

**FINANCIAL STATEMENT
FOR THE
NATIONAL GREEN ENERGY FUND
PROJECT -
17C163**

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

The National Green Energy Fund (NGEF or Fund) is a newly established financing mechanism of the Government of Vanuatu to support the implementation of the updated National Energy Road Map for Vanuatu. Its objective is to support projects and activities aimed at achieving the accessible, affordable, secure, reliable and sustainable energy and green growth through the provision of financial services and technical assistance to extend electricity access to 100% of households, small businesses and public institutions using renewable energy sources and facilitate more efficient end-use of energy by 2030.

With the support of the Global Green Growth Institute and the World Bank, the Fund was able to progress through its two phases of a conceptual development and design and a temporary establishment as a unit within the Department of Energy. During the two phases, the institution was able to complete a business plan, an operations manual, an investor Forum workshop and a completion of a market demand assessment report that captures a list of pipelines for 2019 and beyond.

PROJECT STATUS

The Fund has progressed to the successful tabling of its bill by Parliament in June 2018 followed by its publishing in the official gazette the following month. On 29th of August, the Fund was launched by the Hon. Minister of Climate Change at the Warwick Le Lagoon Hotel in Port Vila and followed with the appointment of its board members. As of September 2018, the NGEF has progressed to becoming an independent public entity status and is currently focusing on the final phase of operationalizing the Fund.

The formalization also witnessed the amendment and replacement of the Article Six Fund of the Port Vila Concession with the Fund. Similar undertaking will happen with the Luganville Concession once the new deed is signed between the Government and the provider in early 2019. It is with pleasure that I present to you the audited report of the NGEF for the period from 6th July 2017 to 31st December 2018.



Mr Antony Garae

Deputy Chairperson of NGEF Board

Director of the Department of Energy

28th June 2019



Port-Vila, 1st August, 2019

Independent Auditors' Report

To the Office of the Auditor-General

The Auditor-General is the auditor of the National Green Energy Fund. Under the Expenditure Review and Audit Act [CAP 241], the Auditor-General has appointed Martin St-Hilaire of AJC to undertake the audit of the National Green Energy Fund for the 18 months period ended 31 December 2018.

Opinion

We were engaged to audit the financial statements of the National Green Energy Fund, which comprise the statement of cash receipts and payments of the National Green Energy Fund (herein - the Fund), the statement of comparison of budget and actual amount, and the accounting policies and notes to the financial statements for the 18 months period ended 31 December 2018.

In our opinion, the accompanying financial statements are free from material misstatements including omissions and errors and are fairly presented in all material respect in accordance with the International Public Sector Accountant Standard: Financial Reporting under the Cash Basis of Accounting (herein - Cash Basis IPSAS) and comply with the Public Finance and Economic Management Act [CAP 244], the NGEF Act No.10 of 2018, the Government Contracts and Tenders Act [CAP 245], and Vanuatu Financial Regulations.

Basis for Opinion

We conducted our audit in accordance with International Standards of Auditing (herein - ISA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the audit of the Financial Statement* section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Vanuatu, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Cash Basis IPSAS, the Public Finance and Economic Management Act [CAP 244], the NGEF Act No.10 of 2018, the Government Contracts and Tenders Act [CAP 245], and Vanuatu Financial Regulations, and for devising and maintaining such a system of internal control as management determines is necessary to enable the preparation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

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



CHARTERED
PROFESSIONAL
ACCOUNTANTS
BUSINESS
ADVISORS

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 ISA 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.

Port Vila,

A handwritten signature in blue ink, appearing to read 'MSH', is positioned above a horizontal line.

Martin St. Hilaire, CA, CPA, MBA

Partner

AJC – SAINT HILAIRE & Associates, Chartered
Accountants

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

**NATIONAL GREEN ENERGY FUND PROJECT
STATEMENT OF CASH RECEIPTS AND PAYMENTS
FOR THE 18 MONTHS PERIOD ENDED 31 DECEMBER 2018**

(Expressed in VUV)

| | 18 months period ended 31 December 2018 | |
|---|--|--------------------------|
| | Notes | Receipts/Payments |
| CASH RECEIPTS | | |
| Government Fund | 2 | 7,300,000 |
| TOTAL CASH RECEIPTS | | 7,300,000 |
| CASH PAYMENTS | | |
| Consultant Fees | 3 | 2,850,332 |
| Operating Expenditure | 4 | 838,054 |
| Capital Expenditure | 5 | 202,750 |
| TOTAL CASH PAYMENTS | | 3,891,136 |
| TOTAL CASH RECEIPTS LESS TOTAL CASH PAYMENTS | | 3,408,864 |
| CASH AS AT 1 JULY 2017 | | - |
| CASH AS AT 31 DECEMBER 2018 | 6 | 3,408,864 |

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

**NATIONAL GREEN ENERGY FUND PROJECT
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT
FOR THE 18 MONTHS PERIOD ENDED 31 DECEMBER 2018**

(Expressed in VUV)

| 18 months period ended 31 December 2018 | | | | |
|---|-------|------------------|------------------|--------------------|
| | Notes | ACTUAL AMOUNT | BUDGET | VARIANCE |
| CASH RECEIPTS | | | | |
| Government Fund | | 7,300,000 | 7,300,000 | - |
| TOTAL CASH RECEIPTS | 7 | 7,300,000 | 7,300,000 | - |
| CASH PAYMENTS | | | | |
| Consultant Fees | | 2,850,332 | 3,980,000 | (1,129,668) |
| Operating Expenditure | | 838,054 | 2,840,000 | (2,001,946) |
| Capital Expenditure | | 202,750 | 480,000 | (277,250) |
| TOTAL CASH PAYMENTS | | 3,891,136 | 7,300,000 | (3,408,864) |
| NET CASH FLOWS | 8 | 3,408,864 | - | 3,408,864 |

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

**NATIONAL GREEN ENERGY FUND PROJECT
ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS
FOR THE 18 MONTHS PERIOD ENDED 31 DECEMBER 2018**

1. Accounting Policies

a. Reporting Entity

The initial coordination and establishment of the fund was undertaken by the NGEF Taskforce through a unit established within the department of Energy following the Council of Minister's (COM) decision no 91 of 2017. An initial budget of VUV 7,300,000 approved by the COM to assist with the establishment process. A project manager was also recruited to assist the DoE with the implementation. As of 29 August 2018, the NGEF Board was officially appointed by the Hon. Minister of Climate Change and took over from the Taskforce.

b. Authorization Date

The financial statements of the Fund were for the 18 months period ended 31 December 2018 and was authorized for issue on 28th June 2019 by Mr Anthony Garae, Deputy Chairman of NGEF Board. 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 Fund have been prepared in accordance with the NGEF Act No.10 of 2018 and comply with the IPSAS: "Financial Reporting under the Cash Basis of Accounting" for the 18 months period ended 31 December 2018.

d. Presentation currency

The financial statements are presented in VUV.

e. Foreign currency

There is no foreign currency involvement in this audit period.

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.

The National Green Energy Fund initially received a total of VUV 7,300,000 from the Government Fund of the Luganville Concession agreement into the project account held with the Ministry of Finance. Payments are committed through the Smart Stream payment system initially under the authorization of the NGEF Taskforce and recently the NGEF Board. These transactions have been disclosed in a separate column in the "Statement of cash receipts and payments".

**NATIONAL GREEN ENERGY FUND PROJECT
ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS
FOR THE 18 MONTHS PERIOD ENDED 31 DECEMBER 2018**

g. Fixed Assets

Purchases of assets have been included in the Statement of Cash Receipts and Payments under office equipment and furniture's. Separate disclosure has been disclosed in Note 5 of these accounts. Fixed assets are stated at cost at the date of purchase.

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. Office equipment and furniture are treated as part of normal operational expenditure.

The 2017 budget was approved by the COM on 29th May while the 2018 budget was approved by the NGEF Taskforce in its meeting dated 21st March 2018. The receipt of VUV 2,300,000 into the NGEF Account occurred in July 2017 contributing to the additional six months to the audit report.

The approved budget is developed on the same accounting basis, classification basis, as the financial statements. The budget presented has been prepared for the whole project period of 18 months.

i. Changes in Accounting Policies

There are no changes in the accounting policies during the audit period.

j. Comparatives

This financial statement is for the 18 Months Period ended 31 December 2018. Since this is the first financial statement for the project, there are no comparative figures.

k. Fund Manager and Other Staff

To render consultancy services, Georgewin Garae was appointed as a National Green Energy Fund Manager in accordance with the Contract Agreement (herein – Agreement) dated 16 November 2017 and Amendment No. 01 dated 12 October 2018 to the Agreement. The consultancy fees are classified as operating expenditure.

No other staff were employed during the 18 months period ended 31 December 2018.

2. Government Fund

Funding for the establishment of the NGEF is being met by the Government Fund of the Luganville Concession Agreement. Findings were released in two instalments being VUV 2,300,000 in 2017 and VUV 5,000,000 in 2018.

NATIONAL GREEN ENERGY FUND PROJECT
ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS
FOR THE 18 MONTHS PERIOD ENDED 31 DECEMBER 2018

3. Consultant Fees

| | 18 months period ended 31 December 2018 |
|--|--|
| Remuneration (inclusive VNPF contribution of 4%) | 2,564,569 |
| Responsibility Allowance | 196,615 |
| NGEF Compulsory VNPF Contribution of 4% | 89,148 |
| Total | 2,850,332 |

4. Operating Expenditure

| | 18 months period ended 31 December 2018 |
|-----------------------------------|--|
| Subsistence Allowance | 50,000 |
| Sitting Allowance | 42,000 |
| Facilities Hire | 25,000 |
| Advertising | 88,652 |
| Stationary | 49,452 |
| Incidentals | 44,710 |
| Official Entertainment | 78,222 |
| Equipment Repairs and Maintenance | 22,000 |
| Food for meetings | 86,620 |
| Local Travel | 151,398 |
| Local Workshops | 200,000 |
| Total | 838,054 |

5. Capital Expenditure

| | 18 months period ended 31 December 2018 |
|------------------------------|--|
| Equipment-Computer | 140,980 |
| Furniture - Office Furniture | 61,770 |
| Total | 202,750 |

**NATIONAL GREEN ENERGY FUND PROJECT
ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS
FOR THE 18 MONTHS PERIOD ENDED 31 DECEMBER 2018**

6. Closing cash balance

**18 months period
ended 31 December 2018**

Made up as follows:

| | |
|------------------------------|------------------|
| Smart Stream Central account | 3,408,864 |
| Total | 3,408,864 |

7. Revenue Variance between Budget and Actual

There are no Variance in Revenue given that the Actual Revenue budget for the reporting period was the exact amount transferred from the Government Fund to the NGEF Project Account.

8. Expenditure Variance between Budget and Actual

The project underspends VUV 3,408,864 against the annual budget of VUV 7,300,000. This is due to number of activities that has not been implemented yet such as the program development and fundraising, however, the support provided by the Department of Energy has contributed a lot towards the savings.

9. Imprest Account

As at 31st December 2018, there were no outstanding imprest for the Project.

10. Debtors and Receivables

As at 31st December 2018, there were no debtors or receivables.

11. Creditors and Payables

As at 31st December 2018, there were no creditors and payables.