SMB5-09C
For Approval

Issued: 22 March 2017

CGIAR System Management Board
CGIAR IAU Charter

Purpose

The IAU Charter, approved in March 2014 by the former CGIAR Consortium Board, is no longer reflecting the role of CGIAR IAU and the governance structure of CGIAR. This document presents an updated version of the Charter for the CGIAR IAU, for use in the interim period until the Internal Audit Function arrangements for the provision of assurance and advisory services to the System Council and the CGIAR System Organization are agreed between the System Council and the System Management Board, and then formally approved by the System Management Board.

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Prepared by: CGIAR Internal Audit Unit

CHARTER OF THE CGIAR INTERNAL AUDIT UNIT

Introduction:

1. 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 System Organization (System Organization).

2. It assists the System Organization in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the System Organization's risk management, control, and governance processes.

3. The CGIAR Internal Audit Unit (IAU) develops two categories of contributions:

    a. Advisory and assurance engagements included in the annual audit plan, as described in this Charter; and

    b. Professional support, through the Professional Practice Unit (PPU), which assists Center Internal Audit Units (IAUs) in accomplishing their objectives, by supporting the development of audit methodologies, coordinating and aiding the Quality Assurance and Improvement Program (QAIP), and as requested, contributing to strengthening skills. The roles and responsibilities of the PPU are described in a specific Charter that sets out its roles and responsibilities towards Center Internal audit functions.

Role:

4. The IAU is established by the System Management Board (SMB) of the System Organization.

5. IAU's responsibilities are defined by the SMB as part of its oversight role as described in the Charter of the CGIAR System Organization (Charter).

Professionalism:

6. The International Professional Practices Framework (IPPF) is the conceptual framework that organizes authoritative guidance promulgated by the Institute of Internal Auditors (IIA).

7. The IIA provides internal audit professionals with authoritative guidance organized in the IPPF as mandatory guidance and recommended guidance.

8. Conformance with the mandatory guidance is required and essential for the professional practice of internal auditing.

9. The mandatory elements of the IPPF are:
   - Core Principles for the Professional Practice of Internal Auditing
   - Definition of Internal Auditing
   - Code of Ethics
   - Standards for the Professional Practice of Internal Auditing (Standards).

10. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the IAU's performance. Recommended guidance is endorsed by the IIA through a formal approval process and describes practices for implementation of the Core Principles.

11. The recommended elements of the IPPF are:
   - Implementation Guidance / Practice Advisories
   - Supplemental Guidance / Practice Guides

12. In addition, the IAU will adhere to CGIAR relevant policies and procedures and the CGIAR IAU standard operating procedures manual.

Authority:

13. When performing an engagement, the IAU, with strict accountability for confidentiality and safeguarding records and information, is authorized full, free, and unrestricted access to any and all of the System Organization's records, physical properties, and personnel pertinent to carrying out this engagement.

14. All employees of the System Organization are requested to assist the IAU in fulfilling its roles and responsibilities. The IAU will be provided access to members of the SMB, the Audit and Risk Committee (ARC) of the SMB, and any member of an adhoc Working Group of the SMB, and access to relevant Center personnel and Board members if required as part of its approved audit plan.

15. If there are any disagreements in relation to information requested, the Director of the IAU is authorized to escalate and discuss the issue with the Chair of the ARC of the SMB. It is the responsibility of the Chair of the ARC of the SMB to assess if the disagreement impacts the ability of the IAU to discharge its duties and to take necessary steps.

Organization:

16. The Director of the IAU will be supported in the exercise of his duties by the ARC of the SMB. He/She reports functionally to the ARC of the SMB and administratively (i.e. for day to day operations) to the Executive Director of the System Organization.

17. The SMB, upon the advice of the ARC of the SMB, will approve all decisions regarding the performance evaluation, appointment, or removal of the Director of the IAU as well as the Director of the IAU's annual compensation and salary adjustment.

18. The Director of the IAU will communicate and interact directly with the ARC of the SMB, including in executive sessions and between ARC meetings as appropriate.

Independence and Objectivity:

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

20. 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.

21. 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.

22. The Director of the IAU will confirm to the SMB at least annually, the organizational independence of the internal audit activity.

Responsibility:

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

a. System Organization

- Assessing, reporting and making risk-prioritized recommendations on:
  i. risk exposure relating to achievement of the System Organization's and the System Management Office strategic objectives;
  ii. the effectiveness and transparency of governance processes; and
  iii. the effectiveness of the System Organization's risk management processes.
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the System Organization or the System Management Office.
- 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 pertaining to the System Organization or the System Management Office as needed or requested by the SMB.
- Assessing specific operations at the request of the SMB or System Management Office, as appropriate.

b. Specifically for the System Management Office.

- Assessing, reporting on, and making risk-prioritized recommendations on:
  i. the reliability and integrity of information and the means used to identify, measure, classify and report such information.
  ii. the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the System Organization.
  iii. the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
  iv. the effectiveness and efficiency with which resources are employed.
  v. the effectiveness of governance processes.
  vi. the effectiveness of the System Management Office's risk management processes.
  vii. the quality of performance of external auditors and the degree of coordination with internal audit.

Internal Audit Plan:

24. At least annually, the Director of the IAU will submit to the Executive Director and to the ARC of the SMB an internal audit plan for activities to be performed for the constituent parts of the System Organization, 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 IAU will communicate the impact of resource limitations and significant interim changes to the Executive Director and to the ARC of the SMB.

25. The internal audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including input from senior management of the System Organization and members of the ARC of the SMB. Any significant deviation from the approved internal audit plan will be communicated to the Executive Director of the System Organization and the ARC of the SMB through periodic activity reports.

Reporting and Monitoring:

26. A written report will be prepared and issued by the Director of the IAU following the conclusion of each internal audit engagement and will be distributed as appropriate.

27. The internal audit report may include management's response and corrective action that was taken or to be taken regarding the specific findings and recommendations. Management's response, whether included in the original audit report or provided thereafter (i.e. within an agreed timeframe) by the 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.

28. The IAU 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:

29. The Director of the IAU will periodically report to senior management of the SMO and to the ARC of the SMB on the internal audit activity's purpose, authority, and responsibility, as well as on performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters requested by the Executive Director of the System Organization and the SMB.

30. In addition, the Director of the IAU will communicate to senior management of the System Organization and to the ARC of the SMB 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:

31. The CGIAR IAU's Charter will be communicated to the appropriate audiences across CGIAR to ensure awareness of the rights and duties of the IAU.

32. The Director of the CGIAR IAU will periodically review with senior management of the System Organization and the ARC of the SMB, whether the Charter needs to be updated and complemented, and will seek their renewed endorsement and the approval of the SMB.

Internal Audit Activity charter

Approved this _____ day of _____, _____.

_____	_____
Director of the CGIAR Internal Audit Unit	Executive Director
_____	_____
Chair of the System Management Board	Chair of the Audit and Risk Committee of the System Management Board

Appendix: Glossary

IAU	CGIAR Internal Audit Unit
SMB	System Management Board
ARC	Audit and Risk Committee
AC	Audit Committee
PPU	Professional Practice Unit
SMO	System Management Office
QAIP	Quality Assurance and Improvement Program
IIA	The Institute of Internal Auditors (www.theiia.org)
IPPF	Internal Professional Practices Framework