



**GREEN  
CLIMATE  
FUND**

**Meeting of the Board**  
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Provisional agenda item 7

**GCF/B.19/21/Add.01**

7 February 2018

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# Reports from committees, panels and groups of the Board of the Green Climate Fund – Addendum I

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## **Summary**

This document contains the reports on activities that have already conducted or are planned to be undertaken by the following committee of the Board of the Green Climate Fund during the reporting period from August 2017 to January 2018:

- (a) Ethics and Audit Committee.

## I. Report on the activities of the Ethics and Audit Committee

1. The current composition of the Ethics and Audit Committee (EAC) is: Mr. Ayman Shasly (Chair), Mr. Geoffrey Okamoto, Mr. Omar El-Arini, Ms. Ludovica Soderini, Mr. Nauman Bhatti and Ms. Esther Gonzalez-Sanz.

2. The EAC, a standing Committee of the Board, continues its task, to provide guidance on issues of conflicts of interest, confidentiality, ethics, financial management, procurement and other audit functions as they relate to the Board.

3. This report covers the reporting period of 3 October 2017 to 31 January 2018, and also indicates activities planned to be carried out by the EAC of the Board prior to the nineteenth meeting of the Board.

### 1.1 Activities during the reporting period

4. The EAC held two virtual meetings during the reporting period. The agendas of the meetings included, inter alia, the evaluation of the performance of the external auditors of the Green Climate Fund (GCF), consideration of the report of the internal audit of the Division of Country Programming, matters related to the Independent Redress Mechanism (IRM) and a process for dealing with waiver requests under the Policy on ethics and conflicts of interest for the Board of the Green Climate Fund.

### 1.2 Review of the performance of the external auditors

5. In accordance with its mandate and the Terms of Reference (ToR) of the External Auditor in decision B.08/18, paragraph (b), the Board, through the EAC will evaluate the performance of the external auditors every three years. Daemyung Grant Thornton (DGT), the external auditor of the GCF, have completed the first three-year term with the audit of the 2016 financial statements (approved by the Board at the seventeenth meeting of the Board). The EAC, at its meeting on 10 August 2017, evaluated the performance of DGT against the criteria in the ToR. The EAC then invited DGT to participate in a meeting for further discussions and to clarify some issues raised by EAC members. DGT, provided further information about the work plan used to prepare the audit report, scope of the external audit and planning and conduct of the audit and confirmed that their audit work was carried out in accordance with the International Auditing Standards.

6. The Secretariat provided the EAC a report on the performance of DGT, covering its first three-year period in accordance with the standards set out in the ToR of the external auditor, for the EAC's review. Based on the Secretariat's report and a discussion with the external auditors, the EAC recommends the renewal of the engagement of DGT for a second and final three-year term. The EAC's recommendations will be presented to the Board for approval as a between meetings board decision.

### 1.3 Report of the internal audit of the Division of Country Programming

7. The EAC, as per its mandate, received the report arising from the audit of the Division of Country Programming covering the period from January 2015 to March 2017 from the Office of the Internal Auditor (OIA). The EAC undertook a review of the report, which included the significant issues identified, the management response to the findings and the action plan to address them. The discussions focused on the scope and methodology of the audit. On receiving responses to their questions, the EAC expressed their satisfaction with the audit work undertaken by the OIA and requested to be updated on the progress of implementation of the

audit recommendations. The EAC discussed the merits and means of communicating the findings of the report to the Board, and requested the OIA and Secretariat to advise on these matters at a future EAC meeting.

#### 1.4 Process for waivers under the Policy on Ethics and Conflicts of Interest for the Board of the Green Climate Fund

8. The EAC continued its discussions on developing a procedure for reviewing requests for waivers to the requirement that a one and a half year cooling-off period applies before a person who has served as a member or alternate member of the Board or an adviser to a member of the Board becomes eligible for employment within the Secretariat. This procedure is being developed to help the EAC deal effectively with waiver requests that the EAC receives pursuant to paragraph 33 of the Policy on Ethics and Conflicts of Interest for the Board of the Green Climate Fund.

#### 1.5 Reports on the activities of the Independent Redress Mechanism

9. The EAC received two reports on the activities of the Independent Redress Mechanism (IRM) which covered the periods from July to September 2017 and October to December 2017. The reports provided updates on the progress made by the IRM based on its work plan and budget. The EAC provided feedback to the IRM in accordance with its mandate.

#### 1.6 Next steps

10. In addition to the above mandates, the EAC will continue to address other items still outstanding from the meetings during the reporting period, and will update this report to the Board accordingly. These include:

- (a) Draft Procedures and Guidelines of the IRM;
  - (b) Draft Policy for the Protection of Whistle Blowers and Witnesses;
  - (c) Draft Policy on Prohibited Practices;
  - (d) Policy on Ethics and Conflicts of Interest for Active Observers of the Green Climate Fund;
  - (e) Potential conflicts of interest of persons engaged with the Green Climate Fund; and
11. Administrative Guidance on Financial Disclosure and Declaration of Interest Statements.
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