



IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
Executive Board – Seventy-Ninth Session
Rome, 10-11 September 2003

REPORT OF THE AUDIT COMMITTEE

1. Following its eighty-second meeting on 8 September 2003, the Audit Committee wishes to draw the attention of the Executive Board to the following matters.

Election of Chairman

2. The member for France, Mr Alain Guillouët, was elected by acclamation as Chairman of the Audit Committee to serve for a term of three years.

Audit Committee Workshop held on 30 June 2003

3. The Chairman thanked the external auditor, PricewaterhouseCoopers, for its presentation on the workshop on financial management and risk management. Specific issues such as the presentation of investments at market value or cost had been discussed at that workshop.

4. The Chairman noted that, during the discussions concerning general reporting, the members had requested that in 2004 a simplified management report be presented to the Committee along with the usual International Accounting Standard-compliant financial statements.

5. The workshop also outlined the risks related to the following five key risk areas within IFAD:

- (i) replenishment commitment
- (ii) contribution receipts
- (iii) investment risks
- (iv) loan risks
- (v) credit risk



Information Systems Security – Current Status of Recommendations Made in Reports on Internal Controls and Accounting Procedures by PricewaterhouseCoopers

6. The document was positively received and the meeting participants agreed that substantial progress had been made in the area of information systems security within IFAD. The director of the Management Information Systems division explained that the monitoring of systems security was an ongoing issue and that the goal was to have a process in place that addressed systems security matters as they arose. It was noted that both the internal and external auditors were actively and regularly monitoring the status of information systems security within IFAD.

7. It was suggested that various problem scenarios be simulated in order to test the effectiveness of IFAD's recovery procedures.

8. The members of the Committee were informed that, even though the information systems in place at IFAD differed from those at the Food and Agriculture Organization of the United Nations and the World Food Programme, there was a regular exchange of information and experiences among these organizations.

Progress of the Strategic Change Programme

9. In its oral report to the Committee, the external auditor noted that its review had focused on the impact of the Strategic Change Programme (SCP) on financial reporting systems, processes and controls. After discussions with the business process owners and the Programme Management Unit, the external auditor concluded that significant progress had been made of late and that it was important to keep up the momentum in order to be able to meet financial reporting deadlines. The Secretariat committed to providing adequate resources in order to meet these deadlines.

10. Given the aggressive timetable, the process had been extremely challenging and the Controller noted management's appreciation of the effort of the staff involved.

11. It was noted that the Loan and Grant System would not be implemented in PeopleSoft as originally intended, because that software did not meet the necessary requirements. An interim solution was being discussed to link the existing Loan and Grant System to PeopleSoft 8.4, whilst an alternative long term solution was sought.

12. The members noted the importance of the SCP's implementation and the Secretariat agreed to the members' suggestion that a written report be presented to the forthcoming Executive Board session. The members proposed that the report explain the objectives of the SCP, detail the status of achievement of these objectives and outline the areas still in need of special attention.

Project Audits

13. The Assistant Controller – Loans and Grants presented the *Guidelines on Project Audits: For Borrowers' Use* and the *Operational Procedures for Project Audits: For Use by IFAD and Cooperating Institutions*. The guidelines had been amended in accordance with the changes requested at the Committee's last meeting; and the operational procedures had been reviewed and agreed upon through an interactive process involving all relevant departments of IFAD and the United Nations Office for Project Services, as a cooperating institution. Both documents had been approved by the President of IFAD on 31 July 2003.



14. The action plan for implementation of the project audit guidelines and related operational procedures – which outlined the steps to be taken to ensure efficient implementation of audit requirements – was accepted by the Committee.

Budget Process

15. With respect to proposals in the Programme of Work and Budget (POW&B) for 2004 to change budgetary rules, a question was raised as to the Committee's involvement in IFAD's budgetary process and it was recalled that the following recommendation had been made at the Committee's meeting on 2 September 2002.

“The meeting agreed that during the next two budget cycles the following extra measures with respect to the review of the POW&B would be taken;

(a) Regarding the 2003 POW&B:

- (i) there will be a seminar held just prior to the December 2002 Board in order to review the POW&B document,
- (ii) in addition, the December 2002 Board meeting will devote at least half a day to allow adequate time for the review and discussion of the POW&B document.

(b) Regarding the 2004 POW&B: Management will organize a half-day workshop at which it will present the POW&B. This workshop should be held at a time, which allows Management to react to the Board's comments and make any necessary amendments in time for submission for the December Board.”

The above decision was ratified by the Executive Board at its Seventy-Sixth Session.

16. The Secretariat confirmed that, in addition to the seminar on IFAD's strategic priorities and programme of work held on 9 September 2003 in conjunction with the Seventy-Ninth Session of the Executive Board, there would also be a budget seminar held in November 2003 prior to the December Board.