

The World Bank Group



Trust Funds Division

The World Bank Group

**Report on Internal Control
Over Financial Reporting
Trust Fund Activities**

June 30, 2008

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The World Bank Group

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September 17, 2008

MANAGEMENT'S ASSERTION REGARDING EFFECTIVENESS OF INTERNAL CONTROLS OVER FINANCIAL REPORTING OF TRUST FUND ACTIVITIES

The International Bank for Reconstruction and Development ("IBRD"), the International Development Association ("IDA"), the International Finance Corporation ("IFC"), and the Multilateral Investment Guarantee Agency ("MIGA") (collectively referred to herein as "the Bank"), as administrators for certain trust funds, are responsible for establishing and maintaining effective internal control and procedures over financial reporting for trust fund activities which are designed to provide reasonable assurance to the Bank's Management and Board of Directors regarding the preparation of reliable trust fund financial reports prepared using the cash receipts and disbursements basis of accounting modified to mark investments to market ("modified cash basis of accounting").

Assertions as of June 30, 2008 made by Management in this document pertain to the specific control objectives relevant to the effectiveness of internal control over financial reporting of trust fund activities using the modified cash basis of accounting. The specific management assertions are set forth below:

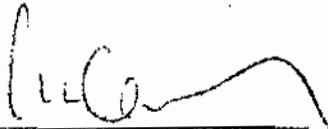
1. Contributions from Donors are recorded in the appropriate trust fund on a timely basis.
2. Assets underlying funds held in trust are segregated from funds of the Bank and are in the form of cash and investments managed by the Bank.
3. Transactions recorded in the underlying financial records and the financial reporting of each trust fund are valid and complete.
4. Investment income is earned and credited to the appropriate trust fund in accordance with the terms and provisions of the trust fund agreements.
5. Disbursements follow established Bank policies and procedures.
6. Fees for administering each trust fund are charged in accordance with the terms and provisions of the trust fund agreements.
7. Financial reporting is in compliance with the requirements set forth in the legal agreements entered into with the donors.

The Bank's internal control and procedures over financial reporting of trust fund activities using the modified cash basis of accounting contain self-monitoring mechanisms, and actions are taken to correct deficiencies as and when identified. Even an effective internal control system, no matter how well designed, has inherent limitations, including the possibility of human error and the circumvention or overriding of controls, and therefore can provide only reasonable assurance with respect to financial report preparation. Such human error, circumvention, or overriding of controls may, among other things, result in ineligible expenditures charged to a trust fund which systems of internal control cannot always detect at the time of recording. Management does not perceive this to be indicative of an overall ineffective system of internal control given that procedures for the ex-post compliance review are in place.

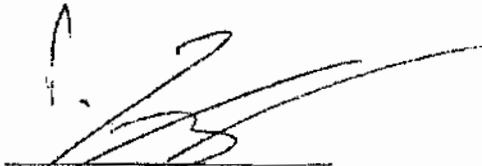
The Bank assessed its internal control over financial reporting of trust fund activities using modified cash basis of accounting as a whole as of June 30, 2008. This assessment was based on the criteria for effective internal control over financial reporting described in the "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, the Bank has maintained effective internal control over financial reporting for trust fund activities using the modified cash basis of accounting, as of June 30, 2008.



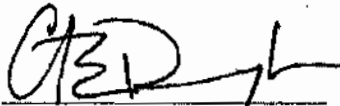
Vincenzo La Via
Chief Financial Officer
IBRD/IDA



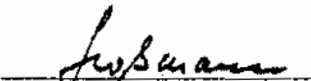
Fayezul H. Choudhury
Vice President and Controller
IBRD/IDA



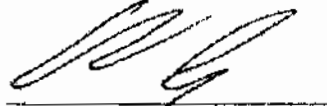
Philippe H. Le Houerou
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Senior Counsellor
IDA



Charles A. McDonough
Deputy Controller
Accounting Department
IBRD/IDA



Christian Grossmann
Controller
Controller's Department
IFC



Kevin W. Lu
Director, Finance & Risk
Management & Chief
Financial Officer
MIGA

INDEPENDENT ACCOUNTANTS' REPORT

International Bank for Reconstruction and Development,
International Development Association,
International Finance Corporation, and
Multilateral Investment Guarantee Agency
as Administrators for the trust funds

We have examined management's assertion, included in the accompanying "Management's Assertion Regarding Effectiveness of Internal Control over Financial Reporting of Trust Fund Activities", that the International Bank for Reconstruction and Development ("IBRD"), the International Development Association ("IDA"), the International Finance Corporation ("IFC") and the Multilateral Investment Guarantee Agency ("MIGA") (together referred to herein as the "Bank") maintained effective internal control over financial reporting for trust fund activities using the cash receipts and disbursement basis of accounting modified to mark investments to market ("modified cash basis of accounting") as of June 30, 2008, based on the criteria for effective internal control over financial reporting as established in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Management of the Bank is responsible for maintaining effective internal control over financial reporting. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the International Standards on Assurance Engagements issued by the International Auditing and Assurance Standards Board and, accordingly, included obtaining an understanding of internal control over financial reporting, testing and evaluating the design and operating effectiveness of the internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management's assertions as stated in the accompanying document pertain only to the effectiveness of internal control over financial reporting for trust fund activities using the modified cash basis of accounting.

In our opinion, management's assertion that the Bank maintained effective internal control over financial reporting of trust fund activities using the modified cash basis of accounting as of June 30, 2008 is fairly stated, in all material respects, based on the criteria for effective internal control over financial reporting as established in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

Deloitte + Touche LLP

September 17, 2008