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), <u>as presented at the System Council's 4th meeting</u>, 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
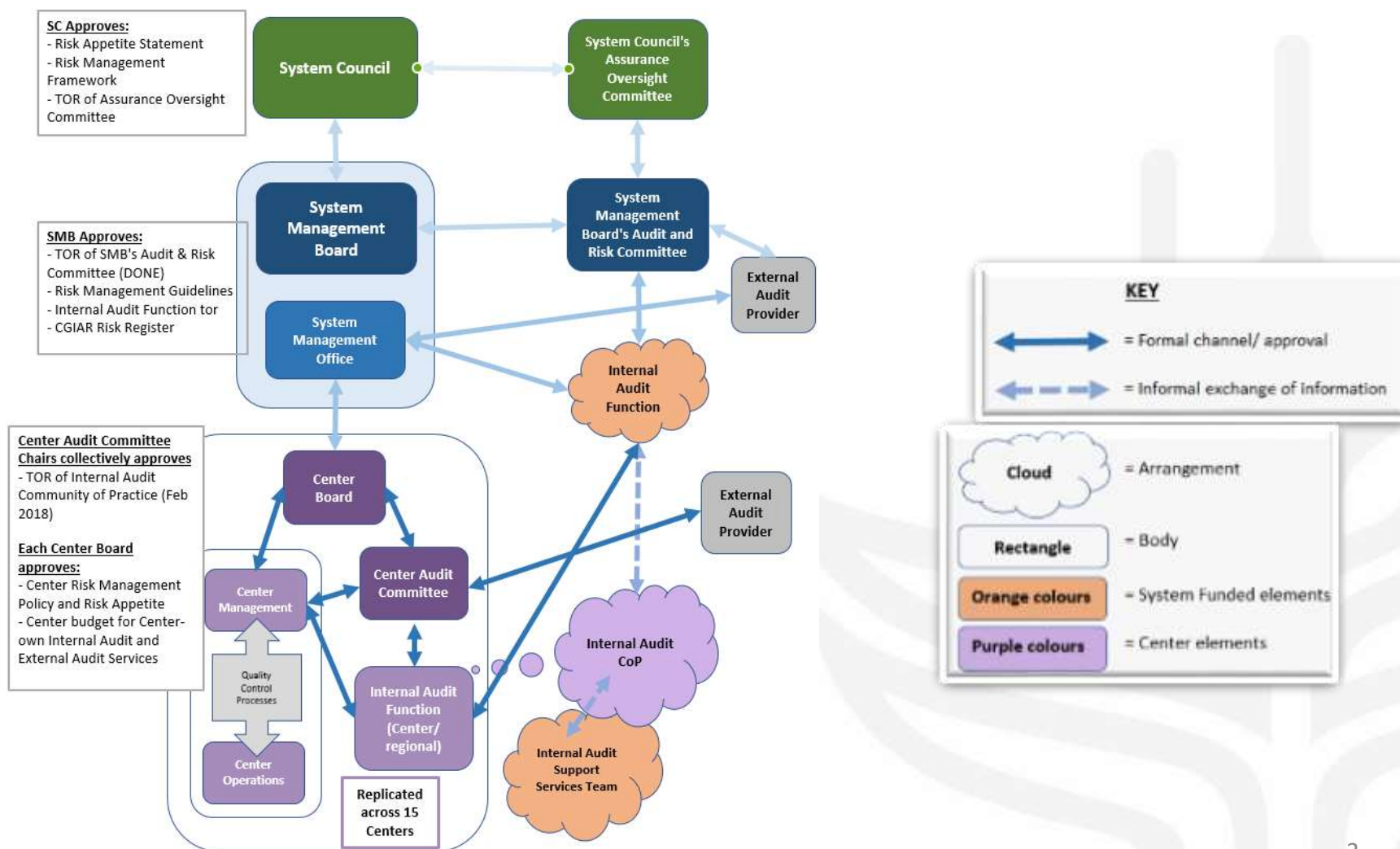
How all elements of Risk Management work together

Jigsaw Piece	What this involves
Risk Appetite	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.
Risk Governance	Backing at all organizational levels of the <u>Risk Management Framework</u> as an overall support for the use and development of tools and guidelines.
Risk Management Tools	The <u>Risk Management Guidelines</u>, Risk Register, communications templates and other activities.
Risk Infrastructure	The entities and arrangements that enable the activities and oversight of those activities (<u>including Committees and Audit arrangements</u>).
Risk Culture	The embodiment and embedding of the organization's risk management practices, processes and communications at all levels.

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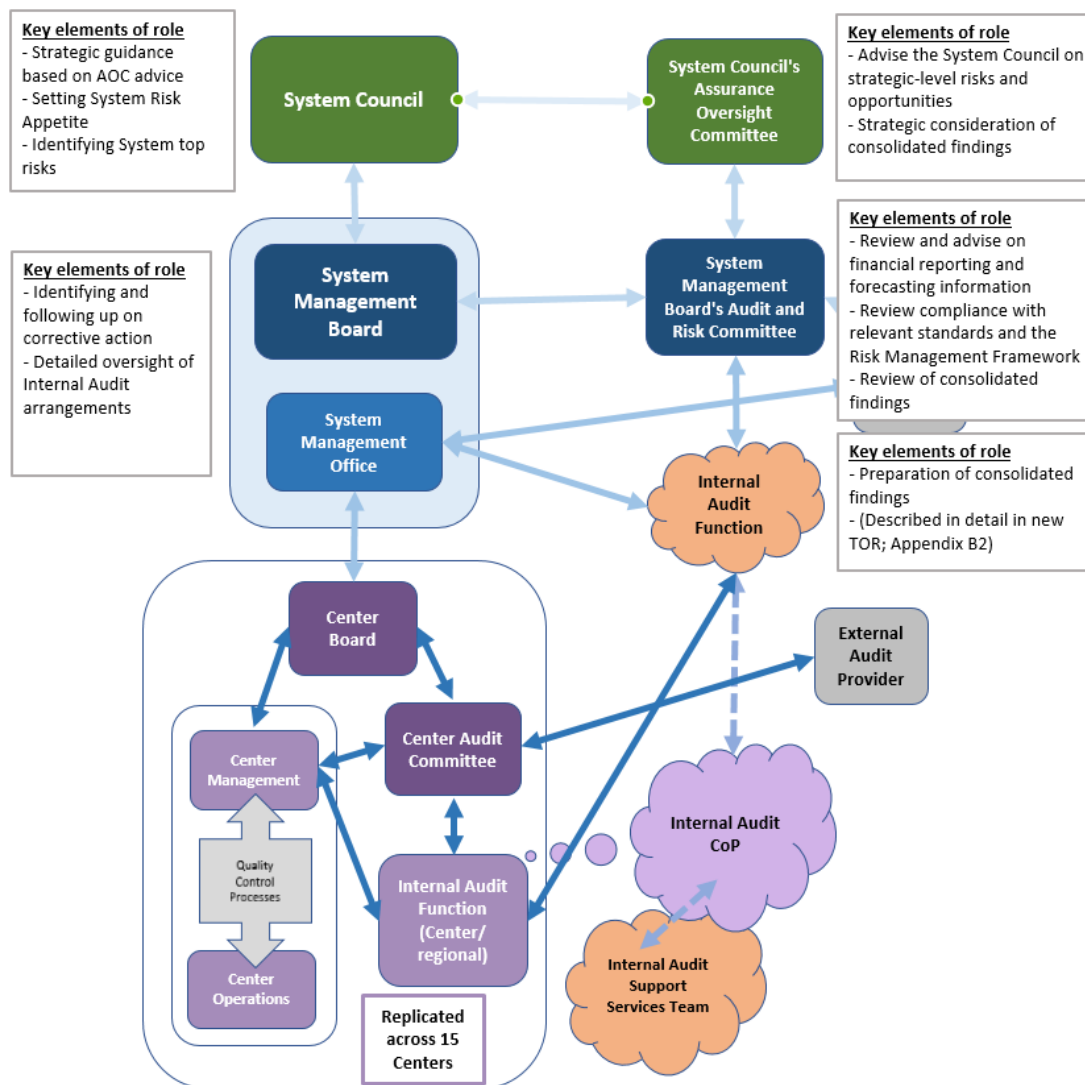
Part 1B
Major elements of Risk Management Architecture

Key elements of role
- Strategic guidance based on AOC advice
- Setting System Risk Appetite
- Identifying System top risks

Key elements of role
- Identifying and following up on corrective action
- Detailed oversight of Internal Audit arrangements

Key elements of role
- Advise the System Council on strategic-level risks and opportunities
- Strategic consideration of consolidated findings

Key elements of role
- Review and advise on financial reporting and forecasting information
- Review compliance with relevant standards and the Risk Management Framework
- Review of consolidated findings

Key elements of role
- Preparation of consolidated findings
- (Described in detail in new TOR; Appendix B2)

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

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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

Objective summary

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

"Delivery"

B. Establish and maintain CGIAR as a relevant and sustainable tool for agricultural research for development

"Relevance"

C. Make the association with CGIAR a rational and rewarding decision

"Reputation"

D. Fulfill formal commitments

"Reliability"

E. Generate all benefits mentioned above efficiently and provide "value for money"

"Efficiency"
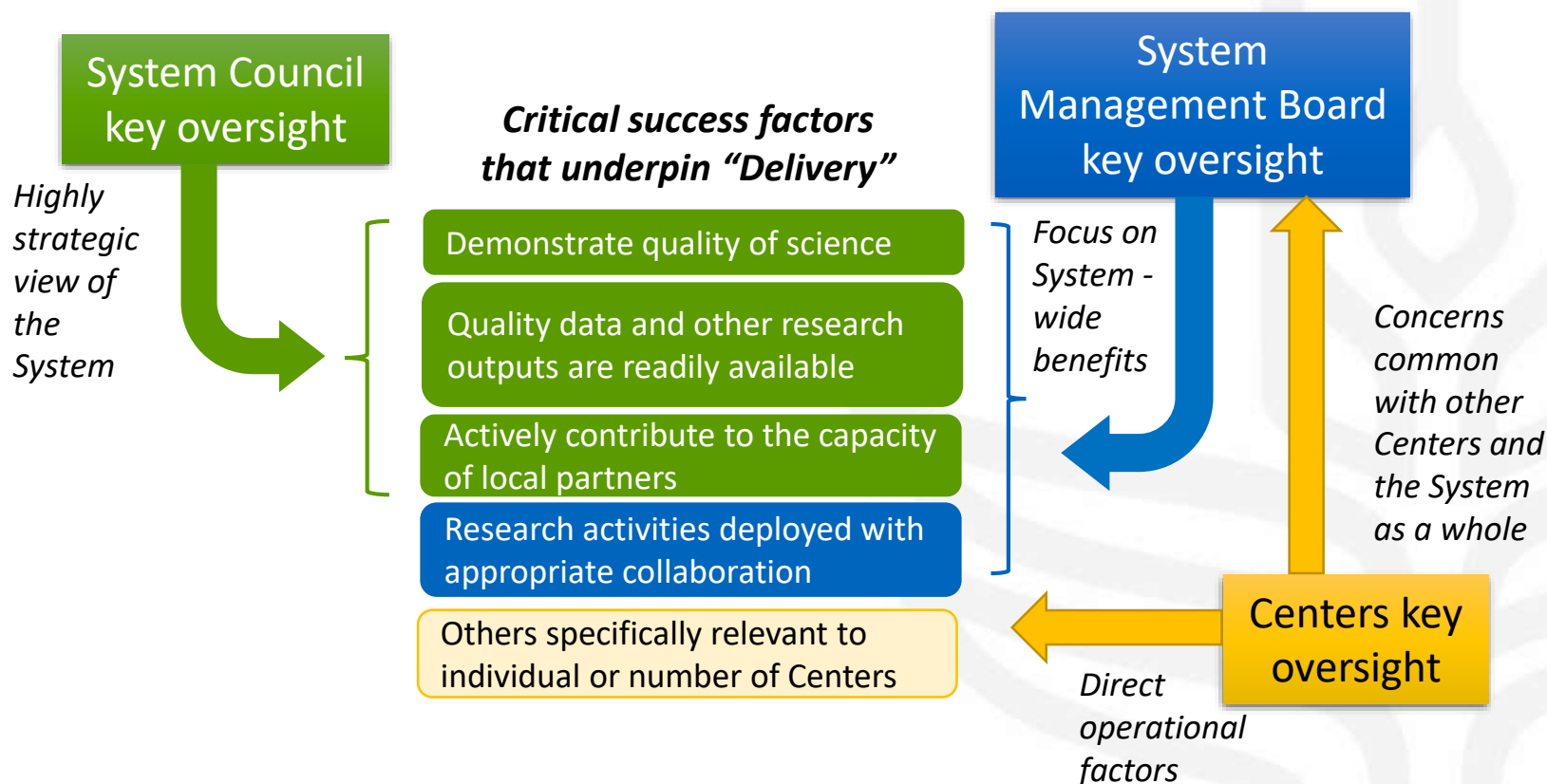
Each of these is explored in detail on the following pages, with a first iteration on related risks

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

System Council key oversight

Highly strategic view of the System

Critical success factors that underpin "Delivery"

Demonstrate quality of science

Quality data and other research outputs are readily available

Actively contribute to the capacity of local partners

Research activities deployed with appropriate collaboration

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

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"
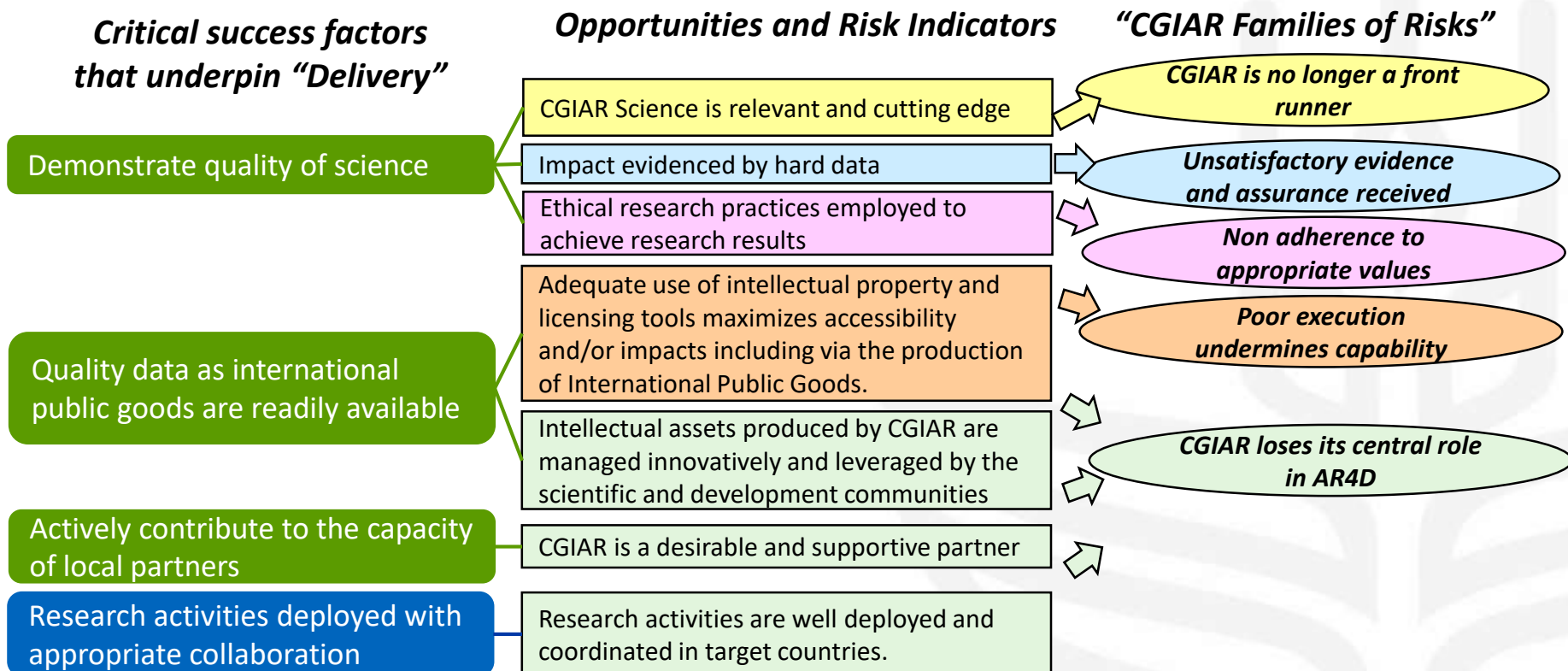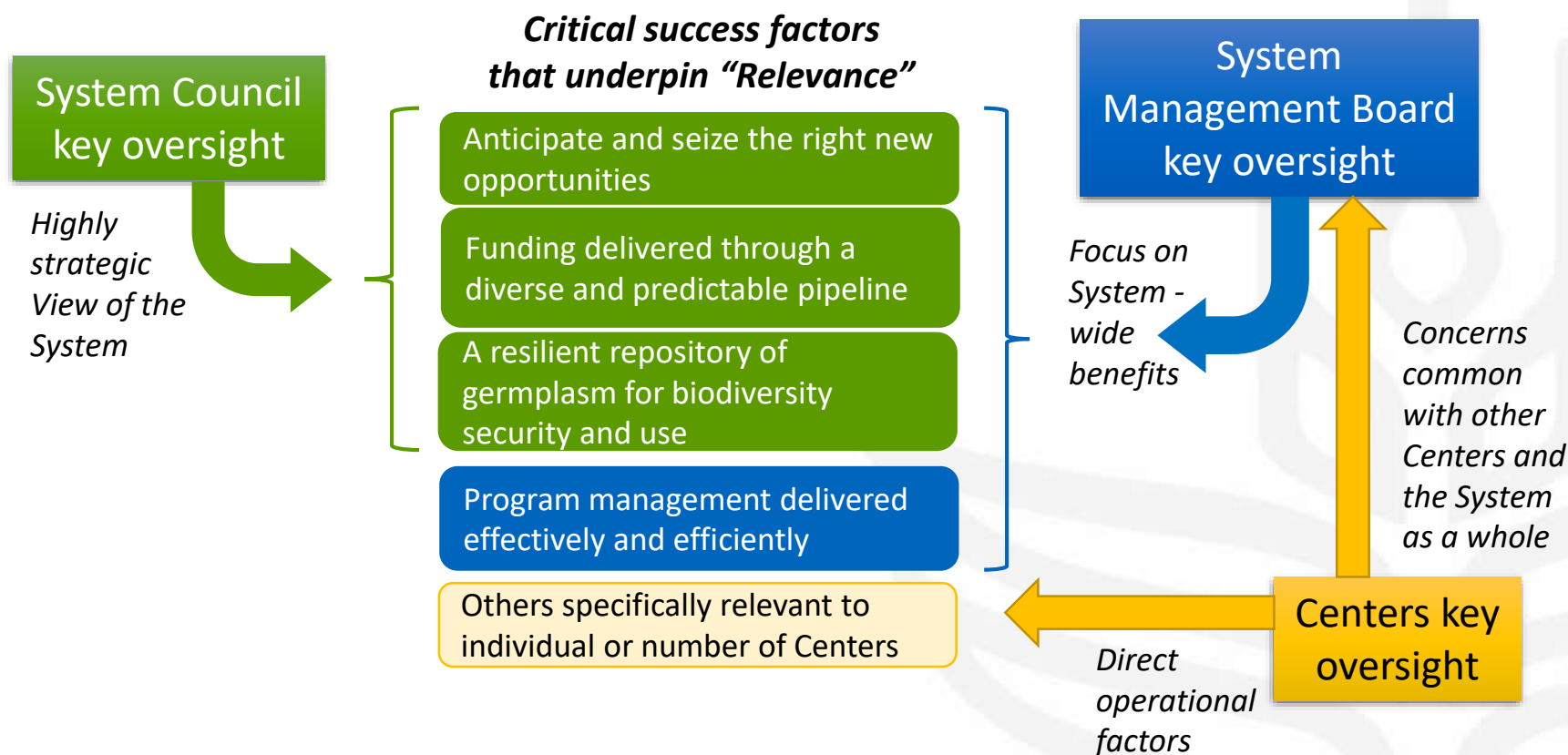
Critical success factors that underpin "Delivery"

Opportunities and Risk Indicators

"CGIAR Families of Risks"

Demonstrate quality of science

- CGIAR Science is relevant and cutting edge
- Impact evidenced by hard data
- Ethical research practices employed to achieve research results

CGIAR is no longer a front runner

Unsatisfactory evidence and assurance received

Non adherence to appropriate values

Quality data as international public goods are readily available

- Adequate use of intellectual property and licensing tools maximizes accessibility and/or impacts including via the production of International Public Goods.
- Intellectual assets produced by CGIAR are managed innovatively and leveraged by the scientific and development communities

Poor execution undermines capability

CGIAR loses its central role in AR4D

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.

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"

System Council key oversight

Highly strategic View of the System

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

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"

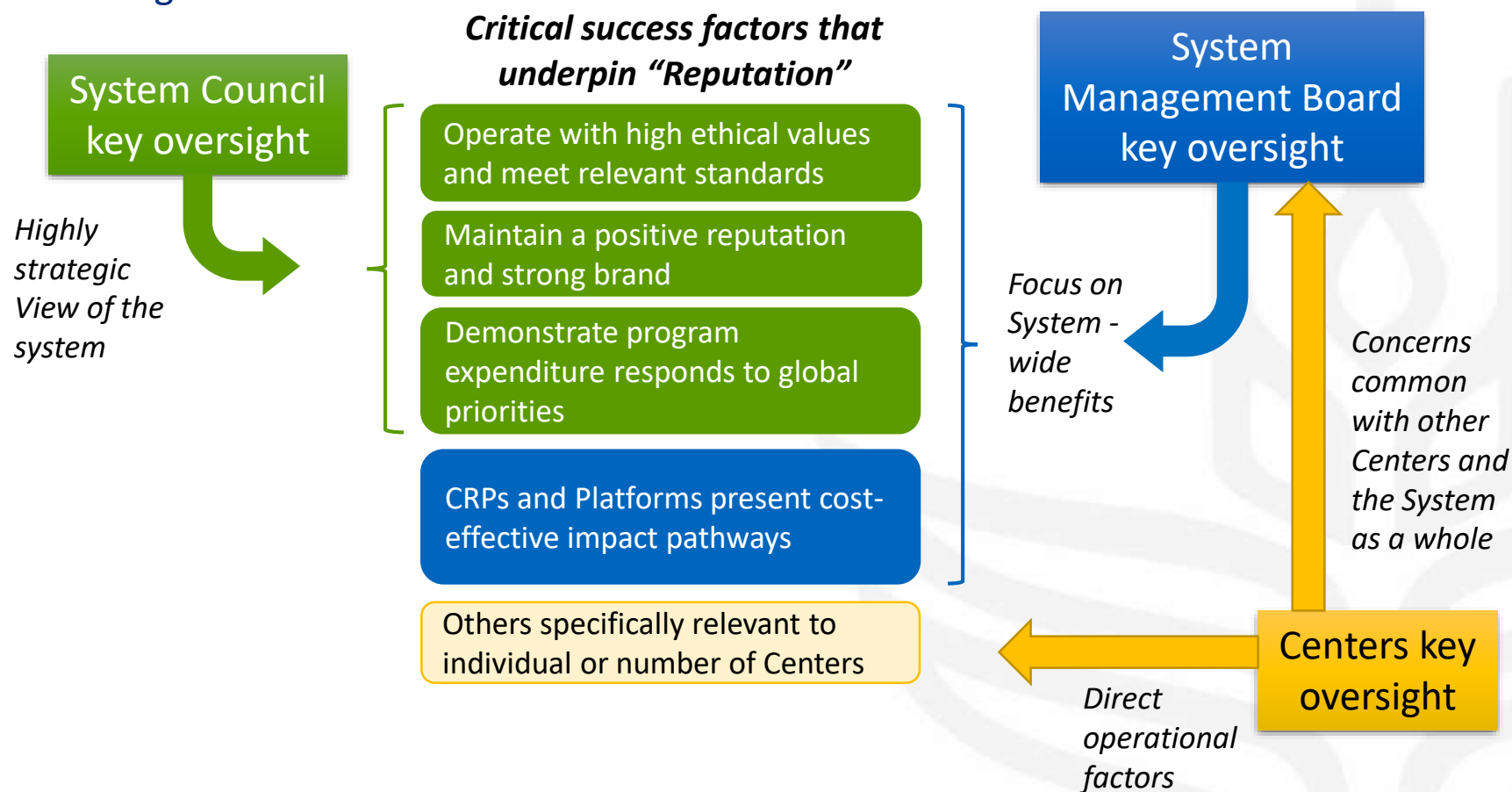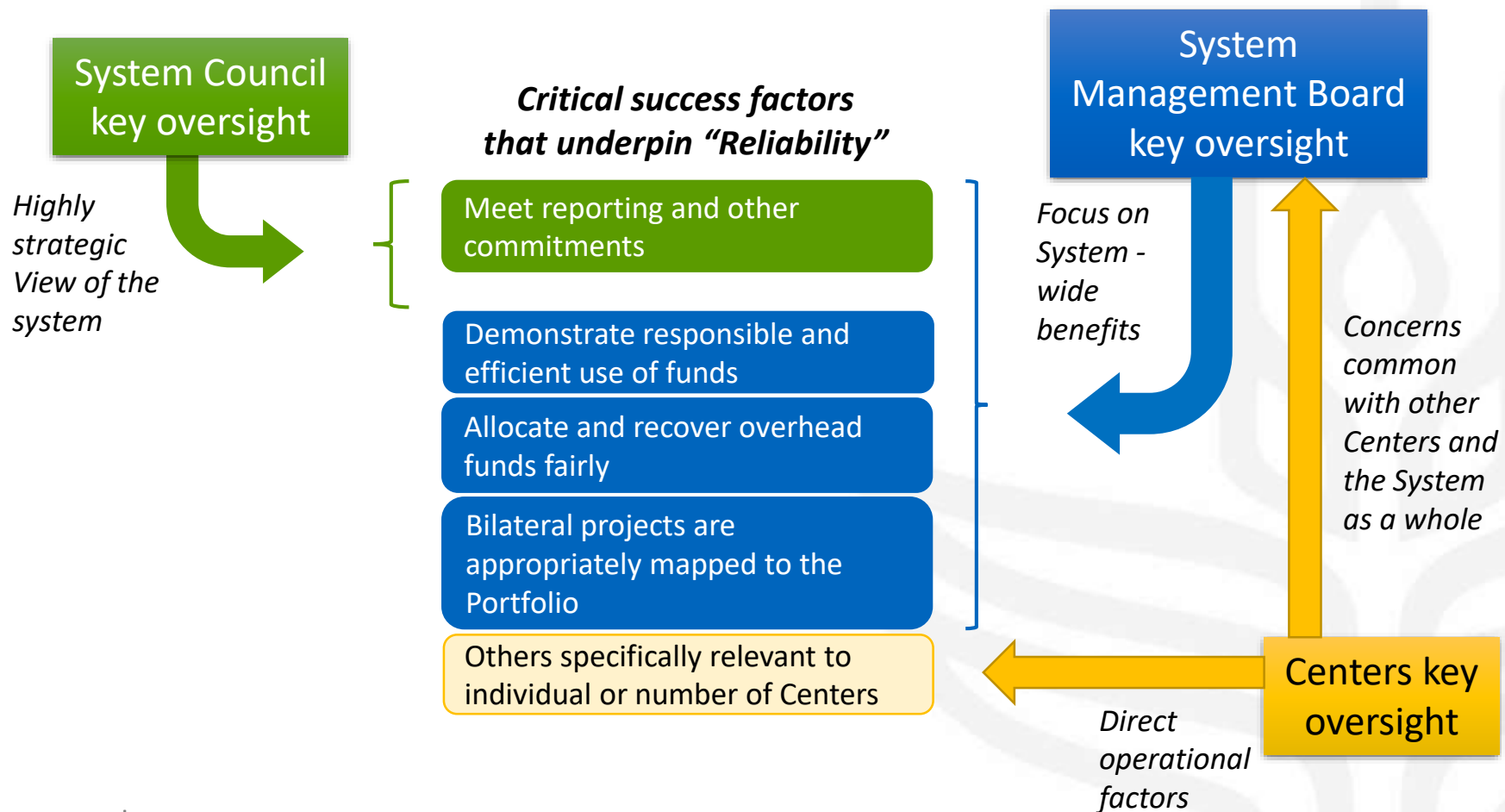| *Critical success factors that underpin "Relevance"*	*Opportunities and Risk Indicators*	*"CGIAR Families of Risks"*
Anticipate and seize the right new opportunities	Seizing the "next important thing" gives sustainable competitive advantage CGIAR's research agenda aligns with international community priorities	*CGIAR is no longer a front runner*
Sufficient funding for leading edge technologies	Diversity and predictability of funding maintains CGIAR as a global player	*CGIAR loses its central role in AR4D*
A resilient repository of germplasm for biodiversity security and use	CGIAR Genebanks demonstrate their unique role	
Program management delivered effectively and efficiently	Delivery of portfolio adequately evidenced and visible Project assessment and lifecycle management are effective	*Unsatisfactory evidence and assurance received*

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

Concerns common with other Centers and the System as a whole

Centers key oversight

Direct operational factors

Achieving Operational Objective C – Reputation
Key risk components

"Make the association with CGIAR a rational and rewarding decision"

Critical success factors that underpin "Reputation" · *Opportunities and Risk Indicators* · *"CGIAR Families of Risks"*

Operate with high ethical values and meet relevant standards
→ CGIAR values and desired behaviors strengthen its credibility and attractiveness → *Non adherence to appropriate values*

Maintain a positive reputation and strong brand

Demonstrate program expenditure responds to global priorities
→ Compelling shared research agenda reinforces Funder commitments → *CGIAR is no longer a front runner*

CRPs and Platforms present cost-effective impact pathways
→ Activities implemented for CRPs, platforms and flagships as agreed with Funders → *Unsatisfactory evidence and assurance received*

Part 3
Achieving Operational Objective D – Reliability
Critical success factors

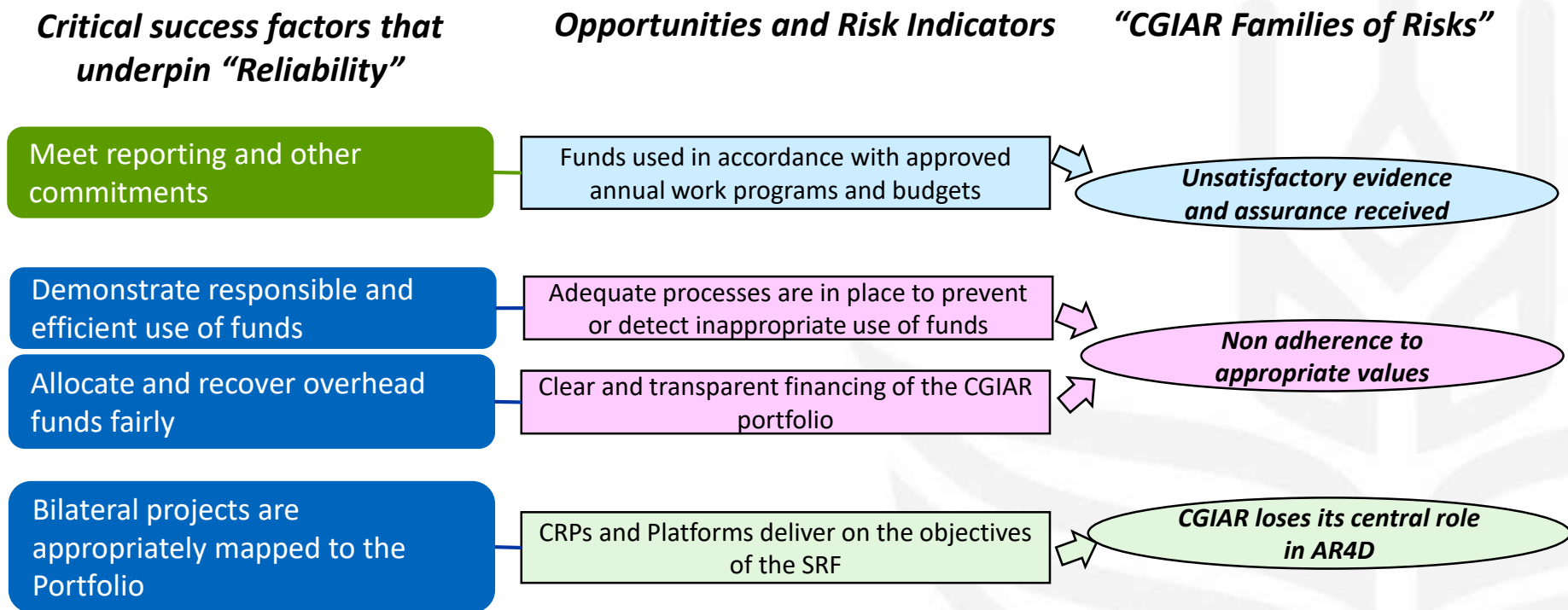Description of Reliability - Fulfill formal commitments

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

Achieving Operational Objective D – Reliability
Key risk components

"Fulfill formal commitments"

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

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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"

Opportunities and Risk Indicators

"CGIAR Families of Risks"

Leverage synergies by working collectively

CGIAR System adds significant value to outweigh related costs and constraints

Working context attracts and retains talent

Top talent is attracted to and retained by the CGIAR and Centers

Strong and stable 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

Poor execution undermines capability

Part 4 – Mock-up of CGIAR System Risk Register

THE FAMILIES OF RISKS — Resulting from missed opportunities	APPLYING RATIONAL INDICATORS — Using "Opportunities and Risk" Indicators	LIKELIHOOD (1: remote 2: non-negligible 3: significant 4: likely)	IMPACT (1: marginal 2:disruptive 3: concerning 4: catastrophic)	SEVERITY Likelihood x Impact	IMMEDIACY (1: long-term >5y 2: medium-term >2y 3: short-term >6m 4: immediate <6m)	PRIORITY Severity x Immediacy	HOW DO WE KNOW ? — Assurance process(es) for each indicator	Suggested cycle (years)	Type of assurance activity
CGIAR is no longer a front runner	Compelling shared research agenda reinforces Funder commitments			0		0	SC SIMEC	4	Review per CRP/platform of activity plan leading to the next milestone for endorsement by SC
	CGIAR Science is relevant and cutting edge			0		0	SC SIMEC / Evaluation processes	4	Review of scientific processes and related outputs vs. benchmark publications
	Seizing the "next thing" gives sustainable competitive advantage			0		0	Scientific advisory processes	2	Outside review of latest scientific and technological developments and analysis of CGIAR positioning
	CGIAR's research agenda aligns with international community priorities			0		0	Scientific advisory / Evaluation processes	4	Global consultation of NARS, governments, NGOs and key AR4D funders
CGIAR loses its central role in Agricultural Research for Development	Intellectual assets produced by CGIAR are managed innovatively and leveraged by the scientific and development communities			0		0	Evaluation / SC Intellectual Property Group	2	Review of global uptake from CGIAR research (based on Centers' ongoing monitoring data)
	CGIAR a desired and supportive partner			0		0	Scientific advisory / Evaluation processes	2	Analysis of data received from Centers on extent, nature and success of partnerships, complemented by a global direct survey of partners
	Diversity and predictability of funding maintains CGIAR as a global player			0		0	SC AOC and SMB ARC	1	Multi-year analysis per Funder and recipient of funds committed, received and planned (amounts and timing)
	Research activities are well deployed and coordinated in target countries			0		0	Evaluation processes	4	Review and analysis of delivery on pre-defined specific objectives
	CGIAR Genebanks demonstrate their unique role			0		0	Internal Audit + Evaluation processes	4	Consolidation of reviews by Centers of their own genebanks complemented by audit of processes and evaluation of delivery of the Crop Trust
	CRPs and Platforms deliver on the objectives of the SRF			0		0	Evaluation processes	4	Non-process review of the outputs of each CRP/platform and validation of the impact pathways
Non adherence to appropriate values	Ethical research practices employed to achieve research results			0		0	Internal Audit processes	4	Review by Centers of effectiveness of scientific fraud risk management (along Center and CRP/platform dimensions)
	CGIAR values and desired behaviors strengthen its credibility and attractiveness			0		0	Internal Audit processes	2	Review by Centers of effectiveness of fraud risk management complemented by System review of effectiveness of whistleblowing and escalation processes
	Adequate processes are in place to prevent or detect inappropriate use of funds			0		0	Internal Audit processes	1	Process audits by Centers all incorporating potential fraud in risk assessments + sharing of process-related fraud risks noted for consolidation at System level
	Clear and transparent financing of the CGIAR portfolio			0		0	Internal Audit processes		Audit of mapping of funds to projects and programs
Unsatisfactory evidence and assurance received	Impact evidenced by hard data			0		0	Scientific advisory/ Impact assessment	4	Review of evidence produced to support communication on impact
	Funds used in accordance with approved annual work programs and budgets			0		0	Internal Audit and/or External Audit processes	1	Audit by Centers of implementation, cost and reporting of activities (in link with bi-yearly audit of mapping)
	Activities implemented for CRPs, platforms and flagships as agreed with Funders			0		0	Evaluation processes	2	Review of consistency between activities implemented and priorities expressed in relation to funding agreements
	Delivery of portfolio adequately evidenced and visible			0		0	Internal Audit + Evaluation processes	2	Review and post-validation of activity-reporting material received by the System Management Board
	Project assessment and lifecycle management are effective			0		0	Internal Audit processes	4	Review by Centers of steering committes' decisions pertaining to project exceeding or not meeting initial expectations
Poor execution undermines capability	Adequate use of intellectual property and licensing tools maximizes accessibility and/or impacts including via the production of International Public Goods			0		0	Evaluation + External processes / SC Intellectual Property Group	2	In-depth analysis of items contained in the IP report (over the last two years)
	Top talent is attracted to and retained by the CGIAR and Centers			0		0	Internal Audit / Evaluation processes + External benchmark	2	Review by Centers of retention and recruitement activities + Global survey with all CGIAR staff
	Effective and efficient Center operations minimize costs and protect key assets (people, systems, data) against threats (internal, external, cyber)			0		0	Internal Audit processes	2	Process audits by Centers all incorporating physical and IT security and risk assessments + bi-annual audits of Business Continuity and Disaster Recovery plans, with sharing of risks and assessments noted for consolidation at System level
	Financial stability requirements met by all Centers			0		0	Escalation from Center Board	1	Analysis by Centers Boards of their KPIs regarding liquidity & solvency, funding and operational efficiency
	CGIAR System adds significant value to outweigh related costs and constraints			0		0	SMB ARC	4	Review by Centers of System-generated costs and savings, under coordination and consolidation by the System Organization

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

Relevant to "the System"?

Which category?

Suggested CGIAR 'Top Risk' Category

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.

Yes — Contextual — CGIAR is no longer a front runner

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

Yes — Programmatic — Non-Adherence to appropriate values

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

No → Stays with Center Board

** 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 – <u>Conceptual framework</u> for Internal Audit Function arrangement

System Assurance Architecture
(as it relates to the Risk Management Framework and Internal Audit Function arrangements as one provider of assurance)

Replicated across 15 Centers
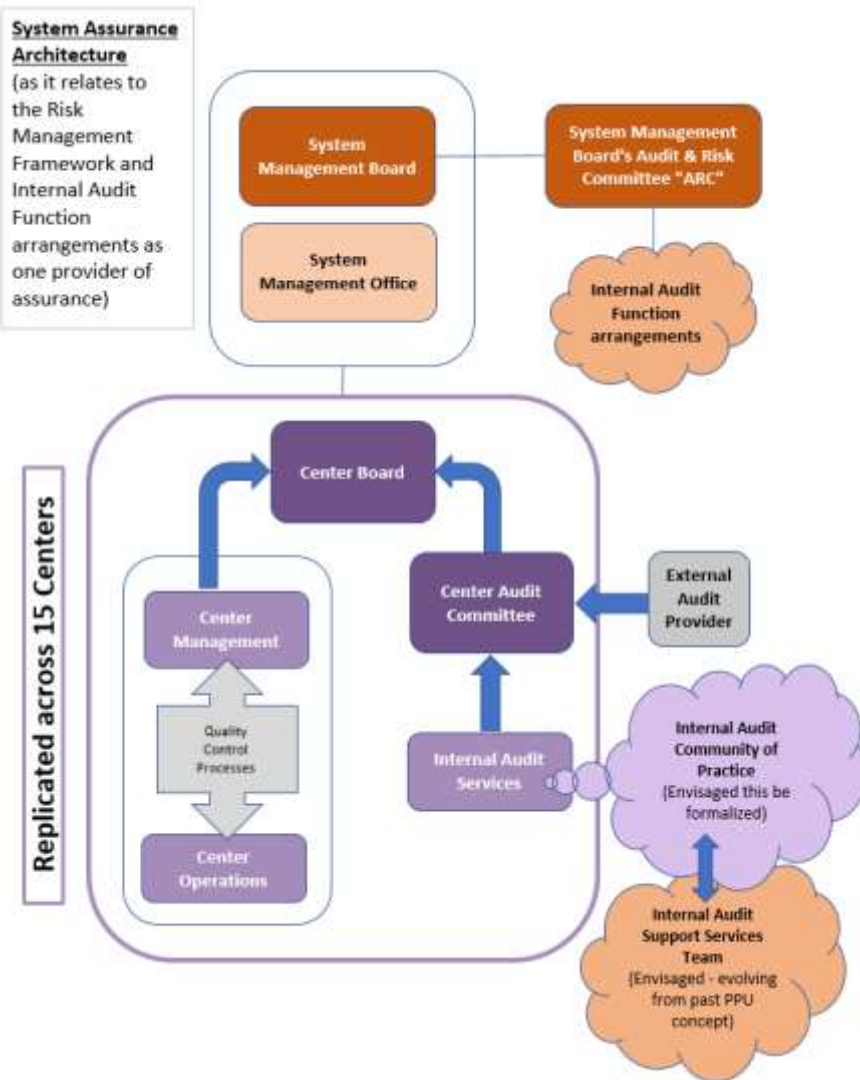
Building on what exists

- **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 – <u>More detailed explanation</u> 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

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

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)