process (IRP) for alleged non-compliance with IFAD's Social, Environmental and Climate Assessment Procedures (SECAP). For this purpose, the Committee shall:
- (i) Ensure that the SECAP complaints officer has, or has access to, sufficient knowledge, skills, authority, experience, competencies, information and resources to carry out her/his responsibilities. To this end, the Audit Committee shall be consulted on the appointment, performance and termination of the SECAP complaints officer (SCO)<sup>2</sup> and shall review the annual proposed budget allocation for the SECAP impartial review function;
  - (ii) Review the final impartial review report prepared by the said complaints officer and determine whether the recommendations contained therein are appropriate and have been properly taken into account in the action plan prepared by IFAD Management, and report to the Executive Board on any issues related thereto that require the attention of the Board. For that purpose, should it so desire, the Committee may call upon the complaints officer and Management to present the final impartial review report and action plan, respectively, to the Committee or to the Board at its next scheduled session. If appropriate, the Audit Committee may convene an ad hoc meeting at which the final impartial review report and Management action plan may be presented; and
  - (iii) Every year, review the annual report of the enhanced SECAP complaints procedure prepared by the complaints officer, and report to the Executive Board on any issues related thereto that require the attention of the Board.

#### 4. Final provisions

- 4.1. Information obtained by the members of the Audit Committee pursuant to the present terms of reference shall be used exclusively for the tasks of the Committee as defined herein, and shall not be disclosed in any way to third parties other than in the reports of the Committee to the Executive Board. The Rules of Procedure of the Audit Committee contained in EB 98/65/R.38 are hereby cancelled. In conformity with rule 11.3 of the Rules of Procedure of the Executive Board and with the exception of rule 28 of the same, unless otherwise determined in the present terms of reference, the said Rules of Procedure of the Executive Board shall apply, *mutatis mutandis*, to the proceedings of the Audit Committee.

---

<sup>2</sup> The SCO is appointed by the President, in consultation with the Audit Committee on a retainer contract, for a maximum period of five years. The selection process will be conducted with the assistance of the Human Resources Division in accordance with IFAD's policies and procedures. The contractual performance of the SCO will be monitored by AUO and any action for contract termination or non-renewal will be taken by the President in consultation with the Audit Committee.