

Criteria supporting IAIG's audit opinion

1. In accordance with Executive Board decisions 2015/13, IAIG provided an opinion in this Annual Report, based on the scope of work undertaken, on the adequacy and effectiveness of the organization's framework of governance, risk management and control (GRC). Further, in accordance with Executive Board Decision 2016/13, IAIG herewith provides the rationale for opinion. The summary of the audit work performed is provided in the body of the audit report, essentially under Section V. This annex is to provide a brief description of the criteria used to support the IAIG opinion.
2. The results of the following are taken into account to support IAIG's opinion:
 - a) Audits of field offices;
 - b) Audits of cross-functional themes;
 - c) Audits of projects; and
 - d) The implementation status of audit recommendations as at the end of the calendar year.
3. The distribution of 2016 audit results regarding the adequacy and effectiveness of the governance, risk management and control at the audited entity level is shown in Table 2 and Table 5 in IAIG's Annual Activity Report which shows the distribution of the number of audit reports that were issued by IAIG in 2016 by type of audit rating, "satisfactory", "partially satisfactory" and "unsatisfactory".
4. The comparison of the three distributions of audit ratings for 2015 is as follows:

Rating	Number of ratings	Percent of total
Satisfactory	15	62%
Partially Satisfactory	6	25%
Unsatisfactory	0	0%
No rating*	3	13%
TOTAL	24	100%

*No rating is provided for reviews and consultancy engagements

5. The table above shows that 25% of all audits have a rating "partially satisfactory" where there are deficiencies in governance, risk management and controls which need to be addressed. For the 62% of audits with a satisfactory rating, areas for improvement were also identified.
6. In addition to the above comparison, the qualitative nature of the audit results were also given due consideration. This is done to the extent that serious shortcomings on the corporate level may have been identified during the reporting period which, in the opinion of IAIG, could have a pervasive and serious negative impact across the organization.
7. The implementation rate of internal audit recommendations was also taken into consideration. The actual implementation rate of internal audit recommendations at the end of 2016 is 93 per cent and is therefore satisfactory. The rate of 93 per cent gives comfort that the organization takes effective and timely action to address deficiencies identified in audits.
8. Consequently, based on the scope of work undertaken in 2016, in IAIG's opinion, the adequacy and effectiveness of the governance, risk management and control (GRC) in the audit reports issued in 2016 were, in aggregate, "partially satisfactory", which means that they were generally established and functioning but needed improvement.