

DRAFT 0 - SYSTEM COUNCIL NOVEMBER 2017 PAPER

IDENTIFYING CGIAR'S TOP RISKS AND THE ASSURANCE FRAMEWORK AROUND IT

Purpose

Based on the discussions set out in this paper, this document:

1. **Presents for discussion and, if considered appropriate, decision at SC5:**
 - Appendix A.1** **Strategic Operational Objectives to delivery on CGIAR SLOs**
 - Appendix A.2** **CGIAR System 'top risks' (re strategic objectives)**
 - Appendix A.3** **Inaugural 'CGIAR System' Risk Appetite Statement**
 - Appendix A.4** **Inaugural 'Risk Management Framework of CGIAR System'**
 - Appendix A.5** **TOR System Council's 'Assurance Oversight Committee'**

2. **Presents for System Council input at SC5, in advance of proposed final approval by the System Management Board at its 8th meeting (11-12 December 2017):**
 - Appendix B.1** **Draft Risk Management Guidelines of the CGIAR System**
 - Appendix B.2** **Draft TOR CGIAR System internal audit function**

Distribution notice: Restricted circulation - This document is part of an internal deliberative process of the System Management Board and is not for release. The outcomes of the Board's deliberations will be provided in the meeting summary.

Prepared by: CGIAR System Management Office

Discussion points to support System Council deliberations

Background

1. **On risk and assurance matters**, CGIAR’s Centers and Funders agreed in the CGIAR System’s revised governing instruments to distribute roles in a way that confirms¹:
 - a. **For the System Council: a high-level oversight role** – with a focus on being comfortable that there is sufficient System-wide assurance based on a shared vision regarding System-wide risks; and
 - b. **For the System Management Board: the role of defining and managing operational aspects of System-wide risk and assurance process**, together with the responsibility for ensuring, as required, any “corrective action is taken in accordance ... with the risk management framework”, informing the System Council accordingly.
2. **CGIAR’s Centers and Funders also accepted² that the principle of subsidiarity should guide frameworks, policies and guidelines.** In elaborating this principle, there was joint acknowledgement that:
 - a. **Centers should be responsible for System functions that can be more efficiently and effectively executed by them;** and
 - b. **System Council decisions should allow Centers and their Boards flexibly to adapt guidelines** appropriate to the needs and conditions of individual Centers while achieving the goals and expected results of cross-cutting and system-wide guidance.
3. **The materials presented for discussion and input embody these principles**, proposing that the System Council sets the overall approach for deciding how System-wide risks are managed and opportunities are appropriately exploited, and the System Management Board puts in place and oversees the machinery that can give the Council confidence that appropriate assurance arrangements in place.
4. **The materials build on the strengths of what is already in place at Centers.** Using the first half of 2017 to take stock of what is already in place, the material presented avoids duplication, looks for cost-efficiency, and meets international standards. Periodic reviews are also built into the proposed Risk Management Framework of the CGIAR System, to ensure that the System’s operational framework is adequate, without imposing unnecessary cost and process.

Putting in place essential building blocks for risk-based cost-effective assurance

¹ **Appendix C to this paper** collates the text of the various elements of the CGIAR System Framework, and the Charter of the CGIAR System Organization, which forms the basis for the summarized position as presented.

² The ‘Guiding Principles for the Governance of the CGIAR System’ were agreed between the Centers and Funders in February 2016, and incorporated into the *CGIAR System Framework* at Article 1.

5. Building on international best practice, the key elements required to deliver an appropriate risk management and assurance framework across the CGIAR are summarized below, noting approval bodies. Items for review at SC5 are in red text.

ELEMENT	STATUS	ACTION REQUIRED (as relevant)	
<p>Appropriate governing arrangements - allocate clear roles and responsibilities</p>	APPROVED	<p>Council – CGIAR System Framework SMB – Charter of CGIAR System Organization</p>	
<p>Express (i) operational objectives to deliver on the SRF; (ii) related 'top risks'; and (iii) overall System appetite for opportunity and risk</p>	DRAFT	<p>For System Council approval Proposed objectives set out at Appendix A.1</p>	
	DRAFT	<p>For System Council approval Proposed 'top risks' set out in Appendix A.2</p>	
	DRAFT	<p>For System Council approval Set out in proposed 'Risk Appetite Statement' at Appendix A.3</p>	
<p>Allocate roles and responsibilities for the oversight of System risks</p>	DRAFT	<p>For System Council approval Set out in proposed 'Risk Management Framework' at Appendix A.4</p>	
<p>Institutional mechanism(s) to oversee System risk management and quality of assurance</p>	APPROVED	<p>For SMB approval – TOR for Audit and Risk Committee and membership appointed 2016 (Robust oversight of assurance requirements)</p>	Differing roles
	DRAFT	<p>For System Council approval Proposed TOR for System Council's Assurance Oversight Committee" at A.5</p>	
<p>Assurance providers mandated to deliver combined assurance on opportunity and risk taking for System matters</p>	Work in Progress	<p>For System Council approval <i>* TOR for science advisory and evaluation functions (not covered in this paper)</i></p>	Part of broader combined assurance
	FOR INPUT	<p>For SMB approval after SC5 input TOR for 'Internal Audit Function arrangements' draft at Appendix B.1</p>	
<p>Reporting and escalation mechanisms that ensure the right body is overseeing the right opportunity and risk taking, and there are effective communication channels</p>	FOR INPUT	<p>For SMB approval after SC5 input Draft 'Risk Management Framework Implementation Guidelines' Appendix B.2</p>	
	To Do...	<p>For SMB development and management after SC approval of risk framework</p> <ol style="list-style-type: none"> System opportunities and risk register Escalation Procedures to SMB + SC 	

Justification for proposed formal adjustments to the *CGIAR System Framework*

6. **To give overall effect to the package of materials presented for System Council review**, the System Management Board makes the following proposals for formal changes to the CGIAR System Framework, shown in track changes below:

8.2(a) an Assurance Oversight Committee ~~Audit and Risk Committee~~, with a majority of independent members, the purpose of which shall be to provide: The System Council with assurance of the completeness and effectiveness of the Internal Audit Function and the independence of external audit functions; a structured reporting line between internal and external auditors and the System Council; and oversight of system-wide governance, risk management and internal controls

6.1(j) ~~Review findings and follow up emanating from the Internal Audit Function~~

7. **Justification to retitle the System Council’s standing committee:**

Rationale: *Remove confusion from the System Council and System Management Board having identically named Committees, yet with different mandates.* Explanation: The Council’s committee is envisaged to have strategic oversight of the adequacy of assurance across the System. This change better reflects the nature of the role.

8. **Justification to delete article 6.1(j):**

Rationale: *Put the ‘management’ of System-wide internal audit findings correctly in the hands of the System Management Board to escalate to the System Council as relevant to System-risks.* Explanation: Reviewing the detailed findings and follow up emanating from the work of the Internal Audit Function is a detailed task that more naturally falls in the remit of the System Management Board’s Audit and Risk Committee. Summarized strategic reporting and recommendations will come to the System Council annually out of that work, or more frequently in the case of an issue requiring early escalation.

9. To facilitate timely implementation of these formal changes to the CGIAR System Framework, subject to System Council discussion and, if considered appropriate, approval, both the General Assembly of the Centers and the System Management Board have agreed to these changes. The agreement of all three is required pursuant to Article 16 (Amendment) of the CGIAR System Framework.

Timetable for next steps

10. Approval of the inaugural Risk Management Framework of the CGIAR System is an important facilitative action to take other elements forward. The table below summarizes major follow up actions, subject to direction from SC5 deliberations.

Item	Title	Decision body	Timing and rationale
------	-------	---------------	----------------------

2017 Ongoing actions			
1	Launch nominations process for System Council AOC (<i>majority independent members required in the CGIAR System Framework</i>)	SC	<u>November 2017 post SC5</u> : TOR requires approval to communicate clearly the appropriate mandate. SC to approve member nominations in line with TOR. Expected February 2018 appointment decisions.
2	Approve Risk Management Guidelines of the CGIAR System	SMB	<u>SMB8 - December 2017</u> : Need B.1 in place to take this forward, and inputs from SC5 will help to shape this operational guidance for Centers
3	Approve TOR CGIAR System Internal Audit Function	SMB	<u>SMB8 - December 2017</u> : same as for B.4, so appropriate scope is agreed
4	Establish CGIAR System risk register for SMB oversight in consultation with SC AOC	SMB	<u>SMB8 – December 2017</u> : same as for B.4
5	Resource the Internal Audit Function arrangements	SMB Audit Committee	<u>January 2018</u> : Preliminary work will be done in advance of final SMB8 decision on the TOR
6	Approve the System escalation & communication procedures for System risks	SMB, consulting with SC and Centers	<u>By March 2018</u> : Preliminary material will be presented to SMB8 but will require SC5 decisions before further drafting and ongoing consultation can take place. <i>* In the interim, the Financial Framework Agreements all have interim escalation processes included to address this topic</i>
7	Reporting on status of follow up actions	SC - AOC	<u>SC6 May 2018</u> : preliminary assurance view
8	Instituting inaugural annual report to System Council on the overall status of System-wide assurance	SC – AOC	<u>SC7 – (Nov) 2018</u> : implementing annual status of assurance report, and annual thereafter