



CGIAR System Organization

Charter of internal audit activity

I. Preamble

Audit and Risk Committee of the System Management Board and System Organization's senior management engage internal audit activity on behalf of the CGIAR System Organization.

This document formally establishes internal audit activity's purpose, authority, responsibility and position within the organization. The terms described in this document apply regardless of the composition, nature and the source of the entity that provides the internal audit services to the System Organization.

This Charter is to be reviewed on annual basis.

II. Purpose and mission

The purpose of System Organization's internal audit activity is to provide independent, objective assurance and consulting services designed to add value and improve System Organization's operations. The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The internal audit activity helps System Organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

III. Standards for the Professional Practice of Internal Auditing

The internal audit activity will adhere to the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles

"System Management Office" means the office, led by an Executive Director, that is responsible for the day-to-day operations of the System Organization, the System Management Board and the System Council and facilitates collaboration within the CGIAR System in fulfilling the mission of the CGIAR System and the goals of the CGIAR Strategy and Results Framework.

"CGIAR System Organization" or "System Organization" means the international organization governed by the CGIAR System Charter, with its organs being the System Management Board and System Management Office.

CGIAR System Framework:
Definitions, (s), (i)

"Chief Audit Executive" means the person appointed by the Audit and Risk Committee of the System Management Board to oversee and assume accountability for the delivery of the internal audit activity's mandate, without prejudice of the actual position title of that person.

for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing.

IV. Authority

The Chief Audit Executive will report functionally to the Audit and Risk Committee of the System Management Board and administratively (i.e., day-to-day operations) to the Executive Director of the System Organization.

To establish, maintain, and assure that System Organization's internal audit activity has sufficient authority to fulfill its duties, the Audit and Risk Committee of the System Management Board will:

- Approve the internal audit activity's charter.
- Approve the risk-based internal audit plan.
- Approve the internal audit activity's budget and resource plan, either through outsourced, co-sourced or in-house capabilities.
- Receive communications from the Chief Audit Executive on the internal audit activity's performance relative to its plan and other matters.
- Approve decisions regarding the appointment and removal of the Chief Audit Executive and/or the provider of the internal audit services.
- Approve the remuneration and annual performance appraisal of the Chief Audit Executive.
- Make appropriate inquiries of management and the Chief Audit Executive to determine whether there are appropriate and adequate scope and resources.

The Chief Audit Executive will have unrestricted access to, and communicate and interact directly with, the Audit and Risk Committee of the System Management Board, including in private meetings without management present. The Audit and Risk Committee of the System Management Board authorizes the internal audit activity to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies, select subjects within the approved audit/work plan, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of the System Organization, as well as other specialized services from within or outside the organization, in order to complete the engagement.

V. Independence and objectivity

The Chief Audit Executive will ensure that the internal audit activity remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content.

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

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for the System Organization.
- Initiating or approving transactions external to the internal audit activity.
- Directing the activities of any System Organization's employee not employed by the internal audit activity, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.
- Where the Chief Audit Executive has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The Chief Audit Executive will confirm to the Audit and Risk Committee, at least annually, the organizational independence of the internal audit activity. The Chief Audit Executive will disclose to the Audit and Risk Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

VI. Scope of internal audit activities

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit and Risk Committee, and management on the adequacy and effectiveness of governance, risk management, and control processes for the System Organization.

The scope of work of the internal audit activity will be limited to objectives and risks related to System Organization only. If, in the course of the work, internal auditors arrive at significant

findings related to entities outside the System Organization, an appropriate disclosure will be made to the Audit and Risk Committee.

Internal audit assessments include evaluating whether:

- Risks relating to the achievement of System Organization's strategic objectives are appropriately identified and managed.
- The controls, policies, procedures, processes and systems are adequately designed to manage the risks.
- The actions of the System Organization's managers, employees, and contractors are in compliance with the organization's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the System Organization.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

When required, Internal Audit may conduct investigations into a misconduct as guided by the CGIAR System Organization's policies and procedures.

The Chief Audit Executive will report periodically to senior management and the Audit and Risk Committee regarding:

- The internal audit activity's purpose, authority, and responsibility.
- The internal audit activity's plan and performance relative to its plan.
- The internal audit activity's conformance with the IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Audit and Risk Committee.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management that may be misaligned with System Organization's risk appetite.

The Chief Audit Executive also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed.

The internal audit activity may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the internal audit activity does not assume management responsibility. All advisory and consultative services will be appropriately

disclosed to the Audit and Risk Committee through the regular internal audit activity reports. Recommendations made as part of the advisory activities will not be followed up by the internal audit.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

VII. Responsibility and resources

The Chief Audit Executive has the responsibility to:

- Submit, at least annually, to senior management and the Audit and Risk Committee a risk-based multi-year rolling internal audit plan for review and approval.
- Communicate to senior management and the Audit and Risk Committee the impact of resource limitations on the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in the System Organization's business, risks, operations, programs, systems, and controls.
- Communicate to senior management and the Audit and Risk Committee any significant interim changes to the internal audit plan.
- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to senior management and the Audit and Risk Committee any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the internal audit activity collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
- Ensure trends and emerging issues that could impact System Organization are considered and communicated to senior management and, the Audit and Risk Committee as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Ensure risks facing the Internal Audit are assessed regularly and addressed.
- Establish and ensure adherence to policies and procedures designed to guide the internal audit activity.
- Ensure adherence to System Organization's relevant policies and procedures, unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to senior management and the Audit and Risk Committee.

- Ensure conformance of the internal audit activity with the Standards.

VIII. Quality assurance and improvement program

The internal audit activity will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will

include an evaluation of the internal audit activity’s conformance with the Standards and an evaluation of whether internal auditors apply the IIA’s Code of Ethics. The program will also assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement.

The Chief Audit Executive will communicate to senior management and the Audit and Risk Committee on the internal audit activity’s quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the System Organization.

IX. Signatures

Position	ARC Chair	Executive Director	Chief Audit Executive
Name	Bushra Malik	Elwyn Grainger-Jones	Madina Bazarova
Signature			
Date			