
Workplan for IFAD’s Office of Audit and Oversight for 2025

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Action: The Executive Board is invited to confirm the workplan for IFAD’s Office of Audit and Oversight for 2025.

Technical questions:

Madina Bazarova
Director
Office of Audit and Oversight
e-mail: m.bazarova@ifad.org

Robert Creswell
Audit Manager
Office of Audit and Oversight
e-mail: r.creswell@ifad.org

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Workplan for IFAD's Office of Audit and Oversight for 2025

I. Introduction

1. This paper presents the workplan of the Office of Audit and Oversight (AUO) for 2025 and relevant background information.
2. The AUO workplan for 2025 has been approved by the President. Under its terms of reference, the Audit Committee may issue proposals for the President's consideration. Once finalized, the workplan will be submitted to the Executive Board for confirmation at its December 2024 session.
3. The workplan is being presented to the Audit Committee prior to finalization of the 2025 budget process so that its size and complexity can be properly taken into account in the preparation of the AUO budget.

II. Internal oversight strategy for the medium term (2025–2027)

A. AUO strategic objectives

4. AUO is mandated to provide independent assurance and advisory services to Management and the governing bodies on the effectiveness of IFAD's governance, risk management and control mechanisms, the efficiency and effectiveness of its business processes and compliance with applicable rules and regulations. It is also mandated to conduct independent investigations of all alleged misconduct, fraud and corruption in IFAD-financed activities and operations. It adds value by contributing to the mitigation of risks that could jeopardize the achievement of IFAD's objectives. AUO provides evidence-based, independent analysis to underpin conclusions that can be trusted. Its internal audit strategy can be found in annex I.
5. For the Thirteenth Replenishment of IFAD's Resources (IFAD13) period, AUO will aim to:
 - Provide timely, quality and objective assurance to Management and the governing bodies of 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 or failure could seriously 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 be related to ongoing or planned reforms or initiatives.
 - Ensure that: (i) all allegations of wrongdoing in IFAD activities and operations brought to the attention of AUO are thoroughly and expeditiously investigated, 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, the highest priority allegations are to be investigated within six months of receipt, or sooner, if so required by operational needs; all other allegations of wrongdoing are to be addressed within a reasonable timeframe.
 - Promote IFAD's anticorruption stance through internal and external awareness events and communications, and coordinate with other IFAD divisions to prevent wrongdoing in IFAD activities and operations.

B. Risks and priorities

6. AUO has aligned the timeframe of its strategic planning with the IFAD13 period. That is because replenishment consultations generally determine or adjust institutional objectives and commitments, whose delivery is threatened by institutional risks associated with IFAD efficiency, effectiveness and credibility. IFAD13 priorities and targets reflect IFAD's ambition to make a substantial contribution to meeting the Sustainable Development Goals by 2030 by mobilizing a record US\$2 billion in new funding. The Member States have mandated IFAD to focus on fragile contexts,¹ invest in climate resilience and biodiversity, and boost private sector engagement for development impact. Operational and organizational performance will be achieved by: (i) consolidating effectiveness and efficiency by prioritizing impact through country programmes; (ii) integrating financing sources across IFAD's programme of work; (iii) reforming strategic budgeting; (iv) improving workplace culture; and (v) focusing on diversity, equity and inclusion.
7. The AUO workplan also considers the progress made in key institutional reforms. Implementation of the Decentralization 2.0 plan will see regional offices set up in the Asia and the Pacific region and the Latin America and the Caribbean region in early 2025, bringing the total number of offices to approximately 50, while the Enterprise Risk Management Framework and the Integrated Borrowing Framework have continued to mature. The reassignment process is currently being reviewed by an external firm, and divisions are being recalibrated to maximize the focus on operations, ensure that processes are efficient and effective, and reconfigure the organizational chart to better respond to emerging priorities, through the creation, for example, of a new Private Sector Operations Division. The key underpinning that the IFAD13 business model is focusing on is the last mile and those most at risk of being left behind, which requires IFAD to assemble and deploy investment to rural people across the 92 countries with ongoing programmes.
8. From a financial standpoint, AUO recognizes the importance of ensuring that controls are in place to protect the AA+ credit ratings that enable IFAD to operate in capital markets. In common with other international financial institutions (IFIs), IFAD is seeking to make better use of its balance sheet to catalyse and mobilize additional private investment and financial services. IFAD13 will allocate a higher volume of resources under the Borrowed Resource Access Mechanism (BRAM) to give Member States greater access to IFAD resources, regardless of income category.
9. In terms of global risks, over the 2025–2027 timeframe, cybersecurity, human capital and business continuity are predicted to be the highest risks, with environmental (including climate) and technology risks (including digital disruption) expected to increase in the medium term.
10. Achieving IFAD13 objectives will also depend on effective management of other institutional risks already identified by AUO, such as the stress on the Internal Control Framework; staff burnout caused by the continuing fast pace; reliance on some manual, rather than automated, processes; and the complexity of change and potential funding constraints for IFAD's programme of loans and grants, including the matching of concessionality with the associated borrowing costs for sustainable financing. The COVID-19 pandemic has ended, but the associated impact on operations and staff activities, especially during the time when in-person missions to projects were not possible, is still visible. Indications from AUO audit and investigation work point to the need for constant vigilance of project procurement and contract management, financial fraud and losses, and cybersecurity risks.

¹ In IFAD13, IFAD will increase the share of core resources dedicated to fragile situations from 25 per cent to at least 30 per cent and prioritize the mobilization of additional grant-based supplementary financing for these situations

11. Considering the general risks and priorities outlined above, the principal guiding factors that AUO will consider when selecting audit areas are described below. This section of the report responds to the 2023 external quality assessment (EQA) of AUO's internal audit section, which required the plan to include a clear map of planned internal audit activity to the key and strategic risks of the organization.
 - Most of the Fund's strategic objectives will be achieved 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 constraints will impact the effectiveness and quality of its programme outputs. Accordingly, AUO will continue to make audits of country programme activities a high priority through missions and cross-cutting reports.
 - AUO will continue to give high priority to audits of IFAD country offices (ICOs) to promote accountability and provide Management with timely feedback on controls, risks and lessons learned. Cross-cutting reports will identify higher-level corporate learning points with respect to procedures, systems and approaches.
 - The constantly evolving financial architecture entails inherent risks as internal systems and processes respond through greater automation and integration. Accordingly, AUO will continue to give high priority to audits of financial business processes. Such assurance will also be important to ensuring that IFAD's strong credit rating is maintained.

III. AUO workplan for 2025

A. Selection of audits

12. In selecting and prioritizing audits for 2025, consideration was given to institutional reforms and risks over the IFAD13 period, the priorities outlined above, feedback from Senior Management and the Audit Committee, the high-level preview of IFAD's results-based programme of work and regular and capital budgets for 2025, credit rating agency reports and AUO's own considerations.
13. AUO also drew on information from the IFAD enterprise risk management system – in particular, high-risk areas and key risk indicators that are outside the tolerance threshold based on the corporate risk appetite (strategic, financial, operational, programme delivery). In addition to the Corporate Risk Dashboard² for the first quarter (Q1) 2024, AUO considered the risk and control self-assessment being piloted by the Financial Operations Department and the recently launched incident reporting mechanism. Even in their current nascent state, they provide valuable information on risks, process issues and "near misses," lending urgency to system enhancements such as modernization of the treasury accounting and risk management systems.
14. AUO is reducing its involvement in areas where other internal or external independent bodies (such as the Independent Office of Evaluation of IFAD [IOE] and the external auditor) are mandated to provide assurance to Management and the governing bodies. One example is IOE's thematic evaluation on gender equality and women's empowerment, which has resulted in AUO taking an assignment-specific approach to this topic rather than undertaking a stand-alone assignment, which is encouraged by the United Nations System-wide Action Plan on Gender Equality and the Empowerment of Women. After assessment, AUO may also limit its involvement in areas where second-line internal functions (such as those of the Office of Enterprise Risk Management [RMO] and risk committees, the Quality Assurance Group and the Ethics Office [ETH]) systematically and competently track and monitor the performance of first-line controls. Although their scope differs,

² Q1 2024 is the most recent dashboard available as of this writing.

AUO is coordinating with the staff responsible for the Financial Controller’s Division controllership function in regard to ICO coverage.

15. The proposed AUO workplan for 2025 is spelled out in table 1, along with tentative assignments for 2026–2027. The scheduling of assignments reflects factors such as the length of time since the last audit or whether the underlying process is mature for audit or more suitable for an advisory assignment (e.g. if it is subject to significant ongoing business reforms). AUO may make changes during the year in response to emerging risks and priorities and will inform the Audit Committee accordingly. One assignment has deliberately been left “flexible,” in view of the arrival of the new AUO Director on 1 November 2024 after submission of this plan. The proposed reduction in the number of assignments reflects the increasing level of business complexity and volume, the increased costs of working in certain contexts and the staffing plan as described below.

Table 1
AUO workplan for 2025 and tentative plan for 2026/2027

Activity	Memo: 2024 forecast	2025 plan	2026 tentative	2027 tentative
Audit and advisory assignments				
Supervision of country programmes*	7	6	5	5
Country and regional offices*	5	4	4	4
Supplementary funds		1		
Fragile and conflict-affected settings (T)	<i>Linkages</i>	1		
Staff safety and security		1		
<i>One assignment to be left flexible</i>		1	1	1
Business continuity planning (T) – limited scope			1	
Cybersecurity			1	
Consultant hiring			1	
Non-sovereign operations – private sector (T)				1
Asset and liability management (T)				1
Other business process audits (2024)	4			
Limited scope reviews (recurrent)				
Internal controls over financial reporting	2	2	2	2
President’s residence expenditures	1	1	1	1
Certification of headquarters expenditures	1	1	1	1
Total	20	18	17	16

Other advisory work

- Observer participation in important second-line of defence Management committees
- Provision of comments and input to key proposed projects, products and institutional initiatives

Investigations and anticorruption

- Effective and timely investigations
- Promotion of new anticorruption policy (training, awareness, advocacy)
- Coordinated risk mitigation work with other IFAD divisions

Capacity-building and coordination

- Representation and advocacy at internal and external meetings
- Maintenance and development of audit and investigation support tools
- Staff recruitment, training, evaluation and development
- Coordination of United Nations and IFI audit and investigation networks

Notes: * - Includes one cross-cutting report.
T - Tentatively identified for 2025 in the AUO 2024 workplan.

16. The planned and tentative country selections for ICO and supervision audits are shown in annex II. AUO places great emphasis on in-person missions, for which the audit evidence is more robust and useful for drawing lessons. Some of the “softer,” more behavioural office characteristics cannot always be picked up by remote work. AUO liaises with ETH during its work to keep abreast of eventual workplace culture challenges.
17. The business processes/functions listed in table 2 were also identified as priority audit areas and could serve as replacements for assignments included in the 2025 workplan (should risks/priorities change) or taken up in 2026–2027. For reference, the type of value added by internal audit is illustrated in annex III.

Table 2

List of potential alternate audit/advisory assignments for 2025 and 2026–2027

Internal audit and advisory

- Impact of recalibration on procurement approvals (no objections, completeness/use of data in the Online Project Procurement End-To-End System [OPEN])
- Review of possible password sharing in the context of delegations of authority
- Performance-based allocation system model, including reprogramming of resources
- Grant design review and approval process
- Estimates involved in implementing the new environmental, social and governance International Financial Reporting Standards (IFRS) S1 and S2 in 2025
- The effectiveness, reporting and knowledge-sharing of innovation pilots such as Blockchain/TRACE
- Withdrawal application processing – reports-based disbursement, sample checks, straight-through processing
- Disbursement monitoring – tentatively identified in the previous year’s AUO workplan
- Flexible work arrangements
- Workplace culture and engagement
- Staff recruitment and vacancy management
- Controls over staff benefits and allowances
- Data governance and quality
- Advisory assignment on the governance of artificial intelligence or AUO’s development of a use case
- A second cybersecurity audit, given the global risk and pace of change in this area
- Borrowed Resource Access Mechanism
- Budget formulation and approval
- Mobility framework and reassignment
- Loan repayments, refunds and arrears
- Project design

18. The EQA recommended that the three-year workplan assess the organization’s assurance needs, not just those areas that have been included in the plan, based on the level of available resources. This is a challenge, given the reduced audit staffing, but the intention is to meet the requirement through better coordination with other assurance providers, taking advantage of the maturing control processes, systems and dashboards and leaving one audit flexible each year to respond to emerging risks. All business processes ranked as high-risk areas in the AUO audit universe will be covered to some extent, and should there be indications that processes merit an audit, AUO will respond with a request for additional resources. Given the resource constraints, the approach must be risk-based, since mathematically, each ICO will only be audited approximately once every five replenishment cycles, and each active country programme will be covered only once every seven cycles. As more documentation is systematically filed in corporate systems, the opportunity for greater data analysis and the use of artificial intelligence will increase (e.g. to review project procurement activities for anomalies).

B. Internal audit activities

19. The rationale for the selection of assignments is summarized in annex IV, along with a description of the expected scope and objectives of those proposed for

2025. As follow-up to the EQA recommendations, AUO will work on its stakeholder engagement and communication plans to better disseminate the lessons learned.

C. Investigation and anticorruption activities

20. The key priorities of the AUO investigation section in the 2025–2027 period remain unchanged: (i) to ensure timely, effective investigation of allegations; and (ii) to maintain strong collaboration with other IFAD divisions in mitigating fraud/corruption risks at an early stage. To this end, AUO will further streamline investigative procedures in response to the growing caseload and continue collaborating with operational units to mitigate residual risks pending investigation.
21. AUO will continue to support implementation of the anticorruption policy in collaboration with the responsible offices and liaise closely with ETH 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.
22. In order to reduce inherent risk of fraud in IFAD-funded activities, AUO will look into the possibility of building capacity in the national institutions responsible for oversight of IFAD-funded projects.

D. Social, Environmental and Climate Assessment Procedures: Impartial review process

23. The impartial review process (IRP) of the Social, Environmental and Climate Assessment Procedures (SECAP) is carried out by an independent expert, the SECAP complaints officer (SCO). The contractual performance of the SCO will be monitored by AUO. Although no complaints have yet been escalated to this mechanism since its introduction in 2022, AUO, with support from the Environment, Climate, Gender and Social Inclusion Division, is in the process of soliciting expressions of interest to create a pool of interested SCOs to be hired expeditiously when needed. AUO will provide logistical and budgetary support (funded through a separate budget allocation). The SCO will conduct the IRP in full autonomy.

IV. AUO capacity and resource requirements for 2025

24. Table 3 provides the AUO workforce projections for the next triennium based on the projected audit assurance and investigation capacity needs of IFAD. The AUO audit section budget request for 2025 included one extra P-4 Audit Officer in view of growth in complexity and volume while having lost one Junior Professional Officer (JPO) in September 2024 with a second to finish their three-year contract in December 2025. While no new positions have been added, efforts are ongoing to secure additional JPOs to support audit capacity. Additionally, it is anticipated that the two P-3 Audit Officers currently in the corporate reassignment process will remain in their positions, allowing the workplan to proceed smoothly. Should any adjustments to the workplan be necessary, the AUO is prepared to manage these effectively, ensuring that continuity and audit standards are maintained.
25. Tables 3 and 4 show the AUO staff and full-time consultant resources over the three-year period. The proposal for an additional Investigation Officer in 2026 represents the conversion of one full-time equivalent (FTE) consultant to a staff position. These projected activity levels are based on historical data: in terms of staff time, audits of regional offices, business process audits and country supervision audits require 81 person-days on average; ICOs require 55 days; and the other assignments are shorter. Supervision and business process audits generally require specialist consultant support. It is assumed that the AUO data analyst/forensic officer will continue to divide their time between audit and investigation. It is also assumed that audit staff will support the transfer of

allegations that have arisen during the course of their work to investigators. As in the past, some joint missions may be necessary; such missions have proven extremely effective and efficient.

Table 3
AUO staff and full-time consultant resources for 2025-2027

AUO staff resources	<i>Approximately 2024</i>	<i>Proposed 2025</i>	<i>Possible 2026</i>	<i>Possible 2027</i>
Audit section (including data analyst)	7.7	6.8	6.0	6.0
Investigation section	7.0	7.0	8.0	8.0
AUO front office	2.0	2.0	2.0	2.0
Total FTE staff	16.7	15.8	16.0	16.0
AUO full-time consultant resources	<i>Approximately 2024</i>	<i>Proposed 2025</i>	<i>Possible 2026</i>	<i>Possible 2027</i>
Audit section	-	-	-	-
Investigation section	2	3	2	2
Total full-time FTE consultants	2	3	2	2

Table 4
Planned internal audit activities for 2025-2027 and AUO audit resources

AUO audit time use (no. of assignments)	<i>Plan 2025</i>	<i>Tentative 2026</i>	<i>Tentative 2027</i>
ICO/regional office audits* (4,4,4 including 2 regional offices)	1.0	0.9	1.3
Country supervision audits* (6,5,5)	2.4	2.0	2.0
Business process/function audits (4, 4, 3)	1.8	1.7	1.4
Standard limited-scope assignments (4, 4, 4)	0.6	0.6	0.6
Other tasks	0.2	0.2	0.2
Total FTEs – internal audit work	6.0	5.4	5.5
Capacity-building/representation/management	0.8	0.6	0.5
Total audit FTE requirement (including data analyst)	6.8	6.0	6.0

* Including a cross-cutting report.

26. The non-staff resource budget covers the cost of local experts and specialized private audit and investigation services, travel, audit and investigation tool licences and specialist training to supplement staff capacity. The budget also includes some long-term consultancy support to help manage the record investigative caseload. During preparation of the 2025 budget submission, Senior Management accepted that, with the imminent arrival of the new AUO Director, the “placeholder” budget submission of US\$435,000 was not linked to the actual AUO resource requirements for 2025.
27. As mentioned above, any resources required to fund activities under the SECAP IRP, which AUO administers, will be addressed at the time. At present, no such complaints have been escalated.
28. AUO will continue to reassess and build its capacity through training in technical areas in which IFAD will increasingly be involved and through enhanced audit and investigation tools. The divisional learning plan for 2025 has been submitted, based on a skills needs assessment, including collaboration with Rome-based agencies.

Main elements of AUO's internal audit strategy






1. **Mandate.** The AUO internal audit section provides independent assurance and advisory services to Management and the governing bodies on the effectiveness of IFAD's governance, risk management and control mechanisms, the efficiency and effectiveness of business processes and compliance with applicable rules and regulations. AUO is also mandated to conduct independent investigations of all alleged misconduct, fraud and corruption in IFAD-financed activities and operations.



2. **Vision.** To be a trusted, evidence-based source of assurance and advice for Management and governing bodies to make informed decisions for achieving IFAD's strategic objectives, organizational excellence, transparency and accountability.

Mission of AUO:

Enhance and protect organizational value by providing risk-based objective assurance, advice and insight

* Key pillars	Objectives
INDEPENDENCE 	The organizational position is appropriately placed, adequately resourced and working efficiently and effectively.
PEOPLE 	<p>Staff are experienced and technically prepared, working well as a team.</p> <p>The unit mind-set is based on professional scepticism, balancing serving as a trusted advisor with compliance, reviewing past transactions for accountability purposes and using them to identify root causes as the basis for forward-looking change (foresight).</p> <p>The divisional learning plan and performance evaluation system (PES) objectives are the vehicles for shaping personal growth.</p>
AGILE RISK-BASED WORKPLAN 	<p>Which is responsive to emerging risks and relevant to key and strategic objectives.</p> <p>Not all assurance assignments must include the 3Es (effectiveness, efficiency and economy) and equity (e.g. inclusion aspects).</p>
DIALOGUE & COMMUNICATION 	<p>The unit proactively engages with stakeholders and communicates results to disseminate the lessons learned for greater geographical application.</p> <p>The networks of the United Nations Representatives of Internal Audit Services (UN-RIAS), the Rome-based agencies internal auditors, the heads of internal audit, and conferences of the European Commission's Internal Audit Service are the most useful mechanisms for stocktaking, learning and sharing knowledge.</p>
EMBRACE INNOVATION & LEVERAGE TECHNOLOGY 	<p>Continually assess the efficiency and effectiveness of internal work methods; pilot artificial intelligence, especially to target valuable information contained in unstructured data; use data analytics and visualization to cover larger transactional populations and priorities and communicate key messages; promote digitalization of project documents and the use of geographic information systems and earth observation where physical missions are not possible.</p> <p>The aim is to increase risk coverage and provide deeper insights through advanced analytics and automation.</p>

* Responding to the **2023 external quality assessment (EQA) recommendations** and the **Global Internal Audit Standards** issued by the **Institute of Internal Auditors**.

Note: Building on the last key pillar above, AUO will develop a digital strategy in 2025 to become more proactive, data-driven and aligned with the corporate digital transformation. The strategy will enhance risk coverage and provide deeper insights through advanced analytics and automation.

3. The **current AUO IT landscape** includes:

(i) Internal AUO technology:

- **AutoAudit (AA).** This audit management software is suitable for a small team, all of whose members are based in the same location, but is clunky to operate. The system stores audit information going back over 25 years, providing a wealth of information.
- **Recommendations on line (ROL).** All agreed actions stemming from assignments in AA are automatically fed into the IFAD ROL web application, which can be searched by all staff to find out the latest implementation status. This is especially useful for tracking the mitigation of risks identified during audits.
- **Audit Command Language (ACL).** This software is used by internal auditors to extract and analyse large datasets.
- **Structured Querying Language (SQL).** This is used for in-depth data analysis.
- **Investigation tools.** The AUO investigation section has a case management system that is being updated, digital forensic tools (Axiom, Intella, Cellebrite) and a number of data search subscriptions and Open-Source Intelligence sources.

AUO looked into adopting process mining tools but deemed they were too expensive for the requirement, mainly because IFAD systems have been customized.

(ii) Corporate technology used by AUO:

- Copilot is being used cautiously, primarily to identify good practices and highlight common issues across multiple documents.
- Sharepoint is the corporate document storage software.
- Power BI data analytics.
- Geographic information systems (GIS) are used to the extent possible (e.g. for reviewing project infrastructure and roads). AUO is promoting greater use of the geographic information systems and digitalization in general as a way of gaining deeper and broader assurance.

(Python is not currently used but is being monitored for eventual uptake.)

(iii) Auditing technology:

- AUO keeps up to date and follows the Institute of Internal Auditors guidance and technical standards when auditing technical areas such as cybersecurity and data governance.

(iv) Peer learning and sharing:

- The AUO Audit Manager co-chairs the United Nations Representatives of Internal Audit Services (UN-RIAS) working group on innovation, focusing primarily on data analytics, visualization and the use of artificial intelligence (AI) in internal audit across the United Nations system. The AUO Investigation Manager chairs the United Nations Representatives of Investigation Services (UN-RIS). Other AUO staff represent AUO in several working groups, including the Digital Innovation Group and Data Analytics/AI Forum.

Potential artificial intelligence “pretotype” use case

AUO has identified a use case that could potentially support country supervision audits while building capacity. AI would search unstructured project procurement and contract documentation to ensure that IFAD’s mandatory safeguard clauses have been adequately cascaded; these include provisions on disclosing relevant criminal convictions and administrative sanctions, prohibiting acts of sexual harassment/sexual exploitation and abuse (SH/SEA) and declaring conflicts of interest. Potential application may not be restricted to ex post contract reviews for compliance checks but could assist first-line staff with tasks such as no objections. This initiative is not in the base AUO workplan but represents an opportunity if consistent with the upcoming digital strategy and ICT workload. Synergies may be possible with corporate use cases.

Tentative country selections

Table 1
Tentative country office audits for 2025 and 2026 (plus one cross-cutting report each year)

<i>Division</i>	<i>2025</i>	<i>Alternate 2025 / 2026</i>
APR	Nepal (country director [CD]-led – never audited, budget US\$0.7 million)	Pakistan (CD-led – never audited, budget US\$1.1 million [PYT])
ESA	-	Angola (CD-led – never audited, budget US\$0.8 million)
LAC	-	-
NEN	Türkiye (multi-country office) (last audit 2021, budget US\$2.1 million)	-
WCA	Liberia (CD-led – never audited, budget US\$1.1 million)	Nigeria (CD-led – last audit 2017, budget US\$1.1 million)

Notes: (i) the tentative plan for 2027 is not shown, as it is too premature; (ii) "PYT" signifies that the country was identified in the prior year AUO workplan as a "tentative" audit; (iii) the administrative budget figures shown are for 2024.

APR: Asia and the Pacific Division; ESA: East and Southern Africa Division; LAC: Latin America and the Caribbean Division; NEN: Near East, North Africa and Europe Division; WCA: West and Central Africa Division.

Table 2
Tentative supervision of country programme audits for 2025 and 2026 (plus one cross-cutting report each year)

<i>Division</i>	<i>2025</i>	<i>Alternate 2025/2026</i>
APR	Nepal (recent upgrade, never audited, disbursement US\$24.0 million)	Pakistan (last audit 2021, disbursement US\$132.0 million)
ESA	Uganda (PYT) (last audit 2018, disbursement US\$55.0 million)	Zimbabwe (never audited, disbursement US\$18.0 million)
LAC	-	Honduras (never audited, disbursement US\$5.0 million)
NEN	Türkiye (never audited, disbursement US\$34.0 million)	-
WCA	Central African Republic (never audited, disbursement US\$34.0 million) Liberia (never audited, disbursement US\$44.0 million)	Nigeria (last audited 2019, disbursement US\$80.3 million)

Note: The disbursement amounts shown are historical cumulative amounts in the past three years as at 30 September 2024.

Value added by AUO internal audit

1. At the end of each audit, Management agrees to implement an action plan to mitigate the identified risks within a certain timeframe. The implementation status of these actions is monitored in an online system and reported to Management, the Audit Committee and the Executive Board. The paragraphs below provide examples of the value added by internal audit.

Country offices

2. The following points emerged from recent audits of the effectiveness of the set-up of country offices and their compliance with IFAD requirements.
 - (a) Delegation of authority and accountability.
 - (i) Accelerated rollout to APR and LAC.
 - (ii) 2024 delegations were amended to clarify that the country representative would attend Security Management Team (SMT) meetings. In their absence, the regional director or the country director, in that order, would nominate a focal point to attend SMT meetings.
 - (iii) A clarification concerning subdelegations within the delegation of authority (DoA) was also issued, making it easier for CDs to officially delegate routine tasks to their programme officers, country programme coordinators or national professional officers.
 - (iv) AUO audited the exiting DoA and suggested updating the Delegation of Authority Framework to ensure the completeness of Management committees. This was considered, and the DoA was updated, adding all committees in the DoA Framework.
 - (b) **Country office agreements.** Comments have been made about outdated service-level agreements. These are particularly important should the host agency decide to terminate a service without notice.
 - (c) **Petty cash and host agency expenditures.** In response to the growing number of recommendations issued in our audits, the Financial Controller's Division rolled out two digital tools, one for the authorization and reconciliation of host agency expenditures and another for office petty cash.
 - (d) **Official correspondence from IFAD country offices (ICOs).** Notes verbales (NVs) are not only an administrative responsibility but play an important protocol role, enabling the CD to represent the President of IFAD in the country. AUO has repeatedly flagged issues in this area, and training, sequential numbering and filing have improved as a result. Protocol launched a SharePoint website at the end of September containing guidance on NVs and specific guidance for ICOs.
 - (e) **Use of vehicles.** Various issues have been noted with respect to country office assets and fuel management.

Supervision of country programmes

3. The audits assess the effectiveness of IFAD's supervision, primarily of fiduciary aspects but certain aspects of monitoring and evaluation and Social, Environmental and Climate Assessment Procedures (SECAP) as well.
 - (a) **Project procurement.** Based on the risk of high-value project procurements being undertaken without sufficient consultation and the involvement of those with procurement expertise, the project procurement review committee for high-value procurements has been included in the IFAD Project Procurement Manual.

- (b) **Referrals of fraud to the AUO/investigation section.** Numerous significant potential, credible frauds have been referred, predominantly involving project procurement or payments, resulting from stand-alone work or combined audit and investigation missions for mutual benefit. Two significant referrals have been made (in different countries) involving the apparent use of undocumented charging mechanisms for the distribution of inputs to beneficiaries that should have been free.
- (c) **Safety and security.** To clear up misunderstandings about the United Nations Department of Safety and Security's Travel Request Information Processing System (TRIP) mission security clearances and the Safe and Secure Approaches in Field Environments (SSAFE) requirements, an information note was issued to staff as a result of audit findings. As security issues at IFAD offices have been repeatedly noted, Administrative Services Division developed a tool to monitor the state of security at IFAD field offices.
- (d) **Remote assurance through GIS.** Audits have used innovative information system technologies for activities such as the review of contracts for the construction of rural roads in volatile security contexts and remote areas that preclude physical supervision (e.g. geographic location, road length, start date and progress of works using time-lapse imagery features). This has helped to identify several potential shortcomings not detected by supervision. There is a real opportunity to scale up and leverage GIS and earth observation capabilities to supervise remote areas or areas that are inaccessible due to security considerations. AUO noted that geolocations are readily available at some projects but do not yet feature in IFAD corporate systems, hampering the mapping of project activities and risk monitoring for supervision. Office of Development Effectiveness (ODE) (previously the Operational Policy and Results Division [OPR]) is currently working to integrate GIS data in IFAD's Online Project Procurement End-To-End System (OPEN) for project contracts.
- (e) **Beneficiary distribution lists.** AUO identified significant gaps in the supervision of beneficiary lists (including significant potential prohibited practices). AUO recommended enriching the content of distribution lists and the corresponding controls to: (i) ensure that the information is complete (e.g. beneficiaries' identifiers, number, signatures, distribution dates); (ii) improve the monitoring of inputs distributed to beneficiaries; and (iii) ensure that the terms of reference for supervision missions include responsibility for verifying distribution lists.
- (f) **Armed conflicts in project implementation areas.** AUO recommended that risk assessment be improved before launching project activities in fragile areas and during their implementation.
- (g) **SECAP.** Audits have identified gaps in setting up grievance/complaint mechanisms.

Business process audits

4. Business process audits cover a wide range of business areas:
 - (a) **Dynamic workforce planning (DWP) in the context of vacancy management.** This process needs to become more strategic and transparent by communicating the criteria/methodology behind DWP decisions to stakeholders; this would build more trust with client divisions.
 - (b) **IT security.** Improvements were recommended to increase the security of IFAD systems and data going forward.
 - (c) **Digital signatures.** Improvements have been made to make IFAD DocuSign digital signatures more secure.

- (d) **Due diligence of implementing partners.** AUO recommended issuing risk-based guidance on independently conducting due diligence for the selection of private sector downstream partners and renewal of their contracts, including matters such as an assessment of their governance, financial sustainability and data protection, as necessary.
- (e) **Capital adequacy.** Management is enriching the stress-testing framework and updating some outdated references in the Capital Adequacy Policy.
- (f) **South-South and Triangular Cooperation (SSTC).** Audits of the country offices in Ethiopia and Brazil observed that the SSTC/Knowledge Management Centres were not adequately funded.

Limited-scope reviews

5. The audit team conducts three limited-scope reviews annually:
- (a) Checks on the effectiveness of internal controls over financial reporting (ICFR) as the basis for Management's assertion. The staff responsible for the Financial Controller's Division controllership function are currently working on an annual internal certificate for staff to certify their compliance with internal controls. Should this be effective, AUO will look into whether it can stop conducting ICFR checks; although these checks give the audit team a view of the key controls over financial reporting, the external auditors do not rely on the internal audit work and repeat much of the testing as the basis for their attestation on Management's assertion.
 - (b) The expenditures incurred for the President's residence are verified by AUO to ensure compliance with regulations and mitigate any reputational risk stemming from error.
 - (c) The expenditures incurred for IFAD headquarters are certified by AUO as the basis for their submission for reimbursement.

Advisory services

6. The AUO audit section is frequently consulted on matters concerning corporate processes and systems. Regarding advice arising from investigative activities, on completion of each case review, AUO identifies relevant operational actions that may be required to mitigate any residual risk of fraud, corruption or staff integrity questions and accordingly issues advice to the operational units involved. AUO also issues advice as needed on anticorruption clauses in bilateral or multilateral funding agreements.

Implementation of internal audit "agreed actions"

7. As evidence of Management's engagement with and support for Senior Management and the Audit Committee, the 2023 AUO Annual Report³ showed that 77 audit recommendations had been implemented during the course of the year (89 per cent of those that had fallen due had been implemented). The midyear report 2024⁴ also provides information on the effectiveness of internal audit, confirming the very positive implementation rate.

³ AC 2024/172/R.4 and EB 2024/141/R.21.

⁴ AC 2024/174/R.3.

Internal audit activities

1. **Audit of country and regional offices (three in 2025, plus a cross-cutting report).** The key risks related to programme delivery, decentralization and delegation of authority are directly linked to the operations of IFAD offices in the relevant country and region. Continuing the rolling audit coverage, three offices will be audited in 2025 to provide assurance that these key elements of the decentralized business model are effectively in place and operating in compliance with IFAD rules and procedures. The audits will review key aspects of effectiveness and set-up, including delegation of authority, control of expenditures and assets. As both the ESA and WCA regional offices were audited in 2023 and the APR and LAC offices are currently being operationalized, none of the regional offices is expected to be audited in 2025 or 2026. A cross-cutting report will be prepared and communicated appropriately to share lessons across countries and regions.
 - AUO plans to cover nine of the 50 decentralized country offices in the period 2025–2027. Selection of the offices is driven by transaction volume, years since the last AUO internal audit, type of decentralized office, regional spread and any particular risks.
 - The plan is to link the audits with those of the supervision missions where possible, so that the missions can be conducted in-person.
2. **Audits of IFAD’s supervision of country programmes (five in 2025, plus a cross-cutting report).** Audits of IFAD supervision and implementation support for the activities of country programmes provide assurance that the significant fiduciary risks pertaining to programme delivery – which may have been exacerbated by staff turnover, resource challenges and the largely remote supervision modality in place during most of the period 2020–2021 – continue to be effectively managed. Accordingly, AUO will maintain its coverage of country programme audits, primarily to assess the adequacy of the flow of funds to beneficiaries through downstream implementing partners. Secondary objectives will follow the data from the primary objective into the monitoring and evaluation reports and assess compliance with the SECAP commitments made at design. There is no overlap of these aspects with the Independent Office of Evaluation of IFAD (IOE) activities. All observations with systemic implications will be covered in a cross-cutting report to communicate the lessons learned for wider application.
 - AUO plans to perform audits of IFAD’s supervision of 13 country programmes (out of approximately 92 active country programmes) during the three-year period. Selection will be based on the size of the active portfolio, the number of years since the last AUO internal audit, the type of decentralized supervision in place and project delivery risks.
3. **Testing of internal controls over financial reporting.** AUO’s annual assessment of all key controls over financial reporting provides critical insight into the continuing robustness of key financial reporting controls, which is 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, about which the external auditor provides an opinion.
4. **Data analytics.** AUO has been developing its capability and approaches to performing data analytics to assess compliance with corporate rules and norms; examine trends, data integrity and consistency; and identify outliers, anomalies or areas where managerial information or monitoring may be needed.
5. The following audits will contribute to managing the risk of inadequate or inaccurate 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 in accordance with 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.
6. **Advisory.** In addition to its role as an observer of Management committees, AUO will continue to perform specific advisory reviews at Management’s request. AUO will continue to actively follow up and report on outstanding audit recommendations and 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 international financial institutions to ensure coordinated audit approaches and effective sharing of information.
7. **Business process audits.** Based on the risk assessment, in addition to the one “flexible” audit left to be identified during the course of the year, the following assignments have been identified:
- (i) Planned assignments for 2025**
- The three business process audits identified for 2025 are mutually reinforcing. As the Fund is an assembler of finance, the areas where climate finance is often available coincide with IFAD’s target group and are classified as fragile and conflict-affected settings (FCS). Operating in such environments calls for different approaches, with greater sensitivity to safety and security concerns, not only for IFAD staff and consultants but for project staff, downstream implementing partners and beneficiaries as well. These audits respond to risks that have been identified during prior audit work. They have been prioritized for 2025, as they have the potential to propose more effective alternative ways of working, especially when in-person physical missions are not possible.
- (a) **Supplementary funds.** Drafting contribution agreements requires incorporating the right level of corporate safeguards without building in undue and/or unfunded complexity. The audit would focus more on compliance, complementing IOE’s work to evaluate the effectiveness of the Eleventh Replenishment of IFAD’s Resources (IFAD11) and IFAD12 and potentially contributing to the corporate-level evaluation of IFAD engagements supported by supplementary funding, scheduled for 2026–2027.
- (b) **FCS.** As noted above, recent audits have highlighted risks to gaining assurance in areas where the usual access is not possible. The assignment will draw on the supervision audits conducted in FCS, including in 2025, to inform the corporate work, including the creation of the fragility unit. It should also provide support for the planned subregional evaluation of conflict-affected states in the NEN region in 2026. One of the key areas to review is the resource envelope available to handle the additional complexity. During audit planning, it will be decided whether this should be an audit or an advisory assignment.
- (c) **Staff safety and security.** The audit will cover corporate safety and security, with a particular emphasis on field activities in FCS areas where the risks are highest. In particular, AUO is aware of the limited availability of SSAFE training courses, radios and armoured cars. In country offices, AUO has seen that attendance at security management team meetings is intermittent and security assessment

recommendations can take time to be implemented. The security unit has been implementing a tracking system for country offices for some time, and it would be appropriate to determine its effectiveness.

(ii) Tentative assignments for 2026

- (a) **Business continuity planning – limited scope.** IFAD commissioned a consultant in 2023 to review the current business continuity management system, identify gaps and potential issues and draw lessons from the COVID-19 pandemic and Decentralization 2.0. The review used the United Nations Organizational Resilience Management System (UN ORMS) maturity level as a benchmark. AUO's limited-scope assignment would review whether the issues identified have been addressed and whether any other relevant areas have emerged in the intervening period. The timing of the assignment allows the newly recalibrated divisions to update and implement their business continuity arrangements.
- (b) **Cybersecurity.** With cybersecurity one of the largest global risks and continuing to grow, this assignment is planned to come two years after the 2024 audit of the governance and management of IFAD IT security. Its scope will depend on the emerging risks at that time.
- (c) **Consultant hiring.** Consultants account for approximately 45 per cent of the IFAD workforce and are key to meeting IFAD's objectives and commitments, both as part of the usual business model and as a means of managing risks related to staffing gaps (either through position vacancies or technical specialist skill sets). The audit would examine value for money, alignment with business objectives, the selection process, fraud risk and any potential conflicts of interest. AUO periodically revisits this topic, the last time being in 2019.

(iii) Tentative assignments for 2027

- (a) **Non-sovereign operations (NSOs) – private sector.** The NSO Framework is currently under review. Management is already aware of where improvements are needed, and the Director of the new Private Sector Operations Division will start imminently. Consequently, while NSOs are key to IFAD13, AUO plans to audit this area only at the end of the three-year plan. The assignment will complement IOE's thematic evaluation of IFAD engagement with the private sector in 2027.
- (b) **Asset liability management (ALM).** Having recently audited both liquidity management and capital adequacy, auditing the ALM Framework is the last key piece of the financial risk management framework affecting IFAD's balance sheet and is especially important given the increased level of borrowing, including the Borrowed Resource Access Mechanism (BRAM). In 2018, in preparation for applying for a credit rating and preparing a framework document, Alvarez and Marsal produced a report on IFAD's risk management framework. This work has recently been updated and includes an ALM maturity assessment. Hence, the proposed audit is tentatively scheduled for 2027.