



## Assurance Oversight Committee Review of its Terms of Reference

### Purpose

The System Council at SC17 in November 2022 requested that each of its standing committees review its terms of reference and to consider whether to recommend any proposed changes and to report to the System Council the outcomes of that review.

### Executive Summary

The AOC has reviewed its terms of reference and recommends to the System Council that it make no amendments to the committee terms of reference.

Distribution Notice: This is a working document of the Assurance Oversight Committee and cannot be circulated.

Prepared by: Secretary of the AOC

## Background

1. At the System Council's 17<sup>th</sup> meeting the System Council (SC) requested that each of its standing committees review their terms of reference (TOR) and report back to the SC in Q2 2023. This paper outlines the Assurance Oversight Committee (AOC) findings and recommendations.
2. In completing its review, the AOC has considered
  - the rationale behind the formation of the AOC,
  - the evolution of CGIAR since the [Chengdu decisions](#),
  - the question of duplication with the System Board Audit Finance and Risk Committee (AFRC)<sup>1</sup>, and
  - upcoming structural and operational changes in CGIAR, and the governance challenges and identifiable risks that follow.

## History of the AOC

3. In 2016, the Research Centers and Funders agreed to a new governance structure, with two governing instruments - the CGIAR System Framework, that sets out the role of the System Council, and the Charter of the CGIAR System Organization, which sets out the role of the CGIAR System Organization and its two constituent parts - the CGIAR System Board and the System Management Office.
4. The two governing instruments provided for identically named standing committees of the SC and System Board, respectively – including an 'Audit and Risk Committee' for each. The then-titled System Management Board appointed its Audit and Risk Committee in July 2016, and its TOR was approved in December 2016. Recognizing the potential for duplication, and mindful of the need to ensure that its assurance structures were aligned to the Risk Management Framework of the CGIAR System, which was under development at the time, Terms of Reference for the Assurance Oversight Committee were approved in November 2017. The name of the Committee was also amended accordingly in the CGIAR System Framework. In forming the Committee, the SC was cognizant of:
  - a. the SC's desire to retain a level of independent oversight over certain key governance functions, and
  - b. the importance, to some Funders, of maintaining a separation of fiduciary functions, prompted by a concern that to sit on both the trustee board *and* a system board committee to oversee the effective and efficient expenditure of those funds (and any risks associated therewith) was not good governance.

---

<sup>1</sup> The AFRC's Terms of Reference are available at [https://storage.googleapis.com/cgiarorg/2021/07/CGIAR-AFRC-ToR\\_v10June2021.pdf](https://storage.googleapis.com/cgiarorg/2021/07/CGIAR-AFRC-ToR_v10June2021.pdf)

## Evolution of CGIAR governance since 2019

5. In November 2019, the SC unanimously endorsed the recommendations of the CGIAR System Reference Group, calling for CGIAR to come together as a truly integrated “One CGIAR.”
6. The transition to One CGIAR was to be implemented as a program of multiple interconnected workstreams supported by a Transition Program Management Unit. In the near term, the focus of the transition was to put in place a unified governance and management structure under a One CGIAR Common Board and an empowered Executive Management Team by October 2020 to provide coordinated governance and leadership to the transition.
7. In 2021 CGIAR launched a new research portfolio, aka the Initiatives, followed by a three-year investment plan for 2022–24, and associated changes to CGIAR’s research and funding modalities.
8. In February 2023, the System Organization and the Center/Alliance boards signed an Integrated Framework Agreement (IFA) which will be operationalized over the next 18 months. The Transition Program Management Unit, previously responsible for coordinating the transition has been disbanded, and implementation of the IFA is now being managed by an internal working group.
9. In April 2023, the SB announced the formation of a subcommittee to review the governance structure of the System Board, the Center boards and their interrelationships, and the SB relationship with the SC (the Unified Governance Review).
10. The AOC was inquorate from January 2022 to end-February 2023.

## Overview of AOC Mandate and Roles and Responsibilities

11. The AOCs mandate<sup>2</sup> is to provide the SC with:
  - The 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 SC, and
  - Oversight of system-wide governance, risk management and internal controls.
12. The AOC TOR provide for four key areas of assurance from the AOC to the SC. They are (paraphrasing):
  - a. **Internal Audit oversight.** Giving assurance to the SC that the IA arrangements are fit for purpose and provide sufficient system-wide assurance consistent with the risk management framework of the CGIAR System and whether such arrangements are appropriately funded. Consideration of the quality and

---

<sup>2</sup> Article 2 of the AOC’s Terms of Reference

- independence of internal audit arrangements throughout the System.
- b. **External audit oversight.** After consideration of consolidated metrics on the quality and independence of external audit providers throughout the System, offer recommendations to the SC regarding any System-wide assurance risks or gaps which may arise.
  - c. **Risk Management Framework oversight.** Provide assurance to the SC that the risk management framework of the CGIAR System is adequate, fit for assessing risk across all operations of the CGIAR and reflects the overall appropriate risk appetite statement determined by the SC related to System-level risks and that such arrangements are appropriately supported and funded. Review of strategic-level risk exposures and the steps taken by the System Organization on the direction of the System Board to monitor and control such exposures, and reporting to the SC on such matters and any recommendations arising therefrom.
  - d. **Governance and Internal Controls oversight.** Provision of advice to the SC regarding its approval of CGIAR policies relating to System-wide governance and risk management.
13. The AOC is comprised of up to 5 members, has a majority of independent members and, when possible, an independent chair. The AOC is currently constituted by three independent members appointed by the SC (including an independent chair) and two members selected from amongst the Council's voting member constituencies.
14. In contrast, the AFRC is comprised of between five and seven members, including at least one voting member of the SB (who is also a common member of One CGIAR Center/Alliance Boards), up to two external independent persons, and additional members as required who bring the relevant skills. AFRC members are selected and appointed by the SB and Center boards, take direction from and report to the SB and Center boards.

### Summary of AOC Review Findings

15. In completing its review of its mandate, the AOC has found that the lens through which the AOC and AFRC are looking into similar areas are different and complementary.
16. In completing its review of its roles and responsibilities, the AOC finds while there are numerous areas where the AOC and AFRC committees' roles and responsibilities intersect, if there is an acknowledgement and acceptance that different assurance bodies can fulfill different oversight functions in accordance with their specific mandates, any 'intersection' points can be clarified and managed, by arrangement between the AFRC and the AOC, to provide clearly defined lines of activity and oversight without duplication. This includes, but is not limited to, complementary annual workplans that will guide information flow to allow sufficient time for due diligence ahead of System Council decisions.
17. To operationalize the differences between the Committees will require strong

coordination and communication, and the meeting of the AOC with AFRC Chair confirms that collaborative operating modalities can be developed which are effective and cohesive so as to maintain the AOC's focus on strategic rather than operational areas, and which will minimize, to the extent possible, any inefficiencies which may arise.

18. In addition, the AOC believes that its independence from system-wide day-to-day operations provides a unique perspective and opportunity to value-add. The AOC has formed the view that its independence is of current strategic importance as CGIAR is on the horizon of unprecedented system-wide change.
19. The transformative changes include the 18-month operationalization of the high-level Integrated Framework Agreement (IFA) amongst the Center/Alliance/System Organization boards; an Independent Review of Unified Governance arrangements in CGIAR; and the contemporaneous development of a new financial operating model to support the development of the 2025-2027 investment portfolio during calendar 2024. Further, the proposed widening of funding partners will raise the likelihood of additional compliance confirmation and assurance on potential system wide risks.
20. While the AFRC will play an active role in guiding the Center Boards and the SB through the risk oversight of the day-to-day operationalization of these changes, the AOC finds an assurance committee which is removed from day-to-day management of the organization's activities, is best placed to provide CGIAR-wide oversight and assurance to the SC.

### Conclusion and recommendation

21. The AOC recommends that the SC make no changes to the current TOR and that it endorses the Committee's proposed focus in its workplan on the strategic risk management associated with the proposed system-wide governance changes to be operationalized under the terms of the IFA over the next one and a half years.
22. The AOC recognizes the SC and SB may undertake a far more reaching agreement regarding their future roles and responsibilities that may impact on the Committee's operations beyond 2023 and therefore the AOC recommends the Committee review its performance and ongoing relevance by May 2025 and report to the SC on the outcomes of the review.