

Document:	<u>EB 2010/99/R.49/Rev.1</u>
Agenda:	<u>15(e)(iii)(a)</u>
Date:	<u>22 April 2010</u>
Distribution:	<u>Public</u>
Original:	<u>English</u>

E



Enabling poor rural people
to overcome poverty

Revised Charter of the IFAD Office of Audit and Oversight

Executive Board — Ninety-ninth Session
Rome, 21-22 April 2010

For: **Review**

Note to Executive Board members

This document is submitted for confirmation by the Executive Board.

Representatives are invited to contact the following focal point with any questions about this document:

Carman L. Lapointe

Director, Office of Audit and Oversight

telephone: +39 06 5459 2791

e-mail: c.lapointe@ifad.org

Queries regarding the dispatch of documentation for this session should be addressed to:

Deirdre McGrenra

Governing Bodies Officer

telephone: +39 06 5459 2374

e-mail: d.mcgrenra@ifad.org

Charter of the IFAD Office of Audit and Oversight

Following approval by the President and review by the Audit Committee of the Executive Board on 8 April 2010, the attached revised charter of the IFAD Office of Audit and Oversight is submitted for confirmation to the Executive Board, in accordance with paragraph 4.1(c) of the charter.

Charter of the IFAD Office of Audit and Oversight

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 (AUI) comprises the internal auditing and investigation functions.

2. Mission

- 2.1 AUI 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 AUI 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 AUI 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 AUI 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 Code of Conduct; and failure to report allegations or knowledge of any such practice.

4. Objectivity and independence

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

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

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

- (a) The Director of AUI reports directly and is accountable to the President, and shall discuss AUI's charter, annual workplan, adequacy of AUI's resources and results of AUI's work with the Audit Committee of the Executive Board (Audit Committee).
- (b) The President ensures that AUI is provided with the necessary staffing and budgetary resources to achieve its mission and maintain its independence.
- (c) The AUI 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 AUI to the President and transmitted unchanged to the Audit Committee, summarizing significant oversight results, including recommendations for improvements and the status of Management actions taken or planned in response to reported results.
- (e) Individual audit reports may be provided to the Audit Committee upon request, in accordance with the internal audit report disclosure procedure,³ respecting privacy, legal, confidentiality, sensitivity and security requirements.
- (f) The Director of AUI 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 AUI may also meet privately with the Audit Committee for the purpose of providing information and views on matters of internal control and audit systems.
- (g) The President consults with the Audit Committee on the appointment, performance and termination of employment of the Director of AUI.

5. Responsibility

5.1 The Director and staff of AUI 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) Providing administrative support to IFAD's Sanctions Committee;
- (g) Establishing a quality assurance and improvement programme that covers all aspects of AUI activities and continuously monitoring its effectiveness;

³ Audit Committee members may request access to any internal audit report; Management provides access and informs the Audit Committee at its subsequent meeting. The Audit Committee Chairperson may decide to include any report on the agenda for further discussion by the Committee.

- (h) Ensuring that AUI maintains or has access to sufficient knowledge, skills, experience and competencies needed to fulfil its Charter, and that resources are used efficiently and effectively;
- (i) Reporting at least annually to the President and the Audit Committee on the adequacy of AUI's resources and organizational independence; AUI'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;
- (j) Informing IFAD Management and the Audit Committee of emerging trends and practices in internal auditing and investigation activities; and
- (k) 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 authority outlined in this Charter and the budget allocated to AUI:

- (a) The Director of AUI may allocate resources, establish schedules, select subjects, determine scope of work, and apply the techniques required to accomplish audit and investigation objectives;
- (b) AUI staff may obtain all assistance, cooperation and explanations that it deems necessary for the discharge of audit or investigation responsibilities, including unrestricted access to staff, records (except medical records), documents, property, registers, 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; and
- (c) AUI may provide information to the Audit Committee to assist it in reviewing the adequacy of 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 AUI staff is not authorized to:

- (a) Perform any non-AUI operational duty for IFAD, except for capacity development in AUI-related activities;
- (b) Initiate or approve transactions external to AUI;
- (c) Direct the activities of any staff member not employed by AUI, except to the extent that such staff member has been appropriately assigned to AUI or to assist AUI; nor
- (d) Conduct any investigation in which AUI staff may have a direct or indirect personal involvement or interest.

7. Professional standards

7.1 AUI's internal auditing activities will be carried out consistent with the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditors (IIA).

- 7.2 AUI's investigative activities are carried out in accordance with the Uniform Guidelines for Investigations⁴ applicable to the conduct of administrative investigations, and with the Uniform Framework for Combating Fraud and Corruption.⁵

8. Amendment of AUI 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.

⁴ Adopted by the Conference of Investigators of United Nations Organizations and Multilateral Financial Institutions in April 2003.

⁵ Adopted by the International Financial Institutions Anti-Corruption Task Force in September 2006.