The Office of Audit and Oversight

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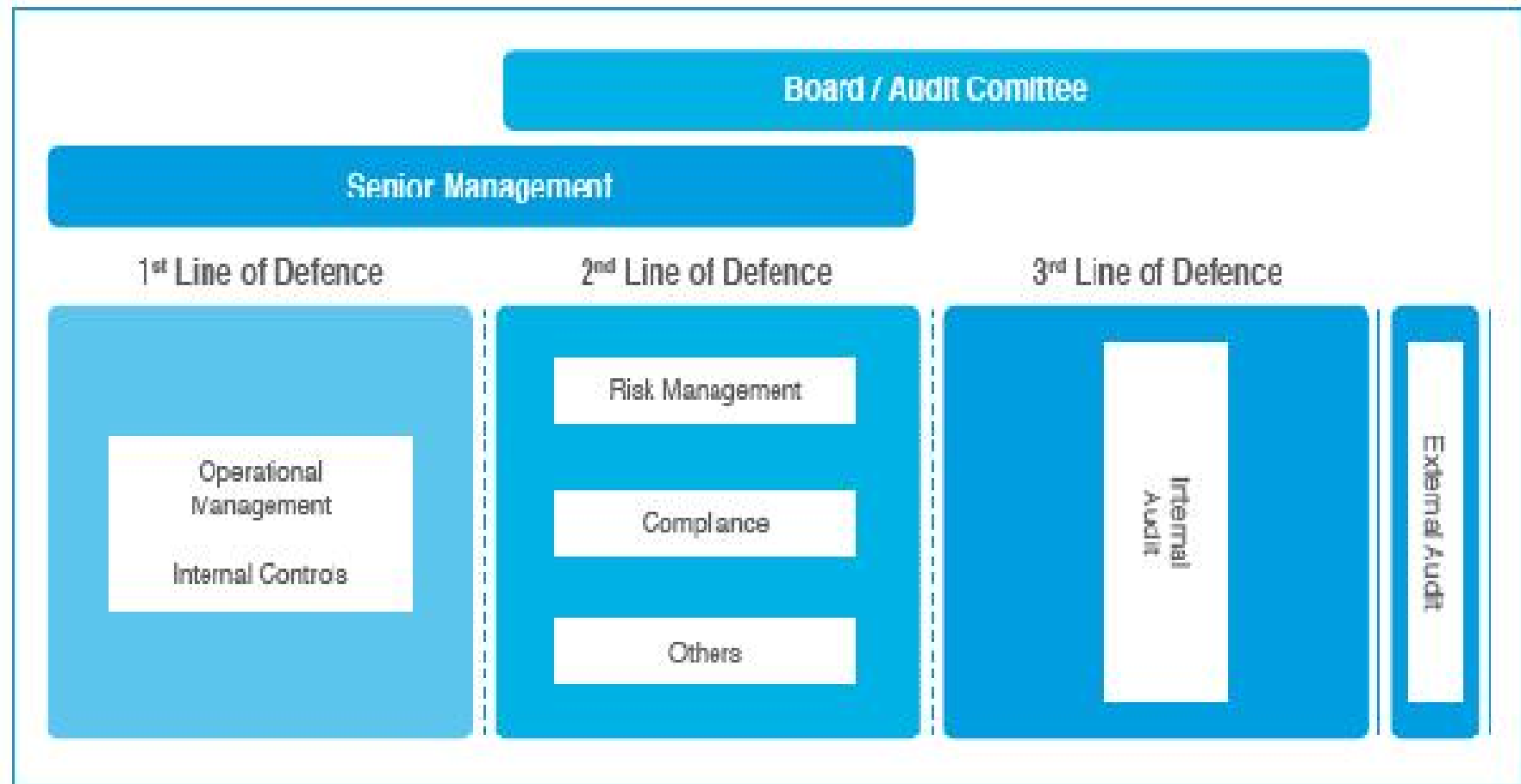April 2014

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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.

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The three lines of defence

Internal Oversight at IFAD

Main functions: <u>internal audit</u>, <u>investigation</u> and <u>evaluation</u>

- The <u>Office of Audit and Oversight (AUO)</u> is responsible for audit and investigations.

- The <u>Independent Office of Evaluation</u> 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.

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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

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Internal Audit

Assurance:

- Effectiveness of governance processes

- Proper risk management

- Integrity of financial / management information

- Compliance with procedures and regulations

- Efficient use an 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

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Internal Audit
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)

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Internal Audit
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.

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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

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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**

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Investigations
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)

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Investigations
trend
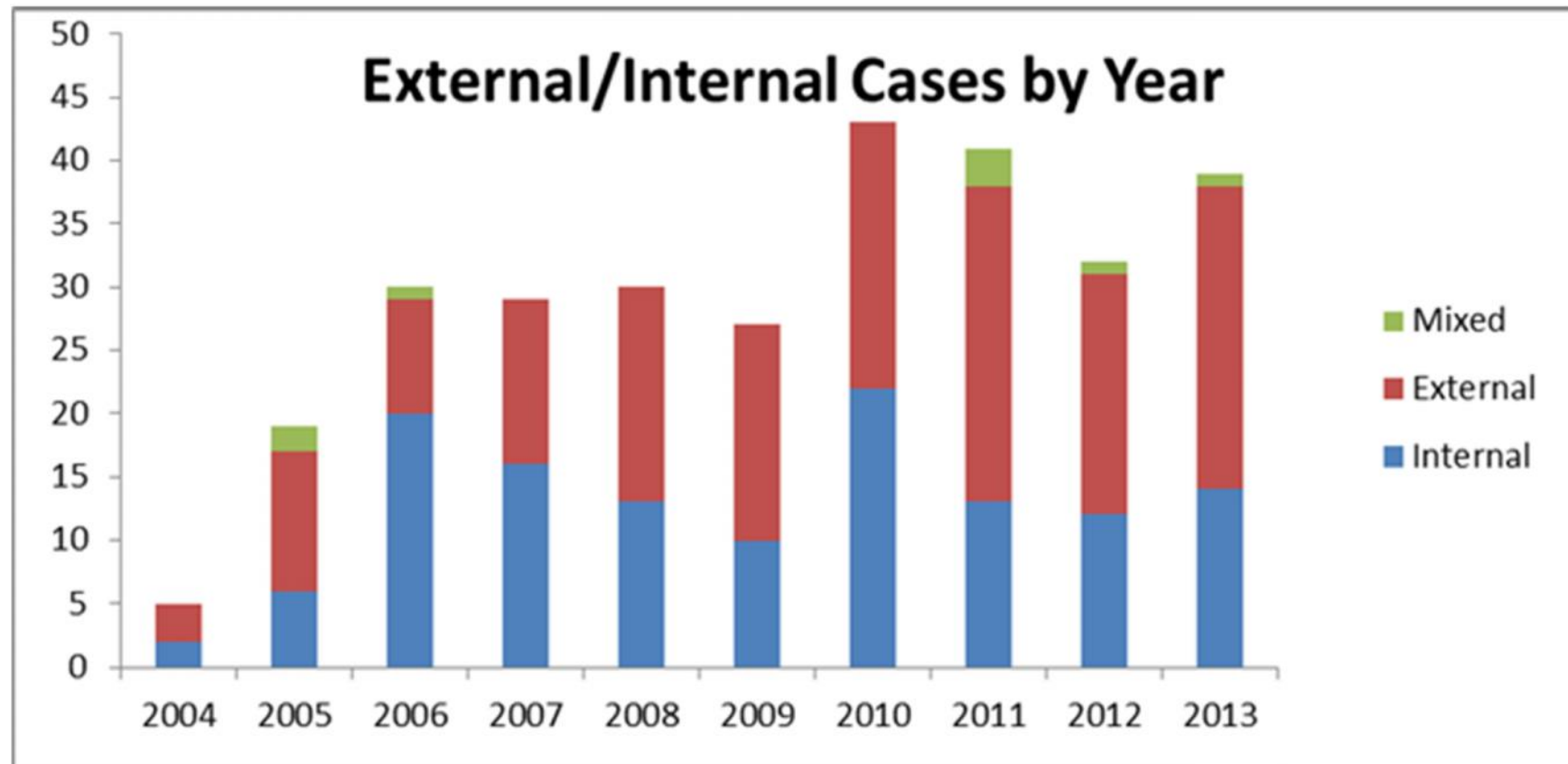
AUO
Structure and resources

- 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 was **USD 1.74 million** (of which approx. USD 1.64 million for staff costs).

- To meet its needs, AUO requested and **obtained additional resources** of approx. USD 0.2 million for each of the last two years.

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Governance
Relationship Between AUO and the Audit Committee

- The Audit Committee is responsible for satis**fying 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?

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