



Barrett & Partners
Chartered Accountants & Business Advisers

**AUDIT OF THE FINANCIAL STATEMENTS FOR THE
VANUATU RURAL ELECTRIFICATION PROJECT PHASE II
(VREP II)**

(GRANT Nos TFA5406 (PRIF GRANT), TFA4979 (SREP GRANT), IDA D1930 (IDA GRANT), and IDA 60720 (IDA CREDIT) TFA5406)

For the 18 Months period ended 31st December 2018

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EXECUTIVE SUMMARY

Barrett and Partners has been engaged by the Office of the Auditor General to carry out an audit of the Vanuatu Rural Electrification Project Phase II (VREP II), funded by the International Development Association (World Bank) and Pacific Regional Infrastructure Facility (PRIF) and Strategic Climate Fund (SCF) Grant through The World Bank for the Government of Vanuatu. These funds are administered by the Ministry of Climate Change and Natural Disasters through its Department of Energy.

The following financing agreements were approved;

- Pacific Region infrastructure Facility (PRIF) Grant agreement No. TFA5406 for USD3,450,000 on July 23 2017 ending June 30 2020.
- Scaling Up Renewal Energy Program In Low-Income Countries (SREP) Grant agreement No. TFA4979 for USD6,770,000 on July 23 2017 ending June 30 2022.
- International Development Association (IDA) Grant agreement No.D1930-VU for XDR1,500,000 on July 23 2018 ending June 30 2022.
- International Development Association (IDA) Credit No.60720 VU for XDR1,500,000 on July 23 2018 ending June 30 2022.

VREP II is a nationwide program aim at increasing access to electrification of households, businesses and public facilities.

This is the first period in which an audit is being carried out for the VREP II. The period audited is the 18 months ended 31st December 2018. This will be followed by subsequent fiscal audits. The grant income and expenditure for the audit period is described below:

	USD	XDR	VUV EQUIVALENT
RECEIPTS			
PRIF (TFA5406)	401,587.40	0	42,612,438
SREP (TFA4979)	376,967.30	0	40,000,000
IDA (D1930 VU)	0	129,418.10	20,000,000
IDA (60720 VU)	0	129,864.40	20,000,000
TOTAL RECEIPTS	778,554.7	149,282.50	122,612,438

	USD	XDR	VUV EQUIVALENT
PAYMENTS			
PRIF (TFA5406)	38,791.41	0	4,116,156
SREP (TFA4979)	6,706.97	0	711,676
IDA (D1930 VU)	0	0	0
IDA (60720 VU)	0	0	0
TOTAL PAYMENTS	45,498.38	0	4,827,832
BALANCE	733,056.32	149,282.50	117,784,606

The objectives of the audit are to:

- i) Provide an opinion on the completeness, accuracy and validity of the financial statements of Vanuatu Rural Electrification Project Phase II (VREP II).
- ii) Provide an opinion on the general management of the funds including whether the systems and processes used for procuring services and goods comply with relevant Vanuatu legislation; and
- iii) Provide an opinion on whether the financial statements have been fairly stated in accordance with International Public Sector Accounting Standard; financial reporting under the Cash Basis of Accounting (IPSAS cash)

The audit of the receipts and payment expenditure of VUV12,612,438 and VUV4,827,832 respectively which entailed the following:

- Samples tested 100% and 37% 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;
- 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 any findings to report to management.

Conclusion

There are no material or significant matters which need to be drawn to the attention of the Stakeholders of the Project.

BACKGROUND

The Government of Vanuatu has received the following grants towards the cost of the “Vanuatu Rural Electrification Project Phase II (VREP II)” project implemented by the Ministry of Climate Change and Natural Disasters through its Department of Energy:

- Pacific Region Infrastructure Facility (PRIF) Grant agreement No. TFA5406 for USD3,450,000 on July 23 2017 ending June 30 2020. Received USD401,587.40 during the period being audited.
- Scaling Up Renewal Energy Program in Low-Income Countries (SPREP) Grant agreement No. TFA4979 for USD6,770,000 on July 23 2017 ending June 30 2022. Received USD376,967.30 during the period being audited.
- International Development Association (IDA) Grant agreement No.D1930-VU for XDR1,500,000 on July 23 2018 ending June 30 2022. Received XDR129,418.10 during period being audited.
- International Development Association (IDA) Credit No.60720 VU for XDR1,500,000 on July 23 2018 ending June 30 2022. Received XDR129,864.40 during period being audited.

VREP II is a nationwide program aim at increasing access to electrification of households, businesses and public facilities. Component 1 of VREP is provision of subsidised Solar Home Systems (SHS) and micro-grids for an estimate 8,400 rural households which equates to approximately 42,000 people and 37 public institutions. Component 2 of VREP II is targeting installation of five (5) mini-grids on 5 selected rural communities with households greater than 75 households. It is anticipated that approximately 550 households which equates to 2,759 people and public institutions and businesses will be electrified. These five (5) selected communities will be selected based on expression of interest and provision of suitable land (non-disputed) for the mini-grids.

VREP II is the expansion of VREP I which is currently being implemented and expected to complete in 2019. VREP I is the provision of ‘plug and play’ solar home systems targeting 17,500 households, 2,000 community halls and 230 aid posts in rural dispersed off-grid areas of Vanuatu.

VREP II has three (3) components:

Component 1: Provision of SHS and micro-grids through a subsidy mechanism aimed at 8,400 households and 37 public institutions.

Component 2: Component 2 is the construction of initially five (5) mini-grids in five communities throughout the country.

Component 3: Component 3 is the Project Management and Technical Assistance to DoE for the implementation of VREP II.

The project is currently estimated to be completed by 30 June 2022.

AUDIT OBJECTIVE

The objectives of this audit are to:

- (a) Provide an opinion on the completeness, accuracy and validity of the financial statements of Vanuatu Rural Electrification Project Phase II (VREP II).
- (b) Provide an opinion on the general management of the funds including whether the systems and processes used for procuring services and goods comply with relevant Vanuatu legislation; and
- (c) Provide an opinion on whether the financial statements have been fairly stated in accordance with International Public Sector Accounting Standard; financial reporting under the Cash Basis of Accounting (IPSAS cash)

The project uses the Government accounting system (Smart stream) to commit LPOs for payments. 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

Our audit will be conducted in accordance with International Auditing Standards issued by the International Federation of Accountants through the International Auditing and Assurance Standards Board. The audit shall have regard to the Expenditure Review and Audit Act [CAP.241] and the Public Finance and Economic Management Act. We will obtain an understanding of the accounting system in order to assess its adequacy as a basis for the preparation of the project financial statements and to establish whether proper accounting records have been maintained. The nature and extent of our tests will vary according to our assessment of the Project Management Unit's accounting system and the system of internal control. We shall expect to obtain such relevant and reliable evidence as we consider sufficient to enable us to draw reasonable conclusions there from.

We will conduct our audit in accordance with International Standards on Auditing to provide reasonable assurance as to whether the project financial statements are free of material misstatement.

Compliance with any standards or directions, which may be specified for the Auditing Services by the Auditor General

Our procedures will include examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures will be undertaken to form an opinion whether, in all material respects, the project financial statements are presented fairly in accordance with IPSAS Cash, so as to present a view which is consistent with our understanding of the project's financial position, the results of its operations and its cash flows.

The work undertaken by us to form an opinion is permeated by judgment, in particular regarding the nature, timing and extent of the audit procedures for gathering of audit evidence and the drawing of conclusions based on the audit evidence gathered. In addition, there are inherent limitations in any audit, and these include the use of testing, the inherent limitations of any internal control structure, the possibility of collusion and the fact that most audit evidence is persuasive rather than conclusive. As a result, our audit can only provide reasonable - not absolute assurance that the financial statements are free of material misstatement.

**APPENDIX 1 - FINANCIAL STATEMENTS FOR THE VANUATU RURAL ELECTRIFICATION
PROJECT PHASE II (VREPII)**

Prepared under IPSAS: financial reporting under the Cash Basis Accounting



THE WORLD BANK



FINANCIAL STATEMENTS FOR THE VANUATU RURAL ELECTRIFICATION PROJECT (VREP) II TFA5406 (PRIF GRANT) TFA4979 (SREP GRANT) IDA D1930 (IDA GRANT) IDA 60720 (IDA CREDIT) IN VANUATU

For the 18 Months Period Ended 31 December 2018

Prepared Under IPSAS: Financial Reporting Under the Cash Basis Accounting



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PROJECT BACKGROUND

Vanuatu Rural Electrification Project II (VREP II) provides Grant Funding and Loan of US \$ 14,220,000 (SREP Grant of US \$ 6,770,000, PRIF Grant of US \$ 3,450,000, IDA Grant of US \$ 2,000,000 and IDA Credit of US \$ 2,000,000) to the Department of Energy (DoE) to support access to electrification of households, businesses and public facilities throughout rural areas of Vanuatu.

The objective of the project is to support increased penetration of renewable energy and increased access to electricity services in the dispersed off-grid areas of Vanuatu. VREP II is aimed at supporting the Vanuatu Government's objective to increase access to sustainable electricity services for rural households, public institutions and businesses located in dispersed off-grid areas. It is an expansion of VREP I which is currently underway targeting 17,500 households, 2,000 community halls and 230 aid posts throughout the country.

VREP II has three (3) components:

Component 1. Provision of Solar Home Systems (SHS) and micro grids systems in rural areas of Vanuatu:

This component will support expansion of access to reliable electricity service in rural Vanuatu through SHS and micro grid configurations where mini grid configurations are unlikely to be economically viable and which are not earmarked for mini grids under this or other donor, government projects or are the least cost solution. SHS and micro grids will be available to rural households and public institutions. This component will target approximately 37 public institutions and 8,400 rural households which equates to approximately 42,000 people.

Component 2. Construction of Mini Grids systems in rural areas of Vanuatu:

This component will support the expansion of access to reliable electricity services for rural communities through support for the design, supply, installation and commissioning of mini grid systems. The project will finance the construction of five mini grids, based on initial cost estimates. The criteria for selection of sites with potential to support a mini grid is : (i) community household numbers greater than 75 households; and (ii) business and public institutions load greater than 50 percent of the total load. This component will support electricity service provision to approximately 550 rural households, which equates to around 2,750 people, and public institutions and businesses.

Component 3. Technical Assistance and Project Management:

This component addresses three key areas of the project, the first focusing on the vendor registration model for component one, the second focusing on Owners' Engineer for Component two and the third focusing on project management.

PROJECT STATUS

As of 31 December 2018, a major achievement was the project launching in Luganville Santo in October 2018.

The Grant funding and loan for the Project is USD\$14,220,000. From the start of the Project up to 31 December 2018 only PRIF Grant has been expensed given that the Grant will be closing off in 2019, a total of USD\$400,313.48 was released by World Bank. This is 10% of the total Grant. For SREP Grant, IDA Grant and IDA Credit, the funds released are the initial total advance. The SREP Grant total disbursed was USD\$376,967.30, IDA Grant total disbursed was XDR 129,418.10 and IDA Credit total disbursed was XDR 129,864.40 these funds will be expensed later in 2019 to 2022.

This report provides the financial statements for the Vanuatu Rural Electrification Project II for the 18 months period ended 31 December 2018. The VREP II Project commenced in July 2017 and will end on 30 June 2022.



Mr Jean Yves Bibi

Acting Director General

Ministry of Climate Change Adaptation, Meteorology, Geo-Hazards, Environment & Energy

8th July 2019





Independent Auditors' Report

Vanuatu Rural Electrification Project Phase II

Unqualified Audit Opinion on the Vanuatu Rural Electrification Project Phase II (VREP II) for the 18 months period ended 31st December 2018

The Auditor-General is the auditor of all public funds and public entities. The Auditor-General has appointed Barrett & Partners as auditors pursuant to Section 24(1) of the Expenditure Review and Audit Act [CAP241].

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:

- (1) whether the Financial Statements for Vanuatu Rural Electrification Project Phase II are complete, accurate and valid;
- (2) the general management of the fund including whether the systems and processes used for procuring goods and services comply with relevant Vanuatu legislation; and
- (3) whether the financial statement is fairly stated in accordance with International Public Sector Accounting Standards; financial reporting under Cash Basis of Accounting (IPSAS CASH)

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 we are satisfied:

- a) with the completeness, accuracy and validity of the Financial Statements for the Vanuatu Rural Electrification Project Phase II (VREPII) for the 18 months period ended 31 December 2018;
- b) with the general management of the fund including compliance of the systems and processes used for procuring goods and services in accordance with relevant Vanuatu Legislation; and
- c) that the Financial Statements for the Vanuatu Rural Electrification Project Phase II (VREPII), for the 18 months period ended 31 December 2018, have been stated fairly in accordance with International Public Sector Accounting Standards: Financial Reporting under Cash basis of Accounting (IPSAS).

Lindsay D. Barrett
Partner

Barrett & Partners
Chartered Accountants

Port Vila, *11th* July 2019

Qualified auditors under
Section 130 of the
Companies Act No.25 of 2012

**VANUATU RURAL ELECTRIFICATION PROJECT II
STATEMENT OF CASH RECEIPTS AND PAYMENTS
FOR THE 18 MONTHS PERIOD ENDED 31 DECEMBER 2018**

(Expressed in Vanuatu Vatu)

	Notes	July 2017 to Dec 2018				Total
		Receipt/ (Payment)				Consolidated
		(VUV)				Project
		18 Months				18 Months
		PRIF GRANT	SREP GRANT	IDA GRANT	IDA CREDIT	
GRANTS						
CASH RECEIPTS						
World Bank Grants Received	3	42,612,438	40,000,000	20,000,000	20,000,000	122,612,438
World Bank-Funds Transfer directly to Development Fund	3	-	-	-	-	-
World Bank - Payments made directly to third parties	10	-	-	-	-	-
TOTAL CASH RECEIPTS		42,612,438	40,000,000	20,000,000	20,000,000	122,612,438
CASH PAYMENTS						
Goods- Supply and install Minigrids	5	-	-	-	-	-
Consulting Services		3,116,751	635,224	-	-	3,751,975
Operating Costs, Training & Workshops		999,405	76,452	-	-	1,075,857
Subsidy Payments		-	-	-	-	-
TOTAL CASH PAYMENTS	4 & 5	4,116,156	711,676	-	-	4,827,832
CASH RECEIPTS LESS CASH PAYMENTS		38,496,282	39,288,324	20,000,000	20,000,000	117,784,606
INCREASE/(DECREASE) IN CASH		38,496,282	39,288,324	20,000,000	20,000,000	117,784,606
Cash at 1 July 2017		-	-	-	-	-
Cash at 31 December 2018	6	38,496,282	39,288,324	20,000,000	20,000,000	117,784,606

This statement is to be read in conjunction with the accompanying notes and accounting policies.



Mr Jean Yves Biki
Acting Director General

Ministry of Climate Change Adaptation, Meteorology, Geo-Hazards, Environment & Energy
Port Vila, 8th July 2019

**VANUATU RURAL ELECTRIFICATION PROJECT II
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL
FOR THE 18 MONTHS PERIOD ENDED 31 DECEMBER 2018**

(Expressed in Vanuatu Vatu)

Notes	July 2017 to Dec 2018																														
	ACTUAL									Difference Actual Versus 18 Months Budget																					
	BUDGET									VUV																					
	18 Months			18 Months			18 Months			18 Months			18 Months			18 Months															
	PRE GRANT	SEP GRANT	IDA GRANT	IDA CREDIT	PREF GRANT	SEP GRANT	IDA GRANT	IDA CREDIT	PREF GRANT	SEP GRANT	IDA GRANT	IDA CREDIT	PREF GRANT	SEP GRANT	IDA GRANT	IDA CREDIT	PREF GRANT	SEP GRANT	IDA GRANT	IDA CREDIT	PREF GRANT	SEP GRANT	IDA GRANT	IDA CREDIT	PREF GRANT	SEP GRANT	IDA GRANT	IDA CREDIT	TOTAL ACTUAL	TOTAL BUDGET	TOTAL VARIANCE
	4,617,458	40,000,000	20,000,000	20,000,000	110,815,620	217,317,000	65,189,857	65,189,857	(8,203,162)	42,817,438	40,000,000	20,000,000	20,000,000	110,815,620	217,317,000	65,189,857	65,189,857	20,000,000	20,000,000	20,000,000	110,815,620	217,317,000	65,189,857	65,189,857	18,203,162	177,317,000	177,317,000	45,189,857	45,189,857	133,388,655	
7	42,817,438	40,000,000	20,000,000	20,000,000	110,815,620	217,317,000	65,189,857	65,189,857	(8,203,162)	42,817,438	40,000,000	20,000,000	20,000,000	110,815,620	217,317,000	65,189,857	65,189,857	20,000,000	20,000,000	20,000,000	110,815,620	217,317,000	65,189,857	65,189,857	18,203,162	177,317,000	177,317,000	45,189,857	45,189,857	133,388,655	
	3,116,751	65,624	-	-	18,518,000	22,470,000	5,094,448	-	15,501,246	85,224	-	-	-	18,518,000	22,470,000	5,094,448	-	15,501,246	85,224	-	18,518,000	22,470,000	5,094,448	-	15,501,246	85,224	21,834,779	(6,094,448)	(4,950,387)		
	596,459	78,462	-	-	3,270,000	13,803,000	-	-	12,710,956	78,462	-	-	-	3,270,000	13,803,000	-	-	12,710,956	78,462	-	3,270,000	13,803,000	-	-	12,710,956	78,462	(13,785,549)	(13,785,549)	(13,671,401)		
	4,116,156	711,676	-	-	110,215,620	217,317,000	65,189,857	65,189,857	(8,203,162)	41,116,156	711,676	-	-	110,215,620	217,317,000	65,189,857	65,189,857	20,000,000	20,000,000	20,000,000	110,215,620	217,317,000	65,189,857	65,189,857	18,203,162	177,317,000	177,317,000	45,189,857	45,189,857	145,684,592	
8	4,116,156	711,676	-	-	110,215,620	217,317,000	65,189,857	65,189,857	(8,203,162)	41,116,156	711,676	-	-	110,215,620	217,317,000	65,189,857	65,189,857	20,000,000	20,000,000	20,000,000	110,215,620	217,317,000	65,189,857	65,189,857	18,203,162	177,317,000	177,317,000	45,189,857	45,189,857	145,684,592	
	38,456,932	38,538,384	20,000,000	20,000,000	-	-	-	-	38,456,932	38,538,384	20,000,000	20,000,000	20,000,000	-	-	-	-	-	-	-	38,456,932	38,538,384	20,000,000	20,000,000	20,000,000	38,456,932	38,286,324	20,000,000	20,000,000	117,795,696	
	38,456,932	38,538,384	20,000,000	20,000,000	-	-	-	-	38,456,932	38,538,384	20,000,000	20,000,000	20,000,000	-	-	-	-	-	-	-	38,456,932	38,538,384	20,000,000	20,000,000	20,000,000	38,456,932	38,286,324	20,000,000	20,000,000	117,795,696	

CASH FLOWS
World Bank Grant
Total Receipts
CASH OUTFLOWS
Goods, Supply and Retail Margins
Consulting Services
Operating Costs, Training & Workshops
Subsidy Payments
Total Payments
NET CASH FLOWS

This statement is to be read in conjunction with the accompanying notes and accounting policies.

**VANUATU RURAL ELECTRIFICATION PROJECT II
STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS
FOR THE 18 MONTHS PERIOD ENDED 31 DECEMBER 2018**

1. Accounting Policies

a. Reporting Entity

The Vanuatu Rural Electrification Project (VREP) II is administered by the Department of Energy (DoE). The objective of the project is to support increased penetration of renewable energy and increased access to electricity services in the dispersed off-grid areas of Vanuatu. VREP II is aimed at supporting the Vanuatu Government's objective to increase access to sustainable electricity services for rural households, public institutions and businesses located in dispersed off-grid areas. It is an expansion of VREP I which is currently underway targeting 17,500 households, 2,000 community halls and 230 aid posts throughout the country. The VREP II project has 3 Components:

- (i) Provision of Solar Home Systems (SHS) in rural areas of Vanuatu.
- (ii) Construction of Mini Grids systems in rural areas of Vanuatu.
- (iii) Technical Assistance and Project Management.

b. Authorization Date

The financial statements of the Grants TFA5406, TFA4979, IDA D1930 and Loan IDA 60720 was for the 18 Months ended 31 December 2018 and was authorized for issue on 8th July 2019 by Mr. Jean Yves Bibi for the Department of Energy. No other body has the power to amend these financial statements once they have been issued.

c. Basis of Preparation

The financial statements of the Grants and Loan have been prepared in accordance with requirements of the Public Finance and Economic Management Act [CAP.244] which includes the requirement to comply with generally accepted accounting practice.

The financial statements comply with IPSAS "Financial Reporting under the Cash Basis of Accounting" for the 18 Months ended 31 December 2018.

d. Presentation currency

The financial statements are presented in Vanuatu Vatu (VUV).

**VANUATU RURAL ELECTRIFICATION PROJECT II
STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS
FOR THE 18 MONTHS PERIOD ENDED 31 DECEMBER 2018**

e. Foreign currency

The grants funding and loan payment received from the World Bank are in USD and XDR and have been converted by the Reserve Bank of Vanuatu at the rate on the day of the transaction.

f. Cash and Cash equivalents

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

Department of Energy receives the grants and Loan from the World Bank which is managed through the centralized Smart stream system. Under this arrangement, the Department of Energy does not control the grants and Loan as their own bank account but rather the central entity will make payments on behalf of the department after appropriate authorization and documentation. These transactions have been disclosed in a separate column in the "Statement of cash receipts and payments".

g. Property, Plant & Equipment

Purchases of fixed assets have been included in the Statement of cash receipts and payments under Goods. Separate disclosure has been disclosed in Note 5 of these accounts.

Fixed assets are stated at cost at the date of purchase.

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

**VANUATU RURAL ELECTRIFICATION PROJECT II
STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS
FOR THE 18 MONTHS PERIOD ENDED 31 DECEMBER 2018**

h. Budget

The budget is prepared on a cash basis when cash is expected to be received and paid. The classification of the budget is prepared on the common revenue sources and expenditure is classified on the nature of expenditure normally incurred by the Project. Goods are treated as part of normal operational expenditure.

The final budget is the budget that was approved by the World Bank dated 23 July 2017. The approved budget is developed on the same accounting basis, classification basis, as the financial statements. The final budget is for the whole project period of 60 months which is different to the 18-month period prepared for these financial statements.

The Grants and Loan Agreement identified the budget categories according to the following components to be procured under the project. It encompasses the same entities as the financial statement.

Component 1: Provision of Solar Home Systems and micro grids in rural areas of Vanuatu.

Component 2: Construction of mini grids in rural areas of Vanuatu.

Component 3: Technical Assistance and Project Management

The budget was originally designed in USD and XDR and was converted into VUV at the rate of USD 1= VUV107 and XDR 1 = USD 1.35389 as per summary of disbursements.

i. Changes in accounting policies

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

2. Government counterpart funding

The Project does not receive any funds from the Vanuatu Government as this Project is fully funded by the World Bank.

VANUATU RURAL ELECTRIFICATION PROJECT II
STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS
FOR THE 18 MONTHS PERIOD ENDED 31 DECEMBER 2018

3. Donor grant assistance

In 2017, the Department of Energy signed grant agreement and Credit (World Bank Grant No. TFA5406- PRIF, TFA4979 – SREP, IDA D1930- IDA Grant and IDA 60720- IDA Credit) with the World Bank. The purpose of the project is to support increased penetration of renewable energy and increased access to electricity services in the dispersed off-grid areas of Vanuatu and the agreement was for US\$14,220,000 from 2017 to 2022.

The grant agreement specifically sets out the areas for spending of which USD\$5,386,167 allocated for Component 1, USD\$ 6,834,288.40 allocated for Component 2 and USD\$1,999,544.60 allocated for Component 3.

As at 31 December 2018, USD\$777,280.7 and XDR 259,282.5 (total grant and Loan received as at 31 December 2018 for the amount equivalent of VUV122,612,438) had been drawn down from the World Bank with a remaining balance of total grant and loan USD\$222,719.2 and XDR 2,740,717.5 to be drawn down from 2019 to 2022.

4. Operating Expenditure

	18 Months Ended 31 December 2018			
	PRIF GRANT	SREP GRANT	IDA GRANT	IDA CREDIT
Provident Fund	86,221	24,667	-	-
Local Courses	576,405	-	-	-
Consultant Fees	3,025,330	610,557	-	-
Advertising - Communications	175,000	35,652	-	-
Printing - Communications	27,600	-	-	-
Telephone / Fax - Communications	6,000	-	-	-
Equipment - Additional General	-	40,800	-	-
Official Entertainment	10,000	-	-	-
Local Travel	204,400	-	-	-
Bank Charges	5,200	-	-	-
Total	4,116,156	711,676	-	-

**VANUATU RURAL ELECTRIFICATION PROJECT II
STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS
FOR THE 18 MONTHS PERIOD ENDED 31 DECEMBER 2018**

5. Capital Expenditure

	18 Months Ended 31 December 2018			
	PRIF GRANT	SREP GRANT	IDA GRANT	IDA CREDIT
Equipment - Additional General	-	-	-	-
Vehicle - Additional Vehicle	-	-	-	-
Total	-	-	-	-

6. Closing cash balance

	18 Months Ended 31 December 2018			
	PRIF GRANT	SREP GRANT	IDA GRANT	IDA CREDIT
Made up as follows:				
Smartstream Central Account	38,496,282	39,288,324	20,000,000	20,000,000
World Bank- Funds Transfer directly to Development Fund	-	-	-	-
Total	38,496,282	39,288,324	20,000,000	20,000,000

7. Revenue variance between budget and actual

The difference of VUV 335,899,896 represents the actual amount received being less than the period budget. The variance relates to the funding from the World Bank that was delayed due to the Project starting later than anticipated and also the different exchange rate used in the final budget which is US\$1 = VUV90 and the actuals that used the exchange rate on the transaction date.

8. Expenditure variance between budget and actual

The Project underspent VUV 453,684,502 against the annual budget of VUV 458,512,334. This is due to the late commencement of the Project which required the establishment of new systems, processes and procedures compliant with World Bank requirements. These have now been established and many of the grant activities are progressing well.

9. Imprest Account

As at 31st December 2018, there are no outstanding Imprest Account for the Trust Funds.

10. Payments to Third Parties

For the 18 months period ended 31 December 2018, there were no direct payments made to third parties for the Trust Funds.

11. Related Parties

There were no related party transactions during the year.