Terms of Reference
Assurance Oversight Committee of the System Council

A. Committee Purpose and System-wide context

1. **The Assurance Oversight Committee ("AOC"), a standing committee of the System Council ("Council") composed of a majority of independent members[1].**

2. **Its purpose**[2] is to provide:

   a. **The Council with assurance of the completeness and effectiveness of the Internal Audit Function and the independence of external audit functions**, and a structured reporting line between internal and external auditors and the System Council; and

   b. **Oversight of system-wide governance, risk management and internal controls**.

3. **The AOC operates within the following context as agreed between CGIAR's Funders and Centers in June 2016**:

   a. The Council's principal role is to keep under review the strategy, mission, impact and continued relevancy of the CGIAR System[3];

   b. CGIAR's Funders provide guidance and financial resources for CGIAR Research and for the agreed operations of the CGIAR System Organization, which is governed by the CGIAR System Management Board ("Board");

   c. The Board's system-level oversight role is supported by a Board-appointed Audit and Risk Committee with a broad mandate in respect of System-level finance and risk and assurance matters;

   d. Between the Council and Board, it is the Council's responsibility to approve a risk management framework of the CGIAR System, and it is for the Board to approve System-focused internal audit function arrangements that are aligned

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[1] As stated in Article 8.2 of the CGIAR System Framework
[2] As stated in Article 8.2(a) of the CGIAR System Framework
[3] As stated in Article 2(b) of the CGIAR System Framework

to the risk management framework and which arrangements take into consideration the existence of the internal audit arrangements of each Center;

e. CGIAR's Centers are autonomous organizations, each with their own Board of Trustees comprised of a majority of independent trustees, and supported by their respective Center's management, risk and assurance structures and processes, including Center-specific finance, risk and/or audit committees;

f. Agreed Guiding Principles[4] are intended to guide the development of policies, procedures and guidelines of the CGIAR System. These principles include (numbered 12), that "the principle of subsidiarity should guide policies and implementation, and overreach must be avoided. The Centers should be responsible for system functions that can be more efficiently and effectively executed by them and by CGIAR Research Programs and for the use of funds provided to them…"

4. **The AOC serves the Council in all matters covered by this Terms of Reference. In so doing, it shall be the responsibility of the AOC Chair to:**

a. Maintain regular and open communication among AOC members and with the Council;

b. Coordinate with the System Council's Strategic Impact, Monitoring and Evaluation Committee to support the delivery of effective combined assurance in relation to scientific advice and evaluation elements; and

c. Establish and maintain an effective consultation model with the System Management Board via its Audit and Risk Committee to facilitate delivery on the respective mandates of the two committees, thus ensuring open and transparent communications, and the appropriate escalation and de-escalation of matters as relevant to the differing oversight responsibilities within the CGIAR System.

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[4] The Guiding Principles are recognized in Article 1 of the CGIAR System Framework and set out in full text in Annex A of the Framework, as agreed at the meeting of Centers and Contributors in February 2016.

B.   Committee roles and responsibilities

5.   Pursuant to the purpose set out in Article 2(a) above, the AOC's responsibilities comprise the following:

Assurance functions related to internal and external audit

a.   Provision of input on behalf of the Council into the periodic review and approval by the Board of terms of reference and a process for fulfilling the Internal Audit Function arrangements for the CGIAR System;[5]

b.   Provision of advice on the System's Internal Audit Function arrangements; whether they provide sufficient system-wide assurance consistent with the risk management framework of the CGIAR System and whether such arrangements are appropriately funded; [6]

c.   Consideration of consolidated lessons learned and prioritized recommendations relating to System-wide risks arising from the Board's review of findings and follow-up emanating from the Internal Audit Function, and providing advice to the Council on the appropriateness of planned actions;[7]

d.   Consideration of consolidated metrics on the quality and independence of internal audit arrangements and external audit providers throughout the System, and offer recommendations to the Council regarding any System-wide assurance risks or gaps which may arise;

e.   Serving as the conduit for a structured reporting line between the System Management Board and the Council regarding Internal Audit Function arrangements and external auditors; including providing recommendations to the Council that appropriate escalation and de-escalation processes are in place to respect the principle of subsidiary to the extent possible, having regard to the nature of the risk or assurance questions arising.

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

f.   Provision of advice and recommendations to the Council regarding its approval and periodic review of the risk management framework of the CGIAR System and an appropriate risk appetite statement related to System-level risks[8];

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[5] Article 6.1(h) of the CGIAR System Framework. The review cycle would typically be each 3-5 years.
[6] Article 6.1 (i) of the CGIAR System Framework.
[7] Article 6.1 (j) of the CGIAR System Framework.
[8] Article 6.1(l) of the CGIAR System Framework. The review cycle would typically be every 3-5 years.

g.   Review of strategic-level risk exposures and the steps taken by the System Organization on the direction of the System Management Board to monitor and control such exposures, and reporting to the Council on such matters and any recommendations arising therefrom;

h.   Review of consolidated information on corrective actions taken by the System Management Board under funding agreements with Centers and the risk management framework of the CGIAR System, providing observations to the Council on the adequacy and relevance of those actions;[9]

i.   Provision of 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;[10]

j.   Review of key recommendations from the System Management Board arising from their review of consolidated system-level annual financial reports, providing feedback to the Council in line with the risk management framework of the CGIAR System; [11]

k.   Provision of advice to the Council regarding its approval of CGIAR policies relating to System-wide governance and risk management;[12] and

l.   Upon request, provision of input into the System Management Board's commissioning of governance and management reviews of CGIAR Centers to complement the evaluations of the CGIAR Portfolio.[13]

C.   Composition and Chair

6.   <u>Composition</u>. Membership of the AOC shall be composed of a maximum of five (5) persons, the majority of whom shall be independent members[14]. Other members shall be selected from amongst the Council's voting member constituencies. In line with good governance practices, independent members shall not have been involved in any capacity with the CGIAR System in the 3 years prior to their appointment date.

7.   <u>Appointment process</u>. AOC members are appointed by the System Council. As required, the System Council shall appoint an ad hoc nominating committee to undertake a search for membership candidates and make appointment recommendations. The CGIAR System Organization shall serve in a secretariat capacity to the nominating committee.

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[9] Article 6.1 (bb) of the CGIAR System Framework.
[10] Article 6.1 (u) of the CGIAR System Framework.
[11] Article 6.1 (aa) of the CGIAR System Framework.
[12] Article 6.1 (k) of the CGIAR System Framework.
[13] Article 6.1 (dd) of the CGIAR System Framework.
[14] In line with the requirement in Article 8.2(a) of the CGIAR System Framework, the Committee shall have a majority of independent members.

8.   Skills and experience. Persons serving as members of the AOC who are not System Council voting member constituency representatives shall have one or more of the following experience and skills:

   a.   Corporate governance
   b.   Financial and programmatic performance management
   c.   Internal audit and risk management
   d.   Ethics and investigation

9.   Term of members. Each AOC member (including the Chair) shall serve on the committee for up to three years, and shall serve until their successor shall be duly designated or until such member's earlier resignation or removal by decision of the Council. AOC members may be renewed as determined by the Council.

10.   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.

11.   Delegation of Authority. The AOC shall have the power to delegate on an exceptional basis its authority and duties to the AOC Chair.

D.   Operations

12.   Meetings. The AOC shall meet at least twice per year, preferably in advance of System Council meetings. Meeting dates shall be determined by the Chair in consultation with the other members. Meetings may be held virtually for efficiency purposes.

13.   Quorum. A majority of members, one of whom is the Chair (or a temporary Chair nominated by the Chair should circumstances require), shall constitute a quorum for the transaction of business.

14.   Agenda. The AOC Chair shall develop an annual rolling agenda, and for each meeting a draft Agenda distributed to committee members not less than 14 days before the meeting.

15.   Meeting documents. Documents for each meeting will, to the extent practicable, be posted on a dedicated System Council AOC meeting site by the System Organization 7 days prior to each meeting to permit meaningful review in advance of the meeting.

16.   Observers and other invitees. The Chair of the Audit and Risk Committee of the System Management Board shall have a standing invitation to all AOC meetings. The AOC Chair will ensure that other relevant stakeholders from across the System are invited to participate in meetings relevant to the meeting Agenda.

17. <u>Authority and direct access.</u> The AOC may seek any information it considers necessary to fulfil its responsibilities. The AOC shall have direct access to all internal and external assurance providers it considers necessary to fulfil its responsibilities.

18. <u>Decision-making on matters for recommendation to the Council.</u> The AOC Chair should aim for consensus on all decisions resulting in a recommendation being formally put to the Council. If consensus cannot be reached, both the majority and minority positions shall be reported to the Council.

19. <u>Reporting</u>. The AOC is under the formal authority of the Council. The AOC shall provide the Council with each meeting summary and regularly report on its meetings and other activities to the Council. As such, AOC meeting summaries may form public record documents of the Council. The Executive Director of the System Organization shall designate a resource person to serve as the secretariat officer for all meetings.

20. <u>Communication</u>. The AOC Chair should be in regular communication with the Chair of the Audit and Risk Committee of the System Management Board.

21. <u>Participation in Council meetings</u>. The AOC Chair shall be invited to attend the System Council meetings, if that person is not otherwise a member of the System Council[15].

E.   Declarations of interests and independence

22. <u>Register of interests and continuing disclosure requirements for potential conflicts</u>. All AOC members will be required to comply with the Council's policies on disclosure of interests, and a register of AOC member interests will be accessible to the AOC and Council members. Where an AOC member has a perceived or actual conflict of interest on a specific topic under discussion, they will make the circumstances known to the AOC, to ensure that discussions proceed in an open and transparent manner.

23. <u>Declarations of independence</u>. All external independent members will be required to sign a declaration of independence in the format approved by the Council.

F.   Remuneration and financial support to attended meetings

24. <u>Support</u>. The external independent members of the AOC may receive a modest honorarium for service in accordance with any honorarium framework approved by the Council, in addition to support for travel expenses and per diem according to the stipulations of the System Organization's travel and expenses policy. Persons serving on the AOC who are affiliated with any System Council constituency are ineligible to receive an honorarium, but may be compensated for travel costs if from a developing country constituency.

G.   Committee performance and changes to the Terms of Reference

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[15] As stated in Article 3.3(a) of the CGIAR System Framework

25.	Performance. The AOC will review its own performance on an annual basis having regard to the principles and the purpose of these Terms of Reference and report the outcome of such reviews to the Council.

26.	Amendment. The AOC will review these Terms of Reference from time to time and recommend any proposed changes to the Council. The Council may amend these Terms of Reference in accordance with the provisions of the Framework.