



The Office of Audit and Oversight

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Director

Office of Audit and Oversight

Enabling poor rural people to overcome poverty

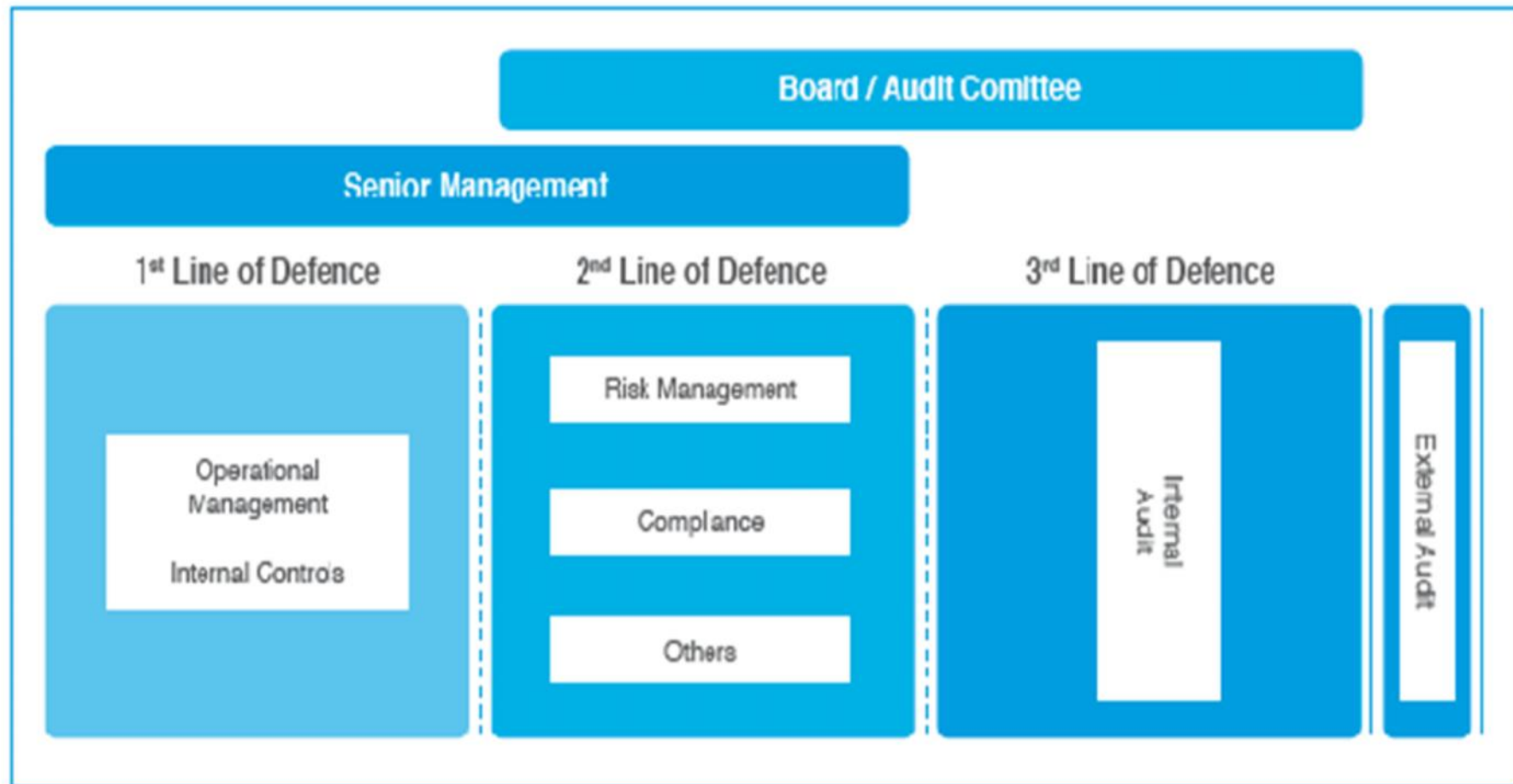


Internal Oversight

Organizational functions that :

- Conduct independent, objective assessments
- on the performance of activities and use of resources
- and provide feedback to governance and management bodies.

The three lines of defence



Internal oversight at IFAD

Main functions: internal audit, investigation and evaluation

- The Office of Audit and Oversight (AUO) is responsible for audit, investigations.
- The Independent Office of Evaluation is responsible for evaluating IFAD's operations and policies. It reports directly to the Executive Board and its work is assessed separately by the Evaluation Committee and the EB.

Office of Audit and Oversight (AUO)

- **AUO Charter** (mandate and authority) confirmed by Executive Board in April 2010 - Independence from operational functions
- Comprised of **internal audit** (assurance, advisory) and **investigation** units
- **Scope** includes all areas and aspects of IFAD activities and operations.
- AUO reports directly to **IFAD President** and also reports to the **Audit Committee** of the Executive Board

Internal Audit

Assurance:

- Effectiveness of governance processes
- Proper risk management
- Integrity of financial / management information
- Compliance with procedures and regulations
- Efficient use and adequate protection of resources
- Achievement of objectives (excluding the evaluation of IFAD project activities)

Advisory:

- Providing input to new policies, procedures and institutional initiatives
- Observer role on management committees
- Performing advisory assignments

Internal Audit

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Key aspects of Work

- Adheres to the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*
- Annual **risk assessment** used to determine audits to be performed
- Work plan approved by President and confirmed by Audit Committee and Executive Board
- **Recommendations** are agreed with responsible managers and implementation is tracked as a corporate Key Performance Indicator,
- Subject to a mandatory **External Quality Assessment review at least every 5 years** (the 2007 and 2012 reviews confirmed AUO's full adherence to the IIA Standards)

Internal Audit

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Relationship Between Internal Audit and External Audit

- IFAD's external auditors have a very different role compared to internal audit – external audit is appointed by and reports to the Executive Board for the purpose of **certifying the accuracy of the IFAD Financial Statements**
- **AUO coordinates its efforts with the Fund's external auditors** for the purpose of providing optimal audit coverage to the Fund at a reasonable overall cost. This is done through:
 - Sharing information on audit plans
 - Providing full access to reports and working papers
 - Supporting the annual IFAD Financial Statements Audit, as required
- Since 2012, the collaboration is substantial in relation to the annual assessment of the effectiveness of controls over financial reporting.

IFAD Anti-Corruption Policy

- Policy **approved by the Executive Board** in December 2005
- A “**zero-tolerance**” policy means IFAD will pursue all allegations under its scope and appropriate sanctions will be applied where allegations are substantiated. Allegations include fraud, corruption, collusion and coercion, and staff misconduct.
- Scope covers IFAD staff, consultants, contractors and projects funded through IFAD loans and grants

Investigations

- **AUO investigation section** conducts/coordinates investigations and promotes implementation of the Policy
- Mandated to receive and investigate allegations of irregular practices in IFAD activities
- Investigation findings reported **to the President and to the Sanctions Committee**, which decides on sanctions to impose on firms and consultants and makes recommendations to the President in cases involving IFAD staff members
- Annual report of investigation activities is presented to the Audit Committee **and disclosed publicly**

Investigations

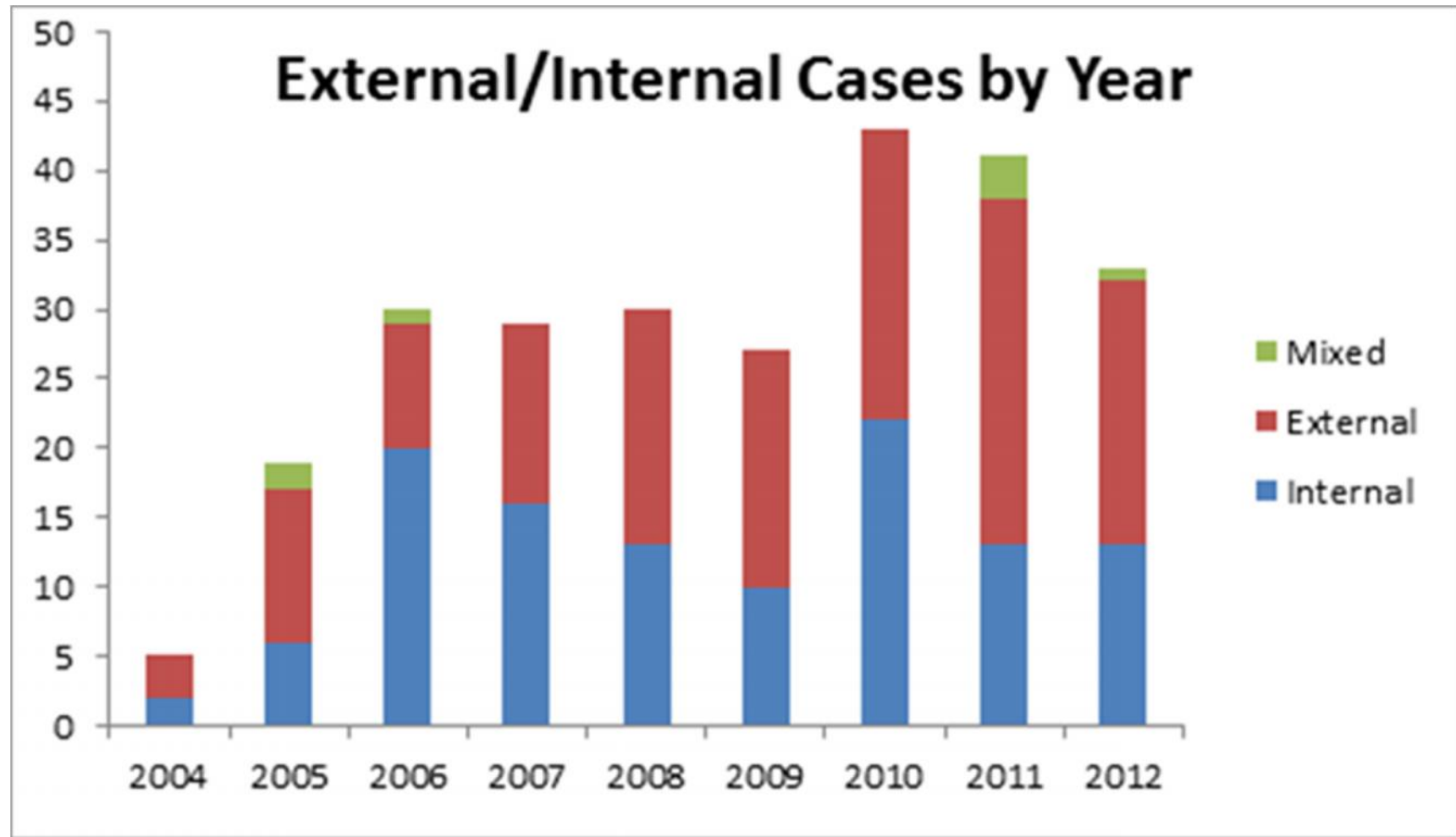
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Method of work

- The Investigation Section abides by **standards set by the UN and major International Financial Institutions**.
 - It follows recommendations in the Framework for Preventing and Combating Fraud and Corruption, adopted by major IFIs in 2006; and
 - The Uniform Guidelines for Investigations, adopted at the Conference of International Investigators in 2003 and updated in 2010
- Project related allegations are handled **in coordination with counterpart authorities**, the responsible IFAD departments and, if applicable, the project co-financing parties
- Investigation reports can lead to **sanctions** (e.g. disciplinary, debarment) and/or **management actions** (e.g. warnings, cancellation of procurement)

Investigations trend

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AUO

Structure and resources

- Currently AUO has **eight and a half staff positions**, of which six Professional/director-level positions and two and a half General Service (GS) positions.
 - The AUO Audit Section has three professional staff and one GS staff member.
 - The AUO Investigation Section has two professional staff and one GS staff.
- AUO's budget allocation for 2013 is **US\$1.74 million** (of which approx. US\$1.64 million for staff costs).
- To meet its needs, AUO requested and **obtained additional resources** of approx. US\$0.2 million for each of the last two years.

Governance

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Relationship Between AUO and the Audit Committee

- The Audit Committee is responsible for **satisfying itself that internal audit is and remains efficient and effective**. To this end the Audit Committee:
 - has **access to the audit reports** and receives and reviews the AUO annual report;
 - advises the Executive Board on the **AUO charter and annual work plan** and may propose amendments to the President (the EB confirms the documents)
 - holds **private sessions with the AUO Director** on matters concerning internal control and audit systems.
 - Is **consulted on the appointment, performance and dismissal** of the Director of AUO.

Thank you

Questions?