



## **GLOBAL GREEN GROWTH INSTITUTE CHARTER FOR OFFICE OF INTERNAL AUDIT**

(As of May 24, 2013)

### **INTRODUCTION**

Under the direction of the Audit and Finance Sub-Committee of the Council, the Office of Internal Audit (OIA) is established in the Global Green Growth Institute (GGGI) to strengthen the functioning and credibility of the organization. OIA has the operational independence, objectivity and authority to conduct internal audits, inspections, evaluations, investigation, and other monitoring activities. This Charter sets out the purpose, authority and responsibility of OIA, consistent with Article 9 (Internal Oversight) of the Financial Regulations.

### **MISSION**

The mission of OIA is to assist the Council in fulfilling its internal oversight responsibilities at GGGI. The role of OIA is to support GGGI accomplish its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of governance, operating practices, risk management and internal control activities. As such, OIA also focuses on raising awareness of risks and controls, providing advice to the Secretariat in developing control solutions, and monitoring the implementation of corrective actions to mitigate risks and strengthen internal controls.

### **ORGANIZATION**

OIA is led by the Chief Internal Auditor (CIA) who reports functionally to the Audit and Finance Sub-Committee of the Council and administratively to the Director-General. The CIA's performance will be evaluated by the Chair of the Audit and Finance Sub-Committee of the Council and the Director-General. The Chair of Audit and Finance Sub-Committee will approve all decisions regarding the performance evaluation, appointment, or removal of CIA as well as CIA's annual compensation and salary adjustment. CIA will communicate and interact directly with the Audit and Finance Sub-Committee of the Council.

### **AUTHORITY**

Based on the authority given by the Audit and Finance Sub-Committee of the Council and the Director-General, OIA function is authorized to:

- (a) Have full, free, and unrestricted access to all GGGI activities, records, documents, properties, and personnel pertinent to carry out its roles and responsibilities.

Documents and information provided to OIA will be handled in the same prudent and confidential manner as by those staff normally accountable for them.

- (b) Obtain the necessary assistance of personnel within GGGI as well as other specialized services from within or outside of GGGI. All staff members, including consultants and contractors, of GGGI are required to assist OIA in fulfilling its roles and responsibilities.
- (c) Have free and unrestricted access to the Audit and Finance Sub-Committee of the Council

## **INDEPENDENCE AND OBJECTIVITY**

OIA is an objective assurance and advisory function designated to add value to the operations of GGGI by independently evaluating its operation and providing recommendations for improvement.

- (a) OIA will remain free from interference by any element in GGGI, including selection of audit subject, scope, procedures, techniques, frequency, timing, or report content to permit maintenance of necessary independent and objective attitude.
- (b) OIA will have no direct operational duty, responsibility or authority over any of the activities of GGGI that may be subject to review of OIA. Accordingly, except in relation to the conduct of its own activities, OIA will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair OIA's judgments.
- (c) OIA shall exhibit the highest level of professional integrity and objectivity in gathering, evaluation, and communicating information about the activity or process being examined. OIA shall make a balanced assessment of all the relevant circumstances and not be unduly influenced by its own interests or by others in forming judgments.

## **SCOPE OF WORK**

The scope of OIA activity encompasses the examination and evaluation of the adequacy and effectiveness of GGGI's governance, operations, information system, and internal process as well as the quality of performance in carrying out assigned responsibilities to achieve GGGI's mission and objectives. This includes, but is not limited to, monitoring and investigation of:

- (a) Financial, physical and human resources in relation to their economic acquisition, efficient utilization and adequate protection.
- (b) Reliability, integrity and timeliness of financial, managerial and operational information.
- (c) Effectiveness and efficiency of GGGI programs and operations.
- (d) Existence and sufficiency of the Secretariat's annual risk assessment process.

- (e) Adequacy and effectiveness of ongoing internal control system, procedures and other relevant monitoring activities by process owners.
- (f) Compliance with laws, regulations, policies, procedures, contracts, agreements, directives and resolutions from the Council, other legislative mandates and related administrative directives, and approved recommendations of external oversight bodies.
- (d) Misconduct including, but not limited to, fraud, corruption, workplace harassment, sexual harassment, abuse of authority, or failure to observe prescribed regulations, rules, relevant administrative issuances and standards of conduct.

## **RESPONSIBILITIES**

OIA function has the responsibility to:

- (a) Develop a flexible annual Internal Audit Plan using an appropriate risk-based methodology (“Risk Assessment”), including any risks or control concerns identified by Secretariat and/or the Council, and submit that plan to the Director-General and the Audit and Finance Sub-Committee of the Council for review and approval. Any significant interim changes of the plan must be communicated to the Director-General and the Chair of Audit and Finance Sub-Committee of the Council.
- (b) Implement the Internal Audit Plan, as approved, and provide periodic updates of OIA activities, including progress in carrying out the plan, scope limitations, if any, and results on a timely basis to the Director-General and the Chair of Audit and Finance Sub-Committee of the Council.
- (c) Provide all final reports produced by OIA to the Director-General and the Chair of Audit and Finance Sub-Committee of the Council. The final report shall include observations, recommendations, and action plan from the process owners.
- (d) Present a comprehensive and independent annual OIA activity report, summarizing results of all audits and investigations performed for the year and recommendations made by OIA as well as corrective actions taken by Secretariat, to the Director-General and the Chair of Audit and Finance Sub-Committee of the Council.
- (e) Follow up status of significant open observations and report periodically to the Director-General and the Chair of Audit and Finance Sub-Committee of the Council.
- (f) Maintain a professional relationship with, and facilitate the activities of, GGGI’s external auditors. Consider the scope of work of the external auditors and regulators, as appropriate, and provide optimal internal audit coverage to GGGI.
- (g) Establish, foster and maintain working relationship throughout the GGGI network to ensure effective workflow and an operational excellence mindset.
- (h) Perform other duties may be assigned by the Director-General and the Audit and Finance Sub-Committee of the Council such as advisory services, special audits, investigations, etc.
- (i) Document relevant information to support the conclusions and results of its work. OIA will obtain the approval of the Director-General, the Chair of Audit and Finance Sub-Committee of the Council and/or legal counsel prior to releasing such records to

external parties, as appropriate. The document retention requirement will be consistent with GGGI's guidelines and any pertinent regulatory or other requirements.

- (j) Maintain staff resources (both internal and external) with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter. All staff of OIA shall be in compliance with the Continuing Professional Education (CPE) requirements to maintain their professional certifications.
- (k) Keep the Audit and Finance Sub-Committee of the Council periodically informed of emerging trends and successful practices in internal auditing.
- (l) Review the Internal Audit Charter periodically with the Audit and Finance Sub-Committee of the Council and update as necessary.
- (m) Conduct all OIA activities with proficiency and due professional care.

### PROFESSIONAL STANDARDS

In meeting the responsibilities of OIA, OIA shall work in accordance with the *Definition of Internal Auditing* and the *Code of Ethics* and comply, as appropriate, with the *International Standards for the Professional Practices of Internal Auditing (Standards)* from the Institute of Internal Auditors. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and investigation. OIA will periodically report to the Audit and Finance Sub-Committee of the Council the results of assessments of the OIA's compliance with these Standards.

Approved: Howard Lancy  
Director-General

Date: 24/5/13

Approved: [Signature]  
Chair of the Audit and Finance Sub-Committee of the Council

Date: 24-5-2013

## 2013 Internal Audit Plan by Office of Internal Audit (OIA)

### I. Risk Assessment

The purpose of the Risk Assessment (RA) is to identify, assess and prioritize risks to develop a risk based Internal Audit (IA) Plan and Budget. In 2013, the RA process took place in Q2 upon hiring of the Chief Internal Auditor. As such, limited RA procedures and condensed documentation are placed for the 2013 IA Plan and Budget.

The RA procedures included a review of financial data and disclosures, interviewing key personnel and following-up the observations from previous external audit. 15 people were interviewed, and the lack of policies and procedures at GGGI was the most frequently identified area of concern.

The focus of OIA in 2013 is establishing foundation of Internal Audit function at GGGI. As such, the 2013 IA Plan covers the area of Governance, Risk Management, Internal Control and OIA's Project Management. The Audit and Finance Sub-Committee of the Council reviewed the RA process and approved the 2013 IA Plan and Budget below on May 6, 2013.

#### Risk Assessment Procedures Performed (as of May 13, 2013)

➤ Interview with Key Personnel

Function	Role	Name
Audit and Finance Sub-Committee	Chair	Peter Hansen
Secretariat	Director-General (DG)	Howard Bamsey
Secretariat	Former Director-General	Richard Samans
GGP&I	Deputy Director-General	Mattia Romani
GGP&I/Research	Director	Myung Kyoon Lee
GGP&I	SPM	Frederic Asseline
Public and Private Cooperation	SPM	Jung Hwan Kim
International Cooperation	SPM	Darius Nassiry
Abu Dhabi Office	Director	Chan Ho Park
Finance	CFO	Munehiko Joya
Human Resources	SPM	Kristen Son
Legal	SPM	Ji Hwan Park
Donor Country (Danida)	Sr. Advisor	Rene Karottiki
Former (Partial) Internal Auditor	SPM	Hyo Youl Kim
External Auditor	Financial Statements Audit	KPMG

➤ Review of Documents

- GGGI 2011 Annual Report
- GGGI Strategic Plan 2012-2013
- 2012 Financial Statements Audit Report (Draft)
- 2012 Audit Report by Board of Audit and Inspection (BAI)
- Measures and Plans Concerning the BAI Audit Findings by GGGI
- Planned Measures Concerning the BAI Audit Results by MOFAT
- Decision on the Sub-Committees of the Council (in lieu of AFSC Charter)
- Implementation Guideline for Risk Management and Internal Control
- BMU fund related documents (e.g. Contract, PMU documents, Status Reports, etc.)

**Potential Internal Audit Projects (in lieu of Audit Universe)**

- ✓ Budgeting Process Assessment
- ✓ Procure to Pay Process Assessment and Compliance Audit
- ✓ Project Control & Monitoring Process Review
- ✓ Funding Agreement Compliance Review
- ✓ Consulting Contract Compliance Audit
- ✓ Contingency Plan Assessment
- ✓ Staff Allowance Audit
- ✓ Review of Segregation of Duties
- ✓ Compliance Audit of Financial Regulations
- ✓ Follow-up Review of Previous Audit Report
- ✓ Other Investigations (upon request from the Council)

## II. Approved 2013 Internal Audit (IA) Plan

#	Project	Project Objective	Category	Timing	Location	Note	Resource
1	Internal Audit Charter	To establish IA activity's position within GGGI	Governance	Q2	Seoul	Require agreement from DG and approval from AFSC	In-house
2	Internal Control Framework	To emphasize tone at the top and promote function of IA and importance of Internal Controls to all staff at GGGI	Governance	Q2	Seoul	Distribute to all at GGGI with acknowledgement by DG and the Chair of AFSC	In-house
3	2013 Risk Assessment (RA), Audit Plan and Budget	To evaluate current internal control environment at GGGI and plan for the 2013 IA activity	Risk Management	Q2	Seoul	Due to time restriction, limited RA procedures and condensed documentation will be placed for the 2013 plan.	In-house
4	Hiring of IA staff and 3 <sup>rd</sup> party Internal Audit Service Provider (IASP)	To establish capacity of IA function	Project Management	Q2	Seoul	More detail will be submitted to DG and the Chair of AFSC	In-house
5	Code of Conduct Review	To assess sufficiency of Code of Conduct issued on 4/12/13 and ensure it covers Code of Ethics	Governance	Q2/Q3	Seoul	Upon completion of the review, provide feedback to HR	In-house with IASP
6	Inventory and Review of all Financial and Operational Policies and Procedures	To evaluate existence and completeness of the policies and procedures at GGGI	Internal Control	Q3	Seoul	Sufficiency and effectiveness of the policies and procedures will be evaluated starting 2014.	In-house with IASP
7	Compliance Audit of Staff Regulations and Rules	To exam compliance with the rules and regulations	Internal Control	Q3	Seoul	Staff regulations and provisional staff rules issued in April, 2013.	In-house with IASP
8	Inventory and Review of Funding Contracts or Agreements with donors	To establish contract compliance review practice at GGGI	Risk Management	Q3	Seoul	* Upon review of the contracts, a separate contract compliance review may be necessary in 2013. In such case, the 2013 IA budget will need to be adjusted.	In-house with IASP

#	Project	Project Objective	Category	Timing	Location	Note	Resource
9	Inventory and Review of Consulting Contracts	To establish 3 <sup>rd</sup> party consulting contract compliance audit practice at GGGI	Risk Management	Q3	Seoul	* Upon review of the contracts, a separate contract compliance review may be necessary in 2013. In such case, the 2013 IA budget will need to be adjusted.	In-house with IASP
10	Inventory and Review of all Process Maps and Internal Control Documents (e.g. Narratives, flowchart and/or control matrix, etc.)	To evaluate existence of internal control activities and completeness of its documentation by process owners	Internal Control	Q3/Q4	Seoul	* Under the assumption that ERP pre-implementation process has covered preparation of Process Map of major financial and operational activities at GGGI.  Sufficiency and effectiveness of the control activities will be evaluated starting 2014.	In-house with IASP
11	2013 Internal Audit Activity Report	To provide a summary of 2013 IA activities and their outcome to the Chair of AFSC, DG and External Auditor	Risk & Project Management	Q4	Seoul	To be presented at the 1 <sup>st</sup> AFSC meeting in 2014	In-house
12	2014 Risk Assessment	To prepare 2014 IA Plan and Budget	Risk Management	Q4	Seoul & TBD	To be presented at the 1 <sup>st</sup> AFSC meeting in 2014	In-house
13	2014 Internal Audit Plan and Budget	To obtain an approval from the AFSC	Project Management	Q4	Seoul	To be presented at the 1 <sup>st</sup> AFSC meeting in 2014	In-house
14	Audit and Finance Sub-Committee Meeting	To update the AFSC internal audit activities and any control issues	Governance	Ongoing	Seoul		In-house
15	Other Advisory Service and Investigation	To assist the Chair of AFSC and/or DG	Risk Management	Ongoing	Seoul	e.g. Implementation of procurement rules, ERP implementation, 3 <sup>rd</sup> party audit, etc.	In-house



### III. Approved 2013 Internal Audit (IA) Budget

Description	Hours (est.)	Fee/hr (est.)	Total	Note
(a) In-house Salary	n/a	n/a	\$ 210,000	Hiring one Program Manager or Senior Officer
(b) Estimated IASP Fee	700	\$140	98,000	Hours and fee may be adjusted once the scope of work is discussed with IASP
(c) T&E/ CPE* Training			12,000	IA Project #12 may require travels
<b>Total Budget</b>			<b>\$320,000</b>	Re-allocation among (a) through (c) may be required

\*Continuing Professional Education (CPE) is required for Certified Public Accountants (CPAs) by Board of Accountancy.