



**IFAD**  
**INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT**

**Executive Board — Sixty-Sixth Session**

Rome, 28-29 April 1999

**REPORT OF THE AUDIT COMMITTEE**

1. The Audit Committee held its Sixty-Fifth Meeting on 15 March 1999, and wishes to report the following matters to the Executive Board.

**Review of the Audited Financial Statements of IFAD for 1998**

2. The committee reviewed the Financial Statements of IFAD for the year ended 31 December 1998 and noted with satisfaction the opinion of the external auditor, PricewaterhouseCoopers, that the statements give a true and fair view of the financial position of IFAD and the results of its operations and its cash flows, in accordance with International Accounting Standards. From 1998, the format of the Statement of Activities and Changes in Net Assets has changed in order to present more comprehensively the activities of the Fund for the year and changes in its net assets. This new format underscores the Fund as a not-for-profit international financial institution established to mobilize resources for the purpose of providing concessional loans and grants for the implementation of projects in developing countries.

3. The committee also reviewed document GC 22/INF.7, Financial Highlights for the Year Ended 31 December 1998, which had been tabled at the Twenty-Second Session of the Governing Council. This information had been prepared at the request of the Audit Committee during its review of the 1997 accounts. While commending the Secretariat for the useful information contained therein, the committee requested that additional detail be provided in certain areas where large increases over the previous year had been identified (staff costs, investment income and disbursements). The revised version is tabled at this session of the Executive Board as document EB 99/66/INF.5 to assist Members in their review of the Financial Statements.

4. The committee took note that the total assets of the Fund, at 31 December 1998, had increased to USD 5.96 billion from the 1997 figure of USD 5.39 billion. Total liabilities had also increased to USD 276 million from USD 126 million in 1997. Net assets at the end of 1998, therefore, amounted to USD 5.68 billion compared to USD 5.26 billion in 1997. In 1998, net investment income was USD 188 million, an increase of 14.6% over the 1997 figure, which was derived mainly from the global fixed-income bond portfolio. Income from loan service charges also increased by 10.6% over the previous year, due mainly to the increase in the number of loans being billed (464 in 1998 versus 425 in 1997). Total disbursements rose in 1998 to USD 324 million compared to USD 281 million in



1997 — a result of strengthened programme implementation practices, the rapid disbursement mechanism introduced in D.P.R. Korea, and the net increase of effective new loans from 26 in 1997 to 35 in 1998.

5. The committee noted that expenditures in 1998 had been within the approved Programme of Work and Budget and commended the good management of the Fund.

6. Members discussed a recommendation by PricewaterhouseCoopers regarding the appointment of currency overlay managers. Such a manager has been appointed for exposure to emerging markets, with a mandate for USD 200 million in assets, and will begin operations in April 1999. Non-emerging market currencies are covered by a matrix by which all currencies are allocated to one of the component currencies of the SDR basket. This area has been facilitated by the introduction of the Euro. The committee requested that a note to the committee, copied to the external auditor, be provided for any deviation from the PricewaterhouseCoopers recommendation.

#### **Private Session with the External Auditor**

7. The committee held a private session with two representatives of the external auditor, PricewaterhouseCoopers, and reviewed the Audit Summary Memorandum arising from the audit of the 1998 accounts.

8. Following its private session with the external auditor, the committee recommended endorsement of the IFAD Financial Statements for 1998 by the Executive Board to the next session of the Governing Council.

#### **Sixty-Sixth Meeting of the Audit Committee**

9. This meeting of the Audit Committee was planned for 27 April 1999. Unfortunately, a quorum of members was not reached and the meeting was postponed to a future date.