



**IFAD**  
**INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT**  
**Executive Board - Sixty-Ninth Session**

Rome, 3-4 May 2000

**REPORT OF THE AUDIT COMMITTEE**

1. The Audit Committee held its Sixty-Eighth Meeting on 16 March 2000 and wishes to report the following matters to the Executive Board.
2. The committee recommended that the Consultation to Review the Adequacy of the Resources Available to IFAD, at its meeting scheduled for June 2000, be invited to remit the issue of the Adequacy of the General Reserve to the Audit Committee, for recommendation to the Executive Board.
3. The committee discussed the implications for IFAD of the introduction of IAS39 (International Accounting Standard No. 39) in January 2001. A paper will be prepared by IFAD management, in conjunction with PricewaterhouseCoopers, for discussion at the Audit Committee meeting in September 2000. Based upon the review of the committee, a document may be provided to the Seventy-First Session of the Executive Board in December 2000.
4. With regard to the strategy for managing exchange risk, the Secretariat will provide Member States with a copy of the procedure reviewed by PricewaterhouseCoopers at the next meeting of the committee. The Investment Advisory Committee reviews the structure of currencies at each of its meetings.

**Review of the Audited Financial Statements of IFAD for 1999**

5. The committee reviewed the Financial Statements of IFAD for the year ended 31 December 1999 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, the results from its operations and its cash flows, in accordance with international accounting standards.
6. To assist the committee in its review of the Financial Statements, a copy of document GC 23/INF.7 Financial Highlights for the Year Ended 31 December 1999 was provided. The salient points from the statements are:

(a) **Income from Investments**

Investment income amounted to USD 196.5 million in 1999 compared with USD 187.9 million for 1998, including interest income of USD 89.4 million compared with USD 111.6 million in 1998. Dividend income for 1999 amounted to USD 8.7 million compared to USD 5.6 million in 1998. Total net realized and



unrealized market-value gains amounted to USD 104.0 million in 1999 compared to a gain of USD 75.1 million in 1998. Fees related to investment managers, custody and other investment costs, which are charged to investment income, amounted to USD 10.1 million in 1999, compared to USD 8.2 million in 1998. A comprehensive report on investments will be provided to the Sixty-Ninth Session of the Executive Board.

(b) **Income from Loans**

Income from loans amounted to USD 43.5 million, compared to a 1998 total of USD 46.5 million. An amount of USD 2.8 million was excluded for interest and service charges on loans with amounts outstanding in excess of 10 months.

(c) **Operating and Administrative Expenses**

Actual expenses in 1999 amounted to USD 51 988 000 compared to an approved budget figure of USD 54 273 000, and actual expenses in 1998 of USD 52 266 000. The United States dollar appreciated by 4% over the 1998 rate. The line item for duty travel was a main source of savings in 1999.

(d) **Cash in Banks**

Cash balances in convertible currencies at year-end amounted to USD 71.9 million, which includes funds held pending investment by external fund managers. Cash balances subject to restriction on use amounted to USD 7.9 million.

(e) **Operational Statistics**

Loan disbursements fell from USD 298 million in 1998 to USD 283 million in 1999, mainly due to exchange effects. Loan principal repayments increased by USD 10 million over the prior year. Excluding the effects of exchange adjustments, loan disbursements are steadily increasing each year. Grant disbursements increased from USD 25 million to USD 30 million in 1999.

7. Following its private session with the External Auditor, the committee recommended endorsement of the IFAD Financial Statements for 1999 by the Executive Board to the next session of the Governing Council.

8. The Sixty-Ninth Meeting of the Audit Committee was planned for 2 May 2000 to undertake the annual review of the internal audit function. Unfortunately, due to unforeseen circumstances, the meeting was postponed to a future date.