



INTER-AMERICAN BOARD OF AGRICULTURE - IABA

***Fourteenth Regular Meeting
26 - 27 July, 2007***

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***Twelfth and Thirteenth Reports of the
Audit Review Committee (ARC)***

La Antigua Guatemala, Guatemala

TWELFTH REPORT OF THE AUDIT REVIEW COMMITTEE (ARC)

ESTABLISHMENT OF THE COMMITTEE

The Audit Review Committee (ARC) was established in September 1993 by Resolution 231 of the Inter-American Board of Agriculture (IABA).

MANDATE

Pursuant to the Statute of the Audit Review Committee, the only reporting requirement of the Committee is to report to both the Executive Committee and the Inter-American Board of Agriculture anything that, in the judgment of the Audit Review Committee, may constitute a violation of the rules and procedures governing the operations of the General Directorate.

MEMBERS OF THE COMMITTEE

The present members of the Committee are:

1. Mr. Raymond G. Poland – Regional Inspector General, Office of the Inspector General, United States Department of Agriculture (USDA). – United States of America.
2. Mr. Luis Carlos Gutierrez Jaime - Director General, Directorate of Financial Efficiency and Accountability, Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food of Mexico (SAGARPA). – Mexico.
3. Mrs. Sharman Ottley - Auditor General, Auditor General's Department. – Trinidad and Tobago.

ACTIVITIES OF THE AUDIT REVIEW COMMITTEE

The Committee met at IICA Headquarters, in Coronado, Costa Rica, on June 12 -13, 2006, with the purpose of conducting the annual review of the Financial Statements for the fiscal year that ended in December 2005.

Discussions were held with the following management personnel of IICA:

Mr. Francisco Barea	- Director of Administration and Finance
Ms. Karen Kleinheinz	- Director of Finance
Ms. Laura Mora	- Accounting Chief
Ms. Yensy Casanova	- Coordinator of Consolidation Unit, Finance
Mr. Luis Condines	- Internal Auditor
Ms. Susana Dancourt	- Deputy Internal Auditor
Mr. Emmanuel Picado	- Head of Informatics Unit

For the third consecutive year, the Committee was provided with full information on the Institute's informatics project.

The Committee also reviewed the draft report of the External Auditors, Deloitte & Touche, and the draft management letter, and held discussions with the Audit Partner, Mr. Francisco Blanco, and the Manager, Audit Services, Grettel Loria M.

Based on these discussions, the Committee found that the work performed by the External Auditors complies with international auditing standards and IICA's rules.

REPORT TO THE EXECUTIVE COMMITTEE OF IICA

We are not aware of any violation of the rules that govern the operations of the General Directorate; nevertheless, we bring the following matters to the attention of the Executive Committee so that appropriate action may be taken:

1. Quota Arrearages

The external auditor and the members of the Audit Review Committee (ARC) note that, again in 2005, thanks to the implementation of Resolution 392, approved by the Inter-American Board of Agriculture (IABA) on November 13, 2003, at its Twelfth Regular Meeting, held in Panama City, Panama; to diligent work on the part of all senior IICA management personnel; and to the efforts made by each of the member countries, there was a significant reduction in total quota arrearages. This reduction, from US\$16,125,987 to US\$11,971,620, has made available to the Institute more resources for achieving its objectives. Nonetheless, this figure is equivalent to 44.07% of the total amount of quotas to be paid by the countries in a year, thus slowing efforts to modernize the Institute and affecting its financial health.

We urge the Institute to continue its efforts to recover arrearages because, as of the date of the ARC meeting (June 12-13), only 19.29% (US\$5.24 million) of quotas for this year had been collected, US\$5 million of which represent payments from two countries.

Quotas outstanding as of the end of the year:

<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
\$ 12,644,106	\$ 13,540,545	\$ 17,473,795	\$ 16,125,987	\$ 11,971,620

2. Austerity

We note that expenditure levels show continued application of austerity measures.

TOTAL EXPENSES

<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
\$26,950,506	\$26,625,968	\$26,030,007	\$26,179,944	\$26,888,837

3. Area of Information Technology

For the last three years, there have been repeated references to the new informatics plan, intended to replace the one that has been in place since 2001. Every year, the external auditor has pointed to different issues such as modules that are not used and security issues, raising the possibility of problems related to information sensitive to IICA being altered or damaged, which could bring the integrity, reliability and confidentiality of same into question. Therefore, we recommend that urgent steps be taken to finalize the purchase of an information system so that the Board will be assured of accurate financial and other data.

4. Internal Audit Unit

Based on repeated observations from the external auditor, and on the limited work of the Internal Audit Unit related to the review of the structure and implementation of the critical areas of internal controls, we recommend that IICA re-visit the activities, duties and responsibilities of the Internal Audit Unit.

Presented by:

Raymond G. Poland
U.S.A.

Luis Carlos Gutiérrez Jaime
Mexico

Sharman Ottley
Trinidad and Tobago

THIRTEENTH REPORTS OF THE AUDIT REVIEW COMMITTEE (ARC)

ESTABLISHMENT OF THE COMMITTEE

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MANDATE

Pursuant to the Statute of the Audit Review Committee, the only reporting requirement of the Committee is to report to both the Executive Committee and the Inter-American Board of Agriculture anything that, in the judgment of the Audit Review Committee, may constitute a violation of the rules and procedures governing the operations of the General Directorate.

MEMBERS OF THE COMMITTEE

The present members of the Committee are:

1. Mr. Raymond G. Poland – Regional Inspector General, Office of the Inspector General, United States Department of Agriculture (USDA) – United States of America.
2. Mr. Luis Carlos Gutierrez Jaime - Director General, Directorate of Financial Efficiency and Accountability, Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food of Mexico (SAGARPA) – Mexico.
3. Mrs. Sharman Ottley - Auditor General, Auditor General’s Department – Trinidad and Tobago.

ACTIVITIES OF THE AUDIT REVIEW COMMITTEE

The Committee met at IICA Headquarters, in Coronado, Costa Rica, on March 26 - 28, 2007, with the purpose of conducting the annual review of the Financial Statements for the fiscal year that ended in December 2006.

Discussions were held with the following management personnel of IICA:

Ms. Karen Kleinheinz	- Director of Finance
Ms. Laura Mora	- Accounting Chief
Ms. Yensy Casanova	- Coordinator of Consolidation Unit, Finance
Mr. Luis Condines	- Internal Auditor
Ms. Lynda Landry	- Director of Human Resources
Mr. Emmanuel Picado	- Head of Informatics and Information Systems Unit
Mr. Steve Lewis	- Head Division of Administrative Services at Headquarters

The Committee reviewed the draft report of the External Auditors, Deloitte and Touche, and the draft management letter, and held discussions with the Audit Partner, Mr. Francisco Blanco, and the Manager, Audit Services, Grettel Loria M.

Based on these discussions, the Committee found that the work performed by the External Auditors complies with international auditing standards and IICA's rules.

REPORT TO THE EXECUTIVE COMMITTEE OF IICA

We are not aware of any violation of the rules that govern the operations of the General Directorate; nevertheless, we bring the following matters to the attention of the Executive Committee so that appropriate action may be taken:

1. Quota arrearages

The balance on quota arrearages continues to be a matter of concern both for the ARC and the External Auditors. The balances for 2001 to 2006 are shown below:

2001	2002	2003	2004	2005	2006
\$12,644,106	\$ 13,540,545	\$ 17,473,795	\$ 16,125,987	\$ 11,971,620	\$12,313,073

This situation prevents IICA from being more aggressive in its efforts to modernize its operations.

2. Information Technology Area

The installation and start-up of the SAP system, comprising four informatics modules, was explained to us. These modules are:

- Financial
- Accounting
- Budget
- Procurement

At the time of our visit, data relevant to the month of January 2007 was being entered on the system. The Committee proposes that, before the meeting of the Executive Committee in 2007 May, we will verify the closing entries for the months of January-March, as well as the reporting system. These systems are an important step forward in the modernization and reliability of the Institute's information.

It is important that the module relevant to the human resources administration system be incorporated in the SAP system as expeditiously as possible.

We recommend that the IICA utilize the new SAP system to improve controls over disbursement processes.

We also recommend that the Internal Audit Unit should be provided with the tools and technical training to effectively audit the SAP system.

3. Internal Audit Unit

On this occasion, we were presented with a Work Plan for 2007, which complies with our recommendation to review and amend as necessary the activities and responsibilities of the Internal Audit Unit. However, this Work Plan was still in draft. We strongly recommend that the Internal Audit work plan should be approved by the Director General of IICA prior to the start of a financial year.

At the next meeting of the Committee, we will review, at random, some of the results achieved from the work plan presented to us.

4. Fixed Assets

The ARC noted that the basis for computing depreciation on IICA's fixed assets did not fully comply with Generally Accepted Accounting Principles.

The ARC recommends that IICA should document its policy for depreciation of fixed assets, and such policy should be in accordance with Generally Accepted Accounting Principles.

Presented by:

Raymond G. Poland
U.S.A.

Luis Carlos Gutiérrez Jaime
Mexico

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