



Agenda Item 18  
**Document SC19-18**  
**For information**  
Issued: 9 October 2023

# Report from the Assurance Oversight Committee (AOC)

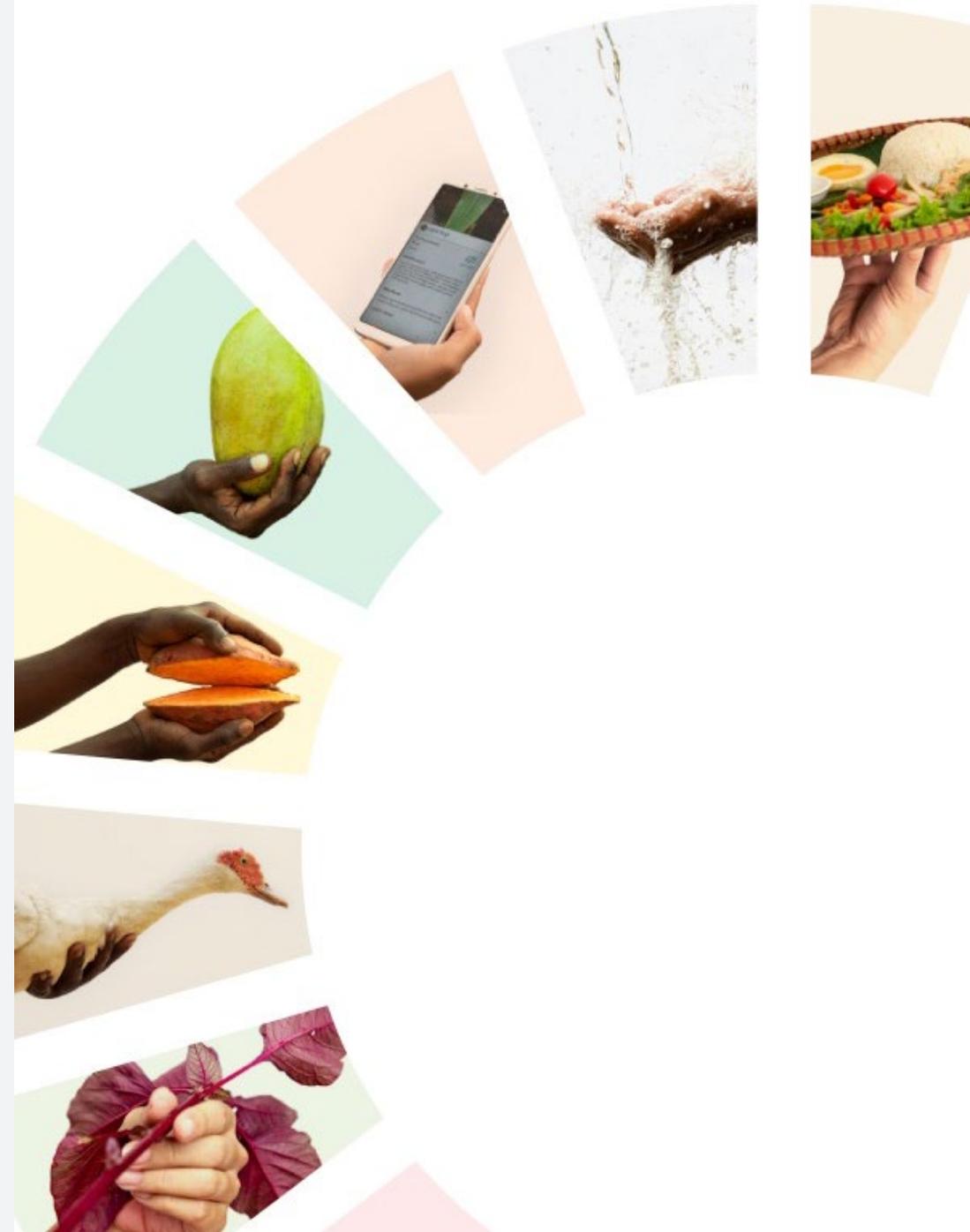
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**Presented by:** Muriel Uzan, AOC Chair

**Supporting documentation:**

SC19-18a: AOC updated workplan (for information)

SC19-18b: AOC membership succession planning (for approval)



# Assurance functions related to internal audit

## Topics addressed during May-Oct 2023

- a. Internal Audit Function arrangements and whether they provide sufficient system-wide assurance.
- b. Recruitment of a Global Chief Audit Executive
- c. Update on the delivery of 2023 internal audit plans and thematic vs. Center-specific audits
- d. Implementation of internal audit recommendations

### **Internal audit function arrangements**

- Internal audit is largely decentralized, but all Heads of Internal Audit report to their respective Boards through the common AFRC.
- Internal audit budgets are controlled by the Centers and teams report to Centers' Director General and Board, which limits the ability to establish common and coherent approaches to internal audit. An external review highlighted some discrepancies in the quality of audits at the Center level.
- The proposed new structure for internal audit includes a center of excellence to promote best practices, automate processes, improve data analytics, etc.

### **Recruitment of a Global Chief Audit Executive**

- On hold until 2024. Two interim Heads serving in the meantime.

### **2023 internal audit plans**

- Plans include 53 Center-specific and 6.5 thematic engagements. Resulting in ~100 reports to be delivered across IA teams in 2023, of which 31% are completed or their draft reports are with management (as of August 31, 2023).

### **Implementation of recommendations**

- A total of 207 outstanding actions (due and not due) as of 31 July 2023.

## Assurance functions related to external audit

### Topics addressed during May-Oct 2023

- a. External audit opinions with system-wide impacts
- b. Selection of common audit firm for 2024

### External audit findings

- No qualified opinions, but some variation in the quality of external audits. A common audit firm would very likely increase quality across the board.

### Selection of a common audit firm for 2024

- Business Operations and Finance are conducting an exploratory recruitment exercise to see how the current system can be improved upon by using just one or two audit firms across the System. There are numerous established global auditing firms that are sole auditors of similar corporate structures. AOC would expect that firms that are well-qualified are duly considered as being beneficial to encouraging coherence and consistency.
- Proposals from multiple external audit firms have been requested. Centers are actively engaged in the process. Results anticipated late-October 2023.
- While Centers have the ultimate authority to appoint their external auditor, it is very much hoped that Centers will exercise their choice, considering the value to their operations as well as the broader benefit to the CGIAR System as a whole.

# Oversight of System-wide governance, risk management and internal controls



Topics addressed during May-Oct 2023

- a. Review of risk management with respect to System-level risks
- b. Review of strategic-level risk exposures
- c. System-wide governance and risk management

## **Risk management framework and risk appetite statement**

- AOC members held a deep-dive on risk with the Senior Advisor, Risk Management.
- Both the AFRC and AOC note that a review of the risk management framework and risk appetite statement (both approved in 2017) is timely. The review cycle is typically every 3-5 years.

## **Strategic-level risk exposures**

- Funding is a big risk and drives many other risk issues (such as staffing). Changes are being made to the 2024 budgeting cycle to address challenges faced in 2023, and a risk-based approach is being taken to formulate the W1 budget.
- The AOC has received feedback that the complexity of the CGIAR matrixed arrangements make tensions around decision-making more pervasive and reinforcing. Trust is very important, and decisions should be made with clear rationale.

## **System-wide governance and risk management**

- AOC members actively contributing to the Unified Governance Review. Preliminary feedback from the UGR suggests that ineffective governance processes and structures is one of the primary risks facing CGIAR.
- A system-wide internal controls framework is being developed. This should strengthen process controls, compliance, and likely bring cost savings, but will require Center buy-in and adequate funding.

## Collaboration with Audit, Finance, and Risk Committee

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During SC18, Council members noted the importance of consistent information exchange and communication with CGIAR's Audit, Finance, and Risk Committee (AFRC). The following modes of collaboration have been agreed by the committee members:

- Quarterly written updates from the AFRC to the AOC.
- Quarterly informal calls between the AFRC and AOC Chairs, after the AFRC meeting and before the AOC meeting.
- A member representative from each committee will be invited to join the other's meeting, when relevant.

## AOC Chair

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The Assurance Oversight Committee (AOC) [terms of reference](#) state that:

*Chair. The members of the AOC shall elect a Chair from amongst their members, using a simple majority vote, for a term of three years. The Chair may be re-appointed for one additional three-year term if supported by all other members of the AOC and endorsed by the Council. Whenever possible, the AOC Chair should be drawn from the independent members of the AOC.*

Muriel Uzan has been serving as interim Chair since January 1, 2023. During SC17, the [AOC reported](#) that a short-term priority was to select an AOC Chair. This was put on hold until the committee was once again quorate and had reviewed its Terms of Reference.

The AOC became quorate in February 2023 and was approved to maintain its current TOR in May 2023. On September 29, 2023, AOC members elected Muriel Uzan as AOC Chair until June 30, 2025.

## AOC workplan

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- Full workplan shown in meeting document SC19-18a
- Reflects SC18-DP4, i.e., *“Endorsed the AOC’s workplan with a proposed focus 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.”*
- Rolling workplan, to be updated quarterly by the AOC.
- Latest update endorsed by AOC during AOC12 (September 2023).

## SC18-DP4: AOC succession plan

- During the 18<sup>th</sup> System Council meeting, members “extended the terms of all AOC members until **June 2025...** with the understanding that a clear succession plan will be put into place.”
- The succession plan is presented in document SC19-18a. The AOC recommend that:
  - As the longest-serving member, Muriel Uzan’s membership should expire or be renewed for an additional three-year term from 1 July 2025.
  - One independent member (Fayezul Choudhury) and one System Council member (Sarah Schmidt) should have their **terms extended to 30 June 2026**. From 1 July 2026 their membership should expire or be renewed for an additional three-year term.
  - One independent member (Rita O’Sullivan) and one System Council member (Flora Mak) should have their **terms extended to 30 June 2027**. From 1 July 2027 their membership should expire or be renewed for an additional three-year term.

Resulting  
proposal  
for SC  
approval:

Member	Member type	Date appointed	Term expiration
<b>Muriel Uzan</b>	Independent Member	1 August, 2018	30 June, 2025
<b>Sarah Schmidt</b>	SC Member (Germany)	3 November, 2022	30 June, 2026
<b>Fayezul Choudhury</b>	Independent Member	15 February, 2023	30 June, 2026
<b>Flora Mak</b>	SC Member (Canada)	3 November, 2022	30 June, 2027
<b>Rita O’Sullivan</b>	Independent Member	15 February, 2023	30 June, 2027