



REPUBLIC OF VANUATU
VANUATU OFFICE OF THE AUDITOR-GENERAL

MANAGEMENT REPORT

FOR

FOREST CARBON PARTNERSHIP FACILITY PROJECT (FCPF)

Administered by the

Vanuatu Meteorology and Geo-Hazards Department (VMGD)

FOR THE 9 MONTHS ENDED 31 DECEMBER 2015

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Vanuatu Office of the Auditor-General has completed the project audit of the Forest Carbon Partnership Facility (FCPF) Project for the 9 months ended 31 December 2015. This report summarises our findings from the audit of the FCPF funds and draws attention to areas where your organisation is doing well or could improve.

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1. AUDIT OPINION

We have issued an 'Unqualified' audit opinion with a 'Paragraph of Emphasis' for the Forest Carbon Partnership Facility (FCPF) project for the 9 months ended 31 December 2015. The audit opinion has been attached in Appendix One.

2. BACK GROUND

Forest Carbon Partnership Facility Project is a World Bank Funded project through the Vanuatu Government. The funds under review are for the first nine months of this project. As a requirement of the World Bank, an audit has to be carried out before the next tranche of funding are released. All funds for this Project are disbursed through the Vanuatu Government finance system.

The objective of the Project is to assist the Government of Vanuatu (client) to carry out the Readiness Preparation Activities by supporting the preparation of its REDD+ strategy through a participatory and inclusive process and by producing technical and policy advice to help strengthen sustainable land and management practices. We have audited the REDD+ Project for the financial period April 2010 to 31 December 2013.

3. MANDATE

The Office of the Auditor-General is responsible for independently assessing whether certain subject matters reported in the 'Statement of receipts and payments' and 'Statement of comparison of budgets and actual' are in compliance with applicable legislations and criteria and reporting that assessment to you. This responsibility arises from the Expenditure Review and Audit Act [Cap 241].

Our audit has been carried out in accordance with generally accepted audit standards. The audit cannot and should not be relied upon to detect every instance of misstatement, fraud, irregularity or inefficiency that is not material in terms of your financial reports. The implementation and maintenance of your systems of controls for the detection of these matters remains the responsibility of the Director General of Climate Change.

4. SCOPE

In our financial audit, our aim was to express an opinion on the accuracy, validity and completeness of the 'Statement of receipts and payments' and 'Statement of comparison of budget and actual', and on whether transactions were in accordance with the financing agreement and Vanuatu legislations. The FCPF Project adopted IPSAS Cash as the accounting standards to prepare their financial statements.

5. SIGNIFICANT MATTERS ARISING FROM THE AUDIT

During the audit we identified significant issues that need to be brought to your attention.

5.1 NON-COMPLIANCE WITH FINANCIAL REGULATIONS

Recommendation

Comply with the requirements of the Vanuatu Financial Regulations in relation to 'Accountable Imprests' (Part 6) and 'Quotation documentation' (Part 5).

Findings

Our review of expenditure noted instances of non-compliance with the Vanuatu Financial Regulations relating to 38% of total expenditure (VT5,581,214).

- VT874,714 did not comply with the requirements of Part 5 of the Vanuatu Financial Regulations which required more than one quote to assess value for money before funds are committed as a purchase order. The audit identified there was insufficient evidence to support additional quotes sought as required by the Regulations.
- VT4,706,500 did not comply with the requirements of Part 6 of the Vanuatu Financial Regulations which requires all accountable imprests to be retired within 10 days of the event and also the required documentation was fully completed to obtain all necessary information relating to the imprest.

In both cases, non-compliance could lead to expenditure not being appropriately assessed as 'value for money'. In addition, non-compliance with imprest timeframes could result in Project Officers not being able to submit supporting documentation for reporting purposes or alternatively recover funds from government officers if documentation is insufficient.

Accountable Imprest

During our audit, we reviewed three accountable imprest issued to project officers for an amount of VT4,706,500.

No	Description	Imprest amount	Issue Date	Due Date	Retirement Date
1	Core working group meeting, TC meetings & REDD+ workshops	1,293,500	30 Oct 2015	10 Dec 2015	Refer to comment A
2	Stakeholders Workshop REDD+ & provincial workshops	2,476,000	9 Dec 2015	10 Jan 2016	13 Jan 2016
3	Stakeholder meeting in Santo	937,000	15 Jan 2016	15 Jan 2016	Refer to comment B
	TOTAL	4,706,500			

A - Our review of this documentation showed that this imprest was still outstanding as at the end of April 2016. The 'Issue Date' and the 'Due Date' was obtained from Smartstream due to the imprest documentation being incomplete i.e. had these details missing.

B - Our discussions with the finance officer, was that this imprest was now retired. However, there was no documentation held on file with Finance (in the imprest register) and also in Smartstream to reflect that this imprest had been retired. We also note that the 'Issue Date' and the 'Due Date' was obtained from the 'Application of Accountable Imprest Advance' form. We were unable to conclude due to inconsistent information held by the Project Management Unit and Finance.

Quotation for significant expenditure

We also found one Local Purchase Order (LPO) was committed for catering services for the amount of VT874,714. Upon review, this expenditure did not have the required quotations attached to the LPO.

Part 5 of the Vanuatu Financial Regulations state that expenditures greater than VT100,000 but not more than VT.1 Million should have two quotations, expenditures greater than VT1 Million and not more than VT.5 Million, three quotations should be obtained. These requirements have been clearly described during our systems documentation of expenditure. However, these control procedures have not been adhered to.

Management Comment

Accountable Imprests

The audit finding that the imprests were not retired within the due time is understood and accepted. PMU undertakes to more rigorously follow up the imprest retirements with the imprest holders, and to impress upon the imprest holders the need to retire the imprests within the due time.

With regard to the three imprests mentioned:

- *Item 1 VUV 1,293,500. VUV 350,000 has been refunded and shows in SmartStream (30 March 2016); the balance has been retired, and the documents are with PMU for the Journal to be taken up in SmartStream.*
- *Item 2 VUV 2,476,000. VUV 364,070 was refunded and shows in SmartStream (13 January 2016); the balance of VUV 2,111,930 has been retired and the Journal taken up in SmartStream (24 February 2016) (although this has been posted to the wrong imprest account in SmartStream).*
- *Item 3 VUV 937,000. VUV 937,000 has been retired, and the documents are with PMU for the Journal to be taken up in SmartStream.*

Quotations

The catering services for the amount of VUV 874,714 was procured on the basis of one quotation only. The audit finding is noted and accepted. PMU undertakes to follow the agreed procurement regulations.

5.2 BUDGETS

Recommendation

Review budgets on an ongoing basis to allow for more robust reporting in the financial statements.

Findings

During the audit we found that there was general confusion around what budget disclosures should be included in the financial statements. In order to effectively manage any project, budgeting is at the core of sound financial management and should be used as a tool to report progress and make management decisions.

All Project funds are subject to the Financial Regulations which refers to the need to have annual and multi-year budgets by program, activity and grants. The Grant Agreement for this project also requires that 'the recipient shall ensure that a financial management system is maintained...'

Our expectation is that budgets are regularly reviewed to ensure that they are a robust reflection of how the project will be carried out (including assumptions). This process is then revisited when comparing actual spending against what was budgeted or planned and explanations are easily obtained.

Management comment

The lifetime budget of the project is managed through the budget/financing plan included in the Procurement Plan, which is updated by the project, for World Bank agreement, from time to time. An annual budget for 2016 has been made and is being used to periodically report/track financial progress. As yet, the budget has not been entered in SmartStream – this would allow for ongoing tracking of financial progress.

5.3 GOVERNING BODY MINUTES

Recommendation

Maintain an official record of all management decisions as they relate to the project.

Finding

During our review, we note that VMGD has not maintained record of internal meeting minutes as they relate to the Project. Minutes of meetings serve as an official record of management decisions

made for the Project funds. Given the significant amount of funds being channelled for this project it is important that these decisions are documented.

Minutes should capture the following:

- decisions made (motions made, votes, etc.)
- next steps planned
- identification and tracking of action items
- an official record to capture whether any participants of the meeting or the management team has a conflict of interest

Minutes are a tangible record of the meeting for its participants and a source of information for members who were unable to attend. In some cases, meeting minutes can act as a reference point, for example:

- when a meeting's outcomes impact other collaborative activities or projects within VMGD
- minutes can serve to notify (or remind) individuals of tasks assigned to them and/or timelines

In order to make the minutes official, all minutes must be signed by the chairperson of the meeting and approved at each subsequent meeting.

Management Comment

The audit finding is noted and accepted. PMU, in conjunction with DoF, will maintain and ensure minutes of meetings are kept, signed off by the chairperson, and circulated to all relevant parties.

5.4 CONFLICTS OF INTEREST

Recommendation

Establish a procedure to allow conflicts of interest to be identified and managed appropriately

Findings

During our audit we reviewed the process in place to manage the Project and we noted that there were no proper procedures in place to ensure any conflicts of interest are identified and captured.

We have raised this issue in the REDD+ audit, however it seems this was not taken into account by management in this Project. Given the current size of this Project and the small number of transactions, we believe the process in place was sufficient. However, we feel as the Department takes on more World Bank projects, a process needs to be put in place to capture any potential and real conflicts of interest.

Management comment

In order to be able to implement a system for identifying, capturing and managing conflicts of interest, concerned persons need to be obligated to provide the information. It is noted that

Government regulations provide that Government employees are so obligated; consultants involved with the project (either engaged directly by the project or engaged under another project but providing services to the project) need to be similarly obligated. The PMU will:

- *Follow up with the World Bank and the Procurement Advisers, so that steps may be taken to obligate consultants to make such declarations.*
- *Develop a system for identifying, capturing and managing conflicts of interest. It is expected that the system will be developed, and implementation of the system commenced, in 2016.*

5.5 RECOVERY OF MISSING CAMERA

Recommendation

Investigate remedial action for the recovery of the missing camera.

Findings

During the audit a spot check was done on assets listed on the asset register. Audit found that one camera could not be sighted and informed the finance officer who was not aware that the camera was missing. The Officer responsible advised that the camera went missing during fieldwork and no other explanation was offered. The Project Management Unit should investigate further as to how the camera went missing and whether this should be recovered from the staff member involved.

The Vanuatu Financial Regulations require a 6 monthly stocktake to be undertaken which should identify when assets go missing. However, for attractive items the person responsible for the asset should immediately report to the Project Management Unit when project assets go missing so a suitable course of action is taken.

Management comment

PMU has followed up with the responsible officer in DoF, and he has advised that the camera is still missing. PMU has requested him to make a written report to PMU, so that a suitable course of action may be discussed between PMU and DoF, in line with normal Government procedures.

6. STATUS OF AREAS OF AUDIT EMPHASIS

In our audit arrangements letter issued to you on 1 March 2016 we identified 'areas of audit emphasis' that we would pay particular attention to during the audit. Our response to those 'areas of audit emphasis' is outlined below:

Payroll expenditure – Our review shows no payroll expenditure was incurred out of project funds.

Imprest spending – This matter has been reported under paragraph 5.1 above.

Expenditure – Matters relating to quotation documentation has been raised in paragraph 5.1 above and management of the budget under paragraph 5.2 above.

Revenue – The only source of revenue was the grant fund from World Bank. From our review we are satisfied that the revenue amount has been fairly stated with no significant issues noted.

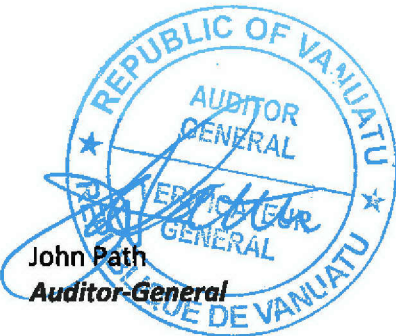
Follow-up of REDD+ prior year management letter has been addressed in Appendix three.

7. STATEMENT OF AUDITOR INDEPENDENCE

7.1 INDEPENDENCE

We confirm that, for the audit of the financial statements of the Forest Carbon Partnership Facility Project (FCPF) for 9 months ended 31 December 2015, we have maintained our independence in accordance with the requirements of the International Organisation of Supreme Audit Institutions (INTOSAI) which incorporate the independence requirements of International Standards of Auditing (ISA).

Other than the audit, we have not provided any engagements for the Vanuatu Meteorology and Geo-Hazard Department or the Forest Carbon Partnership Facility (FCPF) Project for the 9 months ended 31 December 2015. In addition, we have no relationships with, or interests in, the management team of FCPF Project and the Vanuatu Meteorology and Geo-Hazard Department.



John Path
Auditor-General

24 June 2016



Audit Opinion on the
“Forest Carbon Partnership Facility Project” (Grant TF 019203)
Administered by the
Vanuatu Meteorological and Geo-Hazards Department
For the 9 months ending 31 December 2015

In accordance with Article 25(5) of the Constitution of the Republic of Vanuatu and Section 27 of the Expenditure Review and Audit Act No.3 of 1998 (as amended), I have audited the financial statements of the “Forest Carbon Partnership Facility Project” (Grant TF 019203) administered by the Vanuatu Meteorological and Geo-Hazards Department for the 9 months ending 31 December 2015.

The financial statements have been prepared based on IPSAS cash basis (International Public Sector Accounting Standards: Financial Reporting under the Cash Basis of Accounting) issued by the International Federation of Accountants as stated in the accounting policies set out on page 5.

Respective Responsibilities of the Implementing Agency and the Auditors

The Project Management Unit under the Vanuatu Meteorological and Geo-Hazards Department is responsible for the preparation of the financial statements for the Project in accordance with IPSAS cash basis (International Public Sector Accounting Standards: Financial Reporting under the Cash Basis of Accounting) requirements. It is the responsibility of the Auditor-General to form an independent opinion based on its audit of the financial statements.

Basis of Opinion

Audit was conducted in accordance with International Auditing Standards issued by the International Organisation of Supreme Audit Institutions.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. In this instance, audit was carried out on the revenue and expenditures of the “Forest Carbon Partnership Facility (FCPF)”.

Our audit is to provide an opinion on the proper use of these funds by the implementing agency which is the Vanuatu Meteorological and Geo-Hazards Department on behalf of the Vanuatu Government.

Unqualified Opinion with 'except for' paragraph

In our opinion the financial statements of the "Forest Carbon Partnership Facility" Project on pages 3 to 10:

- Complies with International Public Sector Accounting Standard (Cash Basis): Financial Reporting under the Cash Basis of Accounting; and
- Give a true and fair view of:
 - The Project's operations for the 9 months ended 31 December 2015;
 - The Project's cash position as at 31 December 2015; and
 - The results of its operations compared to the budget for the year ended on that date.

Except for the following matter:

Our review of expenditure noted instances of non-compliance with the Vanuatu Financial Regulations relating to 38% of total expenditure (VT5,581,214).

- VT874,714 did not comply with the requirements of Part 5 of the Vanuatu Financial Regulations which required more than one quote to assess value for money before funds are committed as a purchase order. The audit identified there was insufficient evidence to support additional quotes sought as required by the Regulations.
- VT4,706,500 did not comply with the requirements of Part 6 of the Vanuatu Financial Regulations which requires all accountable imprests to be retired within 10 days of the event and also the required documentation was fully completed to obtain all necessary information relating to the imprest.

In both cases, non-compliance could lead to expenditure not being appropriately assessed as 'value for money'. In addition, non-compliance with imprest timeframes could result in Project Officers not being able to submit supporting documentation for reporting purposes or alternatively recover funds from Government officers if documentation is insufficient.

Independence

When carrying out the audit we followed the independence requirements of the Vanuatu Office of the Auditor-General, which incorporates the independence requirements of the International Standards of Auditing.

Other than the audit we have no relationship with or interests with the Vanuatu Meteorological and Geo-Hazards Department.


John Path
Auditor-General

24 June 2016



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**VANUATU METEOROLOGY AND GEO-HAZARDS DEPARTMENT
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**FINANCIAL STATEMENTS
FOR THE
FOREST CARBON PARTNERSHIP FACILITY
(FCPF) – READINESS PREPARATION PROJECT
IBRD GRANT No. P124806 (VANUATU)**

For the Year Ended 31 December 2015



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Prepared Under IPSAS: Financial Reporting Under the Cash Basis Accounting

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GOVERNMENT OF VANUATU
VANUATU METEOROLOGICAL AND GEO-HAZARDS DEPARTMENT
FINANCIAL STATEMENTS FOR THE FOREST CARBON PARTNERSHIP FACILITY (FCPF) READINESS PREPARATION PROJECT
(IBRD GRANT NO. P124806)
FOR THE 9 MONTHS ENDED 31 DECEMBER 2015
STATEMENT OF CASH RECEIPTS AND PAYMENTS

	Notes	2015 VUV
CASH RECEIPTS		
Direct Payments		
Designated Account	2	20,000,000
TOTAL CASH RECEIPTS		20,000,000
CASH PAYMENTS		
Category 1	3	9,947,888
Component 1 - Institutional Strengthening		9,947,888
Component 2 - Strengthening Stakeholder Engagement Process		
Component 3 - Development of REDD + Strategy		
TOTAL CASH PAYMENTS		9,947,888
CASH RECEIPTS LESS CASH PAYMENTS		10,052,112
IMPRESTS	7	4,806,500
NET CHANGE IN CASH		5,245,612
ADD OPENING CASH BALANCE AS AT 1 APRIL 2015		-
CLOSING CASH BALANCE AS AT 31 DECEMBER 2015	4	5,245,612

These statements are to be read in conjunction with the accompanying notes and accounting policies



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GOVERNMENT OF VANUATU
VANUATU METEOROLOGICAL AND GEO-HAZARDS DEPARTMENT
FINANCIAL STATEMENTS FOR THE FOREST CARBON PARTNERSHIP FACILITY (FCPF) READINESS PREPARATION PROJECT
(IBRD GRANT NO. P124806)
FOR THE 9 MONTHS ENDED 31 DECEMBER 2015

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL

	Notes	2015		
		Budget	Actual	Variance
Cash Receipts	5	15,000,000	20,000,000	(5,000,000)
TOTAL CASH RECEIPTS		15,000,000	20,000,000	(5,000,000)
CASH PAYMENTS				
Category 1		15,000,000	9,947,888	5,052,112
Component 1 - Institutional Strengthening		15,000,000	9,947,888	5,052,112
1.1 Set-up of Vanuatu National REDD+ Unit and support to REDD+ Technical Committee	5.1	10,000,000	9,947,888	52,112
1.2 Support to NAB and its PMU	5.2	3,000,000		3,000,000
1.3 Set-up of Provincial REDD+ Committee	5.3	2,000,000		2,000,000
Component 2 - Strengthening Stakeholder Engagement Process		-	-	
2.1 Strengthening of the decentralisation structures for stakeholder engagement				
2.2 Assessment and strengthening of existing FGRMs for REDD+				
Component 3 - Development of REDD + Strategy				
3.1 Analytical work to inform REDD+ strategy options				
3.2 SESA process and ESMF development				
3.3 Consultation and participation activities				
TOTAL CASH PAYMENTS		15,000,000	9,947,888	5,052,112

These statements are to be read in conjunction with the accompanying notes and accounting policies



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Statement of Accounting Policies and Notes

1. Accounting Policies

Basis of Preparation

The financial statements of the project have been prepared in accordance with the requirement of the Public Finance & Economic Management Act (Cap 244) which includes the requirement to comply with generally accepted accounting practice.

The financial statements have been prepared in accordance with Cash Basis IPSAS "Financial Reporting under the Cash Basis of Accounting".

There have been no changes in accounting policies during the financial year.

Reporting Entity

These financial statements are prepared specifically for a project that is managed by the Department of Forestry (DoF), supported in its fiduciary aspects by the Project Management Unit (PMU) of the Vanuatu Meteorology and Geo-Hazards Department (VMGD). The project is funded through one grant of US\$ 3,600,000 from the World Bank Group's International Bank for Reconstruction and Development (IBRD; under project number P124806) acting as trustee of the Readiness Fund of the Forest Carbon Partnership Facility (FCPF), and implemented through the World Bank. The DoF and VMGD form part of the Government of Vanuatu (GoV).

Under a grant agreement dated 31 March 2010, between GoV and IBRD, an amount not exceeding US\$ 200,000 was provided for formulating the REDD+ Readiness Preparation Proposal (R-PP). (REDD+ means reducing emissions from deforestation and forest degradation, conservation of forest carbon stocks, sustainable management of forest, and enhancement of forest carbon stocks). Subsequent to the formulation of the R-PP, IBRD/FCPF agreed to provide funding to move ahead with preparation for REDD+ readiness.

To this end, GoV, with the support of the World Bank, has successfully secured this second grant of US\$ 3,600,000 from IBRD/FCPF to address these needs.

Under the Grant Agreement, only one Category of expenditure is provided for, as follows:

	Type	US\$
Category 1	Goods, non-consulting services, consultants' services, Training and Workshops, and Operating Costs.	3,600,000
Total		3,600,000

The allocation of expenditure is therefore managed through Components and sub-components. The grant agreement identified the budget activities according to the following 3 components to be implemented under the project:

1 Institutional Strengthening

This includes activities to a) establish the National REDD+ Unit and supporting the REDD+ Technical Committee, b) supporting the National Advisory Board on Climate Change and



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Disaster Risk Reduction (NAB) and its Project Management Unit (PMU), and c) establishing the provincial REDD+ Committees. All this support is done through providing financial, technical and human resource support.

2 Strengthening Stakeholders Engagement Process

Activities under this component include a) strengthening participatory structures at the provincial and area council level to support stakeholder engagement in REDD+ process and b) assessing feedback and grievance redress mechanisms at the national and decentralized levels, and supporting their strengthening for REDD+.

3 Development of REDD + Strategy

Activities under this Component include a) supporting analytical work to inform REDD+ strategy options, b) undertaking Strategic Environmental and Social Assessment (SESA) and preparing Environment and Social Management Framework (ESMF) and c) conducting consultation and participation on key issues related to REDD+.

During 2015, the project's accounting has been fully integrated within the Government's Smart Stream system, and all payments and receipts to date have been reallocated into the new system. For the project, Consultants were engaged to adapt the Smart Stream system in order to accommodate the project's requirements such that payments are allocated against the respective Component, and reported accordingly.

The Project commenced operations during the third quarter of 2015; the current end date of the Project (as per the grant agreement) is 30 June 2019.

Accounting Period

IPSAS cash accounting standards require that general purpose financial statements be prepared at least annually (IPSAS cash para 1.4.1). These financial statements cover the fiscal year 2015, from the commencement date of 10 April 2015 (the date of the grant agreement) to 31 December 2015. The project effectively commenced in June 2015, with the first drawdown of VUV 20,000,000 (equivalent US\$ 185,632) from the total grant of US\$ 3,600,000. This leaves the balance of undrawn grant of US\$ 3,414,368, which is approximately VUV 383 million.

Currency

Reporting Currency

The reporting currency is Vanuatu Vatu (VUV).

Foreign Currency

In-country payments made in foreign currencies and reported in these financial statements have been converted to VUV by the National Bank of Vanuatu at the applicable rate as of the date of transaction.

The in-country fund receipts transferred from the World Bank were all in VUV.

The grant mentioned above is denominated in US\$. Withdrawals are charged against the grant, in the grant currency, based on exchange rates applied by the World Bank.



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Cash and Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to know amounts of cash which are subject to an insignificant risk of changes in value.

2. Cash Receipts (VUV)

Designated Account

World Bank value date 10 June 2015	20,000,000
Total	20,000,000

The Designated Account (DA) is the local, entity-managed, account; funds are transferred from World Bank periodically, from which payments are made. Direct Payments are made by World Bank directly to the supplier/consultant, based on the official request of the authorized signatories of the project; for this project, there are no Direct Payments to date.

DoF receives the funds, which are managed by the VMGD/PMU, through the centralized Smart Stream system. Under this arrangement DoF does not control the funds; however, they carry out the implementation of the project. PMU makes payments on their behalf after appropriate authorization and documentation provided by DoF.

3. Cash Payments

	Notes	2015
Component 1 - Institutional Strengthening		
<i>1.1 REDD+ Unit and Technical Committee</i>		
Outreach and Extension Officer		412,500
Smart Stream System Development & Implementation		514,000
Property plant & Equipment	8	4,034,970
Training & Workshops		2,963,714
Operating Costs		235,014
<i>1.2 Support to NAB & PMU</i>		
Procurement Officer		1,787,690
Project Audit		
Total		9,947,888

The overall total of payments is given in the Statement of Cash Receipts and Payments.



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4. Cash Balance

The closing cash balance in these financial statements is taken up as follows:

Balance in the GoV Smart Stream ledger as at 31 December 2015	4,487,862
Accruals in the GoV Smart Stream ledger as at 31 December 2015	757,750
Total	VUV 5,245,612

5. Budget

The 2015 budget was developed for all the components and sub-components for this project. For the 2016 fiscal year, DoF will develop in detail the budget, for WB approval, on the same accounting basis (cash basis) as for the financial statements. It will encompass the same entities as the financial statements.

The lifetime and 2015 budget in VUV as per these financial statements is as per the original agreed budget and procurement plan dated May 2015, prior to the actual start up.

Sub-Component	Total Budget USD	Total Budget VUV	2015	2016	2017	2018	2019	Total
1.1. Set-up of Vanuatu National REDD+ Unit and support to REDD+ Technical Committee	800,000	73,600,000	10,000,000	23,600,000	20,000,000	20,000,000		73,600,000
1.2. Support to NAB and its PMU	420,000	38,640,000	3,000,000	15,640,000	10,000,000	10,000,000		38,640,000
1.3. Set-up of Provincial REDD+ Committee	80,000	7,360,000	2,000,000	5,360,000				7,360,000
2.1. Strengthening of the decentralization structures for stakeholder engagement	780,000	71,760,000		23,760,000	23,000,000	20,000,000	5,000,000	71,760,000
2.2. Assessment and strengthening of existing FGRMs for REDD+	200,000	18,400,000		10,000,000	8,400,000			18,400,000
3.1. Analytical work to Inform REDD+ strategy options	270,000	24,840,000		15,000,000	5,000,000	4,840,000		24,840,000
3.2. SESA process and ESMF development	250,000	23,000,000		10,000,000	10,000,000	3,000,000		23,000,000
3.3. Consultation and participation activities	800,000	73,600,000		25,000,000	25,000,000	15,000,000	8,600,000	73,600,000
Total budget	3,600,000	331,200,000	15,000,000	128,360,000	101,400,000	72,840,000	13,600,000	331,200,000

The lifetime budget is monitored against the likely amount of VUV to be generated from the US\$ grant, to ensure that the grant is not over-committed.

There is no budget for Cash Receipts; drawdowns from the grant are made to ensure that there are sufficient funds available to meet payment commitments on an ongoing basis.

5.1 Explanation Variance Component 1.1

The Implementation Team only managed to roll out certain activities under this sub-component due to the late commencement of the project.

5.2 Explanation variance Component 1.2

The Implementation Team only managed to roll out certain activities under this sub-component due to the late commencement of the project.



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5.3 Explanation Variance Component 1.3

The Implementation Team could not roll out activities under this sub-component due to the late commencement of the project.

6 Commitments

The outstanding (unpaid) contract commitments, as at 31 December 2015 (all under Component 1) is VUV 18,990,692.

Operating Commitment	VT
Due within 1 year	17,319,922
Due within 2 to 5 years	1,670,770
Due after 5 years	-
Total Commitments	18,990,692

Commitments for contracts in currencies other than VUV have been converted to VUV using the exchange rate as at 31 December 2016 as per the Reserve Bank of Vanuatu.

7 Imprests

There were four unretired Imprests as at 31 December 2015, totaling VUV 4,806,500.

Issue date	Description	Amount (VUV)	Component	Sub-components
29/10/2015	Fuel	100,000	1	Various
09/11/2015	Imprest Core Working Group + TAG meetings	1,293,500	1	1.1
10/12/2015	Imprest Technical Advisory Group Provincial W/shop	2,476,000	1	1.3
15/12/2015	Imprest Technical Advisory Group Provincial W/shop	937,000	1	1.3
	TOTAL - VUV	4,806,500		



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8 Property Plant & Equipment

Payments for Property Plant & Equipment (PPE) are charged fully as disbursements under the respective Component, and included in the Statement of Cash Receipts and Payments, at cost; these are recorded in a Fixed Assets Register, for the purposes of inventory control.

	2015
Motor Vehicles	2,990,000
IT Equipment	1,044,970
TOTAL	4,034,970

There are no fixed assets purchased on hire purchase schemes and no depreciation is being charged.

9 Related Parties

There were no related party transactions during the year.

The ultimate owner of the project is Vanuatu Government through the Department of Forestry, as set out in the Grant Agreement.

10 Creditors

There was a total amount of VUV 757,570 for 2015 invoices, which were paid in 2016, representing LPOs raised in 2015 but not paid until 2016.

11 Authorization Date

The financial statements were authorized for issue on 24 June 2016 by Mr. Brian Phillips for VMGD and Director General of the Ministry of Climate Change.

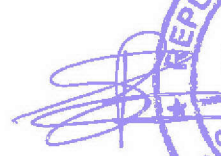

Mr Brian PHILLIPS



Project Manager PMU

24/06/2016

Mr Jesse BENJAMIN



Director General Ministry of Climate Change

Director General Ministry of Climate Change

24/06/2016