GLOBAL ENVIRONMENT FACILITY
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Minimum Fiduciary Standards for GEF Partner Agencies

Summary	This Policy outlines the minimum fiduciary standards set forth by the GEF Council in order to strengthen the accountability of the GEF Partner Agencies.
Approved By	GEF Council (55th Council meeting) – Last update to include the minimum requirement on anti-money laundering and combating the financing of terrorism
Approval Date	December 20, 2018
Effective Date	December 20, 2018
Applicability	This Policy applies to all GEF Partner Agencies.
Council Document	• Updating the Minimum Fiduciary Standards on Issues related to Anti-Money Laundering and Combating the Financing of Terrorism (GEF/C.55/06) • GEF Minimum Fiduciary Standards: Separation of Implementation and Execution Functions in GEF Partner Agencies (GEF/C.41/06/Rev.01) • Recommended Minimum Fiduciary Standards for GEF Implementing and Executing Agencies (GEF/C.31/06)
Related Documents	• Agency Minimum Standards on Environmental and Social Safeguards (OP/PL/01) • Monitoring and Evaluation Policy
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Definitions

1. Evaluation: A systematic and impartial assessment of an activity, project, program, strategy, policy, sector, focal area or other topic aimed at determining the relevance, efficiency, effectiveness, impact, and sustainability of the interventions and contributions of the involved partners.[1]

2. *Execution Activities and Functions:* Execution generally includes the management and administration of the day-to-day activities of projects in accordance with specific project requirements in an agreement with the agency responsible for implementation. Execution implies accountability for intended and appropriate use of funds, procurement, and contracting of goods and services.[2]

3. GEF Agencies: The 10 institutions that were entitled to receive GEF Trust Fund resources directly from the GEF Trustee for the design, implementation, and supervision of GEF Projects as of November 2010. They include the following organizations: the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the Food and Agriculture Organization of the United Nations, the Inter-American Development Bank, the International Bank for Reconstruction and Development, the International Fund for Agricultural Development, the United Nations Development Program, United Nations Environment Program, and the United Nations Industrial Development Organization.

4. *GEF Partner Agencies:* Those agencies eligible to request and receive GEF resources directly for the design, implementation, and supervision of GEF Projects. This category includes both GEF Agencies and GEF Project Agencies. It does not include agencies designated by countries that request resources from the GEF Secretariat for the execution of activities under GEF direct access modalities (implemented by the GEF Secretariat), including for Convention reports and National Portfolio Formulation Exercises.

5. *GEF Project Agency*: Any of the institutions that the GEF has accredited to receive GEF resources to implement and execute GEF-financed projects apart from the ten GEF Agencies.

6. Implementation Activities and Functions: Implementation generally involves project identification, preparation of project concept, appraisal, preparation of detailed project documents, project approval and start-up, project supervision, and project completion and evaluation[3].

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[1] For more detail, see The GEF Monitoring and Evaluation Policy, November 2010. http://www.thegef.org/gef/sites/thegef.org/files/documents/ME_Policy_2010.pdf

[2] For more detailed description of implementation and execution activities/ functions, see Council Document GEF/C.39/9, *Rules and Guidelines for Agency Fees and Project Management Costs*, page 4.

[3] For more detailed description of implementation and execution activities/ functions, see Council Document GEF/C.39/9, *Rules and Guidelines for Agency Fees and Project Management Costs*, page 4.

7. *Monitoring*: A continuous or periodic function that uses systematic collection of data, qualitative and quantitative, for the purposes of keeping activities on track. It is first and foremost a management instrument.[4]

8. *Project Appraisal:* The investigative process used by a development agency to determine whether projects and activities financed by the agency meet their development goals, including sustainable development and environmental goals, before funds are disbursed. In practice, an Agency's project appraisal process may include the investigation of multiple aspects of a project, including economic, technical, institutional, financial, environmental, social, commercial, etc.

9. *Environmental and Social Safeguards:* Measures taken by a development agency to avoid, minimize, mitigate, and where appropriate, offset adverse social or environmental impacts arising from projects financed by the agency. Environmental and social safeguard measures are meant to contribute to sustainable development efforts by enhancing participation of stakeholders in project design and building ownership among local populations. In the GEF, the application of environmental and social safeguard standards and procedures is part of the project appraisal process.

[4] See the GEF Monitoring and Evaluation Policy, November 2010.

I. Introduction

1. This policy outlines the minimum fiduciary standards set forth by the GEF Council in order to strengthen the accountability of the GEF Partner Agencies. These standards were developed in response to the Policy Recommendations for the Fourth Replenishment of the GEF Trust Fund, which called on the Trustee to develop, in consultation with the GEF Agencies, a proposal on strengthened accountability for GEF Agencies eligible for implementing, and if appropriate, executing GEF projects, with due attention to issues of economy and efficiency. In June 2007, the GEF Council approved a set of minimum fiduciary standards proposed by the Trustee, as presented in Council document GEF/C.31/6, *Recommended Minimum Fiduciary Standards for GEF Implementing and Executing Agencies*.[5]

2. The Council requested that each GEF Agency prepare a self-assessment report explaining how it complied with the standards, which were presented to the GEF Council in spring 2007.[6] In April 2008, the Council requested the Secretariat to contract a Consultant ("the Consultant") to draft a comparative analysis and assess whether the Agencies met the minimum fiduciary standards. Those Agencies not meeting the standards were obligated to develop time-bound action plans to meet the standards.[7]

3. Based on the Consultant's analysis and recommendations, in June 2009 the Council requested each GEF Agency that had not fully met the minimum fiduciary standards to implement its agreed action plan to meet the standards. The Council also asked these agencies to provide information annually on the progress made in implementing the plans.[8] Subsequent to the adoption of the policy, the GEF Secretariat has updated the Council on the status of the GEF Agencies in meeting the minimum fiduciary standards on an annual basis.

4. In May 2011, the GEF Council decided to broaden the GEF partnership through the operationalization of paragraph 28 of the GEF Instrument through the implementation of a pilot program to accredit up to ten GEF Project Agencies. The GEF Policy on the Accreditation of GEF Partner Agencies requires that a GEF Accreditation Panel be convened to ensure that new agencies that apply for accreditation fully meet the GEF Fiduciary Standards, including GEF environmental and social safeguard standards, in order to be accredited.[9]

5. In November 2013, The Secretariat proposed to the Council that, in collaboration with the Trustee, it start the search for a third-party to undertake a review of the Minimum Fiduciary

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[5] http://www.thegef.org/gef/sites/thegef.org/files/documents/C.31.6%20Fiduciary%20Standars.pdf

[6] See Joint Summary of the Chairs, GEF Council Meeting June 12-15, 2007, June 18, 2007.

[7] Joint Summary of the Chairs, GEF Council Meeting April 22-25, 2008, April 25, 2008.

[8] See Council document GEF/C35.5, *Compliance of the GEF Agencies on the Implementation of Minimum Fiduciary Standards*. http://www.thegef.org/gef/sites/thegef.org/files/documents/C.35.5 Fiduciary Standards.pdf

[9] See Council Document GEF/C.40/09/, Broadening of the GEF Partnership under Paragraph 28 of the GEF Instrument.

standards "after the conclusion of the pilot on the accreditation of new GEF Project Agencies."[10]

II. Objectives

6. The objective of this policy is to strengthen financial and programmatic accountability of the GEF by requiring that all GEF Partner Agencies meet the agreed minimum fiduciary standards that are listed in Annex I: *GEF Minimum Fiduciary Standards*.

III. Scope of Application

7. This Policy applies to all GEF Partner Agencies, including the ten GEF Agencies, and any new Agencies that apply for accreditation as a GEF Project Agency.

IV. Core Principles

8. As a general matter, minimum fiduciary standards are maintained with the implementation of procedures that reflect several core principles. These include:

(a) Professional standards. Fiduciary management functions (for all categories) are undertaken in accordance with published guidelines and/or standards based, where available, on internationally recognized professional standards.

(b) Independence. Fiduciary review functions are appropriately independent and objective in the execution of their respective duties.

(c) Transparency. To ensure both accountability and remedial action, the results of reviews are disclosed to the fullest extent possible, taking into account confidentiality and other concerns as appropriate.

(d) Monitoring and response. Procedures are in place that establish periodic monitoring and ensure that issues raised in reviews are dealt with effectively.

(e) Value-for-money provisions. Procedures focus, as appropriate, on ensuring that the maximum benefit, for the resources expended, has been obtained from goods and services acquired or provided.

9. These core principles apply across the board, in the design and implementation of standards in each of the covered areas.

[10] See Council Document GEF C.45/Inf.04, Agency Progress on Meeting the GEF Fiduciary Standards, para.6.

V. Application to Different Types of Operations

10. The GEF Council has decided that all GEF Partner Agencies need to meet the GEF Minimum Fiduciary Standards. The following is guidance drawn from Council Document GEF/C.31/6.

11. In general, all minimum fiduciary standards apply across all types of operations, where there are projects and/or activities to which they can be applied sensibly. Most of the standards apply generally, rather than to project- or GEF-specific activities. These include external and internal audit, financial management and controls, financial disclosure, codes of ethics, investigation, and hotline and whistleblower protection. Requirements for monitoring and evaluation are covered under GEF Monitoring and Evaluation Policy.[11] Project appraisal standards, procurement processes, and project-at-risk systems may vary to some degree, depending on the type of programs and activities, in terms of the appropriate criteria and objectives used. However, the core principles are consistent across different types of operations and activities.

12. In the specific context of a GEF Partner Agency's GEF work, any assessment must examine whether GEF activities are fully covered by institution-wide standards. In addition, institutional standards designed to cover core business activities must be assessed to ensure that their application to GEF work is effective. This Policy assumes that GEF Partner Agency activities are undertaken consistent with the recommendations of GEF/C.31/5, *Comparative Advantages of the GEF Agencies*. In any case, if an agency's management and control frameworks are focused on different kinds of activities than those undertaken by the GEF Partner Agency for the GEF; there must be an examination of whether the frameworks achieve their intended purposes for GEF activities as well. This may apply to existing or future operations.

13. As noted in GEF/C.31/5, *Comparative Advantages of the GEF Agencies*, an assessment of GEF Partner Agency capacity to manage different types of projects would be based, inter alia, on each GEF Partner Agency's fiduciary policies, including environmental and social safeguard procedures. In specific cases of integrated projects that include components where the expertise and experience of a GEF Partner Agency is lacking or weak, partnerships with other GEF Partner Agencies must be established with clear complementary roles, so that all aspects of the projects can be well managed.

14. Should GEF Partner Agencies choose to implement activities that are generally outside of their respective comparative advantage, and to implement such activities in partnership with another GEF Partner Agency that has that comparative advantage, as required by the GEF Council, they must ensure that all of the appropriate fiduciary standards, controls and business practices that are required to support those specific activities are in place.

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[11] This policy was originally adopted in 2006 and updated in 2010.

VI. Application to GEF Partner Agencies

15. The Council required that each of the ten GEF Agencies demonstrate its compliance with the GEF Minimum Fiduciary Standards approved in 2007. The Secretariat was directed to contract a consultant to assess Agency compliance. Each Agency not in compliance was required to agree to monitorable action plans to come into compliance with the standards and "to provide to Council, on an annual basis, information on progress made towards fulfilling their action plan." In 2010, the GEF Council decided that a GEF Accreditation Panel would be formed to assess whether applicants to be GEF Project Agencies meet the GEF Minimum Fiduciary Standards.

16. As a principle, assessments of whether GEF Partner Agencies, including GEF Project Agency applicants, comply with the standards should take into account the following:

(a) <u>Reasonable Assurance of Effectiveness</u>. The evaluation should take into account not just the existence of fiduciary standards, but also their effectiveness. That is, the assessment should consider whether the fiduciary management policies and functions are reasonably effective in achieving their intended purposes. In that regard, it should be recognized that GEF Partner Agencies work in challenging environments throughout the world. All GEF Partner Agencies remain vulnerable to some degree to the risks that fiduciary standards and controls are meant to identify and mitigate. Absolute assurance about the application and effectiveness of fiduciary requirements and controls is not possible; a standard of reasonable assurance is the appropriate one to follow.

(b) <u>Comparability</u>. Among GEF Partner Agencies, there will inevitably be different standards and procedures in place, sometimes for the same purposes, and the distance below or above the benchmark in a given area will differ. If a minimum benchmark is not met in a particular area, the assessment should review and take into account any standards or procedures that are in place that provide equivalent or comparable functions or assurance. Similarly, different approaches to fiduciary functions may be equivalent in their effect. For example, audit, investigation and evaluation functions may be established separately within an agency, or may be organized under an Inspector General.

(c) <u>Communication of Assessment Findings</u>. After GEF Partner Agencies are assessed, it is important that any findings, including identified issues and gaps in the Agency's ability to meet the standards, should be communicated to the individual Agencies promptly, in order to provide adequate response.

(d) <u>Periodic Monitoring</u>. The Council agreed that GEF Agencies not meeting the standards would report annually to the GEF Council on their progress in meeting the standards under their agreed monitorable action plans.[12] Policy regarding the review of GEF Project Agencies is outlined in Council Document GEF/C.39/8/2, *Accreditation Procedure for GEF Project Agencies*.

VII. Review and Evolution of Fiduciary Standards

17. The Council agreed that implementation of fiduciary standards and procedures is, for most of the areas, an evolving process. From a GEF Partner Agency's perspective, a function may be established, or a policy or practice introduced, on the basis of required minimum standards with an expectation that the relevant policies and practices would be enhanced over time, moving from good practice toward best practice. At the same time, best practice standards themselves evolve over time, so target minimum and good practice standards may be adjusting at the same time. As fiduciary standards requirements are reviewed, decisions on how to improve standards will take these changing considerations into account.

[12] See Joint Summary of the Chairs, GEF Council Meeting, June 22-24, 2009, paragraph 12 (c).

Annex I: GEF Minimum Fiduciary Standards

1. The standards below are the Minimum GEF's Fiduciary Standards as initially approved by the GEF Council in 2007,[13] reflecting updates agreed by Council in November 2011 to reflect Council decisions on the segregation of implementation and execution functions[14] and minimum standards on environmental and social safeguards.[15]

I. Project/Activity Processes and Oversight Criteria

1. Project Appraisal Standards - *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) A 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, environmental, social, institutional and/or other relevant criteria, including GEF-mandated criteria[16], and whether they are reasonably likely to meet stated objectives and outcomes.

   (b) The appraisal process provides institutional checks and balances at the stage of project design:

   - Policies and risk-assessment procedures are in place specifying the criteria and circumstances under which environmental, social, institutional and/or fiduciary assessments must be conducted to incorporate environmental, social or other relevant considerations into a proposed project or activity.[17]

   - Guidelines or policies are in place that provide for evaluation by technical advisors, who assess whether or not a proposed project or activity is eligible for GEF funding, based on the GEF-mandated criteria; is likely to achieve GEF goals; and is aligned with scientifically sound principles.

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[13] See Council Document GEF/C.31/6, Recommended Minimum Fiduciary Standards for GEF Implementing and Executing Agencies, May 16, 2007.
[14] See Council Document GEF/C.41/06/Rev.01, GEF Minimum Fiduciary Standards: Separation of Implementation and Execution Functions in GEF Partner Agencies, November 3, 2011.
[15] See Council Document GEF/C.41/10/Rev.01, GEF Policy on Agency Minimum Standards on Environmental and Social Safeguards, November 18, 2011.
[16] GEF Partner Agencies are required to meet minimum standards on *Environmental and Social Safeguards* (as defined in GEF Policy SD/PL/03, *Agency Minimum Standards on Environmental and Social Safeguards*, and the requirements of GEF Policy SD/PL/02, *Gender Mainstreaming.*
[17] Agencies' processes and procedures must meet the requirements of the GEF's *Policy on Agency Minimum Standards on Environmental and Social Safeguards,* GEF/PL/SD/01.

(c) 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.

(d) Appropriate fiduciary oversight procedures are in place to guide the appraisal process and ensure its quality and monitoring of follow-up actions during implementation.

2. <u>Procurement Processes</u> - *Agency procurement processes covering both internal/administrative procurement and procurement by recipients of funds include written standards based on widely recognized processes and an internal control framework to protect against fraudulent and corrupt practices (using widely recognized definitions such as those agreed by the International Financial Institutions Anti-Corruption Task Force) and waste.*

(a) Specific agency directives 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 procurement staff, and procurement policies and awards are publicly disclosed.

3. <u>Monitoring and Project-at-Risk Systems</u> - *The GEF monitoring and evaluation policy, adopted by the Council in February 2006*[18]*, 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.

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[18] This policy was updated in 2010. See http://www.thegef.org/gef/Evaluation%20Policy%202010.

(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 a project/activity manager as well as to an appropriately higher level of managerial 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 fiduciary 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.

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 the Council in February 2006,[19] 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 board of directors or comparable body. If its structural independence is limited, the evaluations body or function has transparent reporting to senior management and/or the governing board.

[19] This policy was updated in 2010. See http://www.thegef.org/gef/Evaluation%20Policy%202010.

(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.

II. Governance Framework Criteria

The criteria below are drawn from the GEF's 2007 Minimum Fiduciary Standards, specifically: section A (Audit, Financial Management and Control Framework), and section C (Investigations). Item 2 (g) has been updated pursuant to Council Document GEF/C.41/06/Rev.01.

1. <u>External Financial Audit</u> - *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 Financial Reporting Standards (IFRS), International Public Sector Accounting Standards, 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 and/or, as appropriate, on all GEF funds received from the Trustee and administered by the agency, 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.

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 of 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 in each of the financial management areas. 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 core financial management areas, including:

- Budgeting;
- Accounting;
- Internal control;
- Funds flow (including disbursements, cash management, unused fund close-out);
- Financial reporting; and
- Auditing arrangements.

(g) Separation of functions; Segregation of duties:

(i) The preferred practice within the GEF on separation of functions is that the agency that undertakes project execution reports and is responsible to the agency that carries out project implementation, with the latter overseeing the executing entity and having accountability to the GEF Council.

(ii) In cases where an agency carries out both implementation and execution of projects, the agency must separate its project implementation and execution duties and establish each of the following:

- a satisfactory institutional arrangement for the separation of implementation and executing functions in different departments of the agency; and

- clear lines of responsibility, reporting and accountability within the agency between the project implementation and execution functions.

(iii) Financial management segregation of duties: 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.

3. Financial Disclosure - *The financial disclosure policy delineates 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 prohibited personal financial interests.

(c) 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.

(d) Parties covered by the policy are provided a way to disclose personal financial interests annually to an administrative function within the agency.

(e) The policy establishes processes for the administration and review of financial disclosure interests of the defined parties, as well as resolution of identified conflicts of interests, under an independent monitoring/administration function.

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. on the agency's intranet and external websites).

5. Internal Audit - *Internal auditing is an independent, objective activity designed to add value and improve an organization's operations. It helps an organization to 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 functionally independent and objective in the execution of its respective duties. There is an officer designated to head the internal function. The chief audit officer reports to a level within the organization that allows the internal audit activity to fulfill its responsibilities objectively.

(d) The internal audit function has documented terms of reference/charter that outlines its purpose, authorized functions, and accountability.

(e) 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.

(f) 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.

(g) 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.

(h) The internal audit function has a process in place to monitor the response to its recommendations.

(i) A process is in place to monitor and assess the overall effectiveness of the internal audit functions including periodic internal and external quality assessments.

6. Investigation Function - *The investigation function provides for independent, objective investigation of allegations of fraudulent and corrupt practices (using widely recognized definitions such as those agreed by the International Financial Institutions Anti-Corruption Task Force) 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 functional independence, the investigations function is headed by an officer who reports to a level of the organization that allows the investigation function to fulfill its responsibilities objectively.

   (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.

7. 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 as defined by agency policy.

   (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 an appropriate level of autonomy from the investigations function.

   (c) A whistleblower protection policy specifies who is protected and defines protected disclosures including 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 including placing the burden on the agency to provide evidence that the alleged acts of retaliation would have taken place absent the protected disclosure.

   (d) Policies are in place to ensure confidentiality and/or anonymity, as requested, of whistleblowers, informants and witnesses 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 handling of hotline, whistleblower, and other reported information to determine whether it is handled effectively and whether processes for protecting whistleblowers and witnesses are consistent with best international practice.

8. <u>Anti-Money Laundering and Combating the Financing of Terrorism</u> – *Agencies demonstrate that they have in place the necessary policies, procedures, systems, and capabilities to:*

(a) Systematically screen individuals and/or entities to whom/which GEF funds are transferred for risks related to money laundering and the financing of terrorism;

(b) Effectively address risks when identified, based on standard decision-making procedures;

(c) Prevent GEF funds being used for the purpose of any payment to persons or entities, or for the import of goods, if such payment or import is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations, including under United Nations Security Council Resolution 1373 and related resolutions.

(d) Agencies notify in a timely manner the Council, through the Secretariat and with a copy to the Trustee, if GEF funds are not being used or have not been used for the purpose for which they have been provided, including any illegal or corrupt practice.