



Thirty-fifth Regular Meeting of the Executive Committee

**Twenty-first Report of the Audit Review  
Committee (ARC)**

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San Jose, Costa Rica  
July 15-16, 2015



## **TWENTY-FIRST ANNUAL REPORT OF THE AUDIT REVIEW COMMITTEE**

### **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. Pamela D.M. Monroe Ellis, Auditor General, Auditor General's Department, Jamaica
2. Diana Carolina Barés Varela, National Director, Administration and Finance, Ministry of Agricultural Development, Panama
3. Steve Rickrode, Deputy Assistant Inspector General for Audit, Office of Inspector General, United States Department of Agriculture, U.S.A.

### **ACTIVITIES OF THE AUDIT REVIEW COMMITTEE**

The Committee met at IICA Headquarters, in Coronado, Costa Rica, on June 3-4, 2015, with the purpose of conducting the annual review of the Financial Statements for the year that ended December 2014.

Discussions were held with the Director General as well as the following management personnel of IICA:

Carlos O'Farrill	- Secretary of Corporate Services
Karen Kleinheinz	- Director, Division of Financial Management
Grettel Loría	- Accounting Chief
Yensy Casanova	- Coordinator of Consolidation Unit, Finance
Rocío Bohórquez	- Internal Auditor
Emmanuel Picado	- Head of Information, Technology and Communications Unit

The Committee reviewed the draft report of the external auditor, Deloitte, and held discussions with the Audit Partner, Rolando Güell, and the Audit Director, Anayancy Porras.

Based on these discussions, the Committee found that the work performed by the external auditor complies with international auditing standards and IICA's rules. The external auditor reported two internal control issues pertaining to the valuation of termination benefits and lack of a vulnerability assessment. These matters are addressed below.

## **REPORT TO THE EXECUTIVE COMMITTEE OF IICA**

### **Audit Opinion - Termination Benefits**

The ARC reviewed and considered the basis of the external auditor's qualified opinion with respect to the absence of actuarial studies for termination benefits in the amount of US\$2.7M, as required by USGAAP. The 2013 audit opinion was qualified due to a similar issue; however we acknowledge the management actions which have resulted in an increase in the termination benefits subjected to actuarial study. The ARC understands and accepts the external auditor's opinion. Additionally, we are cognizant of the cost associated with these studies. However, we encourage IICA to consider, over time, additional actuarial studies to ensure overall valuation of termination benefits.

### **Lack of Vulnerability Analysis**

The ARC considered and found merit with the external auditor's concern regarding the lack of a vulnerability analysis to determine opportunities for security breaches, related to IICA's information technology infrastructure. The ARC encourages IICA to consider a vulnerability analysis review in the context of available resources.

### **AIS Program in Colombia**

The ARC reviewed the note to the financial statements for December 31, 2014 and 2013 in relation to the AIS program in Colombia. We are cognizant of the complex nature of this outstanding matter and IICA's ongoing resolution efforts, as well as, the related reviews and potential legal claims. The ARC is of the view that IICA has considered the risk associated with the issue and is addressing it appropriately. The Committee recommends that IICA continue to monitor the situation.

### **Quota**

IICA continues to monitor payment of quotas.

We are making no new recommendation in relation to this area.

Prepared by:

**Pamela D.M. Monroe Ellis**  
Jamaica

**Diana Carolina Barés Varela**  
Panama

**Steve Rickrode**  
U.S.A.