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Report of actual findings of the
GGGI Assessment
Indonesia



31 January 2014

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Report of actual findings regarding the GGGI - Indonesia assessment

Please find attached the final report for *the* GGGI - Indonesia assessment project.

REPORT OF FACTUAL FINDINGS

We have performed the procedures agreed with you in our call-of agreement dated 11 November 2013. The agreed-upon procedures engagement was undertaken in accordance with International Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by International Federation of Accountants ("IFAC"). The following procedures were performed solely to assist MFA in fulfilling its terms of reference:

A. Budgeted versus actual amounts and activities

1. Obtain the following documentation/reports
 - a) Agreement between the Norwegian MFA and GGGI
 - b) half year accounts/financial statements,
 - c) approved budget and
 - d) budget versus actual analysis for the period in scope
2. Reconcile amounts included in the budget versus actual analysis to half year accounts/financial statements and approved budgets for the period in scope.
3. Conduct a variance analysis of budgeted versus actual amounts/utilization and
 - a) Determine the causes of the significant variances by conducting interview with relevant person and documentation review
 - b) Determine whether all budgeted activities have been performed based on interview with relevant project/program manager and budget versus actual assessment
 - c) Determine the causes of why budgeted activities have not been performed based on interview with relevant person and validate by conducting applicable follow-up procedures
4. Assess the adequacy of the internal control procedures regarding:
 - a) Budget management including: communication, approvals, documentation, monitoring and reporting including reporting of weaknesses and recommended improvement points
 - b) Procurement including: appropriateness of supplier choice, procurements are project related, approvals, documentation etc.
 - c) Cash management including: bank accounts in use for funded project, authorized persons, reconciliations and reviews performed, approval procedures, cash handling etc.
 - d) Other relevant internal controls

B. Adequacy of accounting function and internal control systems

1. Obtain an organizational chart of GGGI including a detailed overview of the accounting/finance organization
2. Assess the adequacy of segregation of duties within the accounting/finance function
3. Assess whether the accounting/finance function includes adequate competence to perform required tasks.
4. Identify the accounting systems determine whether these systems are commonly used accounting systems that are considered to be more than able to perform the accounting tasks required.
5. Obtain half year accounts/financial statements, trial balance, general ledger and main sub-ledgers
6. Reconcile the half year accounts/financial statements, trial balance, general ledger and main sub-ledgers to determine internal consistency.

C. Overview of income received

1. Request list of bank accounts used for the for the donor funded project.
2. Obtain bank account statements for the bank accounts used for the project.
3. Scan bank account statements to determine and report whether the project funded by the MFA has its own separate program bank account or if the accounts are used for multiple projects/purposes
4. Scan income/revenue account details and identify and list all donors related to the donor funded project.

D. Review of expenses and balance sheet accounts

1. Based on professional judgment, select relevant expense and balance sheet accounts for detail testing
2. Perform an analysis of relevant expenses and balance sheet items through reconciliation with relevant supporting documents (invoices, receipts, bank statements, observation etc.)

We report our procedures performed according to the work plan in appendix A.

Because the above procedures do not constitute an assurance engagement made in accordance with International Standards on Auditing, International Standards on Review Engagements, or International Standards on Assurance Engagements issued by the IFAC, we do not express any such assurance on the Financial Information.

Had we performed additional procedures or had we performed an assurance engagement of the GGGI's action plan on BAI's findings in accordance with International Standards on Auditing, International Standards on Review Engagements, or International Standards on Assurance Engagements issued by IFAC, other matters might have come to our attention that would have been reported to you.

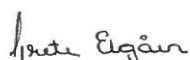
Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be filed with, or referred to (either in whole or in part) or otherwise quoted, circulated or used for any other purpose or to be distributed to any other parties. However, for the avoidance of doubt, all duties and liabilities (including without limitation those arising from negligence) to third parties are specifically disclaimed. This report relates only to the matters specified above and does not extend to any other information, taken as a whole.

Please let me know if you have any questions.

This concludes the Indonesia part of our GGGI assignment, which is one part of our call-off agreement dated November 11, 2013.

Thank you for the opportunity to support the Norwegian Ministry of Foreign Affairs (MFA) on this important assignment, and we look forward to working together on possible upcoming assignments.

Sincerely,
Deloitte AS



Grete Elgåen
Partner

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Executive Summary

Main findings

The Norwegian Ministry of Foreign Affairs (MFA) has a grant agreement with Global Green Growth Institute (GGGI). The agreement is from 2013 to 2015 and amounts to NOK 45.828 million of which NOK 13 million has already been paid.

As a result of the South Korean Auditor report on the GGGI head office spending and newspaper articles on the use of GGGI funds The Norwegian ministry of foreign affairs (MFA) wanted to know as to whether GGGI has established a well-functioning financial management system. Accordingly, it requested Deloitte Norway to undertake a review work on the financial statements of GGGI Indonesia office and also review the internal control systems related to financial management of its funding.

We have conducted the GGGI Indonesia Program review. The primary objective of the audit was to assess whether internal controls related to financial management of the MFA/embassy funding to GGGI, with respect to the areas covered in the terms of reference, are adequately designed and operating effectively.

Budgeted versus actual amounts and activities

GGGI Indonesia has developed an annual budget. An annual review of budget vs actuals is planned for March 2014. Currently, progress against the planned budget is not tracked on a monthly basis.

GGGI Indonesia currently does not perform petty cash reconciliation to validate that the total cash on hand matches the expected cash on hand as per the disbursements recorded in IS (reporting system) and balance in Kashflow (online accounting system). This observation and recommendation is consistent with GGGI Indonesia's plans to perform regular petty cash reconciliations in accordance with the draft GGGI Finance Policy recently circulated by GGGI Head Quarters.

GGGI Indonesia has relied on cash (brought into the country from GGGI HQ), corporate credit cards from GGGI HQ and direct payments made by GGGI HQ for all expenditure related to the GGGI Indonesia program. In order to facilitate cash transfers into Indonesia from GGGI HQ, a bank account was opened in the name of the Country Representative. Recently, GGGI Indonesia was advised by GGGI HQ to close the bank account registered in the Country Representative's name and is in the process of issuing a GGGI HQ corporate debit card to facilitate the drawing of cash in Indonesia.

Adequacy of accounting function and internal control systems

During our review of financial update prepared by GGGI Indonesia, we noted that the balances did not reconcile exactly to the General Ledger (GL) as of September 30, 2013. Based on discussion with GGGI Indonesia Head of Program Management and Country Representative the financial update was prepared on short notice for Norwegian embassy for overall reporting purposes and was not reconciled to the GL at that time.

Overview of income received

There are 2 donor funds received by GGGI Indonesia that are MFA funding and core funding.

Based on our review of the General Ledger for the period January 1, 2013 to 30 September 2013, we noted that revenue from the earmarked fund related to the months January, February and March 2013 (totalling USD 29,893) was recorded in June 2013.

The amount received from core funding for the period is USD884,535.

Review of expenses and balance sheet accounts

Some travel reimbursements included some minor personal items charged to the hotel bill. GGGI has developed a formal policy and procedure for travel expenses that states that staff members on travel shall be paid a daily subsistence allowance ("DSA") to cover the cost of meals and incidental expenses. However incidental expenses are not clearly defined in the policy.

Other Findings

There are multiple currencies in use (USD, IDR, NOK, KRW and GBP), the exchange rate difference (gain or loss) that arises during conversion of these currencies (for reporting purposes) to the other is not reflected in the accounting system.

Recommendations

1. We recommend GGGI Indonesia to perform a monthly analysis / review of the budget plan against actuals (including the explanation and action plan for the unrealized and/or delayed activities). This analysis should be properly documented in the format of a monthly Indonesia program management report. We recommend the report to be prepared by GGGI Indonesia and reviewed by the GGGI Indonesia Head of Program Management and Country Representative. The monthly Indonesia Program management report should be reconciled to the General Ledger.
2. GGGI Indonesia should perform regular (at least weekly) petty cash counts and reconciliations. Cash counts should be conducted by two people. At least one individual performing the count should not be a person with access to the cash. All transactions in the Kashflow system should be reconciled to the IS System. The balance per the Kashflow system should be reconciled to cash on hand. The reconciliation should be properly documented and reviewed by the GGGI Indonesia Head of Program Management and the GGGI HQ Finance.
3. Payments from petty cash should be in accordance with the draft GGGI Finance Policy recently circulated by GGGI Head Quarters (i.e. individual transaction limit of \$250). Any payments from petty cash that exceed the policy limit should be preapproved by the GGGI Indonesia Head of Program Management and the GGGI HQ Finance.
4. We recommend that GGGI HQ clearly define what incidental expenses are allowed and what items would be for the staff member's personal account. Expense reimbursements should be monitored for compliance with the policy.
5. We recommend that gain/ loss resulting from the foreign currency exchange variations is correctly captured in the accounting system of GGGI.

Conclusion

Based on our assessment of risks and effectiveness of internal controls in GGGI Indonesia, we consider that, in general, the system of internal controls is designed to meet the organization's objectives; however, some improvements were identified to enhance the controls design, improve consistency and implementation of business controls to achieve particular business objectives and manage business risks.

Background

A. Introduction

The Norwegian Ministry of Foreign Affairs (MFA) has a grant agreement with Global Green Growth Institute (GGGI). The agreement is from 2013 to 2015 and amounts to NOK 45.828 million of which NOK 13 million has already been paid.

As a result of the South Korean Auditor report on the GGGI head office spending and newspaper articles on the use of GGGI funds The Norwegian ministry of foreign affairs (MFA) wanted to know as to whether GGGI has established a well-functioning financial management system. Accordingly, it requested Deloitte Norway to undertake a review work on the financial statements of GGGI Indonesia office and also review the internal control systems related to financial management of its funding.

We have conducted the GGGI Indonesia Program review. The primary objective of the audit was to assess whether internal controls related to financial management of the MFA/embassy funding to GGGI, with respect to the areas covered in the terms of reference, are adequately designed and operating effectively.

B. Scope

The deliverables regarding services to be performed in Indonesia included:

1. Project Audit of the financial accounts/report for GGGI the project (with a focus on donor funding) for the period September 30, 2013.
2. Assessment of current internal control systems and routines related to financial management of the MFA/embassy's funding to GGGI including recommendations for improvement.

C. Work Performed

- We had a kick-off meeting with GGGI Indonesia and Norwegian embassy representatives on November 25, 2013.
- We obtained and reviewed documentation received in line with agreed audit upon procedures.
- We conducted interviews with Head of Program Management to understand the current internal control system implemented in GGGI Indonesia.

D. Limitations

We were not able to perform the following agreed audit upon procedures:

- Reconcile amounts included in the budget versus actual analysis to half year accounts/financial statements and approved budgets for the period in scope.
- GGGI Indonesia does not perform a budget versus actual expense analysis on an annual basis yet. They have planned to start performing this procedure for the first time in March 2014.
- Reconcile the half year accounts/financial statements, trial balance, general ledger and main sub-ledgers to determine internal consistency.
- GGGI Indonesia is considered as a project not a representative office of GGGI. Hence GGGI Indonesia only records income received from earmarked fund and all the expenditure related to GGGI project.

Detailed Findings

A. Budgeted versus actual amounts and activities

1. **Obtain the following documentation/reports**
 - a) **Agreement between the Norwegian MFA and GGGI**
 - b) **half year accounts/financial statements,**
 - c) **approved budget and**
 - d) **budget versus actual analysis for the period in scope**

Findings

We have obtained the following documents:

- a) Agreement between the Norwegian MFA and GGGI dated December 12, 2012. Based on our review of the grant letter, we noted that the grant letter is signed by GGGI's Director General and Ambassador of the Norwegian embassy.
- b) Half year accounts/ financial statements will be based on Profit or Loss Statements because GGGI Indonesia does not record any balance sheet accounts in their financial statements. GGGI Indonesia is considered as a project rather than branch company by GGGI HQ. Therefore GGGI HQ only records its revenue and expenses. GGGI Indonesia performs budget versus actual analysis on annual basis that will be performed on March 2014.
- c) Approved budget for 2013.
- d) Financial update that is submitted by GGGI Indonesia to the Norwegian embassy. Based on our review of financial update, noted that the report is signed by Country Representative and Head of Program Management.

GGGI Indonesia has developed an annual budget. An annual review of budget vs actuals is planned for March 2014. Currently, progress against the planned budget is not tracked on a monthly basis.

Recommendations

We recommend GGGI Indonesia to perform monthly analysis / review of budget versus actuals. This analysis should be properly documented in the format of a monthly Indonesia Program management report and reviewed by the GGGI Indonesia Head of Program Management and Country Representative.

2. **Reconcile amounts included in the budget versus actual analysis to half year accounts/financial statements and approved budgets for the period in scope.**

Findings

GGGI Indonesia does not perform a budget versus actuals analysis on monthly basis. Budget versus actual analysis on an annual basis is planned to be performed for the first time in March 2014. Consequently we cannot perform this audit procedure during this assignment.

3. Conduct a variance analysis of budgeted versus actual amounts/utilization and
 - a) Determine the causes of the significant variances by conducting interview with relevant person and documentation review
 - b) Determine whether all budgeted activities have been performed based on interview with relevant project/program manager and budget versus actual assessment
 - c) Determine the causes of why budgeted activities have not been performed based on interview with relevant person and validate by conducting applicable follow-up procedures

Findings

We obtained the approved budget for 2013 and analyzed budget versus actual expense recorded in the Financial Update for the period January 1, 2013 to September 30, 2013. We also analyzed budget versus actual expenses recorded in GL during January 1, 2013 until September 30, 2013.

Based on our analysis, noted that there are 2 expenses where the actual expense is higher than the budgeted expenses. Details of the analysis as included in the table below:

Table 2. Budget versus Actual Expense Recorded in Financial Update

No.	Description	Budgeted expenditure		Financial Update		Variance	% Variance	Over/Under
				Actual expenditure				
		Amount USD	Total USD	Amount USD	Total USD			
1	Personnel	621,708.32		255,195.00		366,513.32	59%	Underbudget
2	Subcontracts/Strategic Outsourcing	2,210,000.00		656,051.00		1,553,949.00	70%	Underbudget
3	Subcontracts/Consultants and Other Services	52,500.00		107,690.00		(55,190.00)	-105%	Overbudget
4	Travel	260,307.00		49,004.00		211,303.00	81%	Underbudget
5	Commissions (others)	113,250.00		1,593.00		111,657.00	99%	Underbudget
6	Communication	25,000.00		758.00		24,242.00	97%	Underbudget
7	Supplies and Maintenance	10,000.00		9,605.00		395.00	4%	Underbudget
8	Other costs (publications, conferences, etc)	10,000.00		35,231.00		(25,231.00)	-252%	Overbudget
9	Indirect cost	264,221.24		89,210.00		175,011.24	66%	Underbudget
Total Expenses			3,566,986.56		1,204,337.00	2,362,649.56		

Table 3. Budget versus Actual Expense Recorded in General Ledger

No.	Description	Budgeted expenditure		General Ledger		Variance	% Variance	Over/Under
				Actual expenditure				
		Amount USD	Total USD	Amount USD	Total USD			
1	Personnel	621 708,32		272 253,75		349 454,57	56 %	Underbudget
2	Subcontracts/Strategic Outsourcing	2 210 000,00		667 461,92		1 542 538,08	70 %	Underbudget
3	Subcontracts/Consultants and Other Services	52 500,00		114 176,26		(61 676,26)	-117 %	Overbudget
4	Travel	260 307,00		41 919,41		218 387,59	84 %	Underbudget
5	Commissions (others)	113 250,00		1 702,54		111 547,46	98 %	Underbudget
6	Communication	25 000,00		711,29		24 288,71	97 %	Underbudget
7	Supplies and Maintenance	10 000,00		9 140,38		859,62	9 %	Underbudget
8	Other costs (publications, conferences, etc)	10 000,00		11 153,77		(1 153,77)	-12 %	Overbudget
9	Indirect cost	264 221,24		89 481,55		174 739,69	66 %	Underbudget
Total Expenses			3 566 986,56		1 208 000,87	2 358 985,69		

Based on the results of the budget versus actual analysis, we interviewed [REDACTED] Head of Program Management of GGGI Indonesia Program, to determine the cause of the significant variance of these expenses:

1. Subcontracts/ consultants and other services was over budget because of 2 new outsourcing staffs that joined GGGI Indonesia;
2. Other costs was over budget because GGGI Indonesia published a lot of publications, conducted a lot of workshops and strategic consulting to accelerate the realization of sustainable economic growth with equity in Indonesia.

We validated the information received from the Head of Program Management stated above by checking the above expenses, significant variances in outsourcing staff addition and the frequency of publications and workshops. We selected and tested a sample of outsourcing staff salary payment and a sample of workshop payments.

Based on our review of General Ledger and samples testing result, we noted the following:

- New outsourcing staff started to work in GGGI Indonesia in July 2013.
- GGGI Indonesia has held workshops 3 times from January 2013 until September 2013 and published brochures for these workshops.
- Salary payment is supported with valid supporting documents (i.e. working hours report, contract)
- Workshops payment is supported by valid supporting documents (i.e. invoice)

We do not analyze the budget versus actual activities since GGGI Indonesia only prepared annual budget for expenditures in 2013.

4. Assess the adequacy of the internal control procedures regarding:

- a) Budget management including: communication, approvals, documentation, monitoring and reporting including reporting of weaknesses and recommended improvement points**
- b) Procurement including: appropriateness of supplier choice, procurements is project related, approvals, documentation etc.**
- c) Cash management including: bank accounts in use for funded project, authorized persons, reconciliations and reviews performed, approval procedures, cash handling etc.**
- d) Other relevant internal controls**

Work Performed

We interviewed the Head of Program Management to assess the adequacy of the budget management, procurement- and cash management processes in GGGI Indonesia. Based on the interview, we performed a walkthrough for each process to assess the design effectiveness. Based on our walkthrough, we noted the following:

a) Budget management

GGGI Indonesia follows the policy and procedure regarding budget management included in the draft Financial Policies and Procedures Manual dated November 2013 developed by GGGI HQ. Based on our review of the budget for 2013, we noted that the budget is approved by the authorized personnel. Currently, GGGI Indonesia does not monitor budgets on a monthly basis. The budget shall be monitored on an annual basis in the future and is planned to be performed for the first time for March 2014.

b) Procurement

GGGI Indonesia follows the policy and procedure regarding procurement which is procurement rule dated June 8, 2013 developed by GGGI HQ. Based on our review of a sample of service purchases, we noted that service purchase is supported by approved purchase request and documentation (i.e. term of reference, quotation, supplier award letter) as required by procurement rule. Also the procurement process is following the policy and procedure regarding procurement.

c) Cash Management

GGGI Indonesia follows the policy and procedure regarding cash management, included in draft Financial Policies and Procedures Manual dated November 2013 developed by GGGI HQ. Based on inquiry with Head of Program Management, we noted that GGGI Indonesia has not yet been ratified by Indonesian government hence GGGI Indonesia has not yet been able to open a local bank account. As a result, GGGI Indonesia has relied on cash (brought into the country from GGGI HQ), corporate credit cards from GGGI HQ and direct payments made by GGGI HQ for all expenditure related to the GGGI Indonesia program. In order to facilitate cash transfers into Indonesia from GGGI HQ, a bank account was opened in the name of the Country Representative. Petty cash maintained by GGGI Indonesia is deposited in Country Representative personal bank account. We have reviewed one sample of petty cash replenishment, we noted that petty cash replenishment is approved by authorized personnel and supported by receipts.

Findings

GGGI Indonesia currently does not perform petty cash reconciliations to validate that the total cash on hand matches the expected cash on hand as per the disbursements recorded in IS and balance in Kashflow system. This observation and recommendation is consistent with GGGI Indonesia's plans to perform periodic petty cash reconciliations in accordance with the draft GGGI Finance Policy recently circulated by GGGI Head Quarters. Also based on our review of 2 months of petty cash reports (August and September 2013), we identified that there have been 3 payments out of petty cash (over IDR9,000,000 or USD800). The large cash of payments were necessary as GGGI Indonesia does not have local bank account. In the absence of a local bank account GGGI Indonesia thus needs to conduct payments with petty cash. The payments noted over USD800 were related to immigration fee payment, rental office deposit and workshop payment.

Recommendations

GGGI Indonesia should perform periodic (at least weekly) petty cash counts and reconciliations. Cash counts should be conducted by two people. The person performing the cash count should not have access to the cash. All transactions in the Kashflow system should be reconciled to the IS System and balance per the Kashflow system should be reconciled to cash on hand. The reconciliation should be properly documented and reviewed by the GGGI Indonesia Head of Program Management and the GGGI HQ Finance.

Payments from petty cash should be in accordance with the draft GGGI Finance Policy recently circulated by GGGI Head Quarters (i.e. individual transaction limit of \$250). Any payments from petty cash that exceed the policy limit should be preapproved by the GGGI Indonesia Head of Program Management and the GGGI HQ Finance.

B. Adequacy of accounting function and internal control systems

1. Obtain an organizational chart of GGGI including a detailed overview of the accounting/finance organization

Work Performed

We have obtained the latest organizational structure of GGGI Indonesia and accounting / finance function job responsibilities.

Findings

Based on our review of organization structure, noted that accounting or finance function has been separated from the operation function. The accounting / finance function is under the Head of Program Management that has main responsibility to produce management reporting and manage financial reporting for donors and internally to GGGI. Accounting or finance function is performed by lead administrative officer and finance officer. Each position (lead administrative officer and finance officer) has different responsibilities. Lead administrative officer has the responsibilities to manage all administrative office activities, to ensure the smooth running of the office and provide day-to-day support to the GGGI team working for the Indonesia Program and to prepare management reports. While the finance officer has the responsibility to manage financial reporting and project budget reporting activities including processing receipts and invoices.

2. Assess the adequacy of segregation of duties within the accounting/finance function

Work Performed

We have obtained the latest GGGI Indonesia organizational structure and accounting / finance function job responsibilities. We identified key responsibilities within each business process area and analyzed the key responsibilities to identify segregation of duties within accounting or finance function.

Findings

Based our review on GGGI Indonesia job responsibilities and inquiry with Head of Program Management, we noted that there is in fact segregation of duties within accounting / finance function in GGGI Indonesia.

3. Assess whether the accounting/finance function includes adequate competence to perform required tasks.

Work Performed

We inquired with the Head of Program Management to identify GGGI Indonesia's accounting / finance team members. Then we obtained their curriculum vitae (CV) to gain knowledge of the team member's background and relevant experience.

Findings

Based on our review of the accounting / finance team members' CVs, we noted that all team members have met the minimum educational background required by GGGI Indonesia. All of them have at least 9 years' experience prior to joining GGGI Indonesia and they also have relevant capabilities in the areas of international organization, non-profit organization or government and, delivery of technical and analytical output, including budgeting and reporting.

4. Identify the accounting systems determine whether these systems are commonly used accounting systems that are considered to be more than able to perform the accounting tasks required.

Work Performed

We interviewed the Head of Program Management to identify the accounting application system used by GGGI Indonesia. Then we reviewed the accounting application system specifications to identify whether these systems are commonly used accounting systems.

Findings

Based on our interview with the Head of Program Management, we noted that GGGI Indonesia uses Kashflow system to record all expenditures related to the earmarked project and IS system to report all expenditures spent by GGGI Indonesia to GGGI HQ. GGGI HQ used Iflow software as their accounting system until October 2013. Since November 2013, GGGI Head Quarters implements a new accounting application system named EMAX.

Based on our review of Kashflow, we noted that Kashflow is easy to use and can perform the accounting tasks required (i.e. having journal entry and post feature, financial report feature). We also reviewed the Iflow system used by GGGI HQ before November 2013 and noted that the Iflow system converts any currency to Korean Won first before converting to USD as the reporting currency. To avoid this issue, GGGI HQ shall implement EMAX since EMAX applies to any organization and its users can configure their own system and do their own report customization.

5. Obtain half year accounts/financial statements, trial balance, general ledger and main sub-ledgers

Findings

GGGI Indonesia is considered as a project rather than a company under GGGI HQ. Therefore, GGGI HQ only records its revenue and expenses; also there are no main sub ledgers. Based on this, we obtained half year accounts/ financial statements based on Profit or Loss Statements because GGGI Indonesia does not record any balance sheet accounts in their financial statements. We also obtained the GL for the period January 2013 until September 2013 and the financial update that was reported to the Norwegian embassy.

6. Reconcile the half year accounts/financial statements, trial balance, general ledger and main sub-ledgers to determine internal consistency.

Work Performed

We have reconciled expenditure balances included in the financial update with the expenditure balances included in the GL as per September 30, 2013.

Findings

Based on this reconciliation, we noted that the balances did not reconcile exactly and the reconciliation differences are included in the following table:

Table 1. Expense reconciliation between Financial Update and General Ledger

Expenses	Financial Update (USD)	General Ledger (USD)	Difference	Difference %
Personnel	255,195	272,253.75	17,058.75	6.68%
Subcontracts - strategic consulting	656,051	667,461.92	11,410.92	1.74%
Subcontracts - consultant and other services	107,690	114,176.26	6,486.26	6.02%
Travel	49,004	41,919.41	(7,084.59)	-14.46%
Commissions (Others)	1,593	1,702.54	109.54	6.88%
Communication	758	711.29	(46.71)	-6.16%
Supplies and maintenance	9,605	9,140.38	(464.62)	-4.84%
Other costs	35,231	11,153.77	(24,077.23)	-68.34%
Total	1,115,127.00	1,118,519.32	3,392.32	

Based on our discussion with the GGGI Indonesia Head of Program Management and Country Representative we were informed that the financial update was prepared on short notice for the Norwegian embassy for overall reporting purposes was not reconciled to GL at that time.

Recommendations

We recommend GGGI Indonesia to prepare a monthly Indonesia program management report. This report should be reviewed by the GGGI Indonesia Head of Program Management and Country Representative. Also the monthly Indonesia Program management report should be reconciled to the General Ledger.

C. Overview of income received

1. Request list of bank accounts used for the for the donor funded project.

Work Performed

We have received a list of bank accounts used for the donor funded project from the Head of Program Management and noted that there is only 1 bank account in use for the MFA donor funded project.

Findings

This bank account was opened by GGGI HQ Korea. Details of this bank account are:

- Bank name: Shinhan Bank
- Account number: [REDACTED]

2. Obtain bank account statements for the bank accounts used for the project.

Work Performed

We have received bank account statements of Shinhan Bank from December 12, 2012 until September 30, 2013.

Findings

We noted that this bank account is created and managed by GGGI Head Quarters in Korea and used only for MFA donor funded projects and details of the bank account statement (bank name and account number) agreed to the list of bank accounts used for the donor funded project. GGGI Indonesia cannot open a local bank account as GGGI Indonesia has not been ratified by Indonesian government

3. Scan bank account statements to determine and report whether the project funded by the MFA has its own separate program bank account or if the accounts are used for multiple projects/purposes

Work Performed

We have received bank account statements of Shinhan Bank from December 12, 2012 until September 30.

Findings

We noted that the first disbursement of the MFA donor funded project was USD 2,048,997, received by GGGI headquarters on December 21, 2012. The received amount and details of bank account agree to the signed grant letter between the Royal Norwegian Embassy and the Global Green Growth Institute (GGGI) number INS-12/0078 dated December 12, 2012. We also noted that the project funded by the MFA has its own separate program bank account.

4. Scan income/revenue account details and identify and list all donors related to the donor funded project.

Work Performed

We received the General Ledger for the period January 1, 2013 to September 30, 2013 extracted from EMAX.

Findings

There are 2 donor funds received by GGGI Indonesia that are MFA funding and core funding. The amount received from core funding for the period is USD884,535.

We noted that revenue from the MFA amounted to USD 1,094,329.25 which has been recorded by GGGI Head Quarters as expenses spent by GGGI Indonesia, amongst other for salary and allowance expenses.

Based on the General Ledger for the period January 1, 2013 to September 2013, we noted that revenue from the MFA related to January 2013 until March 2013 for the total amount of USD 29,893.49 is recorded in June 2013. In the table below we included the details of the revenue mentioned:

Table 4. Revenue from Earmarked fund recorded in General Ledger

GL date	COA	COA Desc.	CR-USD	Description	Project Code
6/30/2013	41101000	Revenue from Earmarked fund	501.63	Accrued income of Jan-Norway	10101D00
6/30/2013	41101000	Revenue from Earmarked fund	6,858.40	Accrued income of Feb-Norway	10101D00
6/30/2013	41101000	Revenue from Earmarked fund	22,533.46	Accrued income of Mar-Norway	10101D00
Total			29,893.49		

Recommendations

GGGI should reconcile revenue from the MFA on a periodic basis to ensure that revenue is recorded timely and in the appropriate period. This reconciliation should be performed by a person independent from the person posting the revenue and should be properly documented.

D. Review of expenses and balance sheet accounts

1. Based on professional judgment, select relevant expense and balance sheet accounts for detail testing

Findings:

As GGGI HQ considers GGGI Indonesia a project and not a company; GGGI HQ only records profit and loss accounts in their GL. Therefore we only included GGGI Indonesia expenditures in our sample. The testing was performed with the objective to select several relevant documents which support these expenses. We selected samples of expenses based on materiality, unusual amount and unusual activity. The table below includes the samples selected:

Table 5. Expense testing samples

Expenses description	Total Population	Number of samples
Personnel	31	7
Subcontracts - strategic consulting	4	2
Subcontracts - consultant and other services	25	6
Travel	79	15
Commissions (Others)	87	5
Communication	7	1
Supplies and maintenance	9	1
Other costs	10	3
Total sample	252	40

2. Perform an analysis of relevant expenses and balance sheet items through reconciliation with relevant supporting documents (invoices, receipts, bank statements, observation etc.)

Work Performed

This assessment was conducted with the objective to verify whether the selected expenses are recorded accurately and complete and to verify whether the selected samples are supported with valid documents. We vouched every selected sample to identify whether the amount is reasonable, the selected samples are supported with valid documents, and to verify whether the expenses reimbursed comply with the applicable GGGI's policy and procedure.

Findings

The Majority of samples tested comply with the company expenditure policy. Some travel reimbursements included minor personal items charged to the hotel bill for approximately USD 33. GGGI has developed a formal policy and procedure regarding travel expenses that states that staff members on travel shall be paid a daily subsistence allowance ("DSA") to cover the cost of meals and incidental expenses but incidental expenses are not clearly defined in the policy. Moreover some of the expenses do not have any specific policy that regulates it, for example we found that there is an entertainment expense included in outsourcing expenses.

Recommendations

We recommend GGGI HQ to clearly define what incidental expenses are allowed and what items would be for staff member's personal account. Expense reimbursements should be monitored for compliance with the policy.

E. Other Findings

Work Performed

We performed documentary review, interview and observation. This section also includes additional findings identified by our procedure.

Findings

There are multiple currencies in use (USD, IDR, NOK, KRW and GBP), the exchange rate difference (gain or loss) that arises during conversion of these currencies (for reporting purposes) to the other is not reflected in the accounting system.

Recommendations

We recommend that gain/ loss resulting from the foreign currency exchange variations is correctly captured in the accounting system of GGGI.