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Audit Committee
182nd Meeting
Rome, 3 September 2026

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Minutes of the 182nd meeting of the Audit Committee

1. The 182nd meeting of the Audit Committee was held on 3 September 2026 in hybrid modality. 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 Angola, Brazil, China, France, Italy, United Kingdom, United States and Bolivarian Republic of Venezuela. The meeting was also attended by the General Counsel; the Associate Vice-President and 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 Director, Independent Office of Evaluation of IFAD (IOE); the Secretary of IFAD; and a number of other IFAD staff members.

Agenda item 2 – Adoption of the agenda (AC 2026/182/R.1) – for approval

3. The agenda was adopted with no changes.

Agenda item 3 – High-level preview of IFAD's 2027 results-based programme of work, regular and capital budgets, and budget outlook for 2028–2029, and the preview of the Independent Office of Evaluation of IFAD's results-based work programme and budget for 2027 and indicative plan for 2028–2029 (AC 2026/182/R.2) – for review

4. Management introduced the preview of IFAD's 2027 results-based programme of work and budget, confirming that it was anchored in three principles: delivering on commitments under the Thirteenth Replenishment of IFAD's Resources (IFAD13), preparing for the IFAD14 cycle, and maintaining budget discipline. The proposed 2027 regular budget amounted to US$204.75 million, with a capital budget envelope of up to US$7 million. The proposal reflected a real decrease of 0.5 per cent, taking into account a provisional price adjustment of 2.5 per cent and an exchange rate adjustment of 3.2 per cent.

5. The Director, IOE, outlined IOE's work programme and budget submission for 2027, noting that several factors had been considered to ensure that the planned evaluations would be relevant, strategic and useful for learning and accountability. The proposal was guided by the strategic directions set out in IOE's multi-year strategy, and IOE planned to deliver 22 evaluations in 2027. The final proposal would take into account comments from the Audit Committee, the Evaluation Committee and the Executive Board.

6. The Committee broadly welcomed the 2027 budget preview, including setting a strategic basis against the background of a rigorous budget discipline, real-term reductions, efficiency gains and prioritization. Members requested clarification on how IFAD would balance resources between completing IFAD13 delivery and preparing the IFAD14 pipeline. Management explained that design and supervision were ongoing exercises spanning multiple years, and that three-year planning and budgeting would help manage annual fluctuations.

7. Members also sought further details on what would be deprioritized and cautioned against excessively drastic reductions, particularly in light of the planned project pipeline and work in fragile contexts. Management noted that the final budget proposal would provide further detail on how resources would support the front-loading of projects for early approval in the next cycle and on institutional outputs across project delivery, means of delivery and organizational efficiency.

8. Some members noted the proposed reduction in staff positions as a positive aspect of the budget while one member asked whether the proposed reduction was sufficiently ambitious. In response, Management clarified that reductions were being managed largely by not filling existing vacancies rather than through layoffs

and that resources were being reallocated towards agreed priority areas, such as fragility and the private sector. The need to balance commitments with budget sustainability and avoid exponential budget growth was emphasized.

9. Members expressed concern about possible reductions to policy engagement, knowledge management and reporting. Management clarified that these areas would be revisited in the final budget document, noting also that future work on country strategic opportunities programmes (COSOPs) would continue to involve substantial policy engagement with governments.

10. In response to requests for clarification on price and volume effects and foreign exchange adjustments, Management confirmed that price increases and exchange rate adjustments would be presented separately going forward, which would enhance the overall transparency of the budget. In addition, it was noted that the exchange rate adjustment could reflect both upward and downward movements in any given year. It was also noted that the related Governing Council resolution might need to be updated to reflect IFAD's global footprint beyond headquarters, compared to when the original resolution was drafted.

11. Regarding digital transformation and artificial intelligence (AI), Members supported targeted investment in AI and automation and asked how the benefits would extend to IFAD clients as well as to internal processes. Management noted that IFAD would seek to embed digital tools in project design and supervision to improve efficiency, lesson-learning and overall effectiveness for both IFAD and participants.

12. Regarding the preview of IOE's work programme and budget, Committee members welcomed the stabilization of the budget after earlier steps taken to enhance the evaluation function and expressed support for its focus on strategic and high-priority evaluations, while emphasizing the importance of independence, quality of work and budget discipline. IOE noted that recent budget growth had been aimed at right-sizing the office, and that efficiencies had reduced unit evaluation costs, while also enabling the office to expand coverage, including increased COSOP evaluation coverage and broader global evaluation reach.

13. Members asked how IOE would preserve the quality of fieldwork and data collection under a reduced non-staff budget, and whether efficiencies, including through use of AI, could support delivery of the work programme. IOE responded that it had no concerns about quality, citing the 2026 external peer review and evaluation advisory panels, while noting that AI was being used where useful but had limitations for field-based work.

14. Members encouraged IOE and Management to examine IFAD's results reporting, development effectiveness and country-level impact, including its additionality relative to other development finance institutions. IOE noted that results reporting was already a regular feature of evaluations and indicated that it could consider a lighter learning product or a synthesis, drawing on accumulated evaluation evidence, rather than a full evaluation.

15. **Outcome and follow-up:** The Committee considered the document reviewed and recommended its submission to the upcoming Executive Board session for consideration.

Agenda item 4(a) – Progress report on the workplan for IFAD's Office of Audit and Oversight for 2026 (AC 2026/182/R.3) – for review

16. The Committee considered the midyear progress report of the Office of Audit and Oversight (AUO), presented by the Director, AUO. The report noted that AUO continued to deliver steadily against its 2026 workplan, while advancing its transformation towards a more strategic, risk-based and forward-looking oversight model. AUO highlighted work undertaken in various areas, including data governance, AI, cybersecurity, business continuity, supplementary funding and private sector operations, and its issuance of audit reports, targeted risk

assessments and progress on major engagements. The Committee acknowledged continued progress by Management in implementing audit recommendations, while also noting that some recommendations remained overdue, including one relating to data classification.

17. Members commended AUO's work, the positive implementation rate of audit recommendations and the inclusion of short audit summaries. They suggested that future reports include assurance ratings or brief findings for each audit. Members requested further information on resource constraints, on how these were being managed and on their potential impact on AUO's ability to provide sufficient assurance. They also sought clarification on the criteria used to close cases before formal investigation, the reasons for the increase in allegations, the status of the overdue data classification framework, interim controls for AI-related data risks and the extent of reliance on consultants. Members encouraged Management to review staffing needs, examine the reasons behind the increase in allegations, and make better use of audit and investigation findings. They also requested further details on the rise in scam-related allegations, including how AUO assessed materiality, worked with authorities and addressed root causes while preserving resources for high-impact work.

18. Members underlined the importance of understanding the materiality and root causes of the exceptional increase in allegations. They emphasized the need to safeguard the integrity and effectiveness of IFAD's investigation function, noting that prioritization and efficiency measures should be accompanied by adequate attention to workload pressures and resource implications.

19. In response, AUO explained that audit resourcing challenges were mainly linked to staff movements and were being managed through the use of consultants, while recognizing the associated transaction costs and the possibility that some work might have to be carried forward to 2027. With respect to investigations, AUO noted that the exceptional increase in allegations was driven by the high number of external cases, particularly scams. It indicated that for scam-related allegations it was working with the relevant country office and local authorities, and that IFAD had issued public information to help prevent participants from being misled by fraudulent requests. AUO noted that the increase in cases had placed pressure on resources and that intake procedures had been strengthened to front-load case assessment and improve efficiency. AUO explained that cases were screened against various criteria, including mandate, credibility, verifiability and materiality, and that only cases that met the criteria were recommended for investigation. Where it was deemed that allegations could be better addressed at the operational level, they might be closed before a formal investigation.

20. AUO further clarified that materiality assessments took into account factors such as IFAD's exposure (including financial exposure), repeat offenders, involvement across projects or countries, seriousness of the alleged wrongdoing, the practicality of investigation, potential reputational risk, the institutional roles of the persons involved, possible sanctions, impact on operations and relevance to AUO priority areas. AUO also reported that root cause analysis had become a standard feature of investigation reports and was being used to support operational learning and preventive action.

21. Regarding other recommendations, AUO noted that a draft data classification policy was being prepared for Senior Management review and approval. AUO clarified that the recommendation on private sector due diligence had been implemented after its progress report had been submitted to the Committee. AUO also emphasized ongoing efforts to streamline audit work, focus on priority risks, use time-sheet data to assess resource allocation, and draw on the risk assurance mapping exercise to inform future planning and resource discussions.

22. The Committee thanked AUO for the clarifications and acknowledged the importance of maximizing efficiency. It stressed, however, that continued increases in workload, particularly for investigations, might require further attention to ensure the effectiveness and integrity of the oversight function.

23. **Outcome and follow-up:** The progress report on the AUO workplan was considered reviewed.

Agenda item 4(b) – Disclosure of internal audit reports (AC 2026/182/R.4) – for review

24. The Director, AUO, introduced the proposed targeted amendment to the AUO Charter, explaining that it would establish a formal procedure for the disclosure of internal audit reports. AUO clarified that the proposal was not intended to make audit reports public, but rather to replace the current ad hoc approach with a controlled framework that would balance the confidentiality of audit work with the value of disclosing audit findings for project performance, accountability and partner assurance.

25. The Committee noted that the proposal responded to increasing requests from supplementary fund donors and institutional partners for access to audit information in the context of accreditation and due diligence processes. Members also acknowledged that, where appropriate, selected audit findings could provide useful lessons for national counterparts in strengthening governance, risk management and internal controls in IFAD-financed activities.

26. Members expressed support for the proposed amendments and commended AUO for the clarity of the paper, the rationale provided and the benchmarking undertaken against other organizations. The Committee considered that the proposed safeguards were proportionate and appropriate to manage the risks associated with disclosure, provided that any release of information remained carefully justified, controlled and subject to the relevant safeguards.

27. The Committee further observed that the proposed procedure could contribute to improvements in the systems of IFAD's national partners, while preserving audit independence and confidentiality. In response to a comment by a member of the Committee, AUO confirmed that the AUO Charter was subject to regular review under applicable standards and that annex I would be covered by that regular review process. The Committee expressed satisfaction with the balance reflected in the proposed policy approach and the proposed amendments to the AUO Charter.

28. **Outcome and follow-up:** The document was considered reviewed by the Audit Committee and would be submitted to the December session of the Executive Board for confirmation.

Agenda item 5 – Selection of the external auditor for the period 2027–2031 (AC 2026/182/R.5) – for review

29. Management provided relevant details on the outcome of the selection process for the external auditor for the five-year period 2027–2031. It was noted that, given the nature of the services to be provided, the weighting of the evaluation criteria was set at 70 per cent for the technical evaluation and 30 per cent for the commercial evaluation. Of the four major audit firms invited to participate, PricewaterhouseCoopers S.p.A. (PwC) and Deloitte & Touche S.p.A. (Deloitte) submitted bids. The review process was conducted smoothly, and both firms were recognized as reputable international organizations with the technical expertise required to deliver high-quality audit services to IFAD and to support its ongoing activities.

30. The consolidation of the technical and commercial evaluations identified Deloitte as the strongest bidder and the best value for money, based on its excellent proposal and its extensive relevant experience working with other multilateral development

banks In light of the outcome of the process, Management recommended that the Committee endorse the award of the contract to Deloitte. The services to be provided would include the audit of IFAD's consolidated financial statements, including attestation of the effectiveness of the Internal Control Framework for financial reporting. The scope of the services to be provided would also comprise the audit of the individual financial statements of the International Land Coalition, the Global Environment Facility, the Green Climate Fund, the Global Biodiversity Framework Fund, the Asian Infrastructure Investment Bank trust account and other ad hoc financial reports required by donors. In addition, optional services might include the issuance of attestation letters relating to medium-term notes, attestation engagements over sustainability disclosures and semi-annual audits of IFAD's accounts. It was further highlighted that the proposed contract would result in savings compared with the current level of audit fees for fiscal year 2026.

31. Management also noted that consultations were held throughout the process with Audit Committee representatives Ms Angela Cameron (United Kingdom) and Mr Gian Paolo Ruggiero (Italy). Their involvement, guidance and advice were invaluable and contributed to the successful completion of the process.

32. Audit Committee members expressed their appreciation for the work performed and commended the professionalism, robustness and integrity of the selection process.

33. **Outcome and follow-up:** The document was considered reviewed and would be submitted to the Executive Board for approval at its September 2026 session.

Agenda item 6 – Update on the implementation of IFRS 18: Presentation and Disclosure in Financial Statements (AC 2026/182/R.6) – for review

34. Management provided an overview of the key requirements of the new International Financial Reporting Standard (IFRS) 18. It was noted that the standard would become effective in 2027 and that it was primarily intended to enhance the quality and comparability of disclosures in the financial statements, but would also entail revisions to the presentation of the statement of comprehensive income. As IFRS 18 would not introduce changes to measurement requirements, it was not expected to have an impact on reported financial results. Management highlighted that the standard would improve comparability with peer institutions and noted that it had proactively engaged with colleagues from other IFRS-compliant multilateral development banks and with the external auditor. The annex to the document provided a simplified comparison between the statement of comprehensive income presented in the approved 2025 audited financial statements and the same statement revised in accordance with the new IFRS 18 requirements.

35. Audit Committee members welcomed the document and requested confirmation that the standard would require additional illustrative disclosures to highlight the main differences from the previous disclosure requirements, particularly regarding the classification of unrealized foreign exchange gains and losses within operating activities.

36. Management confirmed that IFRS 18 would not introduce new measurement criteria and that its requirements related exclusively to presentation and disclosure, with no impact on the final results reported. It was also noted that IFAD's business model was that of a financial institution; therefore, items related to loans, grants and borrowings would be considered part of operating activities. Management further clarified that, for reporting purposes, the conversion to United States dollars of items denominated in euros and special drawing rights would constitute the principal source of foreign exchange movements and that such movements would therefore be classified within operating activities. Management also confirmed that parallel reporting based on both the current and the new presentation requirements would be provided in the 2026 financial statements.

Outcome and follow-up: The document was considered reviewed.

Agenda item 7(a) – Update on Enterprise Risk Management Framework operationalization – for information

37. Management provided an update on the implementation of IFAD's Enterprise Risk Management Framework, noting that efforts continued to focus on policy development, implementation and adaptation. Management also noted that credit rating agencies placed significant emphasis on the continuous practical application of risk policies when assessing IFAD's risk management framework.

38. Regarding non-financial risk management, Management reported progress towards achieving the target risk maturity level established under the United Nations High-level Committee on Management framework, including enhancements in data management and risk-related training. Management noted that the revised internal risk committee had become an important forum for discussing and resolving key risk issues. Progress was reported on the roll-out of risk control self-assessments, with the recent assessments conducted in the Department for Country Operations and the Corporate Services Department providing valuable insights into key strategic risks and controls. Management also reported ongoing work towards establishing a formal new product approval process to ensure a systematic assessment of risks and opportunities prior to the introduction of new products, alongside continued efforts to strengthen risk awareness and competencies across the organization.

39. Audit Committee members welcomed the update and acknowledged the progress made in strengthening IFAD's risk management framework. Members requested that future updates include insights derived from the risk control self-assessments. In light of the expansion of non-sovereign operations, Committee members welcomed the strong focus on risks associated with such operations. With regard to local currency lending, members encouraged Management to ensure a balanced allocation of resources and enquired whether credit rating agencies had provided any feedback on local currency products. Members also requested that future updates include an independent assessment of the key findings emerging from the risk control self-assessment exercise.

40. In response, Management explained that the ultimate objective of the risk control self-assessment process was the establishment of a corporate risk register, which would provide a comprehensive overview of IFAD's material and strategic risks and their interconnections. Management confirmed that it would be possible to report to the Audit Committee on the principal findings arising from the corporate risk register as the work progresses. Management affirmed that supporting the growth of non-sovereign operations would remain a key priority, but acknowledged the distinct risk profile of such operations and the need to adapt existing tools and approaches to effectively identify and mitigate associated risks. Regarding local currency lending, Management emphasized the importance of a prudent and phased approach, whereby the risk implications of new products would be fully understood before broader implementation and scaling up were considered. Management further informed the Committee that discussions with credit rating agencies had focused primarily on the evolving risk profile of the institution and the expansion of non-sovereign operations, rather than on local currency products specifically.

41. **Outcome and follow-up**: The update was noted.

Agenda item 7(b) – Management note on key drivers of projected trends in IFAD's capital ratios (AC 2026/182/R.7) – for information

42. The Committee appreciated Management's presentation on the three capital adequacy metrics used to monitor IFAD's capitalization under the new Capital Adequacy Policy, namely deployable capital, Fitch's usable capital to risk-weighted

assets (FRA) ratio and S&P Global Ratings' risk-adjusted capital ratio. Members welcomed the clarification provided on the construction and behaviour of the metrics, particularly the explanation that, while they were driven by broadly similar underlying factors, they might diverge as a result of differences in methodology, including changes introduced by rating agencies.

43. Members focused in particular on Fitch's FRA ratio, which was identified by Management as the most constraining of the three metrics. Questions were raised regarding the haircut applied by Fitch to IFAD's concessional portfolio, the rationale for using an opportunity cost approach and whether this could result in overly conservative treatment or potential double counting. Management explained that Fitch's methodology considered the opportunity cost of allocating assets to concessional lending rather than alternative uses and noted that IFAD was engaging with Fitch on the elements of the methodology that Management considered excessive or potentially duplicative.

44. The Committee also discussed the relationship between IFAD's internal Capital Adequacy Policy and the external metrics used by rating agencies. In response to concerns that the most binding external ratio could unduly drive IFAD's capital management decisions, Management emphasized that the new Capital Adequacy Policy remained centred on IFAD's own capital trajectory and managerial zones. At the same time, Management acknowledged that, given IFAD's growing reliance on borrowing, maintaining a strong credit rating was an essential element of IFAD's business model and should therefore be taken into account in monitoring capital adequacy.

45. The Committee noted that discussions with Fitch were ongoing and that the recent publication of Fitch's criteria review provided an opportunity to formalize further engagement on these issues.

46. **Outcome and follow-up:** The Committee took note of the information provided in the document.

Agenda item 8 – Draft provisional agenda for the 183rd meeting of the Audit Committee (AC 2026/182/R.8) – for review

47. **Outcome and follow-up:** The Committee reviewed and approved the draft provisional agenda for the 183rd meeting of the Audit Committee, to be held in November 2026.