

**IMMEDIATE
ATTENTION**

EBAP/10/118

CONFIDENTIAL

December 15, 2010

To: Members of the Executive Board
From: The Secretary
Subject: **Selection of Member of the External Audit Committee**

Attached for consideration by the Executive Board is a report from the Chairman of the ad hoc Audit Selection Committee on the selection of a new member of the External Audit Committee.

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, December 17, 2010**. In the absence of such a request, the proposed decision that appears on page 3 will be deemed approved by the Executive Board and it will be so recorded in the minutes of the next meeting thereafter.

Questions may be referred to Mr. Gibbs, Executive Director (ext. 34560).

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

Att: (1)

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Department Heads

INTERNATIONAL MONETARY FUND

Selection of Member of the External Audit Committee

Mr. Gibbs, Chair, ad hoc Audit Selection Committee

December 14, 2010

1. The ad hoc Audit Selection Committee (the Committee) was constituted in September 2010 to recommend to the Executive Board a suitable candidate to fill the vacant position on the External Audit Committee (EAC).¹
2. Under Section 20(c) of the Fund's By-Laws, the EAC "shall have general oversight of the annual audit"...and its members "shall be appointed for a period of three years". To ensure continuity, appointments are staggered by one year. The Committee has completed its work on the process of selecting a candidate to replace Mr. O'Neill (Canada) who was appointed in the 2008 financial year and his term has expired.
3. Section 20(c) of the By-Laws requires that "the members of the audit committee must possess the qualifications required to carry out the oversight of the annual audit" and that "the persons serving on the audit committee must be nationals of different members of the Fund at the time of their appointment; at least one of them shall be a national of one of the six members having the largest quotas." The latter requirement is currently met by Mr. Graf of Germany, who was appointed during the 2009 financial year. The other member of the EAC, Ms. Cabal, is a national of the Philippines. In searching for a new EAC member, the Committee followed the practice of regional rotation and evaluated candidates from the Middle East/Central Asia region.
4. In assessing candidates for the EAC, the Committee took into account relevant professional qualifications and experience. The search process, which was facilitated by

¹ See *Appointment of Executive Directors to the Ad Hoc Audit Selection Committee* (EBAP/10/87, 09/20/10). The Committee consists of Mr. Callesen, Mr. Hockin, Mr. Itam, Mr. Lee, Mr. Virmani, and Mr. Gibbs as Chair.

Executive Directors, identified twelve candidates. Four candidates were short-listed and interviewed by Committee members via video-conferencing.²

5. While all interviewed candidates were qualified, the Committee reached a consensus to propose that Mr. Ayass, a national of Lebanon, be selected as a member of the EAC. Mr. Ayass is a retired Managing Partner of the Ernst & Young office in Riyadh, Saudi Arabia. He currently teaches accounting courses in two universities in Lebanon and is the Chairman of the audit committee of the First National Bank S.A.L (Lebanon) and a member of the Board of Directors and the audit committee of Al Ahli International Bank S.A.L. (Lebanon). He has extensive external audit, financial reporting, and internal audit experience. His curriculum vitae is attached.

6. In order to conclude the selection process for the new EAC member, the draft decision below, which may be made by a majority of votes cast, is proposed for adoption by the Executive Board.

² All members of the Committee were notified of the interview schedule and were invited to attend. Messrs. Bergo, Gibbs, and Rolle conducted the interviews.

Proposed Decision

Pursuant to Section 20(c) of the Fund's By-Laws, Mr. Ayass is selected to serve as a member of the External Audit Committee for a period of three years.

Curriculum Vitae

Arfan graduated from the University of South Carolina, U.S.A in 1968 with a Bachelor's Degree in Accounting and then a Masters of Accountancy in 1969 from the same university. Arfan obtained his American CPA in 1972.

He started his career in 1969 in academia, teaching for two years at the University of South Carolina. Arfan came to Lebanon in 1972 and join Arthur Andersen Saba & Co where he progressed to become an audit manager. He then moved to Alexander Grant Mattar & Co. in 1978 as a partner in the Beirut office. In 1982, he obtained his license to practice in Saudi Arabia and opened an office for the firm in Riyadh, Saudi Arabia. In 1986, Arfan, with his firm, rejoined Arthur Andersen and became the managing partner of the Riyadh office. In 2002, Arthur Andersen offices in the Middle East merged with Ernst & Young. Arfan retired from the firm upon reaching the mandatory age in 2004.

Arfan enjoyed the financial markets. He was a member of the committee that prepared an audit program for banks that was adapted by the Banking Control Committee at the Central Bank of Lebanon. He was the audit partner in charge of auditing all commercial banks in Saudi Arabia. His years of practice covered all industries and exposed him to a variety of work environment. He was also the accounting and auditing advisor for the Saudi Arabian Monetary Agency (SAMA) for some eight years.

Arfan is a member of the American Institute of Certified Public Accountants, the Lebanese Society Certified Public Accountants, and the Arab Society of Accountants.

During the early 1980's, Arfan taught (part-time) accounting at the American University of Beirut and the Beirut University College (currently named LAU). He had to give it up upon being transferred to Saudi Arabia.

Arfan instructed an MBA course at The American University of Beirut in 2007 and is currently instructing undergraduate courses at The Hariri Canadian University and the Lebanese University, assisted the Lebanese Prime Minister with the Lebanese Cooperative Bankruptcy, and other matters He was also a member of the investigating committee on Bank Al Medina that was appointed by the Attorney General in Lebanon.. Arfan is a board member and the Chairman of the audit committee of the First National Banks S.A.L (Lebanon). He is also a member of the Board of Directors and the Audit Committee of Al Ahli International Bank S.A.L.

Arfan is a Lebanese national and also has the Canadian nationality and the Iraqi nationality. He was born in Baghdad, Iraq in 1942.