

## I. BACKGROUND AND OVERVIEW

1. In line with Article 31 of the *Agreement Establishing the Asian Development Bank* (ADB) and Section 12 of the By-Laws, the Audit Committee of the Board (ACB) assists the Board of Directors in carrying out its responsibilities as they relate to the oversight of ADB's financial reporting and audits, including internal controls.

2. During the period covered by this report (1 July 2006 to 30 June 2007), the ACB continued to operate under the Terms of Reference (ToR) (included in *Appendix 1*) approved by the Board of Directors in April 2005. In accordance with its ToR, the ACB agreed with the findings of ADB's Outside Auditor which concluded that ADB's financial reporting and audits, including internal controls, were appropriate and in accordance with ADB's approved policies and generally accepted accounting and auditing standards.

3. The ACB identified a range of issues which formed the basis of its Work Program (included in *Appendix 2*). The ACB reviewed a series of **key issues and actions** for the reporting period, which are summarized as follows:

- (i) **Monitoring measures undertaken to address instances of fraudulent activities by staff and consultants;**
- (ii) **Review of the Annual Financial Statements and Management's Discussion and Analysis (MD&A)** (with ADB's Outside Auditor), **and Quarterly Financial Statements and MD&A;**
- (iii) **Review of OCR operating income and net income;**
- (iv) **Monitoring the effect of financial accounting standards (FAS) including FAS 133, specifically covering accounting principles and practices in relation to derivative instruments** – this included a review of the implications on ADB's financial management of the changes in FAS 133 adjustments and its impact on ADB's net income.
- (v) **Monitoring progress towards the adoption of cost accounting systems and audit standards in ADB;**
- (vi) **Monitoring progress towards the adoption of Management's Assertion and Outside Auditor's Attestation concerning internal controls over external financial reporting, and publication of the Assertion and an Attestation Letter in ADB's Annual Report** – this included monitoring the possibility of including the Outside Auditor's Attestation of Management's Assertion for the ADB Annual Report;
- (vii) **Review of information technology issues affecting key financial and accounting systems;**
- (viii) **Monitoring of travel related cost saving initiatives; and**
- (ix) **Review of ADB's risk management capability and monitoring of progress on integrating risk management in ADB** – this included monitoring the work of the independent risk management unit one year after its establishment

## A. Composition of the ACB

4. For the period 1 July 2006 to 30 June 2007, the ACB membership comprised of the following six (6) members of the Board of Directors:

- Executive Director Mr. Patrick Pillon (Chair)
- Executive Director Mr. Md. Saad Hashim (as from December 2006, replacing Executive Director Mr. Chaiyuth Sudthitanakorn)
- Executive Director Mr. Curtis Chin (as from May 2007, replacing Alternate Director Mr. Paul Curry, who had earlier replaced Executive Director Paul Speltz).
- Alternate Director Mr. Atsushi Mizuno
- Alternate Director Mr. James Tsuen Hua Shih (as from October 2006, replacing Alternate Director Mr. Batir Mirbabayev), and
- Alternate Director Mr. Richard Stanley.

## B. ACB Meetings

5. Between 1 July 2006 and 30 June 2007, the Committee held nine (9) meetings, including one (1) working session with the Controller on the Financial Statements prior to discussion with the Outside Auditor. The meetings were also attended by other Directors, Alternate Directors, Directors' Advisors, and staff as observers. In addition, during the review period, the ACB met with staff from the Budget, Personnel, and Management Systems Department (BPMSD), the Controller's Department (CTL), the Office of the Auditor General (OAG), the Office of Administrative Services (OAS), the Office of Information Systems and Technology (OIST), the Private Sector Operations Department (PSOD), the Risk Management Unit (RMU), the Treasury Department (TD), and also with ADB's Outside Auditor (Price WaterhouseCoopers – PwC), with whom the ACB met independently as well as jointly with ADB staff. The selected issues were discussed openly and frankly, and on many occasions were supplemented with audio-visual presentations, written handouts and/or written explanations, as requested<sup>1</sup>. Staff from the Office of The Secretary (OSEC) and the Office of the General Counsel (OGC) were also present in all ACB meetings. In addition, the ACB Chair met with the Outside Auditor in Singapore in September 2006.

6. The Committee appreciates the support provided by staff in implementing its work program, in particular, it acknowledges staff in

- CTL and TD for their input in clarifying the financial statements, including net income allocation and changes in net income, explanations on embedded derivatives and issues related to FAS 133, and progress towards providing a Management's Assertion and Attestation Letter;
- OAG for executing audits according to its work program and for monitoring the implementation of past audit recommendations and implementing anticorruption measures (together with BPMSD and COSO);
- OIST for clarifying developments and security measures in respect of internal control systems; and
- PSOD for briefing the ACB on its procedures for due diligence and performance of external fund managers. In addition, the Committee appreciated the inputs and

<sup>1</sup> As in the past, these conversations/meetings are recorded as internal records. Transcripts/minutes are not published or made publicly available. Executive sessions with the Outside Auditor were not recorded, and staff were not present in such sessions.

explanations provided by the members of the Outside Auditor's team and would like to highlight the constructive and positive relation established between the ACB and the Outside Auditor.

## **II. AUDIT ISSUES, FINANCIAL STATEMENTS, AND OTHER TOPICS REVIEWED**

### **A. Review of the accomplishments of the Office of the Auditor General for 2006 and work program for 2007**

7. The Committee expressed its satisfaction with the status of implementation of OAG's Work Program for 2006, and endorsed OAG's Work Program for 2007. The Committee noted that OAG's work plan for 2007 was presented in a slightly different manner from previous years due to the incorporation of new elements, such as the audit of Technical Assistance (TA) Trust/Grant Funds, as required by the TA Letter Agreements/Memoranda of Understanding; the ACB noted that thirteen (13) TA Trust Fund/Grant Funds related audits were conducted during the year 2006. Due to the significant increase in numbers of TA Trust Fund/Grant Funds audits, with OAG expecting to complete sixteen (16) TA Trust Fund/Grant Fund audits in its work plan for 2007, the audits are now itemized. In addition, it was noted that audits of Loan and TA Portfolios (HQ-administered) had also been itemized and were displayed separately from the audit of Resident Missions (RMs) and Resident Offices (ROs) in the work plan for the year 2007.

8. The Committee inquired about the criteria used for selecting audits, and the Auditor General explained that OAG follows a 10 year rolling audit plan agreed with the Outside Auditor, as opposed to other multilateral development banks (MDBs) which follow alternative approaches with complex formulae based on frequency of audits and other various financial indicators. OAG closely coordinates its audit plan with the Outside Auditor to minimize or avoid duplication of work efforts.

9. With regard to audits of ADB's Resident Missions (RMs), the Auditor General highlighted the need to change the perception that those RMs which have already been audited would not be audited again for several years. The Auditor General noted, for example, that the Indonesia, Pakistan, and Sri Lanka RMs had been or would be audited at regular intervals in accordance with the long term audit plan. The ACB noted that, despite OAG's intentions to cover as many RMs as possible, the constraint on staff resources continued to be an issue of concern, since such audits are very resource intensive.

10. With regard to the audit frequency of ADB's Resident Offices (ROs), it was noted that both the North American and the European ROs had been audited in 2005 and 2006 respectively, and the Japan RO was due for audit this year, for the first time. OAG clarified that RO audits can be conducted out of Headquarters, based on the monthly submission of vouchers and invoices received by CTL. The ACB noted that, upon request from the Asian Development Bank Institute (ADBI), an audit of ADBI is also planned in 2007.

11. The Committee also inquired about audits of financial projections models. OAG indicated that an audit of the financial projections model for Ordinary Capital Resources (OCR) was undertaken in 2006, and another audit for the Asian Development Fund (ADF) financial projection model is planned in 2007. These models had been developed in-house by the Treasury Department, who had requested OAG to validate these models. In this type of audit, OAG checks the input data to the model, the appropriateness of assumptions used in the model, as well as the recipients of the reports generated by the model. The quality of inputs is essential for the quality of the output of such models. Since the models are developed in-house, OAG also needs to check the codes used for programming these models.

12. Taking into consideration new demands that would be made on OAG, the Committee continued to express concern about OAG's staffing situation, which limited the number of audits that can be done. The Committee noted that the Auditor General was retiring in June 2007 and was pleased that his replacement was already selected. The Committee recommended that the new Auditor General reviews OAG's current resources and additional resources it needs to fulfill its 2007 and future work programs, and the ACB be informed.

#### **B. Review of the activities and Annual Report of the Integrity Division (OAGI) for 2006**

13. The Committee reviewed and endorsed OAGI's report, and congratulated OAGI for the solid work achieved, noting that the division's output performance compared favorably to those of its comparators, especially considering OAGI's tight staff and financial resources.

14. The Committee noted that the 2006 Annual Report of OAGI is accessible through ADB's webpage. A larger number of investigations were opened in 2006 compared to the previous year, despite significant staff shortages. Five (5) Project Procurement Related Audits (PPRAs) were completed in 2006, and this accomplishment had been possible due to realignments in the work responsibilities of existing staff. Over time, cases investigated have become more complex and difficult, and are thus taking more time.

15. The Committee noted that OAGI's report shows an upward trend in investigations, an increase in the share of misrepresentations, in terms of the nature of allegations, and a decline in ADB staff as the source, in terms of investigations by source. There are various reasons for such trends, including the fact that firms are getting smarter in terms of hiding fraud. Director, OAGI indicated that a lot of cases are now being generated from Project Procurement Related Audits (PPRAs), effectively reducing the portion of cases based on referral, while a considerable number of cases still continue to be generated by referral by ADB staff. The ACB supported the view that OAGI should continue with the very important activity of increasing the awareness of staff, including staff in RMs, and other stakeholders such as Government officials, consultants, bidders, contractors, etc, with regards to fraud and corruption. The ACB noted however, that ADB has very limited power to compel any parties to cooperate in an investigation, and that often, results are limited to only those corrupt practices that OAGI can prove have occurred.

16. The Committee noted that five (5) cases during 2006 concluded with the termination of the staff concerned, which showed that ADB was imposing stricter disciplinary measures. OAG clarified that the Integrity Division only investigates cases and presents its findings to the Human Resources Division of BPMSD, which then decides on the disciplinary action to be imposed.

17. For 2007, the Committee noted that the work plan for OAGI is similar to previous years, although it included the conduct of six to seven (6-7) PPRAs, depending on the resources available, since such audits are resource intensive. The ACB supported OAGI's work plan for 2007, which will focus on the most important cases first, while at the same time conducting PPRA projects.

18. The Committee noted that the ADB President established the International Financial Institutions (IFI) Anticorruption Task Force in February 2006, which delivered its report to the IFI Presidents at a meeting held in Singapore in September 2006, and many other MDBs, including the Islamic and African Development Banks, are modeling their integrity function on that of ADB, which reflected the fact that ADB is becoming a front runner in the fight against corruption.

19. The Committee noted the resignation from ADB of the Director of OAGI in June 2007 and acknowledged the quality of the work achieved. The ACB was also pleased that a replacement was identified.

### **C. Audit Recommendations and Implementation Report as of 31 December 2006**

20. The Committee reviewed the Audit Recommendations Implementation Report (ARIR), which is issued once a year, as of 31 December of the previous calendar year. The ACB was satisfied with the high implementation rate compared to previous years. With regard to audits of Resident Missions, the ACB was pleased to note the results from the Mongolia RM audit. The Committee reiterated its support for OAG to obtain additional resources for this type of time-consuming RM audits, especially considering that ADB has continued to increase the number of RMs, without increasing the number of auditors to carry out the required additional RM audits.

21. The Committee expressed satisfaction over the progress made by OIST in implementing previous audit recommendations, as this had been an area of some concern for the ACB in the past.

22. The Committee supported the revised audit recommendations risk rating methodology and related guidelines defining low, medium, and high risk audit recommendations presented by OAG. The ACB considered that the guidelines were a useful tool, and was pleased that this initiative could serve as an example for other MDBs. The Committee took note that the methodology was presented at the last MDB Heads of Audit meeting held in April 2007. The new methodology, based on international best practice, takes into consideration both (i) impact (significant, moderate or minor in terms of financial, operational and reputational impact), and (ii) likelihood of occurrence. The methodology is more rigorous than the current one and significantly reduces the subjective dimension of risk rating, although the guidelines are not intended to entirely replace the professional judgment of the audit staff. The ACB supported the objectives of the revised guidelines.

23. With regard to prioritization of follow up of audit recommendations, the ACB supported OAG's new approach giving more attention to follow-up implementation of high risk rated recommendations, in line with best practices.

24. The Committee also noted that, in line with the new rating methodology, OAG would continue to report findings to the ACB for all levels of risk on a semi-annual basis. On the other hand, starting in 2008, it would report to the ACB on the implementation status of audit recommendations semi-annually for high risk rated recommendations, and annually for medium and low risk rated recommendations.

### **D. Outside Auditor's 2006 Audit Strategy Memorandum and Internal Control Memorandum for the year ended 31 December 2005**

25. The Committee endorsed the Outside Auditor's Strategy for 2006, and noted that most of the risks reported during 2005 remained present in 2006, particularly those related to IT. The ACB noted that, as opposed to other banks, ADB uses a wide variety of different IT systems, thus making the IT audit process considerably more complex. Given such levels of complexity, the ACB highlighted the need for the audit team and for OIST to increase IT staff's awareness of the need to improve controls.

26. The Committee noted that this was the first time that an in depth review of OAG had been conducted by the Outside Auditor. The ACB was pleased with the report's positive conclusion that OAG is a solid functional unit on which the Outside Auditor can rely. The Committee emphasized the positive relationship between the ACB, OAG and the Outside Auditor.

27. The Committee expressed concern over the possible overlap between the risk analysis work currently conducted by the Outside Auditor and the work of the Risk Management Unit (RMU), and highlighted the need for further future cooperation between the Outside Auditor and RMU. The Outside Auditor indicated that it was too early for PwC to comment on the status of RMU since the Head of RMU had only joined ADB in March 2006<sup>2</sup>, but assured members that the Outside Auditor would include RMU within the audit process for 2007.

28. The Committee also expressed concern over the fact that the implementation of various IT systems recommendations were still pending. The ACB noted that a network penetration test had been conducted and the report, which highlighted certain weaknesses and risks, had been circulated to Management. The Committee was satisfied with the fact that PwC did not have any major issues of concern to report to the ACB. The Outside Auditor assured the ACB that the audit recommendations of some IT systems would be revisited in 2007 and, although most recommendations had been implemented, further verifications would be conducted in 2007.

29. With regard to ADB's internal controls, the ACB noted that with the Sarbanes-Oxley Act<sup>3</sup>, organizations now needed to have an institutional framework in place whereby management could design systems and processes and test internal controls on a transparent basis. Although ADB is exempted from this obligation, ADB Management decided that it would report on the effectiveness of the internal control system. The ACB noted that the role of the Outside Auditor would be to review such systems, processes and internal control mechanisms.

30. The Committee noted that the Outside Auditor had satisfactorily completed the audit work and that an unqualified audit opinion on the accounts for 2006 had been issued. The ACB was pleased that no significant deficiencies or material weaknesses in the design or operation of internal controls had been raised by the Outside Auditor.

#### **E. Outside Auditor's Recommendations and Implementation Report as of 30 June 2006 and Audit Recommendations Semiannual Report (January - June 2006)**

31. The Committee reviewed both the Outside Auditor's Management Letter Recommendations Implementation Report as of 30 June 2006 and OAG's Audit Recommendations Semiannual Report (ARSR) covering the period 1 January to 30 June 2006.

32. This was the first ARSR to be received by the Committee. This report was introduced as a result of ACB 2006 deliberations and is an information paper listing the findings and recommendations from audit reports conducted during the January to June period, without indicating the status of implementation of these recommendations. It supplements the ARIR that, in addition to the findings and recommendations, also provides the status of the implementations of the recommendations. With regard to the ARIR, the ACB noted that a large majority of recommendations had been implemented, and acknowledged the status of recommendations.

#### **F. Review of the Annual and Quarterly Financial Statements**

33. The Committee endorsed the draft Financial Statements for 2006 for the Board of Directors to recommend for adoption by the Board of Governors.

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<sup>2</sup> Head RMU departed from ADB in April 2007.

<sup>3</sup> The US Congress passed the Sarbanes-Oxley Act (SOA) of 2002 after the highly publicized corporate accounting scandals at Enron, Tyco, and Worldcom. SOA was enacted to make corporate executives more responsible for their companies' financial statements, by following strict accounting practices and sound principles of corporate governance, accountability and transparency.

34. The Committee noted developments in the Financial Statements for 2006 with respect to Ordinary Capital Resources (OCR) and Asian Development Fund (ADF) resources, financial accounting standard (FAS) 133 adjustments, loan loss provisioning, loans in arrears, and the accounting treatment applied to special funds. The ACB was reassured by the Controller that ADB will continue to make management and financial decisions based on operating income (net income before FAS 133 adjustments), rather than on statutory net income, which includes FAS 133 adjustments. The ACB expressed concern that the unrealized losses reported in the statutory net income, which was due to FAS 133 adjustments, might be perceived negatively by the market and shareholders. The ACB was assured by both CTL and TD that the volatility in the statutory net income, resulting in such unrealized gains or losses, was temporary and caused by the fact that ADB did not apply hedge accounting, but it did not mean that ADB had a negative financial year.

35. The Committee examined the Quarterly Financial Statements (QFS) and, when considered necessary, discussed the QFS in ACB meetings. In the QFS for the period ending 30 June 2006, the Committee noted that CTL had taken into account the recommendation made by the Outside Auditor to review general loan loss provision, considering that, for 2006, ADB had suspended the general loss provision for private sector loans, which resulted in a significant reduction as compared to 2005.

36. Likewise, when ACB reviewed the QFS for the period ending 30 September 2006, the Committee noted that the concentration of ADB's loan portfolio in certain countries presents a high risk, but was reassured by the fact that ADB's OCR capital adequacy remains strong to sustain such risk and maintain its triple-A rating. The Committee reiterated its request that such risk issues be examined by the RMU, with results reported to the ACB. The Committee was disappointed that this had not taken place during the current review year.

#### **G. Clarification on embedded derivatives and their accounting treatment**

37. The Committee raised the issue of the unrealized losses registered related to the treatment of derivatives and discussed this issue with the Treasury Department, Risk Management Unit, and Controller's Department.

38. The Committee noted that since the introduction of FAS 133 in 2001, there had been several consultations by CTL and TD with rating agencies, banks, and other partners, and it was clear that the market understood the drawbacks of FAS 133 in terms of focusing on derivatives and not on the underlying financial instruments, and the resulting income volatility. The ACB was reassured by the fact that the market tends to focus its attention on operating income, which in ADB has been very stable for the last 5 years, which in turn means that hedging is working as intended. The ACB recognized that this accounting problem did not reflect the economic value of ADB's hedging operations, and that the market is aware of this. The ACB noted that ADB takes strict measures to mitigate risks, such as conservative credit rating requirements on all counterparties plus full collateralization of swaps.

39. The Committee noted that despite the technical complexity of derivatives, these financial products were widely used by comparators such as the World Bank, and noted that ADB only transacts in well-established instruments and with bona fide counterparties in full compliance with market regulations. The ACB noted that ADB imposes very strict requirements that need to be met before entering into derivative transactions, including strict internal limits with regard to exposure. The ACB noted, in addition, that ADB's Asset and Liability Management Policy, approved by the Board in September 2006, will also require capital to be set aside to mitigate any exposure.

40. The Committee was reassured by the fact that ADB carefully assesses its swap counterparties to ensure they meet high standards in terms of credit rating stature and reputation, and in the unlikely event that the rating of a counterparty deteriorated or even defaulted, which would require early termination of the transaction, ADB was still covered by a previously agreed collateral amount. The ACB noted that there has never been an early termination of a swap, even in the recent past when the credit standing of certain Japanese banks had been negatively affected.

41. The Committee noted that the accounting treatment of derivatives created some confusion, and requested clarifications on the two types of derivatives (i) “transactional derivatives”, such as swaps, and (ii) embedded derivatives, which are embedded in the hybrid instruments (i.e. the underlying bonds). The Controller explained that with the introduction of FAS 133 as a result of financial scandals that had occurred, transactional derivatives had to be fair valued, recorded in the books, and shown in the financial statements. In addition, embedded derivatives had to be stripped out from the underlying instruments and be similarly treated as transactional derivatives for inclusion in the financial statements. The accounting of an embedded derivative revolves around the universal principle of fair value accounting, which the accounting profession is trying to achieve and apply to all financial instruments. However, under FAS 133, the underlying instruments were not allowed to be fair valued. This often resulted in the recording of a “loss” or “gain” in the accounts. FAS 155 would help in reducing the volatility in the net income caused by FAS 133 adjustments as ADB would be allowed to fair value the underlying bonds containing the embedded derivatives, and thus not required to separately account the embedded derivatives. However, FAS 133 adjustments would continue to apply to transactional derivatives.

#### **H. Review of internal controls – the COSO<sup>4</sup> Framework**

42. The Committee requested updates on the Integrated Internal Control Framework project. The ACB noted that, while ADB is exempt from compliance with the Sarbanes-Oxley Act, the implementation of an internal control framework such as the COSO framework, is considered international best practice and is in the interest of ADB to adopt it. The deadline for the implementation of the framework for foreign issuers, as initially set by the US Securities and Exchange Commission (SEC), was originally set for fiscal year 2006, but due to the complexity, cost and large amount of work entailed, the deadline had now moved to fiscal year 2007. The SEC, through the Public Company Accounting Oversight Board<sup>5</sup>, had recently revised the procedures governing the rules related to audit attestation, and the requirements are now expected to become more practical and less demanding on organizations.

43. ADB’s Management approved the adoption of the COSO framework in 2005, and the ACB was supportive of its objectives, which are: (i) to ensure the adequacy of internal controls over external financial reporting; (ii) to provide a Management Assertion on the adequacy of internal controls over financial reporting (Management Assertion is for internal purposes only); and (iii) as a last step, to provide a basis for obtaining the Outside Auditor’s attestation on the adequacy of internal controls over external financial reporting. For this purpose, a joint task force was established early in 2006 to work with the Outside Auditor with the objective of taking the necessary

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<sup>4</sup> COSO (Committee of Sponsoring Organizations of the Treadway Commission) is a voluntary private sector organization dedicated to improving the quality of financial reporting through business ethics, effective internal controls and corporate governance. COSO was originally formed in 1985 to sponsor the National Commission on Fraudulent Financial Reporting, an independent private sector initiative which studied the causal factors that can lead to fraudulent financial reporting and developed recommendations for public companies and their independent auditors, for the SEC and other regulators, and for educational institutions.

<sup>5</sup> The Public Company Accounting Oversight Board (PCAOB) is the auditing regulatory body created under the Sarbanes-Oxley Act of 2002.

steps to have the Outside Auditor's opinion on Management's Assertion on the adequacy of ADB's internal control over external financial reporting for fiscal years 2007 and thereafter.

44. The Committee noted that an audit opinion on the financial position was required in order to confirm that the financial position reflected in the financial statements was presented correctly and fairly, taking into account that the preparation of financial statements relies on the adequacy of internal controls. Internal control is the responsibility of Management, and an Assertion is a statement of the fact that Management is responsible for internal control and has carried out an assessment concerning the adequacy and effectiveness of those controls. On the other hand, an Attestation is an opinion and verification on the part of the Outside Auditor stating that the Outside Auditor agrees with Management's Assertion. These two outputs (Assertion and Attestation) define what is the responsibility of Management in terms of maintaining solid internal controls, as well as what is the responsibility of the Outside Auditor with regard to the review of controls. The ACB noted that the Sarbanes-Oxley Act now requires organizations to publish both the Assertion and the Attestation.

45. The Committee acknowledged that ADB's approach with regard to the COSO framework project has involved working closely with the World Bank over the last two years. This approach differs from other MDBs such as the EBRD, who hired consultants to carry out this project in a shorter time but at a much higher cost. The ACB noted that the project requires close coordination and integration with other Departments, namely, BPMSD, OAS, OIST, RMU, and TD, in addition to CTL, whose role is to facilitate and coordinate the process. Within CTL, a new unit had been specifically set up for this project, although the ACB noted with concern that it had been particularly difficult to find staff with the appropriate skills. The Controller explained that the assessment and identification of risks resides with each business unit, since each business unit has the responsibility to conduct risk assessments, to mitigate risks, and to remediate any weaknesses identified.

46. Although the Outside Auditor's Attestation was not required until a later date, the ACB was pleased that CTL had engaged in active dialogue with the Outside Auditor in order to be informed in advance and avoid any unexpected issues. The ACB was pleased with the positive feedback received to date from the Outside Auditor, indicating that ADB is moving in the right direction with this project.

47. The Committee noted that ADB now had to document key control activities and related risks assessments as part of the assertion requirements and that it does no longer suffice to claim that there are adequate internal controls in place. During the review period, 46 business processes were identified, and 275 key controls have or will be tested for compliance and design effectiveness.

48. The Committee noted the actions required for the documentation of control activities and the assessment of related risks, as well as the ensuing evaluation of the controls as designed and compliance testing. The ACB asked to be kept informed on the results of the compliance testing, especially if any design deficiencies that may lead to weakness in internal controls in terms of their impact on the financial statements are identified.

49. The Committee was assured by CTL's commitment to maintain its dialogue with the Outside Auditor in view of the eventual attestation<sup>6</sup>. For 2007, the ACB asked to be informed of CTL's review of weaknesses in the design and of those identified during compliance testing, and what necessary remediation would be put in place before the next cycle starts for the ensuing

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<sup>6</sup> This is pending further review as of the end of the review period of this report (30 June 2007).

year. The ACB noted that critical success factors for the success of this project are Management's support, cooperation from the different business units, as well as understanding of the project's objectives, needs and expectations.

50. During the first half of 2007, the Committee met with the newly appointed Controller to discuss progress of the project. The Controller explained current development in audit standards, indicating that there are three types of standards that ADB can consider, as follows:

- a. *PCAOB<sup>7</sup> Auditing Standard (AS)<sup>8</sup>*, which is the most onerous among the standards, and is the standard applied by the Inter-American Development Bank (IADB);
- b. *AICPA<sup>9</sup> Attestation Standard (AT501)*, which has undergone significant amendments to incorporate elements of PCAOB AS, and is the standard applied by the World Bank; and
- c. *IAASB<sup>10</sup> International Standards on Assurance Engagements (ISAE)*, which is the standard applied by the European Bank for Reconstruction and Development (EBRD).

51. The Committee asked to be kept informed as CTL, together with OIST, considered the following key actions:

- a. A general assessment of ADB's readiness for a financial year 2007 assertion and attestation on the adequacy of internal controls over external financial reporting to be based on discussions with Outside Auditor, and to be conducted by an independent external specialist;
- b. The possibility of requesting a readiness assessment, including entity level controls, and a roadmap by an external consultant, by the last quarter of 2007, in order to have a more robust assessment of the efforts required to meet the standard required for an unqualified opinion; and
- c. Selection by ADB of one of several attestation standards, which, in view of the developments in such standards, will impact the requirements and the changes needed in the attestation efforts.

52. The Committee confirmed the usefulness for ACB to receive regular updates by CTL on the progress of the COSO framework project, and supported the usefulness to have an independent view of ADB's readiness before proceeding for external attestation.

## **I. Review of internal controls related to Information Technology**

53. The Committee noted that relevant IT systems are also subject to control assessment and that, in consultation with the Outside Auditor, OIST would implement the COBIT<sup>11</sup> framework to

<sup>7</sup> Public Company Accounting Oversight Board

<sup>8</sup> In May 2007, PCAOB approved Auditing Standard No. 5 (AS5) to replace Auditing Standard No. 2 (AS2); SEC approval on AS5 will follow; AS5 is more principle and risk-based compared to AS2: *"It is designed to increase the likelihood that material weaknesses in internal control will be found before they result in material misstatement of a company's financial statements, and at the same time, eliminate procedures that are unnecessary."*

<sup>9</sup> American Institute of Certified Public Accountants

<sup>10</sup> International Auditing and Assurance Standards Board

<sup>11</sup> COBIT (Control Objectives for Information and related Technology) is a set of best practices (framework) for information management created by the Information Systems Audit and Control Association, and the IT Governance Institute. COBIT provides managers, auditors, and IT users with a set of generally accepted measures, indicators,

address the COSO objectives. The ACB was pleased that a training program on this framework has been provided to BMPSD, CTL, OAG, OIST, and TD staff. The ACB also noted that OIST has conducted a gap analysis of key controls, and is also planning to implement ITIL<sup>12</sup>, in line with the requirements of the COSO objectives.

54. The Committee was pleased to note that from 2002 to 2005, out of 109 IT related recommendations in the ARIR, only 12 remained open, and out of 101 recommendations by the Outside Auditor, only another 12 remained open, most of which were of medium and low priority. The ACB acknowledged that OIST is working on the 24 outstanding recommendations and was reassured to hear that most issues would be resolved over the coming months, as well as further work including areas related to enhancing IT security and IT governance in ADB.

55. The Committee supported OIST's focus on three distinct areas: (i) offering reliable and cost effective services, (ii) establishing partnerships with end users and suppliers, and (iii) providing integrated and innovative business solutions. The ACB noted that considerable savings had been achieved over the last year as a result of cost saving measures. The ACB acknowledged that CoBIT and ITIL would require two to three years to be implemented and for staff to be trained and certified, and that this would involve other Departments such as CTL, OAG and TD.

56. The Committee appreciated OIST's assurance that significant efforts would continue to be made to prepare ADB for the Outside Auditor's attestation, but acknowledged that the task to be completed was enormous. The Committee was satisfied with progress made in this area and asked that the ACB be given regular updates on continuing progress.

#### **J. Procedures followed by PSOD with regard to Due Diligence for PSOD Interventions**

57. The Committee noted that all PSOD interventions are subject to different levels of due diligence checks and controls at the different stages of the project, such as:

- a. *Financial due diligence*, which requires the involvement of RMU;
- b. *Counterpart due diligence*, which requires checking the sponsors, and can be conducted by ADB or by external investigators to check on both the financial situation and reputation, and which requires a second check by RMU;
- c. *Safeguard due diligence*, which is often conducted by external consultants and with the same rigor as for projects in the public sector, and which has to be signed off by RSES;
- d. *Technical due diligence*, which is usually outsourced but often requires interaction with sector specialists in ADB's regional departments;
- e. *Insurance due diligence*, which is usually conducted externally but may also involve OCO; and

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processes and best practices to assist them in maximizing the benefits derived through the use of IT and developing appropriate IT governance and control in an organization.

<sup>12</sup> ITIL (Information Technology Infrastructure Library) is a framework of best practice approaches intended to facilitate the delivery of high quality IT services. ITIL outlines an extensive set of management procedures that are intended to support businesses in achieving both quality and value for money in IT operations.

- f. *Legal due diligence*, which is conducted by OGC as well as by an external domestic consultant with expertise in the jurisdiction of the project.

58. PSOD indicated that only one in seven projects reviewed by PSOD staff are selected, thus emphasizing the need to successfully select solid projects at an early stage. Any PSOD investment is always secured whether with shares, asset payment streams, etc, depending on the structure and the nature of the deal. The ACB was reassured by the fact that financial modeling and stress tests were conducted to ensure criteria for repayment are met. The ACB was pleased to note the positive performance of PSOD's portfolio, with only 2% non performing at this time.

#### **K. Review of Activities Related to Private Funds and Analysis of Performance of Fund Managers**

59. The Committee acknowledged that capital market funds represent only a small portion of PSOD's activities but nonetheless requested PSOD to inform the ACB on its activities related to private funds and on the performance of the managers of such funds.

60. The ACB noted that funds are a useful tool for ADB to work on the SME sector, a sector which, given the resource constraints faced by PSOD, could not otherwise be serviced adequately by ADB. PSOD works on areas such as SME and renewable energy, which are characterized by small players, and working through fund managers on the ground is more efficient than PSOD trying to work in the market directly. By working with such fund managers in the field, ADB is also contributing to strengthening capital markets, and PSOD can also diversify its portfolio in the market. In addition, by working with funds, PSOD is following what other multilateral development banks (MDBs) and bilateral aid agencies are also doing, and by providing equity to fund managers, this allows the companies to mobilize debt which they would not have otherwise been able to access; this also enhances the viability of companies, especially SMEs, which tend to be major sources of employment and innovation. PSOD is therefore aiming to bridge that gap with regard to SME's access to private finance.

61. The Committee noted that an important aspect of fund management is the introduction of recognized international standards, whether these are legal, regulatory, accounting, IT systems, technology, human resources development, or corporate governance standards, and thereby ADB is helping companies through the fund managers, by enhancing competition and promoting productivity.

62. The Committee was informed that PSOD hired a company to survey the 229 companies that comprise PSOD's portfolio, in which PSOD works through fund managers. The results of the survey were positive in terms of demonstrating the development impact of private equity investments.

63. With regard to the selection of fund managers, PSOD indicated that they are carefully chosen, with strict criteria for screening during interviews, such as (i) having a clear track record of the fund's team and its staff, (ii) commitment to development, (iii) having an established network in the country, (iv) adherence to an exit strategy since funds are limited in time, and (v) value added beyond financial returns.

64. Related to PSOD's on-going strategy with regard to private equity funds, the Committee noted that according to ADB's charter, only 10% of ADB's capital can be used for equity, and this was thus the ceiling for PSOD's interventions. Of this 10%, PSOD has chosen to allocate 50% for funds and 50% for infrastructure and others. PSOD looks for funds with a multi-country structure and which cover DMCs, with fund managers that have proven local infrastructure networks. The future strategy of PSOD with regard to funds aims towards a thematic focus on SME and mid

market growth capital, as well as clean energy and a potential entry into new product lines related to capital markets.

65. The Committee noted that the performance of fund managers was assessed by the quarterly reports provided, and was pleased to note that more than 95% of fund managers were high performers. The ACB also supported the fact that PSOD often sits or has a representative to sit on the Boards of many of the funds, which meant that their performance was constantly monitored. The ACB noted a significant increase (to USD 197 million) in terms of fund investments and returns, although PSOD did not anticipate such large growth in future.

66. The Committee raised the issue of development impact of private equity fund operations and how this is measured, and suggested that PSOD reviews one or two of its 37 funds in terms of achievements related to development impact. Director General, PSOD explained that while it is difficult for PSOD, with limited resources, to study all 229 companies in which ADB is involved with, a new software module was being developed internally within PSOD which would provide more information on development impact, and once this was available, the information could be shared with the ACB.

#### **L. Review of ADB's travel services and mission travel accountability and authorization**

67. The Committee had requested a follow up meeting on this matter after the ACB had reviewed the selection process of the in-house travel agency during its previous reporting year 2005-2006. The ACB was briefed on ADB travel services and performance of the in-plant travel agency. The ACB was pleased to note that a downward trend in errors/infractions was now being reported, compared to when the in-house travel agency began to provide services to ADB, and that revisions have been made to the Service Level Agreement (SLA) with the in-house travel agency in June 2006, to bring it in line with OAS' Balance Scorecard. The ACB was pleased that its recommendation that OAS reviews ADB's travel services had been conducted in December 2005, and that many of the recommendations on the findings have been implemented, including the revision of the SLA.

68. The Committee was also briefed on the ADB's travel policy that had been revised and approved, which includes, among other things, defined criteria for determining the "most direct and cost effective route" and change in the focus for approving deviations from OAS to the Mission Approving Authorities.

69. The Committee expressed concern over the high percentage of staff turnover in the in-plant travel agency, although the travel unit reassured the ACB that suitable replacements had been found and that the new training in place was also helping in retaining agents, while the set up of the agency had been made more efficient. The ACB also expressed concern over the fact that two consecutive Heads of Travel had resigned from ADB within the period 2005-2007.

70. The Committee inquired about travel related cost saving measures, such as economy fares for shorter flights, but the travel unit explained that the prices negotiated by ADB with airlines for business class travel were very similar to those of full economy prices, and that business class tickets had the advantage of allowing more flexibility for changes. For training related travel in the region, ADB was now using economy fares, and that for some missions in the region that were programmed in advance and firmly set, the use of economy fares could be explored. It was also noted that currently, staff could travel on back-to-back missions without having to pass through Manila.

71. The Committee inquired about the results in terms of cost saving measures from the revisions recently implemented by the Compensation and Benefits Division (BPCB) with regard to

home country travel (HCT) of staff. It was noted that a cost saving result was the reduction in staff in BPCB and a reduction in processing and control that CTL had to conduct since HCT could now be conducted on line via the enhanced personnel self service facility. The ACB noted that the percentage of mission travel for project administration (26.6%) was higher than that of project processing (20%), and that this was similar to previous years. In addition, it was noted that 24.4% of the authorized travel budget was spent for business travel by staff in non-operational departments, and that this was in line with the planned ratio of 75%-25% split originally allocated in the budget for operations and non-operations business travel. Business travel represents 8.5% of ADB's operational expenses.

72. The Committee inquired about the frequency and destinations for business travel of staff. Director, BPBM clarified that monthly reports on business travel utilization were circulated to Heads of Departments (for their staff travel) and to the President (for Heads of Department/Office travel). The ACB also noted with some concern that 87% of staff attending conferences were not speakers in such events, although there was a decreasing trend on travel to attend conferences by staff who are not in operational departments. Director, BPBM indicated that RSDD keeps a registry of invitations to events, including a record of rejections and acceptance to invitations, and emphasized that it is the Head of Department who has the accountability over the attendance of staff to any external event. Finally, the ACB suggested that the cost of video links versus the cost of actual missions could be reviewed.

#### **M. Risk Management**

73. The Committee reviewed developments but remained concerned over the situation of RMU and its limited achievements to date. The ACB closely monitored the establishment of the RMU in 2005, including the scope, functions, structure, staffing and terms of reference. The Committee had expressed the need to hire a suitable and highly qualified professional to lead the RMU, considering the different and highly specialized skills and experience required for overseeing, among others, country risk credit assessments and the risk related to credit assessments of commercial companies. Considering the departure from ADB of the recently appointed Head, RMU after only 13 months in ADB, the ACB again emphasized the importance of selecting the right candidate for the job. Also, Head, RMU should be given a high degree of authority over staffing and in decision making, while at the same time, maintaining the process of checks and balances required in the reporting line structure.

#### **N. Disclosure of the ACB Annual Report**

74. In the interest of promoting the transparency of the institution, the ACB decided to make its Annual Report for 2004-2005 and for 2005-2006 publicly available. The ACB agreed that the decision to make its Annual Report public would be made on a case-by-case basis for subsequent reports, in order to avoid disclosure of any sensitive issues. The ACB agrees in principle that the 2006-2007 Annual Report does not contain information that is too sensitive or compromising for public disclosure and recommends that the Board approve its public release.

### **III. AUDIT COMMITTEE RECOMMENDATIONS**

75. For the ACB's next reporting period from 1 July 2007 to 30 June 2008, the Committee recommends the following actions:

- Continue the periodic review of Financial Statements to ensure ADB's strong financial position.

- Continue to monitor the implications of FAS 133 adjustments on the net income reported on a FAS 133 basis, as well the accounting treatment of derivatives.
- Review the progress towards the establishment of an integrated risk management framework (IRMF) in ADB, under the Risk Management Unit.
- Review the progress in implementing an appropriate integrated internal control framework as the basis for a Management's Assertion and an Outside Auditor's Attestation on the adequacy of internal controls over internal financial reporting, and the feasibility of publishing the Management Assertion and Audit Attestation Letters.
- Adoption by ADB of a standard for external attestation of internal controls over financial reporting.
- Review enhancements made to IT security and harmonization of legacy and current systems.
- Monitor the implementation of tighter controls on mission travel and related travel procedures.
- Continue to review the activities of ADB's private sector operations.

**APPENDIXES**

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1	Audit Committee of the Board of Directors – Terms of Reference	2	2
2	Audit Committee of the Board (ACB) - Work Program for 2006 – 2007	2	3

## **ASIAN DEVELOPMENT BANK**

### **Audit Committee of the Board of Directors Terms of Reference**

The Audit Committee is a committee of the Board of Directors established pursuant to Section 12 of By-Laws of the Asian Development Bank (ADB). Its function is to assist the Board of Directors in carrying out its responsibilities as they relate to ADB's financial reporting and audits, including internal controls, in line with Article 31 of the Agreement Establishing the Asian Development Bank. The Audit Committee shall periodically review the adequacy of the Terms of Reference for possible adjustments as conditions dictate, and recommend necessary amendments to the Board of Directors, for approval.

#### **1. AUTHORITY**

1.1 In discharging its oversight functions over matters within the scope of its responsibilities, the Audit Committee is authorized to:

- (i) Perform activities within the scope of its terms of reference.
- (ii) Seek any pertinent information from the ADB as is necessary, and which shall not be unreasonably withheld.
- (iii) Refer its requests for documents or information to the President.
- (iv) Seek briefings on relevant auditing, accounting, and financial matters it has identified from staff member(s) designated by the President, including such staff that ACB has suggested, and request their participation in meetings.
- (v) Meet with the Outside Auditor, as necessary.
- (vi) Advise the Board of Directors on the appointment of the Outside Auditor and consider any question of the Outside Auditor's resignation and dismissal.
- (vii) Consider the independence of the Outside Auditor, including the provision of non-audit services by the Outside Auditor to the ADB.

## **2. COMPOSITION AND TENURE**

2.1 The Audit Committee (the Committee) shall consist of not more than six members of the Board. The Chair and other members shall be appointed by the President in consultation with the Board.

2.2 The Committee members shall be free from any relationship that, in the opinion of the President, would interfere with the exercise of their independent judgment as members of the Audit Committee. The Committee members shall inform the President of any circumstances which reasonably may be perceived to interfere with the exercise of their independent judgment as members of the Committee.

2.3 The President shall, when appointing members of the Committee, appoint at least one member, having a background in accounting or related financial expertise, and who through education and/or experience would have a thorough understanding of financial, accounting and auditing functions<sup>1 1</sup>. In exceptional circumstances, where the Committee requires specific advice and assistance to be able to perform its functions and such advice and assistance is not available to the Committee members, including from within ADB, the Committee may request the President to engage such outside expertise and provide the necessary resources required for that purpose.

2.4 The Committee shall be appointed for a term of two years, commencing 1 July each year in which the election of Directors occurs. Members of the Committee may be reappointed.

2.5 If a member of the Committee ceases to be a member of the Board, the President, in consultation with the Board, shall appoint another Board member for the remaining term of the Committee.

## **3. MEETINGS**

3.1 The Committee shall meet as often as it considers necessary, but not less than once per quarter. Other Board members may attend meetings of the Committee as observers. Directors' Advisors may attend the meetings of the Committee except as otherwise advised by the Chair of the Committee.

3.2 The Committee will meet at least once a year with the Outside Auditor without Management or ADB staff present. In addition, the Committee may meet with the Outside Auditor if requested by the Committee or by the Outside Auditor, as and when considered necessary.

3.3 The quorum for meetings of the Committee shall be three of its members. If the Chair of the Committee is unable to be present in person at a meeting, the

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<sup>1</sup> Section 10(a) of the Rules of Procedures of the Board of Directors states: "Membership of the Committees established pursuant to Section 12 of the By-Laws need not be limited to Directors or their Alternates. The President, in consultation with the Board, shall appoint the members of committees and shall designate the chairmen thereof."

members of the Committee that are present shall select a member to preside.

#### **4. RESPONSIBILITIES**

The Committee shall assess in its annual report the Committee's work and evaluate its performance annually relative to the Committee's purpose and responsibilities outlined herein. The Committee shall periodically review the adequacy of the Terms of Reference for possible adjustments. The Committee has an oversight function regarding current areas of financial risk and how these are being managed and satisfy itself that the ADB's financial reporting and audits, including internal controls, are adequate and efficient. In this regard, it shall in particular:

##### **A. Financial Reporting**

4.1 Review and if necessary discuss with the Controller the quarterly financial statements.

4.2 Review and discuss with the Controller, Auditor General and Outside Auditor the annual financial statements; major accounting and auditing issues and financial statements presentations, including any significant changes in the selection or application of accounting principles and auditing standards; and results of the audit by the Outside Auditor.

4.3 Review and discuss with the Controller, Auditor General, Outside Auditor and other ADB staff as required upon completion of the annual external audit before the financial statements are published, the draft annual financial statements and the related notes, the Outside Auditor's opinion and appropriateness of accounting principles, including disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations".

4.4 Meet with the Controller and Auditor General on a periodic basis to discuss any matters of concern in the context of the disclosure of financial information and internal control.

4.5 Meet with the General Counsel to discuss any significant pending litigation that may have a material impact on ADB's financial condition.

##### **B. Outside Audit**

4.6 Appoint an observer to the Evaluation Committee for the selection of Outside Auditor.

4.7 Review and discuss annually the scope of work and audit plan of the Outside Auditor and any material changes to the audit plan during the year.

4.8 Review and discuss the performance of the Outside Auditor and recommend to the Board of Directors for approval, the appointment, extension of services after the expiry of the contract period or termination of the engagement of the Outside Auditor.

4.9 Review and obtain a statement from the Outside Auditor to confirm annually the independence of the Outside Auditor. Consider non-audit services by the Outside Auditor, and if applicable, ensure that a framework for approval of non-audit services is in place.

4.10 Review and discuss the annual management letter from the Outside Auditor as a confidential document, and ensure that significant findings and recommendations made by the Outside Auditor and Management's responses thereon are reviewed, discussed, and appropriately acted upon.

4.11 Meet separately, as necessary, with the Outside Auditor to review and discuss any matters that the Committee or Outside Auditor believe should be reviewed and discussed.

### **C. Internal Audit**

4.12 Review and discuss annually the scope of work and audit plan of the Auditor General and any material changes to the audit plan during the year and, if necessary, request that specific audits be added to the work plan.

4.13 Review and discuss the effectiveness of the internal audit function.

4.14 Review and discuss the annual summary of the audit reports (Audit Recommendations Implementation Report) prepared by the Office of the Auditor General. Ensure that significant internal audit findings and recommendations and Management's responses are considered.

4.15 Meet separately with the Auditor General to review and discuss any matters that the Committee or Auditor General believe should be reviewed and discussed.

4.16 Be consulted prior to the engagement or appointment of, and on any intended removal of, the Auditor General.

### **D. Internal Control**

4.17 Review and discuss the effectiveness and integrity of the internal control system, including risk management, information technology security and control, and financial policies in such areas as trust fund administration, procurement policies and procedures, and financial management.

4.18 Review and discuss with the Controller, Auditor General and Outside Auditor issues with respect to financial systems, and review of internal controls over financial reporting, including significant findings and recommendations, and Management's responses thereon.

## **E. Anti-Fraud and Anticorruption Measures**

4.19 Ensure that ADB has established and maintains appropriate, efficient and consistent procedures for the receipt, retention and treatment of complaints and anonymous submissions from internal and external complainants, including protection of "whistleblowers", in regard to fraud and corruption, or questionable accounting or auditing matters.

4.20 Meet annually with the Auditor General to discuss significant activities and outcomes of the anticorruption function.

## **F. Reporting Responsibilities**

4.21 The Committee reports to the Board of Directors through the President in his capacity as Chairman of the Board.

4.22 The Committee shall:

- (i) Report to the Board of Directors annually on its activities and submit conclusions and/or recommendations as the Committee deems appropriate.
- (ii) Update the Board of Directors about the Committee activities, as appropriate.
- (iii) Ensure the Board of Directors is aware of matters that may significantly impact on the financial affairs of ADB.

## **5. ADMINISTRATIVE ARRANGEMENTS**

5.1 The channel of communication between the Committee and ADB's Management and staff is through the Secretary of ADB.

5.2 The Office of the Secretary shall be responsible for providing the necessary administrative services for the functioning of the Committee including providing a secretariat for the Committee and maintaining its records.

**Audit Committee of the Board (ACB)  
Work Program for 2006 – 2007**

16 August 2006	<p>Outside Auditor's (PriceWaterhouseCoopers) Audit Strategy for 2006 <b>(OAG, PwC)</b></p> <p>Outside Auditor's Internal Control Report for the ADB as of 31 Dec 2005 <b>(OAG &amp; PwC)</b></p> <p>Travel Services Contract and Mission Travel Accountability and Authorization <b>(OAS, BPMSD)</b></p> <p>Finalization of ACB Annual Report</p>
29 August 2006	Quarterly Financial Statements (period ending 30 June) <b>(CTL)</b>
28 September 2006	Internal Controls (Information Technology) Update <b>(OIST)</b> - postponed
18 October 2006	<p>Internal Controls (Information Technology) Update <b>(OIST)</b></p> <p>Outside Auditor's Recommendations and Implementation Report as of 30 June 2006 <b>(OAG &amp; PwC)</b></p>
20 December 2006	COSO Framework Update <b>(CTL)</b>
7 February 2007	<p>OAG's Work Program for 2007 <b>(OAG)</b></p> <p>Accomplishments for 2006 <b>(OAG)</b></p> <p>Annual Report of the Integrity Division, OAG <b>(OAG)</b></p>
5 March 2007	Working Session MD&A on Financial Statements' <b>(CTL)</b>
7 March 2007	<p>Annual Financial Statements <b>(CTL &amp; PwC)</b></p> <p>Outside Auditors' Internal Control Memorandum 2006 and 2006 Audit Accomplishments</p> <p>Outside Auditors Audit Recommendation and Implementation Report as of 31 December 2006 (refer to the Management Letter for year 2005) <b>(OAG, PwC)</b></p>
30 May 2007	<p>Audit Recommendations and Implementation Report as of 31 December 2006 <b>(OAG)</b></p> <p>Review of Activities Related to Private Funds and Analysis of Performance of Fund Managers <b>(PSOD)</b></p> <p>Procedures Followed by PSOD With Regard to Due Diligence for PSOD Interventions <b>(PSOD)</b></p>
14 June 2007	<p>COSO Framework Update <b>(CTL)</b></p> <p>Discussion on Recommendations to be included in the ACB 2006-2007 Annual Report</p> <p>Review of Draft ACB Work Program for 2007-2008</p>