

بسم الله الرحمن الرحيم

Republic of the Sudan  
National Audit Chamber  
P.O Box: 91-Khartoum

Tel: 83778231- 778232-771566

Date: 24/ 6 /2018

To: Program Manager of Reducing Emissions from Deforestation and Forest Degradation

Subject: Audit Report Reducing Emissions from Deforestation and Forest Degradation Program (REDD+). For the year ended December 31, 2017.

Dear Sir,

I am pleased to send you the original audit report regarding the above mentioned program for the year ended December 31, 2017, and four copies thereof. You are kindly requested to forward the four copies of the report to (REDD+) Grant No: TF019148 and retain the original for your records.

It is also imperative that you carefully consider and follow-up the audit finding and observations and ensure implementation of the audit recommendations.

Thank you for your anticipated co-operation.

Yours sincerely



Mohamed Elhafiz Nasr Mohamed Nasr FCCA  
Deputy Auditor General  
National Audit Chamber



**Independent Auditor's Report****To: Reducing Emissions from Deforestation and Forest Degradation Program (REDD+).****Opinion**

We have audited the accompanying financial statements of Reducing Emissions from Deforestation and Forest Degradation Program (Readiness Phase) Grant No: TF019148. Which comprise, the statement of fund Balances as at 31 December 2017, the statement of Sources and uses of funds for the year ended December 31, 2017, statement of special account as at December 31, 2017, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the program as at December 31, 2017 and its statement of sources and uses of funds for the year then ended, in accordance with the cash receipts and disbursements basis of accounting.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the program in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for professional Accountants (IESBA), and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation of these financial statements in accordance with the cash receipts and disbursements basis of accounting as modified by the recognition of receivables and payables, and for such internal control system as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the program's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements.**

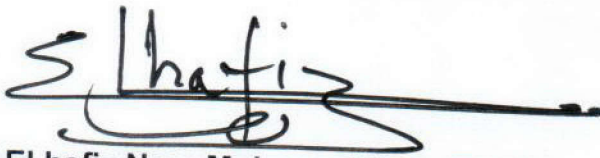
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and 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 ISAs we exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit we also:

**Independent Auditor's Report**  
**To: Reducing Emissions from Deforestation and Forest Degradation**  
**Program (REDD+).**

- Identify and assess the risks of material misstatements of the financial statement , whether due to fraud or error, design and perform audit procedures responsive to those risks , and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting polices used and the reasonableness of accounting estimates and related disclosures made by management.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



**Mohamed El hafiz Nasr Mohamed Nasr (FCCA)**  
**Acting Auditor General**  
**REPUBLIC OF SUDAN**  
**Khartoum 24 / 6 /2018**  
**10 / 9 /1439**




**REDD<sup>+</sup> SUDAN**

Reducing Emissions from Deforestation and Forest Degradation Program

**Statement of Sources & Uses of Funds for the Year Ended 31 December 2017**

Details	Note	Year 2017 SDG	Year 2016 SDG
Opening balances		534,868	756,537
Receipts during the year:			
Receipts from Grant	3	4,285,813	1,081,090
Direct Payment to FAO		2,113,443	3,342,938
Receipts from GOS	4	1,037,001	553,400
Foreign Currency Sale Incentive	5	3,465,512	200,436
FNC	6	-	300,000
Gain from Exchange Rates		-	-
<b>Total Receipts</b>		<b>11,436,636</b>	<b>6,234,401</b>
Expenditure:			
Components:	7		
(1) Support for REDD+ readiness management		5,923,555	2,007,538
(2): Support for National REDD+ Strategy		1,528,667	30,000
(3): Support for Stakeholder engagement		217,420	221,475
(4): Support for Monitoring, Reporting and Verification		2,262,103	3,440,520
<b>Total Expenditure</b>		<b>9,931,746</b>	<b>5,699,533</b>
<b>Surplus</b>	8	<b>1,504,891</b>	<b>534,868</b>

Notes from (1) to (8) are an integral part of these financial statements.

  
Sayeda Ali Ahmed Khalil  
National Program Coordinator (NPC)

  
Atif Mohamed Ali  
Financial Management Specialist (FMS)





**REDD<sup>+</sup> SUDAN**


Reducing Emissions from Deforestation and Forest Degradation Program



**Designated Account (DA):**

Account No.: 158674  
Depository Bank: Bank of Khartoum  
Grant Agreement: FT 19148  
Currency: EURO

Details	Year 2017 EURO	Year 2016 EURO
Balance 1-1-2017		
Amount received during the year from the Grant	713,621.97	152,446.06
Amount received during the year from the GOS	-	-
Fund available in the FY 2017	713,621.97	152,446.06
Less:		
Payment for expenditure in the FY 2017	604,747.00	148,055.15
Total Payment	604,747.00	148,055.15
Closing balance at 31 December 2017	108,874.97	4,390.91

  
Dr. Sayeda Ali Ahmed Khalil  
NPC




  
Atif Mohamed Ali  
FMS



Statement of Fund Balances as at 31 December 2017:

Details	Note	Year 2017	Year 2016
Fund Balances Represented by:			
Cash at Banks	8(a)	1,489,646	512,717
Cash in Hand	8(b)	15,245	22,151
Total		1,504,891	534,868



Dr. Sayeda Ali Ahmed Khalil  
NPC



  
Atif Mohamed Ali  
FMS





**REDD<sup>+</sup> SUDAN**

Reducing Emissions from Deforestation and Forest Degradation Program



## **Note (1)**

### **Background**

Sudan's R-PP states that Sudan is aiming to achieve REDD+ Readiness by the end of 2017. The R-PP presents all activities that the Government of Sudan envisages to achieve REDD+ readiness. The total estimated funding required to achieve this readiness over the next three years is US\$7.82 million, of which US\$ 3.80 million will be funded by the FCPF. US\$ 0.32 million will be provided by the Government of Sudan. The Government has requested support from the UN-REDD Program and the Food and Agriculture Organization (FAO) for the remaining balance of approximately US\$ 4.0 million, however resource constraints mean that provision of this funding in the near-term is unlikely. There is the potential for Sudan to access up to \$5 million additional FCPF funding to implement the remaining activities in its R-PP, if significant progress in implementing the \$3.8 million grant can be demonstrated at mid-term<sup>1</sup>. It should be noted, however, such additional funding is not guaranteed, and is subject to various factors including the formal approval from the governing body of the FCPF<sup>2</sup>. Fortunately, REDD+ Readiness reflect the required significant progress, so, another agreement with \$5.0 was signed in March 2018 to complete and extend some activities introducing the implementation phase which is expected to launch in 2020.

## **Note (2)**

### **Accounting Policy**

The principal accounting policies adopted in the preparation of these financial statements are set out below.

- a) **Accounting convention:** The financial statements prepared under the historical cost convention.
- b) **Basic of accounting:** The financial statements of the program have been prepared using a modified cash basis of accounting. As such, receipts are recognized when received and expenses incurred when paid. Fixed assets are recognized in full in the year of purchase rather than capitalized and depreciated over their useful lives. The modification to the cash basis method is that prepayments and advances not accounted are recorded as recoverable.

<sup>1</sup> The mid-term review takes place approximately 18-24 months after grant signature and when 50 per cent of grant resources are committed.

<sup>2</sup> The current term of the FCPF Readiness Fund is until December 31, 2020.

- c) **Receipts:** Receipts are recognized in the project financial statements in the period in they are received.
- d) **Payments:** Payments are recognized in the Project financial statements in the period in which they are paid rather than incurred.
- e) **Foreign currency transactions:** Transactions denominated in foreign currency are translated into Sudanese pounds at the rates ruling on the date of the transaction. These rates as shown in the receipts and payments noted are determined on the date of receipt and payment.
- f) **Comparative figures:** Figures of this year could be compare with the year ended 31 December 2016.
- g) **Advances:** Advances include working advance payments made to some stakeholders involved in implementation of project activities and have not been accounted or during the period. Advances are recorded as memorandum and recognized in the project financial statements when they are accounted for. Advances that are not accounted for at the end of the year are recorded as receivables.

### **Note (3)**

#### **Amount received from Grant during the period ended 31-12-2017**

##### Replenishment Applications

Details	FY 2017		FY 2016	
	Amount in EURO	Amount in SDG	Amount in EURO	Amount in SDG
WA 9	-	-	111,910.68	795,752.69
WA 10	-	-	38,052.13	285,337.70
WA 12	105,242.37	778,821.43	-	-
WA 13	95,197.11	716,681.92	-	-
WA 15	91,125.04	1,122,261.56	-	-
WA 14	120,450.71	1,152,833.75	-	-
WA 16	49,074.81	515,214.17	-	-
Replenishment Applications	461,090.04	4,285,812.83	149,962.81	1,081,090.39

### Note (4)

#### Receipts from GOS during the Period Ended 31-12-2017

Date	FY 2017 SDG	FY 2016 SDG
29-3-2016	-	8,000.00
15-6-2016	-	8,000.00
1-8-2016	-	40,100.00
10-8-2016	-	56,000.00
25-10-2016	-	321,000.00
26-10-2016	-	80,200.00
25-12-2016	-	40,100.00
31-01-2017	40,100.00	-
26-02-2017	40,100.00	-
20-03-2017	40,100.00	-
30-03-2017	40,100.00	-
23-04-2017	96,000.00	-
08-05-2017	40,100.00	-
22-05-2017	80,200.00	-
06-06-2017	40,100.00	-
15-06-2017	28,000.00	-
19-06-2017	40,100.00	-
31-07-2017	62,100.00	-
01-08-2017	28,000.00	-
17-08-2017	62,100.00	-
22-08-2017	28,000.00	-
01-10-2017	62,100.00	-
03-10-2017	28,000.00	-
15-11-2017	62,100.00	-
03-12-2017	28,000.00	-
03-12-2017	62,100.00	-
21-12-2017	62,100.00	-
25-12-2017	28,000.00	-
31-12-2017	39,500.00	-
<b>Total</b>	<b>1,037,000.00</b>	<b>553,400.00</b>

### **Note (5)**

#### **Foreign Currency Sale Incentive during the period ended 31-12-2017**

<b>Date</b>	<b>FY 2017 SDG</b>	<b>FY 2016 SDG</b>
26-01-2017	31,855.26	
02-02-2017	43,466.18	
09-03-2017	268,273.52	
09-06-2017	760,979.96	
11-09-2017	597,297.52	
09-10-2017	583,558.08	
12-12-2017	580,081.47	
<b>Total</b>	<b>3,465,511.99</b>	<b>200,436</b>

### **Note (6)**

#### **National Forest Corporation (FNC):**

The loan from FNC in the FY 2016 due to the delay of replenishment from the Grant. The loan was as follows:

On 10-5-2016	100,000
On 11-7-2016	<u>200,000</u>
<b>Total</b>	<b>300,000</b>

The total amount of the loan (SDG 300,000) was refunded to FNC during the FY 2017.

## Note (7)

### Expenditure during the period ended 2017

Account	FY 2017	FY 2016
<b><i>Component (1) Support for REDD+ readiness management</i></b>		
1.1- Set up and operation of national REDD+ management unit	3,758,916	1,891,117
1.2- Steering Committee, TAC and TWGs	719,545	-
1.3- Strengthen sub-national REDD+ Institutional Arrangements	404,290	-
1.4- Capacity building for REDD+ Institutional arrangements	878,654	116,421
1.6- Program Monitoring & Evaluation	140,000	-
<b>Sub-total Component (1)</b>	<b>5,901,405</b>	<b>2,007,538</b>
<b><i>Component (2): Support for National REDD+ Strategy</i></b>		
2.1- In depth analysis of drivers of deforestation and forest degradation	998,911	30,000
2.2- In-depth analysis of strategic options	207,756	-
2.3- Strategic Environmental and Social Assessment	22,000	-
2.4- Study on options for benefit sharing	300,000	-
<b>Sub-total Component (2)</b>	<b>1,528,667</b>	<b>30,000</b>
<b><i>Component (3): Support for Stakeholder engagement</i></b>		
3.1- Consultation and participation for activities to be implemented under FCPC	-	221,475
3.2- Setting up and strengthening of civil society platforms	217,420	-
<b>Sub-total Component (3)</b>	<b>217,420</b>	<b>221,475</b>
<b><i>Component (4): Support for Monitoring , Reporting and Verification (MRV)</i></b>		
4.1- Development a National forest Inventory (NFI)	2,262,103	3,342,938
4.3- Capacity building for forest monitoring activities	-	97,582
<b>Sub-total Component (4)</b>	<b>2,262,103</b>	<b>3,440,520</b>
<b>Total Components</b>	<b>9,996,288</b>	<b>5,699,533</b>

## **Note (8)**

### **Note (8a)**

Cash at Banks as at 31-12-2017

Account	FY 2017 SDG	FY 2016 SDG
Bank of Sudan - A/C No. 6919-2001-067 (EURO)	-	50,378
Bank of Sudan - A/C No. 6919-2001-067 (SDG)	194,574	-
Bank of Khartoum - A/C No. 1586794 (SDG)	137,018	428,598
Bank of Khartoum - A/C No. 1586794 (EURO) (104,484.64*ExR 10.7410)	1,122,270	27,830
Nile Bank Al-Fashir - A/C No. 12277 (SDG)	8,896	10
Nile Bank Al-Obaied - A/C No. 46980 (SDG)	5,919	641
Nile Bank Al-Gadarif - A/C No. 39071 (SDG)	16,556	275
Farmer Commercial Bank Ad-Damer - A/C No. 1000152703 (SDG)	4,415	4,985
	<b>1,489,646</b>	<b>512,717</b>

### **Note (8b)**

Cash in Hand as at 31-12-2017

Account	FY 2017 SDG	FY 2016 SDG
Work advance – Ismail Abdelgafar Ettahir	15,245	22,151
<b>Total</b>	<b>15,245</b>	<b>22,151</b>

## ABBREVIATIONS AND ACRONYMS

CBD	Convention on Biodiversity
CBO	Community Based Organization
CSO	Civil Society Organization
EIA	Environmental Impact Assessment
ESMF	Environmental and Social Management Framework
FAO	Food and Agricultural Organization
FCPF	Forest Carbon Partnership Facility
FGRM	Feedback and Grievance Redress Mechanism
FMT	Facility Management Team
FNC	Forest National Corporation
FPIC	Free and Prior Informed Consent
FRA	Forest Resource Assessment
GAPA	Gum Arabic Production Association
GDP	Gross Domestic Product
GEF	Global Environment Facility
GHG	Greenhouse Gas
GIS	Geographic Information System
GNI	Gross National Income
GPS	Global Positioning System
HCENR	Higher Council for Environment and Natural Resources
HQ	Head Quarter
IBRD	International Bank For Reconstruction And Development
IDA	International Development Association
IFAD	International Fund for Agricultural Development
ILO	International Labor Organization
IMF	International Monetary Fund
INS	Interim Strategy Note

LGA	Local Government Act
LMS	Land Monitoring System
MDTF-NS	Multi-Donor Trust Fund –National (Sudan)
MDG	Millennium Development Goals
MoARFR	Ministry of Animal Resources, Fishery and Rangeland
MoEFPD	Ministry of Environment, Forestry and Physical Development
MRV	Measurement, Reporting And Verification
Mt	Megaton (Million Metric Tons)
NFI	National Forest Investment
NGO	Non-Governmental Organization
NRST	National REDD+ Steering Committee
NWFP	Non-Wood Forest Products
PC	Participants Committee
PDO	Project Development Objective
PRSP	Poverty Reduction Strategy Paper
RPA	Range And Pasture Administration
REDD	Reducing Emissions from Deforestation and Forest Degradation and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries
R-PP	Readiness Preparation Proposal
RTWG	REDD+ Technical Working Group
SESA	Strategic Environmental and Social Assessment
SFMS	Sudan Forest Monitoring System
TAC	Technical Advisory Committee
TOE	Ton Oil Equivalent
TWG	Technical Working Group
UNDP	United Nations Development Program
UNDRIP	UN Declaration of Rights of Indigenous People
UNFCCC	United Nations Framework Convention on Climate Change
US	United States
WBS	World Bank System

### Program Management Team

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## Statement of Management Responsibility

Statement of Management Responsibility Management accept responsibility for financial statements set out on the report, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates. Management is of the opinion that the financial statements give a true and fair view of the status of the financial affairs of the REDD+ Sudan and the of its surplus of income over expenditure and that they are accordance with the Program accounting guidelines.

Management further accept responsibility for the maintenance of the accounting records that may be relied upon in the preparation of the financial statements as well as adequate systems of the internal control.



Sayeda Ali Ahmed Khalil  
National Program Coordinator (NPC)



Atif Mohamed Ali  
Financial Management Specialist (FMS)

