
Board and Audit Committee Oversight: Elements for Consideration



CGIAR Internal
Auditing Unit

Challenges to effective Board / Audit Committee oversight

- **Clarity of authorities and accountabilities**
 - what approvals does the Board reserve to itself, what does it delegate, on what does it require consultation, on what does it require information;
- **Information** – what is presented, how it is presented, when it is presented
- **Scope of work of, and communication with, external and internal audit** - how, when, in what form

Clarity of Authorities and Accountabilities

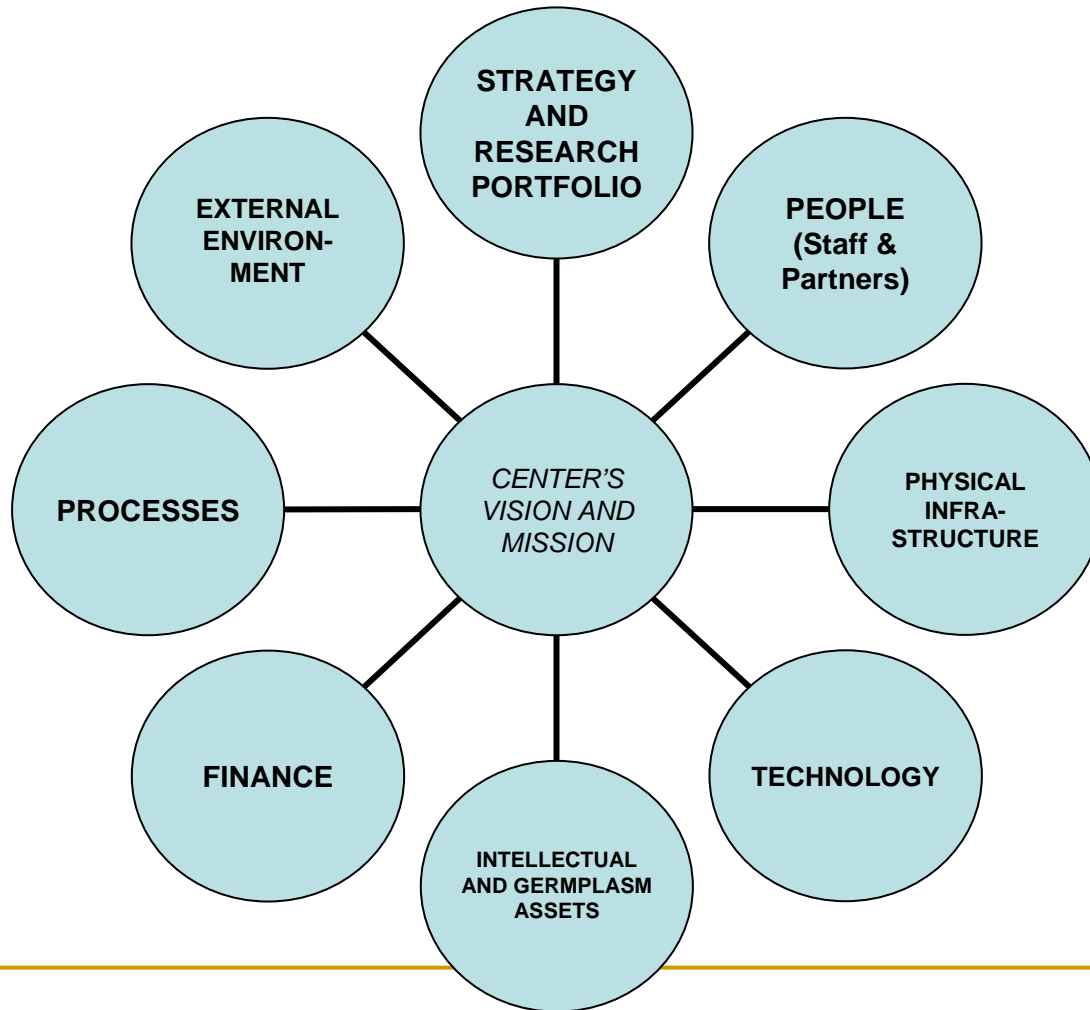
- IAU Good Practice Note on Board-Center Reporting Arrangements and Delegations of Authority (February 2005)
 - ***Document Board-Center reporting requirements in a Board approved schedule***
 - *Approval, Consultation, Information*
 - *Define the documentation expected to support this*
 - *GPN provides a template to record the requirements*
 - ***Document in consolidated form, delegations of authority to staff below the Director General in a format that clearly shows, for each type of transaction, the type of delegation, to whom and the established limits***
 - *GPN provides an inventory of items that could be covered*

Information (Using the Risk Management process as an organizing tool) 1/4

- The inventorying and analysis of major institutional risks provides a useful basis for organizing information to the Board
 - Provides a basis for prioritizing information requests and submissions: *what do we need to spend our time reading and discussing?*
 - Puts information being provided into a context: *how does this topic relate to the issue of the Center's overall management and well being?*
 - Facilitates proactive and timely information preparation by management: *what has been done to address previously identified risk exposures? Drill down info on the status of the "top risks".*

Information (Using the Risk Management process as an organizing tool) 2/4

The Risk Management Framework encompasses a broad view of the Center's operations



Information (Using the Risk Management process as an organizing tool) 3/4

Impact	Risk Management Actions		
Significant	Considerable management required	Must manage and monitor risks	Extensive management essential
Moderate	Risks may be worth accepting with monitoring	Management effort worthwhile	Management effort required
Minor	Accept risks	Accept, but monitor risks	Manage and monitor risks
	Low	Medium	High
	Likelihood		

Information (Using the Risk Management process as an organizing tool) 4/4

Focus on the performance indicators in key areas, as derived from internal and external measurements, accompanied by risk ratings reflecting results:

- ❑ **Implementation of strategy / change management:** performance against measurable indicators; staff survey results; impact evaluations; CCERs
- ❑ **Research quality:** CCERs
- ❑ **Availability and use of research data:** progress in establishing metadatabases and implementation of knowledge management initiatives
- ❑ **Availability and use of research products:** assessments of compliance with Board IP policy particularly in relation to partnerships with private sector
- ❑ **Integrity and use of germplasm collections:** assessments of compliance with international undertakings, genebank reviews
- ❑ **Product safety:** assessments of compliance with approved policies and protocols
- ❑ **Financial viability:** donor funding trends and prospects; project pipeline indicators; short and long term liquidity indicators; review of progress of Center reserve build-up against plan
- ❑ **Financial reporting integrity:** external audit, internal audits of financial management processes influencing financial accounting
- ❑ **Occupational health and safety:** deviations from OH&S standards per independent OH&S audits
- ❑ **Work location / travel security:** security briefings
- ❑ **Biosafety:** assessments of compliance with biosafety framework and relevant Board policies
- ❑ **Business continuity:** performance against business continuity plan (tested) – all key locations not just HQ

Information: Defining requirements through the Audit Committee Charter (1/2)

- IAU Good Practice Note on Audit Committee Charters (February 2005)
 - The responsibility sections of the charters should address the Committee's responsibilities with regard to:
 - The Center's financial statements
 - The Center's risk management and internal control systems
 - Internal Audit
 - External Audit
 - Compliance and litigation
 - Reporting to the Board
 - Other responsibilities

Information: Defining requirements through the Audit Committee Charter (2/2)

- ❑ The revised model charter enumerates the various aspects under each of these headings – in effect setting out an agenda for the Audit Committee and alerting management to the information they should have ready, in time, to provide to the Audit Committee
- ❑ Provides an organizing basis for Audit Committee deliberations
- ❑ AC charters/terms of reference being progressively reviewed in 2005

Information: Developing Performance Indicators and High Level Reporting Formats

- Many Centers looking for ways to develop high level reports (e.g. dashboards, balanced scorecard-type presentations) to quickly show performance against key indicators
- Problems at present: mass of detail, information not brought together in one place
- Many Centers also looking to develop their performance indicators (of which the CGIAR indicators would be a subset)
- IAU work plan includes research to prepare a Good Practice Note on this in 2005.

Scope of work of, and communication with Board/AC with external and internal audit

- AC Charter should be clear on communication with External Audit
- IAU Good Practice Note on Internal Audit Charters (February 2005)
 - Scope of work and reporting relationship to Audit Committee
 - Center charters being progressively reviewed by IAU in 2005
- Management and AC reporting formats for IA under continual review (looking across Centers and externally for good practice)