

## Internal Control at JICA

The objective of Japan International Cooperation Agency (JICA) is to contribute to the promotion of international cooperation and the sound development of Japan and the international socioeconomy by contributing to the development or reconstruction of the economy and society, or economic stability of overseas regions which are in the developing stage.

In order to achieve the objectives above and to properly deal with the risks associated with diverse projects carried out both inside and outside of Japan, JICA has established and practiced the following internal control guidance at its headquarters and domestic/overseas offices under leadership of the President. (See the attachment for the overall picture.)

### 1. Objectives of Internal Control

#### (1) Improvement of Operational Effectiveness and Efficiency

In order to achieve its founding objectives as stipulated by Article 3 of the Act of the Incorporated Administrative Agency-Japan International Cooperation Agency, JICA steadily executes operations based on the Mid-Term Plan, Annual Plan, and Annual Work Plans by departments as the integrated implementation agency of Japanese Official Development Assistance (ODA). JICA also seeks to further improve the efficiency of its operations.

#### (2) Compliance

JICA carries out its projects in compliance not only with laws and regulations but also with its internal rules and contracts, being aware of its responsibilities to fulfill the expectations of Japanese citizens and international society. JICA also makes efforts to improve compliance within the organization, including the staff of its overseas offices.

In order to monitor and strengthen its compliance, JICA has established the Compliance Committee (chaired by the Senior Vice-President). The Committee meets periodically and its results are reported to the President.

The Office of Audit accepts and responds to cases of whistle-blowing, while the General Affairs Department centrally deals with information provided from outside of JICA to the Information Desk on Fraud and Corruption.

#### (3) Asset Preservation

JICA ensures the preservation of its assets through appropriate acquisition, usage, and disposition in compliance with laws and regulations, as well as its internal rules. JICA also utilizes its assets effectively in line with the purpose of acquisition, and properly disposes of those assets as necessary.

#### (4) Financial Reports

In order to assure its accountability to taxpayers and contribute to evaluation by third parties, JICA provides credible information through its financial reports, etc.

## **2. Fundamental Factors of Internal Control**

### **(1) Environment for Control**

As the organization implementing ODA, JICA conducts its operations as stipulated by the Act of the Incorporated Administrative Agency-Japan International Cooperation Agency, and under leadership of the President. The President is ultimately responsible for administering the internal control of JICA, supported by deliberations of the Board of Directors.

### **(2) Risk Assessment**

In order to properly manage the risks incurred by its operations, JICA identifies, analyzes, and evaluates overall risks at the both department and organization levels by making risk tables. After being reported to the Board of Directors (which supervises internal control), the risk assessment results are utilized to implement more effective internal control activity.

In recognition of its status as an incorporated administrative agency of the government of Japan, JICA takes appropriate positions at discussions and negotiations with the relevant organizations such as the government of Japan and foreign governments.

For integrated risk management regarding ODA loans and private sector investment finance operations, JICA has prepared internal policies and rules, while the Risk Management Committee for Finance and Investment Accounts and other related committees discuss important risk-related issues.

In considering JICA's characteristic practice of deploying projects in developing countries, a department in charge also centrally addresses security management so as to ensure the safety and security of the personnel concerned.

### **(3) Delivery of Control**

For the appropriate delivery of guidance and instructions of the President, JICA clarifies the authority and responsibilities of each department as per Organizational Rules, etc. In addition, JICA also clarifies and regulates operational processes throughout the whole organization by issuing a Statement of Operational Procedures, relevant internal rules, operational manuals, etc.

### **(4) Information and Communication**

JICA strives to ensure prompt reporting on important agenda to the President so that he/she can make appropriate decisions. JICA also aims to share necessary information throughout the organization by ensuring a smooth, two-way vertical flow of communication via the organizational hierarchy. JICA establishes rules on efficient documentation, and utilizes Information and Communication Technology (ICT) to ensure the appropriate on-time sharing of information inside and outside of the organization.

**(5) Monitoring**

Each department prepares the Annual Work Plan to monitor internal control in its daily operations. Auditors and internal audits are also utilized to conduct evaluation. In addition, accountant auditors evaluate JICA's financial statements.

**(6) ICT**

In order to ensure efficient and effective operations, JICA stipulates rules on the management of information systems and organizes related committees, such as the Information System Committee and the Information Security Committee. Through these activities, JICA responds appropriately to ICT both inside and outside of the organization in compliance with those rules, obtains confirmation through audits, and implements repetitive self-inspection and feedback.

