



# External Audit of the GGGI Financial Statements

## TERMS OF REFERENCE

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# Background

## 1) GGGI's Mission and Approach

The Global Green Growth Institute (GGGI) was established as an intergovernmental organization with the objective of promoting sustainable development of developing and emerging countries including the least developed countries. GGGI is dedicated to supporting the creation and diffusion of the model of economic growth known as "green growth". The green growth model integrates economic growth, environmental sustainability, poverty reduction and social inclusion.

## 2) Background and Objectives

Accounting and financial management practices of GGGI are governed by the Financial Regulations and Financial Policies and Procedures. The accounts and financial management of all funds governed by these Financial Regulations shall be subject to an annual audit, and the arrangements for such audit shall take into account the international nature of the GGGI and ensure an open and competitive process for the selection of the External Auditor, subject to approval by the GGGI's Management and Program Sub-Committee. Financial Statements of GGGI are prepared in accordance with the International Financial Reporting Standards (IFRS).

# Proposed Activities and Scope of Work

## 1) Proposed Activities for the Overall Project

These terms of reference address the requirement for external audit of financial statements of GGGI for the two calendar years from 2019 and 2020.

## 2) Scope of Work

The External Auditor(s) shall perform such audit of the accounts of GGGI, including all Trust Funds and special accounts, as follows:

- a) The audits should be carried out in accordance with ISA<sup>1</sup> or INTOSAI<sup>2</sup> auditing standards and will include testes, verification procedures as the auditors deem necessary.
- b) Verify financial transactions reflected in the statements have been in accordance with the rules and regulations, the budgetary provisions, and other applicable directives;
- c) Verify all funds have been used in accordance with the established rules and regulations of the GGGI and only for the purpose for which the funds were provided.
- d) Goods, works and services financed have been procured in accordance with the GGGI established rules and procedures.

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<sup>1</sup> International Standards of Auditing (ISA) published by the International Auditing Practices Committee of the International Federation of Accountants

<sup>2</sup> International Organisation of Supreme Audit Institutions

- e) Appropriate supporting documents, records and books of accounts relating to all activities have been kept. Clear linkages should exist between the books of the account and the financial statements presented to.
- f) The finance statements have been prepared by GGGI management in accordance with applicable accounting standards and give a true and fair view of the financial position of GGGI and of its receipts and expenditures for the period ended on that date.
- g) Comprehensive assessment of the adequacy and effectiveness of the accounting and overall internal control system to monitor expenditures and other financial statements in all material respects.
- h) Express an opinion as to reasonableness of the financial statements in all material respects.
- i) Include in their reports opinion on compliance with procedures designed to provide reasonable assurance of detecting misstatements due to errors or fraud that are material in the financial statements.
- j) Conduct entry and exit meeting with the Director General and Assistant Director-General for Finance and Corporate Services.
- k) In addition to the audit report, the auditor(s) will prepare a Management Letter on the following:
  - 1. Give comments and observations on the accounting record, procedures, systems and controls that were examined during audit.
  - 2. Identify specific deficiencies and areas of weakness in systems and controls and make recommendations for improvement.
  - 3. Report on the implementation status of recommendations pertaining to previous period audit reports.
  - 4. Communicate matters that have come to their attention during the audit which might have a significant impact on the sustainability of the organization.
  - 5. Bring to the Director General and Assistant Director General for Finance and Corporate Services attention any other matters that the auditors consider pertinent.
- l) Securities and moneys on deposit and on hand have been verified by the certificates received direct from the Organization's depositories or by actual count;
- m) Procedures satisfactory to the External Auditor(s) have been applied to the recording of all assets, liabilities, surpluses and deficits.

Sufficient audit evidence should be gathered to substantiate in all material respects the accuracy of the financial statement. The audit report should state if the audit was not in conformity with any of the above and indicate the alternative standards or procedures followed. The External Auditor(s) shall be the sole judge as to the acceptance in whole or in part of certifications and representations by the Secretariat and may proceed to such detailed examination and verification as he/she/they choose(s) of all financial records including those relating to supplies and equipment.

## Deliverables and Payment Schedule

The expected outputs of the auditor are as follows:

### GGGI Audit

The External Auditor will have to present the annual statutory audit report to the Audit and Finance Sub-Committee of the GGGI Council during its April/May session.

A draft audit report should be submitted by 15 March and a final signed audit report with certified statements by 31 March.

A management letter should be submitted by 31 March of the year following the end of period under review.

GGGI will make available the non-audited financial statements for the financial year no later than 15 February following the end of the financial year.

#### Donor Specific Audit/Project Specific Audit

The External Auditor will have to present the audit report to GGGI within the time and duration stipulated in the audit engagement letter for each specific audit.

## Suggested Methodology

### **Audit Report**

The audit report should clearly indicate the auditor's opinion. This would include at least the following:

- The title, addressees, and an opening or introductory paragraph containing:
  - a) Identification of the financial information audited including the period covered; and
  - b) Statement of the responsibility of the entity's management and the responsibility of the auditor.
- A scope and methodology paragraph describing the nature of the audit referencing:
  - a) The accounting standards that have been applied and indicate the effect of any deviations from those standards;
  - b) The audit standards that were applied (INTOSAI standards, ISAs, or national standards that comply with one of these in all material respects); and
  - c) The work the auditor performed.
- An opinion paragraph disclosing:
  - a) Whether the financial statements and supporting schedules fairly present the cash receipts and expenditure in all material respects and that the funds were used for the purposes defined by the work programme;
  - b) Whether the financial transactions reflected in the statements are in accordance with financial regulations and procedures, budgetary provisions and other applicable directives; and
  - c) Summary assessment of the efficiency of the management and internal control system, including an attestation of internal control over financial reporting.

The auditor may expand the report to include other information and explanations not intended as a reservation. Audit reports shall be provided in English.