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Finance Policies and Procedures



Global
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Institute

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Table of Contents

AMENDMENTS	5
DEFINITIONS	6
1. INTRODUCTION	8
1.1. PURPOSE.....	8
1.2. IMPLEMENTATION AND COMPLIANCE.....	8
1.3. EXCEPTIONS TO FINANCE POLICIES AND PROCEDURES.....	8
2. GENERAL ACCOUNTING PRINCIPLES	10
2.1. GENERAL UNDERLYING ASSUMPTIONS.....	10
2.2. QUALITATIVE CHARACTERISTICS OF FINANCIAL STATEMENTS.....	11
3. BUDGETS	12
3.1. BUDGETING FRAMEWORK.....	12
3.2. BUDGET PLANNING AND PREPARATION PROCESS.....	12
3.3. IMPLEMENTATION AND MONITORING.....	15
3.4. BUDGET REVISIONS.....	16
3.5. SUPPLEMENTARY BUDGET.....	17
4. FIXED ASSETS	18
4.1. GENERAL UNDERLYING ASSUMPTIONS.....	18
4.2. CAPITALIZATION POLICY.....	18
4.3. RECORDING.....	18
4.4. CLASS OF ASSET AND DEPRECIATION.....	19
4.5. FUNDING CATEGORIES FOR ASSETS.....	19
4.6. PHYSICAL COUNT.....	20
4.7. REVALUATION.....	20
4.8. IMPAIRMENT.....	20
4.9. RETIREMENT AND DISPOSAL.....	21
5. INTANGIBLE ASSETS	22
5.1. GENERAL UNDERLYING ASSUMPTIONS.....	22
5.2. RECOGNITION.....	22
5.3. AMORTIZATION.....	23
5.4. RETIREMENT AND DISPOSAL.....	23
6. REVENUE AND RECEIVABLES	24
6.1. SOURCES OF REVENUE.....	24
6.2. RECOGNITION.....	24
6.3. CONTRIBUTIONS REPORTING.....	24
6.4. MANAGEMENT OF CONTRIBUTIONS.....	24
6.5. RECEIPT OF FUNDS.....	25
7. BANK TRANSACTIONS	26
7.1. GENERAL GUIDELINES.....	26
7.2. BANK RECEIPTS AND PAYMENTS.....	27
7.3. DISBURSEMENTS AND PAYMENTS.....	27
7.4. BANK RECONCILIATION.....	28
8. PAYABLES AND ACCRUALS	30
8.1. OBLIGATION PROCESS.....	30
8.2. ADVANCE PAYMENTS.....	30
8.3. REMITTANCES TO COUNTRY OFFICES.....	30

8.4. PETTY CASH	31
8.5. STAFF CLAIMS.....	32
8.6. PAYROLL	32
8.7. INSURANCE	32
8.8. CREDIT CARD	33
8.9. INVESTMENTS	33
9. FINANCIAL RECORDING AND CLOSING PROCEDURES	34
9.1. FINANCIAL LEDGER AND RECORDS.....	34
9.2. PROJECT ACCOUNTING.....	34
9.3. DIRECT COSTS AND INDIRECT SUPPORT COSTS	34
9.4. TRIAL BALANCE GENERAL POLICIES	36
9.5. CLOSING ACTIVITIES.....	37
9.6. PERIOD-END REPORTING.....	37
9.7. ADDITIONAL REQUIREMENTS FOR HALF-YEARLY AND ANNUAL CLOSING ACTIVITIES	38
9.8. DOCUMENT RETENTION AND DESTRUCTION.....	38
10. PRESENTATION OF FINANCIAL STATEMENTS	40
10.1. UNDERLYING ASSUMPTIONS	40
10.2. STATEMENT OF FINANCIAL POSITION.....	41
10.3. STATEMENT OF FINANCIAL PERFORMANCE	41
10.4. CASH FLOW STATEMENT	42
10.5. DISTRIBUTION AND PUBLICATION OF FINANCIAL STATEMENTS.....	43
10.6. APPOINTMENT OF EXTERNAL AUDITOR.....	43

Amendments

Amendments shall be made by the authority of the Director-General of the Global Green Growth Institute ('GGGI' or the "Institute"). All queries on the interpretation of this document or any matters not covered herein should be addressed to the Finance Director.

The Director-General shall report to the Council the full text of new or amended Finance Policies and Procedures. The Council may direct that a procedure or an amendment be withdrawn or modified if it finds that the procedure or amendment is inconsistent with the intent and purpose of the Financial Regulations or otherwise contravenes the objectives of GGGI.

Definitions

Capitalized terms used herein and not defined below, shall have the meanings ascribed to such terms in the Financial Regulations.

- a) **“Accounting policies”** - the specific principles, bases, conventions, rules and practices adopted by GGGI in preparing and presenting Financial Statements;
- b) **“Accounting Records”** - the manual or computerized records of assets and liabilities, monetary transactions, and supporting documents (such as contracts, checks, invoices and vouchers), which GGGI is required to maintain in its records;
- c) **“Allocation”** - amount of funds allocated for expenditure in a particular period of time, generally a fiscal year;
- d) **“Appropriations”** - the aggregate of the expenditure authorizations approved by the Council for the regular Budget of GGGI for a financial period against which expenditures may be incurred for purposes approved by the Council and as otherwise provided in the Financial Regulations;
- e) **“Budget”** - the annual Budgets adopted by the Council indicating estimated resources and expenditures for a financial period;
- f) **“Cash and Cash Equivalents”** - Cash includes cash in hand and in bank. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value;
- g) **“Cash Flow Statement”** - reports the company’s cash activities. It reports cash receipts & payments & the net change resulting from operating activities;
- h) **“Contribution”** - a donation made in accordance with the Agreement on the Establishment of GGGI and the Financial Regulations;
- i) **“Council”** - the Council of GGGI as set out in the Agreement on the Establishment of GGGI;
- j) **“Estimated Useful Life”** - the time period in which a fixed asset is expected to provide economic benefit to the Organization and is expected to be retired from use beyond that time period;
- k) **“Fair Value”** - the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction;
- l) **“Finance Director”** - the individual responsible for managing the day-to-day financial operations of GGGI;
- m) **“Finance Unit”** - Unit within GGGI responsible for financial accounting and reporting, treasury operations, budget compliance, monitoring and planning, and asset-liability management and financial risk management;
- n) **“Financial Statements”** - formal record of the financial activities of the organization that is used to describe the financial position and financial performance of GGGI; they include the Income & Expenditure Statement, Balance Sheet, Cash Flow Statement & Statement of Equity and Notes to the Statements;
- o) **“Furniture and Fixtures”** - immovable items affixed to real property, such as raised floors, carpets, etc., and movable item such as tables, chairs, desks, fillings, cabinets, etc.;

- p) **“General Fund”** - the pooled account established for the purpose of managing GGGI’s administrative costs and core activities;
- q) **“General Ledger”** – the complete record of all financial transactions of the Organization, including accounts Organization for assets, liabilities, equity, revenue and expenses;
- r) **“IT Equipment”** - physical equipment (including without limitation, computers, storage, networking, smartphones, recording equipment and other physical devices and hardware and associated peripherals and accessories), virtualization and management or automation tools, operating systems and applications ([software](#)), infrastructure and processes used to create, process, store, secure or exchange electronic data whether fixed or portable in nature;
- s) **“Liabilities”** - all present commitments of GGGI arising from past events, the settlement of which is expected to result in an outflow of resources from GGGI, embodying economic benefits or service potential;
- t) **“Member”** - any Member of GGGI according to the Establishment Agreement;
- u) **“Notes to the Financial Statements”** – explanation of the items presented in the main body of the Financial Statements. They are explanatory notes on the Financial Statements items & accounting policies used;
- v) **“Office Equipment”** - consumables and non-consumables used for the operating functions of an office. non-consumable’s including, without limitation, desks, chairs, computer equipment, copier, printers, fax machines, telephone equipment, etc. and consumables include paper, paper-clips, post-it notes, and staples, etc.;
- w) **“Payables”** - represent the current liability, the monetary value of which an entity owes to contractors for goods or services purchased on credit;
- x) **“Program”** – a set of activities under which various Projects are undertaken;
- y) **“Program Owner”** - GGGI staff member responsible for leading a program within GGGI, such as, the Assistant Director-General for Green Growth Planning and Implementation, and the Assistant Director-General for Knowledge Solutions, and the Deputy Director-General and Head of Management and Governance;
- z) **“Project”** - particular activities, tasks, functions or locations within a Program that is accounted for in the Budget;
- aa) **“Reporting Date”**- the end of the financial year to which the financial report relates;
- bb) **“Statement of Changes”** – report outlining the sources and uses of funds and explaining any changes in cash or working capital;
- cc) **“Statement of Financial Performance”** - report of the operating performance (incomes & expenses – including non-cash items like depreciation & provisions) during the time period;
- dd) **“Statement of Financial Position”** - report of the financial position of the
- ee) **“Strategic framework”** - Is prepared on the basis of the Strategic Plan and provides guidance to the Division Heads by listing the priorities of the Members;
- ff) **“Sub-Program”** - A Sub-Program may be categorized by functions, activity or location within each program and accounted for in the Budget;
- gg) **“Work Program”** - defined as a set of activities and projects undertaken by the GGGI Programs. The GGGI has a number of key programs such as – Green Growth Planning and Implementation and Knowledge Solutions.

1. Introduction

1.1. Purpose

- 1.1.1 The purposes of these Finance Policies and Procedures are to:
- a) implement the Finance Regulations approved by the Council;
 - b) provide adequate controls and safeguards to protect against the loss or unauthorised use of GGGI's assets across all offices and activities;
 - c) ensure that all financial transactions are carried out and recorded in a manner that adheres to international best practice, with due regard to the mission and objectives of GGGI;
 - d) define and document the operating controls to be followed by the Finance Unit and to ensure standardization of policies and procedures followed across all the offices; and
 - e) provide a suitable and detailed framework to govern finance transactions across all offices and activities, and provide clear rules to GGGI personnel for smooth and correct execution of their duties.
- 1.1.2 These Policies and Procedures apply to all activities concerning Budget preparation, Budget execution, Budget monitoring and accounting transactions of GGGI, including payments processing, payroll and other expenditure processing, cash and bank accounts, fixed assets, investments, financial reporting, revenue recognition, liabilities, and other financial transactions.

1.2. Implementation and Compliance

- 1.2.1 The instructions contained in these Policies and Procedures are to be read in conjunction with the provisions of the Establishment Agreement, the Financial Regulations, the Delegation of Authority, the Code of Conduct and other documents governing the operations of GGGI and directives promulgated by the Director-General.
- 1.2.2 These Finance Policies and Procedures elaborate on the manner in which the governing principles of the Financial Regulations are to be implemented. In the event of any conflict between any provisions of these Financial Policies and Procedures and the Financial Regulations, the Financial Regulations shall prevail.
- 1.2.3 The Finance Unit shall be responsible for implementing these Finance Policies and Procedures, as well as preparing and disseminating guidance and training to GGGI personnel on implementation and compliance with these Policies and Procedures.
- 1.2.4 All personnel of GGGI shall take it upon themselves to acquire a thorough understanding of these Finance Policies and Procedures and ensure that they attend training applicable to their job function and duties offered in relation to these Finance Policies and Procedures and the Finance Policy Manual.

1.3. Exceptions to Finance Policies and Procedures

- 1.3.1 All violations of the Finance Policies and Procedures shall be reported to the Director-General, Deputy Director-General and the Finance Director.

- 1.3.2 In the event circumstances exist which render it impractical or impossible to fully comply with any provision of these Finance Policies and Procedures, the request for exceptional treatment shall be presented to the Director-General for prior approval.
- 1.3.3 The request for exceptional treatment, including the reasons presented in justification for not being able to follow the Finance Policies and Procedures and the approval of the Director-General allowing such exception shall be recorded in writing and shall be part of the supporting documents of the relevant transaction.
- 1.3.4 All individuals are responsible for the actions taken by them in the course of their official duties, and any GGGI personnel who takes action contrary to the Financial Regulations, the Delegation of Authority or these Finance Policies and Procedures may be determined to have engaged in misconduct and subject to disciplinary measures or contractual sanctions, as applicable, and/or held financially liable for the consequences of their actions.

2. General Accounting Principles

2.1. General Underlying Assumptions

2.1.1 **International Financial Reporting Standards:** GGGI's Financial Statements are prepared and presented in accordance with International Financial Reporting Standards (IFRS).

2.1.2 **Going Concern:** Financial Statements shall be prepared on a going concern basis unless there is an intention to liquidate the Organization or to cease operating, or if there is no realistic alternative but to liquidate or cease operating. If such an intention or need exists, the Financial Statements shall be prepared on a different basis and, if so, the basis used will be disclosed.

2.1.3 **Accrual basis accounting:** Financial Statements, except for cash-flow information, are prepared under the accrual basis of accounting; the effects of transactions and other events are recognized when they occur (and not as and when cash or its equivalent is received or paid) and reported in the Financial Statements of the periods to which they relate. Expenses are recognized in the income statement on the basis of a direct association between the costs incurred and the earning of specific items of income (matching concept).

In addition, accrual accounting entails recording non-cash transactions such as depreciation, provisions, bad debts, etc. Non-cash transactions have a monetary value and contribute to the business unit's financial position.

2.1.4 **Consistency of presentation:** The presentation and classification of items in the Financial Statements shall be consistent from one period to the next unless:

a) There is a significant change in the nature of the operations of the Organization or a change in presentation will result in a more appropriate presentation of events or transactions; or

b) The change in presentation is required by an IFRS / IAS or an Interpretation.

2.1.5 **Changes in Accounting Estimates:** Changes in accounting estimates may occur as a result of changes in the circumstances on which the estimate was based or because of new information, more experience or subsequent developments. Changes in accounting estimates do not, by their nature, relate to prior periods and are not the corrections of errors.

Where it is difficult to distinguish a change in an accounting estimate from a change in accounting policy, the change is treated as a change in an accounting estimate. For example, a change from carrying assets at historical cost to carrying them at Fair Value is a change in accounting policy, not a change in an accounting estimate. The effect of a change in an accounting estimate is to be recognised prospectively (that is, from the date of change) by including it in the consolidated statement of income in:

a) the period of the change, if the change affects that period only; or

b) the period of the change and future periods, if the change affects both.

Where changes in estimate may impact both assets and liabilities, or relate to an equity item rather than impacting profit or loss, the change is recognised by adjusting the carrying amount of the related assets and liabilities or the item of equity in the period of the change.

2.1.6 **Errors:** Errors may occur in the recognition, measurement, presentation or disclosure of elements in the consolidated Financial Statements. The consolidated Financial Statements do not comply with IFRS if they contain material errors. IAS 8 requires that adjustments to correct material errors are made retrospectively by amending comparatives and restating retained earnings at the beginning of the earliest period presented.

2.2. Qualitative Characteristics of Financial Statements

2.2.1 **Understandability:** The user should be able to understand the Financial Statements. All the relevant factors should be presented including all the complex matters that are material and relevant. Important factors cannot be ignored due to their inherited complexity.

2.2.2 **Materiality:** Information has quality of relevance when it influences the economic decision of users by helping them evaluate past, present or future events, or confirming or correcting their past evaluation. Materiality is a component of relevance. The information is material, if its omission or misstatement could influence the economic decision users take on the basis of the Financial Statement.

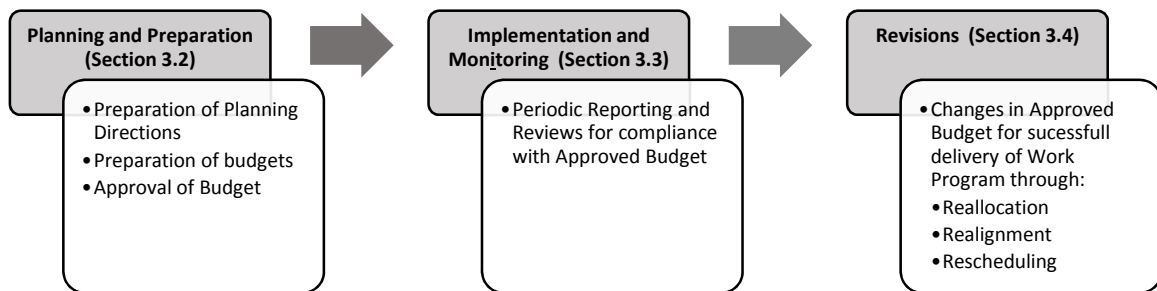
2.2.3 **Reliability:** The users must be able to depend on the information being truthful. Information to be reliable should have following characteristics.

- a) **Faithful representation:** Financial information should represent faithfully the transaction it purports to represent in order to be reliable.
- b) **Substance over form:** The principle that transactions and other events are accounted for and presented in accordance with their substance and economic reality and not merely their legal form.
- c) **Neutrality:** In order to be reliable, the information should be free from any kind of bias.
- d) **Prudence:** Acting with or showing care and regard for the future.
- e) **Completeness:** Information should include all the relevant factors. Any relevant and/or material factor cannot be ignored due to its inherent complexity or for any other reason.
- f) **Comparability:** The users of Financial Statements should be able to compare the Financial Statements.

3. Budgets

3.1. Budgeting Framework

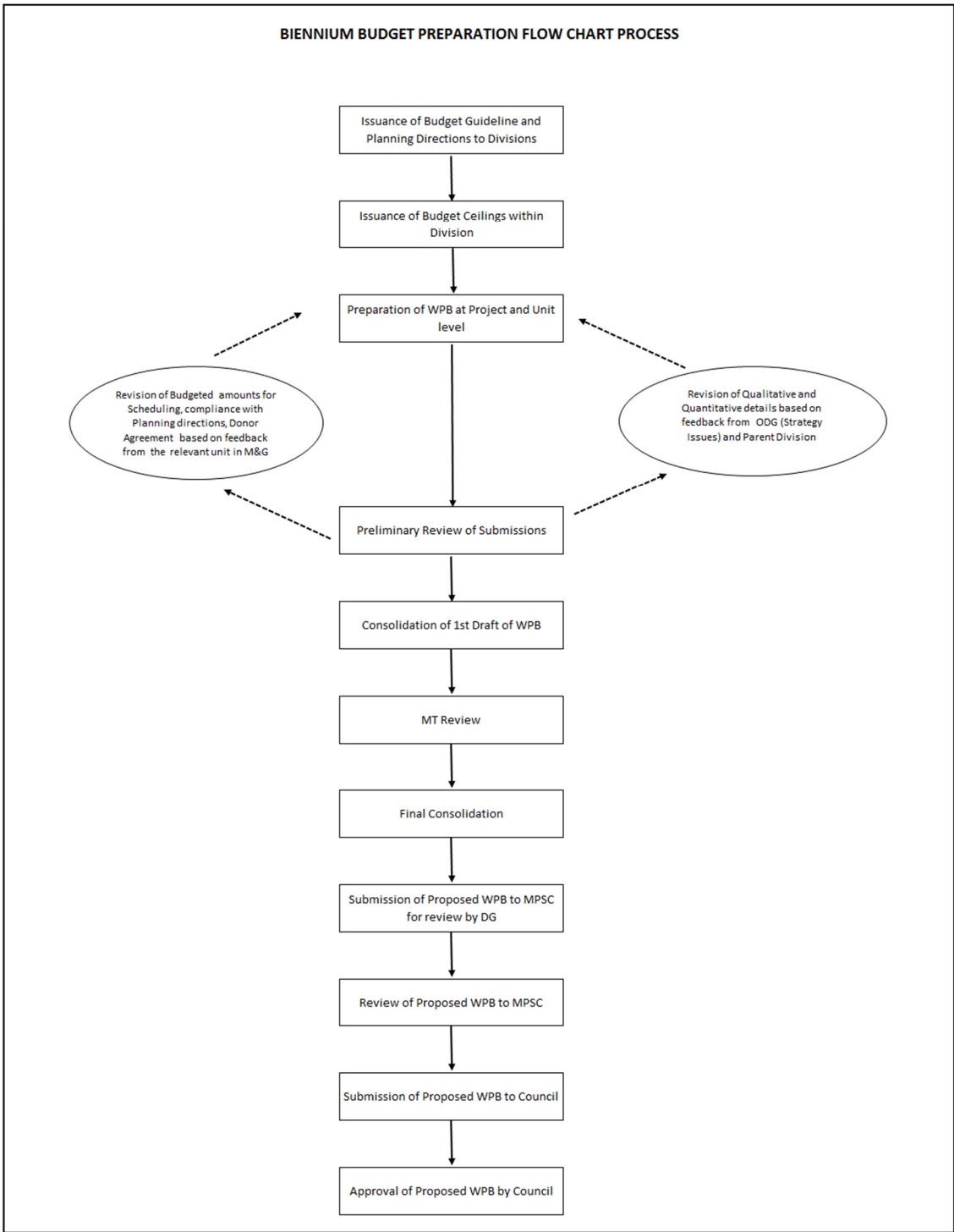
- 3.1.1. Planning directions will be established by GGGI management in relation to each Budget period. The planning directions will provide guidance for the preparation of the Work Program and Budget for each biennium budget. In undertaking the preparation of the Work Program and Budget, GGGI personnel shall adhere to the principles and approaches of the planning directions.
- 3.1.2. Budgeting activities shall aim to produce a coherent results-based work program and budget that incorporates programmatic and operational priorities of GGGI over the Budget period that are in line with the framework and guidance set out in the planning directions through:
- Activities that support decision making for achieving better accountability through integration between strategic planning and budgeting throughout the organization's hierarchy.
 - Facilitation of flexibility in the adjustment of budget-related activities to match changes in strategic and operational priorities direction. This includes the budget planning process, periodic reviews, reallocation of resources and the application of systems and processes.
- 3.1.3. Budgeting activities shall be carried out in accordance with Article 3 of the Financial Regulations, and shall reflect congruence with the existing organizational structures so as to enhance accountability.
- 3.1.4. The budgeting framework has three key phases as indicated in the diagram below; Planning and Preparation, Implementation and Monitoring, and Revisions.



3.2. Budget Planning and Preparation Process

- 3.2.1 The planning directions shall indicate 1) the programmatic and operational priority areas that will either build on achievements of prior period or reflect new directions in context of mid-term strategic plan, and 2) the timelines for the milestones. This will provide the basis of “top-down” organization-wide planning.
- 3.2.2 Budgeting guidelines and related templates shall provide instruction on how to arrive at best possible budget estimates for priorities identified in the planning directions.

- 3.2.3 The planning directions and budgeting guidelines will be used by the respective organizational units in preparation and submission of their budgets following a “bottom up” and integrated budget preparation process within a given budgetary ceiling.
- 3.2.4 The Work Program and Budget shall be prepared for the biennium, and each year of the Budget shall follow the GGGI financial year in accordance to Regulation 2.6 of the Financial Regulations. Budgeting for earmarked projects shall also follow the GGGI financial year, notwithstanding whether the beneficiaries and/or donor has a different financial year. Supplementary budget that starts in the middle of one financial year and continue into the next financial year shall also follow the GGGI financial year. Such a budget shall be split to match the financial year within which the related activities fall.
- 3.2.5 All Budgets shall be prepared and maintained in the functional currency of the GGGI, which is the United States Dollar (“USD”). The USD shall also be the functional currency for earmarked projects, even if the earmarked contribution is provided in a foreign currency.
- 3.2.6 The diagram below shows the key steps of the budget planning and preparation process from the issuance of planning directions and guidelines to the approval of the Budget by the Council.



3.2.7 The presentation and content of the draft Work Program and Budget shall be in accordance to Regulation 3.2 of the Financial Regulations;

3.2.8 The roles and responsibilities for the planning and preparation of Budgets are shown below.

Roles	Internal		External	
	Title	Responsibilities	Title	Responsibilities
Approval	Director-General (DG)	Responsible for sign-off on the Budget before it is presented to the Management and Program Sub-Committee (MPSC) and the Council.	Council	Final approving authority of the Budget before submission to council
Process Coordination	Finance Unit (Finance)	Responsible for the accounting and finance activities across the organization. Finance Unit is also responsible for uploading, administering, monitoring and reporting of the Budget.		
	Human Resources (HR)	Responsible for providing necessary information about established posts, new posts, and reclassification and redeployment of established posts to ensure proper review of post level and other related requirements.		
	Impact and Evaluation Unit (IEU)	Responsible for <ul style="list-style-type: none"> Ensuring the programmatic priority areas are well incorporated in the Work Program and Budget at the budget planning and preparation stage the monitoring and Evaluation activities in project level and institutional level in coordination with the relevant Programmatic Division 		
	Office of the Director-General (ODG)	Responsible for leading the planning and preparation of Work Program and Budget for the budget period.		
Recommendation	Division Head (DH)	The official responsible for the formulation and delivery of a program, sub-program and project within the GGGI Strategic Plan.	Management and Program Sub-Committee (MPSC) 3.5.3	Assist the Council in carrying out its responsibilities in overseeing the GGGI by review the budget.
	Project Manager (PM)	Responsible for formulation and delivery of a project authorized by the Division Head as well as preparation of any prerequisites for Budget preparation and implementation		Recommend approval for supplementary and revised budgets

3.3. Implementation and Monitoring

In relation to Regulation 3.8 of the Financial Regulations:

- 3.3.1 The Finance Unit is responsible for overseeing and monitoring the administration of Budget appropriations to ensure that expenditures incurred remain within the structure approved by the Council. Coding shall be established to reflect the mappings of the structure at the sub-program, project or office level during Budget implementation.

- 3.3.2 The Budget shall be monitored on a monthly basis for staff and non-staff expenditures. The Finance Unit shall prepare variance reports showing the actual achievement in a format consistent that of the approved Budget. The format of the variance reports shall be consistent with that of the original Budget and shall contain:
- a) the Budget;
 - b) actual expenditure vis-à-vis the Budget;
 - c) variance (year to date); and
 - d) forecast for the remaining period of the year.
- 3.3.3 The Finance Unit shall alert the officer with authority over the budget for the respective organization unit or project if unusual patterns of expenditure occur – e.g. sudden increase in expenditures for one particular object, over-spending in another object, or no expenditure or under-expenditures for yet another object. If necessary, the Finance should draw the attention of Program Managers to identify the corrective measures needed as indicated in 3.4 below.
- 3.3.4 Monthly vacancy reports shall be prepared by the Human Resources Unit showing the authorized positions, their status, name of the incumbent, and source of funding (core or earmarked). Any revisions in the positions shall be made with reference to the approved resource plan for the approved Budget and all such revisions must be authorized by the Director- General
- 3.3.5 The officer with authority over the budget for the respective organization unit or project shall review the monthly variance report, and identify corrective measures as needed as outlined in 3.4 below.

3.4. Budget Revisions

- 3.4.1 Given the ever-changing circumstances which may arise in the implementation of the Work Program of the organization, there is need for a certain measure of flexibility for incurring expenditures. The Director-General is permitted to reallocate expenditures within Program Budgets, and the Director-General has delegated to Division Heads the authority to revise their respective Program Budgets.
- 3.4.2 Budget revisions may include efficient utilization of resources, improved implementation of work programs, redeployments and streamlining procedures and processes.
- 3.4.3 The Budget revisions shall be consistent with the planning direction and budget guidelines for the approved Budget for the budgeting cycle and may include:
- a.) Reallocations of budget amounts across organizational units and budget groups;
 - b.) Rescheduling of budget amounts across budgeting periods; and/or
 - c.) Realignment of budget amounts across budget groups;
- provided, that reallocation of expenditures between different Program budgets shall be reported to the MPSC and the Council as part of the normal Budget reporting process.
- 3.4.4 The presentation and content of the revision shall be in accordance to Regulation 3.2 of the Financial Regulations.

- 3.4.5 The Finance Unit shall make updates for Budget revisions approved in accordance with the Delegation of Authority to incorporate approved redeployments, supplementary program activities, revised estimates and/or unforeseen and extraordinary expenditures.
- 3.4.6 Budget revisions shall be reported to the MPSC and the Council in its subsequent session.
- 3.4.7 In the case of revisions to budgets for Projects financed with earmarked funds, the reallocation criteria and approvals, if any, set out in the agreement between GGGI and the relevant donor shall be followed.

3.5. Supplementary Budget

- 3.5.1 In accordance with Financial Regulation 3.7, in the event new Project or scoping activities require financial resources greater than the approved Budget, the concerned Division Head shall prepare a submission using the same process and documents for the preparation of the biennium Work Program and Budget.
- 3.5.2 Where supplementary resources in excess of the approved Budget is required, the Director-General shall submit a Supplementary Work Program and Budget to the Council with prior submissions to the MPSC for their recommendations on the adoption of the proposed budget.
- 3.5.3 In accordance with Financial Regulation 3.3, the Director-General may approve additions to GGGI's portfolio of projects and scoping activities that can be accomplished within the approved Budget amount for the financial period. The Director-General shall report on the progress of such additional projects and scoping activities to the MPSC and the Council.
- 3.5.4 The table below presents the recommended timelines for the update of Budget revisions by the Finance Unit in order to facilitate efficient and effective implementation of Budgets.

Revision Type	Recommended Timeline(s)	Financial Regulations
Additional Projects - Program Countries and Scoping	By end of 2 nd Quarter	3.3, 5.6
Supplementary Budget	By the end of the 1 st Quarter	3.7a) and b)
Revisions of Approved Budget within Division	By end of 2 nd Quarter	5.6 b)
Revisions of Approved Budget between Divisions	By end of 2 nd Quarter	5.6 c)

4. Fixed Assets

4.1. General Underlying Assumptions

- 4.1.1 All assets shall be managed in accordance with IFRS in compliance with IAS2, IAS16, IAS36 and IAS38.
- 4.1.2 An asset shall be recognized by GGGI as a Fixed Asset when:
 - a) GGGI has physical control of the asset and expects the asset to provide future economic benefits;
 - b) The cost of the asset (including the transfer risk and reward) can be measured;
 - c) The cost of the asset is above the threshold mentioned in the Capitalization Policy described below.

4.2. Capitalization Policy

- 4.2.1 All expenditures for individual capital assets of at least USD 1,001 in value shall be capitalized and depreciated/ amortized using the Estimated Useful Life if:
 - a) the asset is expected to be used for a period of more than 12 months; and
 - b) the asset is used or controlled by GGGI (at headquarters, at a country office, or at a Project site).
- 4.2.2 Any asset with a value less than USD 1,001 shall be expensed directly.
- 4.2.3 All items of Property, Plant and Equipment that meet the recognition criteria shall be recorded in the Fixed Assets Register. At a minimum, the following details shall be recorded:
 - a) date of purchase, cost and description of asset;
 - b) asset class, useful life, depreciation rate and method;
 - c) warranty and serial number; and
 - d) location of asset and custodian name.

4.3. Recording

- 4.3.1 Assets acquired in all locations shall be booked in enterprise resource planning (ERP) system within the same calendar month of acquisition.
- 4.3.2 The initial recognition of the asset shall be at cost. The cost of a fixed asset item comprises its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs of bringing the asset to working condition. The total cost shall not include any trade discounts, rebates and other refundable costs.

- 4.3.3 For assets that have been acquired at no cost (gift, donations, etc.), the cost of the item shall be its Fair Value at the date on which it was acquired. Fair Value shall be determined by either the market value of comparable assets or by an independent evaluator.
- 4.3.4 For assets acquired in exchange of a dissimilar item, the cost of the acquired item shall be measured at the Fair Value of the asset received, which is equivalent to the Fair Value of the asset given up, adjusted by the amount of any cash or cash equivalents transferred.
- 4.3.5 For assets acquired in exchange of a similar asset that has similar use in the same line of business and which has a similar Fair Value, no gain or loss shall be recognized.
- 4.3.6 Subsequent expenditure on the fixed asset shall only be recognized as an asset when the expenditure improves the condition of the asset, measured over its total life, beyond its most recently assessed standard of performance. However, expenditures related to the maintenance of the asset to restore or maintain the future economic benefits, shall be recognized as an expense when incurred.

4.4. Class of Asset and Depreciation

- 4.4.1 GGGI shall use straight line depreciation method.
- 4.4.2 Depreciation shall be charged on an annual basis. For assets acquired in the middle of the year, a pro-rated depreciation shall be charged for that year.
- 4.4.3 Depreciation expenses commence as per monthly convention where the asset is depreciated from the month it is acquired and put to use.
- 4.4.4 There are no residual values for any fixed assets following full depreciation.
- 4.4.5 The Estimated Useful Life for each asset class and sub-class is shown in the table below:

<i>Asset class</i>	<i>Depreciation method</i>	<i>Estimated Useful Life in Months</i>
Land	Not Applicable	No Depreciation
Office Equipment	Straight line	60
IT Equipment	Straight line	36
Furniture and Fixtures	Straight line	60
Vehicle	Straight line	60
Office Improvement	Straight line	24

4.5. Funding Categories for Assets

- 4.5.1 GGGI assets can be acquired through use of core funds and/or earmarked funds, each as defined in Regulation 4.2.

4.5.2 Where assets are acquired through:

- a. Core funds, the assets shall be capitalized and the depreciation will be charged as corporate shared cost in a dedicated Project code.
- b. Earmarked funds, the assets shall be capitalized and depreciation will be charged to the earmarked Project. Upon termination or closure of Project, the residual value of the asset shall be fully charged to the Project.

4.6. Physical Count

- 4.6.1 Physical count of all assets shall be carried out every six (6) months under the supervision of the Corporate Services Unit for the headquarters and the respective country representative for country offices. This shall be approved as per the Delegation of Authority.
- 4.6.2 All differences between the physical status and General Ledger status shall be investigated by Corporate Services Unit. Any adjustments/ write-offs shall be approved as per the Delegation of Authority.
- 4.6.3 For losses amounting to less or more than USD 10,000, which may occur at any time during the year or during the physical count shall be written off with documented justification, after relevant approvals as per the Delegation of Authority.
- 4.6.4 A summary statement of losses of non-expendable property shall be provided at the request of the External Auditor within three months following the end of the financial period.

4.7. Revaluation

- 4.7.1 Revaluation of a fixed asset shall be carried out when there is a material change in the market price of an asset. After revaluation, the asset shall be carried at its Fair Value, less any accumulated depreciation.
- 4.7.2 If an item of a particular asset class is revalued, then the entire class of the asset shall be considered for revaluation.
- 4.7.3 If the revaluation results in increased value of carrying amount, then the increase shall be credited to revaluation surplus. However, the increase shall be recognized as revenue only to the extent it reverses a revaluation decrease of the same class of assets previously recognized as an expense, and as per IFRS guidance.
- 4.7.4 Assessment of a requirement of revaluation of assets shall be carried out at least yearly.

4.8. Impairment

- 4.8.1 Assets shall be tested for impairment annually at each reporting date.
- 4.8.2 An Impairment loss shall be recognized when the recoverable amount of the asset falls below its carrying amount or book value. The impairment loss shall be expensed in the Financial Statements as per IFRS guidance.

4.9. Retirement and Disposal

- 4.9.1 A fixed asset shall be eliminated from the Financial Statements when :
- a. it is obsolete, outdated, broken, lost or cause excessive maintenance or repair costs;
 - b. it does not have future use for GGGI (for example, due to closure of office and impracticability of transfer to another office);
 - c. it does not have future economic benefit;
 - d. it is sold to a third party; or
 - e. The donor requests GGGI to return the asset upon completion or closure of an earmarked Project in accordance with the provisions of the related agreement.
- 4.9.2 Gains or losses arising from the retirement or disposal of an item of the fixed asset shall be determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, within the financial period.

5. Intangible Assets

5.1. General Underlying Assumptions

5.1.1 An asset shall be recognized by GGGI as an intangible asset when:

- a) The asset is identifiable, as follows:
 - it is separable, that is, is capable of being separated or divided from GGGI and sold, transferred, licensed, rented, or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether GGGI intends to do so; or
 - It arises from binding arrangements (including rights from contracts or other legal rights), regardless of whether those rights are transferable or separable from GGGI or from other rights and obligations; and
- b) It meets the following recognition criteria:
 - it is more probable than not that the expected future economic benefits or service potential that are attributable to the asset will flow to the Organization; or
 - the cost or Fair Value of the intangible asset can be measured reliably and it satisfies capitalization threshold requirement of USD 1,000 for new additions and USD 25,000 for internally developed intangible assets.

5.1.2 GGGI shall assess the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent the best estimate of the set of economic conditions that will exist over the useful life of the asset.

5.2. Recognition

The initial recognition of the asset shall be at cost or Fair Value (if obtained from a non-exchange transaction). Internally generated goodwill shall not be recognized as an asset. For internally generated intangible asset, no intangible asset arising from research (or from the research phase of an internal project) shall be recognized. Expenditure on research (or on the research phase of an internal project) shall be recognized as an expense when it is incurred. An intangible asset arising from development (or from the development phase of an internal project) shall be recognized if, and only if, GGGI can demonstrate all of the following:

- a) The technical feasibility of completing the intangible asset so that it will be available for use;
- b) Its intention to complete the intangible asset and use it;
- c) Its ability to use the intangible asset;
- d) How the intangible asset will generate probable future economic benefits or service potential;
- e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

- f) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.
- 5.2.1 Internally generated brands, mastheads, publishing titles, lists of users of a service, and items similar in substance shall not be recognized as intangible assets.
 - 5.2.2 Expenditure on an intangible item that was initially recognized as an expense shall not be recognized as part of the cost of an intangible asset at a later date.
 - 5.2.3 After initial recognition, an intangible asset shall be carried at its cost less any accumulated amortization and any accumulated impairment losses.
 - 5.2.4 GGGI shall assess the length of the Estimated Useful Life of the asset, which shall also be reviewed at each reporting period.

5.3. Amortization

- 5.3.1 GGGI shall use straight line amortization method.
- 5.3.2 Amortization shall be charged on an annual basis. For intangible assets acquired in the middle of the year, pro-rated depreciation shall be charged for that year.
- 5.3.3 Amortization expenses commence as per monthly convention where the intangible asset is amortized from the month it is acquired and put to use or the acquisition is reported to the Finance Unit.
- 5.3.4 All intangibles shall have a zero residual value following full amortization.
- 5.3.5 The Estimated Useful Life for intangible assets are as follows:

<i>Class</i>	<i>Amortization method</i>	<i>Estimated Useful Life in Months</i>
Software acquired	Straight line	36
Internally developed Software	Straight line	36
Software licences acquired	Straight line	12

5.4. Retirement and Disposal

- 5.4.1 Intangible asset shall be eliminated from the Financial Statements when :
 - a) An intangible license or right expires;
 - b) It does not have future use in GGGI (due to closure of office etc.); or
 - c) It does not have future economic benefit.

6. Revenue and Receivables

6.1. Sources of Revenue

6.1.1 In accordance with Financial Regulation 4.1, GGGI's sources of revenue are:

- a) core contributions;
- b) other contributions and
- c) Miscellaneous income.

6.2. Recognition

6.2.1 Core Contributions: The income from core contributions shall be recognized when GGGI receives the contribution.

6.2.2 Other Contributions: Income from other contributions that comply with Financial Regulation 4.4 shall be recognized on receipt of the contribution.

6.2.3 Miscellaneous Income: Income classified as miscellaneous income in accordance with Financial Regulation 4.6 shall be recognized when due and payable to GGGI.

6.2.4 Matching principle shall be applied for all contributions and reasonable judgement shall be made to ensure that only applicable revenue for the year is recognized. Contributions for the following year shall be accrued.

6.3. Contributions Reporting

6.3.1 On a monthly basis status of core contributions will be prepared by the Finance Unit and shared with the Management Team in order to facilitate communication with the Members. This report shall show the total contributions received and due from each Member for each year, including the current year.

6.4. Management of Contributions

6.4.1 In accordance with Financial Regulation 6.3, core funds of GGGI shall at all times and in all respects be held, used, committed or invested entirely separate from earmarked funds. All core funds shall be pooled and maintained using a dedicated bank account.

6.4.2 In accordance with Financial Regulation 6.3, each earmarked contribution, its resources and accounts shall be kept entirely separate from other earmarked contributions.

6.4.3 Withdrawals and advances from and reimbursements to the Working Capital Fund shall be undertaken pursuant to and in accordance with Financial Regulation 6.2.

6.4.4 Dedicated trust funds and accounts and earmarked funds may be established by the Director-General in accordance with Financial Regulation 6.3 e).

- 6.4.5 Pursuant to Financial Regulation 6.4, a capital expenditure fund may be established to manage investments that involve capital expenditure, as defined therein.
- 6.4.6 Pursuant to Financial Regulation 6.5, reserve funds may be established with the approval of the Council to finance obligations in relation to the long-term financial stability or going concern nature of GGGI.
- 6.4.7 **Managing Excess Contributions:** If a Member remits excess core contribution to GGGI to the extent that the excess does not pertain to exchange gain, then only the amount due for the current year and any arrears should be recorded in the books. The excess amount shall appear in the account of the Member as a credit balance, unless otherwise agreed between the Member and GGGI. Excess Contributions may be adjusted against contributions pertaining to later years subject to confirmation from the Member.
- 6.4.8 **Managing Short Contributions:** In the event that an incoming core contribution which is less than the agreed amount and the difference does not arise from exchange gain or loss or bank charges, only the amount actually received by GGGI shall be recorded and credited to the General Fund.

6.5. Receipt of funds

- 6.5.1 An official receipt shall be issued for all cash and negotiable instruments received.
- 6.5.2 Only the Finance Unit shall be authorized to issue official receipts. If other officials receive money intended for GGGI, they shall immediately notify the Finance Unit and transmit the funds received as directed by the Finance Unit.
- 6.5.3 All monies received shall be deposited into an official GGGI bank account.

7. Bank Transactions

7.1. General Guidelines

Bank Account Management

- 7.1.1 In selecting financial institution for global banking and country office banking, the following considerations shall be taken into account:
- a) The financial strength and credit worthiness of the bank, which must have a minimum short-term credit rating equivalent to at least, A-1/P-1/F1;
 - b) The reputation, reliability and geographical availability;
 - c) The cost of services of the bank;
 - d) The ability of the bank to handle business in GGGI's best interests;
 - e) The efficiency in foreign exchange dealings and international money transfers; and
 - f) The bank being an insured institution under a government-backed deposit insurance scheme.
- 7.1.2 The Director-General shall authorize all bank account openings and closures and designate those officials to whom signatory authority is delegated for the operation of those accounts. GGGI's accounts shall be opened and operated in accordance with the following guidelines:
- a) Bank accounts shall be designated as "official accounts of GGGI".
 - b) Banks shall be required to provide prompt monthly statements.
 - c) All modes of payment or withdrawal instructions shall require two signatories.
 - d) All banks shall be required to recognize that the Director-General is authorized to receive, upon request or as promptly as is practicable, all information pertaining to official bank accounts of GGGI.
 - e) The bank shall be clearly informed not to honor payments that exceed the individual authority limits. Bank mandates shall exclude payment instructions by fax or telex.
- 7.1.3 With no exception, all bank accounts shall be in the name of GGGI and not in the name of any GGGI personnel, office or any other organization. No joint accounts shall be opened.
- 7.1.4 The number of bank accounts shall be kept to a minimum. Country Offices shall normally operate one bank account in hard currency to receive transfers from Seoul and another account for local currency, depending on the local regulations and conditions. Maximum of available funds shall be retained in the hard currency account for as long as possible before transfer to the local currency account.
- 7.1.5 For establishing and administering bank accounts, comprehensive banking information shall have to be entered, logged and updated by the Finance Unit. The Finance Unit shall maintain a permanent file containing key correspondence with banks (bank

contracts, short-term investments, bank guarantees, amendments to the banks mandates, changes to signatories etc.).

- 7.1.6 The Finance Unit shall send to the bank the specimen signature card of all the authorized signatories. Any changes in the authorized signatories or in their financial limits shall be immediately communicated to the bank.
- 7.1.7 Bank signatory authority and responsibility is assigned on a personal basis and cannot be delegated.
- 7.1.8 Designated bank signatories shall ensure that checks and other banking instruments are properly safeguarded and that they are destroyed when they become obsolete.
- 7.1.9 Bank signatories shall ensure that there are sufficient funds in the bank account when cheques and other payment instructions are presented for payment, and shall verify that all payment instructions, including cheques, are dated and drawn to the order of the named payee as indicated in the accompanying disbursement voucher, payment instruction and invoice.

7.2. Bank Receipts and Payments

- 7.2.1 All monies received shall be in the name of GGGI and not in the name of any personnel of GGGI or any third party.
- 7.2.2 All payment instruments shall be received by the Finance Unit of GGGI.
- 7.2.3 All funds received for GGGI shall be deposited only into official accounts of GGGI. Notwithstanding the foregoing, funds may only be deposited into a bank account opened for country office banking following written approval by the Finance Unit.
- 7.2.4 In offices where manual payments are initiated or processed the supporting documents shall be affixed with stamps of "Paid", "Received" and "Date" including for transfers.

7.3. Disbursements and Payments

- 7.3.1 The payment process is the last action in the settlement of an obligation. It is the physical action of paying out money after all verifications, checks and controls have been carried out. The invoice/receipts shall be presented and the disbursement shall be approved in accordance with the Delegation of Authority based on the determination that the transaction is valid and is in accordance with the relevant policies.
- 7.3.2 All disbursements and payments shall be made by check, wire transfer or use of an Electronic Banking System ("EBS") which is recommended where feasible, or exceptionally to the extent permitted under these Finance Policies and Procedures and in accordance with the Delegation of Authority by cash disbursement or use of credit cards. Access to EBS shall be approved by the authorized bank signatories.
- 7.3.3 No transaction shall be posted in the ERP system without the support of original source documents. Supporting documents shall include scanned copies of invoices. Where an invoice is not submitted, on an exceptional basis, GGGI shall reimburse up to USD 25 for each instance. A written justification shall be required from the relevant department and approved by the Finance Director.

- 7.3.4 Payments to vendors/suppliers shall be made within the term limit from the date of receipt of correct invoices (or based on the contractual agreement), unless otherwise stated in the vendor's/supplier's contract or purchase order.
- 7.3.5 No payment shall be split to bypass the signatory limit.
- 7.3.6 All payments shall be processed every Thursday and all approvals for such shall reach finance no later than Friday of the previous week.
- 7.3.7 All payments shall be made in the name of legally contracted relevant vendor/supplier/contractor as stated in the contract or purchase orders. No payments shall be issued to specific individuals of a vendor/supplier/contractor unless it is stated in the contract or purchase order.
- 7.3.8 Payments shall be recorded in the accounts as at the date on which they are made, that is, when the check is issued, transfer is affected or cash is paid out.
- 7.3.9 All disbursements shall be completed within 30 days of receipt of the duly completed invoices and supporting documentation from suppliers which are due for payment.
- 7.3.10 Payments for any specific expenditures shall be prepared by persons other than those who initiated or approved any documents that gave rise to the disbursements.
- 7.3.11 GGGI shall bear all bank transfer fees charged by the GGGI sending bank for all payments made from GGGI bank accounts. GGGI shall not bear any bank charges or fees charged by the receiving bank or any correspondent bank.

7.4. Bank Reconciliation

- 7.4.1 All financial transactions, including bank charges and commissions, shall be reconciled with the information submitted by the bank. This reconciliation shall be performed or validated by a finance officer playing no actual part in the receipt or payment of funds.
- 7.4.2 Bank reconciliations between the bank ledgers and the bank statements shall be prepared by the Finance Unit on a monthly basis for all bank accounts.
- 7.4.3 Adjustments (If any) shall be made in the books to reconcile the bank account balances with the ledger.
- 7.4.4 Authorized personnel preparing and reviewing the bank reconciliation shall sign and date the reconciliation indicating the date:
 - a) the reconciliation was completed; and
 - b) the reconciliation was reviewed.

Bank reconciliations format/template shall certify that:

- a) Entries are accurate and correspond with GGGI Accounting Records. These shall include deposits, wire transfers, withdrawals, expenditures and revenues on bank statements and monthly financial reports; and
- b) All reconciling items have been identified and included. Reconciling items shall include:

- Reconciling items that would clear over a period of time; and
 - Reconciling items requiring adjustments to clear them, either by the bank or with an adjusting voucher in the Accounting Records.
- 7.4.5 Reconciling items which have been carried forward from the previous month's reconciliation shall be highlighted and investigated.
- 7.4.6 Any non-reconciling items shall be addressed accordingly in coordination with external and internal parties. Bank reconciliations shall be filed within the Finance Unit and made available to internal/external auditors, upon request.
- 7.4.7 Supporting documentation for the bank account balance, general ledger account balance and significant reconciling items shall be attached to the reconciliation.
- 7.4.8 After preparation of bank reconciliation, the Treasury Officer shall review and sign the bank reconciliation prior to submission to the Finance Director for approval and signature.

8. Payables and Accruals

8.1. Obligation Process

- 8.1.1 An obligation arises when GGGI enters into a formal contract, agreement, purchase order or other form of undertaking, or on a liability recognized by GGGI. Every obligation shall be supported by the appropriate obligating document which shall be approved as per Delegation of Authority.
- 8.1.2 For every obligation, the availability of corresponding appropriation needs to be verified. All requisitions shall have the budget code against which the expense is being incurred, and approved by the budget holders.
- 8.1.3 For every obligation, a travel request or approval request shall be raised, and approved as per Delegation of Authority.
- 8.1.4 For expenses that are made for more than one Division / Office, the allocations may be made based on total positions or any other cost-sharing methodology that shall be approved as per Delegation of Authority.
- 8.1.5 Any amendments or cancellation in the approved purchase/ service orders/ contracts shall be authorized in accordance with the Delegation of Authority.

8.2. Advance Payments

- 8.2.1 The Director-General may approve other cash advances as may be permitted by the Staff Regulations and Rules and administrative instructions and as may otherwise be authorized in writing by him or her.
- 8.2.2 Personnel to whom cash advances are issued shall be held personally accountable and financially liable for the proper management and safekeeping of cash so advanced and must be in a position to account for these advances at all times.
- 8.2.3 Advance payments to suppliers are to be discouraged except where and to the extent permitted by the applicable procurement rules.
- 8.2.4 All advance payments to suppliers, staffs and consultants must be approved in accordance with the Delegation of Authority.
- 8.2.5 No further travel advances will be given until all previous advances are accounted for and balances settled.

8.3. Remittances to Country Offices

- 8.3.1 Offices away from Headquarters shall obtain their funds through remittances from Headquarters. In the absence of a special authorization from the Director-General, those remittances shall not exceed the amount required to bring cash balances up to the levels necessary to meet the recipient office's estimated cash requirements for up to the next three months.

8.4. Petty Cash

- 8.4.1 Petty cash may be maintained in Headquarters and in country offices as approved by the Deputy Director-General.
- 8.4.2 The petty cash shall be kept in a locked safe storage or cabinet. In the country offices, the respective country representative is responsible for designating the custodian of the petty cash fund. There shall be a custodian for each petty cash fund.
- 8.4.3 The custodian shall be responsible for the actual disbursement and safe-keeping of the petty cash. There shall be an approving officer for the petty cash fund who shall be responsible for approving payments made from the petty cash fund. In accordance with the Delegation of Authority, for petty cash funds held in the country offices, the respective country representative is the approval authority for payments using petty cash. Access to the petty cash fund must be restricted to the custodian only
- 8.4.4 Petty cash funds shall be maintained on a replenishment system. In accordance with the Delegation of Authority: (i) the Finance Director shall determine the maximum float amount to be held as petty cash; and (ii) replenishment of petty cash funds held by the country offices shall be approved by the respective country representative up to the maximum float amount established by the Finance Director.
- 8.4.5 The petty cash shall be maintained on the following basis:
 - a) The maximum float amount shall be USD 5000.
 - b) The maximum expenditure amount shall not exceed USD 1,000 per transaction.
- 8.4.6 The fund shall be replenished as soon as the balance is USD 500.
- 8.4.7 Amendment to existing float amount or establishment of new float shall be recommended by a finance officer or a country representative and authorized by the Finance Director in accordance with the Delegation of Authority.
- 8.4.8 The Petty Cash shall only be used for the purpose of small cash disbursements for purchases for which bank transfer would not be practical or possible (for example postage and taxi fares). Payments of salaries, overtime, and allowances must not be made from petty cash. No payment shall be split to bypass the petty cash limit of USD 1,000 per transaction.
- 8.4.9 The custodian shall maintain a Petty Cash Control Sheet/cash book to monitor petty cash transactions. The Petty Cash shall be kept in a locked safe storage/cabinet with dual combination lock system. The Country Representative shall maintain at least one of the safe combinations and this shall be delegated to his or her officer-in-charge upon his/her absence.
- 8.4.10 The petty cash shall be reconciled on a daily basis and any discrepancy in the amount held shall be notified to the Country Representative and Finance Director immediately. On a monthly basis, as a part of month end closing, the petty cash balance in the cash register shall be reconciled with the balance in ledger (cashbook).
- 8.4.11 The country representative shall put in place measures designed to ensure the safety of the petty cash funds when in movement between the bank and the country office and shall notify the Finance Unit of such measures.

8.5. Staff Claims

- 8.5.1 All staff travel and general expense claims shall be submitted to the Finance Unit through ERP with all relevant supporting documents for proof of payment.
- 8.5.2 All staff travel and general expense claims shall be submitted within 30 days of occurrence or return to duty station. Any claims submitted after 30 days will not be reimbursed.
- 8.5.3 All payroll related claims shall be submitted by the 15th of the month shall be processed through that month's payroll. Payroll related claims submitted after the 15th of the month shall be processed through the next month's payroll. Employees in country offices which have a payroll service provider must submit claims by the 10th of the month for processing in the same calendar month.
- 8.5.4 All payroll related claims or payments to staff shall be documented through ERP and all documents shall be maintained in ERP.

8.6. Payroll

- 8.6.1 The Human Resource Unit shall provide accurate and reconciled personnel payroll data to the Finance Unit by the 20th of every month.
- 8.6.2 GGGI personnel and individual consultant contracts and salary/professional fees will be denominated in US Dollars and credited to an account designated by the concerned individual. Changes to bank accounts are allowed in exceptional circumstances (closure of current bank account, regulatory requirements, interim arrangement for new personnel or leavers) and after approval from the Finance Unit.
- 8.6.3 Foreign exchange calculations shall be based on the UN Operational rates of exchange available on the UN website.

Link: <http://treasury.un.org/operationalrates/Default.aspx>

Link: <https://treasury.un.org/operationalrates/OperationalRates.php>

- 8.6.4 The Finance Unit shall ensure timely and accurate payment of personnel compensation. Payments of salaries/professional fees shall be made not later than 25th of the current month. In case the payment date falls on holiday or weekends, the salaries/professional fees shall be paid on the previous working day.
- 8.6.5 The payroll register shall be certified, authorized and approved as per the Delegation of Authority.
- 8.6.6 A payroll reconciliation report which includes the difference between payroll payments made from previous month and current month shall be prepared by the Human Resources Unit and approved by the Head of Human Resources. This shall be accompanied with the payroll transfer list from HR to Finance. Finance will do a random sampling test on individual transactions before the payments are released.

8.7. Insurance

- 8.7.1 GGGI shall enter into relevant insurance contracts to insure coverage on the following cash transactions:

- a) Cash in Transit;
- b) Money in Petty Cash; and
- c) Any movement of cash between GGGI offices.

8.8. Credit Card

- 8.8.1 The Deputy Director-General and Head of Management & Governance shall oversee the general administration of GGGI credit cards and be responsible for determining eligibility for issuance of corporate credit cards and establishing and adjusting limits on individual corporate credit cards. The Finance Director shall be responsible for issuance of the credit cards, setting guidelines and procedures on credit card distribution, overall management of issued credit cards, and other matters regarding credit card administration and usage.
- 8.8.2 Credit card holders shall comply with all credit card guidelines and instructions issued by the Deputy Director-General and Head of Management & Governance.
- 8.8.3 Credit card usage by GGGI personnel shall be subject to independent internal audits for checks against appropriate usage as per the Credit Card Guidelines and other relevant GGGI regulations, rules, policies and procedures. In the event of credit card misuse, the Deputy Director-General and Head of Management & Governance shall notify the event to the Director-General and the Internal Auditor.

8.9. Investments

- 8.9.1 In accordance with Financial Regulation 7.4, the Director-General may invest monies not needed for immediate requirements in accordance with investment criteria approved by the Council and will periodically report to the Council on any such investments.
- 8.9.2 In making investments, the Director-General will seek the advice of an investment committee composed of members appointed by the Director-General with substantial experience in the financial sector, including at least one member from outside GGGI.
- 8.9.3 Unless otherwise specified in the regulations, rules, resolutions or agreements relating to a particular fund or account, income derived from investments will be credited to miscellaneous income, as specified in Financial Regulation 4.6.

9. Financial Recording and Closing Procedures

9.1. Financial Ledger and Records

- 9.1.1 The financial ledgers shall be maintained on the principle of double entry book-keeping i.e. that every transaction has a twofold aspect. Every debit in the ledger has a corresponding credit, and vice-versa. Consequently, at any moment in time, the total of the debits in the ledgers shall agree to the total of the credits. This balancing of totals shall be proved by a Trial Balance.
- 9.1.2 The Finance Unit shall maintain ledgers to record all transactions and use a coding structure to provide a basic framework. It should record all expenses and income plus all non-cash transactions. The project/output code is structured so that every main activity of GGGI is included therein.
- 9.1.3 All records of financial transactions shall be kept and maintained in accordance with the IFRS and shall comply with the financial regulations. Records shall be taken to include both hard copy and electronic records, and according to the financial regulations and the internal retention policy (see section 9.7).

9.2. Project Accounting

- 9.2.1 GGGI shall have separation of duties between managing contributions and accounting for contribution. A periodic accounting of funds shall be made available to the donors. Regular accounting reports shall be sent to donor's summarizing the receipt, use, management and disposition of all contributions in the required reporting format.
- 9.2.2 For earmarked funds/projects, the budget is agreed with a donor and the accounting systems shall reflect the major donor concerns and the fixed detailed budget lines. GGGI shall maintain a separate accounting system over earmarked funds. To avoid the appearance of co-mingling earmarked funds with GGGI own funds, separate bank accounts shall be maintained for earmarked funds.
- 9.2.3 To ensure that all earmarked funded projects are allocated their appropriate share of the overhead cost, GGGI shall apply the agreed overhead percentage to all Projects funded by earmarked funds.

9.3. Direct Costs and Indirect Support Costs

- 9.3.1 The ability to identify, measure, interpret and present costs as they relate to GGGI's economic flow of services, both historically and in forward-looking context, is necessary for an informed understanding of GGGI's drivers of costs and value. Further, understanding GGGI's full costs of delivery is critical in strategic decision making and in ensuring the financial stability of GGGI. In order to support optimal allocation of resources for service delivery and provide clarity to internal and external stakeholders, GGGI seeks to define its internal principles relating to direct costs and indirect support costs. These principles should be read and understood by all personnel involved in Budget preparation, particularly Project managers and Finance Unit personnel, as well as by GGGI contributors, especially donors of earmarked funds.
- 9.3.2 In implementing programs, projects and activities, GGGI incurs two distinct types of expenses: (1) direct costs and (2) indirect support costs/overheads.

- 1) “**Direct Costs**” are all costs that can be directly linked to the activities of the program or project and are clearly identifiable.

The following list is illustrative and not exhaustive:

- a. costs of personnel assigned to the program or project (full-time or part-time or temporary), whether such personnel are based in-country, at Headquarters, at another country office or at a regional office;[1]
- b. costs of Headquarters, regional office or other country office personnel, in those cases where an activity directly attributable to the program or project has been identified that would be undertaken in the most cost-efficient way by using personnel based at Headquarters, a regional office or other country office, insofar as the costs correspond to the actual time devoted by such personnel to the program or project;[2]
- c. costs associated to training and routine technical assistance and capacity building of in-country personnel and structures;
- d. travel costs and related subsistence allowances directly related to the program or project activities for people directly involved in or contracted for or taking part in the program or project (in line with GGGI applicable travel policy and procedures);
- e. costs for outsourcing / sub-contracting identifiable to the project or program;
- f. in-country costs relating to management and administration, such as, office rent, depreciation of buildings, utilities (water/gas/electricity/ICT/etc.), security, maintenance, insurance, postage, etc.;
- g. purchase cost of equipment specifically for the program or project (in accordance with GGGI’s usual fixed asset & depreciation policy);
- h. costs of consumables, materials and supplies (including office supplies) that are identifiable and assigned to the project or program;
- i. publications produced specifically for the program or project and related dissemination;
- j. costs relating to conferences and seminars organized as part of the implementation of the program or project (excluding any travel costs and related subsistence allowances, which are addressed in (c) above);
- k. value added taxes (VAT) where GGGI is unable to recover such taxes from the national tax authority under a tax exemption granted by the relevant government; and
- l. costs of audits and evaluations of the program or project.

- 2) “**Indirect Support Costs**”, also referred to as “**Overheads**”, are those costs that cannot be identified and calculated by GGGI as being directly attributed to each program or

[1] The rates at which personnel costs are charged to a program or project will correspond to GGGI’s normal policy on remuneration (as documented in salary scales, work contracts, secondment agreement, etc.) and be calculated on the basis of the actual gross salary or fees, plus, where applicable, obligatory social charges and any other statutory costs, and benefits, allowances and entitlements included in the remuneration. Where personnel is allocated only part-time to a program or project, only the equivalent part of remuneration will be allocated to the program or project.

[2] See footnote 1 above.

project. Indirect support costs compensate for services provided by GGGI Headquarters [or regional offices that are located outside the country where the program or project is being implemented] that support the accomplishment of the program or project activities.

The following list is illustrative and not exhaustive:

- a. accounting, treasury management, reporting support and internal audit;
- b. human resources administration support;
- c. procurement services;
- d. management support and oversight;
- e. legal support;
- f. IT support;
- g. documentation;
- h. costs connected with the infrastructure and general operation of GGGI; and
- i. costs of depreciation of equipment purchased prior to the beginning of the program or project or purchased newly for the program or project that is specifically used for the program or project (in accordance with GGGI's usual depreciation system).

9.3.3 The following "Non-eligible Expenses" costs will not be considered as either Direct Costs or Indirect Support Costs:

- a. exchange rate losses;
- b. interest owed or paid;
- c. provision for losses or potential future liabilities;
- d. return on capital;
- e. debt and debt service charges; and
- f. Provision for doubtful debts.

9.3.4 The GGGI council has approved an overhead cost between 7% to 13% to be charged to the earmarked funding partners. In order to ensure the costs associated to Indirect Support Costs/Overheads are timely recovered, GGGI will deduct the agreed percentage of the Indirect Support Costs/Overheads from the earmarked contributions immediately upon the receipt of contributions by GGGI.

9.4. Trial Balance General Policies

9.4.1 The trial balance shall be extracted from the ledgers by listing all the debit balances, and all the credit balances. The debits should total the same as the credits and thus the trial balance agrees.

9.4.2 All postings to the financial ledger must be completed, and each ledger folio totalled and balanced. If the trial balance doesn't agree, the following shall be checked:

- a) The casting (adding up) of the trial balance and the ledger;
- b) That all relevant ledger folio balances have been included and at the correct amount, and the input documents do balance.

9.5. Closing Activities

9.5.1 The following section defines the key closing activities that are to be performed before each period end – month, quarter or year.

- a) Planning meeting: A planning meeting shall be held 10 calendar days prior to the closing period to prepare for the closure and to update all stakeholders. The meeting is chaired by the Finance Director and includes the Finance Unit and representatives from other offices, if required. An assessment of the last closing period is undertaken and any improvement areas are discussed.
- b) Expense provisions and scheduling: All expenses and month end accruals and provisions, including rent, electricity, salaries, telephone, audit fees, and other expenses shall be recognized within 3 working days after the closing period. The Finance Unit is responsible for completing the transactions within 4 calendar days after the period end.
- c) Reconciliation: The Finance Unit shall reconcile balances with the corresponding asset accounts in the ledger for both, costs and accumulated depreciation, and compute variance analysis, if required.

9.5.2 Finance Unit shall prepare notes to accounts for each line item in the Cash Flow Statement, Income Statement & Balance Sheet which should reconcile the trial balance and the GL. Finance Unit shall prepare the following for audit as well as reporting purposes:

- a) Detailed accounts payable, ageing schedule and analysis.
- b) Reconciliation analysis of 5 major debtors.
- c) Detailed advances (travel, cash) and aging schedule
- d) Bank reconciliation statement for all active bank accounts.
- e) Petty cash reconciliation for petty cash floats in different locations.
- f) Schedule for accruals and prepayments.
- g) Schedule for depreciation of fixed assets.

9.5.3 The Finance Unit shall complete the following activities for the review and adjustments to the accounts:

- a) Ensure all reconciling items are cleared and significant trend movements are justifiable. This shall be completed within 7 calendar days after period end.
- b) Review identified period end adjustments, including adjustments for donor reporting and project closures, and approve all manual journal entries to be posted, and close period in the Ledger.

9.6. Period-end Reporting

9.6.1 The Finance Unit shall prepare period end management accounts and shall be submitted to the Finance Director- for approval within 10 calendar days after the period.

9.6.2 Every month, the Finance Unit will prepare and send budget vs. actual report to the Head of Divisions.

9.6.3 The Finance Director shall periodically prepare a reports for the MPSC, which provides a high level summary overview of GGGI's financial performance with high level analysis including budget vs. actual.

9.7. Additional Requirements for Half-yearly and Annual Closing Activities

9.7.1 In addition to the above mentioned closing activities, a few incremental steps shall be required to complete the half-yearly and annual closing activities.

a) Physical verification

- GGGI shall carry out physical assessment and associated adjustments related to write off for fixed assets, and whether there is any indication that an asset may be impaired. If any such indication exists, the Finance Director shall estimate the recoverable amount.
- The Corporate Services Unit shall be responsible to conduct physical count of the assets in Headquarters to ensure completeness and existence of the assets listed in the system. Country offices, the respective country representative shall be responsible to conduct physical count of the assets in the country to ensure completeness and existence of the assets listed in the system. The annual asset count shall be conducted in the presence of department maintaining the register.
- Fixed Assets: The Corporate Services Unit shall be responsible for physical verification of Assets in the Fixed Asset Register on a semi-annual basis.

b) Annual Accounting Adjustments

- The Finance Unit shall complete the annual adjustments, which shall be reviewed by the Finance Director.
- The Finance Unit shall review whether the balances in accruals include any accruals for goods/ services where vendor invoices are not received for a considerable period.
- The Finance Unit shall prepare notes on financial risks at the end of the financial year, Schedule for annual Financial Statements, and Contribution Schedules.

9.8. Document Retention and Destruction

9.8.1 GGGI will establish a document retention and destruction policy that will be applicable to the retention and destruction of, among other documents, Accounting Records and other financial records.

9.8.2 All Accounting Records must be maintained in a manner that supports operational and audit requirements. Records must be kept to ensure that financial transactions and activities are fully documented and supported in the event of internal or external audit, litigation and other external action.

- 9.8.3 Electronic records including approvals sent through e-mail or made through ERP system are accepted as sound, legitimate Accounting Records and are subject to the same retention requirements as paper-based records.
- 9.8.4 GGGI will retain certain Accounting Records for at least the retention period provided by the document retention and destruction policy even if other laws require a shorter period or do not have a specific retention period at all.

10. Presentation of Financial Statements

10.1. Underlying Assumptions

The preparation of the Financial Statements is in accordance with International Financial Reporting Standards which requires management of the Organization to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense.

10.1.1 Pursuant to Financial Regulation 8.2, the Director-General shall submit the annual audited Financial Statements to the MPSC no later than 30 April following the end of the financial year. A complete set of Financial Statements includes:

- a) Statement of Financial Position.
- b) Statement of Financial Performance – the income and expenditure of all funds.
- c) Statement of Changes in net assets/equity.
- d) Cash Flow Statement.
- e) The status of appropriations, including:
 - Original appropriations and supplementary appropriations, if any;
 - Appropriations after modification by any transfers;
 - Credits, if any, other than appropriations approved by the Council;
 - Expenditures charged against those appropriations and/or other credits;
 - Unused balances of appropriations and of other credits;
- f) Statement of comparison of budgeted and actual performance for the financial period;
- g) Notes, comprising a summary of significant accounting policies and other explanatory notes.
- h) The preparation of the Financial Statements is in accordance with International Financial Reporting Standards which requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense.

10.1.2 The presentation and classification of items in the Financial Statements shall be retained from one period to the next unless:

- a) A significant change in the nature of the operations of the Organization or a review of its Financial Statement presentation demonstrates that the change will result in a more appropriate presentation of events or transactions.
- b) A change in presentation is required by an International Financial Reporting Standard.

10.1.3 Assets and liabilities shall not be offset except when offsetting is required or permitted by another International Financial Reporting Standard.

- 10.1.4 GGGI shall present current and non-current assets and current and non-current liabilities as separate classifications on the face of the Statement of Financial Position.

10.2. Statement of Financial Position

- 10.2.1 As a minimum, the face of the Statement of Financial Position shall include line items which present the following amounts, if material:

- a) Fixed Assets.
- b) Intangible assets.
- c) Investments accounted for using the equity method.
- d) Other current assets.
- e) Financial assets.
- f) Receivables from donors, suppliers and staffs.
- g) Receivables from non-exchange transactions, including taxes and transfers.
- h) Receivables from exchange transactions.
- i) Transfers payable.
- j) Other current liabilities.
- k) Cash and Cash Equivalents.
- l) Payables to donors, suppliers and staffs.
- m) Payables under exchange transactions
- n) Unearned revenues.
- o) Provisions.
- p) Non-current liabilities.
- q) Net assets/equity.

- 10.2.2 Additional line items, headings and sub-totals shall be presented on the face of the Statement of Financial Position when an International Financial Reporting Standard requires it, or when such presentation is necessary to present fairly the entity's financial position.

10.3. Statement of Financial Performance

- 10.3.1 As a minimum, the face of the Statement of Financial Performance shall include line items which present the following amounts, if material:

- a) Revenue, including a sub-classification of total revenue, classified in a manner appropriate to GGGI's operations

- b) Surplus or deficit from operating activities;
 - c) Surplus or deficit from ordinary activities;
 - d) Extraordinary items; and
 - e) Net surplus or deficit for the period.
- 10.3.2 Additional line items, headings and sub-totals shall be presented on the face of the Statement of Financial Performance when required by an International Financial Reporting Standard, or when such presentation is necessary to present fairly the Organization's financial performance.
- 10.3.3 A separate component of the Financial Statement shall have a Statement of Changes in Net Asset/ Equity. It shall include the following:
- a) The net surplus or deficit for the period.
 - b) Each item of revenue and expense, which, as required by other standards, is recognized directly in net assets/equity, and the total of these items.
 - c) The cumulative effect of changes in accounting policy and the correction of fundamental errors.
 - d) The balance of accumulated surpluses or deficits at the beginning of the period and at the reporting date, and the movements for the period.
 - e) To the extent that components of net assets/equity are separately disclosed, reconciliation between the carrying amount of each component of net assets/equity at the beginning and the end of the period, separately disclosing each movement.

10.4. Cash Flow Statement

- 10.4.1 GGGI shall report cash from operating activities in a format that reconciles the beginning and ending cash balances.
- 10.4.2 Cash flows arising out of a transaction in a foreign currency shall be recorded in the reporting currency (USD) by applying the exchange rate on the date of the cash flow.
- 10.4.3 Cash flows associated with extraordinary items shall be classified as arising from operating, investing or financing activities as appropriate, and separately disclosed.
- 10.4.4 GGGI shall disclose the components of Cash and Cash Equivalents and shall present a reconciliation of the amounts in its Cash Flow Statement with the equivalent items reported in the Statement of Financial Position.
- 10.4.5 GGGI shall disclose, together with a commentary by management in the notes to the Financial Statements, the amount of significant Cash and Cash Equivalent balances held by the entity that are not available for use by the economic entity.
- 10.4.6 Notes and Accounting policies: The notes to the Financial Statements shall:
- a) Present information about the basis of preparation of the Financial Statements and the specific accounting policies selected and applied for significant transactions and other events;

- b) Disclose the information required by International Financial Reporting Standards that is not presented elsewhere in the Financial Statements; and
- c) Provide additional information which is not presented on the face of the Financial Statements but that is necessary for a fair presentation.

10.4.7 Notes to the Financial Statements shall be presented in a systematic manner. Each item on the face of the Statement of Financial Performance, Statement of Financial Position and Cash Flow Statement shall be cross-referenced to any related information in the notes.

10.5. Distribution and Publication of Financial Statements

10.5.1 The MPSC shall review the audited Financial Statements and reports before providing their recommendation to the Council.

10.5.2 The annual Financial Statements and reports shall be distributed and published to all required stakeholders within 30 calendar days of a decision being taken by council.

10.6. Appointment of External Auditor

10.6.1 The accounts and financial management of all funds governed by the Financial Regulations shall be subject to an annual audit, and the arrangements for such audit shall take into account the international nature of GGGI and ensure an open and competitive process for the selection of the external auditor in accordance with the procurement rules.

10.6.2 National audit authorities of Contributing Member countries shall have the right to conduct an independent audit with prior notice of one month at the Member country's own cost.

10.6.3 The MPSC shall recommend the appointment of an external auditor to the Council and the whole tendering process for the external auditor shall be administered by the Finance Unit with the Procurement team.

10.6.4 The appointment of an external auditor shall be for a maximum period of 3 years, renewable once for an additional term of 2 years.

10.6.5 The external auditor must be completely impartial and independent from all aspects of management or financial interests in the entity being audited. The external auditor shall not, during the period covered by the audit nor during the undertaking of the audit, be employed by, serve as director for, or have any financial or close business relationships with any senior participant in the management of GGGI. The external auditor shall disclose any relationship that might possibly compromise his/her independence.

10.6.6 The external auditor may make observations with respect to the efficiency of the financial procedures, the accounting system, and the internal financial controls and, in general, the administration and management of the Organization. The external auditor shall express an opinion and sign an opinion on the Financial Statements of GGGI.

10.6.7 The Finance Director shall provide the external auditor with facilities required for the performance of the audit. In addition to the Financial Statements, GGGI shall provide the external auditor with information on:

- a) Total value of property, plant and equipment and intangible assets for which records are kept;
- b) Losses of cash, and other assets written off; and
- c) Such other information as the external auditors may require.

10.6.8 The terms of reference for the appointment of external auditor shall include the following details:

- a) Audit scope and approach;
- b) Deliverables;
- c) Time period;
- d) Audit fees and payment terms;
- e) Confidentiality and data protection;
- f) GGGI standard terms and conditions.