2015 CGIAR IAU Annual Report and 2016 progress update

Purpose:

This paper sets out the 2015 Internal Audit Unit Annual Report, as endorsed by the Audit and Risk Management Committee at their meeting on 7 June 2016 for submission to the Consortium Board.

Record of Decision at Consortium Board’s 26th Meeting, 20-21 June 2016:

The Consortium Board:

1. Notes its review and discussion of 2015 CGIAR IAU Annual Report and 2016 Progress Update (“IAU Report”), acknowledges both progress made, and also the IAU’s advice that it is appropriate to undertake a review of outstanding recommendations to ascertain whether they are addressed and/or ongoing relevance in the context of the transformed CGIAR System after 1 July 2016; and

2. Requests the IAU Report be provided to the incoming System Management Board and the Audit and Risk Committee of the CGIAR System Council when formed, for the respective bodies to take up relevant matters after the transition.
2015 Annual Report and Progress Update 2016 Plan

22 June 2016
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### Foreword

This document provides an annual account of the activity performed by CGIAR’s shared-service Internal Audit Unit (“the CGIAU”) in 2015 and an update to 31 May 2016 against its work plan for the year 2016, as provided for in the CGIAU Charter. It does not encompass activities performed by CGIAR Centers’ other internal audit teams, which do not report into the CGIAU.

It does not provide a high level of detail on activities performed for Centers, because of CGIAU’s non-disclosure duties contained in its Charter and in Service Level Agreements signed with Centers.

The views expressed in this document only reflect the analysis of the Director of the CGIAU and do not constitute an official statement of the CGIAR Management or the Consortium Board, or of any Member Center or their respective Board of Trustees.

### Glossary

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tr>
<td>CRP</td>
<td>CGIAR Research Program</td>
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<td>CGIAU</td>
<td>Internal Audit Unit, a shared services unit of the CGIAR system</td>
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<td>IIA</td>
<td>The Institute of Internal Auditors</td>
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<td>POWB</td>
<td>Program of Work and Budget</td>
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<td>PPU</td>
<td>Professional Practice Unit (of the CGIAR CGIAU)</td>
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Executive Summary

CGIAR, through its Financial Guidelines #3, has adhered\(^1\) to the International Standards\(^2\) issued by the IIA, according to which Internal Audit’s mission is “to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.”

CGIAU, re-built since 2014 as a shared-service of Centers and the Consortium of International Agricultural Research Centers (“Consortium”), has developed adequate resources and tools to deliver quality engagements and fulfill its commitments to its “clients”, with the objective of obtaining sufficient coverage, prioritized on the basis of risks, to deliver them a reasonable assurance on the adequacy of their respective governance, risk management and internal control processes. It generally conforms\(^3\) to the International Standards mentioned above. It is organizationally independent, although its current activity-based funding model generates a dependency on the “clients”’ willingness to commit to their respective audit plans, which in turn may hamper its effectiveness, ability to avail resources, and ultimately its independence.

In 2015, the CGIAU delivered an increased level of contribution to Centers and the Consortium, on the CRPs, on information systems, human resources, in fraud investigations and on risk management but also in new risk areas. Key stakeholders have confirmed their satisfaction with these services.

In 2016, in a difficult financial context, several Centers have requested CGIAU to support their restructuring efforts by providing assurance on key processes, projects and entities, including resource mobilization, grant management and scientific data management. Risk identification and preliminary assessment pertaining to information systems and to potential fraud will be performed. The plan to complete the 2016 assurance audits of CRPs is presently being re-examined.

As part of its role to support the development by management of sound governance, risk management and internal control practices across the CGIAR system, this report points out CGIAU’s view on risks that CGIAR needs to address as a matter of priority. Using the COSO\(^4\) framework, we also share our views on the adequacy and effectiveness of practices relevant to both the Consortium Office and the Consortium as an international organization, with its constituent parts of a central office, an oversight board and its 15 research centers.

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\(^1\) ‘CGIAR Auditing Guidelines’, Financial Guidelines Series No. 3
\(^3\) According to its internal self-assessment
\(^4\) The Committee of Sponsoring Organizations of the Treadway Commission (COSO). www.coso.org
I. The CGIAR Internal Audit Unit

A. Role and Responsibilities

a) Relevant to all clients for which the CGIAU delivers the Internal Audit activity

As per its Charter (approved by the Consortium Board on 19 March 2014\(^5\), but also applicable to Centers that have signed a Service Level Agreement to use CGIAU as their Internal Audit), the scope of the CGIAU “encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, and internal process as well as the quality of performance in carrying out assigned responsibilities to achieve the organization’s stated goals and objectives.”

This includes:

- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organization.
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Evaluating the effectiveness and efficiency with which resources are employed.
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- Monitoring and evaluating governance processes.
- Monitoring and evaluating the effectiveness of the organization's risk management processes.
- Evaluating the degree of coordination of external auditors with internal audit.
- Performing consulting and advisory services related to governance, risk management and controls as appropriate for the organization.
- Evaluating specific operations at the request of the Board or management, as appropriate.

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\(^5\) CB15, Dar es Salaam, Tanzania
b) Responsibilities in Centers where CGIAU is contracted as an additional provider

Several Centers (those in yellow in figure 1 below) have opted to have their in-house internal audit team, headed by a function Head. In those situations, CGIAU can perform, upon request from the Center, any of the tasks mentioned above, but it will deliver it to the Head of the function, under that person’s responsibility for communicating to his/her Board, and to follow-up on the implementation of recommendations.

c) Specific responsibilities with regards to the Consortium

CGIAU has a specific role of supporting the Internal Audit function through CGIAR, through professional practices support provided by the Director and his/her Professional Practices Unit (PPU).

CGIAU is also providing the Consortium Board with an overall understanding of whether the above functions are adequately discharged throughout CGIAR, within the bounds of confidentiality on information gathered while serving any specific Center. Safeguards have been established to ensure that the diversity of Centers and Consortium served does not result in an actual conflict of interest for CGIAU.

Therefore, the role of this report, aimed primarily at the Consortium Board, is to:

- Report on the internal audit activity’s purpose, authority, responsibility, and performance relative to its plan.
- Report significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Board.

B. Center membership

CGIAU was created as and remains a shared service among member Centers of the CGIAR.

Some Centers (those in green in figure 1 below) are fully relying on the CGIAU for performing internal audit services, while some others (yellow on the graph below) also have an in-house internal audit function. It should be noted that, in the latter group, 7 Centers out of 9 have asked CGIAU to contribute to the delivery of their 2016 audit plans.

Additionally, the Consortium Board, in order to support it in discharging some of its fiduciary duties stemming from the CGIAR Constitution (“oversee the performance of CRPs” and “financial and operational accountability”) has given to the CGIAU the responsibility for auditing CRPs.
CGIAU notes the following significant 2015 events in the Internal Audit function across Centers:

- **AuditAsia**: In 2014, the Boards of IRRI, CIFOR and IWMI had formally notified CGIAU of their decision to create their own shared Internal Audit team ("AuditAsia"). The starting period for the new arrangement was due to be July 2015, but recruitment issues for the Director generated delay until January 2016. There will be a transition period for recruiting and training Internal Audit staff. CGIAU has offered and will provide support to allow this small team to be effective as early as possible.

- **ICRAF**: The Head of ICRAF’s Internal Audit unit resigned effective from September 2015. Upon agreement between ICRAF and CGIAU, the CGIAU Associate Director for Africa held the position in interim until the newly-recruited Head took his position in January 2016.

- **AfricaRice**: The Head of the AfricaRice Internal Audit unit was requested in 2015 by AfricaRice’s Audit Committee, upon proposition from the Director General, to become fully dedicated to internal control management activities for the year 2016, thus suspending his internal audit activities for a year. CGIAU has offered to hold the position in interim, using a similar Service Level Agreement as other Centers. This would entail performing quality assurance over engagements outsourced to local consultants and reporting on them to Management and the Audit Committee. However, at present, no budget has been earmarked to provide the required availability of the CGIAU Associate Director, therefore the arrangement was still under discussion as of mid-May 2016.
• **IITA:** The Head of the **IITA** Internal Audit Unit has resigned, effective on 31 May 2016. The **CGIAU** has offered to hold the position in interim until the new Head is recruited. Possible arrangements are being discussed as of the date of this report.

### C. Staffing and Organization of the **CGIAU**

In 2015, six positions were filled and four team members left without being replaced:

a) **Recruitments:**
   - The Associate Director for Asia, who joined in June 2015, hosted by WorldFish (Malaysia);
   - Four members for the Africa team: one IT auditor (April), two forensic auditors (one manager in March and one senior auditor in April), one senior auditor (May);
   - A Team Coordinator, based in Montpellier, joined in April;
   - An IT audit manager, based in Penang, and recruited temporarily under a consulting contract.

b) **Departures:**
   - Two in Asia: One member of the Asia team, previously hosted by IRRI, moved in 2016 to our new “Asia hub” hosted by WorldFish, while the rest of the team (an IT manager, an auditor and an assistant) have left the team and only the IT audit manager has been replaced to date – under a consulting contract.
   - One in Africa: The fraud manager in the Africa team did not complete his probation period and has not been replaced to date.
   - One in America: The Audit Manager in the Americas team left the **CGIAR** at the end of 2015 to join the FAO audit team, and has not been replaced to date. Engagements are performed using consultants.

In May 2016, the Associate Director for Europe, Middle East & Africa (EMEA) notified the **CGIAU** of her intention to accept a resource mobilization management role at ICRAF, from July 2016. No further recruitments are in progress because of the limited visibility in budget and workload of the team.

Figure 2 below, identifies the staffing and organizational structure of **CGIAU** at June 2016.
The team is operating as one, with a high flexibility for using available skills wherever they are needed. For logistical reasons, auditors are located as close as possible to operations:

- The Director of the CGIAU and the PPU are hosted by the Consortium Office in Montpellier
- The Asia Team, previously hosted by IRRI, has transferred to WorldFish (Penang, Malaysia) in 2015
- The Africa, Middle East and Europe team is hosted by ICRAF (Nairobi, Kenya)
- The Americas Team is hosted by IFPRI; (Washington DC, USA)

Whilst the CGIAU has not experienced any limitation to its ability to step up to the adequate level in order to discharge its duties, the ongoing governance transition process is hampering the ability of CGIAU to plan, attract and retain qualified and experienced staff. This is a challenge in 2016 and cannot be sustained beyond this year.
Training and development

Despite the challenging situation described above, the CGIAR Audit Unit contains, in the present situation, a good mix of experienced professionals with strong institutional knowledge and new staff who bring fresh perspectives. Staff surveys, using the IIA competency model show that staff is competent and capable to perform the audit procedures.

Staff with professional qualifications comply with the CPE requirements. A staff is supported to obtain professional qualifications that can support the overall competency of the function. An annual staff meeting was held in February 2015 with the objective to streamline the audit methodology and principles. A similar meeting will be held at end June 2016 to increase the competency of the function.

Objectivity and Code of Ethics

Staff members are free of conflicts of interest and have confirmed in writing that they abide by the Code of Ethics of the IIA.

D. Operating Budget

In 2015, the costs of operating the CGIAR amounted to USD 2,219K, against a revenue of USD 1,805K. This resulted in an operating loss of USD 414K, generated mostly by cancellations of engagements by Centers late in the year. Additionally, expenses incurred in 2013 and 2014 were only reported by hosting Centers in early 2015, bringing the total shortfall at 2015 year-end to USD 698K. The Consortium accepted to cover that loss on behalf of all entities of the CGIAR system.

The 2016 budget presented and approved by the Consortium Board (CB24 - April 2016) showed a balanced budget at a lower level of expenditure (USD 1,902K).

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<tr>
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<th>( USD '000)</th>
<th>2015</th>
<th>2016 Budget</th>
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<tbody>
<tr>
<td>Salaries and Consultants</td>
<td>1 616</td>
<td>1 383</td>
<td></td>
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<tr>
<td>Travel</td>
<td>294</td>
<td>243</td>
<td></td>
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<tr>
<td>Office space and hosting</td>
<td>221</td>
<td>191</td>
<td></td>
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<tr>
<td>Training and team meetings</td>
<td>34</td>
<td>60</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>54</td>
<td>25</td>
<td></td>
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<td></td>
<td></td>
<td><strong>2 219</strong></td>
<td><strong>1 902</strong></td>
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Concerning revenues, the budget for 2016 assumed a significant level of CRP auditing activity in the second half-year, in order to complete the assurance activities initiated in 2015.
The 2016 estimate is, however, impacted by the following: The plan for completing CRP audits is now undergoing delay and a risk of cancellation, at the request of the representative of Centers’ Directors General, within the context of the CGIAR governance transition to the CGIAR System Organization.

E. Reporting lines

As per the CGIAU Charter, the Director of the CGIAU reports functionally into the Audit Committee of each Center and of the Consortium Board for matters relevant to that entity, and administratively to the CEO of the Consortium. In December 2013, the Audit Oversight Group was created as a sub-committee of the Consortium Board’s Audit and Risk Management Committee (“ARC”), as per its Terms of Reference:

“to provide oversight of the internal audit function for issues concerning the Consortium as a whole (including the CGIAU for its activities that concern the Consortium as a whole), while ensuring through appropriate representation from Centers that the CGIAU audit planning and reporting reflects in adequate detail the input from the Centers.

The role of the AOG relates solely to that of coordination of matters that concern the CGIAR Consortium and the Centers where a consolidated view for audit planning and reporting is necessary to achieve more efficient management of CGIAU activities. The AOG provides a vehicle for communication on these matters with the Centers.”

The AOG has met three times in 2015:

- 25 February 2015 in Paris
- 9 June 2015 (teleconference)
- 9 October 2015 in Geneva

And twice in 2016:

- 19 February 2016 (teleconference)
- 7 June 2016 (Munich)
The CGIAU is acting as secretary to the AOG. Minutes are circulated to the Consortium Board’s Audit and Risk Management Committee and all Center Audit Committee Chairs after approval by the AOG.

F. Service Level Agreements

The CGIAU has been required to define and agree with Centers a best-practice operating framework that provides for a fair and balanced relationship with the Center, its Board of Trustees, Audit Committee, Management Team and operational teams.

For Centers using CGIAU as their Internal Audit function, Service Level Agreements (“SLAs”) have been in place since 2014 with CIAT, CIP, IFPRI, WorldFish and Bioversity. A review of the implementation of the SLAs is included as part of the CGIAU’s Quality Assurance and Improvement Plan (QAIP). A similar SLA was to be concluded with the Consortium Office, but the process is suspended until clarification is provided on the future structure and position of the internal audit function from July 2016.

For Centers having in-house internal audit teams, a set of principles had been drafted in 2014, however the relationship is likely to be impacted by the transition process currently in progress. Therefore, finalization will only take place when new terms of reference have been agreed, as relevant to the revised internal audit function in the transitioned system.

G. Audit Committee and Board Attendance

The CGIAU has been invited to attend Audit Committee meetings and open sessions of Board of Trustees meetings for all Centers under its responsibility. The Director of CGIAU or one of his Associate Directors has attended most meetings in 2015 and in 2016.

CGIAU has also been invited to attend and present to the Boards and Audit Committees of ICARDA, IITA, ICRAF, ILRI and CIFOR.

H. IIA Standards and Quality Assurance & Improvement Program (QAIP)

As per the CGIAU Charter, “The internal audit activity will govern itself by adherence to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity’s performance.”
A self-assessment for 2015, including a stakeholder’s survey is performed and the results will be reported to the AOG / ARC on 19 February 2016.

a) Results of the self-assessment

The CGIAU generally conforms with the Standards.

**Positioning:** The functional and administrative reporting relationships are appropriate and support organizational independence and objectivity. The CGIAU charter is in accordance with the standards. SLAs are in place with all Centers where the CGIAU is operating as the internal audit function. The SLA with the Consortium Office and the Centers with an in-house audit function (IWMI, CIFOR, IRRI, ICRISAT, ICRAF, ICARD, ILRI, AFRICARICE, IITA, CIMMYT) is not formalized. The CGIAU should have a robust and transparent funding process that ensures adequate resources to allow the Internal Audit activity to discharge its obligations. The CGIAR system is currently going through a “system change”. Presently it is unknown how the CGIAU will be positioned and funded in the new structure. This in combination with a reduction of the Center internal audit budgets has an impact on the sustainability of the current funding process.

**Planning:** The annual risk assessment process focuses on activities in areas of highest risk and impact, consistent with the strategy and objectives of CGIAR and Centers. In 2015, a detailed risk assessment was performed for all Centers the CGIAU is operating as the internal audit function. Also, a high-level assessment for Centers with an in-house function was performed. A risk-based audit plan was presented to the Board of Trustees of the Centers and a consolidated overview to the AOG/ARC. Internal Audit should continue to refine its role in relation to IT risks in the CGIAR system: So far, no comprehensive IT Risk assessment had been performed. Such an assessment will support the CGIAR IA function to link the Internal Audit plans with the entity-wide view of IT risk.

**Program on Governance, Risk and Compliance:** An overall assessment of the “Governance Risk and Compliance” framework of the Centers is performed and discussed with the AOG/ARC (using COSO criteria) as part of the annual review. Coordination with External Assurance Providers has started but can further improve. This includes having an audit map on “other services performed” per Center.

**Professionalism:** Internal Audit management and staff are qualified with appropriate credentials and experience, and work is performed with due professional care that includes an appropriate level of supervisory review and approval. Training and professional development processes are appropriate to support proficiency of Internal Audit management and staff. The current staff capacity is sufficient to perform the engagements requested for 2016.
Performance: The CAE has established a Quality Assurance and Improvement Program (“QAIP”) that promotes quality and continuous improvement. KPIs are developed and will be further integrated into the overall monitoring process from 2016 onwards. A Self-assessment with Independent Validation (SAIV) is planned for Q4 2016.

Engagement procedures: Engagement level planning is supported by an engagement level risk assessment that appropriately considers fraud risk as a component. Objectives evaluate technology, operational, financial, and compliance components as appropriate for individual engagements. The Standards require internal audit reports to be “accurate, objective, clear, concise, constructive, complete, and timely”. The assessment identified difficulties getting the reports out in a timely manner. There is a wide variety of causes (e.g. operational bottlenecks, slow responses from management, or unavoidable factors). Across the projects reviewed improvements can be materialized to ensure information is sufficient. This includes timely completion of audit files, uploading key documentation and documenting key meetings such as exit meetings.

b) Results of the Survey

The CGIAU has performed a survey to assess the quality of service delivery. The objective of this survey was to: Assess the efficiency and effectiveness of the CGIAU, and identify opportunities for improving the performance of the CGIAU.

The survey was issued to three groups of key stakeholders.

- Audit Committee Chairs (Board) 16 invitations
- Director General’s – 16 invitations; and
- Auditees (including Head of Audit of the Centers with an in-house audit function.) – 56 invitations

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<th></th>
<th>AC chairs</th>
<th>DG and CEO</th>
<th>Auditees</th>
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<tbody>
<tr>
<td>Overall rating</td>
<td>76%</td>
<td>68%</td>
<td>66%</td>
</tr>
<tr>
<td>Response</td>
<td>69%</td>
<td>16%</td>
<td>66%</td>
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**AC Chairs and DGs /Consortium CEO results**

The results can be summarized as follows (100% is the maximum score)

The following key comments were received and will be taken into consideration:

- “The CGIAU is operating as a Center Internal Audit function and also performing CRP engagements. This can cause issues of conflicts of interest.”
- “It is recognized that the CGIAU is an essential element of the system and that all Centers need to be a member. However, it is questioned if the current structure is efficient and effective.”
- “The number of engagements performed by the CGIAU, 80 a year, is too high compared to the size of the function.”
- “The audit plan of 2015 is nearly completed which is a positive development in respect to prior years.”
- “Timing of reporting can improve; also key issues can be better expressed in the report”

The following topics are suggested to be included in the audit plan:

- Cyber and IT related topics
- System-wide audits rather than CRP engagements
- Thematic engagements
Auditees

The results can be summarized as follows (100% is the maximum score)

The following key comments were made to take into consideration:

- The positioning of the internal audit function can be clearer. Is the CGIAU operating as a center audit function or as a CGIAR Consortium function (donor)?
- The interaction between Associate Directors and Auditees can be more frequent.
- The level of understanding of the Centers visited can improve. In particular, when specific topics such as CRP are assessed.
- The scope of work can be better presented to the auditees before audit work commenced.
- Recommendations and the interpretation of the finding compared to the activities of the center can be better expressed in the final communication.
- Completion of the report is not timely.
- The CGIAU is adding value to the organization.

The results of the survey will be used to further increase the services provided by the CGIAU. Action points have been formalized and responsibilities allocated.

This assessment will have to be re-performed in 2016, and the CGIAU will undergo an independent validation by the end of 2016. The former plan was to obtain that confirmation by the end of 2015, but because of the transition process, in June 2015 the AOG advised CGIAU to postpone the independent validation process to no later than the end of 2016.
It is unlikely that the position, role and responsibilities will be clarified before July 2016, and that the decision would be fully implemented before year-end. This would reduce the significance of any assessment performed in the 4th Quarter of 2016.

Therefore, the decision on postponing to early 2017 has been confirmed at the 7 June 2016 ARC meeting.
II. **Internal Audit activity in 2015**

**A. Level of delivery**

The 2015 original audit plan consisted of 113 activities, of which 100 audit (assurance or advisory) engagements.

During the year, 26 engagements were cancelled by CGIAU’s clients, 3 additional engagements were requested, and 6 were postponed at the request of clients. The total was therefore 71 audit engagements and 13 other activities (specific follow-ups, among others), to give a total of 84 overall activities.

By year-end, CGIAU had delivered 68 audit engagements (in draft status) out of 71 (96%), and in total, 81 activities out of 84 (96%). In the first Quarter of 2016, all remaining requests have been delivered.

Ratings delivered by CGIAU for the 68 engagements were:

- 2 “Effective”,
- 34 “Some improvements needed”,
- 14 “Major improvements needed”,
- No “Unsatisfactory” rating was delivered.
- 18 engagements were advisory and did not generate a rating.

**B. Engagements performed at Consortium Level**

The 2015 Consortium audit plan provided for an unprecedented audit coverage of CRPs. Through the “Phase I” advisory engagements, the overall internal control environment and management organization were reviewed to learn lessons for the benefit of the next CRP portfolio. Control issues noted in the previous year on one CRP were followed-up to verify resolution. Controls surrounding the CRP financial reports were assessed at four Centers out of fifteen to enable the Consortium Board, upon completion of audits at all centers, to deliver an overall assurance on the CGIAR-wide CRP report. This assumed that the other eleven Centers would be reviewed as part of the 2016 audit plan.

Finally, in an advisory engagement, CGIAU reviewed the organizational layout of controls at the Global Crop Diversity Trust, the structure managing the overall "Genebanks" project (labelled as CRP 8).
a. **CRPs Phase I (Advisory)**

The CGIAU, at the request of the Consortium, performed reviews of the 15 CGIAR Research programs (CRPs) in 2015 and at the end of 2014. These advisory reviews were performed with similar objectives, and did not cover the Genebanks CRP (performed separately). All reports have been verified and discussed with Lead Centers and Program Directors, who have prepared action plans to address issues specific to their respective programs. The engagements have been performed in coordination with evaluations in progress, under the terms of a Memorandum of Understanding signed by the CGIAU and the IEA.

A “consolidated report” issued in October 2015 summarized findings obtained from all CRPs for which action is expected from the Consortium Office. These resulted in a high number of suggested improvements: 86 in total, from which 40 were deemed of high priority and 30 with significant importance. The Consortium Office has carefully reviewed the audit points and acknowledged these findings and suggestions, and either:

- **(A)** incorporated those that would be implemented as part of the “guidance for full proposals”, issued in December 2015. This included 19 high priority suggestions out of 40;
- **(B)** earmarked those that could be addressed through the review of existing policies and guidelines in 2016. This included 7 high priority suggestions out of 40;
- **(C)** postponed the response until the new structure of the System Organization is established and there is clarity on reporting lines and responsibilities. This included 14 high priority suggestions out of 40, the substance of which is indicated below.

The proposed timescale for responses has been explained to CGIAU and follow-up will be performed under the responsibility of the Consortium Office and the System Management Office from 1 July 2016:

1. Unlike the new CRP portfolio currently developed, the current portfolio of CRPs stems from a gradual conception and approval process, resulting in diverse program governance layouts and inconsistent roles and responsibilities for program management units. This has limited the ability of program directors to establish strong monitoring processes, and in some cases created potential conflicts of interest with Lead Centers.
   - The new guidance is expected to address issues noted, although requirements for assurance process are still to be clarified.

2. Fundamental principles require clarification, among which: Criteria for allocating funds initially and on a yearly basis; Nature of the guidance provided by the Consortium Office; Expectations in the area of risk management; Responsibilities in ensuring consistency in the legal framework and compliance with it.
   - Whilst the new guidance is addressing most requirements for criteria, other suggested improvements can only be brought after the new structure is in place.
3. Program management per se is not a clearly defined process. Neither CGIAR nor Centers use a recognized framework among the existing ones. Program management units are not involved in talent management and their terms of reference are not consistent across Centers. Although some of them demonstrate commendable efforts to establish monitoring processes and track deliverables per flagship and participant, they do not receive support in this area and limited transfer of best practices takes place.

- Monitoring requirements have been clarified, but agreed terms of reference of Program management units are still required.

4. The reporting process, performed without a dedicated information system, consists in additions and reconciliations, which is burdensome and error prone. Its annual frequency and the fact that budgets are established at program level does not allow financial reports to add value to the planning activities. Significant effort will be required to clarify definitions and set standards and guidelines for cost allocation, budget construction and approval processes.

- The new guidance is providing improved reporting templates, but clarification on the reporting process is dependent on the new structure. Proposal and analysis processes have been improved, but budgeting and cost allocation guidelines are still due, and documentation of direct costs will have to be addressed by the new structure.

5. Uncertainties in the availability of funds have hampered the Centers’ ability to commit to long term activities. This could be improved by strengthening the CGIAR’s ability to perform scenario planning and cash-burn analyses, as well as streamlining the disbursement process. Prepayments to partners should be strictly monitored.

- Efforts have been made to streamline the disbursement process, but the new structure will need to iterate its expectations on cash-flow forecasts.

6. The mapping of bilateral grants to CRPs follows different patterns depending on CRPs and Centers, as criteria, required documentation and monitoring processes have not been defined by the Consortium Office and currently do not fall under the remit of the program management units.

- The need for documentation and the role of program management units in this topic have been recognized as priorities for the next months, but clear criteria will have to be issued by the new structure.

7. The selection process for partners, including criteria used and parties involved in the decision-making process, is not clearly documented. It would be useful to issue guidance on the selection and assessment of partners, on the contracting process and on due diligences. A common toolbox could help in monitoring the reliability and delivery of partners over time.

- This topic is seen as a key deliverable for the new structure.
b. **CRP “Dryland Systems” follow-up (Assurance)**

The objective of this follow-up review was to assess the implementation status of the recommendations arising from the last internal audit engagement, carried out in 2014 by CGIAU and formally issued in March 2015. The overall conclusion of the 2014 audit had been that the overall management of the CRP was unsatisfactory.

Out of the original 18 recommendations, the audit found that 9 were fully implemented, 5 were partially implemented and 4 were no longer applicable. The remaining areas for improvement included the prompt disbursement of funds to participating centers, documentation of the internal overhead rate applied to projects and of the authorization matrix for CRP-specific activities.

The overall final rating on the internal control systems put in place by the CRP 1.1 Lead Center is therefore **“Needs some improvement”**. This compares positively to the initial audit report rating.

c. **CRPs Phase 2 (Assurance)**

The objective of these audits were to validate and to report on the adequacy and accuracy of the CRP financial reports and the processes that enable the Centers to report to their Lead Center and, where the Center is operating as a Lead Center, to report to the Consortium Office reliably and accurately. The ultimate objective being, once all Centers have been reviewed (target: end 2016), to be able to provide a consolidated opinion for each CRP.

In the 4th Quarter of 2015, 3 Centers were reviewed: ICRISAT, IITA and Bioversity. CIAT has been reviewed in the 1st Quarter of 2016. The CIAT reports has been issued in draft to Center management and CGIAU is expecting adequate response and action plans.

Responsibility for addressing the improvements recommended rests with the respective Centers, and will need to be a matter reviewed by Senior Management at Center level, and the Director of Finance and Corporate Services at the system level, at a suggested yearly interval to see whether the Center’s proposed management response has been actioned. The Internal Audit Unit will support this process by reporting to the System Council on information received.

1. **ICRISAT**

ICRISAT is acting as Lead Center in CRP 3.5 “Grain Legumes”, with CIAT, ICARDA and IITA, and in CRP 3.6 “Dryland Cereals”, with ICARDA. It is also involved as a Participating Center in CRP 1.1 “Dryland systems”, CRP 2 “Policy, Institutions and Markets”, CRP 4 “Agriculture for
Nutrition and Health”, CRP 5 “Water Land Ecosystems”, CRP 7 “Climate Change, Agriculture and Food Security” and in Genebanks.

The audit concludes with a rating of Some Improvements Needed. One “High” issue was raised: The underlying challenge for ICRISAT is pervasive manual processing of transactions, which could affect the accuracy of the financial reporting. The other four issues, rated “Significant”, included, among others, consistency issues in reporting expenditure per flagship and per gender or the allocation of personnel cost based on a predetermined rate.

The current financial system in use, SUN financials, has not been upgraded for more than 15 years. Maintenance agreement with the vendor was also not maintained. As such, certain functionalities are not available, and processes which could have been done quicker and with greater accuracy are being done through manual reviews and validations. The majority of the issues noted in this report are directly or indirectly related to this challenge. We understand that there are plans to upgrade the current system with the preparatory activities starting in April 2016. Until the upgrade is implemented, the current manual processing will continue potentially for another year or so.

2. IITA

IITA is acting as Lead Center in CRP 1.2 “HumidTropics”, with Bioversity, CIAT, CIP, ICRAF, ILRI and IWMI and four non-CGIAR Partners. It is also involved as a Participating Center in CRP 2 “Policy, Institutions and Markets”, CRP 3.2 “Maize”, CRP 3.4 “Roots, Tubers and Bananas”, CRP 3.5 “Grain Legumes”, CRP 4 “Agriculture for Nutrition and Health”, CRP 5 “Water, Land and Ecosystems”, CRP 7 “Climate Change, Agriculture and Food Security” and in Genebanks.

The audit concludes with a rating of Some Improvements Needed. One “High” issue was raised on misallocation of management costs: these were not allocated based on actual expenditure, but rather on remaining budget availability. This resulted in 2014 in, among others, an adverse over-charge of CRPs 3.5 (USD 1.1 million) and 4 (USD 0.8 million) and an under-charge of USD 1.0 million to CRP 3.4.

The other two issues, rated “Significant”, included, among others, upfront lump sum payments made to a partner and accounted as same-year expenses or the allocation of personnel cost based on a predetermined rate.

3. Bioversity

Bioversity is not a Lead Center in any CRP. It is a Participating Center in 11 CRPs, the most significant ones being, in descending order, CRP 3.4 “Roots, Tubers and Bananas”, CRP 7 “Climate Change, Agriculture and Food Security”, CRP 6 “Forest, Trees and Agroforestry”, CRP 5 “Water, Land and Ecosystems”, CRP 4 “Agriculture for Nutrition and Health”, CRP 2 “Policy, Institutions and Markets”, and in Genebanks. Window 1 & 2 funds accounted for 52% of Bioversity’s total income of US$ 42M in 2014.
The audit concludes with a rating of **Some Improvements Needed.** No “High” issue was raised. Two issues were rated “Significant”, pertaining to the need for reconciliations, respectively between budgeted and actual indirect cost rates applied to CRP expenditure, and between planned and actual staff time allocation to the different CRPs.

### 4. CIAT

CIAT is acting as Lead Center for CRP 7 “Climate Change, Agriculture and Food Security” (CCAFS), in which all other Centers of the CGIAR are Participating Centers. CIAT is also a Participating Center for 11 CRPs, the most significant ones being, in descending order, CRP 4 “Agriculture for Nutrition and Health”, CRP 3.5 “Grain Legumes” and CRP 3.4 “Roots, Tubers and Bananas”.

Note that the management action plans are still expected from the Center. The audit concludes with a rating of **Some Improvements Needed.** No “High” issue was raised to the Center. Three issues were rated “Significant”, pertaining to partner selection and performance monitoring, to allocation of personnel cost based on estimated time and to the timing of recognition of partner expenses.

d. **Genebanks (Advisory)**

This was an advisory review of the Genebanks CRP’s Lead Center (Bioversity) and Program Manager (Crop Trust).

1. The relationship between the Consortium Office and the Lead Centers is based on an agreement (PIA) which is very similar to a standard donor agreement and hardly includes any of the standard conditions of a best practice Project Management agreement.
   - The PIA structure should be reviewed to include a detailed project management budget (including staff CVs, time allocation %, costs, etc.), KPIs to assess the performance of the Lead Center, additional information regarding the involvement of the CO in any key decisions regarding the CRP and the responsibilities of the Lead Center should the Participating Centers not follow its instructions.

2. There has been little direct involvement of the Consortium Office in the CRP, in spite of it funding 80% of the activities and the project being about ensuring consistency and synergies across all CGIAR centers.
   - The Crop Trust Executive Board seat allocated to the CGIAR has been left vacant since 2013. Consortium Office staff have not been able to participate regularly to the CRP Management Meetings organized by the Crop Trust. The role of the CGIAR in the meetings has been to give comments on specific topics raised by the Crop Trust. However, the approval of the Consortium Office is not required for any decision regarding this CRP.
3. The financial data and the outcomes and outputs data included in the year-end Genebanks CRP reports have not followed the same structure as that of the original project document.
   ✓ This makes it more difficult to compare actual activities with originally planned activities and outcomes. As an example, the creation of synergies as an outcome of this CRP is no longer being reported on.

4. The Quality Management System (QMS) which has been developed by the Crop Trust has not been formally consolidated into a single document nor has it been approved by the CGIAR.
   ✓ This would ensure that the benchmark for performance and for any budget request is clear to all, approved at the right level and formally recognized as being consistent with the Plant Treaty Agreement General Principles.

5. None of the Centers were compliant with the basic QMS indicators at the end of 2014, and only three would have been eligible for funding from the Crop Trust endowment fund had it been ready to take over as the main Genebanks donor at the end of 2016 as originally planned.
   ✓ We recommend that the evaluation team analyses the reasons for this as part of their work and any lessons learned to ensure prompt compliance going forward.

6. There is no formal analysis of the implications of the different funding levels of the Crop Trust Endowment fund on the future of Genebanks.
   ✓ The Crop Trust should take over the overall funding of the Center Genebanks who comply with minimum quality standards once its Endowment Fund reaches the set target of approximately USD 500 million. As at the end of 2014, the endowment fund stood at USD 180 Million. This analysis should also take into account any operational or financial implications of the other activities being carried out by the Crop Trust such as Divseek, etc.

7. Whether or not the CGIAR will guarantee full funding to this CRP should be decided before the start of the second phase and not after the start of the project, as was the case for the current CRP.
   ✓ Lack of clarity in the first CRP led to some delays in the start of the activities.

8. There is no formal, consistent mechanism to report on Genebank–related risks to the Center Boards and to the Consortium Office.
   ✓ This is particularly important in a context where the loss of reputation of one CGIAR center could significantly affect the reputation of the other CGIAR centers.
9. There is no formal communications strategy for the Genebanks CRP, which otherwise could potentially be regarded as a great example of centers working together to create synergies.

This is one of the few CRPs that does not have its own website. The Genesys platform (https://www.genesys-pgr.org/welcome) does not have anything that would enable the user to know that it has been funded to a large extent by the CGIAR. In the online-reporting tool funded through the CRP, the only logo is that of the Crop Trust.

10. The data security of on-line platforms such as Genesys, GRIN and the On-line reporting tool has never been tested. The exact ownership of these IT platforms should also be clarified.

e. Other audits - Main categories of issues identified by the CGIAU:

From the final reports available to date, the main areas of concern in 2015 were:

- Adequacy of controls at several regional or country offices, notably in the areas of cash management, safety and security. In several cases, this shed a doubt on the adequacy of oversight by Center Head Offices on their outreach offices;
- The quality and effectiveness of IT key controls and in several instances the implementation of OCS;
- Procurement related controls at Center levels.

Finally, as in the previous year, our reviews of risk management in several Centers have highlighted the requirement for more frequent updates to policies and efforts to embed the process into management routines. However, progress is noted in the latter area.

C. Pending recommendations:

a) CGIAU follow-up on recommendations

The CGIAU, as part of its regular processes, performs a follow-up on previous recommendations, at least once per year or more frequently if requested to by a Center’s Audit Committee. The CGIAU systematically raises awareness of management on non-addressed recommendations related to high-risk issues in Executive Summaries of reports and, where it is performing all internal audit activities for Centers, at these Centers’ Audit Committee meetings. Where Centers have in-house auditors, these are responsible for following up and updating their Audit Committees.
For the Centers, where the CGIAU is operating as the internal audit function, the status of recommendations is as follows:

The level of implementation of outstanding recommendations varies per Center. Of the total of recommendations issued in 2015, 64% have been implemented, 3% have been suspended and 33% are still outstanding or implementation is in progress.

Ageing of recommendations outstanding or in progress (213 in total)

Of the 213 outstanding recommendations, the majority (66%) is related to 2013 (57) and 2014 (85). It is a concern that 71 outstanding recommendations are from before 2013. Also, because 23 of these recommendations are classified as High. Note that in 2015, CGIAU changed its rating system from High/Medium/Low to High/Significant/Medium/Low, which could mean that some issues previously rated as “High” might now be rated as “Significant”.
Of the outstanding recommendations, 52 are classified as high. The table below provides an overview of the high risk outstanding recommendations per category and year.

<table>
<thead>
<tr>
<th>Risk categories</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>Total</th>
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<tr>
<td>Business Continuity Management</td>
<td>2</td>
<td>1</td>
<td>4</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>Fixed Assets</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Guidelines and procedures</td>
<td>3</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>9</td>
</tr>
<tr>
<td>Host country agreements</td>
<td>3</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>9</td>
</tr>
<tr>
<td>Human Resource Management</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>IT</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>4</td>
<td>9</td>
</tr>
<tr>
<td>Liquid assets</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Procurement and Contracting</td>
<td>1</td>
<td>1</td>
<td>4</td>
<td>3</td>
<td>5</td>
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<tr>
<td>Research Data Management</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Risk Management</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Security Management</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>12</strong></td>
<td><strong>11</strong></td>
<td><strong>17</strong></td>
<td><strong>12</strong></td>
<td><strong>52</strong></td>
</tr>
</tbody>
</table>

There are a number of outstanding recommendations related to Business Continuity Management and Security Management.

Outstanding recommendations related particularly to:

- IT and data management are related to missing or inadequate systems to backup research, or guidance on retention, ethical standards and roles and responsibilities;
- Level of update on hosting agreements or compliance with hosting countries regulations (in particular in relation to exemptions from customs duties and salary taxation);
- Guidelines for country offices and description of the delegation of authority and responsibilities.

By the end of 2016, a comprehensive review and re-assessment of outstanding recommendations will be performed. The results of the follow-up activities are used for the risk-based audit plan.
b) **CGIAR-level follow-up on recommendations**

In February 2016, the AOG requested statistical data on the overall status of internal audit recommendation across CGIAR. The general principle being that Center internal audit teams are responsible for monitoring the implementation of recommendations issued to their Centers, CGIAU requested that information from them, and obtained it with two exceptions (ICRISAT and CIMMYT).

Out of 760 recommendations overdue at the end of 2015 across the 13 respondents, 278 (37%) had been issued in 2015, 282 (37%) in 2014, and 200 (26%) in 2013 or before.

181 (24%) of these pending action plans were related to “high” priority issues and 82 (11%) to “significant” priority issues.

For reference, in the year 2015, 732 recommendations were issued for the 13 Centers, 93 (13%) of which were “high”, 204 (28%) were “significant”, 359 (49%) were “medium”, 76 (10%) were “low”.

This means that a large proportion of “high” priority issues are not addressed timely. While part of the issue may be on the auditors’ processes for following up, the main responsibility lies on management, whose responsibility it is to define and implement action plans.

The end 2016 review of recommendations discussed above will also focus on outstanding CGIAR-level recommendations.
III. Internal Audit plan and progress update for 2016

A. Process

In the Summer of 2015, the CGIAU performed an analysis of risks as identified by all Centers, and issued a newsletter to Audit Committee Chairs ahead of the audit plan meetings. All Centers received advice on priority topics, even Centers where the CGIAU is not in charge of the function.

In Centers where CGIAU is the exclusive provider of internal audit services, the list of priorities stemming from the following risk analysis and from a view of the previous audit coverage and results was discussed with senior management and the audit committee, so as to obtain a plan that would satisfy the Center’s audit committee that an audit opinion would be obtained on prioritized risks.

B. Link between audit plans and Consortium-wide risks

It is one of the key pillars of internal auditing that priorities are set on the basis of risks. The 2016 audit plan displays a strengthened coverage of key risks for Centers served by the CGIAU. This is despite a highly challenging budget situation that has put pressure on the audit-related expenditure.

The following table shows the categories in which “top risks” per (anonymized) Center can be classified, and the audit activity that has taken place (in yellow) in 2015 and (in green) planned for 2016. Numbers represent the number of risks included in each category.

a) Main learnings on audit coverage
- In Centers served by CGIAU, key risks have been covered over 2015 and 2016, with the exception of partnerships and, to a large extent, knowledge management (research data management planned in one Center);
- CGIAU has provided and continues to provide significant coverage, at all Centers, of Information systems and human resources;
- CGIAU has developed tools to provide, over 2015 and 2016 a significant coverage of grant management and resource mobilization processes;
- In Centers having their own internal audit team, CGIAU does not receive the audit plan and information on past audit coverage, and is therefore unable to provide an assurance that key risks have been covered.
### Link between Centers’ key risks and CGIAU’s audit plans

<table>
<thead>
<tr>
<th>Risk Category</th>
<th>Centers served by the CGIAU</th>
<th>Centers with their own Internal Audit function</th>
<th>Sub total</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A</td>
<td>B</td>
<td>C</td>
<td>D</td>
</tr>
<tr>
<td>Governance</td>
<td>6</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Business continuity management</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hosting agreements</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oversight</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Risk Management</td>
<td>1</td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Security and Safety</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategic Planning and innovation</td>
<td></td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Scientific research</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Knowledge Management</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project management</td>
<td></td>
<td>1</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Support functions</td>
<td>4</td>
<td>9</td>
<td>9</td>
<td>7</td>
</tr>
<tr>
<td>Asset Management</td>
<td></td>
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<tr>
<td>Financial Management</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Grant and Resource management</td>
<td></td>
<td>1</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Human Resource Management</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IT and data management</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Partnership Management</td>
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<td>1</td>
</tr>
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<td>Procurement</td>
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<td>1</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Security and Safety</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Sub offices</td>
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<td>Grand Total</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
</tbody>
</table>

In scope in 2015 by the CGIAU

In scope in 2016 by the CGIAU
b) Comments on Governance-related topics

Uncertainty, lack of oversight, weak risk management, noncompliance with hosting agreements and lack of up to date security and business continuity plans are among the key risks identified by most Centers.

In general, risk assessments show that Centers feel they have weak risk management procedures and a lack of oversight of the country offices and stations. A better understanding on how to implement the “second line of defense” is needed. CGIAU is requested by a number of Centers to support management in the development of tools to improve oversight of field offices. Where the CGIAU is operating as the Internal Audit Function, an assessment of the risk management process is part of the annual audit cycle.

In many countries where CGIAR operates, and particularly in Africa and the Middle East in present times, political instability is causing operational disruptions and threatening the continuity of business operations. Centers are expected to establish clear business continuity procedures and security action plans to ensure that staff and other resources are protected. Security and safety management audits have been introduced at a number of centers and CGIAU identified some value-adding recommendations.

Many Centers are reducing their activities significantly as financial resources have become less available. The impact of these changes requires a clear funding strategy that enables the CGIAR System and Centers to establish a clear roadmap and disciplined processes to identify and leverage funding opportunities. Finally, for 2016, two centers have also engaged CGIAU to support management in the assessment of change management and strategic positioning.

c) Comments on Scientific research-related topics

Increased integration requires a project management process that is harmonized to allow employees to collaborate. In 2016, CGIAU has been requested to audit a number of center projects to validate that these are performed in accordance with the project objectives. Also as part of the CRP engagements, CGIAU issued a number of recommendations on how project management can be improved. The results of these engagements will be used to contribute to the discussion on the alignment of project management tools and systems going forward.

Part of the audit plan of 2016 also aims to assess how knowledge management and in particular data management is organized at centers level. Centers’ increased reliance on digital information has dramatically increased the vulnerability of their networks and systems. Non-implementation of some basic key controls, cyber-risks and a certain level of decentralization of information systems increase the overall risk level. The fact that the CGIAR does not have a shared corporate system that captures the financial and programmatic information and enables an overall consolidation generates consistency and communication issues. Research data are key assets of the organization and determine partly the ability of Centers to deliver outcomes and outputs. In 2016 CGIAU will perform a number of IT
engagements at centers to assess the operational effectiveness of IT General Controls and the reliability of data management processes.

d) **Comments on topics related to support functions**

Centers’ partial reliance on third parties for project activities such as CRPs exposes them to risks related to the extended activities. By collaborating with partner organizations, Centers are also becoming responsible for the risk incurred by these organizations for the projects they perform. A common approach to assessing the risks related to partner organizations is not available, as identified as part of the CRP engagements. Also, in this area, limited information-sharing between Centers is performed. It was proposed that lessons learned from the Evaluation on Partnerships planned for 2016 would be leveraged for audits at a later stage. Recommendations on how to improve partnership management have been raised as part of the 2015 CRP engagements.

**C. Consortium Audit Plan for 2016**

On 29 March 2016, on the recommendation of the AOG, including Center representatives, the Consortium Board approved its 2016 audit plan.

a) **CRP audits**

It had a large focus on CRPs, requesting CGIAU to complete in 2016 the assurance plan initiated in 2015 (at Bioversity, IITA and ICRISAT) and early 2016 (at CIAT).

The objectives of these audits, to add value to both the System Council and Boards of Centers involved in all CRPs, are primarily:

- To evaluate, for each one of the remaining 11 Centers, the reliability of the financial reporting process pertaining to CRPs;
- As a result, on a consolidated basis, to ensure that processes reviewed produce complete and accurate outputs (i.e. CRP financial reports) on the basis of the 2015 actuals.

The additional objective of reviewing the process of closing the accounts was added for CRPs 1.3 “Aquatic Agricultural Systems” (WorldFish as a Lead Center) and 1.1 “Dryland Systems” (ICARDA as a Lead Center), due to close respectively during and at the end of 2016.

b) **Other engagements**

Additionally, the Consortium Board has requested the CGIAU to conduct two consulting engagements, consisting in risk identification and assessments in the areas of Information
Systems and Fraud. The results will be shared with Centers, and we anticipate that all Centers will benefit from such engagements.

Finally, in order to support the transition from the Consortium Office to the System Management Office, the CGIAU was requested to assist the Consortium Board’s Audit and Risk Management Committee in discharging its responsibilities for the review of the Consortium Office’s (end of June) interim financial statements.
IV. Risk considerations for the Consortium (and CGIAR System Organization)

The statements delivered below on areas of concern result from a number of findings generated by the CGIAU since the beginning of 2014 and from risk assessments shared by Centers as part of CGIAU’s advisory support to their risk management processes. Because of our strict disclosure policy, issues are being consolidated.

When comparing this assessment to the self-assessment performed by the Consortium Office and validated by the Consortium Board at the end of 2014 (with facilitation by CGIAU), we note a broad convergence of analyses. However, the Consortium had expressed more concerns about the ability to deliver research and effectiveness in general, or about external risks. While we share these concerns, which were and remain valid, we also place more emphasis on the need to agree on and implement shared values, and to look forward to seize opportunities provided by new technologies (and mitigate related risks).

A. Risks related to our operating environment and our limited ability to adjust to it

I. Security of staff and assets

This is by far the risk that is quoted as the main concern by Centers. Many CGIAR staff work in dangerous situations or unstable regions and there is uncertainty about the level of protection of our people and assets and of preparation for contingency plans in exceptional situations. HQs are relatively safe, but not country offices.

**Action:** The common staff security framework, that CGIAU contributed to, has not been adopted and further work should be done to reach consensus.

II. Funding

The competing needs and the budgetary constraints linked to the economic gloom, bring the natural trend of funding downward. Concurrently, the processes for attracting grants and mobilizing resources both at Centers and for the system as a whole (lack of clarity on who takes the lead, and a common story to tell) are not solid enough. The CGIAU, in performing audits on cash-flow management and funding and resource mobilization, has often found resource mobilization activities to be poorly structured and noted a failure to benchmark what our most successful competitors are doing (and who they are), and to demonstrate performance and quality of science. Even the funding of Genebanks is not secured for the long-term.

Another concern is that some Centers have been considerably weakened by reduced funding, to a point where their financial and scientific viability can be questioned, thus putting in question the capacity of the system as a whole to deliver on its integrated research portfolio in circumstances where delivery is – for sound reasons – diversified across multiple research sites.
Action: The new System should define areas in resource mobilization where the collective interest supersedes the Centers and coordinated efforts are focused. A fresh look at sharing resources in support processes, starting at a regional level, may also help secure effectiveness without hampering core activities.

III. Ethics and Compliance

Reputational risk is significant, as each Center can be impacted by what happens at other Centers, and as CGIAR is operating in some of the most corrupt countries of the world (on the Transparency International index). As noted in our many audits, particularly at country offices, the risk is only partially mitigated by Centers’ policies against fraud and bribery, as these are not always well developed and sometimes appear not to be closely monitored by management. Audit Committees receive very little information on any issue noted: Ineffective whistleblowing prevents early identification, and the lack of escalation policy and practices makes this a systemic risk.

In the area of compliance, another risk relates to our possible non-compliance with local regulations, whether they are related to tax or to host-country agreements. Many of the latter ones are outdated, and any process to update them is seen as a “Pandora box”. Beyond reputation, some Centers face the risk of having to discontinue local activities.

Action: An initiative in this area from governance bodies would help put these matters at a higher place on the collective agenda. On the basis of the fraud risk assessment in progress, a roadmap for improved prevention and detection can be proposed by the CGIAU and should be defined collectively.

IV. Information systems and technologies

Information technology is moving very fast worldwide, but CGIAR is not adequately equipped to meet its challenges: the number of qualified IT managers is limited to a handful, investment and maintenance budgets are constrained, and not all Center Boards are taking ownership for ensuring effective IT governance. The IT Community of Practice is a useful forum, but not a decision-making body and minimal progress in integration has been made since CGNET over a decade ago. CGIAR’s “One Corporate System” (OCS) platform is partly implemented – with its roll-out remaining optional both in terms of actual adoption, and overall scope. With the capacity of “enterprise-resource planning” systems to deliver integrated results-based management costed reporting, there is clear potential for OCS to do more. Whilst being aware of donor requirements in this area, CGIAR has not harmonized its research data management standards. IT security is not strong enough to guarantee the integrity of CGIAR data, the Genebanks are not managed as one project, and yet the
researchers are talking about an integrated Big data “platform”, which represents a leap into tomorrow’s technologies.

**Action:** The CGIAU has assembled the only IT audit capability in CGIAR. Following the IT risk assessment currently in progress, we suggest putting on the agenda of the System Management Board the question of an improved overall IT governance and defining a roadmap for future assessments and improvements.

### B. Risks related to the level of maturity of our management processes (or lack of synergies as a system)

#### I. Strategic management of Human Resources

CGIAU has performed strategic HR audits using subject-matter experts, and this matter is particularly critical as Centers cooperate through CRPs but do not share practices, and as country offices see themselves treated differently from HQ. It results in low morale impacting productivity, and a reduced ability to attract, retain or manage a diverse staff with adequate flexibility, whether it be high caliber professional staff or scientists in the right specialty. Gender diversity and the barriers for senior female scientists to take on leading roles is a particular issue throughout the system. At the same time, CGIAU has also observed an excessively low turnover of some managers and some “consanguinity”. A HR Community of Practice exists, and has worked to develop a CGIAR Diversity and Inclusion Strategy to start to address key issues. The strategy remains stalled in the system due to the current two-board structure.

**Action:** Here also, a collective review of desirable common standards and possible cooperation at regional level should be re-initiated as a hallmark of the new System.

#### II. Control over activities

As demonstrated by CRP audits, there is a surprising lack of project management framework and related skills, considering that this is CGIAR’s core activity. This may result in inefficient expenditure or an inability to steer performance and monitor the delivery.

Reputation issues may also come from our partners, which are many, and of many different categories. Management of partnerships is not structured for lack of a strategic approach in the selection process, in monitoring the implementation of agreements and in ensuring the quality of outputs generated.

**Action:** The CGIAU has recommended, as part of its CRP audits, providing a clear framework and a strong support to both project management and partnership management processes. This has been partly incorporated into the “Guidance for 2nd call”, but further, more detail
guidance will be needed, and project management training should be requested. Following IEA’s evaluation of Partnerships, it may be useful to plan due diligence reviews of critical partners.

Finally, the main risk to the system itself is the current lack of trust between Centers and the Consortium, and even amongst Centers. This will need to be addressed by the System Management Board, or it will challenge the ability of the System to manage and monitor the future portfolio of CRPs and to address stakeholders’ expectations as one entity.
V. Internal Control Assessment using New COSO

The updated COSO framework (published in May 2013) lists 17 criteria across its five components of internal control, building on the concepts provided in the framework’s original version. The criteria help codify COSO’s core parameters and provide clarity on what constitutes effective control.

In 2015, the CGIAU proposed to use this tool – a worldwide reference – to monitor and assess strengths and weaknesses of the Consortium’s internal control processes, and to track their progress over time. A first assessment was issued then, and we are updating it. Centers using CGIAU as their internal audit function (CIAT, CIP, IFPRI, Bioversity and WorldFish) have also undergone reviews using the same framework. Finally, ICRAF has performed a full review of its internal control framework using the updated COSO, which has become de facto CGIAR’s standard framework.

The following tables aim at giving a “snapshot” assessment of the 17 criteria to assess internal control at two different levels:

- The Consortium Office taken as a separate entity, a small-size office
- The CGIAR Consortium as an organizational entity, with its own governance and accountabilities, but that is not the sum or consolidation of the Centers. Issues noted at that level may mean that a control activity is not performed at the global level, although it may be performed at Center level.

<table>
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<tr>
<th>Explanation of ratings, color codes and arrows</th>
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Improvements have been brought since the previous assessment (January 2015)

The situation has not improved since the previous assessment (January 2015)

The situation has deteriorated since the previous assessment (January 2015)

The overall messages are:

- The Consortium Office, as a small-size management entity, is benefitting from a control environment where the “tone at the top” meets acceptable standards, but control activities and communication, although improving present some issues. Risk management and mitigation processes are not embedded in management practices.
- The Consortium as an organization is hampered by its growing inability to define and communicate a shared and simple “tone at the top”. Risk management practices are present throughout but require further coordination. Control activities, under the form of a “second line of defense” are weak as heavy reliance is placed for this on the internal audit function. Internal communication is not consistently effective.
<table>
<thead>
<tr>
<th>Criteria</th>
<th>IAU comments on Consortium Office operations</th>
<th>Consortium Office Assessment</th>
<th>Trend</th>
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<tr>
<td><strong>A. Control Environment</strong></td>
<td><strong>A. Control Environment</strong></td>
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<tr>
<td>• Commitment to integrity and ethical values</td>
<td>In 2014, we had noted a clear concern for ethics and protection of reputation. In October 2014, the Consortium Board de-prioritized the escalation and whistleblowing policies, then reprioritized them in November 2015, but no progress has been noted to date. An internal &quot;brown bag&quot; session on whistleblowing has taken place at CO in April 2016, with high attendance, and has generated an increased commitment.</td>
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<td>• Board’s independence from management and oversight of the development and performance of internal control</td>
<td>As noted in 2014, the Consortium Board clearly challenges the Consortium Office’s POWB. The role of independent Board members is valued and we note a significant and direct involvement of the Board Chair and the Chair of ARC in oversight of internal control. Board and Audit &amp; Risk Committee meetings provide for in-camera session with both external and internal auditors.</td>
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<td>• Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives</td>
<td>Clear reporting lines exist within the Consortium Office. Formal delegation of signature has been put in place in 2015.</td>
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<tr>
<td>• Commitment to attract, develop, and retain competent individuals in alignment with objectives</td>
<td>Practices of search for excellence are demonstrated in recruitment processes. A new Personal Policy Manual has been established and the HR role has been created early 2015 at Consortium Office level. However, Uncertainty over the role and sustainability of jobs at the Consortium Office have generated significant turnover and made it difficult to attract new staff.</td>
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<td>• Accountability of individuals for their internal control responsibilities in pursuit of objectives</td>
<td>This accountability is demonstrated through the practice of Year-end performance reviews. In this area, a second review at half-year has been added in 2016. Additionally, statements of assurance requested yearly from Centers’ Directors and, since early 2016, from Consortium Office’s Heads emphasize their acknowledgment of responsibility in the area of internal control.</td>
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<td><strong>B. Risk Assessment</strong></td>
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<td>• The organization specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives</td>
<td>For the CO, the PWB provides clear objectives, measured and reported against, and departmental objectives are expected to contribute to CO objectives. Individual objectives are not systematically set and challenged against the PWB.</td>
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<td>• The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed</td>
<td>There was a clear identification in a 2014 workshop, not for CO but for the Consortium. However, ownership of the risk management process has been limited in the following period, and as a result the approach is not embedded in management processes.</td>
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<td>• The organization considers the potential for fraud in assessing risks to the achievement of objectives</td>
<td>There is no systematic fraud risk assessment, and even the question of the ownership of that risk has not been answered. Fraud prevention and detection is not organized, fraud or whistleblowing management is not formally organized. On the positive side, the Personnel Policy Manual provides requirements and advice on the matter, and a &quot;brown bag&quot; session on whistleblowing has taken place at CO in April 2016, with high attendance.</td>
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<td>• The organization identifies and assesses changes that could significantly impact the system of internal control</td>
<td>We have not noted a systematic analysis of the strengths &amp; weaknesses of the internal control system, or review of related risks. The Internal Audit Unit has performed several audits at the request of the Consortium Board and CEO, but no &quot;second line&quot; owner is designated at CO level.</td>
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<td><strong>C. Control Activities</strong></td>
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<td>• The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels</td>
<td>We have not noted a systematic evaluation of the effectiveness of internal control processes.</td>
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<td>• The organization selects and develops general control activities over technology to support the achievement of objectives</td>
<td>An audit of IT controls at CO has noted that &quot;Major improvements are required&quot;. Significant action has been taken by line management as a result.</td>
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<td>• The organization deploys control activities through policies that establish what is expected and procedures that put policies into action</td>
<td>The incoming DFCIS has strengthened controls and established a monthly budget reporting, but policies and procedures are limited in scope and control activities are still based on declarative statements.</td>
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<td>D. Information and Communication</td>
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<td>• The organization obtains or generates and uses relevant, quality information to support the functioning of internal control</td>
<td>Top down communication exists and has been improved by the sharing of Leadership Team meetings’ minutes, and by more frequent all-staff meetings. The sharepoint repositories facilitate the exchange of information and data. The easy-going style of management facilitates the bottom-up communication. A general staff survey driven by HR has generated a large turnout and resulted in feedback and management action.</td>
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<td>• The organization internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control</td>
<td>Responsibilities for internal control are not always clear.</td>
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<td>• The organization communicates with external parties regarding matters affecting the functioning of internal control</td>
<td>There is limited communication on internal control, mostly to ARC/ICB and to external auditors. Issues and questions are shared with IAU.</td>
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<td>E. Monitoring Activities</td>
<td>The internal audit plan for the Consortium Office has been limited to IT controls. External auditors have not been requested to perform a review of internal controls as their controls are based on substantive testing.</td>
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<td>• The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning.</td>
<td>These are the standards used by the IAU, but considering the reduced activity, opportunities to highlight deficiencies are limited to information that IAU members could gather from their contacts with CO management.</td>
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<td>• The organization evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the board of directors, as appropriate</td>
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<td><strong>A. Control Environment</strong></td>
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<td>• Commitment to integrity and ethical values</td>
<td>In 2014, we had noted a clear concern for ethics and protection of reputation, but also the lack of</td>
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<td>transversal processes acknowledging the mutual impact of Centers on each other. In October 2014, the</td>
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<td>Consortium Board de-prioritized the escalation and whistleblowing policies, then reprioritized them in</td>
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<td>November 2015, but no progress has been noted to date. Individually, Centers have whistleblowing</td>
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<td>policies, but it is unclear whether or not these are effective and/or fully rolled out to field locations,</td>
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<td>considering the low number of cases reported.</td>
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<td>• Board’s independence from management and oversight of the development</td>
<td>As noted in 2014, the Consortium Board clearly challenges the Consortium Office’s PQWB. The role of</td>
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<td>and performance of internal control</td>
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<td>independent Board members is valued and we note a significant and direct involvement of the Board</td>
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<td>Chair and the Chair of ARC in oversight of internal control. Board and Audit &amp; Risk Committee meetings</td>
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<td>provide for in-camera session with both external and internal auditors. However the CB and ARC are</td>
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<td>unable to exercise influence over Center’ control environments, and even less so in the current</td>
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<td>transition context.</td>
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<td>• Management establishes, with board oversight, structures, reporting</td>
<td>Authority and accountabilities have been questioned by Centers several times in the recent past, and</td>
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<td>lines, and appropriate authorities and responsibilities in the pursuit of objectives</td>
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<td>and the transition process by facilitating this questioning, resulted in temporarily adding legitimacy to it.</td>
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<td>• Commitment to attract, develop, and retain competent</td>
<td>IAU’s CRP advisory engagements have highlighted the lack of Consortium-wide cross-cutting talent</td>
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<td>individuals in alignment with objectives</td>
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<td>The uncertainty created by the funding environment is not making</td>
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<td>CGIAR an attractive career proposition for talented Individuals.</td>
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<td>• Accountability of individuals for their internal control</td>
<td>Year-end performance reviews have become a widespread (but not general) practice across CGIAR.</td>
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<td>responsibilities in pursuit of objectives</td>
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<td></td>
<td>Additionally, statements of assurance requested yearly from Centers’ Directors emphasize their</td>
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<td>acknowledgment of responsibility in the area of internal control. In some cases, DG’s are requesting the</td>
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<td>same from their management teams. Whether statements actually reflect the reality is a point to be</td>
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<td>validated by Center internal auditors, leveraging the authority of the Board.</td>
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<tr>
<td>B. Risk Assessment</td>
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<td>• The organization specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives</td>
<td>The SRF (a new Strategy and Results Framework 2016-2030 has been issued in 2015) is by nature focused on medium and long term objectives, connected to the UN’s Sustainable Development Goals (SDGs). However, while Centers have their business plan, CGIAR does not have one, which makes it difficult to assess potential hurdles to the delivery of short to medium term objectives. For the CGIAR as a collective entity, the POWB does not provide measurable deliverables or milestones.</td>
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<tr>
<td>• The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed</td>
<td>There was a clear identification of top risks in a 2014 workshop, where both the Leadership Team and the Consortium Board participated. However, ownership of the risk management process has been limited in the following period, and as a result the approach is not embedded in management processes. While Centers all have a risk register and leverage a Good Practice Note from IAU, the extent to which risk management is embedded varies, Centers do request IAU’s support, and have communicated their top risks to IAU. No person in charge of risk management at CGIAR level.</td>
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<tr>
<td>• The organization considers the potential for fraud in assessing risks to the achievement of objectives</td>
<td>There is no systematic fraud risk assessment (already noted by IAU in 2013), very limited awareness of potential risks and even the question of the ownership of that risk has not been answered. On the positive side, the Consortium CEO has accepted to commission a fraud risk identification and preliminary assessment by IAU as part of the 2016 audit plan.</td>
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<tr>
<td>• The organization identifies and assesses changes that could significantly impact the system of internal control</td>
<td>We have not noted a systematic analysis of the strengths &amp; weaknesses of the internal control system, or review of related risks. The Internal Audit Unit has strongly encouraged the creation of internal control and/or compliance functions at Center and at Consortium level to facilitate ownership of these topics as close as possible to operations, and to verify that risk mitigation measures are in fact implemented and controls are operating as intended. However this has not taken place so far, partly for budget reasons. The transition process in progress has been an opportunity to define a new set of roles and responsibilities.</td>
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<td>C. Control Activities</td>
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<tr>
<td>• The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels</td>
<td>We have not noted a systematic evaluation of the effectiveness of financial guidelines or other internal control processes.</td>
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<td>• The organization selects and develops general control activities over technology to support the achievement of objectives</td>
<td>This has not been noted at system level.</td>
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<td>• The organization deploys control activities through policies that establish what is expected and procedures that put policies into action</td>
<td>This mostly applies to financial guidelines and scientific oversight. However, control activities are still based on declarative statements. It should be noted that guidelines for the next CFP portfolio include the development of a set of common CFP reporting templates.</td>
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<td>D. Information and Communication</td>
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<td>• The organization obtains or generates and uses relevant, quality information to support the functioning of internal control</td>
<td>Information obtained is still relatively infrequent – mostly annual (financial report; Science POWB). The internal control of the Consortium relies on the quality of internal control of each member, although that quality has not been formally assessed to date.</td>
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<td>• The organization internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control</td>
<td>Top down communication includes requirements for CRP management, such as the “Guidance for 2nd Call”.</td>
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<td>• The organization communicates with external parties regarding matters affecting the functioning of internal control</td>
<td>Communication is limited to interaction with external stakeholders represented at the Fund Council. In case of evidence or indications of misuse of donor funds, the information is shared and amounts at stake are refunded. External auditors are also appraised of any element likely to impact the functioning of internal control.</td>
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<td>E. Monitoring Activities</td>
<td>Independent evaluations and audits are performed by the IEA and IAU. Reviews performed externally and commissioned by donors or the Fund Council are leveraged for improvement. However, audits covering CRPs have just been implemented and have not covered the whole CGIAR entities so far. Reviews performed externally and commissioned by donors are not always leveraged for improvement due to lack of communication.</td>
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<td>• The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning</td>
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<tr>
<td>• The organization evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the board of directors, as appropriate</td>
<td>These are the standards used by the IEA and IAU. IAU has been upgraded but is not stabilized to date because of governance questions and issues in the funding model. Center internal audits are under-resourced, not coordinated and information generated is not shared broadly enough. IEA is a relatively new function and growing in maturity.</td>
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