



**GREEN
CLIMATE
FUND**

Meeting of the Board
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Provisional agenda item 6

GCF/B.23/Inf.08/Add.01

24 June 2019

Reports from committees, panels and group of the Board of the Green Climate Fund – Addendum

Summary

This document contains the reports on activities that have already been conducted or are planned to be undertaken by the following committees and panels of the Board of the Green Climate Fund during the reporting period from 1 January to 31 May 2019:

- (a) Ethics and Audit Committee.

I. Introduction

1. This report covers the reporting period of 1 January 2019 to 31 May 2019, and also indicates activities planned to be carried out by the committees and panels of the Board of the Green Climate Fund in advance of its twenty-third meeting (B.23).

II. Report on activities of the Ethics and Audit Committee

2. The Ethics and Audit Committee (EAC), a standing Committee of the Board, continues its task in accordance with its terms of reference (decision B.05/13, annex XVIII), to provide guidance on issues of conflicts of interest, confidentiality, ethics, financial management, procurement and other audit functions as they relate to the Board. The EAC also provided guidance to the Independent Redress Mechanism (IRM), in accordance with decision B.15/12 and the updated terms of reference of the IRM (decision B.BM-2017/10), and to the Independent Integrity Unit (IIU), pursuant to decision B.14/01, paragraph (e), its workplan and terms of reference adopted in decision B.06/09, annex IV.

3. This report covers the period from 1 January to 31 May 2019, and indicates activities planned to be carried out by the EAC of the Board. During the reporting period, the EAC met four times by teleconference and once in-person on the following dates: 7 February, 18 February, 26 February, 1 April and 15 May, to discuss and provide guidance to the Secretariat, the IIU and the IRM on the key mandates given by the Board. The EAC discussed matters within its mandate and reviewed policies to be considered by the Board at its twenty third meeting (B.23).

2.1 Activities during the reporting period

4. The following items were the main issues considered by the EAC during the reporting period:

- (a) Office of the Internal Auditor Work Plan for 2019-2021;
- (b) Office of the Internal Auditor Annual Report for 2018;
- (c) Review of the draft Standards for the implementation of the Anti-Money Laundering and Countering the Financing of Terrorism Policy;
- (d) Updated Policy on the Protection from Sexual Exploitation, Sexual Abuse and Sexual Harassment;
- (e) Revised internal audit charter;
- (f) Potential conflicts of interest relating to the persons engaged with the Green Climate Fund (GCF);
- (g) Quarterly reports on the activities of the IRM and the IIU;
- (h) Procedures and Guidelines of the IRM
- (i) Financial Disclosure for the GCF;
- (j) Report of the internal audit of the Procurement Unit;
- (k) Report of the internal audit of the Finance Unit; and
- (l) Review of the 2018 Financial Statements of the Green Climate Fund.

5. The meetings were attended by EAC members, advisors, the staff and the Heads of the IRM and IIU, and the Secretariat.

2.2 Activities addressing mandates from the Board

2.2.1 Matters concerning the Office of the Internal Auditor

6. The EAC reviewed the Office of the Internal Auditor (OIA) Work Plan for 2019-2021, focusing on 2019. The OIA's three-year audit work plan is based on a risk-based approach. When developing this workplan, the OIA considered processes that are important to the Fund's objectives, the complexity of the process and the risks facing the process. The EAC provided feedback to the OIA on its 2019-2021 Workplan.

7. The EAC, in accordance with its mandate, received the annual report from the OIA which provided a summary of the work it had performed in 2018, as set out in the OIA workplan of 2018. The report informed on the audits conducted by the OIA in 2018, follow up of the implementation of management actions arising from previous audits and reviews, and the advisory engagements performed by the OIA. The Internal Auditor confirmed the organizational independence of internal audit activity in the GCF in accordance with the International Standards for the Professional Practice of Internal Auditing.

8. The EAC reviewed the Report of the internal audit of the Procurement Unit. The report highlighted the issues identified in the audit that were considered to be high risk, identifying for each issue the risks to the GCF, the recommendations made, the agreed management action plan and the current status of the plan. The audit report highlighted two issues that cannot be addressed without Board action. Both issues arose from the need to revise the current Corporate Procurement Guidelines for Goods and Services approved by the Board in decision B.08/21, as they contradict a number of procurement principles. The OIA sought the guidance and support of the EAC to have the revised guidelines reviewed and approved by the Board expeditiously.

9. The EAC reviewed the Report of the internal audit of the Finance Unit and provided feedback to the OIA.

10. The EAC reviewed the revised Internal Audit Charter presented by the OIA which recommended some changes to the current Internal Audit Charter to make it consistent with the Board decision establishing the OIA. Following discussion with the EAC, the OIA will further develop a detailed paper for the EAC explaining the proposed revisions to the Charter, including an overview of how the internal audit function operates in other organizations.

2.2.2 Matters concerning the Independent Integrity Unit

11. Prior to the twenty-second meeting of the Board (B.22), the EAC also considered and approved a draft document on the Standards for the implementation of the Anti-Money Laundering and Countering the Financing of Terrorism Policy (AML/CFT Standard) developed by the IIU, which is based on the requirement set under the Anti-Money Laundering and Countering the Financing of Terrorism Policy¹ and how it is to be put into practice. The draft AML/CFT Standard was endorsed by the EAC and presented for consideration to the Board at B.22. After B.22, the EAC considered the revised draft AML/CFT Standards which incorporates changes which were suggested at B.22. The EAC provided guidance and feedback to the IIU to further the development of the Standards.

12. Prior to B.22, the IIU in accordance with its 2019 workplan, developed an Interim Policy on the Protection from sexual exploitation, sexual abuse and sexual harassment (Interim SEAH Policy), which was considered and approved by the EAC and presented to the Board at B.22. The Board, at B.22 approved the Interim SEAH Policy and mandated the IIU to present to the Board an updated SEAH Policy at B.23 with an expanded scope to include counterparties in

¹ Decision B.18/10, annex XIV.

Fund-related activities. The EAC received an updated SEAH Policy which establishes guiding principles on preventing, mitigating, investigating and remedying SEAH related to Counterparties in Fund-related Activities (as defined in the SEAH Policy). The EAC provided guidance and feedback to the IIU on the updated SEAH Policy.

13. In accordance with the Terms of reference of the IIU, the EAC received a report on the activities of the IIU which provides an update on the progress made by the IIU for the first quarter of 2019 in implementing its workplan for 2019, as approved by the Board. The EAC reviewed the report on the activities of the IIU between B.22 and B.23.

14. The EAC received an update on the ongoing investigations from the IIU.

2.2.3 Matters addressing conflicts of interest

15. The Policy on Ethics and Conflicts of Interest for the Board of the GCF requires Covered Individuals to submit a list of their functions and roles outside the GCF and update the information provided on it wherever required to reflect amendments.² The Covered Individual means a member or alternate member of the Board and their advisors. In view of the new term of Board membership starting on 1 January 2019, new and returning Board members (including alternate members of the Board) and advisors were requested to submit these forms to the EAC. The EAC will continue to oversee the process of submission of declarations ensuring compliance with the Policy on Ethics and Conflicts of Interest for the Board. The EAC will consider any issues arising from the filing of the declaration forms.

16. During the reporting period the EAC considered the potential conflicts of interest relating to the persons engaged with the GCF, as requested by the Board at its sixteenth meeting.³ The EAC discussed the issue of the potential conflicts of interest that arise of individuals who have served as members of the Board and who have subsequently joined institutions which do business with the GCF. The EAC noted that there is a gap in the Policy on Ethics and Conflicts of Interest for the Board. The EAC is considering the issue and will report to the Board on its deliberations in order to determine how such potential conflicts of interest may be regulated by the Board through an amendment to the Policy on Ethics and Conflicts of Interest for the Board.

17. The EAC also continued its review of a draft financial interest disclosure form and Declaration of Interest Statement, as required under the Policy on Ethics and Conflicts of Interest for the Executive Director of the Green Climate Fund Secretariat⁴ and for Board appointed officials of the Green Climate Fund.⁵ The two policies require Covered Individuals to file annually until separation from the GCF a financial interest disclosure in a form and manner to be proposed by the Chief Financial Officer and approved by the Ethics and Audit Committee. The EAC considered the financial interest disclosure form and provided guidance to the Secretariat on the framework to manage the annual financial interest disclosures by Board appointed officials.

² Paragraph 19 of the Policy on Ethics and Conflicts of Interest for the Board of the Green Climate Fund states that “In order to avoid conflicts of interest and to strengthen the proper, transparent and independent governance of the Fund and its governing bodies, Covered Individuals shall submit to the Ethics and Audit Committee a list of their functions and roles outside the Fund that would have relevance or potential relevance to the business of the Fund and shall update such a list if and when required to reflect amendments. The Ethics and Audit Committee shall not make this list publicly available, unless it needs to disclose it to the full Board, the Executive Director and relevant government with regard to a specific case in the context of procedures when a conflict of interest arises”.

³ Document GCF/B.16/Inf.04/Add.02, paragraph 8.

⁴ Decision B.10/13, annex XXVII, paragraph (c).

⁵ Decision B.13/27, annex V, paragraph (a).

18. Prior to the twentieth meeting of the Board, the EAC had considered a case of a possible conflict of interest under the Policy on Ethics and Conflicts of Interest for the Board of the GCF. During the reporting period the EAC received a report from the IIU on this matter.

2.2.4 **Matters concerning the Independent Redress Mechanism**

19. The EAC received the quarterly report on the activities of the IRM which covered the period from January to March 2019. The IRM consulted with the EAC, as mandated by the Board pursuant to decision B.15/12 and Clause 6 of the updated terms of reference of the IRM (decision B.BM-2017/10), reporting to the EAC on a quarterly basis. The reports provided updates on the progress made by the IRM based on its work plan and budget.

20. The EAC also considered and revised the draft procedures and Guidelines (PGs) of the IRM prior to their submission to the Board for adoption at B.22. The PGs had gone through a public consultation process and had been revised based on suggestions made by various stakeholders, including Board members, civil society organizations and accredited entities. The EAC decided that the draft was ready for consideration and adoption by the Board. At its twenty-second meeting, the Board adopted the PGs of the IRM through decision B.22/22.

2.2.5 **Review of the 2018 Financial Statements of the Green Climate Fund**

21. The EAC continues to review the Audited Financial Statements of the Green Climate Fund on an annual basis. The EAC as per its mandate received the draft audited Financial Statements of the Fund for the year ended 31 December 2018. The Financial Statements are prepared in accordance with the International Financial Reporting Standards (IFRS), audited by Daemyung Grant Thornton, the independent auditor of the Fund. The EAC received information from the Secretariat that the auditors, Daemyung Grant Thornton, have provided an unqualified audit opinion on the financial statements. Upon review and endorsement by the EAC, the 2018 Financial Statements will be presented to the Board for its consideration.

2.3 **Next steps**

22. The EAC will continue to address the items still outstanding from the meetings during the reporting period and will update this report to the Board accordingly.
