
Workplan for IFAD's Office of Audit and Oversight for 2023

Document: EB 2022/137/R.39

Agenda: 17(b)

Date: 21 November 2022

Distribution: Public

Original: English

FOR: CONFIRMATION

Action: The Executive Board is invited to provide confirmation of the workplan for IFAD's Office of Audit and Oversight for 2023.

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Workplan for IFAD's Office of Audit and Oversight for 2023

I. Introduction

1. This paper presents the workplan of the Office of Audit and Oversight (AUO) for 2023 and relevant background information.
2. The President has approved the AUO workplan for 2023. Pursuant to its terms of reference, the Committee may make proposals for the President's consideration. Once finalized, the workplan will be submitted to the Executive Board for confirmation at its December 2022 session.
3. The workplan is being presented to the Audit Committee prior to finalization of the 2023 budget process so that its size and complexity can be duly considered in the Committee's review of the adequacy of AUO's resources and budget proposal for 2023.

II. AUO strategic workplan for 2023-2024

A. AUO strategic objectives

4. This is the second year of the 2022-2024 AUO strategic planning period, and AUO's strategic objectives for the period of the Twelfth Replenishment of IFAD's Resources (IFAD12), as formulated in 2021 during the preparation of the AUO 2022 workplan, have not changed and consist of AUO providing timely, quality and objective audit and investigation services to Management and the governing bodies. These are set out in more detail in the annex.

B. Risks and audit priorities for 2023

5. In 2021, AUO conducted a comprehensive risk assessment, taking into consideration the IFAD12 institutional commitments and expected deliverables, the impact and scope of ongoing or planned institutional reforms, other Management and governing body priorities and other factors pointing to significant risk to the achievement of institutional objectives, including areas highlighted through the IFAD enterprise risk management (ERM) process. In September 2022, AUO conducted a limited-scope risk assessment exercise to gauge the ongoing validity of these key risks and priorities, which led to the following considerations:
 - Some of the main institutional reforms are now in the consolidation stage, but ongoing adjustments and re-scoping are still creating volatility in the IFAD organizational and process landscape.
 - The risks associated with the COVID-19 restrictions are significantly lower in 2022, but high staff turnover in 2022, the ongoing reforms and continuing resource constraints are stretching staff capacity thin and putting pressure on the Internal Control Framework.
 - AUO audits are still highlighting issues related to the supervision of downstream project partner activities and project procurement but are also finding significant improvements in underlying capacity and controls in relation to the latter.
 - IFAD should remain highly vigilant with respect to financial, cybersecurity, legal and reputational risks.
6. The Fund achieves its strategic objectives through its programme of work and outputs. The reforms and associated key risks in areas such as programme design and supervision, decentralization, delegated authorities, staff reforms and resource limitations will impact the effectiveness and quality of its programme outputs. Accordingly, AUO will maintain a focus on country programme activities.

7. The updated detailed AVO risk considerations and key risk/priority factors are set out in the annex. The table of potential audit coverage for the period 2022-2024 has also been updated (in the annex) to reflect the updated AVO risk considerations.

C. Proposed workplan for 2023 and tentative plan for 2024

8. The audit/advisory assignment selection in the proposed AVO workplan for 2023 and tentative plan for 2024 in table 1 below is drawn from the updated risk-based audit coverage as set out in the annex and considers the projected AVO staff and non-staff resources as set out in section III.

Table 1
Proposed AVO workplan for 2023 and tentative plan for 2024

<i>Internal audit and advisory</i>	2023	2024
Audit and advisory assignments		
▪ Country and regional offices	4	5
▪ Country programme audits	6	6
▪ Cross-cutting report on supervision of country programmes (advisory)	√	√
▪ Delegation of authority and associated accountability	√	
▪ Third-party risk management and due diligence	√	
▪ Capital adequacy/financial risk management	√	
▪ To be determined	√	
▪ <i>Staff recruitment/staff retention</i>		√
▪ <i>Reimbursable technical assistance</i>		√
▪ <i>Private sector operations</i>		√
▪ <i>Governance and management of information security</i>		√
▪ <i>Implementation of the Enterprise Risk Management Framework</i>		√
▪ <i>Project procurement</i>		√
Limited-scope reviews (recurrent)		
▪ Internal controls related to financial reporting	√	√
▪ Expenditure on the President's residence (April to March)	√	√
▪ Certification of headquarters expenditures submitted to the Government of Italy for reimbursement	√	√
▪ Data analytics: Cross-cutting studies, trends, exceptions and risk indicators	√	√
Other advisory work		
▪ Observer participation in important second-line Management committees	√	√
▪ Provision of comments and input in key proposed projects, products and institutional initiatives	√	√
▪ Other tasks contributing to institutional risk mitigation	√	√
<i>Investigations and anticorruption</i>		
▪ Effective and timely investigations	√	√
▪ Promotion of new anticorruption policy (training, awareness, advocacy)	√	√
▪ Coordinated risk mitigation work with other IFAD divisions	√	√
<i>Capacity-building and coordination</i>		
▪ Representation and advocacy at internal and external meetings	√	√
▪ Maintenance and development of audit and investigation support tools	√	√
▪ External review of audit/investigation functions (support, implementation of improvements)	√	√
▪ Staff recruitment, training, evaluation and development	√	√
▪ Coordination of United Nations and international financial institution (IFI) audit and investigation networks	√	√

9. The business processes/functions listed in table 2 were also identified through the updated AUO 2022 risk assessment as priority areas vis-à-vis IFAD institutional objectives and could be replacements for the assignments included in the 2023-2024 workplan (should risks/priorities change) or could be undertaken should additional audit resources be made available to AUO.

Table 2

List of potential alternate audit/advisory assignments for 2023 and 2024

Internal audit and advisory

Audit and advisory assignments

- Workforce planning
 - The reassignment process
 - Asset liability management
 - Business continuity
 - Compliance with grant guidelines
-

10. AUO may make changes during the year in response to emerging risks and priorities and will inform the Audit Committee accordingly.

D. Internal audit activities

11. The selection and prioritization of audits for 2023 took into consideration the AUO update of the institutional risks and priorities outlined above, which included interviews/feedback from Executive Management, the Audit Committee, the Independent Office of Evaluation of IFAD and the external auditors. The proposed timing of assignments also reflects factors such as the length of time since the last audit or whether the underlying process is mature for audit – e.g. if it is not subject to significant ongoing business reforms.

12. The rationale for the selection is summarized below, along with a description of the expected scope and objectives of the proposed assignments for 2023:

- **Audit of country and regional offices (4).** As the key risks related to programme delivery, decentralization and delegation of authority are directly linked to the effective operation of IFAD offices in the relevant country and region, AUO has been systematically covering this area each year. Four offices, including one regional office, will be audited to provide assurance that they have been effectively established and are operating in compliance with IFAD rules and procedures. These audits will provide critical assurance on the effective use of delegated financial, administrative and operational authorities, which are key to effective management of a decentralized organization. This will also involve assessing the effectiveness of associated second-line checks performed by the Financial Controller's Division and other IFAD entities. The country office audits will also assess the offices' alignment with the United Nations Management and Accountability Framework. The selection of the offices will be driven by transactional volume, years since the last AUO internal audit, type of decentralized office, regional spread and any particular risks.
- **Supervision of country programme audits (6).** Audits of IFAD supervision and the implementation support activities of country programmes will again be a key element of the workplan, continuing to provide assurance that significant fiduciary risks pertaining to programme delivery are being managed effectively, including the antifraud mechanisms. Remote supervision, staff turnover with associated vacancy periods and the constrained supervision resources are all contributing to these risks.

The core objective of these audits continues to be to provide assurance on the effectiveness of IFAD's supervision of project procurement and financial

management. Notwithstanding the significant progress being reported by AUO audits in this area, these areas are still high risk, and AUO's audit work will assess the effectiveness of the recently introduced capacity and control improvements. In 2023, as a separate objective, AUO will also begin assessing the effectiveness of IFAD's fiduciary supervision of project activities implemented by downstream project partners, prompted by issues highlighted in AUO country programme audits in 2021 and 2022 in this area. AUO will explore alternative means of gathering assurance, such as the use of geographic information systems to meet these objectives, especially when the project's geographical coverage is broad. The country programme audits will continue to provide assurance on adherence to IFAD's Social, Environmental and Climate Assessment Procedures (SECAP) requirements (scope expanded in 2022 to cover this aspect) and on the regularity of project staffing, recruitment, contracting and compensation arrangements (a frequent source of AUO audit findings in recent years). Country programme selection will be based on portfolio size and the volume of amounts recently disbursed for the country programme, the time since the last AUO internal audit, the type of decentralized supervision in place and the project delivery risks.

- **Cross-cutting report on supervision of country programmes (advisory).** All observations in the country-specific reports with systemic implications will be grouped into a cross-cutting report in order to share lessons learned and mitigate risks across the broader portfolio.
- **Delegation of authority and associated accountability.** This assignment complements the country office and supervision of country programme audits in providing assurance of the effectiveness and efficiency of decentralized business processes and the empowerment of staff to make decisions and be accountable for them. AUO will use data analytics and other tools to analyse data related to the entire set of mainly financial transactions to assess the extent and proper use of delegated authorities.
- **Third-party risk management and due diligence.** This area has risen to prominence, as IFAD is increasing its engagement with local, regional and global public and private entities, whose ownership, business practices, capacities, data protection and reputation can be highly volatile, creating a variety of potential risks for the Fund. The purpose of the audit is to identify and prioritize these risks and assess how IFAD monitors and mitigates them. The scope of the audit will be determined at the time of the audit and be corporate focused (third parties with a direct contractual/legal relationship with IFAD) rather than examining such risks in the programme of loans and grants, which differ in nature.
- **Capital adequacy/financial risk management.** IFAD's first Capital Adequacy Policy was introduced in 2019, establishing deployable capital as the main metric for assessing capital utilization and the availability of resources to support operations. As of December 2021 (the latest published status), all risk limits were complied with. Although AUO has no specific indications for concerns in this area, capital adequacy is critically important for determining the volume of IFAD operations and has high visibility with the credit rating agencies. AUO believes that an audit will provide the necessary assurance on the integrity of this mechanism, also considering the rapidly changing economic conditions. Financial risk management (comprising the management of credit, interest rate, currency and other financial risks) is closely related to capital adequacy, and AUO will determine the specific elements to include in the scope of the audit after carefully assessing the interrelations and dependencies between the various concepts under this

heading, the practicalities of auditing some elements jointly and any ongoing or planned changes prevailing at the time of the audit.

- **To be determined.** The IFAD risk environment and institutional priorities are constantly evolving and will continue to do so during the first year of the President's term. To ensure that AUO audit resources are employed where AUO can add value, in line with the principles of agile auditing, AUO proposes to identify a fourth business area for audit during 2023 to respond to prevailing risk and priority considerations and to inform the Committee accordingly in September 2023.
- **Testing of internal controls over financial reporting.** The annual AUO assessment of all key controls over financial reporting provides an important insight into the continuing robustness of key financial reporting controls; this becomes increasingly important in the context of ongoing changes and the need to maintain a sound financial standing. This audit will also support the annual Management assertion on the effectiveness of these controls, on which the external auditor provides an opinion. AUO will coordinate with the new IFAD external auditor, PricewaterhouseCoopers, in this area to ensure optimum coverage of the subject, while respecting the separate roles of the different parties involved.
- **Data analytics.** In 2022, AUO developed its capability and approaches to performing data analytics to assess compliance with corporate rules and standards; examine trends, data integrity and consistency; and identify outliers, anomalies or areas where managerial information or monitoring might be needed. In 2023, AUO will build on this work to perform analyses in the context of the planned audits, sharing any ad hoc findings with Management. AUO will use its experience in data analytics to provide advisory support to other areas of the organization that are developing similar capabilities for management monitoring or second-line reviews.
- The following audits will provide assurance on adequate and accurate reporting to internal and external parties:
 - **Audit of expenditure on the President's residence.** AUO will audit the expenditures related to the President's residence pursuant to the related Governing Council resolution.
 - **Certification of headquarters expenditures submitted to the Government of Italy for reimbursement.** AUO will certify the accuracy of the annual statement of expenditures and request reimbursement from the Government of Italy of expenditures related to hosting IFAD's headquarters.

Other audits tentatively identified for 2023-2024

- A key assignment tentatively identified for 2024 is the audit of "staff recruitment/staff retention." The ability of organizations to attract and retain talent is a recurring top global risk as economies emerge from the pandemic with transformed labour conditions, offering greater flexibility and smart working modalities. The challenges experienced in filling staff vacancies in a timely manner and high staff turnover have led to a large number of vacant posts, putting strain on the delivery of institutional outputs and staff workload and well-being. The timing and scope of this assignment will be based on the outcome of an action plan currently under consideration by Management.
- Implementation of the Enterprise Risk Management Framework (ERMF) is another high-priority audit area. Considerable progress has been made in the past two years in developing a formal ERMF and structure with the establishment of a new division (the Office of Enterprise Risk Management) headed by an Associate Vice-President, the approval of a policy and risk

appetite, the operationalization of risk committees and the creation of a Corporate Risk Dashboard. A key component of ERM, financial risk management is proposed for audit in 2023; AUO therefore proposes to assess the effectiveness of the framework and the maturity of IFAD ERM practices in 2024, once the underlying infrastructure has been fully established.

- The other areas that AUO has tentatively identified for 2024 are: reimbursable technical assistance (RTA), private sector operations, governance and management of information security, and project procurement. These are all key business processes that were highlighted as risks during the AUO annual risk assessment process, because they are part of either transformational institutional change or transformational country programmes. Furthermore, cybersecurity consistently emerges as a top global risk. Project procurement is already being extensively assessed through the country programme audits described above, so a specific audit in this area would draw upon these findings and focus on a particular corporate process or system issue. RTA and private sector operations have had limited activity to date, and the audit will add more value if it is based on a more substantial evidence platform. Completion of these assignments in 2024 assumes that AUO will have an additional full-time staff auditor on board in 2024, plus adequate non-staff resources for specialist external expertise to complement AUO staff skills in areas such as IT and treasury/financial management.
 - Other areas relatively high up in AUO risk assessment are workforce planning, the reassignment process, asset and liability management, business continuity and compliance with grant guidelines. These potential assignments can be viewed as a reserve or “watch” list and may be inserted in the workplan as conditions change.
13. **Advisory.** In addition to its role as an observer in Management committees, AUO will continue to perform specific advisory reviews at the request of Management and provide high-level feedback on key draft policies and procedures. AUO will continue to actively follow up and report on outstanding audit recommendations and will support Management in determining necessary improvements and corrective measures. AUO will continue to work closely with the audit entities of other United Nations agencies and IFIs to ensure coordinated audit approaches and effective information-sharing.

E. Investigation and anticorruption activities

14. The key priorities of the AUO investigation section in 2023 are the same as those of the previous year – i.e. (i) to strengthen and mainstream its collaboration with other IFAD divisions in mitigating fraud/corruption risks at an early stage, building on the framework introduced in 2020 and (ii) to ensure timely, effective investigation of allegations. AUO will continue prioritizing cases that pose significant ongoing reputational, integrity, financial or operational risks to IFAD.
15. AUO will support continued implementation of the anticorruption policy in collaboration with the responsible offices and continue to liaise closely with the Ethics Office in handling allegations of sexual harassment, sexual exploitation and abuse. AUO will continue to work closely on such matters with the investigative entities of other United Nations agencies and IFIs.
16. In 2023, AUO will also devote time and resources to implementing the improvement recommendations of the external review of its investigation function. The review assesses AUO’s adherence to best IFI/United Nations practices and to the specific investigation framework and guidelines that guide AUO’s investigative activities under its Charter. The results of the review will be reported to the Audit Committee.

III. AUO capacity and resource requirements for 2023

17. Table 3 provides the AUO workforce projections for the triennium 2022-2024 (with some approximation). The "Actual 2022" figures are adjusted to reflect vacant positions. Staff resources in the AUO audit section include Junior Professional Officers (JPOs), who are funded through supplementary funds (one JPO in 2022 and two JPOs in 2023/2024). The AUO resource plan for the medium term was based on the projected IFAD audit assurance and investigation capacity needs for the 2022-2024 triennium. However, this year AUO adjusted the resource plan for 2023-2024 slightly downward to reflect IFAD's overall level of activity and budgetary resources. This, in turn, led to a slight adjustment in the proposed audit coverage, as set out in table 4 below (adjustment to the assignment numbers in brackets against each category).

Table 3

AUO staff resources, including full-time consultant resources for 2022-2024

AUO staff resources (excluding vacant posts)	Proposed 2022	Actual 2022	Proposed 2023	Possible 2024
Audit section	6	6	8	8
Investigation section	7	5.5	7	7
AUO front office	2.5	2	2	2
Total full-time equivalent (FTE) staff	15.5	13.5	17	17
AUO full-time consultant resources (approx.)	Proposed 2022	Actual 2022	Possible 2023	Possible 2024
Audit section	-	-	-	-
Investigation section	1	2	1	1
Total FTEs – FTE consultants	1	2	1	1

18. The projections below assume that country office and full-scope advisory assignments require three months of full-time audit staff equivalent on average. Country programme audits, full business process/function audits and regional office audits require approximately four months of audit FTE. For 2022, it was anticipated that audits of decentralized offices would take slightly longer, as the underlying structures and processes are relatively new. It is also assumed that the new AUO data analyst/forensic officer will devote most of her/his time to audit data analytics work and that AUO will further streamline its audit scoping and report finalization practices to achieve the coverage foreseen in the workplan.
19. The adjustment to the assignment numbers in brackets in each category reflects the adjusted projected availability of AUO resources over the 2022-2024 period.

Table 4

Planned internal audit activities for 2022-2024 and AUO audit resources

AUO audit time use (no. of assignments)	Possible 2022	Expected 2022	Possible 2023	Possible 2024
Country/regional office audits (2022 - 3, 2023 - 5 4, 2024 - 6 5)	1.2	1.2	1.6	1.8
Country programme audits (6, 6, 6)	2.0	2.0	2.0	2.0
Business process/function audits (3, 5 4, 7 6)	1.0	1.0	1.4	1.8
Standard limited-scope assignments (3, 3, 3)	0.2	0.2	0.2	0.2
Data analytics	0.5	0.3	1.0	0.8
Advisory assignments (2 1, 2 1, 2 1)	0.5	0.2	0.3	0.3
Other advisory work	0.3	0.3	0.3	0.3
Total FTEs – internal audit work	5.7	5.2	6.8	7.2
Capacity-building/representation/management	0.8	0.8	1.2	0.8
Total audit FTE requirement (including data analyst)	6.5	6.0	8.0	8.0

20. In addition to staff resources, AUO estimates that it will need a non-staff budget of approximately US\$400,000 each year for local, regional and expert consultants, mission travel and specialist forensic and other audit and investigation tools and services. It also expects that long-term consultancy support will be needed to assist it in managing the investigative caseload. These estimates are based on actual cost experience and the projected workload.
21. The proposed AUO 2023 budget of US\$435,000 for non-staff resources will cover the cost of local experts and specialist audit and investigation services from firms, travel, audit and investigation tool licences, and specialist training to complement staff capacity in the investigation area. The capacity support needs in the investigations area will be higher in 2023 due to the current high number of vacancies and the learning curve for new staff. The amount currently allotted to AUO through the 2023 IFAD administrative budget is US\$290,000. The delivery of the 2023 AUO workplan is contingent on the availability of the full proposed budget and, as in prior years, it is expected that additional amounts will be promptly allotted to AUO as needed in 2023.
22. AUO will continue to reassess and build its capacity to meet its core mandate through training in technical areas where IFAD will increasingly be involved and through enhanced audit and investigation tools. This will also involve the implementation of recommendations from the external review of the IFAD investigation function (due to be completed in 2022) and from the external quality assurance review on the IFAD internal audit function (due to be conducted in mid-2023).
23. As communicated to and endorsed by the Executive Board and the President, AUO will administratively house the impartial review process, an element of the enhanced complaints procedure for alleged non-compliance with IFAD's SECAP. An operating budget of US\$92,000 has been estimated for the first full year of operations (2023) of the new SECAP complaints' procedure by the Operational Policy and Results Division and communicated to the Audit Committee in September 2022. Of this total, US\$54,500 relates to the estimated costs of the impartial review process (primarily the fees and travel expenses of the SECAP complaints officer) to be administratively housed within AUO. Accordingly, AUO will propose that a budget provision of US\$54,500 be allocated to AUO in 2023, in case a SECAP complaint is escalated to the impartial review process. This is separate from the resources required to support the proposed AUO workplan for 2023.

AUO audit strategy for 2022-2024 - updated

A. AUO strategic objectives

1. This is the second year of the 2022-2024 AUO strategic planning period, and AUO's strategic objectives for the IFAD12, as formulated in 2021 during the preparation of the AUO 2022 workplan, have not changed. Specifically, AUO will aim to:
 - Provide timely, quality and objective assurance to Management and the governing bodies on the effective management of risks that could have a significant impact on the achievement of IFAD's institutional objectives; such assurance will normally be provided in relation to business processes or functions, whose underperformance/failure could significantly undermine the achievement of institutional deliverables;
 - Provide timely and objective advisory feedback at the request of, or in agreement with, Management to support Management in effectively managing risks. Such engagements will normally relate to ongoing or planned reforms or initiatives;
 - Ensure that (i) all allegations of wrongdoing in IFAD's activities and operations brought to the attention of AUO are investigated thoroughly and expeditiously, with due consideration of the rights of all parties involved and operational needs; and (ii) associated risks are managed in a timely manner in coordination with other IFAD divisions, where appropriate, to mitigate operational, financial and reputational risks. Specifically, all high-priority allegations are to be investigated within six months of receipt, or sooner, if so required by operational needs, and all other allegations of wrongdoing are to be addressed within a reasonable timeframe; and
 - Promote IFAD's anticorruption stance through internal and external awareness events and communications, and coordinate with other IFAD divisions to help prevent wrongdoing in IFAD activities and operations.

B. Risks and priorities

2. **2022 Update.** In 2021, AUO conducted a comprehensive risk assessment that identified 17 key risks/priorities considered relevant for the IFAD12 period, which are set out in table 1 (A to Q). In September 2022, AUO conducted a limited-scope risk assessment exercise to assess the ongoing validity of these key risks and priorities, which led to the following conclusions:
 - The identified risks pertaining to ongoing **institutional reforms** are still valid. Although some of the main reforms are now in the consolidation stage with associated benefits materializing, ongoing adjustments and re-scoping are still creating some volatility in the IFAD organizational and process landscape. The transition to a new Presidency in 2022-2023 may also bring about a reprioritization of institutional priorities and reforms.
 - **Institutional risks.** The risks associated with the COVID-19 restrictions are substantially lower in 2022 and are not expected to be significant in the period 2023-2024. The high staff turnover experienced in 2022 and the high number of vacant posts at the time of this writing are likely both a symptom and a cause of the stretched staff capacity. Considering the ongoing reforms, the continuing resource constraints for several key functions and the growing volume and complexity of active programmes, the risks previously identified under this heading are expected to remain significant.
 - AUO identified **supervision of project procurement** as a high risk area and audit priority in 2021. The high risk was to some extent also linked to the inability to supervise activities in person for an extended period due to COVID-19 travel restrictions. Audits of IFAD's fiduciary supervision of country programmes are still highlighting issues in this area but are also pointing to

significant improvements in the underlying capacity and controls – a result of substantially increased Management attention to this area over the past three years. Recent AUO audit and investigation work highlighted IFAD supervision of downstream project partner activities as a possible risk area.

- The **overriding risks** category includes external factors that may impact the achievement of IFAD objectives. None of the risks identified by AUO as overriding risks in 2021 have materialized in a significant way, but related risk events did occur nevertheless, confirming that IFAD should remain highly vigilant in relation to financial, cybersecurity, legal and reputational risks. Furthermore, in 2021-2022 the economic downturn experienced by many economies due to the rising cost of energy inputs, supply chain disruptions and rising interest rates/yields is already posing significant challenges to many of the Fund's recipient Member States and contributors and may generate financial and programme delivery risks for IFAD in 2022-2023.
3. The key risk/priority factors, as updated by AUO, to consider in the above analysis are set out in table 1.

Table 1

Institutional risks and priorities considered in AUO audit planning for 2022–2024 (updated in 2022)

Colour legend:

- Lower risk/priority assigned by AUO to this area in 2022 (compared to 2021)
- Higher risk/priority assigned by AUO to this area in 2022
- New risk/priority area identified by AUO in 2022

KEY IFAD12 INSTITUTIONAL REFORMS	INSTITUTIONAL RISKS	AUO-IDENTIFIED RISKS	OVERRIDING RISKS
A. Decentralization 2.0 B. Implementation of the Enterprise Risk Management Framework C. Integrated Borrowing Framework and maintenance of strong credit rating D. Human resources reform E. Private Sector Financing Programme F. People, Processes and Technology Plan (PPTP) Transition to a new Presidency	G. The stress on the Internal Control Framework and staff engagement due to the fast pace and high complexity of change and reform H. COVID-19 restrictions I. Focus on efficiency while maintaining a high volume of operations in the context of higher policy/thematic expectations J. Resource constraints K. Staff retention and turnover (internal and external) Staff recruitment	L. Effective supervision of project procurement and contract management, including anticorruption measures M. Skill and resource shortages in relation to project supervision Supervision of project activities assigned to downstream partners Project staffing	N. Financial or data loss O. Cybersecurity risks P. Legal risks (adverse legal consequences) Q. Reputational risks Impact of economic crisis

4. The Fund's strategic objectives are primarily achieved through its programme of work and outputs. The reforms and associated key risks in relation to programme design and supervision, decentralization, delegated authorities, staff reforms and resource limitations, inter alia, will impact the effectiveness and quality of its programme outputs. Accordingly, AUO will maintain a focus on country programme activities as a high priority through missions and thematic reviews. The selection of other specific areas to be audited each year will be based on the institutional risk information, supplemented with AUO's own updated risk assessment exercise.

C. Potential audit/advisory assignments for 2022-24

5. Table 2 presents the expected AUO audit coverage for the period 2022-2024, as presented in AUO's 2022 workplan document, reflecting the updated IFAD risk/priority environment and AUO projected capacity.

Table 2
Potential audit/advisory assignments for 2022-24

Colour legend:

- Already completed or lower risk/priority assigned by AUO to this area in 2022
- Higher risk/priority assigned by AUO to this area in 2022
- New risk/priority area identified by AUO in 2022
- R/r: Processes still undergoing significant (R) or some (r) reform in 2022-2023

R	Risks/priorities				
		INSTITUTIONAL REFORMS	INSTITUTIONAL RISKS	AUO-IDENTIFIED RISKS	OVERRIDING RISKS
	Cross-cutting of IFAD supervision of country programmes (annual)				
R	Application of IFAD project procurement guidelines				
	Digital signature and electronic submission of documents (completed in 2022)				
	Effectiveness and efficiency of PPTP (completed in 2022)				
R	Reassignment process				
r	Enterprise risk management				
R	Management of investments in non-sovereign private sector operations				
	Interest rate risk management				
	Workforce planning				
	Staff retention				
r	Staff recruitment				
	Management of loan arrears				
	Currency management				
	Credit risk management				
	Asset and liability management				
	The capital adequacy model and application				
	Implementation of the Rural Poor Stimulus Facility				
	Compliance with grant guidelines				
	Governance and management of information security				
	Effectiveness of implementation of reimbursable technical assistance				
	Effectiveness of implementation of the "Faster Implementation of Project Start-Up (FIPS) Facility"				
	Business continuity				
	Due diligence of service providers, grant recipients, donors under anti-money laundering and countering the financing of terrorism				
r	Implementation of Decentralization 2.0 and delegation of authority				
	Country and regional offices				
	Country programme audits				