SUMMARY OF MAJOR DECISIONS

Fifty Third Meeting, New Delhi, India

4-5 May 2013

Chair: Don Blackmore

BOARD MATTERS:

The Board concurred with the CGIAR Governance review recommendation that requires a Board member with a formal finance qualification to Chair the Audit Committee. In order to implement the recommendation and provide continuity until such time as a new member with such qualifications joins the Board, the Board considered the desirability for the current Audit Committee Chair, Getachew Engida, to continue in this role for a further year.

Recommendation
The Board reappointed Getachew Engida as Audit Committee Chair with effect from the on-going Board meeting up to the end of his extended term on 31 December 2014.

Report of the Audit Committee:

The Audit Committee Chair summarized the Audit Committee proceedings and presented several recommendations for Board approval. The Committee had met with the CG Internal Audit Associate Director and discussed the internal audit arrangements, an update of the IAU including a status report on audits carried out for IWMI in 2012 and proposed update on the 2013 draft internal audit plan. The CGIAU had confirmed that their professional independence was not compromised in carrying out the audit tasks. The Committee noted that all the audits carried out in 2012 were rated ‘satisfactory’ and encouraged management to implement recommendations to further strengthen internal controls.

Recommendation
The Audit Committee did not note any major concerns and recommends the adoption of the report from the CGIAR Internal Audit and the approval of the medium term internal audit plan as presented.

The Audit Committee had discussed the 2012 audited financials. The net assets have increased over a million dollars, the balance sheet is strong and nothing alarming has come to their attention. The Director F&A had briefed the Committee about the issues faced by Management in closing the books especially with respect to getting comfort letters from participating centers, which delayed the audit timelines. The Committee also had a teleconference with auditors Ernst &Young in a closed session
and discussed the 2012 audited financials, E&Y management letter and IWMI responses during which the Auditors had echoed the issue in obtaining the comfort letters.

**Recommendation**
The Audit Committee recommends that the Board approves the 2012 audited financials for IWMI, E&Y management letters and IWMI responses, and congratulate the management and staff for their efforts.

**Recommendation**
The Audit Committee further recommends that the Finance Director raises the issue of comfort letters at the next meeting of the Corporate Service Executives (CSE) such that a position is formed at the system level that is acceptable to all Centers.

The Committee had discussed the Management papers on the audit (internal & external) arrangements in 2013.

**Recommendation**
The Audit Committee recommends that the Board approves the appointment of KPMG as IWMI’s external auditors for the year 2013.

**Recommendation**
The Audit Committee further recommends that the Board approves the appointment of PWC as IWMI’s internal auditors for the year 2013, in addition to buying one share of CGIAU.

The Committee discussed the development of internal audit function in the CGIAR and noted that internal control is the responsibility of the management and is in fact a management tool and that the Audit Committee’s responsibility is for external audit to get an independent assessment. The internal audit is part of the institution and as such should not report to the Audit Committee Chair. Furthermore, the recommendation that IAU Director reports to a panel under the Chairmanship of the Consortium Board Audit Committee member and comprising of 2 Board members and 2 nominees of the Corporate Service Executive group is also considered inappropriate. Instead, the Committee felt that the CGIAU Director should report to the Consortium CEO who should then be responsible for the function. The Audit Committee made a number of suggestions to Management and the Board Chair in relation to taking discussion on these issues forward among Centers and with the Consortium Office.
The Committee considered the inclusion of honoraria to Board Chair and to Board members for performing representational roles and proposed a minor change to the method of payment. As per the current charter, the Board Chair can claim up to 10 days of honoraria for the Institute’s work. Similarly, the Board Members can be asked to take on representational roles and should be paid honoraria accordingly so long as Management is satisfied with the audit trail by way of approval by the Board Chair or Director General as appropriate. The Audit Committee recommended to the Board that the following be approved and reflected in the revised Board Charter.

**Recommendation**
The Board Chair will be paid flat honoraria equivalent to 10 days over and above the Chair’s time for Board meetings plus actual out of pocket expenses, incidentals etc.

**Recommendation**
The Board Chair can request Board members to take on representational roles and based on approvals, such members will be paid honoraria for such days plus actual travel expenses if not paid by the Institute, out of pocket expenses etc.

**Report of the Nominating and Human Resources Committee:**
The NHRC Chair summarized the meeting proceedings and tabled three recommendations for Board approval.

The NHRC had discussed the IWMI Board composition in light of the CGIAR Governance Review Phase 1 recommendation #2 which requires center boards to include at least two financially-experienced individuals, one of whom should have a professional accounting qualification and is expected to Chair the Audit Committee.

The Committee recognized the need to identify at least one nominee with financial qualifications who could have a year of transition with the current Audit Committee Chair and then take over the Audit Committee leadership by end of 2014. Given the size of the IWMI Board, the Committee had also noted the value of such candidates with strategic thinking capability, expertise in development, water resources or natural resource management in addition to having a financial qualification. In view of these deliberations, the Committee had agreed it would need a broader list of nominees to consider than those received so far. The Committee agreed to request the full Board one month’s time to come up with suitable nominees that fit the criteria.
The NHRC reviewed a range of statistical information relating to IWMI staffing including gender and diversity, arrivals and departures, age analysis of researchers, staff attrition details, etc. The overall staff numbers are continuing to increase with 9 more staff in April 2013 than at Nov 2012 of which 5 are hosted staff in Africa. Regional diversity remains strong though less so at the more senior levels and the age analysis of the researcher cadre demonstrates that in the younger age groups females are better represented than in the older groups. The report also included north/south diversity of researchers by employment category in response to an earlier Board request. This table showed that representation from the south is lower as seniority rises which was raised as a matter of concern to Management.

The NHRC Chair reported that the Committee was briefly updated on general progress covering recruitment, training and capacity building; staff survey results and IRS compensation survey; and, exit interviews.

The Committee had considered Management’s proposed actions to address the IRS survey results which showed that IWMI salaries were below the average of the combined CGIAR centers and made suggestions for maintaining IWMI’s competitiveness in the market for talented staff while strengthening its performance related rewards system.

The Committee had reviewed the results of the 2012 staff performance review, comparing across staff groups and regions. The DG and the Director-HR had elaborated plans to revamp the performance management system in line with the new strategy process to include consideration of how team and individual performance is defined, with stronger links between individual targets and IWMI goals including the reintroduction of the practice of having MT discussions before the formal assessment process in order to ensure IWMI-wide uniformity in the application.

The Committee reviewed and considered the amendments proposed to the Personnel Policy Manual (PPM) to further strengthen IWMI’s stand in regard to disability in terms of its staff and in recruitment.

**Recommendation**

The Committee recommends the approval of the proposed amendments to clause 1.2 ‘IWMI’s Commitment to Staff’ and clause 6.2 ‘Recruitment Principles’ to explicitly state IWMI’s stand in regard to disability

The Committee reviewed the results of the 2012 Board Self-Assessment and the results show that the Board is satisfied in the majority of areas surveyed.
As per section 10 of the CGIAR Intellectual Assets (IA) Principles, all centers are required to submit annually to CGIAR the following:

(i) Board Assurance on compliance of management of Intellectual Assets according to CGIAR Principles; and
(ii) IA consolidated report covering the preceding year.

The first IA consolidated report from centers covering the year 2012 was required to be submitted by end of April 2013 and IWMI has complied with this deadline. The Center Board assurance of compliance based on this IA consolidated report from IWMI has to be submitted by end of May. The DG noted that this does not affect IWMI as much as commodity centers but it is a requirement for all centers on an annual basis. The DG said that Management is requesting Board to provide an assurance of compliance based on the IA consolidated report already submitted to the CGIAR and included in the documentation for the Board’s information.

**Recommendation**

The Board approved Management request for the Board to provide an assurance of compliance based on the IWMI’s IA consolidated report for 2012 and for the Board Chair to sign the Board assurance on behalf of the full Board.

The Board reviewed the report of the CGIAR Governance Review Phase I, the report on the Implementation of Phase I Governance Review Recommendations and the table of responses received thus far from Center DGs. In discussions, the Board considered each recommendation individually and was in general agreement apart from two aspects. Since the requirement is for the recommendations to be adopted by the Centers on a “comply or explain” basis, the Board agreed that the Management would draft a response to the Consortium Board based on the Board discussion for submission under the Board Chair’s signature.

**Recommendation**

The Board to formally respond to the Phase I Review Recommendations under the signature of the Board Chair.

**FINANCIAL MATTERS:**
The Director F&A presented the revised 2013 budget and noted the funding assumptions on which the initial Board paper on 2013 budget was based and the changes to these assumptions due to difference in interpretation between Management and the Consortium Office on the allocation method and its impact on achieving the budgets. The Board reviewed and discussed the budget noting the changes to the assumptions.
The Director F&A stated that the current funding excludes the possible EC 2013 contribution, which if approved and received through W3 would reduce the risk. It was noted that while IWMI will strive to continue to generate additional W2 pipeline for the Water, Land and Ecosystems (WLE) Program, if the W2 funding for 2013 does not materialize as expected, then IWMI’s share of the deficit would be a maximum of $1.7 million plus an additional $1.17 million to cover the proportional gap in EPA (Essential Program Activities) budgets. To allow implementation of innovative research activities under WLE, Management requested the Board’s approval to allocate reserves to bridge the gap between the guaranteed and allocated funding and allow the required level of certainty for program implementation in 2013. The actual amount of reserves needed to cover this maximum gap will depend on W2 funds received during the course of the year.

**Recommendation**
The Board approved the 2013 revised budget such that depending on the actual funding outcome, the maximum shortfall to be covered from reserves will be $1.7 million for IWMI plus its share of EPA of up to $1.17 million.

**GENERAL:**

The Board reviewed and approved the budget allocation for the construction of a new office building in Ghana including solar panels and other energy efficiency and water re-use measures.

**Recommendation**
The Board approved the budget allocation for the new office building in Ghana

**ALL RECOMMENDATIONS WERE APPROVED BY THE BOARD**