Introductory slides
Risk management and selected assurance elements for the CGIAR System

**Purpose:** A companion ‘overview’ of key concepts to introduce proposals for:

1. Risk Management Framework of the CGIAR System
2. Internal Audit Function arrangements for the System building on what already exists

**Updated:** 25 October 2017
Introduction and Contents

This presentation, building on principles discussed at the meeting of Centers Audit Committee Chairs (January 2017), as presented at the System Council’s 4th meeting, highlights the following 8 key elements as background to the documentation shared on a proposal for a Risk Management Framework of the CGIAR System and appropriate Internal Audit Function arrangements, as follows:

• Part 1 – How risk elements fit together; risk management architecture and oversight
• Part 2 – Proposed CGIAR strategic operational objectives
• Part 3 – Diagnosis to identify “families of risks”
• Part 4 – Mock-up of CGIAR System Risk Register (SMB to develop)
• Part 5 – Worked example of mapping selected Center risks to CGIAR System Risk Management Framework
• Part 6 – Proposed Internal Audit Function arrangements for the System
• Part 7 – Summary of documents provided for additional consultation
• Part 8 – Moving to updated arrangements
Part 1A
How all elements of Risk Management work together

<table>
<thead>
<tr>
<th>Jigsaw Piece</th>
<th>What this involves</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk Appetite</td>
<td>Defined by a short, clear statement of the risk and opportunities the CGIAR System is willing to take. Informs the tools, guidelines, practices and culture.</td>
</tr>
<tr>
<td>Risk Governance</td>
<td>Backing at all organizational levels of the Risk Management Framework as an overall support for the use and development of tools and guidelines.</td>
</tr>
<tr>
<td>Risk Management Tools</td>
<td>The Risk Management Guidelines, Risk Register, communications templates and other activities.</td>
</tr>
<tr>
<td>Risk Infrastructure</td>
<td>The entities and arrangements that enable the activities and oversight of those activities (including Committees and Audit arrangements).</td>
</tr>
<tr>
<td>Risk Culture</td>
<td>The embodiment and embedding of the organization’s risk management practices, processes and communications at all levels.</td>
</tr>
</tbody>
</table>

*The above draws on materials from Deloitte, as collated by Bob Semple, member of the SMB’s Audit and Risk Committee.*
Part 1B
Major elements of Risk Management Architecture

SC Approves:
- Risk Appetite Statement
- Risk Management Framework
- TOR of Assurance Oversight Committee

SMB Approves:
- TOR of SMB’s Audit & Risk Committee (DONE)
- Risk Management Guidelines
- Internal Audit Function for
- CGIAR Risk Register

Center Audit Committee
Chairs collectively approves
- TOR of Internal Audit Community of Practice (Feb 2019)

Each Center Board
approves:
- Center Risk Management Policy and Risk Appetite
- Center budget for Center-own Internal Audit and External Audit Services

Internal Audit COP
Replicated across 15 Centers

Cloud
= Arrangement
Rectangle
= Body
Orange colours
= System Funded elements
Purple colours
= Center elements
Part 1C
Oversight Responsibilities

Key concepts
- Risks are managed by multiple stakeholders across the CGIAR System in a complementary way
- Clear, focused and timely information is required to avoid missing opportunities, or risks materializing
- A pro-active communications culture across the System is fostered.

Taking note of the multiple stakeholders: Whilst approvals vary between the SMB and System Council, broad consultation between them to develop optimal, cost-effective arrangements
Part 2 – Proposed CGIAR System-wide key strategic operational objectives

Considering that the “Strategy and Results Framework 2016-2030” does not provide system-wide strategic objectives for CGIAR’s federated system, the following are proposed.

**Top 5 operational objectives for CGIAR System as a whole**

<table>
<thead>
<tr>
<th>Objective summary</th>
<th>“Delivery”</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A.</strong></td>
<td>Deliver quality science and other research outputs through effective partnerships, to provide critical improvements for food security, nutrition and resilience to climate change</td>
</tr>
<tr>
<td><strong>B.</strong></td>
<td>Establish and maintain CGIAR as a relevant and sustainable tool for agricultural research for development</td>
</tr>
<tr>
<td><strong>C.</strong></td>
<td>Make the association with CGIAR a rational and rewarding decision</td>
</tr>
<tr>
<td><strong>D.</strong></td>
<td>Fulfill formal commitments</td>
</tr>
<tr>
<td><strong>E.</strong></td>
<td>Generate all benefits mentioned above efficiently and provide “value for money”</td>
</tr>
</tbody>
</table>

“Relevance”

“Reputation”

“Reliability”

“Efficiency”

Each of these is explored in detail on the following pages, with a first iteration on related risks.
Part 3
Achieving Operational Objective A – Delivery
Critical success factors

Definition of Delivery - Deliver quality science and other research outputs through effective partnerships, to provide critical improvements for food security, nutrition and resilience to climate change.
Part 3
Achieving Operational Objective A – Delivery

Key risk components

“Deliver quality science and other research outputs through effective partnerships, to provide critical improvements for food security, nutrition and resilience to climate change”

Critical success factors that underpin “Delivery”

- Demonstrate quality of science
  - CGIAR Science is relevant and cutting edge
  - Impact evidenced by hard data
  - Ethical research practices employed to achieve research results
  - Adequate use of intellectual property and licensing tools maximizes accessibility and/or impacts including via the production of International Public Goods.
- Quality data as international public goods are readily available
  - Intellectual assets produced by CGIAR are managed innovatively and leveraged by the scientific and development communities
- Actively contribute to the capacity of local partners
  - CGIAR is a desirable and supportive partner
- Research activities deployed with appropriate collaboration
  - Research activities are well deployed and coordinated in target countries.

Opportunities and Risk Indicators

- “CGIAR Families of Risks”
  - CGIAR is no longer a front runner
  - Unsatisfactory evidence and assurance received
  - Non adherence to appropriate values
  - Poor execution undermines capability
  - CGIAR loses its central role in AR4D
Part 3
Achieving Operational Objective B – Relevance

Critical success factors

**Description of Relevance** - Establish and maintain CGIAR as a relevant and sustainable tool for agricultural research for development

**Critical success factors that underpin “Relevance”**

- Anticipate and seize the right new opportunities
- Funding delivered through a diverse and predictable pipeline
- A resilient repository of germplasm for biodiversity security and use
- Program management delivered effectively and efficiently
- Others specifically relevant to individual or number of Centers

**System**

Management Board

key oversight

**Focus on System-wide benefits**

Concerns common with other Centers and the System as a whole

**Centers**

key oversight

Direct operational factors

Highly strategic View of the System
Part 3
Achieving Operational Objective B – Relevance

Key risk components

“Establish and maintain CGIAR as a relevant and sustainable tool for agricultural research for development”

**Critical success factors that underpin “Relevance”**

- Anticipate and seize the right new opportunities
- Sufficient funding for leading edge technologies
- A resilient repository of germplasm for biodiversity security and use
- Program management delivered effectively and efficiently

**Opportunities and Risk Indicators**

- Seizing the "next important thing" gives sustainable competitive advantage
- CGIAR’s research agenda aligns with international community priorities
- Diversity and predictability of funding maintains CGIAR as a global player
- CGIAR Genebanks demonstrate their unique role
- Delivery of portfolio adequately evidenced and visible
- Project assessment and lifecycle management are effective

**“CGIAR Families of Risks”**

- CGIAR is no longer a front runner
- CGIAR loses its central role in AR4D
- Unsatisfactory evidence and assurance received
Part 3
Achieving Operational Objective C – Reputation

Critical success factors

Description of Reputation - Make the association with CGIAR a rational and rewarding decision

- System Council key oversight
  - Highly strategic View of the system

- Critical success factors that underpin “Reputation”
  - Operate with high ethical values and meet relevant standards
  - Maintain a positive reputation and strong brand
  - Demonstrate program expenditure responds to global priorities
  - CRPs and Platforms present cost-effective impact pathways

- Others specifically relevant to individual or number of Centers

- System Management Board key oversight
  - Focus on System-wide benefits

- Centers key oversight
  - Concerns common with other Centers and the System as a whole

Direct operational factors
Part 3
Achieving Operational Objective C – Reputation

Key risk components

“Make the association with CGIAR a rational and rewarding decision”

Critical success factors that underpin “Reputation”

- Operate with high ethical values and meet relevant standards
- Maintain a positive reputation and strong brand
- Demonstrate program expenditure responds to global priorities
- CRPs and Platforms present cost-effective impact pathways

Opportunities and Risk Indicators

- CGIAR values and desired behaviors strengthen its credibility and attractiveness
- Compelling shared research agenda reinforces Funder commitments
- Activities implemented for CRPs, platforms and flagships as agreed with Funders

“CGIAR Families of Risks”

- Non adherence to appropriate values
- CGIAR is no longer a front runner
- Unsatisfactory evidence and assurance received
Part 3
Achieving Operational Objective D – Reliability
Critical success factors

Description of Reliability - Fulfill formal commitments

System Council key oversight

Highly strategic View of the system

Critical success factors that underpin “Reliability”

- Meet reporting and other commitments
- Demonstrate responsible and efficient use of funds
- Allocate and recover overhead funds fairly
- Bilateral projects are appropriately mapped to the Portfolio
- Others specifically relevant to individual or number of Centers

System Management Board key oversight

Focus on System-wide benefits

Concerns common with other Centers and the System as a whole

Centers key oversight

Direct operational factors
### Part 3
Achieving Operational Objective D – Reliability

#### Key risk components

“Fulfill formal commitments”

<table>
<thead>
<tr>
<th>Critical success factors that underpin “Reliability”</th>
<th>Opportunities and Risk Indicators</th>
<th>“CGIAR Families of Risks”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meet reporting and other commitments</td>
<td>Funds used in accordance with approved annual work programs and budgets</td>
<td>Unsatisfactory evidence and assurance received</td>
</tr>
<tr>
<td>Demonstrate responsible and efficient use of funds</td>
<td>Adequate processes are in place to prevent or detect inappropriate use of funds</td>
<td>Non adherence to appropriate values</td>
</tr>
<tr>
<td>Allocate and recover overhead funds fairly</td>
<td>Clear and transparent financing of the CGIAR portfolio</td>
<td>CGIAR loses its central role in AR4D</td>
</tr>
<tr>
<td>Bilateral projects are appropriately mapped to the Portfolio</td>
<td>CRPs and Platforms deliver on the objectives of the SRF</td>
<td></td>
</tr>
</tbody>
</table>

www.cgiar.org
Part 3
Achieving Operational Objective E – Efficiency
Critical success factors

Definition of Efficiency - Generate all benefits mentioned above efficiently and provide ‘value for money’

Critical success factors that underpin “Efficiency”

- Leverage synergies by working collectively
- Working context attracts and retains talent
- Strong and stable Centers
- Others specifically relevant to individual or number of Centers

System Council key oversight

Highly strategic view

System Management Board key oversight

Concerns common with other Centers and the System as a whole

Centers key oversight

System-wide benefits

Direct operational factors
Part 3
Achieving Operational Objective E – Efficiency

Key risk components

“Generate all benefits mentioned above efficiently and provide ‘value for money’ ”

Critical success factors that underpin “Efficiency”

- Leverage synergies by working collectively
- Working context attracts and retains talent
- Strong and stable Centers

Opportunities and Risk Indicators

- CGIAR System adds significant value to outweigh related costs and constraints
- Top talent is attracted to and retained by the CGIAR and Centers
- Effective and efficient Center operations minimize costs and protect key assets (people, systems, data) against threats (internal, external, cyber)
- Financial stability requirements met by all Centers

“CGIAR Families of Risks”

- Poor execution undermines capability
### Part 4 – Mock-up of CGIAR System Risk Register

**The Families of Risks**

<table>
<thead>
<tr>
<th>Resulting from missed opportunities</th>
<th>Applying Rational Indicators</th>
<th>Likelihood</th>
<th>Impact</th>
<th>Severity</th>
<th>Immediacy</th>
<th>Priority</th>
<th>Assurance process(es) for each indicator</th>
<th>How do we know?</th>
<th>Suggested cycle (years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poor execution undermines CGIAR as a global player</td>
<td>Intellectual assets produced by CGIAR are managed innovatively and leveraged by the scientific and development communities</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>SC SMRC</td>
<td>4</td>
<td>Review per CRP/platform of activity plan leading to the next milestone for endorsement by SC</td>
<td>2</td>
<td>0 – 6m</td>
</tr>
<tr>
<td>Poor execution undermines CGIAR as a global player</td>
<td>CGIAR is a desired and supportive partner</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>SC SMRC / Evaluation processes</td>
<td>2</td>
<td>Review of global update from CGIAR research (based on Centers’ ongoing monitoring data)</td>
<td>0</td>
<td>0 – 6m</td>
</tr>
<tr>
<td>Poor execution undermines CGIAR as a global player</td>
<td>CRPs and Platforms deliver on the objectives of the SRF</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>Evaluation processes</td>
<td>4</td>
<td>Review of non-process review of the outputs of each CRP/platform, and validation of the impact pathways</td>
<td>2</td>
<td>0 – 6m</td>
</tr>
<tr>
<td>Poor execution undermines CGIAR as a global player</td>
<td>Adequate processes are in place to prevent or detect inappropriate use of funds</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>Internal Audit processes</td>
<td>1</td>
<td>Multi-year analysis per Funder and recipient of funds committed, received and planned (amounts and timing)</td>
<td>4</td>
<td>0 – 6m</td>
</tr>
<tr>
<td>Poor execution undermines CGIAR as a global player</td>
<td>Clear and transparent financing of the CGIAR portfolio</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>Internal Audit processes</td>
<td>2</td>
<td>Review of mapping of funds to projects and programs</td>
<td>0</td>
<td>0 – 6m</td>
</tr>
<tr>
<td>Poor execution undermines CGIAR as a global player</td>
<td>Impact evidenced by hard data</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>Scientific advice/ Impact assessment</td>
<td>4</td>
<td>Review of evidence produced to support communication on impact</td>
<td>0</td>
<td>0 – 6m</td>
</tr>
<tr>
<td>Poor execution undermines CGIAR as a global player</td>
<td>Funds used in accordance with approved annual work programs and budgets</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>Internal Audit and/or External Audit processes</td>
<td>1</td>
<td>Audit by Centers of implementation, cost and reporting of activities (in line with 16 year audit of impact)</td>
<td>2</td>
<td>0 – 6m</td>
</tr>
<tr>
<td>Poor execution undermines CGIAR as a global player</td>
<td>Activities implemented for CRPs, platforms and flags as agreed with Funders</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>Evaluation processes</td>
<td>2</td>
<td>Review of consistency between activities (implementation and priorities expressed in relation to funding agreements)</td>
<td>0</td>
<td>0 – 6m</td>
</tr>
<tr>
<td>Poor execution undermines CGIAR as a global player</td>
<td>Delivery of portfolio adequately evidenced and visible</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>Internal Audit + Evaluation processes</td>
<td>2</td>
<td>Review and post-validation of activity reporting material</td>
<td>0</td>
<td>0 – 6m</td>
</tr>
<tr>
<td>Poor execution undermines CGIAR as a global player</td>
<td>Project assessment and life cycle management non-effective</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>Internal Audit processes</td>
<td>4</td>
<td>Review by Centers of steering committee’s decision pertaining to project exceeding or not meeting initial expectations</td>
<td>0</td>
<td>0 – 6m</td>
</tr>
<tr>
<td>Poor execution undermines CGIAR as a global player</td>
<td>Adequate use of intellectual property and licensing tools maximizes accessibility and/or impacts including the production of International Public Goods</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>Evaluation + External processes</td>
<td>1</td>
<td>In-depth analysis of items contained in the IF report (over the last two years)</td>
<td>2</td>
<td>0 – 6m</td>
</tr>
<tr>
<td>Poor execution undermines CGIAR as a global player</td>
<td>Top talent is attracted to and retained by the CGIAR and Centers</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>Internal Audit + Evaluation processes</td>
<td>2</td>
<td>Review by Centers of recruitment and retention activities</td>
<td>0</td>
<td>0 – 6m</td>
</tr>
<tr>
<td>Poor execution undermines CGIAR as a global player</td>
<td>Effective and efficient Center operations minimize costs and protect key assets (people, systems, data) against threats (internal, external, cyber)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>Internal Audit processes</td>
<td>2</td>
<td>Process audits by Centers of security and risk management, bi-annual audits of Business Continuity and Disaster Recovery plans, with sharing of risks and assessments noted for consolidation at System level</td>
<td>0</td>
<td>0 – 6m</td>
</tr>
<tr>
<td>Poor execution undermines CGIAR as a global player</td>
<td>Financial stability requirements met by all Centers</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>Escalation from Center Board</td>
<td>1</td>
<td>Analysis by Centers Boards of their KPIs regarding liquidity &amp; solvency, funding and operational efficiency</td>
<td>4</td>
<td>0 – 6m</td>
</tr>
<tr>
<td>Poor execution undermines CGIAR as a global player</td>
<td>CGIAR System adds significant value to outweigh related costs and constraints</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>SUB ARC</td>
<td>4</td>
<td>Review by Centers of System-generated costs and savings, under coordination and consolidation by the System Organization</td>
<td>0</td>
<td>0 – 6m</td>
</tr>
</tbody>
</table>

**To note:** A multi-year combined assurance plan for CGIAR would result in the various “top risks” being looked at periodically across a 3 to 4 year cycle to determine if adequate assurance is being provided. **Annually,** the System Council’s **Assurance Oversight Committee** will confirm to the System Council that the rolling multi-year assurance plans are adequate based on the committee’s engagement across the System.
Part 5 - Turning ideas into practice: looking at ICRAF’s Center-specific risk framework

Some of the risks ICRAF is managing

**Operations #1** - Lack of proper asset investment planning, management and replacement will lead to the Centre maintaining outdated assets that impact negatively on its business processes and outputs.

**Corporate Services #9** - Fraud/misappropriation/misuse of Centre resources

**HR #6** - Litigation against the Centre by former staff/consultants

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Relevant to "the System"?  
Which category?  
Suggested CGIAR ‘Top Risk’ Category

- **Yes** - Contextual  
  - CGIAR is no longer a front runner

- **Yes** - Programmatic  
  - Non-Adherence to appropriate values

- **No**  
  - Stays with Center Board

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**Operating principle:**  
It is the Center Board that needs to reflect on which risks align with the System – and not a case of forcing things from “top down”. That said – there will be some “common” system-wide risks.
Part 6 – Conceptual framework for Internal Audit Function arrangement

Building on what exists

- Internal Audit Function arrangement is put in place by the SMB ARC: based on one of the three models in paragraph 9 of draft TOR; depending on capacity + cost

- Q1 Annual Center Audit Chairs + SMB ARC meeting: take stock of Center-own assurance plans and SMB + System Council assurance needs, to identify scope of CGIAR System assurance needs for the year.

- Each Center has an established Center-own internal audit provider (in-house, regional support or partially/fully outsourced)

- ‘CGIAR IAU’ ends on 31/12/2017

   Centers using ‘CGIAR IAU’ for Center-own engagements to put new arrangements in place from 2018.
Part 6 – More detailed explanation of Internal Audit Function arrangement

Purpose:
- One element of System’s assurance needs for CGIAR System Risk Management Framework
- Provide strategic recommendations to improve System-wide operations/processes, achievable only by reason that it looks across the System.

How it works:
- By no means a ‘controlling function’, operates largely as a consolidator of information to formulate “System” messages and recommendations, rather than focusing on Center-specific considerations.
- Messaging up to the System Council is through the SMB to ensure a strategic view – and that the appropriate filtering occurs so it’s a System issue that is reported up and not something that should be de-escalated to an individual Center’s management.
- Draws on existing information from Center-own internal audit reviews (consolidates and anonymizes) and/or commissions new work drawing on within-System resources (supported by System funds) or external providers

Level of effort:
- Variable depending on 3 to 4 year cycles of overall assurance needs
- To be linked into a ‘CGIAR System’ business plan concept so its fully demand driven

Size of effort:
- Depends on organizational context (reviewed typically each 3 years by the SMB with Center inputs).
- When the model is a ‘System employee’: expectation is experienced professional + admin support
# Part 7 – Summary of approvals for all materials

<table>
<thead>
<tr>
<th>Appendix</th>
<th>Title</th>
<th>Decision maker after consultations</th>
<th>Timing</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.1</td>
<td>Risk Management Framework of the CGIAR System</td>
<td>SC</td>
<td>November 2017</td>
<td></td>
</tr>
<tr>
<td>A.2</td>
<td>CGIAR System ‘top’ risks</td>
<td>SC</td>
<td>November 2017</td>
<td></td>
</tr>
<tr>
<td>A.3</td>
<td>Risk Appetite Statement of the CGIAR System</td>
<td>SC</td>
<td>November 2017</td>
<td></td>
</tr>
<tr>
<td>A.4</td>
<td>TOR for Assurance Oversight Committee of the System Council</td>
<td>SC</td>
<td>November 2017</td>
<td></td>
</tr>
<tr>
<td>B.1</td>
<td>CGIAR System Risk Management Guidelines</td>
<td>SMB</td>
<td>December 2017</td>
<td></td>
</tr>
<tr>
<td>B.2</td>
<td>TOR for the CGIAR System Internal Audit Function arrangements</td>
<td>SMB</td>
<td>December 2017</td>
<td></td>
</tr>
<tr>
<td>N/A</td>
<td>TOR for Internal Audit Support Service small team</td>
<td>SMB</td>
<td>Interim – Dec 2017 Final - mid-Feb 2018</td>
<td>Three items not Included – To be drafted after consultations on Appendices A1-A4, and B1-2 to ensure appropriate context</td>
</tr>
<tr>
<td>N/A</td>
<td>CGIAR System-wide Escalation and Whistleblowing guidelines</td>
<td>SMB</td>
<td>December 2017</td>
<td></td>
</tr>
<tr>
<td>N/A</td>
<td>TOR for Centers’ Internal Audit Community of Practice</td>
<td>Center Audit Committee Chairs and DGs</td>
<td>By mid-February 2018</td>
<td></td>
</tr>
</tbody>
</table>
Part 8 – Moving to updated arrangements

1. **Planned 11-12 December 2017 SMB8 meeting, Washington, D.C.** - after taking into account inputs of System Council November 2017 + Centers:
   - **Approve** – TOR for Internal Audit Function
   - **Approve** – System-wide Risk Management Guidelines + System-wide Escalation Guidelines
   - **Endorse** – Interim TOR for small Internal Audit Support Services team based on draft consulted across the System post System Council meeting

2. **Planned 1 January 2018 start**: CGIAR System Risk Management Framework (from SC5) + new Internal Audit Function arrangements.

3. **Optimally by 1 January 2018**: Center-specific Internal Audit plans for 2018 could be approved by Center Boards to inform 2018 System planning.

4. **Proposed by Mid-February 2018**: Center Audit Committee Chairs meeting with the SMB ARC to: (i) agree scope of Internal Audit Function work for 2018 to deliver on assurance needs, (ii) refine final TOR for Internal Audit Support Services small team; and (iii) set out plans for rolling 3-year assurance needs for Internal Audit Function taking into account Center-own multi-year Internal Audit (or Combined Assurance plans where these might exist)