



Global Environment Facility  
Fiduciary Management Standards

## Standards and Practices Review

Draft Version Agency: AFRICAN DEVELOPMENT BANK

Proprietary and Confidential  
Draft — Preliminary and Tentative — For Discussion Purposes Only

March 19, 2008

**A. Audit, Financial Management and Control Framework****(1) External Financial Audit**

*The external financial audit function ensures an independent (as defined by the International Federation of Accountants (IFAC)) review of financial statements and internal controls.*

- a. The agency has appointed an independent external audit firm or organization.
- b. The work of the external audit firm or organization is consistent with recognized international auditing standards such as International Standards on Auditing (ISA).
- c. Financial statements are prepared in accordance with recognized accounting standards such as International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) or Generally Accepted Accounting Principles (GAAP) that are accepted in major capital markets for listed companies.
- d. The internal controls over financial reporting cover the use of GEF funds, and Management asserts to the agency governing body that these internal controls are adequate.
- e. An annual audit opinion on the financial statements is issued by the external auditor and made public.
- f. An independent audit committee, or comparable body, is appointed and oversees the work of the external audit firm or organization as it relates to the audit of the financial statements. The audit committee or comparable body has written terms of reference that address its membership requirements, duties, authority, accountability and regularity of meetings.
- g. The external auditor makes regular reports of observations with respect to accounting systems, internal financial controls, and administration and management of the organization. Auditor and management progress reports are reviewed by the audit committee or comparable body annually.

## I. Description of how agency meets this standard:

Inventory of Current Organizational Environment	Documentation References
<p>The financial statements (including a Statement of Funds, Statement of Activity, and Statement of Commitments) are audited in accordance with International Accounting Standards (IAS) and an opinion on those financial statements is issued, annually by the external auditor.</p> <p>During negotiations with donors, the Financial Control Department (FFCO) provides advice to (Resources Mobilization &amp; Partnerships Unit) ORRU and relevant technical Units to ensure that the clause related to the financial procedures comply with Bank's standards.</p>	<p>Summary Matrix of GEF/AfDB Consultations on Fiduciary Management Standards and Practices (GEF Council June 2007)</p>

## II. Description of area(s) in which agency does not meet this standard, and description of agency's monitorable program to remedy any such shortfall, including specific target dates for implementation.

Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall
<p>The International Reporting Financial Standard (IRFS) also used by other multilateral financial institutions is the Bank's reference document. The current exercise is based on the January 2008 edition. Three types of challenges have been identified: (i) the timing for closing the financial statement, due the complexity of the internal and external review cycle; (ii) the often changing of the IFRS to align with the reality in the trend of the finance world; (iii) the need to align Bank's Operations with massive hunt for Trust Fund resources and being able to reassure donors that the Bank is able to absorb these resources.</p>	<p>Periodic refreshing courses, seminars and workshops.</p>

## (2) Financial Management and Control Frameworks

*An internal control framework, as defined by internationally recognized frameworks such as COSO, Cadbury and CoCo, is a risk-based process designed to provide reasonable assurance and feedback to management regarding the achievement of objectives in the following categories:*

- *Effectiveness and efficiency of operations*
  - *Reliability of financial reporting and financial management frameworks*
  - *Compliance with applicable policies and procedures.*
- a. A control framework has been adopted that is documented and includes clearly defined roles for management, internal auditors, the board of directors or comparable body, and other personnel.
- b. The control framework covers the control environment (“tone at the top”), risk assessment, internal control activities, monitoring, and procedures for information sharing.
- c. The control framework has defined roles and responsibilities pertaining to accountability within the control framework for fiscal agents and fiduciary trustees.
- d. At the institutional level, risk-assessment processes are in place to identify, assess, analyze and provide a basis for proactive risk responses. Risks are assessed at multiple levels, and plans of action are in place for addressing risks that are deemed significant or frequent.
- e. The control framework guides the financial management framework.
- f. Procedures are in place for identifying internal controls and assessing controls details annually in the following financial management areas:
- Budgeting;
  - Accounting;
  - Internal control;
  - Funds flow (including disbursements, cash management, unused fund close-out);
  - Financial reporting; and
  - Auditing arrangements.
- g. Duties are segregated where incompatible. Related duties are subject to a regular review by management; response is required when discrepancies and exceptions are noted; and segregation of duties is maintained between: settlement processing; procurement processing; risk management/reconciliations; and accounting.

## I. Description of how agency meets this standard:

Inventory of Current Organizational Environment	Documentation References
<p>Since the last assessment, AfDB has started operationalizing a COSO framework, working with the WB. AfDB has a dedicated unit established to monitor controls &amp; risks.</p> <p>The Internal Control Unit has expanded its activities to include the following Financial Regulations: (a) Financial Administration of Special Funds; (b) Trust and other Special Funds; (c) Borrowing by the Bank; (d) Investment of Liquid Funds; (e) Custody of Funds; (f) Disbursement of Funds.</p> <p>The external auditor has assessed the design effectiveness of internal controls and provides its independent assessment annually.</p>	<p>Summary Matrix of GEF/AfDB Consultations on Fiduciary Management Standards and Practices (GEF Council June 2007)</p>

## II. Description of area(s) in which agency does not meet this standard, and description of agency's monitorable program to remedy any such shortfall, including specific target dates for implementation.

Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall
<p>The Bank is setting up an operational risk management system within the Internal Control Unit. This system will enable to identify the risks and to introduce a risk mitigation mechanism. This will involve the following steps: (a) identification of potential risks related to financial services and products; (b) identification of controls mitigating the risks; (c) stocktaking in the form of database of potential losses, and the extent to which they are quantified.</p>	<p>The Bank is defining an implementation action plan which will be operational by March 2009.</p>

### (3) Financial Disclosure

*The financial disclosure policy establishes and/or strengthens the process surrounding mandatory financial disclosures of possible or apparent conflicts of interest by identified parties.*

- a. A documented financial disclosure policy covering identified parties defines conflicts of interest arising from personal financial interests that require disclosure, including actual, perceived and potential conflicts.
- b. The policy specifies who is required to adhere to the standards, including employees, employee family members, consultants, or independent experts at a management decision making level with the following responsibilities:
  - Contracting or procurement;
  - Developing, administering, managing, or monitoring loans, grants, programs, projects, subsidies, or other financial or operational benefits provided by the bank; and
  - Evaluating or auditing any project, program or entity.
- c. The policy specifies prohibited personal financial interests.
- d. The policy describes the principles under which conflicts of interests are reviewed and resolved by the agency. It describes sanction measures for parties that do not self disclose where a conflict of interest is identified. The policy contains references to other related internal policies, such as outside employment policies.
- e. Parties covered by the policy are provided a way to disclose personal financial interests annually to an administrative function within the agency.
- f. The policy establishes processes for the administration and review of financial disclosure interests of the defined parties defined as well as resolution of identified conflicts of interests, under an independent monitoring/administration function.

## I. Description of how agency meets this standard:

Inventory of Current Organizational Environment	Documentation References
<p>The Code of Conduct outlines that each staff member on accepting employment shall file a confidential statement with the Director of Human Resources attesting that they have no financial or business interest not complying with the rules on external activities and financial business and interests. Such statements shall be updated periodically every two years, thereafter.</p> <p>The Bank has in place an electronic financial disclosure system based on the use of a form to be filled by staff. The purpose of the form is for staff members to disclose any direct or indirect personal interest in operations under consideration by the Bank and any financial and business interest which might reasonably reflect unfavorably on the Bank.</p> <p>Until 2006 the system was not fully operational, but it picked momentum in 2007 when the electronic tracking system with the forms was introduced. This system on a weekly basis automatically reminds staff members who did not fill the forms, including those on leave of absence.</p>	<p>Summary Matrix of GEF/AfDB Consultations on Fiduciary Management Standards and Practices (GEF Council June 2007)</p> <p>AfDB Staff Rules</p> <p>Code of conduct</p>

## II. Description of area(s) in which agency does not meet this standard, and description of agency's monitorable program to remedy any such shortfall, including specific target dates for implementation.

Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall
<p>Up to date there are only 80 to 85% of staff members who fill out the forms. The goal in 2008 is to reach the target of 100%.</p>	<p>To reach the 100% target, the Human Resource Department is considering the reinforcement of the Code through administrative action by the end of 2008.</p> <p>Implementation of an administrative action which is a legal framework to commit staff to fill the forms in 2008.</p>

#### 4) Code of Ethics

*A code of ethics for agency staff promotes responsible governance and ethical behavior.*

- a. A documented code of ethics defines ethical standards to be upheld, including protecting agency and trust fund assets. The code lists parties required to adhere to the standards including employees, consultants, and independent experts. It describes disciplinary and enforcement actions for violations, and provides for appropriate flexibility in application and implementation in local environments.
- b. An ethics or related function provides administrative support for the code, including distributing the code, monitoring compliance, and authority to refer to the agency's investigation function for alleged violations.
- c. Multiple avenues for reporting compliance and/or other business conduct concerns such as a hotline and contact information for functional/department options (e.g. human resources and internal audit) are readily available (e.g. by posting them to the agency's intranet and external websites).

#### I. Description of how agency meets this standard:

Inventory of Current Organizational Environment	Documentation References
<p>AfDB's Bank Group Policy on Good Governance November 1999 promotes the development of a code of ethics.</p> <p>The Anti-Corruption and Fraud Investigation Division ("Division") is responsible for the following:</p> <ul style="list-style-type: none"> <li>▪ Receiving, screening and investigating allegations or whistle blowing on fraud, corruption and malpractices or suspicious transactions in the Bank and in activities financed by the Bank;</li> <li>▪ Conduct fraud and corruption awareness and relevant training for Bank employees and external parties</li> </ul> <p>Complaints by an external party relating to non-compliance with Bank policies that do not involve corruption and fraud shall be referred to the Compliance Review and Mediation Unit.</p> <p>Bank personnel shall report allegations or concerns about corruption or fraud through the Hotline or depending on such Bank Personnel's choice, through an immediate supervisor.</p> <p>Matters relating to non-compliance with Bank policies and procedures in projects that do not involve fraud or corruption are dealt with by the Compliance Review &amp; Mediation Unit.</p>	<p>Code of Conduct for Executive Directors (3<sup>rd</sup> Edition October 2007)</p> <p>Ombudsperson</p> <p>Instrument establishing an Independent Review Mechanism for the Bank</p>



II. Description of area(s) in which agency does not meet this standard, and description of agency’s monitorable program to remedy any such shortfall, including specific target dates for implementation.

Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall

## (5) Internal Audit

*Internal auditing is an independent, objective activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.*

- a. Internal audit activity is carried out in accordance with internationally recognized standards such as those prescribed by the Institute of Internal Auditors (IIA).
- b. Auditors and entities that provide internal auditing services adhere to ethical principles of integrity, objectivity, confidentiality and competency.
- c. The internal audit function is independent and objective in the execution of its respective duties. There is an officer designated to head the internal audit function. The chief audit officer reports to a level within the organization that allows the internal audit activity to fulfill its responsibilities objectively.
- c. The internal audit function has documented a terms of reference/charter that outlines its purpose, authorized functions, and accountability.
- d. The internal audit function has a documented description of the annual audit planning process, including a risk-based methodology for preparing an audit plan. The audit plan outlines the priorities of the function and is consistent with the agency's goals.
- e. The chief audit officer shares information and coordinates activities with relevant internal and external parties (including external financial statement auditors) to ensure proper coverage and minimize duplication of efforts.
- f. The internal audit function disseminates its findings to the corresponding senior and business management units, who are responsible for acting on and/or responding to recommendations.
- g. The internal audit function has a process in place to monitor the response to its recommendations.
- h. A process is in place to monitor and assess the overall effectiveness of the internal audit functions including periodic internal and external quality assessments.

## I. Description of how agency meets this standard:

Inventory of Current Organizational Environment	Documentation References
<p>The Bank has an Internal Auditing Department (IAD) which carries out internal audits in accordance to Institute of Internal Auditors (IIA) Standards.</p> <p>The process for monitoring and assessing the overall effectiveness of the internal audit function is conducted by a Peer review mechanism and an External Assessment by IIA.</p>	<p>Per discussions with Internal Audit (Chukwuma Okonkwo) on 4/03/2008</p>

## II. Description of area(s) in which agency does not meet this standard, and description of agency's monitorable program to remedy any such shortfall, including specific target dates for implementation.

Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall
N/A	N/A

## B. Project/Activity Processes and Oversight

**(1) Project Appraisal Standards, including safeguards measures, as appropriate**

*Project appraisal functions include the establishment of standards and appropriate safeguards that are used to determine whether projects and activities will meet their development goals before funds are dispersed.*

- a. An independent project and/or activity appraisal process is in place with the purpose of examining whether proposed projects and/or activities meet appropriate technical, economic, financial, fiduciary, environmental, social, institutional and/or other relevant criteria, including GEF-mandated criteria, and whether they are reasonably likely to meet stated objectives and outcomes. The process ensures an appropriate degree of institutional checks and balances at the stage of project design.
- b. Project and/or activity development objectives and outcomes are clearly stated and key performance indicators with baseline and targets are incorporated into the project/activity design.
- c. Risk-assessment procedures are in place specifying the criteria and circumstances under which environmental, social, institutional and/or fiduciary assessments must be conducted.
- d. Adequate oversight procedures are in place to guide the appraisal process and ensure its quality and monitoring of follow-up actions during implementation.

I. Description of how agency meets this standard:

Inventory of Current Organizational Environment	Documentation References
<p>The Presidential Directive issued on November 2007 sets out the revised process and procedures for the review and approval of country strategies, projects appraisal reports, and studies to be financed by the Bank Group and related policy and operational documents.</p> <p>The objective of the Directive is to improve quality at the entry level in respect of the Bank Group's operations, coordination and coherence between operations complexes, and ensure they are consistent with the Bank's strategic priorities.</p> <p>The Directive entered into force with effect from November 28, 2007.</p> <p>AfDB Operations Manual is designed to guide staff in project preparation, appraisal, implementation and monitoring.</p> <p>The AfDB has updated the 1999 Operations Manual in order for internal procedures to better suit and validate the Bank's immediate policy goals.</p>	<p>Presidential Directive N° 07/2007</p>     <p>AfDB Operations Manual 2004</p>

Inventory of Current Organizational Environment	Documentation References
<p>Currently the Bank uses for operations compliance the 2004 Environment and Social Assessment Procedures (ESAP) document, which needs to be updated.</p> <p>In reference to decentralization, the Bank has embarked on a reform program overseen by Committee of Implementation of Reforms, among which is establishing and enhancing capacities of field offices to extend the visibility of Bank's projects, and foster implementation of projects in member countries.</p> <p>Bank effort to foster civil society consultation is well underway: (i) the internal review of the Policy on Participation was successfully completed; and (ii) an interactive NGO database has been launched officially on 19<sup>th</sup> March 2008.</p> <p>The Independent Review Mechanism was established by the Bank Group Resolution on 30 June, 2004, but became operational in 2006 with the appointment of the Compliance Review and Mediation Unit (CRMU) director. The mechanism is similar to independent accountability mechanisms established by other Multilateral Development Banks', such at the World Bank's Inspection Panel, IFC's Compliance Adviser/Ombudsman.</p> <p>CRMU has two permanent professional staff, the aforementioned director and a Principal Compliance Officer, and one support staff, Secretary/Assistant. In addition the Unit has been assigned a Young Professional Officer and a additional short term assistant.</p> <p>IRM procedures are transparent. To maintain the mechanism independence and objectivity, IRM Rules and Procedures conditions the attainment of management response in compliance review process throughout assessment of the eligibility of people requests, and preparation of compliance review reports and implementation of recommendation of the review once approved by the Boards. This essentially means that the compliance review can be considered as a tool to address internal gaps of projects' compliance with the Bank's rules and procedures, and will also strengthen the operational staff performance in project appraisal and monitoring of implementation. Finally, IRM can also be seen as an added value or a contributor to the Bank's learning process.</p>	<p>IRM Operational Rules and Procedures, and the Board's resolution for establishing the IRM are available on line at <a href="http://www.afdb.org/irm">www.afdb.org/irm</a></p> <p>All requests/complaints and related documentation available on the above mentioned website.</p> <p>IRM Rules and Procedures, 2004 inclusive Paragraphs 31-33 and 44.</p>

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Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall
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Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall
<p>One of the most important challenges in the setting up of the Independent Review Mechanism is to make project affected people and civil society organizations aware of the mechanism, and its procedures for lodging complaints with the CRMU. Unless people are aware of their rights to complaint to the ADB Group the objective of the IRM cannot be fulfilled.</p> <p>The Bank is in the process of revising its 2004 Environment and Social Assessment Procedures (ESAP) document.</p> <p>The Bank is in the process of developing new Environmental and Social Assessment Guidelines (ESAG) for Bank's projects through financial intermediaries.</p>	<p>CRMU undertakes outreach activities, which can be viewed on the IRM website (<a href="http://www.afdb.org/irm">www.afdb.org/irm</a>). The outreach activities are included in each year's work program and budget.</p> <p>The new ESAP document will be finalized and approved by CODE in September 2008</p> <p>The ESAG-FI document will be finalized and approved by CODE in June 2008.</p> <p>The Bank will deliver two Introductory sessions on cross-cutting issues for new Bank staff per year. The next session will take place in October 2008.</p>

## (2) Procurement Processes

*Agency procurement processes covering both internal/administrative procurement and procurement by recipients include written standards based on widely recognized processes and an internal control framework to protect against fraud, corruption and waste.*

- a. Specific directives at the agency promote economy and efficiency in procurement through written standards and procedures that specify procurement requirements, accountability and authority to take procurement actions.
- b. Specific procurement guidelines are in place with respect to different types of procurement managed by the agency, such as consultants, contractors and service providers.
- c. Specific procedures, guidelines and methodologies of assessing the procurement procedures of beneficiary institutions are in place.
- d. Procurement performance in implemented projects is monitored at periodic intervals, and there are processes in place requiring a response when issues are uncovered.
- e. Procurement records are easily accessible to staff, and procurement policies and awards are publicly disclosed.

### I. Description of how agency meets this standard:

Inventory of Current Organizational Environment	Documentation References
Bank's procedures extensively address all procurement-related issues from contract formation to contract execution, including effective measures against fraud and corruption. Specifically, Bank has set out adequate instruments and actions to (i) promote efficient procurement through efficient and up to date standard procurement documents available to recipients for use; (ii) adequately review procurement processes to prevent the waste of resources; (iii) enhance training and familiarity with procurement rules by staff and project implementing teams; (iv) assess capacities of executing agencies in discharging procurement functions during project preparation and appraisal; (v) assist project teams to effectively monitor procurement processes and perform required audits during supervision of projects funded by the Bank.	Rules of Procedure for Procurement of Goods and Works. Rules of Procedure for the Use of Consultants. Presidential Instructions Pi 02/98. Specific Training Materials.

II. Description of area(s) in which agency does not meet this standard, and description of agency's monitorable program to remedy any such shortfall, including specific target dates for implementation.

Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall
<p>Lack of procurement expertise in Bank country members, which lead to poor performance and defective archiving of procurement documents.</p> <p>Insufficient number of staff members with procurement expertise to assist recipients to efficiently deliver on procurement actions in accordance with Bank's rules.</p>	<p>Several National Workshops on project implementation, including procurement conducted in different countries each year for Bank-funded project staff.</p> <p>Review of procurement functions in the Bank to come up with a critical mass of trained and accredited staff to monitor procurement processes.</p>

### (3) Monitoring and Project-At-Risk-Systems

*The GEF monitoring and evaluation policy, adopted by Council in February 2006, establishes minimum requirements based on widely recognized, best practice norms and standards for monitoring in the GEF. From a fiduciary perspective, the monitoring function detects, assesses, and provides management information about risks related to projects and/or activities, particularly those deemed to be at risk.*

- a. Monitoring functions, policies and procedures consistent with the requirements of the GEF monitoring and evaluation policy have been established.
- b. The roles and responsibilities of the monitoring function are clearly articulated at both the project/activity and entity/portfolio levels. The monitoring function at the entity/portfolio level is separated from the project and/or activity origination and supervision functions.
- c. Monitoring reports at the project/activity level are provided to project/activity manager as well as to an appropriately higher level of oversight within the organization so that mid-course corrections can be made, if necessary. Monitoring reports at the entity/portfolio level are provided to both project/activity managers and to an appropriately higher level of oversight within the organization so that broader portfolio trends are identified, and corresponding policy changes can be considered.
- d. A process or system, such as a project-at-risk system, is in place to flag when a project has developed problems that may interfere with the achievement of its objectives, and to respond accordingly to redress the problems.
- e. Adequate oversight procedures are in place to guide the project risk assessment process and to ensure its quality and monitoring of follow-up actions during implementation.



This process or system is subject to independent oversight

I. Description of how agency meets this standard:

Inventory of Current Organizational Environment	Documentation References
<p>Concerning the roles and responsibilities of the monitoring function, task managers are advised, through the recently developed checklist by ORPC, to ensure that this situation prevails.</p> <p>The monitoring reports at the project/activity level are normally provided as part of project implementation progress report prepared and submitted by project implementation units.</p> <p>the monitoring guidelines referred to are the supervision report format being currently revised.</p> <p>Due to staff turnover and the task manager who designed a project is often not the same who prepares the PCR. this could only apply to the quick disbursing policy based loans.</p> <p>The current project performance rating system comprises of 18 indicators grouped into the following 5 main categories:</p> <ul style="list-style-type: none"> <li>▪ Project Implementation;</li> <li>▪ Procurement Performance;</li> <li>▪ Financial Performance;</li> <li>▪ Activities and Works;</li> <li>▪ Impact on Development.</li> </ul> <p>The following reports are issued in regard to Project Monitoring:</p> <ul style="list-style-type: none"> <li>▪ Quarterly Progress Reports;</li> <li>▪ Annual Audit reports;</li> <li>▪ Supervision reports.</li> </ul> <p>The rating scale per the Project Performance in the Supervision Summary will indicate that a project is at-risk if it is a problem project (PP) <b>OR</b> a potentially problematic project (PPP). A problem project is that with a rating less than 1.5 for either Implementation Progress or Development Objectives, while a potentially problematic project is a project that has <b>two or more</b> of a set of 10 critical factors “flagged”, signalling a high possibility that, in the future, these projects may experience problems with implementation progress or development objectives and therefore require close monitoring. The sum of PPs and PPPs gives the level of projects at risk in a portfolio.</p> <p>Some of the “flags” identifying a PPP are one time indicators such that, if they are flagged, the project would carry the at risk flag for the duration of its implementation period. These flags will be revised with the revision of the supervision report format.</p>	<p>AfDB Operations Manual.</p>

Inventory of Current Organizational Environment	Documentation References

II. Description of area(s) in which agency does not meet this standard, and description of agency’s monitorable program to remedy any such shortfall, including specific target dates for implementation.

Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall
<p>Project oversight procedures are not recent. They are being revised.</p> <p>The supervision report format is under review together with the ratings system. there are proposals to provide in sap measures that will ensure task managers review and approve performance ratings before they are transported into SAP.</p>	

#### (4) Evaluation Function

*The evaluation function assesses the extent to which projects, programs, strategies, policies, sectors, focal areas, or other activities achieve their objectives. The goals of evaluation are to provide an objective basis for assessing results, to provide accountability in the achievement of agency objectives, and to learn from experience. The GEF monitoring and evaluation policy, adopted by Council in February 2006, establishes minimum requirements based on widely recognized, best practice norms and standards for monitoring in the GEF, including impartiality, professionalism, and a high degree of independence.*

- a. Independent evaluations are undertaken by an established body or function as part of a systematic program of assessing results, consistent with the requirements of the GEF monitoring and evaluation policy.
- b. The evaluation function follows impartial, widely recognized, documented and professional standards and methods.
- c. The evaluations body or function is structured to have the maximum independence possible from the organization's operations, consistent with the structure of the agency, ideally reporting directly to the governing board. If its structural independence is limited, the evaluations body or function has transparent reporting to management and /or the governing board.
- d. An evaluation disclosure policy is in place. Evaluation reports are disseminated as widely as possible, and at a minimum to all parties directly or indirectly involved with the project. To enhance transparency, to the extent possible, reports are available to the public.

#### I. Description of how agency meets this standard:

Inventory of Current Organizational Environment	Documentation References
<p>The Bank has Evaluation Guidelines fully applied.</p> <p>Regarding the reporting structure of the evaluation function, OPEV operates based on a three-year rolling work program which is approved by CODE every year.</p>	

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Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall

## C. Investigations

### (1) Investigation Function

*The investigation function provides for independent, objective investigation of allegations of fraud and corruption in agency operations, and of allegations of possible agency staff misconduct.*

- a. The investigations function has publicly available terms of reference that outline the purpose, authority, and accountability of the function.
- b. To ensure independence, the investigations function is headed by an officer who reports to the head of the agency and/or an oversight body, such as a committee of the board of directors or a comparable body.
- c. The investigations function has published guidelines for processing cases, including standardized procedures for handling complaints received by the function and managing cases before, during and after the investigation process.
- d. The investigations function has a defined process for periodically reporting case trends. To enhance accountability and transparency, to the extent possible, case trend reports and other information are made available to senior management and respective functional business areas.

#### I. Description of how agency meets this standard:

Inventory of Current Organizational Environment	Documentation References
<p>The Board of AfDB approved in November 2005 the establishment of an Anti-Corruption and Fraud Investigation Division ("Division").</p> <p>The Division has the overriding mandate to undertake unhindered investigations into allegations of corruption, fraud and malpractices or suspicions.</p> <p>An Oversight Committee on Corruption &amp; Fraud is provided for in the instrument establishing the Office of the Auditor General. This Committee shall be chaired by a Vice President appointed by the President and shall include two other senior managers plus the General Counsel &amp; the Auditor General. The Committee is now being constituted.</p> <p>The Anti-Fraud Corruption and Fraud Investigation Function is responsible for reporting to the Auditor General, head of the Office of the Auditor General ("OAG") on allegations received, screened, and their investigation status. The Auditor General reports directly to the President.</p>	<p>Terms of Reference for the ACFD</p> <p>Terms of Reference for the ACFD</p> <p>Board document establishing the Office of the Auditor General</p>

Inventory of Current Organizational Environment	Documentation References
<p>The President has the authority to appoint and remove the Auditor General ("AG") in consultation with the Board of Directors. The appointment of the AG is for a period of five years renewable once and he/she is not eligible for staff appointment thereafter.</p> <p>As outlined within the Whistle Blowing and Complaints Handling Policy, the Anti-Corruption and Fraud Investigation Division is responsible for the following:</p> <ul style="list-style-type: none"> <li>▪ Registering allegations and where the identity of the Bank Personnel is known, acknowledge receipt of the allegation;</li> <li>▪ Investigate an allegation to determine whether an act of fraud, corruption, or other misconduct has occurred and if so, the party or parties responsible;</li> <li>▪ Determine the subsequent actions to be taken.</li> </ul> <p>The International Financial Institutions Anti-Corruption Task Force Framework outlines that AfDB should adopt procedures for the following:</p> <ul style="list-style-type: none"> <li>▪ Receipt of Complaints;</li> <li>▪ Preliminary Evaluation;</li> <li>▪ Case Prioritization;</li> <li>▪ Investigative Activity;</li> <li>▪ Case Disposition;</li> <li>▪ Referrals to National Authorities;</li> <li>▪ Measures to Prevent Unauthorized Disclosure of Investigative Information.</li> </ul>	<p>ACFD proceeds in accordance with the Uniform Framework against Corruption agreed by the IFIs in September 2006</p> <p>IFIs Uniform Framework on Combating Corruption (2006).</p>

II. Description of area(s) in which agency does not meet this standard, and description of agency's monitorable program to remedy any such shortfall, including specific target dates for implementation.

Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall

**(2) Hotline & Whistleblower Protection**

*Agency policies provide avenues for reporting suspected ethics violations and protections for individuals reporting such violations.*

- a. A hotline or comparable mechanism is in place to ensure the capacity to take in reports of suspected unethical, corrupt, fraudulent or similar activity.
- b. An intake function coordinates the reporting of hotline information, compliance and/or other business concerns from internal and external sources. The intake function maintains a certain level of autonomy from the investigations function.
- c. A whistleblower protection policy covering who is protected and defining protected disclosures (such as violations of law, rule or regulation, abuse of authority, gross waste of funds, gross mismanagement or a substantial and specific danger to public health and safety). The policy defines the standard of protection from retaliation (such as placing the burden on the agency to provide evidence that the involved official would have taken the same action absent the protected disclosure).
- d. Policies are in place to ensure confidentiality and/or anonymity, as requested, of whistleblowers or others making reports (such as by using appropriate hotline technology, and preserving anonymity in reporting processes).
- e. Procedures are in place for the periodic review of the handling of hotline, whistleblower and other reporting information to determine whether the process to protect these parties is in place and is effective.

I. Description of how agency meets this standard:

Inventory of Current Organizational Environment	Documentation References
<p>The Whistle blowing &amp; Complaints Handling Policy provides specific remedies for persons who have been retaliated against because the individual has whistle blown. These include, for example, re-instatement, payment of counsels' fees, re-assignment etc.</p> <p>It is misconduct subject to disciplinary action to disclose unauthorized confidential information such as the identity of a whistleblower.</p> <p>The ACFD has a hotline, email system that allow for anonymous reporting. The system is separate from the Bank's regular IT system.</p> <p>The ACFD has a Case Management System to track complaints of fraud or corruption in Bank projects/activities.</p>	<p>Whistle blowing &amp; Complaints Handling Policy.</p>

Inventory of Current Organizational Environment	Documentation References

II. Description of area(s) in which agency does not meet this standard, and description of agency’s monitorable program to remedy any such shortfall, including specific target dates for implementation.

Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall