

**Terms of Reference of the Audit Committee
(Revised)**

1. PURPOSE

1.1 The Audit Committee is appointed by the Boards for the primary purpose of assisting the Boards in overseeing the World Bank Group's (WBG) finances, accounting, risk management including Enterprise Risk Management (ERM) Framework, internal controls and institutional integrity, including:

- (i) the integrity of financial statements for IBRD, IDA, IFC and MIGA and financial reporting related to trust funds;
- (ii) the qualifications, appointment and independence of the External Auditor.
- (iii) the performance of the Group Internal Audit Vice Presidency (GIA) , the Integrity Vice Presidency (INT), and the External Auditor;
- (iv) the adequacy and effectiveness of policies relating to financial matters, accounting, and operational risks and internal controls.
- (v) the mechanisms to deter, prevent and penalize fraud and corruption in WBG operations and corporate procurement.
- (vi) the effective management of financial, fiduciary (including procurement procedures), compliance and operational risks in IBRD, IDA, IFC and MIGA, including trust funds; and
- (vii) the activities of the WBG Chief Risk Officer Vice Presidency (CRO) and other institutional arrangements and processes for risk management including ERM across WBG institutions.

1.2 Consistent with these functions, the Audit Committee should encourage continuous improvement of, and should foster adherence to, IBRD's, IDA's, IFC's and MIGA's policies, procedures and practices at all levels. The Audit Committee should also maintain an open avenue of communication with Senior Management, Finance teams, the External Auditor, GIA, INT, CRO, and the Boards.

2. COMPOSITION AND MEETINGS

2.1 Audit Committee members, who for the purpose of this paragraph include alternates and temporary alternates, as designated by individual chairs, shall be free from any relationship that, in the opinion of the Boards, would interfere with the exercise of their independent judgment as a member of the Audit Committee. All members of the Audit Committee should have familiarity with basic finance, accounting governance, internal audit, and practices and principles with regard to ERM and are

encouraged to enhance their knowledge and skills by participating in available educational programs.

2.2 The Audit Committee shall perform periodic self-assessment relative to its purpose, duties and responsibilities outlined herein and recommend any necessary amendments to these TORs to the Boards for approval.

2.3 The Audit Committee shall meet at its discretion in executive or closed sessions to discuss any matters that the Committee believes should be discussed privately. Attendance at these sessions will be at the discretion of the Chair of the Committee. In general, but not exclusively, this provision will apply with respect to discussions with INT, GIA, or the External Auditor.

3. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties, the Audit Committee shall:

3.1 Financial, Fiduciary and Administrative Policies

3.1.1. Review financial policies and other matters having a significant bearing on financial sustainability, portfolio concentration, credit risks, financial risks and exposures, reserving and loan-loss provisioning and the allocation of net income, as well as the integrity of the World Bank Group's financial reporting and risk management processes.

3.1.2. Review fiduciary aspects of activities, undertakings, and policies of the World Bank Group institutions, focusing in particular on effectiveness and integrity.

3.1.3. Review administrative policies with a focus on the adequacy and reasonableness of controls.

3.2 Documents and Reports

3.2.1. Review and discuss with Senior Management IBRD's, IDA's, IFC's and MIGA's quarterly and annual Management's Discussion and Analysis and Financial Statements and recommend annual Financial Statements to the Board for approval. Review prior to their release, other relevant and significant reports or financial information submitted by IBRD, IDA, IFC and MIGA to any governmental body, external analysts, underwriters, or the public, including annual Information Statements and relevant reports submitted by the External Auditor, GIA, or INT.

3.2.2. Receive regular activity reports from GIA, INT, CRO, and IFC and MIGA risk functions and the financial operating units, as necessary, to meet the Committee's obligations as contained in these TORs.

3.3 External Auditors

3.3.1. Review the performance and recommend to the Boards for approval the appointment, compensation, removal and plan for the work performed by the External Auditor for audit and audit-related services, in accordance with the "Principles Applicable to the Appointment of an External Auditor for the World Bank Group", as approved by the Boards in November 2016 (R2016-0237, IDA/R2016-0287, IFC/R2016-0336 and MIGA/R2016-0099).

3.3.2. Review and confirm at least annually the independence of the External Auditor by obtaining statements from the External Auditor on relationships it has with the World Bank Group; review annually the Board-approved additional audit-related services provided by the External Auditor to the World Bank Group.

3.3.3. Review the annual External Auditor attestations and report on management's internal control report; hold quarterly meetings in executive session with the External Auditor to discuss matters of interest such as critical accounting policies and practices that have been discussed with management, financial reporting issues in respect of new instruments and financial innovations, and any unusual financial transactions.

3.3.4 At least annually, obtain and review a report by the External Auditor describing its internal quality procedures and any material issues raised by the most recent quality control review. In addition, obtain updates from the External Auditor, as necessary, in connection with any material issues raised by regulators or other authoritative bodies in connection with the External Auditor's practice as a public accountant, as well as any new or upcoming accounting standards relevant to WBG institutions.

3.4 Financial Reporting Processes and Accounting Policies

3.4.1 Oversee the process for preparing and disclosing financial information and the annual COSO (*Committee of Sponsoring Organizations of the Treadway Commission*) assertions.

3.4.2 Review as necessary major issues regarding accounting policies and financial statement presentations, including any significant changes in IBRD's, IDA's, IFC's and MIGA's selection or application of accounting principles, and major issues regarding the adequacy of internal controls in IBRD, IDA, IFC and MIGA and trust funds and any special steps adopted in light of potential significant or material control deficiencies.

3.5 Management and Organization of Risk including ERM

3.5.1 Oversee the establishment, maintenance and ongoing operation of WBG systems to ensure proper management and reporting of financial, fiduciary (including procurement procedures), operational, reputational, and compliance risks, including the related risk appetite frameworks. Risks subject to the Committee's direct oversight include the fiduciary and other risks related to IBRD's, IDA's, IFC's and MIGA's major exposures in the areas of finance, accounting, \ trust fund management and administration and stakeholder confidence, and the appropriateness, effectiveness and integrity of such functions and strategies for managing or mitigating exposures, including the ability of the CRO to function independently in identifying and reporting risks under the CRO's mandate to the Audit Committee. Other risks, such as Development Outcome Risks, are primarily overseen by other Board committees, consistent with their Terms of Reference.

3.5.2 Engage at least annually with CRO on WBG Enterprise Risk Management Framework, including core risk mappings, related risk appetite frameworks and relevant institutional arrangements and processes for enterprise risk management.

3.5.3 The appointment of the CRO is made by the President from a panel of candidates, after seeking the advice of the Audit Committee.

3.5.4 The Audit Committee will be consulted before any decision to remove the CRO prior to the end of their term, including an explanation of grounds for removal.

3.6 Supreme Audit Institutions

3.6.1 Ensure appropriate oversight for audits of the World Bank Group by Supreme Audit Institutions (SAIs) and monitor communication with these SAIs on behalf of the Board in accordance with "A

Framework for Audits by the World Bank Group Members' Supreme Audit Institutions" (R2000-234/1).

3.7 Integrity, Unethical Behavior and Whistleblower Protection

3.7.1 Oversee the creation, maintenance and ongoing operation of provisions to ensure that the World Bank Group has established and maintained appropriate, efficient and consistent procedures for the confidential and anonymous receipt, retention and treatment of complaints and anonymous submissions from World Bank Group employees or other whistleblowers regarding fraud and corruption, unethical behavior, or questionable accounting or auditing matters.

3.7.2 Oversee the ongoing operation of the WBG Sanctions Regime. Review and advise on INT's work program and annual and semi-annual reports.

3.7.3 Participate in the selection and removal process of the INTVP as detailed in the document entitled "*Audit Committee Role in Selection and Removal of the GIAVP and the INTVP.*"

3.8 Group Internal Audit

3.8.1 Oversee the establishment, maintenance and ongoing operations of the Internal Audit function. This oversight will specifically include the review and recommendation to the Board for approval of the Terms of Reference, the annual work program and budget of GIA.

3.8.2 Review the results of GIA audit, assurance and verification reports, their implications for the risk and control environment in the WBG, and the implementation of the resulting Management Action Plans.

3.8.3 Participate in the selection, evaluation and removal process for the GIAVP as detailed in the document entitled "*Audit Committee Role in Selection and Removal of the GIAVP and the INTVP.*"

Audit Committee Role in Selection and Removal of the GIAVP and the INTVP

In light of the important relationship between the Audit Committee (AC) and the GIAVP and the INTVP, respectively, and as a part of the AC's oversight function and on behalf of the Boards, the AC will oversee the processes of selection, replacement and removal of these two positions, as follows:

Selection

1. The Vice President, Human Resources, will consult with the AC on the selection of an external executive recruitment firm to manage the process for identifying suitable candidates and preparing the long list for consideration of the Selection Committee. This consultation will include the terms of reference for the relevant position, including the core competencies and the key criteria for identifying suitable candidates.
2. A Selection Committee will work closely with the external executive recruitment firm to identify suitable candidates for the respective positions. The Selection Committee will consist of two Members of the AC and three representatives of Senior Management. The Selection Committee will be chaired by one of the representatives of Senior Management. The Selection Committee will agree a short list of at least three candidates.
3. The recommendations of the Selection Committee will be communicated to the AC. The AC will then forward the list to the President for selection, along with the Committee's views.

Performance Evaluation of GIAVP and INTVP

The Committee will meet to discuss performance of the GIAVP [and INTVP] and its collective views will then be shared with the President by the Chair of the Committee.

Removal

The AC will be consulted before any decision to remove, prior to the end of their term, the GIAVP or the INTVP, including an explanation of grounds for removal.

Terms of Reference of the Audit Committee (Revised)

1. PURPOSE

1.1 The Audit Committee is appointed by the Boards for the primary purpose of assisting the Boards in overseeing the World Bank Group's (WBG) finances, accounting, enterprise risk management including Enterprise Risk Management (ERM) Framework, internal controls and institutional integrity, including:

- (i) the integrity of financial statements for IBRD, IDA, IFC and MIGA and financial reporting related to trust funds;
- (ii) the qualifications, appointment, ~~qualifications~~ and independence of the External Auditor;
- (iii) the performance of the Group Internal Audit Vice Presidency (GIA), the Integrity Vice Presidency (INT), and ~~of~~ the External Auditor;
- (iv) the adequacy and effectiveness of policies relating to financial matters, accounting, and operational risks administrative policies and internal controls;
- ~~(iv)~~(v) and the mechanisms to deter, prevent and penalize fraud and corruption in WBG operations and corporate procurement;
- ~~(v)~~(vi) the effective management of financial, fiduciary (including procurement procedures), compliance and operational administrative risks in IBRD, IDA, IFC and MIGA, including trust funds; and
- ~~(vi)~~(vii) the activities role and functions of the WBG Chief Risk Officer Vice Presidency (CROVP) and other institutional arrangements and processes for enterprise risk management including ERM across WBG institutions.

1.2 Consistent with these functions, the Audit Committee should encourage continuous improvement of, and should foster adherence to, IBRD's, IDA's, IFC's and MIGA's policies, procedures and practices at all levels. The Audit Committee should also maintain an open avenue of communication with Senior Management, Finance teams, the External Auditor, the Group Internal Audit Vice Presidency (GIA), the Integrity Vice Presidency (INT), the Group Chief Risk Officer (CRO) and the Boards.

2. COMPOSITION AND MEETINGS

2.1 Audit Committee members, who for the purpose of this paragraph include alternates and temporary alternates, as designated by individual chairs, shall be free from any relationship that, in the opinion of the Boards, would interfere with the exercise of their independent judgment as a member of the Audit Committee. All members of the Audit Committee should have a working familiarity with basic finance, accounting governance, internal audit, and risk management practices and principles with regard to ERM enterprise risk management of financial and non-financial risks and are encouraged to enhance their knowledge and skills familiarity with them by participating in available educational programs.

2.2 The Audit Committee shall perform periodic self-assessment relative to its purpose, duties and responsibilities outlined herein and recommend any necessary amendments to these TORs to the Boards for approval.

2.3 The Audit Committee shall meet at its discretion in executive or closed sessions to discuss any matters that the Committee believes should be discussed privately. Attendance at these sessions will be at the discretion of the Chair of the Committee. In general, but not exclusively, this provision will apply with respect to discussions with ~~the~~INT~~VP~~, ~~GIA, Auditor General~~ or ~~the~~ External Auditor.

3. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties, the Audit Committee shall:

3.1 Financial, Fiduciary and Administrative Policies

3.1.1. Review financial policies and other matters having a significant bearing on financial sustainability, portfolio concentration, credit risks, financial risks and exposures, reserving and loan-loss provisioning and the allocation of net income, as well as the integrity of the World Bank Group's financial reporting and risk management processes.

3.1.2. Review fiduciary aspects of activities, undertakings, and policies of the World Bank Group institutions, focusing in particular on effectiveness and integrity.

3.1.3. Review administrative policies with a focus on the adequacy and reasonableness of controls.

3.2 Documents and Reports

3.2.1. Review and discuss with Senior Management IBRD's, IDA's, IFC's and MIGA's quarterly and annual ~~Management's Discussion and Analysis and Financial S~~statements and recommend annual ~~F~~financial ~~S~~statements to the Board for approval. Review prior to their release, other relevant and significant reports or financial information submitted by IBRD, IDA, IFC and MIGA to any governmental body, external analysts, underwriters, or the public, including annual Information Statements including Management Discussion and Analysis accompanying WBG financial statements, management assertions on the effectiveness of internal control over external financial reporting and relevant reports submitted by the External Auditor, ~~GIA, Auditor General~~ or INT.

3.2.2. Receive regular activity reports from GIA, INT, CRO, ~~VP~~ and IFC and MIGA risk functions and the financial operating units, as necessary, to meet the Committee's obligations as contained in these TORs.

3.3 External Auditors

3.3.1. Review the performance and recommend to the Boards for approval the appointment, compensation, removal and plan for the work performed by the External Auditor for audit and audit-related services, in accordance with the "Principles Applicable to the Appointment of an External Auditor for the World Bank Group", as approved by the Boards in November 2016 January 2003 (R201603-0237005/4, IDA/R201603-0287040/4, IFC/R201603-0336044/4 and MIGA/R201603-009902/4).

3.3.2. Review and confirm at least annually the independence of the External Auditor by obtaining statements from the External Auditor on relationships it has with the World Bank Group; review annually the Board-approved additional audit-related services provided by the External Auditor to the World Bank Group.

3.3.3. Review ~~annually with the External Auditor the External Auditor's management letter, any problems or difficulties and management's response, including management's accompanying timetables~~

~~to address the deficiencies, significant deficiencies and/or material weakness and to improve or establish necessary controls; review~~ the annual External Auditor attestations and report on management's internal control report; ~~and hold an annual quarterly meetings discussion~~ in executive session with the External Auditor ~~to discuss matters of interest such as regarding all~~ critical accounting policies and practices that have been discussed with management, ~~financial reporting issues in respect of including those in relation to new instruments and financial innovations, and as well as any unusual financial transactions.~~

3.3.4 At least annually, obtain and review a report by the External Auditor describing its internal quality procedures and any material issues raised by the most recent quality control review. In addition, obtain updates from the External Auditor, as necessary, in connection with any material issues raised by regulators or other authoritative bodies in connection with the External Auditor's practice as a public accountant, as well as any new or upcoming accounting standards relevant to WBG institutions.

3.4 Financial Reporting Processes and Accounting Policies

3.4.1 Oversee the process for preparing and disclosing financial information and the annual COSO (*Committee of Sponsoring Organizations of the Treadway Commission*) assertions.

3.4.2 Review as necessary major issues regarding accounting policies and financial statement presentations, including any significant changes in IBRD's, IDA's, IFC's and MIGA's selection or application of accounting principles, and major issues regarding the adequacy of internal controls ~~over~~ in IBRD, IDA, IFC and MIGA and trust funds and any special steps adopted in light of potential significant or material control deficiencies.

3.5 Management and Organization of Risk including ERM Enterprise Risk Management

3.5.1 Oversee the establishment, maintenance and ongoing operation of WBG systems to ensure proper management and reporting of financial, fiduciary (including procurement procedures), operational, reputational, and compliance ~~and administrative~~ risks, including the related and risk appetite frameworks. Risks subject to the Committee's direct oversight include the fiduciary and other risks related to IBRD's, IDA's, IFC's and MIGA's major exposures in the areas of finance, accounting, ~~operations,~~ trust fund management and administration and stakeholder confidence, and the appropriateness, effectiveness and integrity of such functions and strategies for managing or mitigating exposures, including the ability of the CRO to function independently in identifying and reporting risks under the CRO's mandate to the Audit Committee. Other risks, such as Development Outcome Risks, are could be primarily overseen by other Board committees, subject to appropriate organizational and institutional arrangements, including consistency of consistent with their Terms of Reference.

3.5.2 Engage at least annually once each fiscal year with CRO on WBG Risk Appetite Framework and WBG Enterprise Risk Management Framework at least once each fiscal year, including core risk mappings, related risk appetite frameworks and relevant institutional arrangements and processes for enterprise risk management.

3.5.3 The appointment of the CRO ~~[and VP INT]~~ should be made by the President from a panel of candidates, after seeking the advice of the Audit Committee.

3.5.4 The Audit Committee will be consulted before any decision to remove the CRO ~~[or INTVP]~~, prior to the end of their term, including an explanation of grounds for removal.

3.6 Supreme Audit Institutions

3.6.1 Ensure appropriate oversight for audits of the World Bank Group by Supreme Audit Institutions (SAIs) and monitor communication with these SAIs on behalf of the Board in accordance with “A Framework for Audits by the World Bank Group Members’ Supreme Audit Institutions” (R2000-234/1).

3.7 Integrity, Unethical Behavior and Whistleblower Protection~~Anti-Fraud and Anti-Corruption Measures Relating to Fraud, Corruption, Unethical Behavior or Questionable Accounting and Auditing Practices~~

3.7.1 Oversee the creation, maintenance and ongoing operation of provisions to ensure that the World Bank Group has established and maintained appropriate, efficient and consistent procedures for the confidential and anonymous receipt, retention and treatment of complaints and anonymous submissions from World Bank Group employees or other whistleblowers regarding fraud and corruption, unethical behavior, or questionable accounting or auditing matters.

3.7.2 Oversee the ongoing operation of the WBG Sanctions Regime. Review and advise on INT’s work program and annual and semi-annual reports~~and work program~~.

3.7.3 ~~Participate~~Assist the Boards in the selection and removal process of the ~~Integrity-INT~~VIP as detailed in the document entitled “*Audit Committee Role in Selection and Removal of Auditor General*~~the GIAVP and the INTVP.~~”

3.8 Group Internal Audit

3.8.1 Oversee the establishment, maintenance and ongoing operations of the Internal Audit function. This oversight will specifically include the review and recommendation to the Board for approval of the Terms of Reference, the annual work program and budget of GIA.

3.8.2 Review the results of GIA audit, assurance and verification reports, their implications for the risk and control environment in the WBG, and the implementation of the resulting Management Action Plans.

3.8.3 ~~Assist the Boards~~Participate in the selection, evaluation and removal process for the ~~GIAVP Auditor General~~ as detailed in the document entitled “*Audit Committee Role in Selection and Removal of the GIAVP Auditor General and the INTVP.*”

Audit Committee Role in Selection and Removal of ~~the GIAVP Auditor General and the~~ INTVP

In light of the important relationship between the Audit Committee (AC) and the ~~GIAVP Auditor General~~ and the INTVP, respectively, and as a part of the AC's oversight function and on behalf of the Boards, the AC will oversee the processes of selection, replacement and removal of these two positions, as follows:

Selection

1. The Vice President, Human Resources, will consult with the AC on the selection of an external executive recruitment firm to manage the process for identifying suitable candidates and preparing the long list for consideration of the Selection Committee. This consultation will include the terms of reference for the relevant position, including the core competencies and the key criteria for identifying suitable candidates.
2. A Selection Committee will work closely with the external executive recruitment firm to identify suitable candidates for the respective positions. The Selection Committee will consist of two Members of the AC and three representatives of Senior Management. The Selection Committee will be chaired by one of the representatives of Senior Management. The Selection Committee will ~~create~~ agree a short list of at least three candidates.
3. The recommendations of the Selection Committee will be ~~brought~~ communicated to the AC. The AC will then forward the list to the President for selection, along with the Committee's views.

Performance Evaluation of ~~Auditor General~~ GIAVP and INTVP

The Committee will meet to discuss performance of the ~~Auditor General~~ GIAVP [and INTVP] and its collective views will then be shared with the President by the Chair of the Committee.

Removal

The AC will be consulted before any decision to remove, prior to the end of their term, ~~either the Auditor General~~ the GIAVP or the INTVP, including an explanation of grounds for removal.