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Agenda item 11

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ADMINISTRATIVE COUNCIL  
23rd session  
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71FUND/AC.23/6/1

## COMPOSITION AND MANDATE OF THE JOINT AUDIT BODY OF THE 1992 FUND, THE 1971 FUND AND THE SUPPLEMENTARY FUND

### Note by the Audit Body

<b>Summary:</b>	The joint Audit Body of the three Funds has looked at its Composition and Mandate and has proposed some amendments to take into account developments in its activities and responsibilities since its establishment in 2002.
<b>Action to be taken:</b>	<u>1992 Fund Assembly:</u> Consider and approve the proposed revised Composition and Mandate of the Audit Body.  <u>Supplementary Fund Assembly and 1971 Fund Administrative Council:</u> Take note of the information contained in this document and of the decision taken by the 1992 Fund Assembly.

### 1 Introduction

- 1.1 At their October 2007 sessions, the governing bodies decided that the mandate of the Audit Body would need to be amended to include the organisation of the tender process in respect of the appointment of the External Auditor when the time came.
- 1.2 The Audit Body has taken this opportunity to look at its Composition and Mandate and has proposed some additional amendments to take into account developments in its activities and responsibilities since its creation in 2002. The proposed revised Composition and Mandate is at Annex I (marked-up version) and Annex II (clean copy) for the consideration of the governing bodies.
- 1.3 The Audit Body's internal Rules of Procedure will be updated in due course in the light of the 1992 Fund Assembly's decision with respect to a revision of the Composition and Mandate. In this respect, it is proposed that former points 6 and 7 of the Composition and Mandate, which are of a more administrative nature, be moved to the Audit Body's internal Rules of Procedure.

**2 Action to be taken by the governing bodies**

2.1 1992 Fund Assembly:

- (a) to take note of the information contained in this document; and
- (b) to consider and approve the proposed revised Composition and Mandate of the Audit Body.

2.2 Supplementary Fund Assembly and 1971 Fund Administrative Council

To take note of the information contained in this document and of the decision taken by the 1992 Fund Assembly.

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## ANNEX I

### PROPOSED REVISED COMPOSITION AND MANDATE OF THE JOINT AUDIT BODY OF THE 1992 FUND, THE 1971 FUND AND THE SUPPLEMENTARY FUND

NB New text has been shaded. Deleted text has been indicated with strike through.

#### COMPOSITION

- 1 The members of the Audit Body shall perform their functions independently and in the interest of the Organisations as a whole. ~~The members elected from 1992 Fund Member States~~ and shall not receive any instructions from anyone, including their Governments.
- 2 The Audit Body shall be composed of seven members elected by the 1992 Fund Assembly: ~~one named Chairman nominated by 1992 Fund Member States, five~~ six named individuals nominated by 1992 Fund Member States and one named individual not related to the Organisations ('outsider' financial expert) with expertise and experience in financial and audit matters, nominated by the ~~Chairman~~ Chairperson of the 1992 Fund Assembly. Nominations, accompanied by the curriculum vitae of the candidate, should be submitted to the Director at least six weeks in advance of the session at which the election will take place in response to an invitation for nominations made by the Director. The Chairperson of the 1992 Fund Assembly will, in consultation with the Chairpersons of the 1971 Fund Administrative Council and of the Supplementary Fund Assembly, propose the name of one of the elected members of the Audit Body for consideration and approval by the governing bodies as Chairperson of the Audit Body.
- 3 Members of the Audit Body shall hold office for three years, once renewable. ~~Of the first Audit Body to be elected, the term of three of those elected from 1992 Fund Member States shall not be renewable.~~ Should nominations for election to the Audit Body not be sufficient to fill vacancies at an election, existing members of the Audit Body having served two terms will be eligible for a once-only re-election, provided they are re-nominated by one or more 1992 Fund Member States. The financial expert shall hold office for three years, twice renewable.
- 4 ~~The members of the Audit Body shall perform their functions independently and in the interest of the Organisations as a whole. The members elected from 1992 Fund Member States shall not receive any instructions from their Governments.~~
- 4 Travel and subsistence expenses of the six members of the Audit Body ~~elected from 1992 Fund Member States~~ shall be paid by the Organisations. ~~The member not related to the Organisations ('outsider')~~ shall be paid travel expenses and an appropriate fee. The Assembly of the 1992 Fund will, from time to time, decide on the quantum of the honorarium paid to the six elected members and the fee paid to the financial expert. The ~~time~~ timing and method of payment will be agreed between the Audit Body and the Director.

#### MANDATE

- 5 The Audit Body shall:
  - (a) review the adequacy and effectiveness of the Organisations' management and financial systems, ~~regarding key issues of financial reporting, internal controls, operational procedures, and risk management~~ and related matters;

- (b) promote the understanding and effectiveness of the audit function within the Organisations, and provide a forum to discuss ~~internal control issues, operational procedures matters~~ referred to in (a) above and matters raised by the external audit;
- (c) discuss with the External Auditor the nature and scope of each forthcoming audit and provide input to the development of the strategic audit plan;
- (d) review the Organisations' Financial Statements and reports;
- (e) ~~consider all relevant reports by~~ review and consider the findings of the External Auditor, including reports on the Organisations' Financial Statements, and make appropriate recommendations to the Funds' governing bodies;
- ~~(f) make appropriate recommendations to the governing bodies.~~
- (f) manage the process for the selection of the External Auditor; and
- (g) undertake any other tasks or activities, including any requested by the Funds' governing bodies. Where the Audit Body undertakes any work on its own initiative, the Chairperson of the Audit Body may inform the Chairperson of the 1992 Fund Assembly (and, if appropriate, of the other governing bodies) of the work being undertaken.

~~6 The Audit Body shall normally meet at least twice a year. The Chairman of the Audit Body and the External Auditor may request that additional meetings should be held. The meetings shall be convened by the Director, in consultation with the Chairman of the Audit Body. [TO BE MOVED TO AUDIT BODY'S RULES OF PROCEDURE]~~

~~7 The External Auditor, the Director and the Head of the Finance and Administration Department shall normally be present at the meetings. [TO BE MOVED TO AUDIT BODY'S RULES OF PROCEDURE]~~

6 The Chairman of the Audit Body shall report on its work to each regular session of the governing bodies 1992 Fund Assembly, the 1971 Fund Administrative Council and the Supplementary Fund Assembly.

7 Every three years the functioning of the Audit Body and its mandate shall be reviewed by the governing bodies 1992 Fund Assembly, the 1971 Fund Administrative Council and the Supplementary Fund Assembly on the basis of an evaluation report from the Chairman of the Audit Body.

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## ANNEX II

### PROPOSED REVISED COMPOSITION AND MANDATE OF THE JOINT AUDIT BODY OF THE 1992 FUND, THE 1971 FUND AND THE SUPPLEMENTARY FUND

(Clean text)

#### COMPOSITION

- 1 The members of the Audit Body shall perform their functions independently and in the interest of the Organisations as a whole and shall not receive any instructions from anyone, including their Governments.
- 2 The Audit Body shall be composed of seven members elected by the 1992 Fund Assembly: six named individuals nominated by 1992 Fund Member States and one named individual not related to the Organisations ('financial expert') with expertise and experience in financial and audit matters, nominated by the Chairperson of the 1992 Fund Assembly. Nominations, accompanied by the curriculum vitae of the candidate, should be submitted to the Director in response to an invitation for nominations made by the Director. The Chairperson of the 1992 Fund Assembly will, in consultation with the Chairpersons of the 1971 Fund Administrative Council and of the Supplementary Fund Assembly, propose the name of one of the elected members of the Audit Body for consideration and approval by the governing bodies as Chairperson of the Audit Body.
- 3 Members of the Audit Body shall hold office for three years, once renewable. Should nominations for election to the Audit Body not be sufficient to fill vacancies at an election, existing members of the Audit Body having served two terms will be eligible for a once-only re-election, provided they are re-nominated by one or more 1992 Fund Member States. The financial expert shall hold office for three years, twice renewable.
- 4 Travel and subsistence expenses of the members of the Audit Body shall be paid by the Organisations. The Assembly of the 1992 Fund will, from time to time, decide on the quantum of the honorarium paid to the six elected members and the fee paid to the financial expert. The timing and method of payment will be agreed between the Audit Body and the Director.

#### MANDATE

- 5 The Audit Body shall:
  - (a) review the adequacy and effectiveness of the Organisations' management and financial systems, financial reporting, internal controls, operational procedures, risk management and related matters;
  - (b) promote the understanding and effectiveness of the audit function within the Organisations, and provide a forum to discuss matters referred to in (a) above and matters raised by the external audit;
  - (c) discuss with the External Auditor the nature and scope of each forthcoming audit and provide input to the development of the strategic audit plan;
  - (d) review the Organisations' Financial Statements and reports;
  - (e) review and consider the findings of the External Auditor, including reports on the Organisations' Financial Statements, and make appropriate recommendations to the Funds' governing bodies;

- (f) manage the process for the selection of the External Auditor; and
  - (g) undertake any other tasks or activities, including any requested by the Funds' governing bodies. Where the Audit Body undertakes any work on its own initiative, the Chairperson of the Audit Body may inform the Chairperson of the 1992 Fund Assembly (and, if appropriate, of the other governing bodies) of the work being undertaken.
- 6 The Chairman of the Audit Body shall report on its work to each regular session of the 1992 Fund Assembly, the 1971 Fund Administrative Council and the Supplementary Fund Assembly.
- 7 Every three years the functioning of the Audit Body and its mandate shall be reviewed by the 1992 Fund Assembly, the 1971 Fund Administrative Council and the Supplementary Fund Assembly on the basis of an evaluation report from the Chairman of the Audit Body.
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