



## INTERNAL AUDIT UNIT'S CHARTER

### **INTRODUCTION:**

Internal Auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the CGIAR. It assists the CGIAR and each participating Center in accomplishing their objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's risk management, control, and governance processes.

### **ROLE:**

The internal audit activity is established by the Consortium Board of the CGIAR and the respective Boards of each participating Center. The internal audit activity's responsibilities are defined by each one of these Boards (hereafter referred to as the Board) as part of their oversight role.

### **PROFESSIONALISM:**

The internal audit activity will govern itself by adherence to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

In addition, the internal audit activity will adhere to CGIAR relevant policies and procedures and the internal audit activity's standard operating procedures manual.

### **AUTHORITY:**

When performing an engagement in an organization, the internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorized full, free, and unrestricted access to any and all of the organization's records, physical properties, and personnel pertinent to carrying out this engagement. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to members of Centers' Boards and Audit Committees, to the Consortium's Audit Oversight Group, Audit & Risk Committee and members of the Consortium Board.

### **ORGANIZATION:**

The Director of the Internal Audit Unit will be supported in the exercise of his duties by the Audit Oversight Group. He reports functionally to the Audit and Risk Committee of the Board and administratively (i.e. for day to day operations) to the Chief Executive Officer. Insofar as the Director will be acting in his quality of Chief Audit Executive of a Center, he will also report functionally to this Center's Audit Committee.

The Board, upon advice of the Audit and Risk Committee, will approve all decisions regarding the performance evaluation, appointment, or removal of the Director of the Internal Audit Unit as well as the Director of the Internal Audit Unit's annual compensation



and salary adjustment. The Director of the Internal Audit Unit will communicate and interact directly with the Audit & Risk Committee, including in executive sessions and between Audit & Risk Committee meetings as appropriate. He will communicate on a regular basis with the Audit Oversight Group.

**INDEPENDENCE AND OBJECTIVITY:**

The internal audit activity will remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgment.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Director of the Internal Audit Unit will confirm to the Consortium Board, at least annually, the organizational independence of the internal audit activity.

**RESPONSIBILITY:**

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, and internal process as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. This includes:

- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organization.
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Evaluating the effectiveness and efficiency with which resources are employed.
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- Monitoring and evaluating governance processes.
- Monitoring and evaluating the effectiveness of the organization's risk management processes.
- Evaluating the degree of coordination of external auditors with internal audit.
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the organization.



- Reporting periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan.
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Board.
- Evaluating specific operations at the request of the Board or management, as appropriate.

#### **INTERNAL AUDIT PLAN:**

At least annually, the Director of the Internal Audit Unit will submit to the CEO and to the Audit & Risk Committee an internal audit plan for review and approval. The internal audit plan will consist of a work schedule as well as budget and resource requirements for the next fiscal/calendar year. The Director of the Internal Audit Unit will communicate the impact of resource limitations and significant interim changes to senior management and the Audit & Risk Committee.

The internal audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including input of senior management, of Center Audit Committees and the Audit & Risk Committee. Any significant deviation from the approved internal audit plan will be communicated to senior management, the relevant Audit Committee and the Audit & Risk Committee through periodic activity reports.

#### **REPORTING AND MONITORING:**

A written report will be prepared and issued by the Director of the Internal Audit Unit following the conclusion of each internal audit engagement and will be distributed as appropriate. The list of recipients relevant for each category of engagement report is provided in the "Internal Audit Overview Guide".

The internal audit report may include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response, whether included within the original audit report or provided thereafter (i.e. within an agreed timeframe) by management of the audited area should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

The internal audit activity will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

#### **PERIODIC ASSESSMENT:**

The Director of the Internal Audit Unit will periodically report to senior management, the relevant Audit Committees and the Consortium's Audit & Risk Committee on the internal audit activity's purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the Board.



In addition, the Director of the Internal Audit Unit will communicate to senior management, the relevant Audit Committees and the Consortium's Audit & Risk Committee on the internal audit activity's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.

**COMMUNICATION OF AND UPDATES TO THE CHARTER:**

The Internal Audit Unit's Charter will be communicated to the widest audience across the CGIAR in order to ensure awareness of the rights and duties of the internal audit function. The Director of the Internal Audit Unit will periodically review with senior management, the Audit Oversight Group and the Consortium's Audit & Risk Committee whether the Charter needs to be updated and complemented, and will seek their renewed endorsement and the approval of the Board.