



EXECUTIVE COMMITTEE

Twenty-Third Regular Meeting
23 - 24 July 2003

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NINTH ANNUAL REPORT OF THE AUDIT REVIEW COMMITTEE
OF THE INTER-AMERICAN INSTITUTE FOR COOPERATION
ON AGRICULTURE (IICA)

San José, Costa Rica

REPORT OF THE AUDIT REVIEW COMMITTEE

Establishment of Committee:

Resolution 231 of the Inter-American Board of Agriculture established the Audit Review Committee in September 1993.

MANDATE

The statute of the Audit Review Committee requires the Committee to call to the attention of the Executive Committee and the Inter-American Board of Agriculture, anything that in its judgement may constitute a violation of the Rules of Procedure governing the operations of the General Directorate. This is the only reporting requirement of the Committee.

MEMBERS OF THE COMMITTEE

The present members of the Committee are:

1. Mr. Raymond G. Poland - Regional Inspector General, Office of the Inspector General, U.S. Department of Agriculture. - U.S.A.
2. Lic. Luis Carlos Gutierrez Jaime - Director General, Directorate for Financial Efficiency and Accountability of SAGARPA, Mexico. - Mexico
3. Mrs. Jocelyn Thompson - Auditor General of Trinidad and Tobago.

Mr. Robert Young of the United States and Mrs. Alma Rosa Zepeda of Mexico resigned during 2002.

AUDIT REVIEW COMMITTEE ACTIVITIES

The Committee met at IICA – Sede Central- Coronado, Costa Rica during the period 20th and 21st May 2003 in order to carry out the annual review of the Financial Statements for the year ended December 2002.

Discussions were held with the following senior officers of IICA:

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|--------------------------|-------------------------------------|
| Mrs. Karen E. Kleinheinz | - Head of Finance Division |
| Mr. Harry Scott | - Head of Control and Analysis Unit |
| Mr. Luis Condines | - Internal Auditor |
| Mr. Terry Vogt | - Deputy Director General |

Mr. Ricardo Caceres - Specialist, Directorate of Performance
Management and Evaluation.
Ms. Lynda Landry - Director of Human Resources

The Committee viewed the following two [2] electronic presentations:

1. Modernization of the Institute Management Information System—a Presentation by the Deputy Director General
2. Continuity Plan for Operations – a KPMG presentation.

We reviewed the draft Report of the External Auditors, Deloitte and Touche as well as the draft Management Letter and held discussions with the Audit Partner Señor Blanco. Based on these discussions, we find the work performed by the External Auditors to be in accordance with International Auditing Standards and in accordance with the Rules of Procedure of IICA.

REPORT TO THE EXECUTIVE COMMITTEE OF IICA

We have found no instance nor do we have any indication of violations of the Rules of Procedure governing the operation of the General Directorate.

We however draw the following issues to attention for the appropriate action by management.

1. Purchase commitments of goods and service not yet delivered by year-end.

The External Auditor has again qualified the Auditor's Report in connection with year-end commitments of US. \$453.895. and US. \$450.000. in respect to the years 2002 and 2001 respectively as this practice does not comply with generally accepted accounting principles. However this accounting practice used by IICA is in accordance with the Rules of the General Directorate and the Financial Rules of IICA.

2. Outstanding Quotas

The External Auditor has also drawn to attention that "As of December 31 2002, the balances of quotas due from Member states amounting to US\$13,540,545. , include US\$8,233,953 of quotas overdue for more than one year. The General Directorate of IICA considers such balances to be collectible and continues making efforts to collect these balances from each Member State."

The amounts at year- end 2002 overdue for more than one year have increased and represent about 60% of the total outstanding.

3. Office in Brazil

In our discussions with the External Auditor we learnt that internal controls at the Brazil Office were weak. We saw indications of this by the failure of the Brazil Office to reconcile nine [9] Bank accounts as at December 31. The External Auditor stated that they were unable to vouch these transactions by means of alternate auditing procedures. We also observed that Brazil Office paid remuneration packages in excess of IICA rates and made certain purchases, which did not comply strictly with IICA guidelines.

4. Frozen Quotas

The ARC is very aware that Quotas are determined by the Member States. The ARC recommends that the Executive Committee continue to draw attention to the need for review of this situation. Frozen quotas coupled with the failure of some Member States to pay their quotas on a timely basis, can compromise IICA's ability to continue to function efficiently and effectively.

5. Advances to Employees

As at December 31, 2002 amounts totaling US. \$15,647. were not accounted for by the employees who received the advances. The amounts were all outstanding in excess of the stipulated time of 30 days in which to account. The ARC recommends that IICA strengthen its follow up procedures and controls with respect to employees requesting and repaying advances.

6. Management Information System [MIS]

The ARC was informed that the Management of IICA has decided not to proceed further with the implementation of the BAAN system but instead consider the implementation of an Oracle system since the Oracle system was more suited to the needs of IICA and was more user- friendly. The ARC strongly supports prompt implementation of a Management Information System in order for the IICA Headquarters management to have more control over the County Offices' activities.

7. Internal Audit

The ARC noted that the Internal Audit Section had been strengthened and that the staff had received training in the use of an IT auditing software package.

Submitted,

Raymond G. Poland
U.S.A.

Luis Carlos Gutiérrez Jaime
México

Jocelyn Thompson
Trinidad and Tobago