



Global Environment Facility
Fiduciary Management Standards

Standards and Practices Review

Asian Development Bank

Proprietary and Confidential
March 5, 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
According to Section 15 of ADB's By-Laws, ADB's accounts shall be audited at least annually by outside auditors of international reputation. PricewaterhouseCoopers, Singapore (PwC) has been appointed as ADB's external auditor for the fiscal years 2005 through 2008. PwC audits the financial statements in accordance with auditing standards generally accepted in United States of America and provides confirmation of its registration with Public Company Accounting Oversight Board (PCAOB), USA. Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. An annual audit opinion on the financial statements is issued by the external auditor and published in the ADB Annual Report made public and posted in ADB's website. PwC issued an unqualified audit opinion for fiscal year 2006.	By-Laws of ADB and Annual Report 2006 (Volume 2 page 25); ADB's website: www.adb.org
The Audit Committee consists of not more than six members of the Board. The President shall, when appointing members of the Committee, appoint at least one member, having a background in accounting or related financial expertise, and who through education and/or experience would have a thorough understanding of financial, accounting and auditing. The Audit Committee Terms of Reference addresses its authority, composition and tenure, frequency of meetings, responsibilities, reporting, and administrative arrangements.	Audit Committee of the Board of Directors Terms of Reference
The Audit Committee reviews and discusses annually the scope of work and audit plan of the outside auditor and any material changes to the audit plan during the year. Further, external auditor's audit plan for 2007, accomplishments in 2006, Recommendations Implementation Report, financial statements, management's discussion and analysis and internal controls etc. were all reviewed by the audit committee.	Annual Report of the Audit Committee of the Board 2006-2007 Appendix 2
Annual Report of the Audit Committee is available on the web.	http://www.adb.org/Documents/Board/Committee-Reports/2007/Audit/secm84-07.pdf
External auditors report on the financial statements, management's discussion and analysis (MD&A) and internal controls. The Audit Committee reviews and discusses the annual management letter from the external auditor, and ensures that significant findings and recommendations made by the external auditor and Management's responses thereon are reviewed, discussed, and appropriately acted upon.	Annual Report of the Audit Committee of the Board – Aug 2007, Para 25-30

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
None	Not applicable

(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
Collaborating with WB in the use COSO framework. Joint task force was being established early in 2006 to work with PwC with the objective of taking the necessary steps to have their opinion on Management's Assertion on the adequacy of ADB's internal control over external financial reporting for Fiscal Years 2007 and 2008, and also to prepare a first Management's Assertion for the 2006 Annual Report. In addition, ADB has a separate risk monitoring function, above and beyond the COSO-based internal controls monitoring in the Office of the Comptroller.	Annual Report of the Audit Committee of the Board – Aug 2006, Para 42-44
Risk Mapping process in use. Risk Management Unit in the early stages of establishment.	Annual Report of the Audit Committee of the Board – Aug 2006, Para 45 – 49
ADB has appropriate financial due diligence/credit assessment methodology to support lending operations. ADB has appropriate loan administration and supervision guidance.	Guidelines for the Financial Governance and Management of Investment Projects Financed by ADB (2002) Project Administration Instructions (PAI): -5.06 Utilization of Surplus Loan Proceeds - 4.05 Loan Closing Dates
Office of the Auditor General (OAG) is responsible for reviewing internal control. In addition, the Office of the Controller monitors internal controls through its COSO-ERM risk unit.	Administrative Order 1.02: Organization Bulletin

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Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall
None	Not applicable

(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
Staff member shall promptly disclose to the staff member's Director any financial or business interest of such staff member or of an immediate family member. In the event ADB has reason to believe that a staff member or an immediate family member has engaged in conduct or entered into a transaction prohibited under this Section 4, such staff member may be required to provide to ADB a certified statement of relevant financial and business interests.	Administrative Order No. 2.02, Section 4.10, <i>Disclosure of Financial and Business Interests</i>
Staff members who fail to comply with their obligations shall be subject to disciplinary procedures and sanctions for unsatisfactory conduct and misconduct, including possibility of termination or summary dismissal. Staff members shall not hold private employment or engage in any occupation or profession or own or operate any business which in ADB's opinion is incompatible with the proper performance of their official duties. Financial interests of immediate family members are required to be disclosed. (See Standard 1 above).	Administrative Order No. 2.02, Section 4.11, <i>Sanctions</i> Administrative Order No. 2.02, Section 4.6, <i>Business Affiliations and Private Activities</i>
Staff member shall promptly disclose to the staff member's Director any financial or business interest of such staff member or of an immediate family member.	Administrative Order No. 2.02, Section 4.10, <i>Disclosure of Financial and Business Interests</i>
Significant cases involving ADB staff, including financial conflict of interest, are included in the Office of the Auditor General Integrity Division, 2006 Annual Report.	Office of the Auditor General Integrity Division, 2006 Annual Report
Procurement group maintains a list of vendors. This list is updated periodically, as necessary.	

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Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall
None	Not applicable

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
The Office of the General Counsel (OGC), in consultation with the Budget, Personnel and Management Systems Department (BPMSD), drafted amendments of Section 4 of Administrative Order No. 2.02 to extend its scope to cover matters concerning business affiliations and private activities, financial interests, investments and trading activities, and the disclosure of financial and business interests. The purpose of these amendments was to prevent the occurrence of a conflict, or the appearance of such a conflict, among staff members between their personal interests and their duties and responsibilities as staff members. On 28 May 1998, Management endorsed these changes, and Section 4 has now become a comprehensive Code of Conduct applicable to all staff members of ADB.	Administrative Order No. 2.02, Section 4, <i>Duties and Responsibilities of Staff Members</i>
The ethics function works closely with the human resources division and with the internal auditing department's investigative function. Ethics office is responsible for follow-up action to perceived breaches of the code of ethics for the ADB.	
How to report fraud and corruption: Email integrity@adb.org Fax 63 2 636 2152 Mail: to OAGI	http://www.adb.org/Integrity/howto.asp http://www.adb.org/Integrity/complaint.asp
Integrity Division of the Office of the Auditor General (OAGI) is where one reports concerns or evidence that fraud or corruption may have occurred or is occurring related to any ADB-financed activity.	http://www.adb.org/Integrity/howto.asp

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Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall
None	Not applicable

(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
The Office of the Auditor General adheres to the Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors, USA. The Office of the Auditor General adheres to its Code of Ethics (integrity, objectivity, confidentiality and competency).	Operations Manual Bank Policies (BP), OM Section L2/BP, 12/15/03, Internal Audit, pg. 1, footnote 1
The Office of the Auditor General is independent and reports directly to the President. The Auditor General meets periodically with the Audit Committee of the Board (ACB) on OAG's work program, accomplishments and audit recommendations implementation reports.	Operations Manual Bank Policies (BP), OM Section L2/BP, 12/15/03,
The President has approved the Audit Charter of the Office of the Auditor General. The Audit Charter outlines the Office authority and responsibility, professional matters, organization and relationship with other departments, administrative matters, audit approach, audit techniques and information technology audits.	Memo approval of the Audit Manual by the President on 11 December 2003.
Audit Function develops its work program on the basis of a risk assessment. The audit plan outlines the priorities of the function and is consistent with ADB's goals. The Auditor General coordinates the activities between external and internal audit to ensure proper coverage and minimize duplication of efforts.	Annual Report of the Audit Committee of the Board – Aug 2007,
The Audit Committee of the Board reviews the Report on Status of Implementation of Audit Recommendations. The audit recommendation implementation reports are the results of a standard follow-up process which is in place in the Office of the Auditor General.	Annual Report of the Audit Committee of the Board – Aug 2007; Terms of reference of the Audit Committee
The Audit Committee reviews and discusses the scope of work and the annual audit plan of the Auditor General. The work of the Office of Auditor General is also reviewed by the external auditor. A peer review was undertaken in 2001/02.	Annual Report of the Audit Committee of the Board – Aug 2007; Terms of Reference of the Audit Committee;

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None	Not applicable

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
Following the examination in the field, the appraisal mission conducts further field study, analyses and consultation, as required. The mission then prepares a loan proposal report and draws up a draft loan agreement for negotiation.	Project Cycle (for Public Sector projects), http://www.adb.org/Projects/cycle.asp#assistance
ADB appraises (reviews) investment projects to ensure that they are technically, financially and economically viable. It considers: (i) national, sectoral, and local needs for the investment; (ii) economic and financial justifications for the proposed project; (iii) sustainability; (iv) the extent to which the project contributes to human and technological advancement; (v) good governance aspects; and (vi) whether ADB will be fulfilling its own responsibilities as set out in the ADB Charter.	Guidelines for the Financial Management and Analysis of Projects (2005) 3.1 <i>Investment Projects Overview</i>
Economic analysis is carried out to assess the economic viability of a project in the context of a country's macroeconomic goals, performance, and outlook, and in the context of the goals, performance, and outlook of the relevant sector.	Operations Manual G1(15 Dec 2003), para 3 and 6

Inventory of Current Organizational Environment	Documentation References
Economic analysis is undertaken in coordination with institutional, financial, environmental, social and poverty analysis and forms an integral part of investment appraisal.	
ADB's Environment and Social Safeguards Division is responsible for facilitating GEF-financed activities. Part of the responsibility includes assessing the proposed activity to ensure it conforms with GEF requirements in all manners of the program.	http://www.adb.org/Environment/adb-gef.asp
3 safeguard policies in place: • Involuntary Resettlement (1995) • Indigenous Peoples(1998) • Environment (2002)	Safeguard Policies – Operations Manual: ADB's Policy on Involuntary Resettlement: http://www.adb.org/Documents/Policies/Involuntary_Resettlement/default.asp?p=rsttlmnt http://www.adb.org/Documents/Manuals/Operations/OMF02-25Sep06.pdf ADB's Policy on Indigenous Peoples: http://www.adb.org/Documents/Policies/Indigenous_Peoples/default.asp http://www.adb.org/Documents/Manuals/Operations/OMF03-25Sep06.pdf Environment Policy: http://www.adb.org/documents/policies/environment/default.asp?p=policies http://www.adb.org/Documents/Manuals/Operations/OMF01-25Sep06.pdf

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Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall
None	Not applicable

(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
ADB's directives contained in its <i>Procurement Guidelines</i> and <i>Guidelines of the Use of Consultants</i> (collectively referred to as the Guidelines). The Guidelines comprehensively provide a statement of applicable ADB policies and procedures for procurement which are financed in whole or in part by ADB. These Guidelines are further clarified by internal regulations including ADB's Project Administration Instructions, (PAIs) and ADB's standard bidding documents (for the procurement of goods and works) or requests for proposals (for the procurement of consulting services). The Guidelines specify that ADB has an obligation to ensure that the proceeds of its financing are used with due attention to the considerations of economy and efficiency and transparency in the procurement process. With respect to the authority to undertake procurement actions: For consultant selection, the Guidelines specify that under ADB-financed loans the borrower is normally responsible for the selection, engagement and supervision of	ADB Guidelines on the Use of Consultants para 1.3 Procurement Guidelines para 1.2 (b) and (e) Project Administration Instruction 2.01 A para. 3 (Guidelines and PAI can be accessed online at http://www.adb.org/Documents/Guidelines/Consulting/default.asp http://www.adb.org/Documents/Guidelines/Procurement/default.asp http://www.adb.org/Documents/Manuals/PAI/default.asp) Guidelines on the Use of Consultants para. 1.3

Inventory of Current Organizational Environment	Documentation References
consultants and that ADB is responsible for the selection, engagement and supervision of TA grant-financed consultants. <u>For procurement of goods and works</u>, the responsibility for the implementation of the project and the award and administration of contracts under the project rests with the borrower. For consultant selection and the procurement of goods and works financed by loans (in whole or in part) by the ADB, ADB monitors the selection of consultants and the bidding process to ensure that borrowers follow established procedures set out in the Guidelines.	Procurement Guidelines para. 1.2
The Guidelines describe and establish the criteria for- (a) different modes of procurement for goods and works, namely international competitive bidding, limited international bidding, national competitive bidding, shopping, direct contracting and force account. The Procurement Guidelines also makes distinctions between the different types of procurement undertaken by specialized agencies, procurement agents, inspection agents, financial intermediaries and concessions and private sector arrangements; and (b) selection methods for the engagement of consultants, namely quality and cost based selection, quality based selection, fixed budget selection, least cost selection, consultant qualification selection and single source selection. The Guidelines for the Use of Consultants also make distinctions on the recruitment of different types of consultants i.e. staff consultants, NGOs, UN and specialized agencies etc. As part of the Paris Declaration, the multilateral development banks (MDBs), including ADB, agreed to harmonize operational procedures including procurement so as to reduce transaction costs, and to improve efficiency and effectiveness of development assistance.	Procurement Guidelines Section II and III Guidelines on the Use of Consultants Section II
ADB requires an assessment of an executing agency's capacity to undertake the recruitment envisaged under the project be undertaken during processing. The purpose of the capacity assessment is to • identify the capacity, procurement, and organizational constraints that will hinder effective project implementation, and agree upon an action plan with the EA to address these constraints • determine the overall recruitment risk and put in place appropriate review and supervision processes and thresholds to mitigate those risks; and • to the maximum extent possible and sensible, ensure that recruitment is undertaken by the regular line units within the EA, agreeing upon action plan measures to strengthen and support these units when necessary, thereby ensuring that EA capacity is built beyond the project's lifecycle. As the assessment is in part a tool to manage risk, the primary responsibility for the assessment is with ADB with the active involvement of the executing agency.	Procurement Guidelines para 1.27 Project Implementation Instruction 2.02E Central Operations Services Office's (COSO) <i>Guide on Procurement Capacity Assessment</i>.
Monitoring of Procurement Performance During Implementation ADB's sector divisions are primarily responsible for monitoring and verifying executing agency (EA) procurement and ensuring that ADB's procurement procedures have been applied. The delegation of authority for procurement to ADB's regional and resident missions (RMs) is established in the respective Operating Guidelines for the missions. The	PAI 3.11

Inventory of Current Organizational Environment	Documentation References
procurement committee is established to ensure consistent and correct application of procurement practices. <i>For the Procurement of Goods and Works :</i> ADB reviews the borrower's procurement procedures, documents, bid evaluations, award recommendations, and contracts to ensure that the procurement process is carried out in accordance with agreed ADB procedures. The procurement plan will specify if there will be a prior or a post review : (i) Prior Review of draft bidding documents, including invitation to bid, instructions to bidders, the conditions of contract and specifications for civil works, supply of goods etc. ADB also undertakes a review of bid evaluation reports completed by borrowers to ensure compliance with the financing agreement and the procurement plan. The Borrower is obliged to make such modifications in the relevant documents subject to ADB's prior review as may reasonably request. and ; (ii) Post Review undertaken after award. ADB will review and provide comments on completed evaluation and recommendation for award. <i>For Consultant Engagements:</i> ADB conducts prior reviews for recruitment of loans consultants. These reviews require the borrower to make submissions for ADB's approval at different stages of the recruitment process for all selection methods. The frequency and depth of prior reviews are linked to the capacity of the borrower and may be dropped in favor of post reviews for borrowers which demonstrate substantial capacity and experience. Other Institutional Review Mechanisms During Implementation • <i>Back to office Reports (BTORs)</i> are submitted by project review missions. BTORs indicate issues of project implementation and proposed remedial actions to resolve the issues. Post Implementation • <i>Project Completion Reports</i> which prepared after project completion to document experiences of borrowers, EAs, and ADB in implementing projects, and to use the lessons to improve the performance of ongoing and future ADB-financed projects. <i>Performance Evaluation Reports</i> of consultants post implementation is carried out and is linked to future business opportunities Misprocurement ADB does not finance expenditures for procurement if such procurement has not been carried out in accordance with the relevant financing agreement or the Guidelines. If procurement is not carried out as agreed, ADB may declare misprocurement. In such cases ADB may require rebidding.	Procurement Guidelines para 1.11, para 1.16 (Appendix 1) Guidelines on the Use of Consultants para 1.16 Guidelines on the Use of Consultants para. 1.26 PAI 6.03 PAI 6.07 Procurement Guidelines para. 1.12 Guidelines on the Use of Consultants para. 1.18
Procurement Records on consulting contracts are assessable internally to staff on several databases maintained by the ADB namely Technical Assistance Information Service (TAIS), Grant Finance Information Service (GFIS), Loan Finance Information Service (LFIS).	

Inventory of Current Organizational Environment	Documentation References
Procurement records are publicly disclosed in accordance with the Guidelines. <i>For procurement of goods and works:</i> Within two weeks of receiving ADB's no objection to the recommendation of contract award, the borrower is required to publish the results of the bid. <i>For consulting contracts:</i> After award of a consulting contract ADB will publish on its website information including the names of all consultants who submitted proposals, and the name of the winning consultant and the contract sum.	Procurement Guidelines para.2.60 Guidelines on the Use of Consultants para 2.18 http://www.adb.org/Documents/ADBO/contracts.asp

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Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall
None	Not applicable

(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
The Project Performance Management System (PPMS) is a coherent and results-based approach to monitoring and evaluating implementation performance and development impact at various stages of the project cycle. The PPMS comprises five components (i) project (logical) framework; (ii) project performance report (PPR); (iii) project completion report (PCR); (iv) project performance audit report (PPAR), and in a limited number of cases, impact evaluation studies; and (v) borrower monitoring and evaluation (at central, and executing and implementing agency levels).	Operations Manual: OM Section J1/BP Para 3 - 4
Monitoring is done through the Regional and Sustainable Development Department for GEF projects. Supervision and the reporting of results on the ground is the domain of mission leaders which provide information to this department. Monitoring ex post is done by ADB's independent Operations Evaluation Department and through the operations risk unit.	
Details regarding the five components of PPMS are explained in the Operational Procedures.	Operations Manual: OM Section J1/OP Para 3 - 17
Performance indicators are used in PPMS.	Operations Manual: OM Section J1/BP Para 2
Project Performance Rating System Reports uses indicators to assess implementation progress and achievement of development objectives.	Project Administration Instructions 5.10 (October 2004), para 2
Overall rating is evaluated on the basis of loan utilization, change in project scope, changes in implementation arrangements, compliance with major covenants and audited financial statements. The concepts of "project at risk" and "potential problem" projects are incorporated to focus attention on projects where remedial action may be required to address existing or emerging problems. The Project Performance Report tracks progress from the baseline situation against the targets and the indicators identified in the project framework. Through the use of the project-at-risk concept and identification of potential problem projects, attention is drawn to projects where team leaders need to take corrective actions.	Project Administration Instructions, 5.10, para 10 Operations Manual: OM Section J1/OP Para 9 Operations Manual: OM Section J1/OP Para 7

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Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall
None	Not applicable

(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
2 tiers of evaluation: • Self evaluation at completion • Independent Evaluation by Operations Evaluations Department (OED). OED liaises with the evaluation units of other aid agencies through the Evaluation Cooperation Group and the Development Assistance Committee of the Organisation for Economic Co-operation and Development.	http://www.adb.org/Evaluation/about.asp Handbook: Enhancing the Independence and Effectiveness of the Operations Evaluation Dept. (Nov 2003).
The Development Effectiveness Committee's (DEC) general mandate is to assist the Board in ensuring that ADB's programs and activities are achieving desired development objectives and making efficient use of ADB resources. DEC focuses its attention on ADB's operations evaluation programs and results. To enhance its independence from Management, OED reports to the Board of Directors through the Board's Development Effectiveness Committee (DEC). The Board appoints the OED Director General upon recommendation of the DEC and the President.	Terms of Reference of the Development Effectiveness Committee of the Board of Directors
Annual Report of the DEC is available on the web.	Annual Report of the Dev Effectiveness Committee 2004-05, October 2005

Inventory of Current Organizational Environment	Documentation References
OED disseminates findings and recommendations of evaluation studies internally, to development partners, and publicly.	http://www.adb.org/Evaluation/about.asp
OED provides lessons from experience for improving the design and implementation of future projects/programs/TAs; and prepares annual reports on portfolio performance and highlights of studies completed during the previous year.	http://www.adb.org/Evaluation/about.asp

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
None	Not applicable

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
International Financial Institutions Principles and Guidelines for Investigation apply to the Integrity Division of the Office of the Auditor General. The Anticorruption Unit (the Integrity Division effective 1 January 2005) is the contact point for reporting allegations of fraud and corruption in ADB projects or among its staff members.	Integrity Principles and Guidelines – Nov 2006 Preamble http://www.adb.org/Integrity/howto.asp
Investigative Office shall perform its duties independently from those responsible for or involved in operational activities and from staff members liable to be subject of investigations and shall also be free from improper influence and fear of retaliation. Triage process is at the discretion of the Internal Audit Function, which manages the investigative process. Per the Auditor General they have not had to use an outside party for allegations involving senior management.	Integrity Principles and Guidelines – Nov 2006 Para 3
ADB has a separate senior-level position that works closely with the investigative function and which follows up on irregular behavior. This function is attached to the human resources division.	
Procedural Guidelines available in the Integrity Principles and Guidelines.	Integrity Principles and Guidelines – Nov 2006, Para 27 - 47

Inventory of Current Organizational Environment	Documentation References
Both the Director of Office of the Auditor General-Integrity Division (OAGI) and Auditor General must endorse closing a case The Investigative Office may consider whether it is appropriate to refer information relating to the complaint to the appropriate national authorities. Sanctions procedures are described in the Integrity Principles and Guidelines. Only OAGI, the Auditor General, and the President may access OAGI files and records. OAGI, the Auditor General, or the President may determine that OAGI files and records may be shared, unedited or redacted, as appropriate, with other parties.	Para 41 Para 45 Para 48 – 88 Para 7
Office of the Auditor General Integrity Division Annual Reports report cases by • Sources of allegation • Nature of allegation • Subjects of allegation Report also highlights significant cases.	Office of the Auditor General Integrity Division, 2006 Annual Report

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
None	Not applicable

(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
A staff member who qualifies as a “whistleblower” under the rules, policies and procedures of the Organization shall not be subjected to retaliation by the Organization. ADB will extend this right, within the limits of its abilities, to any party that conveys in good faith a concern, allegation or evidence of fraud, corruption, or abuse. When a whistleblower or witness claims and OAGI can establish that the whistleblower’s or witness’s action related to an OAGI investigation was a contributing factor to the alleged retaliation, the burden of proof shall shift to the subject alleged to have acted against the whistleblower or witness.	Integrity Principles and Guidelines – Nov 2006 Para 13
OAGI will use its best efforts to encourage and protect whistleblowers and witnesses and will protect their identities from unauthorized disclosure throughout and following an investigation. OAGI shall maintain the confidentiality of any information that could, in its judgment, compromise whistleblowers or witnesses.	Integrity Principles and Guidelines – Nov 2006 Para 13
Office of the Auditor General Integrity Division Annual Reports report cases, including staff allegations, by, among other indicators	Office of the Auditor General Integrity Division, 2006 Annual Report

Inventory of Current Organizational Environment	Documentation References
a. Sources of allegation b. Nature of allegation c. Subjects of allegation Report also highlights significant cases.	

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
None	Not applicable