Public Disclosure Authorized

Public Disclosure Authorized

Barrett & Partners
Chartered Accountants & Business Advisers

AUDIT OF THE FINANCIAL STATEMENTS FOR THE INCREASING RESILIENCE TO CLIMATE CHANGE NATURAL HAZARDS PROJECT (GRANT Nos TF095486, TF013810, TF013694 AND TF013869)

for the year ended 31st December 2019

PO Box 240
1st Floor, B&P House
Lini Highway
Port Vila, Vanuatu

Tel: (+678) **22280**
Fax: (+678) **22317**

Email: service@bap.com.vu
Web: www.bap-international.com

CONTENTS

EXECUTIVE SUMMARY.....3 -4

BACKGROUND.....5

AUDIT OBJECTIVE.....5

SCOPE OF SERVICES.....6

GENERAL MATTERS.....7

AUDIT OPINION .....8 - 9

APPENDIX 1 - FINANCIAL STATEMENTS & NOTES 10

APPENDIX 2 - MANAGEMENT REPORT 11

APPENDIX 3 – FOLLOW UP PRIOR YEAR AUDIT POINTS..... 12

EXECUTIVE SUMMARY

Barrett and Partners has been engaged by the Office of the Auditor General to carry out an audit of the Increasing Resilience to Climate Change and Natural Hazards project, funded by the World Bank for the Government of Vanuatu. These funds are administered by the Vanuatu Meteorological and Geo-Hazard Department.

The following financing agreements were approved;

- Global Environment Facility (GEF)Grant agreement for USD5,580,000 on 14th December 2012 ending December 2018
- Global Facility for Disaster Reduction and Recovery (GFDRR) Grant agreement for USD2,730,000 on 12th December 2012 ending March 2016 (amended extension date 31st December 2017)
- European Union (EU) Grant agreement for EUR923,257 on 12th July 2013 ending May 2014 (amended to April 2016). A grant agreement amendment dated28th January made available addition funds of EURO973,750 making a total grant of EUR1,897,007.

The objective of the project is to increase the resilience of communities in Vanuatu to the impacts of climate variability and change and natural hazards on food and water security as well as livelihoods.

The period audited is the year ended 31st December 2019. The grant income and expenditure for the audit period is described below:

	Controlled by entity	External Third Party	Total
	VUV	VUV	VUV
RECEIPTS			
GEF (TF013810)	47,966,144	17,341,364	65,307,508
GFDRR (TF 013694)	0	0	0
EU (TF 013869)	0	0	0
TOTAL RECEIPTS	**47,966,144**	**17,341,364**	**65,307,508**
PAYMENTS			
GEF	68,784,130	17,341,364	86,125,494
GFDRR	0	0	0
EU	0	0	0
TOTAL PAYMENTS	**68,784,130**	**17,341,364**	**86,125,494**

The objective of the audit is to enable us to express our opinion on the accuracy, validity, and completeness of the following:

i) Statements of Expenditure,
ii) Designated Account (controlled by entity),
iii) Financial statements, and
iv) Compliance with the financing agreement and Vanuatu legislation

We achieved the audit objectives by using the World Bank Guidelines 1) Annual Reporting and Auditing, 2) Disbursement Manual and 3) Procurement Policies and Procedures. The audit of the receipts and payment expenditure of VUV65,307,508 and VUV86,125,494 respectively which entailed the following:

- Samples tested 100% and 46% receipts-and expenditure respectively in relation to accuracy and compliance (including LPOs , imprest, journals and consultancy fees);
- Sample tested direct payment advices (external third party)
- Reviewed the content, consistency and compliance of financial statements and supporting notes;
- Reviewed the balance and procedures for the Designated Account;
- Compliance with Finance Agreement and Vanuatu Financial Regulations;
- Compliance with International Public Sector Accounting Standards (IPSAS); and
- Reported findings with risks, recommendations and responses.

Summary Findings

During our audit we have not identified anything that will cause or raise any suspicions towards the management of the project.

Conclusion

Apart from the matters highlighted in our management report there are no material or significant matters which need to be drawn to the attention of the Stakeholders of the Financing Agreements.

BACKGROUND

1. The Government of Vanuatu has received the following grants towards the cost of the "Increasing Resilience to Climate Change and Natural Hazards Project" (IRCCNH) project implemented by the Government of Vanuatu through the Vanuatu Meteorology and Geo-Hazards Department (VMGD) of its Ministry of Climate Change and Natural Disasters:

- World Bank grant TF 013810 from the Global Environment Facility (GEF)trust fund signed 14 December 2012 in the amount of USD5,580,000 ending Dec 2018;
- World Bank grant TF 013694 from the Global Facility for Disaster Reduction and Recovery (GFDRR) trust fund signed 12 December 2012 in the amount of USD2,730,000 ending March 2016 (extended to 31st December 2017); and
- World Bank grant TF 013869 from the European Union Global Climate Change Alliance (EU-GCCA-V) trust fund signed 12 July 2013 for the amount of EUR923, 257 ending April 2016. A grant agreement amendment dated 28th January made available addition funds of EURO973,750 making a total grant of EUR1,897,007.

The contribution of the Government of Vanuatu to this project totals VUV 29.8M and the Beneficiaries in-kind contribution totals VUV2.2M.

2. The objective of the project is to help increase the resilience of communities in Vanuatu to the impacts of climate variability and change and natural hazards on food and water security as well as livelihoods.

3. The Vanuatu Meteorology and Geo-Hazards Department (VMGD), through its Project Management Unit (PMU) is responsible for overall project management. Project Implementation Agencies include the National Disaster Management Office (NDMO), Rural Water Supplies (RWS), the Department of Agriculture and Rural Development (DARD), the Vanuatu Agricultural Research and Technical Centre located in Santo (VARTC), and the Department of Local Authorities (DLA).

4. VARTC has two Subsidiary Agreements, one for the EU funds signed 13 September 2013 and another for the GEF funds signed 4 February 2013.

5. VARTC has two Project Agreements, one for the EU funds signed 8 May 2013 and another for the GEF funds signed 14 December 2012.

6. The project is currently estimated to be completed by 2019.

OBJECTIVE

The objective of the audit of the project financial statements is to enable the auditor to express an opinion on the accuracy, validity and completeness of the Statements of Expenditure, designated account and the financial statements and on whether transactions were in accordance with the financing agreement and Vanuatu legislation.

The project transaction ledger and contract ledger provide the basis for preparation of the project financial statements and are established to reflect the financial transactions in respect of the project.

SCOPE OF SERVICES

In accordance with the terms of reference the audit will be carried out in accordance with International Auditing Standards and will include such tests and controls as the Auditor considers necessary under the circumstances so as to allow an audit opinion to be formed. It is highly desirable that the Auditor be familiar with the Guidelines: Annual Financial Reporting and Auditing for World Bank Financed Projects (June 2003).

The Auditor should also be familiar with the Bank's *Disbursement Manual* and *Procurement Policies and Procedures.* These documents may be obtained from the Project Team.

The Auditor shall submit the audit report no later than six (6) weeks after receiving the financial statements for each period at the end of the Financial Year, to the Project Director (VMGD Director) as the Government of Vanuatu (the Client) designated agent.

In carrying out the audit, special attention should be paid to the following: General Matters, Statements of Expenditure, Designated Accounts, as well as the following:

Fraud and Corruption: Consider the risks of material misstatements in the financial statements due to fraud as required by ISA 240: The Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements. The auditor is required to identify and assess these risks (of material misstatement of the financial statements) due to fraud, obtain sufficient appropriate audit evidence about the assessed risks; and respond appropriately to identified or suspected fraud;

Laws and Regulations: In designing and performing audit procedures, evaluating and reporting the results, consider that noncompliance by the implementing agency with laws and regulations may materially affect the financial statements as required by ISA 250: Consideration of Laws and Regulations in an Audit of Financial Statements;

Governance: Communicate audit matters of governance interest arising from the audit of financial statements with those charged with governance of an entity as required by International Standards on Auditing 260: Communication of Audit Matters with those Charged with Governance; and

Risks: In order to reduce audit risk to an acceptable low level, determine the overall responses to assessed risks at the financial statement level, and design and perform further audit procedures to respond to assessed risks at the assertion level as required by Internal Standard on Auditing 330: The Auditor's Procedures in Response to Assessed Risks.

GENERAL MATTERS

All external funds have been used in accordance with the conditions of the relevant financing agreements, with due attention to economy and efficiency, and only for the purposes for which they were provided.

Goods and services financed have been procured in accordance with the relevant Financing Agreement.

All necessary supporting documents, records, and accounts have been kept in respect of all project activities including expenditures reported via Quarterly Financial Reports.

Clear links should exist between the project account records and reports presented to the Bank.

The Designated Accounts have been used and maintained in accordance with the provisions of the relevant Financing Agreement.

The project financial statements have been prepared in accordance with and consistently applied cash basis per International Public Sector Accounting Standards (IPSAS) and give a true and fair view of the financial situation of the project as at 31 December 2019 and of resources and expenditures for the period ended on that date.

Unqualified Audit Opinion on the Increasing Resilience to Climate Change Natural Hazards Project for the year ended 31st December 2019

The Auditor-General is the auditor of all public funds. The Auditor-General has appointed Barrett & Partners as auditors pursuant to Section 24(1) of the Expenditure Review and Audit Act [CAP.241].

The funds received from the World Bank are held in the Government of Vanuatu Development Fund Account and are administered by the Government of Vanuatu's Meteorological and Geo-Hazards Department.

It is the responsibility of the Government to ensure funds are managed in accordance with Government financial regulation and in accordance with the finance agreement.

Our audit is to provide an opinion on the Annual Project Financial Statements, Statement of Expenditures, Designated Account and Compliance of the Increase Resilience to Climate Change Natural Hazards funded by the World Bank.

In forming our opinion, we carried out appropriate tests with regard to materiality in accordance with the audit objectives and in conjunction with Financial Regulations, World Bank requirements and grant agreement to provide opinions in relation to matters in the above paragraph.

Audit Opinion

In our opinion apart from the matters highlighted in the management report on page 11 we are satisfied that the financial position, results of operations and cash flow of the Annual Project Financial statement for the Increase Resilience to Climate Change Natural Hazards Project for the year ended 31st December 2019 stated on page 10 is in accordance with International Public Sector Accounting Standards: Financial Reporting under Cash basis of Accounting (IPSAS).

Furthermore, we are satisfied,

a) with the accuracy and propriety of expenditure of the Statement of Cash Receipts and Payments in Appendix 1;

b) with the World Bank's procedures and the balance of the Designated Account at period end; and

c) with the compliance in accordance with the Public Finance and Economic Management Act [CAP 244], The Government Tenders Act [CAP 245] and the Vanuatu Financial Regulations.

Barrett & Partners

Mark Stafford FCA

Engagement Partner

10th May 2021

APPENDIX 1 -FINANCIAL STATEMENTS FOR THE INCREASING RESILIENCE TO CLIMATE CHANGE NATURAL HAZARDS PROJECT

Prepared under IPSAS

as: financial reporting under the Cash Basis Accounting

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 INCREASING RESILIENCE TO CLIMATE CHANGE AND NATURAL HAZARDS (IRCCNH) PROJECT

GEF GRANT No. TF013810
GFDRR GRANT No. TF013694
EU GCCA-V-B GRANT No. TF013869
GEF PG No. TF095486/94403
(VANUATU)

For the Year Ended 31 December 2019

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)

Table of Contents

Statement of Cash Receipts and Payments 3

Statement of Comparison of Budget and Actual 5

Statement of Accounting Policies and Notes 6

1. Accounting Policies 6
2. Cash Receipts (VUV) 9
3. Cash Payments (VUV) 10
4. Cash Balance 12
5. Employee Entitlements 12
6. Budget 12
7. Commitments 12
8. VARTC 12
9. Imprests 12
10. Property Plant & Equipment 14
11. Related Parties 15
12. Creditors 15
13. Authorization Date 15

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)

GOVERNMENT OF VANUATU
VANUATU METEOROLOGICAL AND GEO-HAZARDS DEPARTMENT
FINANCIAL STATEMENTS FOR THE INCREASING RESILIENCE TO CLIMATE CHANGE & NATURAL HAZARDS PROJECT
(GRANT Nos. TF 95486, TF 94403, TF 013810, TF 013694, TF 013869)
FOR THE YEAR ENDED 31 DECEMBER 2019

STATEMENT OF CASH RECEIPTS AND PAYMENTS - BY DONOR, CATEGORY AND COMPONENT (VUV) (1)

	Notes	2019	2018	Cumulative
CASH RECEIPTS				
1. TFs 95486/94403 (GEF) (Direct Payments)		-	-	**12,731,243**
2. TF 013810 (GEF)				
Designated Account	2	47,966,144	79,160,336	321,337,298
Direct Payments	2	17,341,364	103,276,718	261,291,813
Total		**65,307,508**	**182,437,054**	**582,629,111**
3. TF 013694 (GFDRR)				
Designated Account	2	-	-	174,602,086
Direct Payments	2	-	-	115,136,844
Total		-	-	**289,738,930**
4. TF 013869 (EU)				
Designated Account	2	-	-	129,881,070
Direct Payments	2	-	-	31,869,642
Total		-	-	**161,750,712**
TOTAL CASH RECEIPTS				
Designated Account	1, 2	47,966,144	79,160,336	625,820,454
Direct Payments	1, 2	17,341,364	103,276,718	421,029,542
Grand Total		**65,307,508**	**182,437,054**	**1,046,849,996**
CASH PAYMENTS BY CATEGORY & COMPONENT				
As per attached schedule	3	**86,125,494**	**183,694,728**	**1,046,038,279**
CASH RECEIPTS LESS CASH PAYMENTS		**(20,817,986)**	**(1,257,674)**	**811,717**
IMPRESTS	9	(2,635,180)	934,120	-
ADVANCES		-	-	-
NET CHANGE IN CASH		**(18,182,806)**	**(2,191,794)**	**811,717**
AMOUNTS COMMITTED		-	-	-
ADD OPENING CASH BALANCE AS AT 1 JANUARY		18,994,523	21,186,317	-
CLOSING CASH BALANCE AS AT 31 DECEMBER	4	**811,717**	**18,994,523**	**811,717**

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)

GOVERNMENT OF VANUATU
VANUATU METEOROLOGICAL AND GEO-HAZARDS DEPARTMENT
FINANCIAL STATEMENTS FOR THE INCREASING RESILIENCE TO CLIMATE CHANGE & NATURAL HAZARDS PROJECT
(GRANT Nos. TF 95486, TF 94403, TF 013810, TF 013694, TF 013869)
FOR THE YEAR ENDED 31 DECEMBER 2019

STATEMENT OF CASH RECEIPTS AND PAYMENTS - BY DONOR, CATEGORY AND COMPONENT (VUV) (2)

	Notes	2019	2018	Cumulative
CASH PAYMENTS	3			
1. TFs 95486/94403 (GEF)		-	-	**12,731,243**
2. TF 013810 (GEF)				
Category 1		*86,125,494*	*175,320,063*	*554,457,811*
Component 1.1 (Ledger 1B, PMU)		27,081,899	32,508,287	182,555,511
Component 1.2 (Ledger 1E, NDMO)		-	675,700	675,700
Component 1.3 (Ledger 1H, GeoH)		464,636	7,840,854	8,305,490
Component 2.1 (Ledger 2B, DLA)		4,753,440	2,932,140	13,896,077
Component 2.2 (Ledger 2E, DLA)		50,811,287	129,327,129	197,057,521
Component 3.2 (Ledger 3E, DARD)		-	103,889	38,076,174
Component 4.1 (Ledger 4B, DGMWR)		3,014,232	1,932,064	45,543,620
Component 4.2 (Ledger 4E, DGMWR)		-		68,347,718
Category 2		-	-	*27,359,583*
Component 3.1 (Ledger 3B, VARTC)		-		27,359,583
Total		**86,125,494**	**175,320,063**	**581,817,394**
3. TF 013694 (GFDRR)				
Category 1		-	*8,374,665*	*289,738,930*
Component 1.1 (Ledger 1A, PMU)		-	679,565	67,046,501
Component 1.2 (Ledger 1D, NDMO)		-	-	80,985,864
Component 1.3 (Ledger 1G, GeoH)		-	7,770,850	100,734,948
Component 2.1 (Ledger 2A, DLA)		- -	75,750	30,960,516
Component 2.2 (Ledger 2D, DLA)		-	-	10,011,101
Total		-	**8,374,665**	**289,738,930**
4. TF 013869 (EU)				
Category 1		-	-	*109,141,872*
Component 1.1 (Ledger 1C, PMU)		-	-	66,578,899
Component 2.1 (Ledger 2C, DLA)		-	-	4,646,101
Component 3.2 (Ledger 3F, DARD)		-	-	33,799,129
Component 4.1 (Ledger 4C, DGMWR)		-	-	4,117,743
Component 4.2 (Ledger 4F, DGMWR)		-	-	-
Category 2		-	-	*52,608,840*
Component 3.1 (Ledger 3C, VARTC)		-	-	52,608,840
Category 3		-	-	-
Component 2.2 (Ledger 2F, DLA)		-	-	-
Total		-	-	**161,750,712**
TOTAL CASH PAYMENTS		**86,125,494**	**183,694,728**	**1,046,038,279**
TFs 95486/94403		-	-	12,731,243
TFs 013810, 013694 & 013869				
Component 1 - Institutional Strengthening for CCA & DRM		27,546,535	49,475,256	506,882,913
Component 2 - Increasing Community Resilience		55,564,727	132,183,519	256,571,316
Component 3 - Promotion of Improved Technologies		-	103,889	151,843,726
Component 4 - Rural Water Security		3,014,232	1,932,064	118,009,081
Grand Total		**86,125,494**	**183,694,728**	**1,046,038,279**

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)

GOVERNMENT OF VANUATU
VANUATU METEOROLOGICAL AND GEO-HAZARDS DEPARTMENT
FINANCIAL STATEMENTS FOR THE INCREASING RESILIENCE TO CLIMATE CHANGE & NATURAL HAZARDS PROJECT
(GRANT Nos. TF 95486, TF 94403, TF 013810, TF 013694, TF 013869)
FOR THE YEAR ENDED 31 DECEMBER 2019

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL - BY CATEGORY AND COMPONENT (VUV)

	Notes	2019			2018			Cumulative	
	3, 6	Budget	Actual	Variance	Budget	Actual	Variance	Lifetime Budget	Actual
1. TFs 95486/94403 (GEF)								**12,731,243**	**12,731,243**
2. TF 013810 (GEF)									
Category 1									
Component 1.1 (Ledger 1B, PMU)		27,081,899	27,081,899	-	32,508,287	32,508,287	-	182,555,511	182,555,511
Component 1.2 (Ledger 1E, NDMO)		-	-	-	675,700	675,700	-	675,700	675,700
Component 1.3 (Ledger 1H, GeoH)		464,636	464,636	-	7,840,854	7,840,854		8,305,490	8,305,490
Component 2.1 (Ledger 2B, DLA)		4,753,440	4,753,440	-	2,932,140	2,932,140	-	13,896,077	13,896,077
Component 2.2 (Ledger 2E, DLA)		50,811,287	50,811,287	-	129,327,129	129,327,129	-	197,057,521	197,057,521
Component 3.2 (Ledger 3E, DARD)		-	-	-	103,889	103,889	-	38,076,174	38,076,174
Component 4.1 (Ledger 4B, DGMWR)		3,014,232	3,014,232	-	1,932,064	1,932,064	-	45,543,620	45,543,620
Component 4.2 (Ledger 4E, DGMWR)		-	-	-	-	-	-	68,347,718	68,347,718
Category 2									
Component 3.1 (Ledger 3B, VARTC)		-	-	-	-	-	-	27,359,583	27,359,583
Total		**86,125,494**	**86,125,494**	-	**175,320,063**	**175,320,063**	-	**581,817,394**	**581,817,394**
3. TF 013694 (GFDRR)									
Category 1									
Component 1.1 (Ledger 1A, PMU)				-	679,565	679,565	-	67,046,501	67,046,501
Component 1.2 (Ledger 1D, NDMO)		-	-	-			-	80,985,864	80,985,864
Component 1.3 (Ledger 1G, GeoH)				-	7,770,850	7,770,850	-	100,734,948	100,734,948
Component 2.1 (Ledger 2A, DLA)				-	(75,750)	(75,750)	-	30,960,516	30,960,516
Component 2.2 (Ledger 2D, DLA)		-	-	-			-	10,011,101	10,011,101
Total		-	-	-	**8,374,665**	**8,374,665**	-	**289,738,930**	**289,738,930**
4. TF 013869 (EU)									
Category 1									
Component 1.1 (Ledger 1C, PMU)		-	-	-	-	-	-	66,578,899	66,578,899
Component 2.1 (Ledger 2C, DLA)		-	-	-	-	-	-	4,646,101	4,646,101
Component 3.2 (Ledger 3F, DARD)		-	-	-	-	-	-	33,799,129	33,799,129
Component 4.1 (Ledger 4C, DGMWR)		-	-	-	-	-	-	4,117,743	4,117,743
Component 4.2 (Ledger 4F, DGMWR)		-	-	-	-	-	-	-	-
Category 2									
Component 3.1 (Ledger 3C, VARTC)		-	-	-	-	-	-	52,608,840	52,608,840
Category 3									
Component 2.2 (Ledger 2F, DLA)		-	-	-	-	-	-	-	-
Total		-	-	-	-	-	-	**161,750,712**	**161,750,712**
TOTAL BUDGET AND ACTUAL		**86,125,494**	**86,125,494**	-	**183,694,728**	**183,694,728**	-	**1,046,038,279**	**1,046,038,279**

Government of Vanuatu
Vanuatu Meteorology and Geo-hazard Department
Financial Statements for the Increasing Resilience to Climate Change and Natural Hazards Project (GEF PG No TF 095486/94403), GEF Grant No. TF 013810, GFDRR Grant No. TF013694, EU GCCA-V-B Grant No. TF013869)
For the Year Ended 31 December 2019

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 Vanuatu Meteorology and Geo-Hazards Department (VMGD). The project was prepared through one grant (GEF TF No.95486/94403) and has been funded through three grants from (i) the Global Environment Facility (GEF TF No.13810; US$ 5,580,000), (ii) the Global Facility for Disaster Reduction and Recovery (GFDRR TF No.13694; US$ 2,730,000) and (iii) the European Union (EU TF No.13869; Euro 923,257) and implemented through the World Bank. An additional EU grant of Euro 973,750 was made available, through a grant agreement amendment dated 28 January 2016 (making a total EU grant of Euro 1,897,007; closure date of April 2016). The VMGD forms part of the Government of Vanuatu (GoV).

VMGD provides meteorological, geo-hazards and climate change adaptation services to the people of Vanuatu.

The project's ultimate objective is to help increase the resilience of communities in Vanuatu to the impacts of climate variability and change and natural hazards on food and water security as well as livelihoods.

To this end, VMGD with the support of the World Bank has successfully secured funding from the three above-mentioned donors to address these needs.

Under the Grant Agreements, different Categories of expenditure are provided for as follows:

	GEF		GFDRR		EU	
	Components	US$	Components	US$	Components	Euro
Category 1	*1, 2, 3.2, 4*	*5,265,000*	*1, 2*	*2,730,000*	*1, 2.1, 3.2, 4*	*1.198,750*
Category 2	*3.1*	*315,000*	*None*		*3.1*	*450,000*
Category 3	*None*		*None*		*2.2*	*248,257*
Total		*5,580,000*		*2,730,000*		*1,897,007*

During 2017, the Grant Agreements for GEF and GFDRR were amended and the Category allocations were amended, with effect from the start of the agreements.

The allocation of expenditure by Category is managed accordingly through the component/subcomponent structure. The project activities and budget is managed according to the component/subcomponent structure, within the above Category limits.

The ledgers established in the GoV's Smart Stream system are organised according to the subcomponents under the four main components described below. Each subcomponent under each grant relates to activities implemented through the specific agencies, as follows:

PMU – Project Management Unit (under VMGD): Component 1.1
DARD – Department of Agriculture and Rural Development: Component 3.2
DGMWR – Department of Geology, Mines and Water Resources: Component 4.1 and 4.2
VARTC – Vanuatu Agricultural Research and Technical Centre: Component 3.1
DLA – Department of Local Authorities: Component 2.1 and 2.2
NDMO – National Disaster Management Office: Component 1.2
GeoH – Geo Hazards Department: Component 1.3

The grant agreements identified the budget activities according to the following four components to be implemented under the project:

1 **Institutional strengthening for climate change adaptation and disaster risk management**

This includes activities to strengthen the PMU, the NDMO and the early warning systems.

2 **Increasing community resilience on active volcanic islands and in coastal areas**

This includes activities to increase the ability of stakeholders at national, regional and community levels to work together to enhance disaster and climate resilience in rural communities.

3 **Promotion of improved technologies of food crop production and resilience to climate change**

This includes activities to support the Project implementing agency (VARTC), and Vanuatu in general, to develop approaches, strategies and technologies for adapting to climate change and responding to food security and market demands.

4 **Rural water security: increase access to secure water supply**

This includes activities to support Vanuatu to increase access to secure water supply.

The project's accounting operates within the GoV'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 Category and Component, and reported accordingly.

During 2015, following a review of the structure and organization of the project, certain operational costs were consolidated under Component 1.1.

The GFDRR funding was closed on 31 December 2017, and all final GFDRR reporting to WB was completed by 30 April 2018. The EU funding was closed on 30 April 2016, and all final EU reporting to WB was completed by 31 August 2016. As part of the closure of the EU funding, certain expenses previously allocated to GEF/GFDRR (including for prior years) were reallocated to EU. The closure date of the project is 30 June 2019, being the closing date for the GEF grant (having been extended by six months from 31 December 2018); a further six months is allocated for settling expenditures incurred by 30 June 2019. These financial statements represent the final financial reporting for the project to 31 December 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 2019. As all grants are closed, there are no further funds to be drawn down.

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. Direct Payments made in foreign currencies and reported in these financial statements have been converted to VUV based on the exchange rate as per www.xe.com as of the transaction value date.

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

The three grants mentioned above are denominated in US$ (GEF and GFDRR) and Euro (EU). Withdrawals are charged against the grants, in the respective grant currency, based on exchange rates applied by the World Bank.

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.

Direct Payments made by World Bank

VMGD also benefits from payments made directly by the World Bank. These payments do not constitute in-country cash receipts and payments of VMGD, but do benefit VMGD. They are disclosed as Direct Payments in the Statement of Cash Receipts and Payments, and in these Notes.

2. Cash Receipts (VUV)

Details of the cash receipts for 2019, for the GEF grant, are given in the following table:

SUMMARY OF CASH RECEIPTS FOR 2019 (TF 013810, GEF)

	WB Value Date	VUV
1. Designated Account		
Component 1.1 (Ledger 1B, PMU)		**10,036,902**
	14/05/19	1,000,000
	23/05/19	6,000,000
	25/06/19	5,500,000
Transfer to Ledger 2E (30/09/19)		(6,463,098)
	18/11/19	4,000,000
Component 1.3 (Ledger 1H, GeoH)		-
Component 2.1 (Ledger 2B, DLA)		**7,233,283**
	23/05/19	2,000,000
	25/06/19	1,233,283
	18/11/19	2,000,000
Transfer from Ledger 4B (30/11/19)		2,000,000
Component 2.2 (Ledger 2E, DLA)		**21,734,449**
	14/05/19	1,260,357
	23/05/19	6,010,994
	25/06/19	4,000,000
Transfer from Ledger 1B (30/09/19)		6,463,098
	18/11/19	4,000,000
Component 4.1 (Ledger 4B, DGMWR)		**2,480,302**
	23/05/19	1,000,000
	25/06/19	500,000
	18/11/19	2,980,302
Transfer to Ledger 2B (30/11/19)		(2,000,000)
Unallocated as at 31/12/19		**6,481,208**
Total Designated Account		**47,966,144**
2. Direct Payments		
MA BUILDERS COMPANY	11/01/19	4,055,040
MA BUILDERS COMPANY	15/07/19	7,825,060
MA BUILDERS COMPANY	18/11/19	3,244,032
ISRAAID VANUATU	31/12/19	2,217,232
Total Direct Payments		**17,341,364**

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.

VMGD receives the funds, which are managed by the VMGD/PMU, through the centralized Smart Stream system. Under this arrangement VMGD has control of the funds and carries out the implementation of the project. PMU makes payments on their behalf after appropriate authorization and documentation provided by VMGD.

Variance with Data in Smart Stream

The Cash Receipts for 2019 in VUV in these financial statements is reconciled with the data in Smart Stream as follows:

Per Smart Stream (Revenue)	184,826,717	(As per Vision report)
Per Financial Statements	65,307,508	
Variance	119,519,209	

This variance relates to the following:

Direct Payments from prior years, posted in Smart Stream in 2019	126,000,417
Final cash receipt, posted in Smart Stream in January 2020	(6,481,208)
	119,519,209

3. Cash Payments (VUV)

The summary of payments is given in the Statement of Cash Receipts and Payments, and is further detailed – by donor/subcomponent/category and by direct payment/designated account – in the table on page 11.

During 2016, certain expenses from 2015 and 2016 that had previously been booked against GEF/GFDRR, were transferred to EU prior to the closure of the EU grant. These adjustments are reflected in the project books in 2016 and are reflected in these financial statements in the cumulative figures.

Expenditures made in 2016 for micro-projects, and originally charged against Component 2.1, were adjusted in 2017 to Component 2.2 (VUV 5.582 million).

Variance with Data in Smart Stream

The Cash Payments for 2019 in VUV in these financial statements is reconciled with the data in Smart Stream as follows:

Per Smart Stream (Expenses)	193,216,420	(As per Vision report)
Per Financial Statements	86,125,494	
Variance	107,090,926	

The variance relates to transactions posted in Smart Stream in different years, as follows:

Accruals 2018 (deducted in Smart Stream in Jan 2019)	(3,623,841)
Accruals 2019 (added in Smart Stream in Dec 2019)	192,592
Direct Payments from prior years, posted into Smart Stream in 2019	126,000,417
Imprest Retirements included in Smart Stream in different years	(1,612,400)
2018 FCPF expenses paid by IRCCNH (corrected in Smart Stream in 2019)	(11,945,842)
2017 FCPF imprest paid by IRCCNH (corrected in Smart Stream in 2019)	(1,920,000)
Total	107,090,926

Government of Vanuatu
Vanuatu Meteorology and Geo-hazard Department
Financial Statements for the Increasing Resilience to Climate Change and Natural Hazards Project (GEF PG No TF 095486/94403), GEF Grant No. TF 013810, GFDRR Grant No. TF013694, EU GCCA-V-B Grant No. TF013869)
For the Year Ended 31 December 2019

PAYMENTS SUMMARY (VUV)

	2019			2018			Cumulative		
COMPONENT/LEDGER	Designated Account	Direct Payments	Total	Designated Account	Direct Payments	Total	Designated Account	Direct Payments	Total
1. TFs 95486/94403 (GEF)	-	-	-	-	-	-	-	*12,731,243*	*12,731,243*
2. TF 013810 (GEF)	*68,784,130*	*17,341,364*	*86,125,494*	*72,043,345*	*103,276,718*	*175,320,063*	*344,574,036*	*237,243,358*	*581,817,394*
Component 1.1 (Ledger 1B)	27,081,899	-	27,081,899	32,508,287	-	32,508,287	135,871,177	46,684,334	182,555,511
Component 1.2 (Ledger 1E)		-	-	675,700	-	675,700	675,700	-	675,700
Component 1.3 (Ledger 1H)	464,636	-	464,636	7,840,854	-	7,840,854	8,305,490	-	8,305,490
Component 2.1 (Ledger 2B)	4,753,440	-	4,753,440	2,932,140	-	2,932,140	13,896,077	-	13,896,077
Component 2.2 (Ledger 2E)	35,687,155	15,124,132	50,811,287	26,050,411	103,276,718	129,327,129	92,443,571	104,613,950	197,057,521
Component 3.2 (Ledger 3E)		-	-	103,889	-	103,889	18,831,050	19,245,124	38,076,174
Component 4.1 (Ledger 4B)	797,000	2,217,232	3,014,232	1,932,064	-	1,932,064	43,326,388	2,217,232	45,543,620
Component 4.2 (Ledger 4E)	-	-	-			-	3,865,000	64,482,718	68,347,718
Component 3.1 (Ledger 3B)	-		-		-	-	27,359,583	-	27,359,583
3. TF 013694 (GFDRR)	-	-	-	*8,374,665*		*8,374,665*	*174,602,086*	*115,136,844*	*289,738,930*
Component 1.1 (Ledger 1A)		-		679,565	-	679,565	63,223,423	3,823,078	67,046,501
Component 1.2 (Ledger 1D)	-	-				-	27,848,504	53,137,360	80,985,864
Component 1.3 (Ledger 1G)		-		7,770,850	-	7,770,850	42,558,542	58,176,406	100,734,948
Component 2.1 (Ledger 2A)		-		(75,750)	-	(75,750)	30,960,516	-	30,960,516
Component 2.2 (Ledger 2D)	-	-	-		-	-	10,011,101	-	10,011,101
4. TF 013869 (EU)	-	-	-	-	-	-	*129,881,070*	*31,869,642*	*161,750,712*
Component 1.1 (Ledger 1C)	-	-	-	-	-	-	66,578,899	-	66,578,899
Component 2.1 (Ledger 2C)	-	-	-	-	-	-	4,646,101	-	4,646,101
Component 3.2 (Ledger 3F)	-	-	-	-	-	-	5,529,487	28,269,642	33,799,129
Component 4.1 (Ledger 4C)	-	-	-	-	-	-	4,117,743	-	4,117,743
Component 4.2 (Ledger 4F)	-	-	-	-	-	-	-	-	-
Component 3.1 (Ledger 3C)	-	-	-	-	-	-	49,008,840	3,600,000	52,608,840
Component 2.2 (Ledger 2F)	-	-	-	-	-	-	-	-	-
GRAND TOTAL	**68,784,130**	**17,341,364**	**86,125,494**	**80,418,010**	**103,276,718**	**183,694,728**	**649,057,192**	**396,981,087**	**1,046,038,279**

4. Cash Balance

The closing cash balance in these financial statements is reconciled with the balances in the GoV Smart Stream ledgers as at 31 December 2019. The closing cash balance is summarized in the table on page 13, and this shows the closing adjustments that need to be made in Smart Stream. The closing cash balance represents unspent DA funds, and is to be refunded to World Bank by GoV.

5. Employee Entitlements

No provision is required for employee entitlements, as the project has no employees with entitlements under the Employment Act.

6. Budget

The approved budget is developed on the same accounting basis (cash basis), same classification basis, and for the same period during which withdrawals from the grant accounts were made (Year Ended 31 December 2019) as for the financial statements. It encompasses the same entities as the financial statements.

The 2019 budget and the lifetime budget in VUV as per these financial statements is taken up as per the actual expenditure figures.

7. Commitments

There are no outstanding (unpaid) contract commitments as at 31 December 2019 (2018 - VUV 43,171,712) as follows:

	2019	2018
Component 1	0	5,422,872
Component 2	0	37,748,840
Component 3	0	0
Component 4	0	0
Total	**0**	**43,171,712**

8. VARTC

VARTC has a subsidiary agreement with the Government of Vanuatu and had operated its own bank accounts until early 2017, when these were closed.

9. Imprests

Two imprests that were paid under the project, but never retired, have not been claimed under the project, and these are to be refunded to World Bank by GoV. Aside from those two imprests, as at 31 December 2019, there were no unretired imprests under the project, as per the summary and the detailed table on page 14.

Government of Vanuatu
Vanuatu Meteorology and Geo-hazard Department
Financial Statements for the Increasing Resilience to Climate Change and Natural Hazards Project (GEF PG No TF 095486/94403), GEF Grant No. TF 013810, GFDRR Grant No. TF013694, EU GCCA-V-B Grant No. TF013869)
For the Year Ended 31 December 2019

CLOSING CASH BALANCE AS AT 31 DECEMBER 2019 (VUV)

	2019			2018
	AS PER SMARTSTREAM	ADJUSTMENTS REQUIRED (1)	AS PER FINANCIAL STATEMENTS	AS PER FINANCIAL STATEMENTS
1. TFs 95486/94403 (GEF)			-	-
2. TF 013810 (GEF)				
Component 1.1 (Ledger 1B, PMU)	5,485,633	(4,673,916)	811,717	21,859,269
Component 1.2 (Ledger 1E, NDMO)	(675,700)	675,700	-	(622,050)
Component 1.3 (Ledger 1H, GeoH)	(805,490)	805,490	-	(440,854)
Component 2.1 (Ledger 2B, DLA)	9,841,784	(9,841,784)	-	748,315
Component 2.2 (Ledger 2E, DLA)	(301,097)	301,097	-	18,835,510
Component 3.2 (Ledger 3E, DARD)	(3,968,462)	3,968,462	-	(3,864,573)
Component 4.1 (Ledger 4B, DGMWR)	1,061,974	(1,061,974)	-	238,883
Component 4.2 (Ledger 4E, DGMWR)	(17,831,423)	17,831,423	-	(17,831,423)
Component 3.1 (Ledger 3B, VARTC)	1,456,458	(1,456,458)	-	590,026
Unallocated (Imprests)	(184,080)	184,080	-	(518,580)
Total	(5,920,403)	6,732,120	811,717	18,994,523
3. TF 013694 (GFDRR)				
Component 1.1 (Ledger 1A, PMU)	456,922	(456,922)	-	884,682
Component 1.2 (Ledger 1D, NDMO)	1,181,066	(1,181,066)	-	1,181,066
Component 1.3 (Ledger 1G, GeoH)	(5,933,819)	5,933,819	- -	5,679,619
Component 2.1 (Ledger 2A, DLA)	9,697,217	(9,697,217)	-	5,477,748
Component 2.2 (Ledger 2D, DLA)	(3,421,574)	3,421,574	-	797,895
Unallocated (Imprests)	(84,500)	84,500	-	(504,200)
Duplicate Receipts			-	(2,157,572)
Total	1,895,312	(1,895,312)	-	-
4. TF 013869 (EU)				
Component 1.1 (Ledger 1C, PMU)	-	-	-	-
Component 2.1 (Ledger 2C, DLA)	-	-	-	-
Component 3.2 (Ledger 3F, DARD)	-	-	-	-
Component 4.1 (Ledger 4C, DGMWR)	-	-	-	-
Component 4.2 (Ledger 4F, DGMWR)	-	-	-	-
Component 3.1 (Ledger 3C, VARTC)	-	-	-	-
Component 2.2 (Ledger 2F, DLA)	-	-	-	-
Unallocated (Imprests)	-	-	-	-
Total	-	-	-	-
TOTAL CLOSING CASH BALANCE	**(4,025,091)**	**4,836,808**	**811,717**	**18,994,523**

Note 1: Adjustments to be made in Smart Stream, to close out the project, are as follows:

	TF 013810 (GEF)	TF 013694 (GFDRR)
2019 accruals in Smart Stream, to be cancelled	17,832	174,760
2017 transactions, posted in Smart Stream in 2018, never claimed	49,000	3,000
Imprests never retired, and not claimed	184,080	84,500
Cash Receipt credited twice in 2015		(2,157,572)
Cash Receipt taken up in Smart Stream in January 2020	6,481,208	
	6,732,120	(1,895,312)

The cash balance of VUV 811,717 is shown under one code (1B) and represents unspent DA funds to be refunded to World Bank by GoV. Other adjustments are required in Smart Stream to zero out all project codes.

Summary of Imprest Movements	2019	2018
1. Opening cumulative balance	2,635,180	1,701,060
2. Movements During the Year		
2(a) New imprests for the year	8,095,700	11,802,665
2(b) Retired imprests for the year	(10,450,140)	(10,589,410)
2(c) Refunded imprests for the year	(12,160)	(279,135)
2(d) Imprests not claimed	(268,580)	-
Net movement for the year	(2,635,180)	934,120
Closing Cumulative Balance	**-**	**2,635,180**

IMPRESTS SUMMARY FOR THE YEAR ENDED 31 DECEMBER 2019

Name	Date of Advance	Cumulative Balance 31/12/18	Imprests 2019	Retired 2019	Refund 2019	Unclaimed (Note 1)	Net Movement 2019	Cumulative Balance 31/12/19
1. TF 013810 (GEF)								
RWS - duplicate air fares paid	2013	184,080				184,080	(184,080)	-
Obed Tabi	19/01/17	84,500				84,500	(84,500)	-
Iakar Tess	11/09/18	360,000		360,000			(360,000)	-
Florence Iatu	25/09/18	408,800		408,410	390		(408,800)	-
Humao T Sele	22/10/18	521,800		521,800	-		(521,800)	-
Gwendoline	16/11/18	208,000		208,000	-		(208,000)	-
Rebecca Iaken	12/12/18	868,000		868,000	-		(868,000)	-
Samuel Lnparus	15/01/19		218,800	218,800			-	-
Florence Iautu	31/01019		1,150,000	1,149,670	330		-	-
Rebecca Iaken	14/02/19		436,000	436,000	-		-	-
Florence Iautu	22/03/19		564,600	564,600	-		-	-
Humao T Sele	12/04/19		930,800	930,800			-	-
Florence Iautu	21/05/19		723,800	712,420	11,380		-	-
Athanas Worwor	29/05/19		208,700	208,700	-		-	-
Rebecca Iaken	4/06/19		977,000	977,000	-		-	-
Samuel Lnparus	11/06/19		1,054,000	1,054,000	-		-	-
Florence Iautu	28/06/19		1,832,000	1,831,940	60		-	-
		2,635,180	8,095,700	10,450,140	12,160	268,580	(2,635,180)	-

Note 1: Imprests paid, but not retired and therefore not claimed under the project. To be refunded to World Bank by GoV.

10. 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.

	2019	2018	Cumulative
Provincial Disaster Buildings			44,981,715
Vehicles			13,437,000
Tractors & Implements			15,847,844
Office Equipment			4,613,418
IT Equipment	20,866		5,833,915
Furniture & Other Minor Items			1,577,419
Tools		107,620	107,620
TOTAL	**20,866**	**107,620**	**86,398,931**

There is no PPE purchased on hire purchase schemes and no depreciation is charged under the project. Not included above are transmission and other goods and materials provided to Geo-hazard stations, emergency materials provided to district agencies for onward distribution to beneficiaries, and items provided as part of micro-projects.

11. Related Parties

There were no related party transactions during the year.

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

12. Creditors

There were no outstanding invoices under the project as at 31 December 2019 (2018 – VUV 3,449,081). Commitments remaining in Smart Stream under the project are to be cancelled by GoV.

13. Authorization Date

The financial statements were authorized for issue on 19/04/2021 by Mr. Mike Sam WAIWAI for DoCC and the Director General of the Ministry of Climate Change.

Mr Mike Sam WAIWAI

Director DoCC

19/04/2021

REPUBLIC OF VANUATU
Director, Department of Climate Change
Le Directeur, Département du Changement Climatique
REPUBLIQUE DE VANUATU

Mrs Esline GARAEBITI

Director General Ministry of Climate Change

19/04/2021

REPUBLIC OF VANUATU
The Ministry of Climate Change Adaptation, Meteorology, Geohazards Environment, Energy & NDMO
Le Ministère Du Climat Change Adaptation, Météorologie Georisque, Environement, Energie et NDMO
REPUBLIQUE DE VANUATU