



Business Plan 2008-2010

March 2008 Edition

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CGIAR INTERNAL AUDITING UNIT

BUSINESS PLAN FOR 2008-2010

EXECUTIVE SUMMARY

1. The principal function of the internal audit activity of the Centers is to provide an agreed level of assurance to the Boards and management that key processes for mitigating the highest risks identified by the Centers are adequately designed and operating effectively. Internal audit also provides, where requested by Centers and included in agreed work programs, consulting services to the Centers to help them strengthen governance and control processes and to carry out investigations. CGIAR Financial Guideline No. 3 (FG3) sets out the overall policy for internal audit and its relationship with external audit. The CGIAR Internal Auditing Unit (IAU) is established as a shared service to assist the CGIAR Centers to implement FG3. The Unit provides services under a CGIAR Internal Audit Consortium, and receives collective administrative oversight from a Consortium Board of Sponsors.

2. The Unit operates under three year business plans, which focus on the overall strategy for the Unit, and which provides the basis for planning and staff contracting during the period. This 2008-2010 Business Plan has been prepared to cover the next planning triennium beginning January 1, 2008.

3. Under this new Plan, the Unit's business objectives, service offerings, governance and evaluation arrangements, and the Unit's hosting arrangements, are based on those which have developed during the previous funding triennia and which have proven to be effective. The services of the Unit will continue to be:

- (a) Assurance, consulting and investigation services specifically agreed with each Center Consortium member for that member;
- (b) Advise to, and quality assurance of the work of, Center-own internal auditors;
- (c) System-wide audit and advisory services and other activities funded from the CGIAR Secretariat contribution; and
- (d) Assurance and consulting services for particular System-wide Programs and SO Units, outside the regular Center work plans, to be accepted and charged to these clients according to a protocol and methodology to be agreed with the Sponsors.

4. The Plan provides for the CGIAR Internal Auditing Unit to continue to comprise a small core group of senior, experienced internal audit staff, with some administrative and para-audit support from Program Assistants, with additional audit support provided by short term audit consultants and occasional secondments of Center internal auditors. However the Plan does propose some different working methods in order to contain the Unit's costs (particularly the travel costs) and increase the Unit's efficiency. The Unit will work with the Centers to make these changes.

5. As determined by the Consortium's Board of Sponsors, the principle of a minimum full "share" per member to contribute funding to the IAU budget is maintained in this business plan. Consortium members may (and some do) contribute greater shares of the funding commensurate with the IAU providing additional agreed services for those members.

6. The final working budget options in this Plan has been arrived at through an iterative process during the preparation of the Plan, after considering various share price increase scenarios, which takes account of:

- Organizational scenario in which there is no additional (third) Associate Director, and with scenarios for either all 15 Centers or 14 Centers to participate in 2008-2010, and with IRRI continuing to participate at the level of two shares and the other Centers participating at the level of one share.
- The final agreed increases over 2008-2010 in the cost of the minimum share, to keep pace with the rising costs of maintaining the existing level of the Unit's operations. The increases will be from \$35,000 in 2007 to \$40,000 in 2008, and a further increase to \$45,000 in 2009 which will then apply to both 2009 and 2010. These increases will be the first increase in Center contributions since 2004.

7. Under these options, the total base budget envelope for the Unit will be either:

- \$790,000 in 2008 and \$870,000 in each of 2009 and 2010; or
- \$750,000 in 2008 and \$825,000 in each of 2009 and 2010

CGIAR INTERNAL AUDITING UNIT

BUSINESS PLAN FOR 2008-2010

CGIAR System

1. The Consultative Group on International Agricultural Research (CGIAR) System is a complex network of independent institutions that are committed to a common global cause of fostering sustainable agricultural growth through high-quality science aimed at benefiting the poor through stronger food security, better human nutrition and health, higher incomes and improved management of natural resources.
2. The primary components of the CGIAR System¹ are:
 - the Consultative Group – a strategic partnership of countries, international and regional organizations and private foundations, supported by a CGIAR Secretariat hosted by the World Bank in Washington DC. The Executive Council is a subsidiary body of the Group which facilitates decision-making by the Group, provides oversight during the implementation of the Group's decisions, and ensures continuity between annual general meetings;
 - an independent Science Council, supported by a Secretariat hosted by the FAO in Rome;
 - 15 autonomous international agricultural research centers (CGIAR Centers). These are the operational arm of the CGIAR System and are governed by their own Boards of Trustees and managed by teams led by Directors General;
 - an Alliance Board comprising the Chairs of the Center Boards, and an Alliance Executive comprising the Directors General of the Centers, which makes policy on and oversees collective actions of the Centers; and
 - System Office (SO) units which provide various shared services to the Centers and support the functioning of the CGIAR System as a whole. These units are brought together, along with the CGIAR and Science Council Secretariats and the Alliance Office, in a virtual SO organization to increase their coordination, capture synergies and increase their overall effectiveness.

Internal Audit Mandate

General mandate

3. The CGIAR Financial Guideline No 3 (FG3) provides that CGIAR Centers should establish an independent internal audit function². FG3 also adopts the International

¹ More information on the CGIAR System can be found at <http://www.cgiar.org>

² A copy of FG3 can be found at <http://www.cgiar.org/pdf/finguide3.pdf>

Standards for the Professional Practice of Internal Auditing, and Code of Ethics, published by the Institute of Internal Auditors (IIA), the worldwide professional body³. This defines internal auditing as “an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a disciplined, systematic approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”

4. The core responsibilities of the internal audit activity are therefore, as defined in the IIA Standards, assurance and consulting (advisory) activities.

5. Having an internal audit function that is independent of line management has the following benefits: (a) it increases the confidence level on matters of risk management and assurance for each of the Centers; (b) it provides comfort to donors that the corporate governance structure and practices accords with best practice on an international basis; and (c) it demonstrates the commitment of CGIAR as a whole and the individual Centers to greater accountability and transparency. Center managements are required to take note of their responsibilities for internal control by virtue of their responding to internal audit findings and recommendations.

6. The principal functions of the internal audit activity of the Centers are to:

(a) Assess whether the key controls designed and implemented by management for mitigating the highest impact risks identified by the Centers are independently reviewed, over an agreed period; or if there are gaps in coverage. Where resources do not permit full coverage of all significant risks, the internal audit activity advises the Board and management of gaps and prioritization of what can be covered. The adequacy of independent review coverage will take into account not only internal audit coverage but that of other review mechanisms – such as external audits, Center Commissioned External Reviews (CCERs), occupational health and safety audits, environmental safety audits, ISO certification audits, genebank technical assessments and security audits; and

(b) For those areas agreed by the Board and management for internal audit to review, provide the Board and management with an agreed level of assurance that these specific areas are adequately designed and operating effectively.

7. The typical highest impact risks of the Centers and assurance mechanisms used by Centers are illustrated in the table below. For some risks, the Centers rely solely on internal audit for assurance. For other risks, other review mechanisms provide this assurance solely or in conjunction with internal audits. The risks in the table below are described in more detail in the CGIAR IAU’s Good Practice Note on Enterprise Risk

³ These Standards and Code can be found at <http://www.theiia.org/guidance/standards-and-practices/professional-practices-framework/>.

Management. In accordance with FG3, internal audit uses the COSO integrated internal control framework to assess the controls in place to address the risks.

COSO Control Objectives <i>(with sub-items taken from the US GAO Audit Standards)</i>	Risk Categories <i>(Enterprise Risk Management Good Practice Note)</i>	Typical review mechanism
Effectiveness and efficiency of operations	Effectiveness and Efficiency	
Organizational mission, goals and objectives are achieved effectively and efficiently	Relevance of Center / program research mission (alignment with strategy, impact)	CCERs
	Efficient and economical use of funds	Internal audits (project management audits, budget audits, procurement audits, travel audits, consultant audits, publications process audits)
	Efficient financial management	Internal audits (financial management audits, audits of management of liquid assets, disbursement and accounts payable audits, accounts receivable audits, regional office audits)
	Effective use of germplasm collections	GPG2 Genebank Upgrade Project – Risk Management Activity 1.1 reviews
	Continued operations in the event of significant natural, political, social and other disruptions	Internal audits (ICT audits, business continuity plan audits)
Resources are safeguarded against unauthorized acquisition, use or disposition	Protection of Center physical assets	Security audits, internal audits (audits of management of tangible assets, regional office audits)
	Protection of Center data and intellectual property rights / protection against third party restrictions on use	IP audits, internal audits (research data management audits, partnerships audits)

COSO Control Objectives <i>(with sub-items taken from the US GAO Audit Standards)</i>	Risk Categories <i>(Enterprise Risk Management Good Practice Note)</i>	Typical review mechanism
	Protection of germplasm collections	GPG2 Genebank Upgrade Project – Risk Management Activity 1.1 reviews
	Safety and Security	
	Safe working environment for staff and visitors	OH&S audits, internal audits (OH&S audits, regional office audits)
	Safe products (e.g. novel food products, transgenic varieties, farming technologies)	CCERs, special technical audits commissioned under projects
	Staff and families adequately equipped to deal with health problems in Center locations	OH&S audits, internal audits (OH&S audits, regional office audits)
	Safe staff travel	OH&S audits, internal audits (travel audits, regional office audits)
	Center operations are safe for the surrounding environment	Environmental / biosafety audits
	Center premises secure against unauthorized intrusion	Security audits
Integrity of information from computerized systems is achieved	The integrity of research and management information held on computerized systems is protected	Internal audits (ICT audits)
Reliability of Financial Reporting	Financial integrity and compliance	
	Adequate funds to meet medium-term plans and short-term obligations	External audits, internal audits (financial management audits, audits of management of liquid assets, project costing audits)
	Compliance with external financial reporting obligations	External audits, internal audits (project financial statement audits, regional office audits, financial reporting audits, financial system audits)

COSO Control Objectives <i>(with sub-items taken from the US GAO Audit Standards)</i>	Risk Categories <i>(Enterprise Risk Management Good Practice Note)</i>	Typical review mechanism
Compliance with Applicable Laws and Regulations	Legal and other compliance	
Resources are used in compliance with laws, regulations or other requirements	Compliance with host country agreements	Internal audits (human resources audits, regional office audits)
	Compliance with donor agreements	External audits, internal audits (project management audits, project financial statement audits)
	Compliance with partnership and other third party legal obligations	Internal audits (project management audits, donor reporting audits, partnership audits)
	Compliance with data privacy laws and standards	Internal audits (ICT audits)
	Compliance with research ethics	External scientific QA reviews
	Partnerships apply the same level of compliance as required of the Center	Internal audits (partnership audits)
	Integrity in the management of resources (no conflicts of interest)	Internal audits (procurement audits, business integrity audits)

8. Internal audit also provides, where requested by Centers and included in agreed work programs, consulting (advisory) services to the Centers to help them strengthen risk management, control and governance processes.

9. In addition to the core responsibilities mentioned above, internal audit may be requested by Centers to assist with the implementation of “whistleblower” reporting systems and undertake and/or coordinate investigations into non-compliance with policies, including fraud. Any such investigations will observe the Uniform Guidelines for Investigations adopted by the 4th Conference of International Investigators in April 2003⁴.

10. Centers should have clear policies in place regarding the commissioning of investigations of actual or alleged fraud, corruption and other corporate or staff misbehavior. When asked to conduct, manage or assist with investigations, internal audit will agree with the Center on the resource impact, and agree with the Center any

⁴ A copy of these guidelines can be found at http://www.un.org/Depts/oios/investigation_manual/ugi.pdf

supplemental resources required to meet such requests. While there is an investigation methodology and diverse means to keep investigations as efficient as possible, by their nature they can be time consuming and assessing resource needs can be impossible to assess upfront, hence the need for ongoing review with the Center of the requirements.

CGIAR IAU mandate

11. The CGIAR Internal Auditing Unit (IAU) is established as a shared service to assist the CGIAR Centers implement FG3. Its mandate covers the following core responsibilities:

- Review and provide advice to the Centers on their internal audit arrangements and coverage, with a view to aligning the assurance and consulting activities with international standards and best practice.
- Deliver internal auditing assurance and consulting services directly to the Centers, to joint ventures led by Centers (such as Challenge Programs), and to various CGIAR System Office Units, in accordance with work plans agreed with these clients and based on the level of budget contribution to the IAU. These services may be delivered jointly with in-house or outsourced internal auditors, or supplementary to services from these auditors, to provide an agreed total level of internal audit assurance;
- Provide quality assurance and professional development services to the CGIAR centers in respect of in-house or outsourced internal auditors;
- Share good practice and lessons learned among Centers or derived from research on external practice, regarding internal controls, risk management, accountability and corporate governance;
- Advise and work with the Alliance Office, CGIAR Secretariat, Science Council Secretariat, and other CGIAR System Office Units to promote and enhance internal controls, risk management, accountability and corporate governance within the CGIAR System; and
- Be as cost-effective as possible.

IAU History

12. The IAU was established in 2000. It is funded by the participating Centers and by the CGIAR Secretariat, who comprise the CGIAR Internal Audit Consortium for this purpose. While the internal audit function in each Center remains the responsibility of the Center Board and management, it is recognized by the Consortium participants that the shared service model is the most likely way by which they can obtain, in a cost-effective manner, the inputs of internationally experienced internal auditors, and at the same time benefit from the sharing of organizational learning from internal audit activities across the Centers.

13. The Secretariat has so far provided, with the agreement of the other Consortium members, a leadership and advocacy role within the CGIAR System for the Unit. The Secretariat's participation also provides the funding of non-Center specific services

including the production of Good Practice Notes. Membership of the Consortium does not allow access by the Secretariat or a Center to the audit reports of other Centers. At the July 2007 meeting, the Sponsors reconfirmed the partnership between the Secretariat and the Centers in the Consortium.

14. The Consortium operates according to a set of Governing Principles. The managing arm of this Consortium is a Board of Sponsors, in which all participating Centers and the CGIAR Secretariat are represented by a senior executive. This Board approves, on behalf of the Center Directors General and the CGIAR Director, the consortium strategies; changes in consortium membership; overall IAU strategy, organization and budgets; selects the IAU Director; approves other Unit staffing decisions; ensures appropriate accountability of the Unit; and provides guidance related to developments of any kind that can affect the operation of the Unit. As such, it is the system-wide oversight body for the IAU at the operating level.

15. At their meeting in July 2007, the Sponsors concluded that since its establishment, the IAU has proven to be a relatively cost-effective way for the Centers to obtain part or all of their internal audit functions in order to meet the requirements of FG3. It also concluded that the Unit has also delivered value on its contribution to organizational learning across the CGIAR Centers and this also remains a compelling rationale for continuing the shared internal audit service model. Highlights in recent years of the Unit's contribution have been:

- The advice provided to Centers on developing a risk management framework based on common standards applicable across the CGIAR System and facilitation of its implementation, to support Board reporting on risk management;
- The extension of internal audit coverage in Centers beyond traditional financial reporting risks to the broad range of operational risk areas, including information and communications technology, procurement, competitive grant schemes, research project management, research data management, project costing, occupational health and safety and ISO environmental standards compliance.
- A significant expansion of Center audit coverage in many cases beyond headquarters to regional and project office locations.
- The production of a series of Good Practice Notes to share lessons learned from audits and from external research on various control and governance topics. The Sponsors requested that the IAU also work in future with the Centers to develop common policy templates to promote implementation of the good practices identified in the Notes;
- Active participation in various task groups to review CGIAR financial policies and the annual peer review of Center financial statements;
- Support to the strengthening of Center internal auditor professionalism through the CGIAR Professional Development Weeks and financial support for other training and professional certifications;
- Access by all CGIAR internal auditors to international level training at lowest cost through the first multi-locational corporate membership ever negotiated with the IIA. All internal auditors, wherever they are located, have full access to the IIA's

professional resources and discounts on training under one corporate membership.

16. Since the Consortium was first established, the SO has been created and the IAU designated as a SO Unit. Accordingly a further, executive level of oversight has been established for the Unit via the System Office Steering Committee and by the Sub-Committee of the Alliance Executive responsible for oversight of shared service SO Units.

Proposal

17. In order to provide a sufficiently stable financing platform for recruiting and retaining appropriately skilled and experienced IAU staff, the Consortium members are asked to provide, every three years, a commitment for participation and budget contribution over the coming three years. As a basis for the members to give this commitment, a three year business plan for the IAU for the forthcoming period is prepared and adopted by the Board of Sponsors. This plan is then subject to review and modification by the Board if necessary on at least an annual basis during the triennium.

18. This 2008-2010 Business Plan is the third three year business plan that has been prepared since the creation of the Unit. As detailed later in this plan, it has been prepared within the context of a long range vision for the internal auditing function in the CGIAR System. This vision seeks to follow the international professional standards, best practice in governance and audit, the specific expectations of the Consortium members, and the particular features of the CGIAR System.

19. The Plan seeks to address the unique challenges of sustainability of the IAU (in terms of both finances and human resources) and the Unit's full alignment with international professional Standards. The Plan takes into account actions already implemented to address the recommendations of the last (2004) external Quality Assurance Review (QAR) of the IAU but also the results of a consultative process during 2007 with Consortium members, with other units of the CGIAR System Office, and with an external expert advisor. The basic approach established in the last business plan is preserved.

20. Increasing the value of the IAU in terms of greater planning coordination and sharing of information with external audit, to increase the efficiency of use of total "audit dollars" was one area identified by the Sponsors to be explored further in the next triennium.

21. While intended to provide a stable platform for the IAU to plan its work and contract staff, this Business Plan will be reviewed annually by the Board of Sponsors, in light of experience to date and changes in the Consortium or member requirements, and will be the basis of IAU inputs into the annual SO Integrated Operating Plans.

CGIAR Center Client Base

22. The 15 CGIAR Centers have their Headquarters located in Africa, the Americas, Asia and Europe and over 100 regional, country or project offices in these regions. The client base of the IAU varies in terms of whether it provides all internal audit services or whether this is done in conjunction with local in-house or outsourced internal audit. The factors to consider when considering the total internal audit coverage are:

- (a) the risks for which internal audit assurance is required, taking into account the size of expenditure, number of staff, amount of physical infrastructure, the extent of geographic decentralization, and external risks in the locations in which the Centers operate; and
- (b) the time cycle over which this assurance is to be provided.

Center (HQ location)	2006 Exp ⁵ (USD millions)	2003 Staffing ⁶	Significant research infra-structure?	Significant number/size of locations outside HQ?	IA sourcing in 2008-2010	Comments
Africa Rice (Benin)	11.2	161	Yes	Low	IAU and WARDA IA	IAU oversees total IA coverage/ QA
WorldFish (Malaysia)	15.5	293	Some	High	IAU	
CIFOR (Indonesia)	16.5	153	No	Medium	IAU	
IWMI (Sri Lanka)	20.6	356	No	High	IAU and outsourced IA	IAU oversees total IA coverage
CIP (Peru)	22.9	320	Yes	Medium	IAU	
ICARDA (Syria)	27.0	487	Yes	High	IAU and ICARDA IA (vacant)	IAU oversees total IA coverage / QA
World Agroforestry (Kenya)	31.9	310	Yes	High	IAU and ICRAF IA	Joint arrangement with IAU providing QA
IRRI (Philippines)	33.3	764	Yes	Medium	IAU	
ICRISAT (India)	34.0	973	Yes	High	IAU and ICRISAT IA	IAU provides supplementary coverage, review of work program
Biodiversity (Italy)	34.6	209	No	High	IAU	
ILRI (Kenya)	34.8	736	Yes	High	IAU and ILRI IA	IAU oversees total IA coverage / QA

⁵ 2006 CGIAR Financial Report. The 2007 Financial Report will be available in May 2008.

⁶ Gender and Diversity Program figures, latest available. A survey to update these figures is planned for 2008.

Center (HQ location)	2006 Exp (USD millions)	2003 Staffing	Significant research infra-structure?	Significant number/size of locations outside HQ?	IA sourcing in 2008-2010	Comments
CIMMYT (Mexico)	37.4	643	Yes	High	IAU and CIMMYT IA	IAU oversees total IA coverage / QA
IFPRI (USA)	39.1	159	No	Low	IAU	
CIAT (Colombia)	41.8	754	Yes	High	IAU and CIAT IA	IAU provides supplementary coverage, review of work program
IITA (Nigeria)	44.4	1193	Yes	High	IITA IA (but with periodic inputs from IAU)	IAU provides supplementary coverage, review of work program, on an as requested basis determined annually

23. In addition, there are:

- Challenge Programs (joint ventures of CGIAR Centers and other institutions) hosted in CGIAR Centers; and
- Other System-wide Programs / SO Units (e.g. GPG2 Genebank Upgrading Project, ICTKM Program)

which have confirmed or may request IAU services directly to them in the 2008-2010 period. Such services are only provided on the basis that it does not affect the agreed level of service to the Consortium members, and the Programs in question already have a close relationship with Consortium members. In the coming triennium, a protocol for accepting such services will be agreed with the Sponsors. Such services which are rendered outside Center annual work plans will be provided on a commercial fee basis, to be determined according to a methodology to be agreed with the Sponsors.

Basic Elements Underpinning the IAU's work

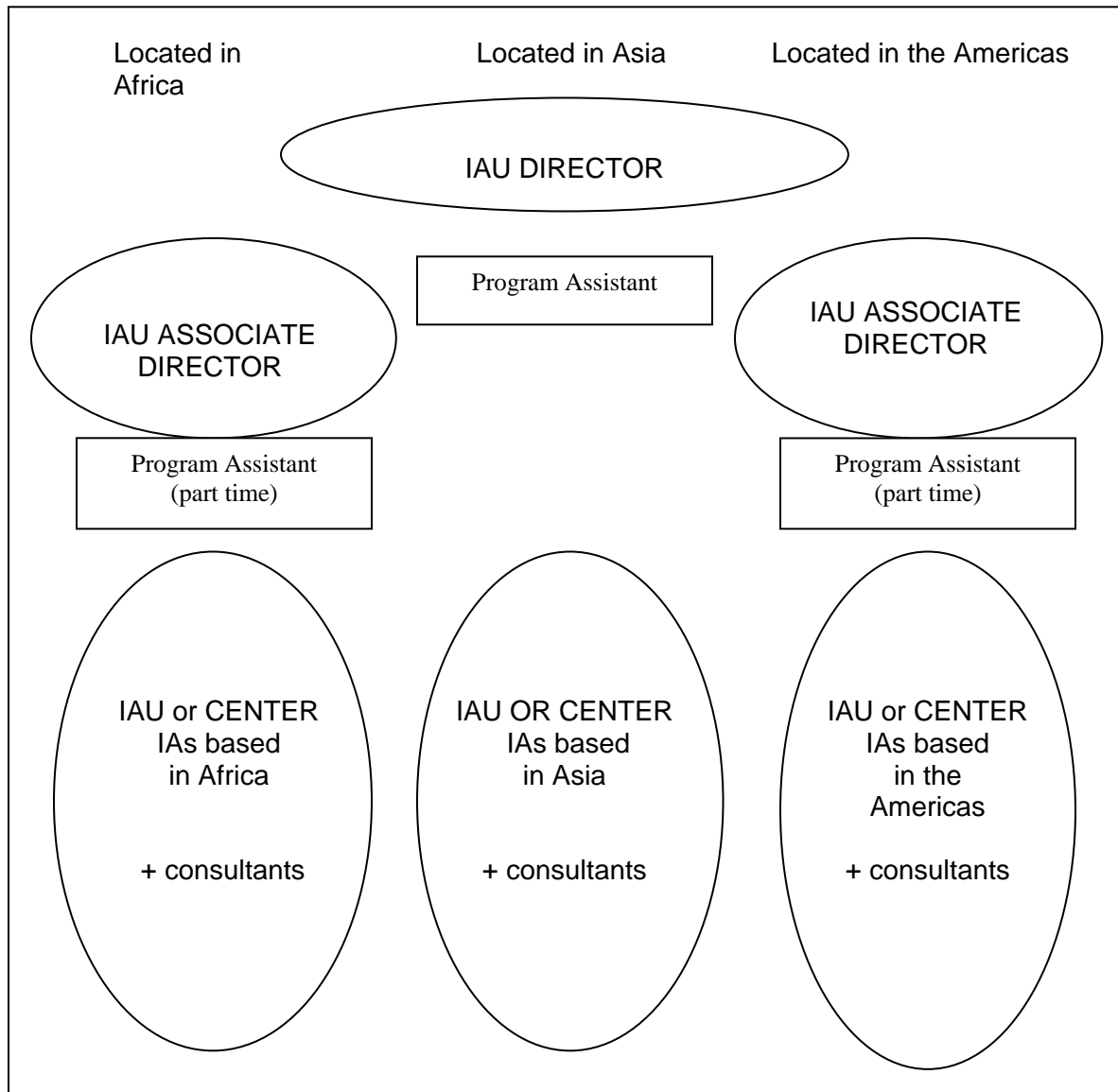
24. The basic elements, derived from the International Standards and the particular features of the CGIAR System, which underpin the operation of the IAU, are as follows:

Structure of the IAU 2008-2010

- As requested by the Sponsors two organizational scenarios were presented in the preparation of this Plan.

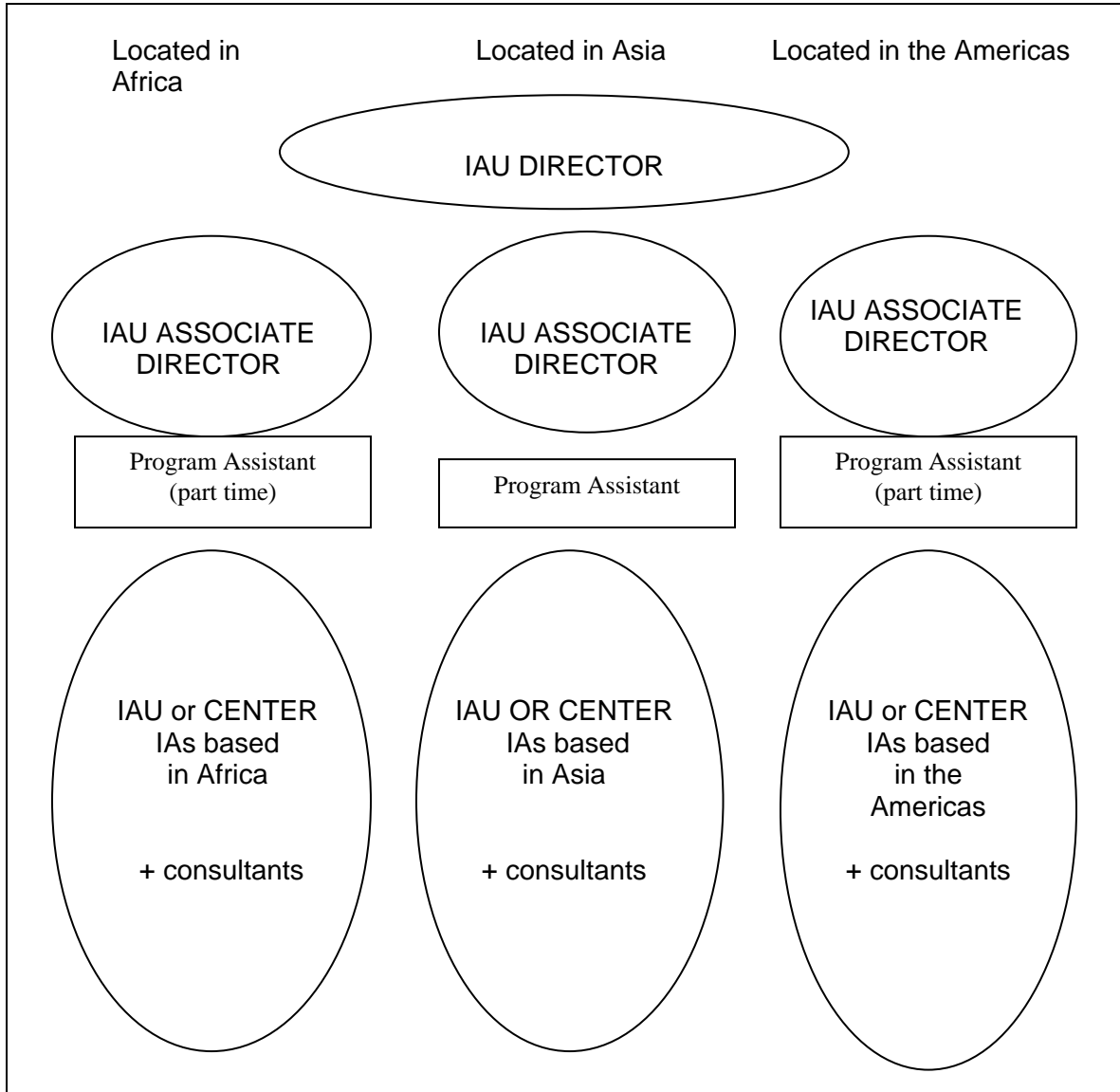
Organizational Scenario 1:

- In the first scenario, the proven IAU organization structure remains. It will continue to comprise three internationally recruited senior staff: a Director and two Associate Directors. The roles and responsibilities of these positions are set out in the terms of reference at Annexes I and II. The Director is hosted by the International Rice Research Institute, at its headquarters in Los Banos, Philippines. The two Associate Directors are located in Africa and the Americas respectively and hosted at CGIAR Centers in their regions. The Director is supported in the Asia region by three experienced audit professional staff: a Principal Auditor (50% time, based at ICRISAT), and two full time Senior Auditors based at IRRI. These staff, as well as the Program Coordinator based at IRRI, carry out audits on behalf of Centers in the region.
- This geographically decentralized arrangement continues a strategy under previous business plans to make more effective use of existing decentralized IAU resources, reduce the staff travel burden, reduce travel costs and minimize relocation costs, and facilitate responsiveness of the Unit to client Centers, and this rationale remains relevant. However, the particular locations of the senior staff will be revisited whenever the positions become vacant according to the above criteria. The growing proportion of expenditure and physical presence of Centers in Africa should be kept in view when considering revised staffing locations for the IAU. In the meantime, the IAU will take account of the concentration of Center activity in Africa in the work planning and flexibility of assignment of staff to work across regions where necessary.
- There are also currently two other part time IAU audit staff, one based in Washington DC and assisting with audits at IFPRI, and an ICT senior auditor based in New Zealand, who provide ongoing assistance to the IAU. These type of arrangements are expected to continue in 2008-2010 at a level commensurate with the short term consultancy budget of the Unit.
- The IAU organization will continue to include full time or part time program assistants who will assist the Director and Associate Directors with administrative work. However, these assistants are/will be selected so that they can also perform supporting audit work under supervision.



Organizational Scenario 2:

- The second scenario adds a third Associate Director position, based in Asia. This allows the Director to focus strategically on overall quality assurance, on strategic System-wide work, and provides greater flexibility to devote attention to the most complex audits. The additional position will also help address the high travel burden and time demands on the Director which remains under the first scenario. It also in part addresses the need to enhance continuity and succession planning at the senior levels of IAU.



These organizational scenarios have different budget impacts which are explained later in the funding and budgeting section of this plan. The Sponsors decided, in their review of the draft 2008-2010 Business Plan, and taking account of the budget implications, to retain the current organizational scenario (i.e. scenario 1 above). Accordingly a third Associate Director position will not be created or recruited at this time, however this option will be kept under review.

IAU internal risk management considerations:

Seeks to mitigate the following risks:

- “Dilution” of the IAU Director and other senior IAU staff – there should be sufficient internationally experienced staff capacity maintained in the IAU to preserve the service levels that original consortium members have come to expect, and ensure that these professionals can stay in frequent contact with the Centers to maintain a good understanding of their business and needs.
- “Travel burn out” and work/life imbalance – the IAU client base, originally predominantly in Asia, is now global. The Director and Associate Director positions need to be made sustainable in this sense, both from the current incumbents’ viewpoint and in terms of attracting a strong field of diverse candidates when their replacement must eventually be considered.
- Career development, continuity and succession planning at the senior levels of IAU
- Insufficient reporting at Director General and Board level - while in the early years of the Unit this could be managed by the Director alone, the reporting responsibilities associated with the expanded number of client managements and Boards must now be more effectively spread among other senior IAU staff.
- Inadequate linkage of Center audit work with System-level developments – the CGIAR System is not only complex but also dynamic, and there must be sufficient professional capacity within the Unit to effectively monitor Center and System-level developments and assess the various other review activities underway in the System.
- Unit management tasks fall behind and/or professional audit staff are unduly diverted from core auditing activities to attend to these tasks.

Oversight and Management of the Internal Audit Activity

- The Center management shall establish, and the Board of Trustees on the advice of the Audit Committee shall approve, the arrangements for the implementation of FG3 in each Center in the form of an Internal Audit Charter. The Audit Committee Terms of Reference should set out the responsibilities of the Audit Committee vis-à-vis the internal audit activity. The IAU has prepared Good Practice Notes on Internal Audit Charters and Audit Committee Terms of Reference to provide guidance in this area.
- The Center will designate the Head of Internal Audit. The Head of Internal Audit shall be accountable to the Center’s Director General for the delivery of the agreed internal audit services at an appropriate quality. The Audit Committee of the Board of Trustees has an oversight role on behalf of the Board in this area, and the Head of Internal Audit will have a reporting line to the Chair of the Audit Committee, and present the results of internal auditing activities at Audit Committee meetings.
- the Head of Internal Audit shall be responsible for developing the medium-term and annual internal audit work plans in consultation with the Center management and

Audit Committee, and for its execution in compliance with the International Professional Standards.

- Where the IAU has been given responsibility for the overall performance and quality of the internal audit activity of a Center, the IAU Director will be designated by the Center as the Head of Internal Audit. The extent to which this function is carried out by an Associate Director on behalf of the Director will be agreed with Centers on a case by case basis, however this is encouraged. The IAU Director will remain ultimately responsible and will implement appropriate work planning, review and performance assessment processes within the Unit in relation to the Associate Directors and other IAU staff.
- The internal auditing activities of the IAU will be subject to independent quality assurance review at least every 5 years in accordance with the International Professional Standards. The next such review is planned for 2009, and its estimated cost is budgeted in this current business plan.
- Where an in house internal auditor is designated as Head of Internal Audit, the quality assurance and professional development responsibilities of the IAU, and the arrangements for the Center's compliance with the external review requirements of the International Standards, should be clearly defined.
- The IAU Director will coordinate any multi-Center internal audit reviews commissioned by the Alliance Board or Executive, and the preparation of Good Practice Notes.

IAU internal risk management considerations:

Seeks to mitigate the following risks:

- Loss of independence
- Lack of clarity of responsibilities of the IAU vis-à-vis Center-hired Internal Auditors
- Assigning accountability of internal audit quality to the IAU without the requisite authority or responsibilities
- Lack of clarity of division of responsibilities between the Director and Associate Directors.

Independence and Objectivity

- Removal of the Head of Internal Audit for a Center is subject to agreement by the Board of Trustees, on the Audit Committee's advice. The Consortium Board of Sponsors approves the hire and removal of the IAU Director, in consultation with the Director General of the host Center and the CGIAR Director.
- To avoid any potential conflict of interest, the IAU will not carry out audits of Centers for donors, other CGIAR System Office units or other stakeholders. However the

Center management may commission the IAU to conduct internal audits whose reports will be ultimately shared by the Center's management with external parties. The release of internal audit reports and working papers to external parties must be approved by the Center's Director General or a senior manager delegated by him/her for this purpose.

- Internal auditors will not undertake, as part of their normal duties, Center related decision-making responsibilities either alone or as part of Center committees, including those for designing or implementing systems of internal control or risk management. However they may participate as observers or advisors in their areas of expertise.
- Internal auditors may, on an exceptional basis, and with the agreement of the Director General of the Center concerned, be seconded to undertake Center line responsibilities. However these internal auditors will not, when they subsequently return to their audit positions, be assigned any auditing responsibilities related to the areas to which they were seconded whenever there would be an actual or perceived loss of objectivity arising from such assignments. This requires a "cooling off" period between the end of such secondments and any assignment in the area. The same principle would apply if an Internal Auditor was recruited from a line area.
- Administrative oversight of the IAU will be provided, on a day to day basis, by the host Center Director General and Co-Chairs of the Board of Sponsors, and in general by the Board of Sponsors collectively.

IAU internal risk management considerations:

Seeks to mitigate the following risks:

- Lack of adequate independence and objectivity in delivering the internal audit function
- Conflict of interest among roles assigned to the internal auditor and in the relationship of the IAU vis-à-vis the Center, CGIAR System and particular donors.

Proficiency and Due Professional Care

- The IAU Director will ensure, for each Center where he/she is Head of Internal Audit that the internal audit teams assigned to complete the work plans in each Center collectively possess the knowledge, skills, and other competencies needed to perform their responsibilities. Long term employed internal auditors will be supplemented where required by experts on short term assignments in order to meet this requirement.

- The IAU Director will periodically rotate Center responsibilities among the Associate Directors. Assignment of responsibilities will not be restricted to the region in which they are based.
- The IAU Director or Associate Directors will participate in the review of candidates for recruitments to senior Center-hired internal audit positions, and provide advice on professional suitability of the candidates.
- The IAU will promote joint IAU/Center-hired internal audit teams for audit assignments and sponsor secondments and development assignments for Center-hired internal auditors in other Centers to broaden their understanding of the CGIAR System.
- The IAU will coordinate the IIA corporate membership of all long term employed internal auditors (IAU or Center-hired), which thereby provides full access to all the professional guidance materials of the IIA as well as discounted training. The IAU will sponsor the obtaining by all such internal auditors of the Certified Internal Auditor qualification. The IAU will encourage such internal auditors to also obtain other IIA designations and other professional certifications such as the Certified Information Systems Auditor qualification issued by the Information Systems Audit and Control Association (ISACA).
- The IAU is a member of the Representatives of Internal Auditing Services of the United Nations, the Multilateral Financial Institutions and Associated Organizations (RIAS) group, to share information and views on best internal audit practice in the context of international public organizations. The RIAS group meets at chief audit executive level annually, hosted by one of its members. Results of such meetings will be made available for reference and follow up action where necessary through the IAU website.
- The IAU promotes membership by staff of IIA, ISACA and national accountants professional committees, providing time for participation.
- The IAU staff individual work plans will provide for a minimum of 5 days allocation per year for professional development related activities for which attendance will be funded by the IAU. This takes into account the IIA requirement for a minimum of 80 hours acceptable continuing professional development activity every two years for all practicing internal auditors with the Certified Internal Auditor designation. This minimum may be exceeded based on identified requirements in individual staff development plans.
- The IAU will periodically hold an in-house Professional Development Week open to all long term employed internal auditors (IAU and Center-hired), to share experience and provide structured professional development. This will be supplemented by sponsoring attendance at other structured professional development activities to

ensure such staff achieves the minimum continuing professional education requirements of the IIA.

- The IAU Director will develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity and continuously monitors its effectiveness. This program includes periodic internal and external quality assessments and ongoing internal monitoring.
- The basis for this quality assurance and improvement program are internal auditing policies and procedures that promote adherence to the International Standards and Code of Ethics. These are documented in a CGIAR Internal Auditing Manual which is developed and maintained collectively by the CGIAR internal auditor community and reviewed by the Board of Sponsors.
- To facilitate a cost-effective internal quality assurance, audit working papers will be maintained in electronic form. This will support reviews by the Director or Associate Directors during audits or as part of annual internal reviews as required by the professional Standards.
- An independent, external quality assurance review will be commissioned by the Board of Sponsors at least every 5 years in accordance with the International Standards. The next one is due in 2009.

IAU internal risk management considerations:

Seeks to mitigate the following risks:

- Non-compliance with International Standards in the performance of internal audit engagements
- Failure to keep up with personal professional development as well as learn about changes and trends within the international profession
- Lack of opportunities for professional growth which may limit recruitment or retention of IAU or Center-hired auditors
- Loss of audit quality and relevance in the work of IAU and Center IA auditors
- Senior IAU staff become “captured” by particular Centers or lack broad understanding of the CGIAR System as a whole
- Mismatch of knowledge of the local environments where CGIAR operates and the broader System-wide contexts when carrying out audits

Source of Good Practice Relevant to the CGIAR Environment

- One of the key value additions sought from the IAU is to be a reliable source of up to date information on good practice with regard governance, risk management, internal control and accountability. The IAU Director shall be responsible for a program of Good Practice Notes, with priority topics identified in consultation with the Board of

Sponsors. This will draw on lessons learned and practices identified from Center audits and from research on external practices, standards and codes.

- Good Practice Notes go through an exposure draft process in which communities of practice within the CGIAR System as well as Centers and System Office Units have the opportunity to provide input before they are published as final products. They are also subject to periodic review as further results from internal audits, EPMRs and CCERs, Center feedback and external best practice are available.
- The 2005 Stripe Review of Corporate Governance of CGIAR Centers reported that Center Board members interviewed suggested a closer continuing relationship between the Center audit committees and the CGIAR system's internal auditors. The Panel recommended that the Chairs of the Audit Committees should keep in close contact with the CGIAR IAU so that adoption of best practice and system improvements is facilitated.

IAU internal risk management considerations:

Seeks to mitigate the following risks:

- Inefficient use of audit resources
- Failure to support System-level organizational learning from the results of audits
- Internal inconsistency of audit approach across the CGIAR System

Audit Work Planning

- A medium term (3-5 years) internal audit work plan will be prepared and updated on an annual rolling basis for each Center, as the basis of the annual internal audit work plan for the Center. These will be prepared in consultation with Center management and the Audit Committee, and approved by the Director General and approved/endorsed by the Audit Committee or Board depending on the Center arrangements.
- These plans will identify the assurance and consulting assignments proposed for the period. Both types of assignments will have some advisory element where Internal Audit identifies opportunities to improve procedures and systems and make recommendations in the audit reports with the purpose of assisting Centers achieving their business objectives. However, for consulting assignments, the product will be purely advisory nature, such as inputs into the planning and implementation of new information systems, reviews of draft procedures, facilitation of risk and control self-assessments, and assessments of alternative organizational options.

- Assurance assignments in the internal audit work plans will be prioritized so as to reasonably cover those processes identified by the Center as mitigating the highest impact risks and not expected to be covered by other independent reviews. The extent of coverage and the length of the cycle of coverage will be dependent on the budget contribution to the IAU or the combined resources of the IAU and Center-hired or outsourced internal auditors.
- Management at each Center carries out at least annually an appraisal of its major enterprise risks, the mitigations in place for these risks (e.g. internal control systems, risk management, management oversight, insurance, contingency plans) and any action plans to address identified deficiencies in these mitigations. The annual risk appraisals should be supported by detailed analyses for the “universe” of Center operations (e.g. organizational unit, function/activity, program/theme, geographic location, and financial statement item) of the Center which are subject to periodic update. The risk appraisals will be reviewed by Internal Audit as part of its annual review of implementation by Centers of their risk management frameworks. The results of such reviews will provide input into the internal audit work plans.
- The agreed level of assurance as set out in the medium term and annual internal audit work plans will also take account of the fact that the internal audit function is part of a broader set of independent reviews with which the Center is engaged. These review activities include:
 - Center External Program and Management Reviews (EPMRs)
 - Center-commissioned External Reviews (CCERs)
 - System-wide collaborative reviews commissioned jointly by Centers
 - Center and System-wide impact evaluations
 - Center external audits
 - Donor-initiated reviews and audits
 - Science Council program evaluations
 - Reviews carried out/commissioned by other SO units; and
 - Collaborative reviews undertaken/commissioned by communities of practice across the Centers
- The work planning will take account of the desire of many Centers, encouraged by recent EPMRs, that there be adequate internal audit coverage on a cyclical basis of country, regional or other outreach locations. The 15 Centers have such offices in over 100 locations. IAU will seek to plan audits of all Center offices in the same locations in the same audit visits, to save audit costs, gain better insight into risks and appropriate mitigators in the location, and to identify opportunities for harmonization of policies or efficiencies through shared services at the location. IAU will also program reviews of Headquarters oversight of outreach locations as an alternative where not all locations can be feasibly visited by auditors over the planning period.
- Any gaps in assurance due to resource constraints will be explicitly noted in the plans or in their presentation to management and Audit Committees.

IAU internal risk management considerations:

Seeks to mitigate the following risks:

- Non-compliance with International Standards in the performance of internal audit engagements
- Inefficient use/lack of focus of scarce internal audit resources
- Mismatch between Center priorities and internal audit work
- Lack of clarity for Center management and Boards about the level of independent review of mitigating actions identified in Center risk assessments
- Allocating scarce resources to less than high risk areas
- Doing a series of audits without drawing overall conclusions about the confidence IAU has in the underlying internal control systems and key processes
- Ineffective audit coverage

IAU Service Offerings, Performance Measurement and Evaluation

25. The table below sets out the IAU service offerings, consistent with SO Integrated Operating Plan classifications, and an IAU performance measurement and evaluation strategy based on an adaptation of the “Outcome Mapping” methodology presented at an ICT-KM Evaluation Workshop in May 2004:

IAU Service Offering	Mission	Outputs (Progress Markers)	Outcomes	Boundary Partners	Monitoring Methods/ Progress Reporting	Evaluation Plan
Identify, define and communicate best practice to Centers <i>(System-wide)</i>	The IAU will, in collaboration with other SO units and various communities of practice across the CGIAR Centers, identify good practices and lessons learned from audits and research assignments to guide Center improvement efforts	6 Good Practice Notes per year – some to be jointly developed with other SO units	GPNs are referred to by Centers to assess their own practices, and to make improvements where applicable Selected good practice notes used in the development of CGIAR guidelines	* Communities of practice relevant to the GPN topics * Editor/publisher to advise on improving formats	Reviews in Centers (for some GPN topics, as components of audits) IAU Reports to Sponsors For all service offerings, IAU will conduct an annual risk assessment.	Annual evaluation of GPN outputs by Board of Sponsors
Develop audit standards within the CGIAR system <i>(System-wide)</i>	The IAU will fully comply with international standards and good practice.	Review (2004-7) existing Center audit committee and IA charters and make recommendations for update if necessary; Complete 2 further IA PD Weeks (2008, 2010); Complete (2007) and update (thereafter) internal audit manual; disseminate (annually) results of meetings of internal auditors of international public agencies; implement recommendations from the 2004 external quality assurance review.	Full compliance by the CGIAR IAU and Center internal auditors under the professional supervision of the Unit with the International Standards for the Professional Practice of Internal Auditing	* Center internal auditors * Center management and audit committees * Institute of Internal Auditors	Annual internal quality assurance reviews by IAU IAU Reports to Sponsors	Annual evaluation by Board of Sponsors; External professional quality assurance review every 5 years
Undertake CGIAR system-wide audit and advisory services and progress reviews <i>(System-wide or specific Program audits)</i>	The IAU will undertake assurance and consulting services and research on management/control issues to support System-wide programs and activities	Various assignments, including: * Participation, as observer, in annual CGIAR financial statement peer review * Participation in CGIAR Financial Guidelines reviews; * GPG2 Genbank Upgrade Mid Term Review; * ICT-KM Program inputs on request; * Challenge Program audits on request	(a) for assurance and advisory reviews – implementation of improvement recommendations (if any) (b) for “research” assignments – use of IAU inputs	* System/Center clients (will vary depending on the assignment)	Tracking of assignment progress via IAU database Follow up reviews IAU Reports to Sponsors	Annual evaluation by Board of Sponsors; 5 yearly external quality assurance review

IAU Service Offering	Mission	Outputs (Progress Markers)	Outcomes	Boundary Partners	Monitoring Methods/ Progress Reporting	Evaluation Plan
Support to Centers in developing risk management systems	The IAU will in collaboration with other SO units, provide knowledge, advice and guidance on risk management to CGIAR centers to enable them to identify and manage their risks and opportunities in accordance with international good practice.	Annual reviews of Center implementation of risk management policies and frameworks	Center risk inventories, mitigation strategies and summary reports for Boards and senior management meet good practice Centers routinely incorporate comprehensive risk management in their organizational processes, and implement action where the assessments indicate unacceptable exposures Center boards issue risk management statements annually without qualification	* Center management and Boards * Other SO units	Ongoing review of progress during each year Status reports to Centers	Annual evaluation by Center management/Boards; 5 yearly external quality assurance review
Undertake Center audits and advisory services	The IAU will provide independent, objective assurance and advisory services that add value, improve operations and help the Centers meet their business objectives	Internal audit coverage and reporting provides reasonable assurance to Center management and Boards that risk mitigations /processes subject to internal audit are adequately designed and implemented or improvement action plans are appropriate.	Completed annual work programs for each Center participating in the CGIAR internal audit consortium Achievement of audit services standards	* Center management and Boards * Center auditees	Tracking of assignment progress and service standard achievement via IAU database Periodic reviews of status of implementation of audit recommendations <i>Activity Reports and Follow Up Status reports to Centers</i>	Audit client evaluations; Annual evaluation by Center management/Boards; 5 yearly external quality assurance review
Lead CGIAR Internal Audit network	The IAU will lead a network of internal auditors from all CGIAR Centers, to be a forum to learn and share best practices regarding internal auditing techniques, governance, risk management, internal control and accountability.	Maintain an active CGIARIANET discussion group; maintain and update the IA web pages in the CGIAR website; implement/maintain an IAU risk assessment and audit management database.	CGIAR internal audit function as a whole (IAU and Center IAs) is effective, efficient and adopts relevant good practice drawn from the global IA profession	* Center IAs * CGIAR webmaster (website support) * IRR! communications group * CIAT IAU (database)	Internal quality assurance reviews <i>IAU Reports to Sponsors</i>	Annual evaluation by Board of Sponsors; 5 yearly external quality assurance review

Standard Center IAU Services

26. For Centers participating with a minimum budget share in the CGIAR IA Consortium, the following standard services will be provided, in conjunction with Center in house or outsourced internal auditors where these are in place:

<i>Services</i>
Preparation of Medium Term and Annual Internal Audit Work Plans (jointly with Center in house auditors where applicable)
Quality assurance reviews of Center-hired IA work / professional advising of IAs
Assurance or advisory reviews in priority areas agreed with Center management/Boards, as indicated in the annual approved work plans. Depending on the complexity of the reviews, or travel requirements, one standard budget contribution will equate to 2-5 assignments per year, with the number depending on the complexity and travel costs for each assignment. This alone is not expected to be sufficient to provide overall assurance over all key processes, so the areas to be covered will have to be prioritized with the Center.
Activity reporting to Center management and Board Audit Committees, and presentations to Audit Committees (most Centers now have bi-annual Audit Committee meetings). At least once per year the reporting will be in person.
Follow Up of Previous Audit Recommendations (jointly with Center in house auditors where applicable)

27. Centers may participate with additional budget shares – usually where the Center fully relies on the IAU for its internal audit services and where additional assurance or advisory reviews are sought by the Center to provide greater coverage of key risk mitigations/processes. The additional work will be programmed in agreement with the Centers commensurate with the additional budget.

Work Programming – Full Time Staff

28. Work programming of the IAU’s full time staff will be based on a 225 working day year per staff member. This is computed as follows:

Billable work days	225
Weekends	104
Public Holidays ⁷	15
Leave	21
Total	365

29. Individual work plans of IAU staff will be prepared so that this billable time will be allocated annually to the various service offering categories. An indicative allocation is shown in the table below:

	Director	Assoc Director (2 or 3)	Other LT IAU staff (2.5)	Baseline ST IAU Cons / Secondments	Total (with 2 ADs)	Total (with 3 ADs)
Center risk management, assurance and consulting work	110 (49%)	165 (73%)	445 (79%)	100 (100%)	985	1150
Shared service tasks						
Preparation/review of GPNs	30	10	15		65	75
Develop IA standards	15	5			25	30
Lead IA network	5	0	0		5	5
Professional development allowance	5	5	12.5		27.5	32.5
Sponsor reporting and IAU admin tasks	15	10	15		50	60
Sub-total:	70 (31%)	30 (13.5%)	42.5 (8%)		172.5	202.5
System-level tasks						
System-wide assignments	30	30	75		165	195
Develop guidelines for improved PI verification	5	0	0		5	5
Update Center Board guidelines	5	0	0		5	5
SO-related tasks	5	0	0		5	5
Sub-total:	45 (20%)	30 (13.5%)	75 (13%)		180	210
Billable work days:	225	225	562.5	100	1337.5	1562.5

⁷ Based on the standard number of public holidays recognized by IRRI. Actual may vary for each host center.

IAU Staff Contracting Arrangements

30. Long term contracts with full or part time IAU professional audit staff will be co-terminus with the 2008-2010 funding cycle. Professional staff compensation (inclusive of all benefits) will be based on international or local market considerations, and the need to mitigate the risks, arising from coterminous arrangements, relating to recruiting and retaining the right people and their institutional knowledge. The Program Assistants will be Center staff appointments, funded by the IAU fully or partially (where the position is shared with the host Center), and compensation and benefits will be made in accordance with applicable Center human resources policies.

31. IAU budgets will provide an allowance up to 5% in aggregate in annual increments in IAU staff compensation, and up to 3% annual increments to the Director. These will be linked to the annual performance assessments.

32. IAU staff will be supplemented by temporary staff, experts on short term consultancies and cross-support from other Center internal auditors for specific assignments, where specialized or local expertise is desirable or where this is a cost-effective solution.

IAU Administrative Arrangements

33. As well as providing office accommodation; information and communication services; transport and travel facilities, local consultant contracting and accounting arrangements for the Director's office and IAU staff based in the Philippines, IRRI contracts the IAU Director and all other long term full or part time IAU staff on behalf of the Consortium.

34. CIMMYT and ILRI provide office accommodation; information and communication services; transport and travel facilities, local consultant contracting and accounting arrangements for their hosted IAU staff.

35. The host Center financial and administrative policies apply in respect of the staff hosted at each Center and transactions processed on behalf of the IAU by that Center. Each host Center provides accounting transaction information to the IAU to enable it to prepare consolidated financial statements for the Unit and facilitate their review by IRRI's Finance Division. See the Box below for more details of the accounting arrangements.

Accounting Arrangements

- IAU funds are managed through a separate account maintained in each of the host Centers' ledgers for the purpose of recording these separately from their own funds;
- IAU funding contributions from all participants are transferred to IRRI and credited to the Unit's account with that host Center. Contributions will be transferred in advance for the year, in advance installments or net of payments to be made directly by the Centers on the IAU's behalf, as agreed between the other participants and IRRI.
- Business payments for the IAU are made from the account by the Centers on the authority of the IA Director or Associate Directors (either through workflow messages, by email, or by signed note), or in the case of staff fees and salaries in accordance with the approved contracts;
- Where Centers other than IRRI make payments on behalf of the Unit directly during the year, and funds are not already provided to that Center for these payments, these will be periodically invoiced to the IAU and reimbursed by IRRI to the Center from the Unit's account.
- With regard to official travel, the travel policy of the relevant host Center will apply in relation to IAU Director, staff and short term consultants except that, unless otherwise approved by the IAU Director on an exceptional basis, all travel will be in economy class.
- Supporting documents for all business payments are maintained and available for independent review at the host Centers. The IAU may maintain copies of these in its own files for reference.

Funding and Expenditure Budgets

36. At the July 2007 meeting, the Sponsors agreed that 2008-2010 funding of the IAU's base budget would continue to come only from Consortium members and additional donor funding for the IAU as an entity would not be sought. Alternative funding options will however be explored during the coming triennium. The principle of minimum shares by Centers for membership of the Consortium was also agreed to be retained.

37. The total base funding for 2006-2007 has been \$715,000 (based on a \$35,000 minimum annual Center contribution, double contributions from IRRI and WorldFish, and \$120,000 contribution from the CGIAR Secretariat). Delivering the mandate on this budget has, with rising costs and increasing client expectations, proved challenging. Based on initial 2008-2010 budget proposals by the IAU Director submitted in July 2007, the need for an increase in the Unit's budget during the 2008-2010 triennium was accepted by the Sponsors but they requested further analysis of multiple financing scenarios before deciding on contribution increases. The final agreed increases over 2008-2010 in the cost of the minimum share are an increase from \$35,000 in 2007 to \$40,000 in 2008, and a further increase to \$45,000 in 2009 which will then apply to both 2009 and 2010. These increases will be the first increases in Center contributions since 2004.

38. Note that for 2008-2010 the final budget provides for the continued double share from IRRI. This is the only large Center with significant physical infrastructure that relies fully on the IAU for its internal audit coverage, whereas other such Centers maintain an in house internal audit function (separately funded) as well as getting coverage from the IAU.

39. IAU staff budgets for 2008-2010 are based on current salaries with provision for annual increments. Compensation is less than the total offered in the UN system for auditors with similar levels of responsibility. The budget scenarios include some provision for costs of recruitment and transition in the Director and Associate Director positions during the coming triennium.

40. Travel is the major non-staff budget item in the IAU budget. It is also subject to significantly increasing cost. The nature of the IAU's work, and the geographic dispersion of its Center clients and, in turn, each Center's geographic dispersion, means that travel will always remain a substantial cost. The Unit already has a policy of economy class travel unless for exceptional reasons. Ways being explored by the Unit to maintain audit efficiency with reduced levels of travel within the agreed overall budget for the Unit include:

- Greater use of Center internal auditors in the locations to carry out the audits under remote supervision, where secondments can be negotiated with the Centers;
- Heavy investment upfront in the preliminary survey phase, in which transfer of information from the Center to the CGIAR IAU can be done electronically and reviewed offsite;
- Remote analysis and testing of transactional data;
- Greater use of teleconferencing and videoconferencing;
- Combine more travel to cover multiple audits in the same location/region (the constraint here is the auditors' limit on reasonable total time away from home);
- Clustering audit assignments in a Center so that one trip may cover several assignments planned for the year;
- Identifying high quality but relatively lower cost local audit consultants or seconded Center staff in the same location or nearby, and training them to IAU standards, in order to carry out field interviews, testing and observations in the location;
- Use of web-based control self assessments with auditees which can be reviewed remotely by IAU and used to prioritize with management the locations to visit to validate the self assessments;
- Greater use of audit work program templates to promote efficient use of a reduced time while on travel.

41. Consultants and secondments of other Center internal auditors for IAU audits is the second major non-staff budget item. Tools to minimize consultant cost, which the IAU has already started to implement, include:

- Refined terms of reference, with more focused milestones and timing to achieve these.
- Provision of detailed audit work program templates for standard assurance audits to promote efficient use of consultants' time. The CGIAR IAU has prepared a detailed template for the audits of regional offices and remote experimental stations.
- Development, before the main part of the assignment begins, of a detailed work program with the consultant.

42 In addition to these major cost categories there are a number of other unavoidable expenses relating to the hosting of the Center and ensuring audit standards are met. The main such cost categories are:

- “general operating costs – other” - the main components of which are office accommodation and information technology costs and office supplies charged by host Centers.
- auditor professional development – this includes the CGIAR’s IIA corporate membership, funding for auditor professional certification, costs of the CGIAR IA Professional Week in the 2008-2010 triennium and other IAU staff continuing professional development events to help staff maintain their minimum professional requirements and to maintain the quality of the internal audit services. Training will be linked to the development plans prepared for each staff.
- in the 2009 budget, there is an allocation of \$30,000 for the cost of the external quality assurance review to be commissioned by the Board of Sponsors. This external review is required at least every five years under the IIA standards and is next due in 2009. The review provides useful advice on improving the internal audit activity, and provides independent assurance to the Consortium members and to external stakeholders as to the conformance of the IAU to international standards.
- publication expenses – these are usually minimal, as most IAU reporting and general publications are produced electronically. The main publication expense of the IAU is for posters and sample copies of Good Practice Notes prepared for the CGIAR Annual General Meeting. Web services are provided by the CGIAR Secretariat without charge to the Unit.

43. A benchmark budget scenario was first developed for organizational scenario 1 (present organization, no 3rd Associate Director) without considering limits on funding availability. This was based on what was felt to be a realistic budget given the known

requirements but with expected “discretionary” costs managed carefully. This came out as a three year total of \$2,595,000, broken down as follows⁸:

	2008	2009	2010
Staff costs	542,000	555,000	584,000
Short term cons + Center IA secondments	90,000	93,000	100,000
Travel	127,000	136,000	136,000
Publications	1,000	1,000	1,000
Professional development	40,000	10,000	44,000
Supplies and services	30,000	35,000	40,000
External QAR		30,000	
TOTAL	830,000	860,000	905,000

44. Six budget alternatives were prepared for organizational scenario 1, based on (a) the timing of increase in the Center share fee, and (b) whether the Consortium would consist of all 15 Centers or only 14 Centers. One of the scenarios, which was presented to the Sponsors in July 2007, provides for budgets in line with this benchmark budget. Other scenarios provide for more graduated fee increases provide for budgets which are below this, but with some cuts could be made viable. The scenario budget calculations are contained in detailed supporting worksheets to this Business Plan.

45. The budget scenarios for organizational scenario 2 – addition of 3rd Associate Director, based in Asia – are essentially the same as those for the benchmark budget and for organizational scenario 1 but with an additional \$100,000 staff salaries, from sources not yet identified, added annually to cover the cost of an additional staff at this level.

46. The final budget scenarios adopted for the 2008-2010 working budget at this time, based on the decision of the Sponsors on the share fee increase for this triennium, were for organizational scenario 1 with either 15 or 14 Center consortium membership. These are budget scenarios 1.1.2 and 1.2.1 as classified in the supporting worksheets. The overall budgets under these scenarios are summarized below.

Funding Scenario (1.1.2)

47. An “All Center Consortium” scenario, wherein all Centers contributing a minimum share and IRRI retains its present double share. However the annual Center fees are progressively increased to \$40,000 in 2008 and then \$45,000 in 2009-2010:

⁸ This benchmark budget is supported by a detailed worksheet, separate from this business plan document, which provides the basis of the computations as well as a comparison with 2007 figures

Annual base contributions:	(g)	(h)	(i)
14 Centers	560,000	630,000	630,000
IRRI (2 shares)	80,000	90,000	90,000
CGIAR Secretariat	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>
	790,000	870,000	870,000
Estimated annual contributions from System-wide programs (E.g. Challenge Programs, SO Units):	<u>40,000</u>	<u>45,000</u>	<u>50,000</u>
Total	830,000	915,000	920,000

(i) expenditure by natural classification:

	2008 <i>(g) \$5,000 increase in Center minimum share</i>	2009 <i>(h) further \$5,000 increase in Center minimum share</i>	2010 <i>(i) no further increase in Center minimum share</i>
Personnel – Director and Staff	542,000	555,000	584,000
Personnel – ST consultants and other Center IAs on secondment	55,000	75,000	60,000
Travel	125,000	164,000	145,000
Publications	1,000	1,000	1,000
General Operating Costs – Professional Dev	37,000	10,000	40,000
General Operating Costs – Other	30,000	35,000	40,000
External QA Review		30,000	
Total base	790,000	870,000	870,000
Additional consultants and travel – System wide Programs	40,000	45,000	50,000
Total	830,000	915,000	920,000

(ii) expenditure by SO Integrated Operating Plan Service Offering:

	2008 <i>(g) \$5,000 increase in Center minimum share</i>	2009 <i>(h) further \$5,000 increase in Center minimum share</i>	2010 <i>(i) no further increase in Center minimum share</i>
Support to Center risk management	140,400	152,000	155,000
Other Center assurance and consulting services	389,000	438,000	429,600
<i>Sub-total</i>	<i>529,400</i>	<i>590,000</i>	<i>584,600</i>
Identify, define and communicate best practice to Centers	75,500	78,000	81,600
Develop audit standards	54,500	57,000	59,200
Lead internal audit network	5,200	5,000	5,600
<i>Sub-total</i>	<i>135,200</i>	<i>140,000</i>	<i>146,400</i>
System wide audit and advisory services:	125,400	140,000	139,000
Total base	790,000	870,000	870,000
GPG2 Project – Center/SGRP monitoring support	10,000	10,000	10,000
Other System Wide Program audit services	30,000	35,000	40,000
<i>Sub-total</i>	<i>40,000</i>	<i>45,000</i>	<i>50,000</i>
Total	830,000	915,000	920,000

Funding Scenario (1.2.2)

48. A “14 Center Consortium” scenario with the Center increasing to \$40,000 in 2008 and then \$45,000 in 2009-2010

Annual base contributions:	(j)	(k)	(l)
13 Centers	520,000	585,000	585,000
IRRI (2 shares)	80,000	90,000	90,000
CGIAR Secretariat	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>
	750,000	825,000	825,000
Estimated annual contributions from System-wide programs (E.g. Challenge Programs, SO Units):	<u>40,000</u>	<u>45,000</u>	<u>50,000</u>
Total	790,000	870,000	875,000

(i) expenditure by natural classification:

	2008 <i>(j) \$5,000 increase in Center minimum share</i>	2009 <i>(k) further \$5,000 increase in Center minimum share</i>	2010 <i>(l) no further increase in Center minimum share</i>
Personnel – Director and Staff	542,000	555,000	584,000
Personnel – ST consultants and other Center IAs on secondment	40,000	62,000	35,000
Travel	102,000	132,000	131,000
Publications	1,000	1,000	1,000
General Operating Costs – Professional Dev	35,000	10,000	34,000
General Operating Costs – Other	30,000	35,000	40,000
External QA Review		30,000	
Total base	750,000	825,000	825,000
Additional consultants and travel – System wide Programs	40,000	45,000	50,000
Total	790,000	870,000	875,000

(ii) expenditure by SO Integrated Operating Plan Service Offering:

	2008 <i>(j) \$5,000 increase in Center minimum share</i>	2009 <i>(k) further \$5,000 increase in Center minimum share</i>	2010 <i>(l)no further increase in Center minimum share</i>
Support to Center risk management	135,800	145,700	152,200
Other Center assurance and consulting services	362,600	408,500	397,700
<i>Sub-total</i>	<i>498,400</i>	<i>554,200</i>	<i>549,900</i>
Identify, define and communicate best practice to Centers	75,500	77,800	81,600
Develop audit standards	52,400	57,700	53,000
Lead internal audit network	5,200	5,300	5,500
<i>Sub-total</i>	<i>133,100</i>	<i>140,900</i>	<i>140,100</i>
System wide audit and advisory services:	118,500	130,000	135,000
Total base	750,000	825,000	825,000
GPG2 Project – Center/SGRP monitoring support	10,000	10,000	10,000
Other System Wide Program audit services	30,000	35,000	40,000
<i>Sub-total</i>	<i>40,000</i>	<i>45,000</i>	<i>50,000</i>
Total	790,000	870,000	875,000

49. The above budgets will be the basis for developing a more detailed 2008 Unit budget. Some movement in line items are expected as a result of a bottom up analysis of costs for each item, updating of additional contributions from non-Center sources, and any final carryovers of expenditure deficits/surplus and fee receivables from 2007.

TERMS OF REFERENCE – DIRECTOR, CGIAR INTERNAL AUDITING UNIT

Position Responsibilities

As chief audit executive, the Director is responsible for properly managing the internal audit activities of the Unit so that:

- The Unit fulfills its established business objectives
- Internal audit resources are employed efficiently and effectively, and in accordance with the overall directives of the CGIAR Internal Audit Consortium Board of Sponsors and relevant host Center financial and administrative policies
- Audit work conforms to the International Standards for the Professional Practice of Internal Auditing published by the Institute of Internal Auditors and adopted by the CGIAR.

The Director establishes plans to carry out the responsibilities of the Unit. This process involves establishing and maintaining an overall Business Plan for the Unit (approved by the CGIAR Internal Audit Consortium Board of Sponsors), Unit-level and client-level audit work schedules, staffing plans, financial budgets and activity reports..

The Director is responsible for:

- Establishing professional and administrative policies and procedures to guide the Unit staff and, in relation to professional auditing practice, the internal auditors hired directly by the Centers
- Establishing and maintaining a program for selecting and developing the human resources of the Unit, and assisting Centers in this regard with respect to internal auditors hired directly by the Centers
- For those Centers for which the Unit is responsible for providing direct internal auditing services, coordinating the internal and external audit efforts to ensure adequate and cost-effective audit coverage, and minimize duplicate audit efforts.
- Establishing and maintaining a quality assurance program to evaluate internal audit operations and performance
- Managing the overall relationship between the Unit and the Center management and Boards, the CGIAR Internal Audit Consortium Board of Sponsors, the other components of the CGIAR System Office and other CGIAR stakeholders. In this regard the Director takes primary responsibility for the Unit's business planning, overall and Center-specific audit work programming, activity reporting and hosting arrangements.
- Preparing and reviewing good practice notes, discussion papers, general presentations and other publicly available products of the Unit
- Undertaking selected audit assignments within agreed work programs of the Unit's clients, particularly those of a more complex and/or sensitive nature

TERMS OF REFERENCE – ASSOCIATE DIRECTOR, CGIAR INTERNAL AUDITING UNIT

Position Responsibilities

The Associate Director will assist the Director of the CGIAR Internal Auditing Unit in leading and managing the internal audit activities of the Unit so that:

- The Unit fulfills its established business objectives
- Internal audit resources are employed efficiently and effectively, and in accordance with the overall directives of the CGIAR Internal Audit Consortium Board of Sponsors and relevant host Center financial and administrative policies
- Audit work conforms to the International Standards for the Professional Practice of Internal Auditing published by the Institute of Internal Auditors and adopted by the CGIAR

Specifically, the Associate Director will have the following responsibilities, as agreed with the Director:

Unit level responsibilities

- Participate in, and contribute to, the strategy setting and business planning for the Unit
- Manage selected assignments concerning the administration of the Unit and the development of audit methodologies and quality assurance systems, including the development and maintenance of the Unit's Audit Manual, the IAU database; and IAU website
- Represent the IAU on behalf of the Director at System-wide meetings and workshops and international professional meetings to which the IAU is invited to participate, when the Director cannot attend.
- Take the lead in managing the IAU relationship with selected client Centers. This includes being responsible for:
 - reporting to the Directors General and, senior management teams, Audit Committee and Boards of Trustees of the Centers;
 - facilitating and monitoring Center risk management activities and overseeing IA risk assessments of the Center;
 - updating Center medium term and annual internal audit plans, and monitoring the achievement of these plans;
 - discuss and coordinate the annual internal audit plans with the external auditors of the Centers on areas of mutual interest to avoid duplication of audit coverage.

ANNEX III

- Undertake or manage CGIAR system-wide assignments and special reviews as agreed with the Director, including the preparation of good practice notes and discussion papers to be circulated across the CGIAR system
- Undertake internal quality assurance reviews of audit assignments of other IAU staff and provide recommendations for improvement to the staff or at Unit level where necessary.
- Act as Unit head when the Director is on leave (*shared responsibility with other Associate Director*).

Audit Assignment responsibilities

With regard to specific audits assigned to the Associate Director to conduct or manage:

Planning and Execution

- Prepare a preliminary survey of the audit unit or topic to be reviewed, which will define the auditable boundaries of for the assignment and include an initial risk assessment and overview of the key audit issues to be addressed.
- Prepare and issue, drawing on the results of the preliminary survey, audit terms of reference (TORs) which should address the objectives, scope, timing and reporting plan for the audit assignment , and should incorporate the views of relevant managers within the center and (where applicable) the external auditor
- Prepare and issue Requests for Proposals for short term consultants where audit assignments are to be outsourced, select suitable consultants and manage their contracts.
- Manage the activities of assigned audit projects to complete them in conformance with the IIA audit standards, according to the timetables established in the audit TOR

Communication, Reporting, and Evaluation

With regards to specific audits assigned to the Associate Director to conduct or manage:

- Ensure audit information provided to executive management is factual, and supported by documentary evidence.
- Communicate audit information in a professional manner which promotes timely action by management to address risks identified.
- Report the results of the audit in a clear and concise manner, giving due regard to management explanations and clarifications.

ANNEX III

- Prepare and issue draft reports in accordance with standard service levels established for the Unit, unless these levels are modified with agreement of audit clients.
- Obtain verbal or written responses from management after each audit project on the factual accuracy of the audit findings, appropriateness and value added of the recommendations or solutions, and assistance in controlling risk.
- Obtain, analyze, and include management responses in the final report, and issue the final reports on behalf of the Director as indicated in the audit TOR.
- Update the IAU database for the completed audits, including as necessary the Center risk assessment profile, and any proposals for modification of the medium term internal audit plans.
- Follow up audit issues with management to ensure that agreed actions are implemented and identified issues are resolved.
- Assist the Director in responding to feedback on the audit performance
- Provide clarification and/or further information, documents or materials upon request by the Director and if necessary, to submit a further report.