



REPUBLIC OF VANUATU/RÉPUBLIQUE DE VANUATU

VANUATU METEOROLOGY AND GEO-HAZARDS DEPARTMENT
DÉPARTEMENT DE LA MÉTÉOROLOGIE ET DES GÉORISQUES DE VANUATU

Phone: (678) 24686, 22932 VOIP: 5305 Fax: (678) 22310
Email: admin@meteo.gov.vu Website: www.meteo.gov.vu
Address: PMB 9054, Lini Highway, Port Vila, Vanuatu

*(Address correspondence to Director)
(Toute correspondance doit être envoyée au Directeur)*



FINANCIAL STATEMENTS

FOR THE

FOREST CARBON PARTNERSHIP FACILITY
(FCPF) – READINESS PREPARATION PROJECT

FCPF GRANT No. TF 019203 (VANUATU)

For the Year Ended 31 December 2018



REPUBLIC OF VANUATU/RÉPUBLIQUE DE VANUATU

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Independent Auditors' Report to the members of Forest Carbon Partnership Facility (FCPF) - Readiness Preparation Project Grant No. TF 019203 (Vanuatu)

The Auditor-General is the auditor of the Forest Carbon Partnership Facility (FCPF) - Readiness Preparation Project. The Auditor-General has appointed Law Partners to undertake the audit of Forest Carbon Partnership Facility (FCPF) - Readiness Preparation Project pursuant to Section 24(1) of the Expenditure Review and Audit Act [CAP 241].

Audit Opinion

We have audited the accompanying financial statements of the Forest Carbon Partnership Facility (FCPF) - Readiness Preparation Project for the financial year ended 31 December 2018 consisting of the statement of cash receipts and payments, statement of comparison of budget and actual amount and accompanying notes set out on pages 4 to 12.

In our opinion, the financial statements for the year ended 31 December 2018 as described above present fairly in all material respects, in accordance with International Public Sector Accounting Standards – Financial Reporting under Cash Basis of Accounting and the projects administration complies with relevant Vanuatu legislation and regulations.

Basis for Opinion

We have conducted our audit in accordance with International Standards on Auditing. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the project in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial statements in Vanuatu. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Responsibilities of members for the financial statements

The members of the project are responsible for:

- the preparation and fair presentation of these financial statements and the information they contain, in accordance with International Public Sector Accounting Standards: Financial Reporting under Cash Basis of Accounting;
- implementing necessary internal controls to enable the preparation of the financial statements that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the project's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to cease operations or have no realistic alternative but to do so.

Independent Auditors' Report to the members of Forest Carbon Partnership Facility (FCPF) - Readiness Preparation Project Grant No. TF 019203 (Vanuatu) (continued)

Auditors' responsibilities for the audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. A further description of our responsibilities for the audit of the financial statements is located at the website https://www.ifac.org/system/files/publications/files/ISA-700-Revised_3.pdf. This description forms part of our auditor's report.

Law Partners

LAW PARTNERS

Chartered Accountants

(Qualified auditors under Section 130 of the Companies Act No. 25 of 2012 of the Republic of Vanuatu)



Jonathan Law
Partner
Port Vila

2 April 2020



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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
Grant No. TF 019203 (Vanuatu)
FOR THE YEAR ENDED 31 DECEMBER 2018

STATEMENT OF CASH RECEIPTS AND PAYMENTS

Expressed in Vanuatu Vatu

	Notes	2018	2017	Cumulative
CASH RECEIPTS				
Direct Payments		-	14,095,060	14,095,060
Designated Account	2	56,935,665	68,045,598	194,249,114
TOTAL CASH RECEIPTS		56,935,665	82,140,658	208,344,174
CASH PAYMENTS				
Category 1	3	63,430,041	86,531,239	209,955,194
Component 1 - Institutional Strengthening		45,302,541	33,071,027	121,809,500
Component 2 - Strengthening Stakeholder Engagement Process		5,922,090	41,215,257	58,445,627
Component 3 - Development of REDD + Strategy		12,205,410	12,244,955	29,700,067
TOTAL CASH PAYMENTS		63,430,041	86,531,239	209,955,194
CASH RECEIPTS LESS CASH PAYMENTS		(6,494,376)	(4,390,581)	(1,611,020)
IMPRESTS	7	8,258,100	(3,235,130)	8,408,100
NET CHANGE IN CASH		(14,752,476)	(1,155,451)	(10,019,120)
ADD OPENING CASH BALANCE AS AT 1 JANUARY		4,733,356	5,888,807	-
CLOSING CASH BALANCE AS AT 31 DECEMBER	4	(10,019,120)	4,733,356	(10,019,120)

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 (Grant No. TF 019203 (Vanuatu))
FOR THE YEAR ENDED 31 DECEMBER 2018

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL

Expressed in Vanuatu Vatu

Notes	2018		2017		Cumulative	
	Budget	Actual	Budget	Actual	Lifetime Budget	Actual
Cash Receipts	56,935,665	56,935,665	-	68,045,598	610,314,402	610,000,000
TOTAL CASH RECEIPTS	56,935,665	56,935,665	-	68,045,598	610,314,402	610,000,000
CASH PAYMENTS						
Category 1	130,465,000	63,430,041	67,034,959	107,129,945	20,598,706	610,000,000
Component 1 - Institutional Strengthening	50,765,000	45,302,541	5,462,459	37,300,425	4,229,398	225,456,959
1.1 National REDD+ Unit and REDD+ Technical Committee	39,640,000	31,292,079	8,347,921	31,100,425	2,431,820	152,063,326
1.2 Support to NAB and its PMU	8,125,000	8,557,287	(432,287)	2,000,000	(2,402,422)	49,015,968
1.3 Set-up of Provincial REDD+ Committee	3,000,000	5,453,175	(2,453,175)	4,200,000	4,200,000	24,377,665
Contingency	-	-	-	-	-	-
Component 2 - Strengthening Stakeholder Engagement Process	11,700,000	5,922,090	5,777,910	9,206,250	(32,009,007)	58,445,627
2.1 Strengthening decentralisation structures	7,700,000	5,345,240	2,354,760	200,000	(12,419,495)	29,273,015
2.2 Assessment and strengthening of existing FGRMs	4,000,000	576,850	3,423,150	9,006,250	(19,589,512)	29,172,612
Contingency	-	-	-	-	-	-
Component 3 - Development of REDD + Strategy	68,000,000	12,205,410	55,794,590	60,623,270	48,378,315	294,849,504
3.1 Analytical work to inform REDD+ strategy options	-	-	-	16,072,470	16,072,470	75,481,040
3.2 SESA process and ESMF development	42,000,000	-	42,000,000	31,672,000	21,190,960	204,513,617
3.3 Consultation and participation activities	26,000,000	12,205,410	13,794,590	12,878,800	11,114,885	14,854,847
Contingency	-	-	-	-	-	-
TOTAL BUDGET AND ACTUAL	130,465,000	63,430,041	67,034,959	107,129,945	20,598,706	610,000,000
				86,531,239	20,598,706	209,955,194

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 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 the World Bank's International Bank for Reconstruction and Development (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, 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 FCPF to address these needs.

In May 2018, this Grant Agreement was amended to allocate additional USD2,500,000 to enable it to carrying out additional activities of the Readiness Preparation.

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	6,100,000
Total		6,100,000

The allocation of expenditure is therefore managed through Components and sub-components. The grant agreement identified the budget activities according to the following three 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 Disaster Risk Reduction (NAB) and its Project Management Unit (PMU), and c) establishing the provincial REDD+



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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+.

The project's accounting is fully integrated within the Government's Smart Stream system with additional data capture and reporting functions 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, although the official commencement date was 10 April 2015 (the date of the grant agreement); the current end date of the Project (as per the grant agreement) is 30 June 2020.

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 2018.

The balance of undrawn grants as at 31 December 2018 is US\$4,170,830, which is approximately VUV475 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 known amounts of cash, which are subject to an insignificant risk of changes in value.

2. Cash Receipts (VUV)

Designated Account

World Bank value date 07 February 2018	15,116,644
World Bank value date 26 March 2018	8,101,535
World Bank value date 13 June 2018	18,200,216
World Bank value date 04 September 2018	15,517,270
Total	56,935,665

Direct Payments

There is no Direct Payment requested in 2018.

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.

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.



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3. Cash Payments

The overall total of payments is given in the Statement of Cash Receipts and Payments. Further details are given in the table on below.

SUMMARY OF PAYMENTS

Expressed in Vanuatu Vatu

	Notes	2018	2017	Cumulative
Component 1 Institutional Strengthening		45,302,541	33,071,027	121,809,500
1.1 REDD+ Unit and TC		31,292,079	28,668,605	88,630,405
REDD+ Technical Specialist		13,566,399	12,929,202	36,902,732
Outreach and Extension Officer		1,821,414	2,009,390	6,189,648
Smartstream System Development & Implementation		-	-	756,000
Technical Committee Meetings		-	31,460	924,960
Website Designer		-	180,000	180,000
Property Plant & Equipment	8	105,213	4,832,642	8,972,825
Training & Workshops		3,725,500	5,407,852	14,286,366
Operating Costs		12,073,553	3,278,059	20,417,874
1.2 Support to NAB & PMU		8,557,287	4,402,422	19,348,255
Procurement Officer		2,779,000	2,957,422	11,139,968
Structural Engineer		880,000	-	1,800,000
Cartoonist		-	169,000	234,000
Assistant Finance Officer		1,937,600	851,000	2,788,600
Project Audit		425,000	425,000	850,000
Project Manager		1,386,000	-	1,386,000
Procurement Officer 2		200,200	-	200,200
Procurement Advisor		949,487	-	949,487
1.3 Provincial REDD+ Committees		5,453,175	-	13,830,840
Training & Workshops		1,088,400	-	9,441,565
Operating Costs		99,000	-	123,500
Renovation of Forestry Extension		4,265,775	-	4,265,775
Component 2 Strengthening Stakeholder Engagement Process		5,922,090	41,215,257	58,445,627
2.1 Strengthening Decentralization Structures		5,380,890	12,619,495	29,308,665
Training & Workshops (Farmer Association)		-	-	1,535,000
Training & Workshops (TAC CB)		-	-	3,337,680
Training & Workshops (TAC Coordinator)		180,000	540,000	720,000
CSO Coordinator		1,019,590	1,697,960	4,145,550
Training & Workshops (CSO)		4,181,300	10,381,535	19,570,435
2.2 Assessment & Strengthening of FGRMs		541,200	28,595,762	29,136,962
Institutional Specialist		-	16,468,540	16,468,540
Legal Draftsman		-	9,331,247	9,331,247
Training & Workshops (TAC Coordinator)		-	2,795,975	2,795,975
Travel Expenses		541,200	-	541,200
Component 3 Development of REDD+ Strategy		12,205,410	12,244,955	29,700,067
3.2 SESA Process & ESMF Development		-	10,481,040	10,481,040
Strategic Environment and Social Assessment		-	7,667,050	7,667,050
SESA Training & Workshop		-	2,813,990	2,813,990
3.3 Consultation and Participation Activities		12,205,410	1,763,915	19,219,027
Awareness materials (design & development)		2,861,625	20,000	2,881,625
Media awareness producer		240,000	80,000	320,000
Training & Workshops		7,385,050	1,338,915	10,793,743
Media Awareness		140,625	-	140,625
Property Plant & Equipment	8	-	-	2,179,924
Media awareness production		1,060,110	-	2,060,110
Printing of materials		518,000	325,000	843,000
Total		63,430,041	86,531,239	209,955,194



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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 2018	1,993,170
Accruals in the GoV Smart Stream ledger as at 31 December 2018	1,853,552
Expenditures wrongly paid under IRCCNH to be transferred under FCPF	<u>(13,865,842)</u>
Total	<u>(10,019,120)</u>

5. Budget

The 2018 budget was developed for all the components and sub-components for this project, on the same accounting basis (cash basis) as for the financial statements. It encompasses the same entities as the financial statements.

The lifetime 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.

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

There were some difficulties in bring together the Technical committee members as they were based in various locations. As a result, less meetings were held in comparison to that budgeted for.

5.2 Explanation Variance Component 1.2

There was an increase in the number of Project Management Unit (PMU) paid under the project. The procurement officer was already being paid by the project whilst the finance officer was transferred here after the Mainstream Disaster Risk Reduction (MDRR) project closed in 2016.

5.3 Explanation variance Component 1.3

The implementation team did not manage to roll out any activities as planned under this sub-component.

5.4 Explanation Variance Component 2.1

There was increased consultation, studies and awareness activities carried out across 5 islands (Erromango, Tanna, Santo, Efate and Malekula), to identify all stakeholders and introduce the REDD+ concepts and activities.

5.5 Explanation Variance Component 2.2

The FRGM activities did not start until the first quarter of 2017. As a result, there was increased FRGM awareness activities during the 2017 financial year on the objectives of REDD+, as well as increased consultation with communities to revive structures.



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5.6 Explanation Variance Component 3.1

The activities are starting later than originally planned; the payment to the contractor made early 2018.

5.7 Explanation Variance Component 3.2

The contractor appointed to undertake the SESA study has resigned, after the first contractual payment had been made. Hence a shortfall of the actual in comparison to the budgeted expense and FCPF is in the process of recruiting another contractor.

5.8 Explanation Variance Component 3.3

The production of the awareness, training materials and workshops, has not gone ahead as originally planned. However, it had gained momentum in 2017, specifically the visibility of the REDD+ project (i.e. t-shirts and banners) and expected to increase further in 2018, through other mediums such as Radio awareness.

6. Commitments

The outstanding (unpaid) contract commitments, as at 31 December 2018 is VUV 32,479,976 (2017: 55,340,469) as detailed by component in the following Table. All outstanding commitments as at 31 December 2018 are due within one and two years.

	2018	2017
Component 1	32,444,326	21,551,539
Component 2	35,650	1,333,180
Component 3	-	32,455,750
TOTAL	32,479,976	55,340,469

Commitments for contracts in currencies other than VUV have been converted to VUV using the exchange rate as at 31 December 2018.

During the financial year, the SESA contract between the Department of Forestry and USP lapsed on the 8th March 2018 due to the non- performance of USP. Department of Forestry did not renew the contract which at the point in time noted commitments of US\$ 296,000 (Vt 32,455,750). As at 31st December 2018, there was no commitments for the SESA activity. On the 10th of April 2019 (2019 financial year), a new contract was signed with Climate Law and Policy for the SESA activity, with an amount of US\$ 328,900 (Vt 32,890,000).

7. Imprests

Unretired Imprest as at 31 December 2018, totaled VUV 8,408,100 (2017: VUV 150,000), as follows:

	DATE	AMOUNT	
Fuel	29/10/2015	100,000	(Note 1)
Fuel	30/11/2016	50,000	(Note 1)
WATSON LUI	20/08/2018	1,848,000	Retired 23/3/19
SAMSON LULU	5/12/2018	504,000	
IOAN VIJI	7/12/2018	2,085,000	Retired 15/2/19
RUTH NALAU	11/12/2018	610,000	Retired 6/2/19
REXON VIRA	19/12/2018	3,211,100	
		<u>8,408,100</u>	

Notes:

1. Fuel Imprests are ongoing (deposited with fuel station, to meet ongoing fuel requirements)



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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 PPE Register, for the purposes of inventory control.

	2018	2017	Cumulative
Motor Vehicles		-	2,990,000
IT Equipment	105,213		3,330,107
Office Furniture		912,786	912,786
Building Extension		3,919,856	3,919,856
TOTAL	105,213	4,832,642	11,152,749

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 1,853,552 for 2018 invoices representing LPOs raised in 2018, but not paid until 2019 (2017: VUV 2,487,768).

11. Authorization Date

The financial statements were authorized for issue on 2nd of April 2020 by Mr. Mike Sam WAIWAI Director of Climate Change Department (DoCC) and Acting Director General of Ministry of Climate Change (MoCC) Mr Amos MOSES

Mr Mike Sam WAIWAI

Mr Amos MOSES


Director DoCC
2nd April 2020




Acting Director General MoCC
2nd April 2020

