

**IMMEDIATE
ATTENTION**

EBAP/09/117

August 4, 2009

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Selection of an External Audit Firm**

Attached is a report to the Executive Board from the ad hoc Audit Selection Committee, recommending the selection of an external audit firm in accordance with Section 20(c) of the Fund's By-Laws.

It is not proposed to bring this matter to the agenda of the Executive Board for discussion unless an Executive Director so requests by **noon on Friday, August 7, 2009**. In the absence of such a request, the proposed decision, which appears on page 3, will be deemed approved by the Executive Board and it will be so recorded in the minutes of the meeting thereafter.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

Att: (1)

Other Distribution:
Heads of Departments

INTERNATIONAL MONETARY FUND

Selection of an External Audit Firm

Age Bakker, Chair, ad hoc Audit Selection Committee

July 31, 2009

1. The Fund's five-year contract with the external audit firm, Deloitte & Touche (D&T), expires on October 31, 2009 after the completion of the FY 2009 audit. An ad hoc Audit Selection Committee (ASC)¹ was constituted to identify an external audit firm for the period beginning in FY 2010.
2. The ASC recommended changes to the 2004 decision on audit firm selection² to allow for a second contract with the external audit firm for a period of up to 5 years, and to eliminate the specific clause on bid requirements, with bidding instead guided by the Fund's general policy on procurement of services. These changes were approved by the Executive Board.³
3. Following negotiations with Fund staff, D&T has proposed two fee options: one for a three-year term and one for a five-year term. Under the three-year proposal, the fees for the FY 2010 audit of the financial statements of the Fund and the accounts it administers amount to \$1,063,250, representing a reduction of 7 percent from FY 2009 levels. Under the five-year proposal, the proposed fees for the FY 2010 audit are \$1,011,250, a reduction of 12 percent from FY 2009 levels. Both proposals include a provision for annual fee increases of 3 percent, compared with annual fee increases of 5 percent under the current contract.
4. The reappointment of D&T as the Fund's external auditor without a competitive bidding process is considered consistent with the Fund's procurement policies, as Fund objectives are being met more effectively through a noncompetitive purchase. Under the procurement guidelines, this is considered to be the case where fair value has been demonstrated by significant pricing discounts, or where the Fund has highly specific requirements.

¹ The ASC comprises Mr. Gibbs, Mr. Horgan, Mr. Itam, Mr. Kishore, Ms. Lundsager, Mr. Mojarad, and Mr. Bakker as Chair (EBAP/09/61, 4/8/09).

² Decision No. 13323-(04/78), adopted August 5, 2004.

³ *Selection of an External Audit Firm* (EBAP/09/111, 7/14/09).

5. The ASC has concluded that the Fund would benefit from entering into a five-year contract with D&T, since the longer-term commitment would provide a degree of certainty with respect to audit fees. Moreover, the Fund will retain the right to terminate the contract prior to the end of the five-year term if, for instance, service standards are not being met.

6. Under Section 20(c) of the Fund's By-Laws, the external audit firm is to be selected by the Executive Board in consultation with the External Audit Committee (EAC) and appointed by the Managing Director. Members of the EAC were consulted and they endorsed the selection process. Therefore, the ASC is in a position to recommend to the Executive Board that D&T be reappointed as the Fund's external audit firm for a period of five years, beginning with FY 2010. The following decision, which may be adopted by a majority of the votes cast, is proposed for adoption by the Executive Board.

PROPOSED DECISION

Pursuant to Section 20(c) of the Fund's By-Laws, the Executive Board selects Deloitte & Touche as the Fund's external audit firm for a period of five financial years, beginning with the financial year 2010.