



Thirty-ninth Regular Meeting of the Executive Committee

**Final report of the Director General on management actions
in relation to the external auditors' qualified opinion**

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The Executive Committee, via resolution IICA/CE/Res. 634 (XXXVIII-O/18), instructed the Director General to present a report on the efforts to address the qualified opinion of the external auditors on the financial statements of the Inter-American Institute for Cooperation on Agriculture (IICA).

Background

The external auditors' report has presented a qualified opinion on the Institute's financial statements in previous years. This has been due to the absence of actuarial studies documenting other termination benefits reported, as well as the presentation of quotas receivables with aging greater than 365 days, based on the presentation of information in financial statements as required under generally accepted accounting principles in the United States of America (USGAAP).

The Administration considers it important to inform readers of the financial statements that the amounts referred to for termination benefits correspond to reserves for such benefits for all local and international personnel, encompassing all Institute staff, and based on the local labor laws in each country. This makes it difficult to meet the requirement for annual actuarial studies on the obligations.

Since 2010, management has reviewed this situation with the external auditors and the Audit Review Committee (ARC) and, over time, in accordance with budgetary possibilities, has contracted actuarial studies to cover some of the employee groups, in order to establish baseline studies and gather the detailed information required in order for the actuaries to determine valuations for the obligations.

Since 2015, the opinion of the external auditors in their report on IICA's financial statements has also been qualified based on Member States' quotas receivables with aging greater than 365 days, due to the possible effect of impairment on the carrying value.

Management actions carried out in 2018

In 2018 additional actuarial studies were performed to ensure the overall valuation of termination benefits presented in the financial statements.

Additionally, based on the analysis of payment experience, an account to recognize the impairment of quotas receivables was recorded, reducing current assets, given that information on the possibility of the payment of quotas outstanding for more than 365 days was not available to document the collection of these quotas in the short term.

The financial statements for the year ended December 31, 2017, previously reported, were restated during 2018, recognizing the effects on the financial statements of the adjustments related to other termination benefits and the allowance for doubtful accounts for quotas receivable, based on

actuarial studies performed and the analysis of Member States' quotas receivables and payment experience.

Results of management actions in 2018

We are pleased to report that, as a result of management actions undertaken in 2018 to address the basis for the qualified opinion of the external auditors in previous years, the Institute has achieved a clean, unqualified opinion. Having completed their examination of the financial statements, the external audit firm Deloitte reports:

In our opinion the financial statements present fairly, in all material respects, the financial position of IICA as of December 31, 2018 and 2017 and the changes in its net assets and its cash flows for the years then ended, in accordance with the generally accepted accounting principles in the United States of America.

The Institute is committed to reporting the obligations for termination benefits for staff in its financial statements based on the best information available and actuarial studies performed in order to document the liabilities.

The Administration considers that all quotas are collectible and gives continuous follow-up on quota payments.