



Global Green Growth Institute

The Council
Written Procedure
March 4, 2020

Decision on Approving the Tasks for the Management and Program Sub-Committee of the Council and the Audit Contact Points to Ensure the Independence of GGGI's Internal Audit Function

The Council,

Recalling Articles 2 and 4 of the Agreement on the Establishment of the Global Green Growth Institute, regarding the objectives and activities of the organization;

Taking note of Article 10 of the Financial Regulations, regarding the purpose, role and functions, scope, and reporting of internal oversight in GGGI;

Taking note of the recommendation by the Council at the 8th Session of the Assembly and 12th Session of the Council on October 24, 2019 [A/2019/DC/3-C/2019/DC/10] to provide more information on the clearance and review functions of the ACPs, their reporting obligations to the Assembly and the Council, and detailed procedure for implementing the tasks;

Approves the list of tasks for the Management and Program Sub-Committee of the Council and the Audit Contact Points to ensure the independence of GGGI's internal audit function, attached as Annex 1.

/End

Independence of the Internal Audit Function within the Global Green Growth Institute

1. Introduction

- 1.1 This document discusses the independence and objectivity of the internal audit function at the Global Green Growth Institute (“GGGI”) and the steps to achieve independence. Furthermore, it provides the Audit Contact Points (“ACP”) of the Management and Program Subcommittee of the Council (“MPSC”) and the MPSC with specific details on the set of tasks to be carried out in fulfilling their duty with regards to ensuring the independence of GGGI’s Internal Audit function.
- 1.2 The Institute of Internal Auditors (“IIA”) defines internal auditing as an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
- 1.3 In 2013, the Council established the Office of Internal Audit and Integrity (“OIAI”) to fulfil these requirements at GGGI. OIAI, in accordance with the International Standards of Professional Practice of Internal Auditing (“the Standards”), may analyze strengths and weaknesses of GGGI’s internal control, considering its governance, organizational culture, and related threats and opportunities for improvement which can affect whether GGGI is able to achieve its goals. The analysis assesses whether risk management identifies the risks and puts controls in place to manage public funds in an effective and efficient manner.
- 1.4 OIAI works with those charged with governance - senior management and the ACP - in assessing whether systems of internal controls are appropriately designed and implemented at GGGI. As such, internal audit can provide recommendations to strengthen controls, and improve the efficiency and effectiveness of operations and compliance with authorities. It should not perform management or operational duties.

2. Defining Independence and Objectivity (Standards 1100)

- 2.1 Independence is defined as freedom from dependence on, or influence or control by, another person, organization, or state. For internal auditors as defined by the Standards, independence is the freedom from conditions that threaten the ability of the chief audit executive (Head of Internal Audit in the case of GGGI) to carry out internal audit responsibilities in an unbiased manner. Independence permits internal auditors to render the impartial and unbiased judgments essential to the proper conduct of engagements.
- 2.2 Objectivity is defined in the IIA Standards as an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they have an honest belief in their work product and that the quality of their work is not compromised in any way.

3. Achieving Independence and Objectivity at GGGI

3.1 According to the Standards (Standards 1110), organizational independence is effectively achieved when the Head of Internal Audit reports functionally to the Board (MPSC in the case of GGGI). Examples of functional reporting to the MPSC involve the MPSC:

- *Approving the internal audit charter;*
- *Approving the risk-based internal audit plan;*
- *Approving the internal audit budget and resource plan;*
- *Receiving communications from the Head of Internal Audit on the internal audit activity's performance relative to its plan and other matters;*
- *Approving decisions regarding the appointment and removal of the Head of Internal Audit;*
- *Approving the remuneration of the Head of Internal Audit; and*
- *Making appropriate inquiries of management and the Head of Internal Audit to determine whether there are inappropriate scope or resource limitations.*

Section 4 below describes step-by-step guideline on this functional role of the ACP.

3.2 The ability to achieve OIAI's independence and objectivity at GGGI is contingent on the appropriate placement and/or organizational status of the internal audit activity within the organization. Therefore, the ACP should:

- Ensure that OIAI's internal audit activity has sufficient resources to allow it to accomplish its activities as defined by its internal Audit Charter ("the Charter"). The audit activity must be positioned in such a way that it may obtain cooperation from management and staff of the program or entity being audited, and have free, unrestricted access to all functions, records, property, and personnel – including those charged with governance. The Head of Internal Audit may be consulted to assist the ACP in achieving this.
- Exercise discretion and be consulted (through GGGI's staff performance evaluation process) regarding the appointment, removal, and compensation considerations of the Head of Internal Audit. Consideration may also be given to appointing an appropriately organized, independent body to appoint the Head of Internal Audit.
- Ensure that the Head of Internal Audit is positioned in rank within GGGI that is deemed appropriate by the Standards. This is to ensure that the Head of Internal Audit performs his/her duties as specified in the Charter with adequate authority. To avoid possible conflicts of interest, the Head of Internal Audit should report to a level in the organization that would allow the internal audit activity to effectively carry out its responsibility.
- Maintain direct communication with the Head of Internal Audit. This communication reinforces the organizational status of internal auditing, enables full support and unrestricted access to functions, records, property, and personnel, and helps ensure that there is no impairment to independence. This provides OIAI with sufficient authority to ensure broad audit coverage, adequate consideration of engagement communications, and appropriate action on recommendations.

4. Specific Guidelines on the Functional Role of the ACP

4.1 *Approving the Charter*

- a. In accordance with the Standards (Standard 1010), the ACP ensures that the Charter recognizes the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing as mandatory elements. This is achieved through annual consultation with the Head of Internal Audit in Q3 of each year to ensure that the Charter remains relevant to GGGI's most up-to-date operations and governance structure and conforms with the IIA's mandatory requirements.
- b. If no changes are proposed to the Charter, the meeting minutes from the annual consultation between the Head of Internal Audit and ACO shall be presented to the MPSC and Council for the record.
- c. If changes are proposed to the Charter, the Charter is to be first signed by the Director-General and sent to the Council upon recommendation by the MPSC. Once the Council approval is given, the Charter needs to be signed by an appropriate representative of the Council. The Charter is only required to be signed when there is an amendment.

4.2 *Approving the risk-based internal audit plan ("the Plan")*

- a. The Head of Internal Audit holds a consultation meeting with the ACP to discuss its annual audit plan in Q4 of each year.
- b. Upon submission of the Plan by the Head of Internal Audit in Q4 of each year, the ACP reviews and comments, where required, on OIAI's selection of internal audit projects within 15 working days.
- c. If no objections are raised by the ACP, the Plan is deemed as approved.

4.3 *Approving the internal audit budget and resource plan*

- a. The annual budget and resource plan are submitted as part of the Plan. Please refer to the steps detailed under 4.2 above.

4.4 *Receiving communications from the Head of Internal Audit on the internal audit activity's performance relative to its plan and other matters*

- a. The Head of Internal Audit holds regular meetings with the ACP (face to face or teleconference) throughout the year to discuss OIAI's internal audit activities.
- b. If there are any decision that require the Council's approval, the ACP submits a formal discussion request at the MPSC meeting to agree on the recommendation to be put forward to the Council for approval.
- c. MPSC submits the recommendation to the Council via GGGI Governance.

4.5 *Approving decisions regarding the appointment and removal of the Head of Internal Audit*

- a. At least 6 months before the Head of Internal Audit's contract end date, the ACP consults both Head of Internal Audit and GGGI Management regarding the appointment or removal of the Head of Internal Audit.

- b. The ACP ensures that there are no unjustified restrictions or limitations, and reviews and concurs on the appointment, replacement, or dismissal of the Head of Internal Audit.
- c. The ACP is partial in the appointment process of the Head of Internal Audit from selection to appointment. The Head of Human Resources ensures that the ACP gets unrestricted access to the HR information on the appointment of Head of Internal Audit during the selection process.
- a. Once the decision to appoint or remove the Head of Internal Audit is made, the ACP makes recommendations to the MPSC to draft recommendation to the Council.
- d. MPSC submits the recommendation to the Council via GGGI Governance.

4.6 Approving the remuneration of the Head of Internal Audit

- a. At least once per year, the ACP reviews the performance of the Head of Internal Audit and concurs with the annual compensation and salary adjustment (if any) submitted.
- b. In the event of appointing/renewing the appointment of the Head of Internal Audit, ACP reviews the remuneration of the Head of Internal Audit and makes recommendations to the MPSC.
- c. MPSC submits the recommendation to the Council via GGGI Governance for approval. The Council or MPSC approvals are given only on appointment/ renewing the appointment of the Head of Internal Audit.

4.7 Making appropriate inquiries of Management and the Head of Internal Audit to determine whether there are inappropriate scope or resource limitations

- a. The Head of Internal Audit holds regular meetings (face to face or teleconference) with the ACP throughout the year to discuss any matters pertaining to limitation of scope or resources.
- b. The ACP ensures that any matters concerning limitation of scope or resources raised by Head of Internal Audit are resolved immediately in consultation of GGGI Management.

4.8 Reviewing and providing clearance to all audit and review reports submitted by the Head of Internal Audit

- a. At the end of each internal audit engagement, the Head of Internal Audit submits the final draft report with Management's comments to the ACP for review.
- b. The ACP, based upon a review, may provide comments for clarification or revision within three weeks of receiving the draft report.
- c. Once all comments are cleared, the Head of Internal Audit submits the final report to ACP for clearance and distribution to the MPSC.

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