

Assurance functions related to internal audit

Topics addressed during November 2023 – May 2024



- AOC noted a need to perform a gap analysis between current Internal Audit standards and the new ones, “*Global Internal Audit Standards*” (applicable from 1st January 2025). Once gaps are identified, action plans need to be defined and implemented.
- AOC highlighted the need for Center Boards and the System Board to emphasize the importance of timely responses to internal audit requests.
- AOC is concerned that IA does not have direct access to the Center's financial data on an ongoing basis.
- AOC strongly recommends that Center Boards include mapping of Center-owned enterprises in their internal audit plans for 2025 to improve oversight of these by Center Boards.
- **The recruitment exercise for a Chief Audit Executive was suspended. The AOC is not aware of the plans for restarting the search for this critical position.**

Overall Assessment: Lack of clarity on overall leadership structure of the function and its authority over information access, and development of centrally driven internal audits inhibits both the substance and appearance of this important function despite of the commendable effort made by the current management of the internal audit function to develop and implement a holistic risk based internal audit work plan.

Status of 2023 Internal Audit Plan Delivery

	As of March 2024	As of December 2023
Completed or draft with management	61 of 84 (73%)	47 of 84 (57%)
Report being drafted or field work being completed	11 of 84 (13%)	25 of 84 (29%)
Carried Over to 2024	12 of 84 (14 %)	12 of 84 (14%)

Status of Outstanding Management Actions

<i>Outstanding Recommendations</i>	As of December 2023	As of July 2023 – reported to SC19
Due	137	140
Not Due	10	67
Total	147	207

Outstanding recommendations as of 31-12-2023 147
Implementation rate 49%

Assurance functions related to external audit

Topics addressed during November 2023 – May 2024



Recruitment of common global auditor

Context:

- In 2023, a process was initiated by the AFRC to undertake a search process for a common external auditor.
- At end-2023, External Audit was identified as one of three priority areas for integration in the approved CGIAR Memorandum on implementation of governance recommendations.

Issues identified as a result of the process:

- The bids received were significantly more expensive per Center than what is currently paid.
- More buy-in is required to ensure integration across rather than a top-down approach.
- Lack of clarity between ownership of and accountability regarding the procurement process and its specific requirements.

Recommendation:

The AOC recommends that CGIAR prioritizes the identification of one or two firms for integrated External Audit for all CGIAR entities. Drawing on the findings of the “ lessons learned “ from this unsuccessful search, the Request for Proposals needs to be carefully crafted, and the tendering process needs to be improved.

Overall Assessment: External audit ensures 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. AOC reiterates that it is essential for the External Audit to be prioritized as an integrated function in accordance with the UGR Memorandum.

Oversight of System Governance, Risk Management and Internal Controls

Topics addressed during November 2023 – May 2024

a. Unified governance review Implementation

- AOC provided an advisory note to the System Council on the CGIAR Memorandum on governance recommendations prior to the SC meeting to approve the memorandum in December 2023.
- In that guidance, and the AOC's subsequent meeting, it has requested an analysis of the costs of implementation related to the CGIAR Memorandum on Governance recommendations, without success.

b. Internal Controls

- AOC noted that an internal controls framework, aiming to set a baseline for standardized controls over financial reporting, was tested in 3 Centers (IITA, Africa Rice and the Alliance) and is planned to be operational in all Centers by 2024.
- The AOC recommended that Business Operations and Finance conduct a lessons learned exercise and present this to the Audit, Finance, and Risk Committee (AFRC) before expanding the pilot project and moving ahead with the related initiatives.

c. Risk Management

- The AOC emphasized the importance of linking system-wide risks to Centers' top risks. This ensures a clear, independent focus for monitoring the effectiveness of risk mitigation actions; and provides clear escalation processes.
- The AOC acknowledges the progress made in risk management at the system-wide level but **is concerned about the limited funding for this important function**, especially during a change management process.
- The AOC strongly recommends that risk management becomes an integrated function across CGIAR.

d. Other

- The AOC engaged with the SCIP Group during its 12th meeting in March 2024 to gain an understanding of their role and work as part of the CGIAR's overall governance structure and processes.

Ethics and Business Conduct

Outcomes of discussions during November 2023 – May 2024



- AOC notes that the EBC Office is receiving an increasing number of requests related to conflicts of interest.
- AOC was pleased that Centers have their own whistleblowing hotlines. However, AOC suggests enhanced central reporting coordination for the EBC Office to have a full view of all complaints at Centers.
- AOC recommends that ethics committees be established at the Center level to receive complaints, review investigation results, and ensure thorough analysis has been completed.
- The AOC notes that four common ethics policies were approved, but not all Centers have implemented them. AOC **requested an update on the status**, but has not received it yet.
- AOC is concerned about the lack of an internal justice system.
- The AOC requested to review the stocktake of Center Ethics' Frameworks (once available), anticipated to be carried out as part of a planned engagement from the 2024 Internal Audit plan.

Overall Assessment: AOC calls for the **integration** of the Ethics and Business Conduct function including:

- a) full view of all complaints at Centers for the EBC Office to allow central reporting coordination whilst establishing ethics committees at the Center level to receive complaints, review investigation results, and ensure a thorough analysis is done.
- b) setting, and monitoring of clear **CGIAR-wide policy** on whistleblowing, investigations, and disciplinary processes.
- c) enforcement mechanism for implementation of both investigations and policies, next to training and guidelines.

IAES 2024 Budget Approval

Outcomes of discussions during November 2023 – May 2024



AOC's TOR (clause B.5.i) mandates that AOC provide

"advice to the System Management Board on the reasonableness of business plans and budget projections for the Council's advisory functions to inform the Board's submission to the Council of consolidated System entity multi-year and/or annual work programs and budgets."

IAES 2024 Budget Review

A detailed AOC analysis of the proposed IAES 2024 Budget was submitted to the SC Chair in November 2023 and concluded the budget submission:

- Is based on plans agreed by the Advisory Bodies as being relevant and appropriate to the achievement of strategic objectives of the function.
- Is reasonably costed in terms of cost drivers of the underlying activities.
- AOC values the need for coordination between the two Standing Committee of the System Council, particularly with regard to the budget and work plan monitoring.
- Acknowledging the dual roles involved in IAES Budget/Workplan approval, AOC and SIMEC agreed to hold joint meeting sessions to review and approve these integrated plans. The first such meeting was held in March 2024.
- The AOC and SIMEC also agreed to extend standing invitations to a member from each Committee to attend their respective Committee meetings.

Recommendations

- **Strengthen workplan and budget utilization monitoring and reporting both as a routine accountability tool, but also to mitigate the risk of tying up funds that could be used elsewhere as occurred to a significant scale in 2023.**
- **The AOC strongly recommends a review of the MOPAN study of 2019 and follow up on the findings and the Management Responses.**

Review of AOC's Terms of Reference

Outcomes of discussions during November 2023 – May 2024



- AOC discussed revising its TOR, with the goal of clarifying its mandate and avoiding duplication with the AFRC while continuing to answer specific requests from the SC.
- System Council members are called to share their expectations of the Committee in light of the new governance arrangements with the implementation of the CGIAR Memorandum on governance recommendations.

Collaboration with Audit, Finance, and Risk Committee

Activity during November 2023 – May 2024



During this period, the following coordination activities occurred:

- Quarterly communiques from the AFRC to the AOC.
- Quarterly and ad hoc informal calls between the AFRC and AOC Chairs, to share information and to escalate important issues.
- A member representative from each committee will be invited to join the other's meeting, when relevant.

AOC workplan

The AOC rolling workplan was discussed at its March 2024 meeting. Noting that the workplan may be subject to change pending modifications to AOC TOR, key plans include:

- Review costs to UGR implementation once received.
- Review and offer inputs on update on Internal controls.
- Begin to update AOC TOR considering UGR changes.
- Review lessons learned from the common external auditor recruitment process and next steps.
- Revisit risks of UGR implementation with CGIAR management.
- Review and offer inputs on Ethics & Business Conduct global stocktake document.
- Review and advice the System Council on the Internals Rules Framework with a system-wide focus and risks.