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## **Minutes of the 180<sup>th</sup> meeting of the Audit Committee**

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## Minutes of the 180<sup>th</sup> meeting of the Audit Committee

1. The deliberations of the 180<sup>th</sup> meeting of the Audit Committee, held on 30 March 2026 in hybrid modality, are reflected in the present minutes. The minutes have been approved by the Committee and are shared with the Executive Board for information.
2. The meeting was attended by Committee members representing Algeria, Angola, Brazil, China, France, Italy, United Kingdom, United States and the Bolivarian Republic of Venezuela and by an observer representing Switzerland. The meeting was also attended by the Chief Legal and Governance Officer; the Associate Vice-President, Chief Financial Officer, Financial Operations Department; the Director and Chief Risk Officer, Office of Enterprise Risk Management; the Director and Controller, Financial Controller's Division; the Director, Office of Audit and Oversight; the Secretary of IFAD, Office of the Secretary; the Chief of Ethics, Ethics Office (ETH); and a number of other IFAD staff members.

### **Agenda item 2 – Adoption of the agenda (AC 2026/180/R.1) – for approval**

3. The agenda was adopted, with the inclusion of two items, under agenda item 9, other business:
  - Cross-cutting Findings from 2023-2025 Audits of 11 IFAD Offices (Rwanda, Philippines, Egypt, Cameroon, Cambodia, Kenya, Ghana, Ethiopia, Brazil, Côte d'Ivoire, Türkiye) (IAR-26-02); [Closed session]
  - Audit of the Supervision of the Country Programme in Central African Republic (IAR-26-03). [Closed session]

### **Agenda item 3 – IFAD's financial statements – for review**

- (a) **Review of the consolidated financial statements of IFAD as at 31 December 2025, including the Management assertion report and an independent external attestation on the effectiveness of internal controls over financial reporting (including a closed session with the external auditor, if required) (AC 2026/180/R.2 + Add.1 + Add.2 + Add.3)**
  - (b) **High-level review of the IFAD-only financial statements for 2025 (AC 2026/180/R.3)**
  - (c) **Sustainability Disclosure Report for 2025 (AC 2026/180/R.4)**
4. Management introduced this agenda item, noting the external auditor's unqualified audit opinion on the consolidated financial statements of IFAD as at 31 December 2025. For fiscal year 2025, Management confirmed the operational effectiveness of all key internal controls over financial reporting in the Management assertion report, with an independent attestation by the external auditor.
  5. Management presented the key drivers of IFAD's financial position and reported results, noting that despite market volatility, the overall financial situation remained sound. IFAD's equity stood at US\$11.6 billion, and long-term viability was in place and continued to be closely monitored. The financial year closed with a consolidated comprehensive gain of US\$50 million. It was further noted that as at 31 December 2025 all financial ratios remained within IFAD's policy parameters and that IFAD maintained sufficient liquidity to meet its disbursement requirements. Management reported positive trends in loan repayments, while acknowledging an overall deterioration in the non-performing loan (NPL) ratio earlier in the year. A positive update was provided indicating that some Member States had honoured outstanding loan obligations, bringing down the NPL ratio back to its historical average of approximately 2.4 per cent. The proactive support of the Financial

Controller's Division and Information and Communications Technology Division was acknowledged in the preparation of the 2025 consolidated financial statements.

6. Management provided an overview of 2025 sustainability reporting, presented as complementary information to the consolidated financial statements. It was noted that the 2025 sustainability disclosures were prepared in accordance with the IFRS Sustainability Disclosure Standards S1 and S2, the markets' best reference for such type of disclosure requirements, and that they identified material sustainability-related risks and opportunities. The disclosures also drew upon other official IFAD reports and documentation. The extensive interdivisional collaboration enabling the successful production of the report was acknowledged and appreciated.
7. The external auditor provided further details on the audit work performed in connection with the financial statements.
8. Committee members welcomed the 2025 consolidated financial statements. Members requested clarification regarding the timing of the external auditor's management letter, and information concerning private-sector accounting policies and potential positive implications of sustainability reporting on the cost of borrowing.
9. Management provided the requested clarifications, noting that the management letter would be shared with the Audit Committee at its 181<sup>st</sup> meeting. Management clarified that accounting policies were applied consistently to ensure adherence to International Financial Reporting Standards (IFRS) requirements. Management further clarified that while sustainability reporting reflected best practice and provided comprehensive information on IFAD's impact, such disclosures have only indirect effects on the cost of borrowing by strengthening IFAD's positioning as a sustainable issuer.
10. **Outcome and follow-up:**  
Document AC 2026/180/R.2 and its addenda were considered reviewed and would be submitted to the forthcoming Executive Board session for approval and subsequently to the Governing Council session in February 2027 for information. Document AC 2026/180/R.4 was noted and would be submitted to the Board for information. Document AC 2026/180/R.3 would be submitted to the Executive Board session for information.

**Agenda item 4 – Annual report on the activities of the Office of Audit and Oversight (AUO) during 2025 (AC 2026/180/R.5) – for review**

11. The Committee welcomed the AUO annual report and commended the strong progress in 2025, particularly the improved delivery of the internal audit plan and the adoption of forward-looking approaches, including artificial intelligence (AI) and data analytics. Members noted the positive trend in audit completion rates and encouraged AUO to continue strengthening performance and innovation.
12. Members expressed concern that about 20 per cent of audit recommendations had not been implemented or remained overdue, and requested clarification on delays, accountability and timelines, particularly for high-priority areas such as project financial management, digital strategy and enterprise risk management. AUO responded that implementation rates were consistent with historical trends. Delays largely reflected the complexity of the recommendations, which required coordination across multiple divisions. Significant progress had been made on key issues, including financial management risk and the digital strategy, with root causes analysed and detailed action plans developed. These initiatives were ongoing and therefore not yet marked as completed.
13. While acknowledging the 82 per cent completion rate, the Committee questioned whether full delivery was feasible and requested clarification on the carryover of

audit assignments. AUO confirmed that reducing carryovers was a priority and would be pursued through improved processes such as time tracking and workload analysis. AUO also noted that staffing limitations and unforeseen absences continued to affect delivery but emphasized that the team was focused on achieving full completion of the workplan within the year.

14. Members sought clarification on the investigation caseload, including the “other” category and the timing of completed investigations. AUO explained that this category largely covered matters outside AUO’s mandate, such as recruitment or contractual disputes. Regarding the full investigation of cases completed in 2025, 23 cases had been closed in 2025; however, most investigations – 21 cases – had been received in prior years, reflecting the time needed for thorough investigation. A record total of 161 cases were closed in 2025, 58 of which had been received prior to 2025 and 103 of which had been received in 2025.
15. AUO also described AI use in audits for risk assessments and in investigations for report drafting and quality assurance, with appropriate safeguards in place (e.g. offline systems for sensitive data), while emphasizing that AI did not replace investigators’ judgment in final reporting.
16. The Committee highlighted recurring weaknesses in procurement, financial supervision, governance and the importance of staff safety. AUO emphasized the need to strengthen internal risk management and reassess reliance on the United Nations Department for Safety and Security, while maintaining collaboration with other United Nations agencies to support staff and consultants, especially considering IFAD’s expanding activities in fragile environments.
17. Finally, members sought clarification on the sharing of internal audit reports with external partners. AUO noted increasing demand for such disclosure and confirmed that discussions were under way to review existing policies and clarify the framework for sharing audit information, particularly in the context of external partnerships and funding requirements. Within the context of sharing the audit findings, while acknowledging the importance of Member States being aware of and able to address control weaknesses within the projects they manage, it was noted by management that audit reports primarily assessed IFAD’s supervision and performance, not project-level control deficiencies. Furthermore, legal considerations, bilateral provisions that had been agreed across the United Nations system for various reasons, and resource constraints all needed to be taken into account. From a governance perspective, wider disclosure might not be appropriate. The Committee concluded that this issue warranted a stand-alone discussion at a future Audit Committee meeting to explore feasible approaches, possible amendments to disclosure requirements, and ways to ensure that stakeholders could responsibly act on relevant findings.
18. **Outcome and follow-up:** The document was considered reviewed and would be posted on the Member States Interactive Platform with restricted access to Executive Board representatives. The issue of access to audit reports would be discussed at the next meeting of the Audit Committee.

**Agenda item 5 – Annual report on the activities of the IFAD Ethics Office for 2025 (AC 2026/180/R.6) – for review**

19. The Committee welcomed the Ethics Office report, praising the clarity of the infographics and recognizing the small team’s effectiveness in managing a broad mandate.
20. Members noted that 316 matters were raised in 2025, and that ETH had received 37 formal complaints of misconduct with only one related to sexual misconduct, and asked whether this was proportionate or reflected potential underreporting. ETH explained that early intervention, training and awareness-raising had empowered personnel to assess and address potential misconduct promptly. The

low number of reports did not indicate complacency, and ongoing policies aimed to strengthen prevention and reporting mechanisms.

21. Members highlighted the financial disclosure programme's innovative and practical approach and asked about implementation challenges. ETH acknowledged late submissions as a challenge but reported 100 per cent compliance. Staff proactively sought guidance, indicating a positive shift in organizational culture. The programme would continue evolving with the conflict-of-interest framework.
22. Members asked whether ethics related issues differed between field offices and headquarters. ETH noted that decentralization had increased the visibility of field matters, particularly sexual misconduct, and had therefore dedicated additional resources and training to field offices. Visits to regional teams helped ensure outreach and support.
23. Members suggested exploring the merits of developing internal informal resolution mechanisms. ETH confirmed a mediation programme was in development, along with training for active bystanders. Sexual misconduct focal points were being expanded to headquarters divisions, and the Ethics Office also worked closely with the Staff Association, AUO, the People and Culture Division, and legal teams for a coordinated approach.
24. The Committee acknowledged the Ethics Office's proactive approach, which emphasized early intervention, training, empowerment and cross-departmental collaboration. Members also took note of the ongoing initiatives aimed at enhancing reporting, prevention, and resolution of ethical issues across IFAD.
25. **Outcome and follow-up:** The document was considered reviewed and would be submitted to the 147<sup>th</sup> session of the Executive Board for information.

**Agenda item 6 – Partial Credit Guarantee Pilot Framework (AC 2026/180/R.7) – for review**

26. Management introduced the agenda item, noting that in-depth discussions had been held with Member States in bilateral meetings and at the informal seminar. It was highlighted that the Partial Credit Guarantee (PCG) Pilot would follow a progressive and well-calibrated approach. In its initial phase, the pilot would be limited to debt-structuring operations addressing credit risk only, ensuring that the PCG remained within IFAD's established risk appetite. Management further noted that, upon the end of the pilot phase in 2029, the Executive Board would be informed of the pilot's outcomes and the lessons learned.
27. Committee members requested clarifications regarding the project pipeline, whether guarantees would be provided on a *pari passu* basis, and whether they could be applied to cofinanced projects. Members also asked for further details on the expected outcomes from the pilot. Finally, the extension of the pilot's sample to more than three use cases was mentioned as a possibility to enhance the learning value of the pilot itself.
28. Management noted that the pilot's principal objective was to test the entire financial chain from both an operational and an institutional perspective. This would allow for a comprehensive assessment of the instrument's application, scalability and legal architecture, including risk assessment, monitoring, accounting treatment, liquidity management, exposure, reporting and internal controls. Management also emphasized that PCGs were highly flexible instruments that were deployable on a *pari passu* basis or applicable to other financing structures. Furthermore, Management clarified that the co-structuring opportunities referred to in the document were similar to type-C projects in that the other partner initiates and leads project design and implementation, while IFAD fulfils the role of supporting partner. It was noted that PCG agreements would include

counter-indemnity clauses to ensure the borrower's repayment of the guaranteed amount, thereby safeguarding IFAD's privileges and immunities.

29. **Outcome and follow-up:** The document was considered reviewed and will be submitted to the forthcoming Executive Board for approval.

**Agenda item 7 – Plan for the selection of the external auditor for the period 2027–2031 (AC 2026/180/R.8) – for review**

30. Management provided an overview of the selection process for the external auditor for the mandate covering the period 2027–2031, noting that PricewaterhouseCoopers' initial mandate would expire next year, following the audit of the 2026 financial statements. The final results of the selection process would be presented to the Executive Board for approval by the end of 2026. Members of the Audit Committee were invited to provide their support to the process.
31. Committee members welcomed the document, and the representatives of the United Kingdom and Italy volunteered to serve as the Audit Committee focal points for the selection process.
32. **Outcome and follow-up:** The Committee took note of the plan for the selection of the external auditor for the period 2027–2031 and looked forward to further updates on the selection process in due course.

**Agenda item 8 – Draft provisional agenda for the 181<sup>st</sup> meeting of the Audit Committee (AC 2026/180/R.9) – for review**

33. **Outcome and follow-up:** The Committee reviewed the draft provisional agenda for the 181<sup>st</sup> meeting of the Audit Committee, to be held in June, with the addition of an item on the review of the disclosure of internal audit reports.

**Agenda item 9 – Other business**

34. The following items were considered in a closed session and are reported separately:
- (a) Cross-cutting Findings from 2023-2025 Audits of 11 IFAD Offices (Rwanda, Philippines, Egypt, Cameroon, Cambodia, Kenya, Ghana, Ethiopia, Brazil, Côte d'Ivoire, Türkiye) (IAR-26-02);
  - (b) Audit of the Supervision of the Country Programme in Central African Republic (IAR-26-03).