

Management Letter

March 31, 2020

To the management of the Global Green Growth Institute

Dear Mr. Frank Rijsberman

This letter is provided to you to communicate the key audit procedures, audit findings including control deficiencies, other observations and recommendations identified during our audit on FY 2019 financial statements of Global Green Growth Institute ("GGGI").

In planning and performing our audit of the financial reporting as of and for the year ended December 31, 2019, we considered GGGI's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on GGGI's internal control over financial reporting. Accordingly, we do not express an opinion on GGGI's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

In consideration of our audit scope above, we did not identify any matters significant enough to qualify our audit opinion either individually or in aggregate. Therefore, we have issued an unqualified opinion on March 31, 2020.

As indicated in the audit engagement letter dated September 3, 2019, we would like to draw your attention on the areas explicated below:

- An assessment of the efficiency of the administration, management and internal control system of GGGI.
- Assessment of the internal control systems and their adequacy as a basis for the preparation of the accounts and to establish whether proper accounting records have been maintained.
- Assessment of the administrative guidelines and internal procedures are adhered to (administrative guidelines that we have referenced are as follows).
 - Finance Policies and Procedures Manual
 - Financial Regulations
 - Delegation of Authorities
 - Travel Rules
 - Rules Concerning Engagement and Use of Individual Consultants
 - Staff Rules and Regulations
 - Project Cycle Management Manual
- Assessment of the adequacy of the systems of control over procurement of supplies, equipment and services, hereunder verify whether guidelines regarding procurement are followed (guidelines that we have referenced are as follows).
 - Delegation of Authorities
 - Procurement Rules
- Follow-up on previous audit and review recommendations
 - a. ISA 805 engagements (Colombia, Indonesia, GCF Project)

Key Audit Procedures and Findings

Amongst various audit procedures, key audit procedures and findings performed by Samil PwC are described as follows:

(1) Treasury

To assess the internal control systems and their adequacy related to bank transactions, we interviewed the treasury manager from the Finance team regarding opening and closing of accounts, performing monthly bank reconciliations, cash disbursement process and management of petty cash. We have confirmed that during cash disbursement, bank account to be disbursed is automatically selected according to their designated project codes and final approval is made by the Finance Director. Also, monthly cash reconciliation is performed and reviewed, approved by the Finance Director.

Findings

Based on the procedures performed, no significant exceptions were found.

(2) Fixed Assets and Intangible Assets

To assess the internal control systems and their adequacy related to fixed assets and intangible assets, we performed walkthrough with the Finance team member regarding approval of purchase and disposal of fixed assets. We have confirmed that asset acquisitions require approval of purchase requisitions and purchase orders and approvers for each steps are automatically assigned according to the delegation of authorities. Also, after the project manager uploads expense journal entry and requests invoice approval, the Finance team ultimately approves the invoice and the entry. We tested the operating effectiveness of the internal controls by performing sample tests for expenses occurred during 2019 and inspecting approved invoices and other supporting documents.

Findings

Based on the procedures performed, no significant exceptions were found.

(3) Revenue and receivables

To assess the internal control systems and their adequacy related to revenue recognition, we performed walkthrough with the Finance team member regarding project management starting from project and budget creation and approval to monthly revenue recognition from deferred income. We confirmed that project agreements are appropriately approved by authorities and project information such as core or earmarked classification, project duration and budget are appropriately reviewed and approved.

In addition, we tested the operating effectiveness of internal controls related to revenue recognition by inspecting sampled revenue journal entries and deferred income reconciliation file and determine whether monthly projects expenses are appropriately aggregated and approved by the Finance Director to be recognized as revenue from earmarked funds and whether deferred income reconciliation file that reconciles the recalculated deferred income balance with the amount in the trial balance is approved by the Finance Director.

During test of details of revenue from core funds and increase of deferred income, we reviewed each samples' grant agreements, invoices, milestone reports if applicable and cash-in documents to determine whether revenue and deferred income was appropriately recorded, and were recorded in the correct period.

Findings

Based on the procedures performed, we have found that revenue recognition period for the core fund from Department for International Development (hereinafter "DFID") of United Kingdom was uncertain, because the accounting period of UK DFID starts from April and ends in the following year. For contributions received during 2019 which in the Memorandum of Understanding between UK DFID and GGGI states to be funding for 2019 and 2020, considering the nature of the contribution, GGGI recognized revenue at the time it was received.

(4) Travel and Outsourcing Expenses

To assess the internal control systems and their adequacy related to travel and outsourcing expenses, we interviewed with the Finance team member regarding approval procedures for travel and outsourcing expenses. We have confirmed that in order for travel expenses to be charged and approved, approved travel requests and travel mission reports are necessary and outsourcing expenses require purchase requisition, purchase order and invoice approval process. We tested the operating effectiveness of the internal controls by performing sample tests for expenses occurred during 2019 and inspecting approved invoices and other supporting documents.

Findings

Based on the procedures performed, no significant exceptions were found.

(5) Payroll and Employee Benefits

To assess the internal control systems and their adequacy related to payroll, employee welfare and employee benefits, we performed a walkthrough over human resources processes such as input of employee information, monthly payment and calculation of salary, time budget approval process etc. with the HR team. Also, during the course of our audit of financial statements we have tested the mathematical accuracy of salary and vouched monthly salary payment with corresponding bank documents and payroll registers.

Findings

Based on the procedures performed, no significant exceptions were found.

(6) Financial Reporting and Closing Activities

To assess the internal control systems and their adequacy related to financial reporting and closing activities, we interviewed with the Finance team manager regarding the team's closing activities and have reviewed the Finance Policies as a basis for the closing guidelines of GGGI. During our audit of financial statements, we have reviewed data that the management used for financial statements.

Findings

Based on the procedures performed, no significant exceptions were found. We note that the management has appropriately performed financial closing and reporting procedures and only for disclosure requirements for IFRS 9 and IFRS 16 the management was not fully informed. However this will be resolved in the near future as experience builds.

ISA 805 Engagements

Samil PwC is engaged to perform additional audit services according to International Standard of Auditing 805. The country programs audited are as follows:

- Indonesia Country Program under Norwegian Funding for the year from January 1, 2019 to December 31, 2019
- Colombia Country Program under Norwegian Funding for the year from August 1, 2019 to December 31, 2019
- Green Climate Fund Readiness and Preparatory Support Program under Green Climate Fund's funding for the year from January 1, 2019 to December 31, 2019

Key audit procedures and findings performed by Samil PwC are described as follows:

(1) Grants

We have vouched grants received in cash for the year ended December 31, 2019 with corresponding disbursement request, receipt letter and cash-in bank documents and have confirmed that all cash disbursements were made through approved documents and according to the grant agreements. We have not found any significant exceptions.

(2) Expenditures

We have performed sample tests for expenditures occurred during the year, focusing on top expense groups such as outsourcing, travel, rental expenses and inspected approved purchase agreements, invoices, PO and other supporting documents. Also, we performed recalculation of overhead by using the overhead rate approved by the grantor. We have not found any significant exceptions.

(3) Personnel Costs

Among staff that work for the country programs, we have performed sample tests by inspecting samples staff's contracts and also sampled among personnel costs and recalculated them according to approved charge-out rate. Charge-out rates are approved during the approval of the grant agreement and are used for calculating personnel costs. No significant exceptions have been found.

Subsequent events

No significant subsequent events after the period end date noted that should be reflected onto FY 2019 financial statements.

This letter is intended solely for the information and use of GGGI and is not intended to be and should not be used by anyone other than GGGI.

If you would like any further information or would like to discuss any of the issues raised, please contact Yongbeom Seo (+82-2-3781-9110, yongbeom.seo@pwc.com)

Very truly yours,

Yongbeom Seo



Samil PricewaterhouseCoopers