



## CGIAR Audit, Finance and Risk Committee Terms of Reference<sup>1</sup>

### A. Purpose

1. The CGIAR Audit, Finance and Risk Committee (“**AFRC**”) is a committee of each of the following Boards (collectively referred to as ‘Boards’):
  - i. The CGIAR System Board as the Board of the CGIAR System Organization (“**System Board**”); and
  - ii. The One CGIAR Center/Alliance Boards.
2. The purpose of the AFRC is to:
  - i. Provide all Boards to which it reports with reasonable assurance of performance of internal audit for each of CGIAR’s legal entities; delivery of independent external audit for Board approval; the integrity of financial information; oversight of systems of risk management, an internal control framework and an ethics framework; and compliance with applicable laws, regulations and codes of conduct;
  - ii. Provide the System Board with reasonable assurance of adequate internal audit capacity, system-wide governance, risk management and internal controls<sup>2</sup> across CGIAR;
3. The AFRC serves the Boards in all matters covered by these Terms of Reference.

### B. Interpretation and operational context

4. Words and expressions used in these Terms of Reference shall, unless the context requires otherwise, have the meaning attributed to them in the Charter of the CGIAR System Organization (“**Charter**”).
5. Without limiting paragraph 4, a reference to:
  - a. “**One CGIAR Centers and Alliances**” means those CGIAR Research Centers<sup>3</sup> who have adopted unified governance arrangements consistent with the recommendations of the CGIAR System Reference Group<sup>4</sup>.

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<sup>1</sup> Approved by decision of the Boards of One CGIAR Centers/Alliances and the CGIAR System Board (Decision Reference SB/M20/DP3)

<sup>2</sup> Article 9.11 of the Charter of the CGIAR System Organization (“Charter”).

<sup>3</sup> AfricaRice; The Alliance of Bioversity International and CIAT; CIP, CIMMYT, ICARDA; IITA; IFPRI; ILRI; IRRI; IWMI; WorldFish

<sup>4</sup> [https://storage.googleapis.com/cgiarorg/2019/11/SC9-02\\_SRG-Recommendations-OneCGIAR.pdf](https://storage.googleapis.com/cgiarorg/2019/11/SC9-02_SRG-Recommendations-OneCGIAR.pdf)

- b. “**System Council**” is as defined in the Framework;
- c. “**CGIAR System Internal Audit Function**”, is as defined in the Framework; and
- d. “**internal audit arrangements for CGIAR’s legal entities**”, means all internal audit arrangements in place to provide independent and objective assurance and advisory services to the CGIAR System Board and the One CGIAR Center/Alliance Boards.

- 6 The System Organization, including the CGIAR System Board and the AFRC, work in consultation with the System Council, and its committees, in accordance with the terms of the Charter and the Framework, and in good faith in the interests of the CGIAR System<sup>5</sup>.
- 7 Pursuant to the Framework, the purpose of the **System Council’s Assurance Oversight Committee (“AOC”)** is to provide the System Council with: (i) assurance of the completeness and effectiveness of the Internal Audit Function and the independence of external audit functions; (ii) a structured reporting line between internal and external auditors and the System Council; and (iii) oversight of system-wide governance, risk management and internal controls.

C. Responsibilities relating to Audit & Assurance matters

- 8 The AFRC shall undertake the following responsibilities, delegated to it by the CGIAR System Board<sup>6</sup> and the Boards of One CGIAR’s Centers and Alliances as indicated below:

Article:	Role	CGIAR as a whole	System Organization	Center/ Alliance
<i>External audit</i>				
a.	Lead a process for the selection of the external auditors, and a process for evaluation of their ongoing performance and effectiveness		✓	✓
b.	Recommend to each Board the appointment, retention, rotation and/or termination of the external auditor and approve their terms of engagement and compensation		✓	✓
c.	Approve annual external audit plans and the scope of any non-audit services, and satisfy themselves as to the independence of the external auditors		✓	✓

<sup>5</sup> As required pursuant to Article 7.10 of the Charter.

<sup>6</sup> The CGIAR System Board has oversight roles relating to the CGIAR System as a whole, and of the System Organization, the latter meaning the international organization governed by the Charter, with its organs being the CGIAR System Board and System Management Office.

Article:	Role	CGIAR as a whole	System Organization	Center/ Alliance
d.	Review and recommend to each Board the approval of the annual financial statements, and report on significant financial reporting issues and judgments		✓	✓
e.	Monitor and report to Boards on management's response to and implementation of recommendations arising from external audit or audits conducted by and on behalf of funders.		✓	✓
<i>Internal audit</i>				
f.	Provide recommendations on the completeness, effectiveness and resourcing of internal audit arrangements for CGIAR's legal entities, taking into account the risk management frameworks of the CGIAR System and each legal entity	✓	✓	✓
g.	Approve the organizational structure, multi-year and annual risk-based work plans and budgets for the ongoing delivery of internal audit arrangements	✓	✓	✓
h.	Approve the appointment/renewal/termination of the head(s) of the internal audit arrangements; set and review their objectives, satisfy itself as to the independence of internal audit; recommend the remuneration of the head(s); and conduct their annual performance assessments with inputs from management	✓	✓	✓
i.	Review reports and recommendations made by internal audit arrangements, and monitor implementation of these by management	✓	✓	✓
j.	Regularly review the internal audit charter(s) for internal audit arrangements and approve amendments as required	✓	✓	✓
k.	Approve criteria for assessing the capacity and quality standards of internal audit arrangements for CGIAR's legal entities in conformity with the International Standards for the Professional Practice of Internal Auditing and guidelines	✓	✓	✓
l.	Recommend to the CGIAR System Board the criteria upon which the CGIAR System Board provides periodic assurance to the AOC that an effective CGIAR System Internal Audit Function is in place that is consistent with the risk management framework of the CGIAR System	✓		

## D. Responsibilities relating to Financial Oversight matters

9. The AFRC shall undertake the following responsibilities, delegated to it by the CGIAR System Board and the Boards of One CGIAR's Centers and Alliances as indicated below:

Article:	Role	CGIAR as a whole	System Organization	Center/ Alliance
<i>Financial oversight – policies, guidelines and processes</i>				
a.	Periodically assess the appropriateness and application of financial policies and principles and recommend any necessary changes for them to accord with the applicable accounting standards and financial reporting framework	✓	✓	✓
b.	Advise on policies and guidelines that prescribe formats for, and the periodicity of, financial management and budget reporting for the CGIAR System that accord with internationally recognized financial standards	✓		
c.	Keep under review the investment policies and ongoing compliance with these policies, ensuring that these align with approved risk appetite statements, and make recommendations to the respective Board(s) as required	✓	✓	✓
d.	Advise on effectiveness of the process for the preparation and approval of multi-year, consolidated business plans and budget projections for the administrative costs of the CGIAR System and the means by which such costs can be financed	✓		
<i>Financial oversight – budget review/approval</i>				
e.	Review the proposed annual work programs and annual financing plans for the CGIAR Portfolio, alerting the CGIAR System Board to any perceived risks in the proposed allocation of financial resources having regard to System Council approved uses of funding allocations	✓		
f.	Review and recommend to the respective Board(s) approval of the annual work programs and budgets of the System entities, Centers/Alliances and CGIAR Research Programs/Platforms	✓	✓	✓
<i>Financial oversight – monitoring</i>				
g.	Review consolidated System-level financial reporting as appropriate and in advance of submission of any such reports to the System Council	✓		
h.	Monitor and advise on financial position and outlook, and the status of investments	✓	✓	✓

Article:	Role	CGIAR as a whole	System Organization	Center/ Alliance
i.	Monitor the implementation of each entity's approved budget and alert the Board to any deviations, including possible corrective actions as required		✓	✓
j.	Periodically review forecasts of available resources for the CGIAR Portfolio and monitor the financial position of CGIAR'S legal entities, recommending appropriate corrective action to be taken in the circumstances of an adverse financial position	✓	✓	✓

## E. Responsibilities relating to Risk and Compliance matters

10. The AFRC shall undertake the following responsibilities, delegated to it by the CGIAR System Board and the Boards of One CGIAR'S Centers and Alliances as indicated below:

Article:	Role	CGIAR as a whole	System Organization	Center/ Alliance
<i>Risk Management and Internal Control Systems – policies, procedures and guidelines</i>				
a.	Advise on appropriate CGIAR System risk management framework, risk appetite statement and escalation procedures for recommendation to, and approval by, the System Council	✓		
b.	Provide input into each Board's framing of a risk appetite statement, ensuring alignment with CGIAR's overall risk appetite		✓	✓
c.	Recommend to each Board approval of the annual Statement on Risk Management for inclusion in the entity's annual financial statements		✓	✓
d.	Periodically review the ongoing appropriateness and application of CGIAR Policies and Frameworks, having regard to how these align with CGIAR's risk appetite in the relevant area, and recommend appropriate changes	✓		
<i>Risk Management and Internal Control Systems – monitoring</i>				
e.	Periodically review compliance with the CGIAR System risk management framework across CGIAR's legal entities and report annually to the System Board	✓		
f.	Oversee the efficiency and effectiveness of risk management, internal compliance and control systems and make recommendations to Board(s) as required	✓	✓	✓

Article:	Role	CGIAR as a whole	System Organization	Center/ Alliance
g.	Recommend a process by which the Boards may continually obtain reasonable assurance from management teams that all known and emerging risks have been identified and are being appropriately mitigated or managed	✓	✓	✓
h.	Review and report on significant financial and operational risk exposures and the steps taken by management to monitor and control such exposures	✓	✓	✓
<i>Ethics/Code of conduct</i>				
i.	Monitor overall compliance with the CGIAR Ethics Framework and related policies, report on significant areas of non-compliance to Boards and provide consolidated reporting to the System Board and AOC on matters arising	✓	✓	✓
j.	Advise on the appropriateness and timing of any further escalation to the System Council of significant events raised through audit, risk and/or whistleblowing processes	✓	✓	✓
<i>Business Continuity Planning and Cybersecurity</i>				
k.	Advise on effective Business Continuity Planning, including an effective cybersecurity strategy and incident response planning as part of CGIAR's risk management approach and internal control framework, aligned to CGIAR's risk appetite, and monitor its implementation	✓	✓	✓
<i>Tax &amp; Legal Compliance</i>				
l.	Monitor the effectiveness of systems of compliance with host country obligations and laws/regulations applicable to each CGIAR legal entity, and make recommendations as relevant		✓	✓
m.	Receive updates on any litigation in which a CGIAR legal entity is engaged, including assessments of contingent liabilities associated with such litigation in the event of judgements against that legal entity, and advise the respective Board(s) as required		✓	✓
<i>Whistleblowing and investigations</i>				
n.	Oversee the investigation of credible concerns of fraud, financial irregularity or other matters presenting a material risk exposure to CGIAR (including those reported through CGIAR's whistleblowing mechanisms) and advise the Board(s) of the outcome of such investigations as required	✓	✓	✓

## F. Other Responsibilities

11. The AFRC may, on request or at its own initiative, provide advice on any matter under its mandate to the Boards.
12. Without prejudice to its formal reporting lines to the Boards, the AFRC shall establish and maintain effective coordination and communications with the AOC, or any other standing committees as may be established, to facilitate delivery on the respective mandates of the committees, thus ensuring open and transparent communications, and the appropriate escalation and de-escalation of matters as relevant to the differing bodies with oversight responsibilities within the CGIAR System.

## G. Composition and Chair

### *Composition and qualifications*

13. The AFRC shall be comprised of between five and seven members. The process of nominations and selection shall be coordinated by the One CGIAR Common Secretariat team, with a proposal on membership presented to the Boards for decision.
14. At the conclusion of the term of the inaugural membership as set forth in paragraph 16, the AFRC membership shall include:
  - a. At least one voting member of the System Board (who is also a common member of One CGIAR Center/Alliance Boards), provided that they bring the relevant skills as set forth in paragraph 14;
  - b. Up to two external independent persons, with no affiliation to the CGIAR System in the three years prior to their appointment as a member of the AFRC; and
  - c. Additional members as required who bring the relevant skills as set forth in paragraph 14.
15. Each AFRC member shall possess solid financial acumen and experience and should have previous experience serving on an audit/risk/finance committee. At least two members should hold relevant professional qualifications in accounting, finance and/or business administration. Membership should also include expertise in risk, ethics and legal compliance matters. The external independent members must hold a formal financial or accounting qualification and bring a minimum of 10 years' expertise.
16. Taking note of the independence element of the AFRC's mandate set out in Article 9.11 of the Charter, no Center or System Organization staff member shall be appointed as a member of or expert advisor to the AFRC. Additionally, any person serving as a Chair of a CGIAR Board shall not be appointed as a member of or expert advisor to the AFRC.

*Inaugural composition and terms*

17. To ensure continuity of knowledge and progress on One CGIAR, where possible, the inaugural AFRC will serve staggered transitional terms of between two and three years and be drawn from current One CGIAR audit committee members or persons who recently served as Chairs of One CGIAR audit committees<sup>7</sup>. Consideration can be given to extending the terms of up to three of the inaugural members once to ensure a staggered rotation of AFRC members.

*Term*

18. At the end of the period of the inaugural membership as set forth in paragraph 16, members of the AFRC shall be appointed to serve a term of up to three years and shall serve until their successors shall be duly appointed or until such member's earlier resignation or removal. Subject to paragraph 15, these members may be reappointed once for up to an additional three years. The precise appointment term will be determined taking into account the desirability of achieving a staggered rotation of AFRC members.
19. An effective rotation should take into account the following principles where possible:
- i. Ensure continuity (do not change all members at same time)
  - ii. Ensure diversity (e.g. region, gender, skills and expertise) of members

*Chair*

20. The AFRC Chair shall be elected by its members for a term of up to three years. The AFRC Chair may be re-appointed for one additional three-year term, to not exceed the maximum membership term set out in paragraph 17.
21. Where not otherwise a voting member, the AFRC Chair is a non-voting member of the CGIAR System Board<sup>8</sup>.
22. It shall be the responsibility of the AFRC Chair to ensure that channels for regular and open communication among AFRC members and with the Boards are in place.
23. The AFRC shall determine the most effective way to ensure strong links with all Boards and key management staff and establish such protocols. This could be through assigning members as focal points to one or more Boards, with the focal points engaging regularly with management and internal audit and attending Board meetings. The AFRC shall review its Board and Center engagement protocols regularly during the inaugural term.

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<sup>7</sup> Recent in this context is defined as those in post at January 2020 or later.

<sup>8</sup> In line with the Charter (Article 7.4), where not a voting member of the CGIAR System Board, the Chair of the AFRC will serve on the CGIAR System Board as an ex-officio non-voting member.



## H. Operations

The AFRC shall be governed by the following provisions:

24. **Meetings:** The AFRC will typically meet quarterly, and more often as determined by the AFRC Chair in consultation with the other AFRC members. Meetings may be held in person or by virtual means.
25. **Secretariat:** A representative of the One CGIAR Common Secretariat team shall serve as Secretary to the AFRC, support the AFRC Chair in preparation of the meetings and maintain all records of the AFRC.
26. **Quorum:** A simple majority of members shall constitute a quorum for the transaction of business provided such majority includes the AFRC Chair or their designate.
27. **Agenda:** The AFRC Chair shall develop an annual rolling agenda, and a draft Agenda for each meeting in consultation with the One CGIAR Common Secretariat and distribute that draft to AFRC members not less than 14 days before the meeting.
28. **Meeting documents:** Documents for each meeting will, to the extent practicable, be posted on the AFRC meeting site by the One CGIAR Common Secretariat not less than 7 days prior to each meeting so as to permit meaningful review in advance of the meeting.
29. **Decision-making on matters for recommendation to the Board:** The Chair shall aim for consensus on all decisions resulting in a recommendation being formally put to the Board(s). If consensus cannot be reached, both the majority and minority positions shall be reported to the Board(s).
30. **Invited guests and subject matter experts:** Guests or subject matter experts may be invited to participate in AFRC meetings or sessions as relevant, at the invitation of the AFRC Chair. Those persons may include, but are not limited to:
  - a. The CGIAR System Board Chair
  - b. The Chairs of One CGIAR Center/Alliance Boards
  - c. The Executive Management Team
  - d. Directors General of One CGIAR Centers/Alliances
  - e. Senior Management roles responsible for Risk, Finance, Governance, Legal, Ethics, Insurance and other assurance-related functions;
  - f. Head(s) of CGIAR's internal audit arrangements
  - g. External auditors of CGIAR's legal entities
 Other participants may attend sessions/meetings as determined appropriate by the AFRC Chair in consultation, where necessary, with the other AFRC members.
31. **Authority:** The AFRC will have unrestricted access to any information, records, data and reports it considers necessary to fulfil its responsibilities from any One CGIAR legal entity.

32. The Boards are responsible for ensuring regular and open communication with the AFRC.
33. In discharging its responsibilities, the AFRC has unrestricted access to (including in closed sessions without management present, as relevant):
- a. The Executive Management Team and other management staff of the System Organization and CGIAR's Centers and Alliances to seek explanations and information;
  - b. The staff of any One CGIAR legal entity;
  - c. The Head(s) of CGIAR's internal audit arrangements; and
  - d. External auditors of CGIAR's legal entities to seek explanations and information from them.
34. **Access to expertise, including consultants:** The AFRC in fulfilling its duties under these Terms of Reference may draw on CGIAR staff expertise, and may engage external resources for legal and/or investigation work required to fulfill its mandate.
35. **Reporting:** Summaries of AFRC meetings will be made available to the Boards after each regular meeting. Regular reports on AFRC activities under its mandate as relevant to each Board will be provided to the Boards. The AFRC Chair will ensure that they or a designated AFRC member attends all formal meetings of each Board.
36. **Meeting summary:** To the extent possible, meeting summaries shall be prepared as follows:
- a. Provided to the AFRC Chair by the One CGIAR Common Secretariat within 10 days after the close of the meeting;
  - b. Reviewed by the AFRC Chair and circulated to the AFRC members for consultation within 4 days thereafter;
  - c. Finalized between the AFRC Chair and the One CGIAR Common Secretariat within a further 7 days of receiving AFRC member inputs; and
  - d. Sent by the One CGIAR Common Secretariat to the respective Boards within 3 days of finalization.
37. **Delegation of Authority:** The AFRC shall have the power to delegate on an exceptional basis its authority and duties to the AFRC Chair or individual AFRC members as it deems appropriate.

## I. Declarations of interests and independence

38. **Declarations of interests:** All AFRC members must act in accordance with CGIAR's Code of Conduct for Governance Officials<sup>9</sup>, and self-identify and declare actual, potential or perceived conflicts of interest as and when they become aware of them including through annual declarations, on the receipt of agendas for each meeting and during meetings as new information becomes available.

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<sup>9</sup> <https://storage.googleapis.com/cgiarorg/2020/11/CGIAR-Code-of-Conduct-Gov-Officials-Approved-03.11.20.pdf>

39. **Declarations of independence:** All external independent members will be required to sign a declaration of independence.

J. [Remuneration](#)

40. **Honorarium:** Members of the AFRC may receive an honorarium for service on the AFRC in accordance with an honorarium framework approved by the CGIAR System Board. Travel and out of pocket expenses related to in-person meetings will be reimbursed according to the travel and expenses policy applicable to the CGIAR System Board.

K. [Performance Evaluation and Changes to the Terms of Reference](#)

41. **Performance:** The AFRC will evaluate its own performance on an annual basis having regard to the principles and responsibilities set out in these Terms of Reference and report the outcome of such to the Boards. An external evaluation every 3 years should be considered by the AFRC.
42. **Amendment:** The inaugural AFRC will review these Terms of Reference not later than during its second year of operation and recommend any proposed changes. The desired frequency of subsequent regular review should be considered at that time.