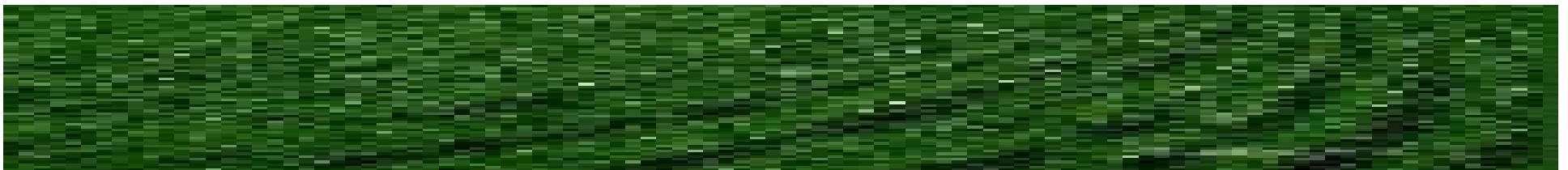




**“The good, the bad and
the ugly:**

**Audit as a tool for institutional
learning and change”**

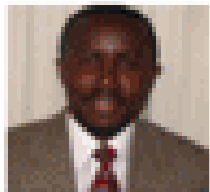
**John Fitzsimon
Director, CGIAR Internal Auditing Unit
ICRISAT, August 2005**



CGIAR Internal Auditing Unit



**Director
(IRRI Los Banos)
John Fitzsimon**



**Associate Director
(ILRI Addis Ababa)
John Mwangi**

**Associate Director
(Americas Region)
VACANT**



**Senior IA
(IRRI Los Banos)
Vima Salazar**

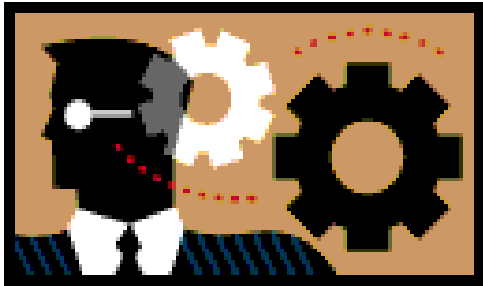


**Internal Auditor
(IRRI Los Banos)
Erwin Lopez**

**Temp. Internal Auditor
(IRRI Los Banos)
VACANT**



**IAU Program Assistant
(IRRI Los Banos)
Bill Fabian**



Learning (1/3)

- the acquisition of useful knowledge or skills through experience or study.
- individuals and groups learn by interpreting, understanding and making sense of their own experiences
- effective learning often takes place through the social experience of working together



Learning (2/3)



- Transformational learning involves examining, questioning, validating and revising ones goals and assumptions as well as the strategies and activities undertaken to achieve goals
- Learning can occur at the level of the individual, the group or the organization as a whole.



Learning (3/3)

- Organizations learn by accumulating knowledge based on their experiences, disseminating that knowledge to staff and partners, reflecting on it and using it to plan and adapt their activities.



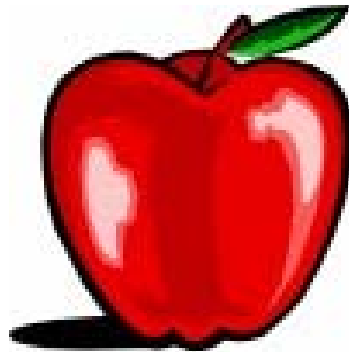
Innovation Systems

- Innovation – the application of knowledge to achieve desired social or economic outcomes
- Systematic, interactive, evolutionary
- address the incentives, triggers and support structures needed to stimulate and sustain creativity



A simple view of learning and change (1/3)

- (1) Recognizing the “GOOD”: what things have worked well, what was essential for success – and building that into future processes, actions, decision-making approaches



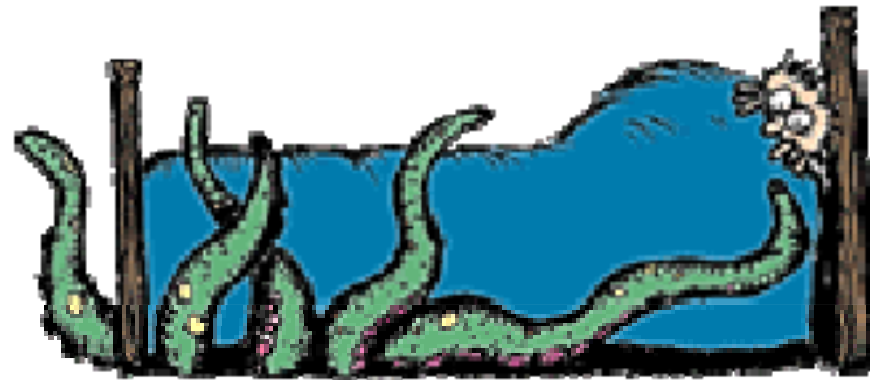
A simple view of learning and change (2/3)

(2) Learning from the “BAD”: what were the pitfalls, what to avoid in future - and clarifying in procedures, guidelines and training why certain approaches or courses of action aren't a good idea



A simple view of learning and change (3/3)

- Banishing the “UGLY” – there is learning even from the miserable failures: preferably someone else’s not yours!



Internal Audit

- *an independent, objective **assurance and advisory activity***
- *a systematic, disciplined approach to evaluate and improve*



Assurance role of audit

“What is” = “What is required”

- Verification of data
- Review of computations
- Compliance checking
- Conformance of processes to standards



Advisory Role of Audit

- Analysis of Control Systems
- Risk Management Frameworks
- Self Assessment Facilitation
- Good Practice Benchmarking
- Improvement Recommendations



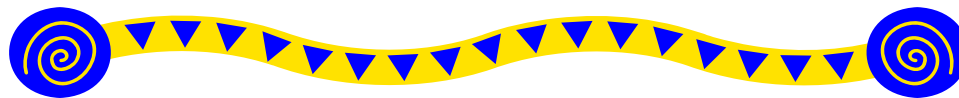
The environment for audit is changing (1/2)

- Dynamic environment (e.g. evolution of technology, evolution in markets, competition for funds, changes in cost structures)
- Single, fixed model of good practice often no longer applies in many aspects of operations.



The environment for audit is changing (2/2)

- Multiple business objectives adds complexity
- Risk v. opportunity considerations: the what and how of control depends on clarity of, and operationalizing of, a “risk appetite”, not a “golden standard”



Implications for IAU's work (1/4)

- Collaborative identification of audit benchmarks – at audit level and in preparation of good practice notes e.g.
 - Research Project Management
 - Management of Information Technology
 - Human Resource Management
 - Genebank Risk Assessment
 - Business Continuity



Implications for IAU's work (2/4)

- Looking at control processes in a broader context that requires reflection by both auditor and auditee on the “intangibles” –
 - Control environment
 - Risk assessment and judgment
 - Monitoring
 - Information and communications



Implications for IAU's work (3/4)



- Promoting self-assessment against the benchmarks
- Providing ex-ante advice



Implications for IAU's work (4/4)

Facilitating Risk Assessment

**RESEARCH STRATEGY
AND PROJECT PORTFOLIO**

PEOPLE

**EXTERNAL
ENVIRONMENT**

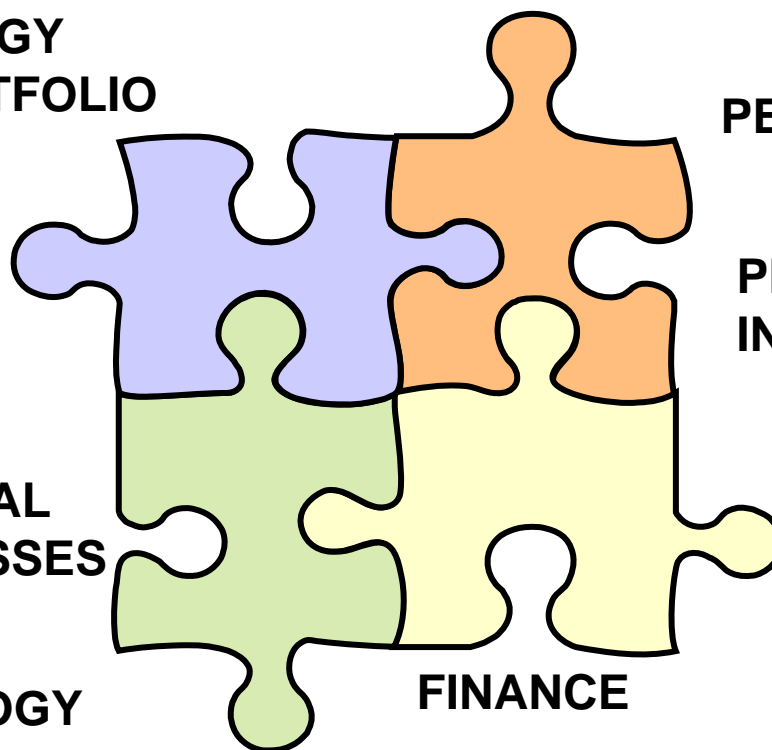
**PHYSICAL
INFRASTRUCTURE**

**INTERNAL
PROCESSES**

**INTELLECTUAL
AND
GERMPLASM ASSETS**

TECHNOLOGY

FINANCE

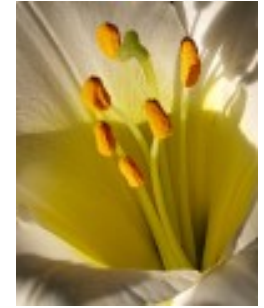


Internal Audit, Learning and Change

- Audit can be a catalyst and facilitator for institutional learning and change
- The advisory function of audit can benefit from the insights of learning and innovation theory
- One clear lesson: collaborative analysis promotes learning



What does this mean for...



- **The good:**

- Identifying “islands of excellence/success” and analyzing what were the conditions and critical success factors
- IA provide a framework, and inputs in domains where the auditor has professional expertise, but seek major contributions from auditees
- Facilitating meetings across Centers of auditees to share experiences and views, identify good practice for common adoption where this makes business sense
- Documentation and dissemination through Good Practice Notes or other mechanisms



What does this mean for...



- **The bad:**
- **Capturing the lessons from failures, shortfalls in targets - risk management exercises as well as audits**
- **Audits as a learning process for auditees**
- **Identifying how pitfalls can be avoided by changes in policies, procedures or systems**
- **IA facilitation of inter-Center lesson learning**
- **Inclusion of lesson learning in Good Practice Notes**



What does this mean for...

- **The ugly:**
- Well, same as the bad, but
- Defining specific avoidance mechanisms
- Look at the bigger picture that allowed major failures to occur – were there flaws in control environment, monitoring, information and communications, risk management processes





Thank you.

Questions?

