DEDICATED GRANT MECHANISM PROGRAMME

FINANCIAL REPORT FOR
FOR THE EIGHTEEN MONTH PERIOD
ENDED 31 DECEMBER 2018
DEDICATED GRANT MECHANISM PROGRAMME
FOR THE EIGHTEEN MONTH PERIOD ENDED 31 DECEMBER 2018

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DEDICATED GRANT MECHANISM
PROGRAMME INFORMATION

PROGRAMME MANAGEMENT TEAM
Dr Winston A. Asante  (Programme Manager)
Suzan Hermina Yemidi  (Country Representative)
Eunice Osei  (Country Finance Manager)

REGISTERED OFFICE
House No 18, Okine Street
East Legon
PMB KD 11
Kanda, Accra

IMPLEMENTING PARTNER
Solidaridad Network West Africa

DONOR
World Bank

AUDITORS
Mazars
Chartered Accountants,
Nyame Adom Courts
7 & 9 Adonai Lane
Adjiringanor, East Legon
DTD LG 20014
P. O. Box GP 2957
GD 165-5957
Accra
### DEDICATED GRANT MECHANISM
### ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>G-DGM</td>
<td>Ghana Dedicated Grant Mechanism</td>
</tr>
<tr>
<td>FIP</td>
<td>Forest Investment Program</td>
</tr>
<tr>
<td>REDD</td>
<td>Reducing Emissions from Deforestation and forest Degradation</td>
</tr>
<tr>
<td>REDD+</td>
<td>REDD Beyond deforestation and degradation to include forest restoration, Rehabilitation, sustainable management and reforestation.</td>
</tr>
<tr>
<td>NSC</td>
<td>National Steering Committee</td>
</tr>
<tr>
<td>FCPF</td>
<td>Forest Carbon Partnership Facility</td>
</tr>
</tbody>
</table>
Background to the Programme

The Ghana Dedicated Grant Mechanism for Local Communities project (G-DGM) is designed to promote the inclusion of communities reliant on forests in policy formulation and initiatives as well as in other REDD+ programmes that seek to reduce deforestation and degradation.

The project will strengthen the knowledge and practices of over 52 targeted local communities in the Brong Ahafo and Western regions of Ghana in REDD+ (Reducing Emissions from Deforestation and Forest Degradation plus Conservation of Forest Carbon Stocks, Sustainable Forest Management, and Enhancement of Forest Carbon Stocks) processes and sustainable forest management. Synergies will also be fostered with two other ongoing projects, the Forest Investment Program (FIP), which also operates in these two regions and is linked to this project, and the Forest Carbon Partnership Facility (FCPF) project.

The G-DGM which is funded by the World Bank, is part of its Integrated Forests and Landscape Portfolio, a diverse portfolio comprising several operations (with different sources of financing, including IDA and trust funds).

The G-DGM project will be managed by a national steering committee consisting of representatives of the local communities as well as observers from government and non-governmental agencies. Solidaridad West Africa will be the implementing agency on behalf of the National Steering Committee.

Programme Objectives

G-DGM seeks to strengthen knowledge and practices of targeted local communities in the Western and Brong Ahafo Regions in REDD+ processes and sustainable forest management.

Programme intervention

G-DGM will contribute towards helping the communities better understand REDD+ (Reducing Emissions from deforestation and Forest degradation plus conservation of Forest, Sustainable Forest management and Enhancement of Forest Carbon Stocks). Key activities will include:

• Capacity Building for Local Communities.

• Provision of a demand-driven sub-grants to local communities to promote adaptive and coping livelihoods and sustainable management of natural resources.

Beneficiaries of the G-DGM

The main beneficiaries of the Ghana DGM are local communities and their representative community based organizations in the project Regions. These regions are home to a multitude of communities who are dependent on the surrounding ecosystems in the two regions. The project is expected to directly and indirectly touch the lives of 11,000 adults in 52 communities.
5.

DEDICATED GRANT MECHANISM
STATEMENT OF PROGRAMME MANAGEMENT
TEAM’S RESPONSIBILITY

Solidaridad Network West Africa is to prepare project financial report for each financial period which gives a true and fair view of the state of affairs of the Dedicated Grant Mechanism and of its receipt and payment for that period. In preparing those Project Financial Report Management is required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material department disclosed and explained in the project financial report; and
- Prepare the project financial report on the going concern basis unless it is inappropriate to presume project will continue

Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the project which enable them to ensure that the project financial report comply with the requirements of the contract. Management is also responsible for safeguarding the assets of the Project and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The above statements, which should be read in conjunction with the statement of the Auditor’s responsibility set out on pages 6 - 8, are made with a view to showing the respective responsibilities of the management of Dedicated Grant Mechanism and the Auditor in relation to the project financial report.
INDEPENDENT AUDITORS’ REPORT
TO DONORS OF
DEDICATED GRANT MECHANISM

Report on the Audit of the Financial Statement

Opinion

We have audited the financial statements of Dedicated Grant Mechanism Programme, which comprise, the statement of receipt and payment, the statement of financial position as at 31 December 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the programme as at the year ended 31 December 2018, and its financial performance for the period then ended in accordance with International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs) and in the manner required by the Companies Act, 1963 (Act 179) as amended.

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 Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) together with Mazars Code of Conduct for Objectivity and Independence (CCOI), we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the CCOI. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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.

Other Information

Our opinion on the financial statements does not cover other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.
INDEPENDENT AUDITORS’ REPORT
TO DONORS OF
DEDICATED GRANT MECHANISM

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’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. Misstatements 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 audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, 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 misstatement 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, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related
INDEPENDENT AUDITORS’ REPORT
TO DONORS OF
DEDICATED GRANT MECHANISM

disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern;

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in manner that achieves fair presentation; and

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

Report on Other Legal and Regulatory Requirements

The programme management team has complied in all material respects, with provision stated in the contract.

The engagement partner on the audit resulting in this independent auditors’ report is Ernest Toah Akonor (JnR) (ICAG/P/1220).

............................................................
M A Z A R S

For and on behalf of:
Mazars (ICAG/F/2019/079)
Chartered Accountants and Business Advisors
7/9 Nyame Adom Courts, Adonai Lane
Adjiringanor, East Legon, Accra
GD-165-5957
PMB LG DTD 20014
P. O. Box GP 295
Accra

............................................................
2019
DEDICATED GRANT MECHANISM
RECEIPT AND PAYMENT STATEMENT
FOR THE EIGHTEEN MONTH PERIOD ENDED 31 DECEMBER 2018

(All amount are expressed in United State Dollars unless otherwise stated)

<table>
<thead>
<tr>
<th>Note</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipt</td>
<td></td>
</tr>
<tr>
<td>Receipt from Donor</td>
<td>4</td>
</tr>
</tbody>
</table>

Less:

<table>
<thead>
<tr>
<th>Payment</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Activity Cost</td>
<td>772,196</td>
</tr>
<tr>
<td>Staff Cost</td>
<td>235,704</td>
</tr>
<tr>
<td>Overhead Cost</td>
<td>136,914</td>
</tr>
</tbody>
</table>

Cash held in Trust | 1,144,814 |

Cash held in Trust | 235,257 |

Programme Manager

Regional Director

28/10/2019

The policies and notes on page 11 to 14 are an integral part of these financial statements.
DEDICATED GRANT MECHANISM
STATEMENT OF FINANCIAL POSITION
FOR THE EIGHTEEN MONTH PERIOD ENDED 31 DECEMBER 2018

(All amount are expressed in United State Dollars unless otherwise stated)

<table>
<thead>
<tr>
<th>Note</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>1,144,814</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>235,257</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>1,380,071</td>
</tr>
</tbody>
</table>

The policies and notes on page 11 to 14 are an integral part of these financial statements.
DEDICATED GRANT MECHANISM
NOTES TO THE PROJECT FINANCIAL REPORT
FOR THE EIGHTEEN MONTH PERIOD ENDED 31 DECEMBER 2018

1. DEDICATED GRANT MECHANISM

Part A. Capacity Building for Local Communities

1. Carrying out a program of activities for capacity building on REDD+ processes and sustainable forest management, including:
   • Conducting an assessment to determine the baseline knowledge of local communities ("Communities") in the Select Region involved in the training on REDD+ and sustainable forest management;
   • Promoting training workshops and capacity building activities to improve the capacity of communities to understand the FIP, climate change, REDD+, the impact of local and global activities on greenhouse gases, climate change, livelihoods and related interventions;
   • Provision of basic training to communities to demonstrate the links between livelihoods and REDD+ goals;
   • Provision of training to extension service providers to improve their ability to incorporate relevant knowledge into their activities and equip them to be more effective trainers of the communities;
   • Provision of training to chiefs and other traditional authorities to improve their ability to effectively combat threats to communities such as illegal surface mining, illegal chain saw operations and related activities; and
   • Provision of training to selected members of communities on preparing grant proposal for subprojects.

Part B. Sustainable and Adaptive Community Initiatives

1. Carrying out Subprojects in selected local communities in Select Regions involving small-scale activities for sustainable REDD+ and climate change initiatives, including forest and natural resources management, renewable energy investment, sustainable livelihoods investments, soil and water conservation, and climate smart investments, and providing Sub-Grant to eligible Grantees for carrying out said Subprojects.

2. Conducting field-based technical training of selected Grantees to support the implementation of Subprojects.

Part C. Project Governance, Monitoring and Evaluation

Strengthening the capacity of the Recipient for management, coordination and implementation of Project activities, including financial management, procurement, environmental and social safeguards compliance, auditing, monitoring and evaluation, reporting, studies, supervision of community initiatives and results assessment and financing reasonable expenses in connection with travel and meetings for members of the NSC.
DEDICATED GRANT MECHANISM
NOTES TO THE PROJECT FINANCIAL REPORT
FOR THE EIGHTEEN MONTH PERIOD ENDED 31 DECEMBER 2018

2. BASIS OF PREPARATION OF PROGRAMME FINANCIAL STATEMENTS

2.1 Statement of Compliance
The financial statements have been prepared in accordance with IFRS for SMEs

2.2 Basis of Measurement
The financial statements have been prepared under historical cost.

2.3 Functional and Presentation Currency
The financial statements are presented in United State Dollars ($). The functional currency of the project is presented in Ghana Cedis and the financial information presented has been rounded off to the nearest United State Dollars.

3. SIGNIFICANT ACCOUNTING POLICIES
The applied accounting principles are based on the historical cost convention. Unless stated otherwise, assets and liabilities are shown at nominal value.

An asset is disclosed in the statement of financial position when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

A liability is recognized in the statement of financial position when it is expected to result in an outflow from the entity of resources embodying economic benefits and the amount of the obligation can be measured with sufficient reliability.

3.1 Receipt
Receipt is recognized in the statement of receipt and payment when an increase in future economic potential related to an increase in an asset or a decrease of a liability has arisen, the size of which can be measured reliably.

3.2 Payment
Payment is recognized when a decrease in the economic potential related to a decrease in an asset or an increase of a liability has arisen, the size of which can be measured with sufficient reliability.

If a transaction results in a transfer of future economic benefits and or when all risks relating to assets or liabilities transfer to a third party, the asset or liability is no longer included in the balance sheet.

Assets and liabilities are not included in the statement of financial position if economic benefits are not probable and/or cannot be measured with sufficient reliability. The receipt and payment (e.g. activity cost, staff costs, and overhead cost) are allocated to the period to which they relate.
DEDICATED GRANT MECHANISM  
NOTES TO THE PROJECT FINANCIAL REPORT  
FOR THE EIGHTEEN MONTH PERIOD ENDED 31 DECEMBER 2018  

(All amount are expressed in United State Dollars unless otherwise stated)

3.3 Cash Held in Trust  
This represents the total amount of cash available to the project received from the funding partners and held in trust on behalf of the project by the implementing partner.

3.4 Transactions in Foreign Currencies  
Transactions denominated in foreign currency are translated into the relevant functional currency at the exchange rate applying on the transaction date.  
Monetary assets and liabilities denominated in foreign currency are translated at the statement of financial position date into the functional currency at the exchange rate applying on that date.

3.5 Receipt and Payment  
The receipt and payment are allocated to the period to which they relate. Receipt is matched to project payment.

4. Receipt  
This represents funds received from the World Bank, the project donor partner over the year 2018

World Bank  
1,380,071

5. ACCUMULATED PROJECT COST  

<table>
<thead>
<tr>
<th>Activity Cost</th>
<th>Staff Cost</th>
<th>Overhead Cost</th>
<th>Total Expenditure as at 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td>772,196</td>
<td>235,704</td>
<td>136,914</td>
<td>1,144,814</td>
</tr>
<tr>
<td>Balance as at 31 December</td>
<td>235,257</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance as at 31 December</td>
<td>1,380,071</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
DEDICATED GRANT MECHANISM
EXPENDITURE DETAILS FOR THE EIGHTEEN MONTH PERIOD ENDED 31 DECEMBER 2018

(All amount are expressed in United State Dollars unless otherwise stated)

### EXPENDITURE DETAIL PER CLASS OF ACCOUNT

<table>
<thead>
<tr>
<th></th>
<th>May 2017 To Dec 2017</th>
<th>30 Dec to 31 March</th>
<th>1 April to 30 June</th>
<th>1 July to 30 Sep</th>
<th>1 Oct. to 31 Dec</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activity Cost</td>
<td>276,172</td>
<td>153,923</td>
<td>62,538</td>
<td>87,571</td>
<td>191,992</td>
<td>772,196</td>
</tr>
<tr>
<td>Staff Cost</td>
<td>-</td>
<td>61,151</td>
<td>61,151</td>
<td>61,151</td>
<td>52,251</td>
<td>235,784</td>
</tr>
<tr>
<td>Overhead Cost</td>
<td>40,998</td>
<td>34,166</td>
<td>20,625</td>
<td>20,625</td>
<td>20,500</td>
<td>136,914</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>317,170</strong></td>
<td><strong>249,240</strong></td>
<td><strong>144,314</strong></td>
<td><strong>169,347</strong></td>
<td><strong>264,743</strong></td>
<td><strong>1,144,814</strong></td>
</tr>
</tbody>
</table>

### EXPENDITURE DETAIL PER COMPONENT

<table>
<thead>
<tr>
<th>Component</th>
<th>May 2017 To Dec 2017</th>
<th>30 Dec to 31 March</th>
<th>1 April to 30 June</th>
<th>1 July to 30 Sep</th>
<th>1 Oct. to 31 Dec</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity Building for Local Communities</td>
<td>158,930</td>
<td>146,867</td>
<td>115,036</td>
<td>138,343</td>
<td>165,588</td>
<td>724,764</td>
</tr>
<tr>
<td>Sustainable and Adaptive Community Initiatives</td>
<td>30,838</td>
<td>18,261</td>
<td>70,800</td>
<td>7,200</td>
<td>42,962</td>
<td>110,061</td>
</tr>
<tr>
<td>Project Governance, Monitoring and Evaluation</td>
<td>127,402</td>
<td>84,112</td>
<td>18,478</td>
<td>23,804</td>
<td>56,193</td>
<td>309,989</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>317,170</strong></td>
<td><strong>249,240</strong></td>
<td><strong>144,314</strong></td>
<td><strong>169,347</strong></td>
<td><strong>264,743</strong></td>
<td><strong>1,144,814</strong></td>
</tr>
</tbody>
</table>

### EXPENDITURE DETAIL PER CATEGORIES

<table>
<thead>
<tr>
<th>Category</th>
<th>May 2017 To Dec 2017</th>
<th>30 Dec to 31 March</th>
<th>1 April to 30 June</th>
<th>1 July to 30 Sep</th>
<th>1 Oct. to 31 Dec</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods, works and services</td>
<td>245,334</td>
<td>196,813</td>
<td>112,889</td>
<td>141,522</td>
<td>201,281</td>
<td>897,839</td>
</tr>
<tr>
<td>Sub-Grants</td>
<td>30,838</td>
<td>18,261</td>
<td>10,800</td>
<td>7,200</td>
<td>42,962</td>
<td>110,061</td>
</tr>
<tr>
<td>Management Fee</td>
<td>40,998</td>
<td>34,166</td>
<td>20,625</td>
<td>20,625</td>
<td>20,500</td>
<td>136,914</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>317,170</strong></td>
<td><strong>249,240</strong></td>
<td><strong>144,314</strong></td>
<td><strong>169,347</strong></td>
<td><strong>264,743</strong></td>
<td><strong>1,144,814</strong></td>
</tr>
</tbody>
</table>
DEDICATED GRANT MECHANISM
EXPLANATION OF VARIANCE

(All amounts are expressed in United State Dollars unless otherwise stated)

<table>
<thead>
<tr>
<th>Project Components</th>
<th>Programme Details</th>
<th>Budget</th>
<th>Actual</th>
<th>Variance</th>
<th>Variance (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Component 1</td>
<td>Capacity Building for Local Communities</td>
<td>555,640</td>
<td>724,765</td>
<td>(169,125)</td>
<td>-23</td>
</tr>
<tr>
<td>Component 2</td>
<td>Sustainable &amp; Adaptive Community Initiatives</td>
<td>1,400,000</td>
<td>110,061</td>
<td>1,289,939</td>
<td>1172</td>
</tr>
<tr>
<td>Component 3</td>
<td>Project Governance, Monitoring &amp; Evaluation</td>
<td>437,480</td>
<td>309,988</td>
<td>127,492</td>
<td>41</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>2,393,120</td>
<td>1,144,814</td>
<td>1,248,306</td>
<td>109</td>
</tr>
</tbody>
</table>

Explanation of Deviation

The under expenditure is because the project was proceeding cautiously to complete basic and dedicated trainings and conduct risk assessment before initiating the grant phase.