Executive Report

Assurance Oversight Committee (AOC) 12th Meeting
14-15 March 2024
Rome, Italy (Hybrid)

Introduction

1. The 12th meeting of the System Council's Assurance Oversight Committee (AOC) was hybrid, with three members attending virtually and the rest in person on 14-15 March 2024 in Rome, Italy and was attended by all AOC members, with some members attending some sessions (see Annex 1 for participant list).

Internal Audit (TOR ref: B.5.a-e)

2. The Acting Chief Audit Executive presented a comprehensive update on internal audit (IA) activities. The following issues were discussed: IA function delivery, quality assurance, research ethics and a report on the status of the internal audit plan.

3. **GAP Analysis of Current IA Standards with Global Internal Audit Standards**: The AOC observed the need for a gap analysis between the current IA standards issued by the Institute of Internal Auditors and in place in CGIAR with those updated and applicable from 1st January 2025 named Global Internal Audit Standards), which will require action plans to be defined and implemented.

4. **Importance of Timely Responses to IA Requests:** The AOC emphasized the need for the Centre Boards and the incoming Integrated Partnership Board to prioritize and stress the importance of timely responses to internal audit requests.

5. **Access to Centre Financial Data by IA:** The AOC expressed concern with the IA's inability to access the Centers' financial data. The Committee strongly recommends that IA be granted access to the Centers' financial data on an ongoing basis.

6. **Centre-owned enterprises:** AOC observed the need for transparency in the reporting associated with centre-owned enterprises and recommended that Centre Boards include mapping of these enterprises in the centre Internal Audit plan to give the Centre Boards more oversight of these enterprises.

7. **Chief Audit Executive:** The AOC noted the function has not been staffed, with the current staff holding the position in an acting capacity. Since suspending the recruitment exercise for the position, AOC is unaware of the plans to restart the search for this critical position.

   AOC'S Overall Assessment: The current management of the internal audit function is making a commendable effort to develop and implement an effective internal audit work plan. There is a lack of clarity as to the <u>overall leadership structure</u> of the function and its <u>authority over information access,</u> and <u>developing centrally driven internal audits</u> overall inhibits both the substance and appearance of the importance of this function.

External audit (TOR ref: B.5.d-e)

8. **Common Global Auditor**: The Global Head Financial Quality and Assurance provided an update on the recruitment of a common external auditor, a process initiated by the Audit, Finance, and Risk Committee of the System Board. The process was unsuccessful as cost analysis of bids proved too high compared to what Centres pay; further, more Centers indicated their comfort with their current external auditors and felt their needs would not be met by a common global external auditor.

9. The AOC recommends that CGIAR continue to pursue the identification of one or two firms for an **integrated** External Audit for all CGIAR entities, drawing on the findings and lessons learned from this process.

10. **Overall Assessment: AOC calls for the rationalizing of the external audit arrangements to ensure the integrity of publicly reported financial information based on the application of a consistent set of internationally accepted financial reporting and auditing standards, uniformly applied across all CGIAR entities, which has been recognized from the outset of the One CGIAR Initiative, reiterated in the CGIAR Memorandum on governance reforms as one of the functions that should be integrated.**

Oversight of System-wide governance (TOR ref: B.5.k), risk management (TOR ref: B.5.f-h), and internal controls (TOR ref: B.5.g)

11. **Unified Governance Review Implementation.** The Global General Counsel updated the AOC on implementing the CGIAR memorandum on governance recommendations. AOC members had an in-depth discussion on the UGR implementation, cost implications, and risks associated with the implementation process. The AOC also calls attention to the points raised in its Advisory Note to the System Council issued on 9 December 2024. AOC notes that it has requested for the overall cost of implementing the recommendations of the CGIAR Memorandum of governance recommendations, and is yet to receive a response.

12. **Internal Controls and System-wide governance and risk management.** The AOC received an update on internal controls framework projects and lessons learned from reviews conducted at three Centers, with a planned scale-out to other Centers in 2024. The AOC stressed the need to differentiate between internal controls over financial reporting and internal controls to mitigate risk. It was suggested that Business Operations and Finance could work with the Risk Management team to link the internal controls processes being analyzed to the system-wide risk mapping underway.

13. **Risk Management.** The Senior Advisor Risk Management presented an update on risk management and the development of a risk appetite statement. The Senior Advisor for Risk Management plans to present a risk framework and the risk appetite to the SC in October, which will be shared with the AOC. The AOC emphasized the importance of linking system-wide risks to the Centers' top risks, the need for a clear independent focus for monitoring the effectiveness of the risk mitigation actions and the escalation process at the appropriate level.

    AOC's Overall Assessment: AOC acknowledges the progress made in risk management at the system-wide level but is concerned about the limited funding for this critical function, particularly during a change management process. AOC strongly recommends that risk management become an integrated function.

14. **System Council Intellectual Property Group:** AOC engaged with the System Council Intellectual Property Group (SCIP). The Committee gained an understanding of the group's role and work as part of CGIAR's overall governance structure and processes.

15. **Review of AOC's Terms of Reference.** AOC discussed revising its TOR to clarify its mandate and avoid duplication with the AFRC. Under the new integrated partnership, the System Council will decide whether it needs additional assurances from the AOC.

    System Council members are requested to share their expectations of the Committee in light of the new governance arrangements with the implementation of the CGIAR Memorandum on governance recommendations.

Ethics and business conduct (TOR ref: B.5.g)

16. The Director (a.i.) Office of Ethics and Business Conduct (EBC) presented an update on work to date and plans for 2024. AOC noted the increased number of requests related to conflicts of interest addressed to the EBC office, and the Committee was pleased with the establishment of Centre-level whistleblowing hotlines. AOC expressed concern about the uneven application of the four common ethics policies approved by the System Board and System Council across the Centres while highlighting the weakness or lack thereof of an internal justice system.

    AOC's Overall Assessment: AOC calls for the integration of the Ethics and Business Conduct function for the following reasons: a) the EBC office needs to have a full view of all complaints at the Centre level to allow for central reporting coordination, b) the EBC office needs to develop and monitor clear CGIAR wide policy on whistleblowing, investigations and disciplinary processes and c) there should be an enforcement mechanism for implementation of investigations and policies together with training and guidelines.

AOC/AFRC on system-wide issues

17. The AOC as a Committee interacted with the AFRC on various system-wide issues. The Chairs of the two Committees have met twice since the last report and the Committee shares briefings of their respective meeting.

Annex 1: Participation

<u>AOC Members</u>

Fayezul Choudhury (v)	Independent Member
Flora Mak (v)	System Council Member (Canada)
Rita O'Sullivan	Independent Member
Sarah Schmidt	System Council Member (Germany)
Muriel Uzan (Chair) (v)	Independent Member

<u>Session-specific invitees</u>

Agenda item 2	Madina Bazarova, Acting Chief Audit Executive (v)
	Elbert Hidding, Internal Audit Support Service Senior Officer (v)
Agenda item 3	Rutger de Witt Wijnen, Global General Counsel (v)
Agenda items 4-5	Marion Barriskell, Global Director, Business Operations and Finance
Agenda item 6	Aline Flowers, SCIP member (v)
	Eric Huttner, SCIP member (v)
	Ana Carolina Roa-Rodriguez, Consultant, Legal Services (v)
Agenda item 9	Vanessa Goss, Consultant, Ethics and Business Conduct
	Alexandra Moyas, Director (a.i.), Office of Ethics and Business Conduct
Agenda item 10	Michael Odhiambo, Consultant, Board and Council Relations (v)
	Georgios Solomos, Senior Advisor, Risk Management (v)
Agenda item 11	Clarissa van Heerden, Chair, Audit, Finance and Risk Committee (v)

<u>System Council Secretariat</u>
Sylvia Oyinlola, Global Head, System Council Support
Victoria Pezzi, Meeting and Events Coordinator
Emma Quilligan, Senior Manager, System Council Support (v)