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Revision of the Charter of the IFAD Office of Audit and Oversight

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Revision of the Charter of the IFAD Office of Audit and Oversight

Introduction

1. The IFAD Office of Audit and Oversight (AUO) comprises the Fund's internal auditing and investigation functions. The audit activities of AUO are conducted in conformity with the IFAD Code of Conduct and International Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditors (IIA). The IIA standards require that AUO has a formal charter that defines AUO's purpose, authority and responsibilities. The AUO Charter establishes AUO's position within the organization; authorizes access to records, personnel, and physical property relevant to the performance of its audit engagements; and defines the scope of its activities. The contents of the Charter reflect the attribute, performance and implementation expectations set by the standards. The AUO Charter also reflects the purpose, authority and responsibilities relative to the AUO investigation function.
2. The AUO Charter was last revised and confirmed by the Executive Board in 2010. The revised Charter is set out in the annex. The changes reflect:
 - Changes to the IIA Standards (paragraphs 2.1, 4.1(g) and 7.1);
 - The recommendations of the 2018 External Quality Assessment of the internal audit function (4.1 (a),(f)), 5.1(f) and 6.1(d));
 - Changes in the procedure for disclosure of audit outputs, approved by the Executive Board in December 2017, in relation to the Increasing Transparency for Greater Accountability – Action Plan (4.1((d),(e) and footnote)); and
 - Amendments for updating superseded references and improving clarity (i.e. updated AUO acronym; 5.1 – removal of reference relevant to the previous AUO secretariat role to the Sanctions Committee; 6.1 – minor editorial changes for greater clarity; 6.1(c) – definition of the scope of AUO vis-à-vis hosted entities; and 7.2 – updated name of reference standards for investigations).

Charter of the IFAD Office of Audit and Oversight – 2018

1. Introduction

- 1.1. In accordance with the requirements of regulation X, paragraph 1(c) of the Financial Regulations of IFAD, this Charter is promulgated by the President of IFAD and confirmed by the Executive Board in order to establish and maintain appropriate internal audit systems consistent with well-recognized international standards.
- 1.2. The IFAD Office of Audit and Oversight (AUO) comprises the internal auditing and investigation functions.

2. Mission

- 2.1. The mission of AUO is to enhance and protect organizational value by providing risk-based and objective assurance, advice and insight. AUO provides independent and objective assurance and advisory services designed to add value and improve the operations of IFAD. It helps IFAD accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 2.2. AUO also reviews and investigates possible or alleged irregular practices, including staff misconduct, fraud and corruption in IFAD activities, and actively promotes ethics, accountability, quality and continuous improvement in IFAD operations.

3. Scope of work

- 3.1. AUO assesses whether IFAD's risk management, control and governance processes are adequate to ensure that:
 - (a) Financial, managerial and operational information is accurate, reliable and timely;
 - (b) Activities comply with policies, standards, procedures, agreements, and applicable laws and regulations;
 - (c) Assets and resources are acquired, utilized and protected appropriately; and
 - (d) Programmes, plans and objectives are achieved.¹
- 3.2. The nature and scope of AUO advisory services are agreed with Management; such services may involve advice or analyses to promote improvements in risk management, control and governance processes, without assuming management responsibility for such improvements.
- 3.3. The scope of investigation activities includes all matters related to irregular practices by entities, contractors and individuals in activities financed and/or managed by IFAD directly or through its loans and grants;² and misconduct by staff or consultants which includes but is not limited to irregular, corrupt, fraudulent, collusive or coercive practices; failure to observe prescribed regulations, procedures or the IFAD Code of Conduct; and failure to report allegations or knowledge of any such practice.

¹ This excludes evaluation activities that fall clearly within the scope of the Independent Office of Evaluation of IFAD.

² Consistent with the IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations (EB 2005/85/R.5/Rev.1).

4. Objectivity and independence

4.1. To ensure appropriate organizational independence and objectivity of the internal oversight function, and to enable AUO to fulfil its responsibilities free from interference in determining the scope of work, performing its work and communicating results:

- (a) The Director of AUO reports directly, has access as required and is accountable to the President, and shall discuss the AUO Charter, the annual workplan, adequacy of AUO's resources and results of AUO's work with the Audit Committee of the Executive Board (Audit Committee).
- (b) The President ensures that AUO is provided with the necessary staffing and budgetary resources to achieve its mission and maintain its independence.
- (c) The AUO workplan and Charter are approved by the President, transmitted to the Audit Committee for review and proposals thereon for consideration by the President, and, once finalized, are submitted for confirmation to the Executive Board.
- (d) Annual reports are provided by the Director of AUO to the President and transmitted unchanged to the Audit Committee and then shared confidentially with the Executive Board for information. Such annual reports summarize significant oversight results, including recommendations for improvements and the status of Management actions taken or planned in response to reported results.
- (e) Individual internal audit reports may be provided to the Audit Committee and to Executive Board representatives upon request, in accordance with the internal audit report disclosure procedure,³ respecting privacy, legal, confidentiality, sensitivity and security requirements.
- (f) The Director of AUO may attend all meetings of and communicate directly with the Audit Committee, except meetings designated as closed sessions or meetings restricted to the external auditor; the Director of AUO shall have access as required to the Audit Committee and may meet privately with the Audit Committee for the purpose of providing information and views on matters of internal control and audit systems.
- (g) The Director of AUO shall confirm to the Audit Committee, at least annually, the organizational independence of AUO and will disclose to the Audit Committee any interference in determining the scope of AUO activities, performing work, and/or communicating results.
- (h) The President consults with the Audit Committee on the appointment, performance and termination of employment of the Director of AUO.

³ Audit Committee members and Executive Board representatives are informed of recently issued internal audit reports in advance of Audit Committee meetings. Committee members may request access to any report and AUO provides such access by posting the report on a restricted section – accessible to Committee members on a confidential basis – of the Member States Interactive Platform (MSIP). The Audit Committee Chairperson may decide to include any report on the agenda for further discussion by the Committee, normally in a closed session. Executive Board representatives may also request access to any report, copying the Audit Committee Chairperson. Arrangements will be made to grant confidential access to the requesting Board representative. AUO will provide explanations and clarifications on any report to Audit Committee members or Executive Board representatives if requested. Should representatives request that an internal audit report be discussed during an Executive Board session, the Audit Committee will review the report prior to the scheduling of such a discussion, which will be conducted in a closed session of the Board. In such case, the report will be shared confidentially with all Executive Board representatives.

5. Responsibility

- 5.1. The Director and staff of AUO are responsible for:
- (a) Developing and submitting an annual risk-based workplan to the President for approval, transmitting the workplan to the Audit Committee for its review and proposals thereon for consideration by the President and, once finalized, submitting the workplan for confirmation to the Executive Board;
 - (b) Implementing the approved workplan and periodically informing the President and the Audit Committee of progress in carrying out the workplan and the impact of amendments thereto, including scope limitations, if any, and reporting significant results on a timely basis;
 - (c) Adopting and adhering to appropriate standards, policies and procedures for the conduct of internal auditing and investigation activities;
 - (d) Operating secure and confidential channels for receiving reports of alleged or suspected irregular practices in IFAD activities and operations;
 - (e) Conducting and/or monitoring investigations into credible allegations or knowledge of irregular practices in IFAD activities and operations and reporting, as appropriate, the results of the investigations to the President and the Sanctions Committee in a prompt manner;
 - (f) Establishing a quality assurance and improvement programme that covers all aspects of AUO activities, continuously monitoring and periodically reporting on its effectiveness to the President and the Audit Committee;
 - (g) Ensuring that AUO maintains or has access to sufficient knowledge, skills, experience and competencies needed to fulfil its Charter, and that resources are used efficiently and effectively;
 - (h) Reporting at least annually to the President and the Audit Committee on the adequacy of AUO's resources and organizational independence; AUO's performance relative to its plan; significant risk exposure and control issues, including fraud risks, governance issues, and other matters; and the status of Management actions taken to respond to reported results;
 - (i) Informing IFAD Management and the Audit Committee of emerging trends and practices in internal auditing and investigation activities; and
 - (j) Coordinating with IFAD's External Auditors, for the purpose of providing optimal audit coverage at a reasonable overall cost, and with external oversight entities and law enforcement authorities, as necessary, for investigation purposes.

6. Authority

- 6.1. In accordance with the objectivity, independence and responsibility provisions outlined in this Charter:
- (a) The Director of AUO may allocate resources within the budget allocated to AUO, establish schedules, select subjects, determine the scope of work, and apply the techniques required to accomplish audit and investigation objectives;
 - (b) AUO staff shall obtain all assistance, cooperation and explanations that they deem necessary for the discharge of audit or investigation responsibilities, including unrestricted access to staff, records (except medical records), documents, property, registers, data, systems and assets in the custody or under the control of IFAD or any authority, institution, undertaking or person who is a beneficiary of IFAD operations, to the extent that such right of access is enjoyed by IFAD;

- (c) AUO may, subject to availability of appropriate resources, provide internal audit and investigation services to entities hosted by IFAD, upon request by the concerned entities;
 - (d) AUO may undertake, jointly with the internal oversight functions of other development partners, audits or investigations of activities or programmes jointly funded or implemented by IFAD and such development partners, respecting applicable privacy, legal, confidentiality, sensitivity and security requirements; and
 - (e) AUO may provide information to the Audit Committee to assist it in reviewing the adequacy of risk management and internal controls, the efficiency and effectiveness of internal audit and investigation activities, the results of investigations and sanctions applied, and the adequacy and timeliness of Management responses to the issues identified.
- 6.2. AUO staff are not authorized to:
- (a) Perform any non-AUO operational duty for IFAD, except for capacity development in AUO-related activities;
 - (b) Initiate or approve transactions external to AUO;
 - (c) Direct the activities of any staff member not employed by AUO, except to the extent that such staff member has been appropriately assigned to AUO or to assist AUO; nor
 - (d) Conduct any investigation in which AUO staff may have a direct or indirect personal involvement or interest.

7. Professional standards

- 7.1. AUO's internal auditing activities shall be carried out in adherence to the mandatory elements of the International Professional Practices Framework for internal auditing promulgated by the Institute of Internal Auditors (IIA). These comprise the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing.
- 7.2. AUO's investigative activities are guided by the Uniform Guidelines for Investigations as endorsed by the Tenth Conference of International Investigators in 2009, which are applicable to the conduct of administrative investigations, and by the Uniform Framework for Combating Fraud and Corruption adopted by the International Financial Institutions Anti-Corruption Task Force in September 2006.

8. Amendment of AUO Charter

- 8.1. Proposed amendments to this Charter shall be approved by the President and reviewed by the Audit Committee which may make proposals for the consideration of the President. The finalized Charter shall be approved by the President and submitted for confirmation to the Executive Board.