

International Monetary Fund
External Audit Committee
Terms of Reference

These Terms of Reference of the External Audit Committee (EAC) are adopted under the authority of Section 20 of the By-Laws, and are supplementary to its provisions and to Rules J-6 through J-8 of the Rules and Regulations of the International Monetary Fund. They also incorporate relevant Board decisions.

1. Purpose

The EAC has general oversight responsibilities for the annual audit of the financial statements. The responsibility for performing the external audit and issuing the audit opinions rests with the external audit firm. Management is responsible for preparing the financial statements and designing, implementing, and maintaining the system of internal controls. The Office of Internal Audit provides independent objective assurance and consulting advice in relation to the Fund's activities as a whole, and maintains a functional reporting relationship with the EAC.

In order to discharge its oversight responsibilities, the EAC shall in particular consider the financial reporting practices, the external audit framework, the system of internal controls, and the internal audit framework, as further specified in paragraph 2 below, and take up such other issues that it considers relevant for the fulfillment of its general oversight responsibilities.

2. Specific Responsibilities

Financial and Related Reporting Practices

2.1 Review and discuss with staff and the external audit firm major issues regarding accounting principles and financial statement presentation, including critical accounting policies, practices, and assumptions, and any changes in them; decisions requiring a significant amount of judgment; the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed; the clarity of disclosures; significant adjustments arising from the audit; and compliance with accounting standards.

External Audit Framework

2.2 Review the selection procedures for an external audit firm, which shall be selected by the Executive Board, in consultation with the EAC, and appointed by the Managing Director. As part of the consultation with the EAC prior to the selection of a new external audit firm, the EAC shall provide its view on whether existing consulting contracts of an audit firm could compromise the external audit firm's independence if it were to be selected as the external audit firm.

2.3 Review and discuss with the external audit firm and staff of the IMF the audit approach of the external audit firm. For this purpose, the EAC shall receive a written submission of the external audit firm's audit plan. Discuss with the external audit firm the external audit results, including the external audit firm's opinions, its comments on controls and other observations, and any restrictions on the scope of the audit.

2.4 Meet privately with the external audit firm to discuss audit-related topics in confidence.

2.5 Review the external audit firm's representation of its independence, including the fees related to any consulting services it provides to the IMF during its engagement as the external audit firm, and the nature of the services provided. Review the external audit firm's representations of compliance with International Standards on Auditing.

2.6 Evaluate the external audit firm's performance based on reports received from the external audit firm describing internal quality control procedures and issues raised by control, peer, or supervisory reviews, private sessions with the external audit firm, and input from those with substantial interactions with the audit firm.

Risk Management and the System of Internal Controls

2.7 Discuss with the external audit firm, the Office of Internal Audit, and the Office of Risk Management within the IMF, the key risks that could impact the audit and the related system of internal controls, including the environment in which the system operates.

2.8 Review any significant operational, internal control, or reporting risks or issues affecting the financial statements that arose during the course of the audit and monitor their resolution or follow up.

2.9 Discuss the system and practices established by the IMF to promote ethical standards and enable staff to confidentially and anonymously report issues.

Internal Audit Framework

2.10 Review and approve the Office of Internal Audit's charter, provide advice on the appointment and removal of the Internal Audit Director; and input into the annual performance evaluation of the OIA Director. Discuss steps taken to ensure adherence to the International Standards for the Professional Practice of Internal Auditing.

2.11 Review and approve the Office of Internal Audit's annual plan and monitor its execution.

2.12 Review the results and quality of the audits performed by the Office of Internal Audit, its written reports concerning the scope of reviews of compliance, any significant findings, and the resolution and follow-up on findings and recommendations.

2.13 Review the effectiveness of the Office of Internal Audit in discharging its responsibilities.

2.14 Maintain direct communication, and meet privately at least annually, with the Office of Internal Audit Director.

Oversight of Other Audit-Related Issues

2.15 The EAC may take up such other issues as it considers relevant for the fulfillment of its general oversight responsibilities, which may include briefings on the status of one-off projects with significant financial reporting impact and developments in risk management issues, taking into account the role of other oversight mechanisms and governance in place.

3. Confidentiality and Conflict of Interest

3.1 The EAC shall have access to information in possession of the IMF as needed to carry out its function, including having access to members of management, Executive Directors, and staff and to relevant documents and records.

3.2 Members of the EAC undertake to protect the security of any confidential information provided to, or generated by, the IMF, in line with the existing policies of the IMF and requirements included in their appointment and reaffirmation letters. In particular, members of the EAC shall not divulge to persons or bodies external to the IMF, or otherwise misuse, any information of a confidential nature that comes to their attention in the course of the performance of their duties and should not use any information obtained in the course of the performance of their duties for personal gain.

3.3 The EAC members should maintain their independence throughout their appointment, and avoid any situation involving a conflict, or the appearance of a conflict, of interest with the IMF or the IMF's external audit firm and the performance of their official duties.

4. Work Modalities

Work Procedures

4.1 Each EAC shall determine its own procedures.

4.2 In cases where the EAC is asked to review a matter or provide its view, the Chairman shall convey the position of the committee, including dissenting views for cases in which there is no consensus in the EAC.

Work Plan

4.3 The EAC shall establish its own work plan. It is expected that the EAC will meet at least three times a year in-person, or in a virtual or hybrid format. Additional meetings may also be organized through the use of any appropriate means of communication when the circumstances require. The members of the EAC shall be available for consultation on emerging audit matters throughout the year, including informal meetings or briefings provided by staff through teleconference.

4.4 During its visits, the EAC is expected to meet with IMF staff to discuss developments relevant to its areas of oversight. The EAC may also hold informal meetings with Board members.

EAC Effectiveness and Training

4.5 The EAC should regularly assess, with relevant inputs, the need for changes in the EAC's work plan or processes.

4.6 A new member of the EAC should be available for orientation from the IMF to prepare for the role of an EAC member. The EAC members are expected to stay abreast of developments in accounting, auditing, and other areas relevant to their general oversight responsibilities.

5. Reporting to the Executive Board and the Board of Governors

5.1 At the conclusion of its work related to a particular financial year, the EAC should prepare and circulate to the Executive Board a formal activity report covering its work conducted during the year and any recommendations it may have for consideration by the Executive Board.

5.2 The EAC shall give the Executive Board a briefing on the results of its oversight work, and may provide interim briefings as deemed appropriate.

5.3 The EAC shall transmit the external audit reports issued by the external audit firm to the Board of Governors, through the Managing Director and the Executive Board.

6. Amendment to the Terms of Reference

In accordance with the provisions of Section 20(c) of the By-Laws, the EAC shall review its terms of reference periodically and may recommend amendments for consideration by the Executive Board.

Approved by the IMF Executive Board on July 19, 2023.