



The g7+ Secretariat
Annual Financial Statements
Year ended 31 December 2019

**The g7+ Secretariat
General Information
31 December 2019**

The g7+

Chair of the g7+

His Excellency Dr. Francis M. Kai Kai
(from 26 June 2019)

The g7+ Secretariat

General Secretary of Secretariat

Deputy General Secretary

Headquarters

Dr. Helder da Costa
Mr. Habib Ur Rehman Mayar
The g7+ Secretariat
Kobe House
Rua Palacio do Governo,
Dili, Timor-Leste

Current the g7+ Member countries

Afghanistan
Burundi
Central African Republic
Chad
Comoros
Cote D'Ivoire
Democratic Republic of Congo
Guinea
Guinea-Bissau
Haiti
Liberia
Papua New Guinea
Sao Tome and Principe
Sierra Leone
Solomon Islands
Somalia
South Sudan
Timor-Leste
Togo
Yemen

Banks

Bank Mandiri
ANZ

Independent Auditor

Deloitte Touche Tohmatsu

Website

<http://www.g7plus.org/>

**The g7+ Secretariat
Statement by the General Secretary
For the year ended 31 December 2019**

BACKGROUND

The g7+ Secretariat (hereafter the "Secretariat/g7+") facilitates the development of the activities of the g7+. The Secretariat of g7+ is hosted by the Ministry of Finance of the Democratic Republic of Timor-Leste and undertakes its role pursuant to the g7+ Charter and Memorandums of Understanding (MoU) signed between the Government of the Democratic Republic of Timor-Leste and the Secretariat. Funding for the g7+ was approved as part of the State Budget Law 2019 approving an amount of \$1,500,000 (2018: \$1,125,000) as a grant to support the operational activities of the g7+.

The g7+ is a voluntary association of countries that are or have been affected by conflict and are now in transition to the next stage of development. The main objective of the g7+ is to share experience and learn from one another, and to advocate for reforms to the way the international community engages in conflict-affected states.

FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with the accounting policies as detailed in Note 1.

RESULTS FOR THE YEAR

During the year to 31 December 2019, the Secretariat received \$1,500,000 in grant funding and \$272,407 from the Finland Government as a contribution.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

This was the fifth period of operations of the Secretariat, and there were no significant changes in its state of affairs during 2019.

APPROVAL OF FINANCIAL STATEMENTS

The accompanying financial statements for the year ended 31 December 2019 have been approved on behalf of the Secretariat by:

A blue circular stamp with the text "General Secretary" at the top, "g7+ Secretariat" in the center, and "DRC, Timor - Leste" at the bottom. A handwritten signature in blue ink is written across the stamp.

**Dr Helder Da Costa
General Secretary
The g7+ Secretariat
24 September 2020**

Independent Auditor's Report to the General Secretary of the g7+ Secretariat

Opinion

We have audited the accompanying financial statements of the g7+ Secretariat (the "Recipient") which comprises details of the grant monies received and expended, a summary of significant accounting policies and other explanatory information, and the Statement by the General Secretary as set out on pages 1 to 9 (the "financial statements") for the funding period from 1 January 2019 to 31 December 2019.

In our opinion, the accompanying financial statements present fairly, in all material respects, grant monies received and expended by the Recipient, in accordance with the basis of preparation described in Note 1 and the grant monies were expended in accordance with the Memorandum of Understanding (MoU) between the Government of Timor-Leste and the Recipient (the Program) for the funding period from 1 January 2019 to 31 December 2019.

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 Recipient in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants* (IESBA Code) that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Recipient's current MoU with the Government of Timor-Leste expires in January 2021. As stated in Note 1 these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Recipient's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use

We draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling management's financial reporting responsibilities under the MoU between the Government of Timor-Leste and the Recipient. Our report is intended solely for the Secretary General and the Minister of Planning and Finance of Timor-Leste and should not be distributed to or used by any other parties. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of Management and for the Financial Statements

Management of the Recipient is responsible for compliance with the Program and the preparation and fair presentation of the financial statements and has determined that the basis of preparation described in Note 1 to the financial statements is appropriate to meet the requirements of the Program and the needs of the Secretary General and the Minister of Planning and Finance of Timor-Leste. Management's responsibility also includes such internal control as they determine is necessary to enable the preparation of the 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 ability of the Recipient 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 intend to liquidate the Recipient or to cease operations or has no realistic alternative but to do so.

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 the 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 this financial statements.

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism 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 Recipient'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 Recipient'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 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.
- 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 a manner that achieves fair presentation.



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

Deloitte Touche Tohmatsu

A handwritten signature in blue ink that reads "EDry".

Elna Dry
Partner
Chartered Accountants
Darwin, 25 September 2020

The g7+ Secretariat
Statement of Income & Expense
For the year ended 31 December 2019

	Note	2019 US\$	2018 US\$
Income			
Government Grants		1,500,000	1,125,000
Funds from SIDA		---	110,441
Voluntary Contributions		---	45,000
Interest Earned		10,072	15,783
Revenue from Finland		147,905	---
Other Income		1,993	---
Total Income	2	1,659,970	1,296,224
EXPENSES			
Salary & Benefit Costs		323,137	283,068
Administrative Costs		271,542	142,744
Conference & Event Cost	3	987,974	745,251
Other Expenses		526	590
Total Expenditures		\$1,583,179	\$1,171,653
Net Gain / (Deficit) for the Year		76,791	124,571
Total Non-Cash Movements		30,114	(23,965)
(Decrease)/Increase in cash and cash equivalents		106,905	100,606
Unearned Revenue from Finland		124,502	
Payments for Lisbon Hub		(178,353)	(475,466)
Payments for g7+ Foundation Lisbon	4	(288,750)	---
Cash and cash equivalents at beginning of year		2,832,170	3,207,031
Cash and cash equivalents at end of year	5	2,596,475	2,832,170

The g7+ Secretariat
Notes to the Financial Statements
For the year ended 31 December 2019

Notes to the Financial Statements

1. Accounting policies

General

The g7+ is an intergovernmental organization which is supported by the g7+ Secretariat. The primary role of the Secretariat is to provide policy advice, coordination and assistance in implementing the decisions of the g7+ Ministerial Forum and to coordinate with the focal Ministries of each Member state of the g7+. The financial statements have been prepared for the purpose of fulfilling management's financial reporting responsibilities under the Memorandum of Understanding (MoU) between the Government of Timor-Leste and the g7+ Secretariat.

Financial regulations

The General Secretary approved financial regulations on 1 July 2014 and subsequent amendment / upgradation was also approved in 2019. However, as yet almost all financial regulations have been implemented.

Basis of preparation

The basis of preparation for the year ended 31 December 2019 is on accrual basis. On this basis revenue is recognized when earned rather than deposited into the Secretariat's bank account and expenses are recognized when incurred rather than when paid.

The accounting policies have been applied consistently throughout the year and the financial statements have been prepared on the going concern basis, which contemplates continuity of normal activities and realisation of assets and settlement of liabilities in the normal course of business.

As is generally the case for similar intergovernmental organisations, the ability of the Secretariat to continue its activities as a going concern, including meeting its obligations, is dependent upon accessing recurrent funding. The current MoU with the Government of Timor-Leste expires in January 2021.

The financial statements have been prepared on the going concern basis, taking into account the possible renewal of MoU with the Government of Timor-Leste prior to its expiry date in January 2021, and the expected additional grants from Finland and voluntary contributions from g7+ Member States.

However, if the MoU is not renewed and additional grant funding is not obtained, a material uncertainty would exist that may cast significant doubt as to whether the Secretariat will continue as a going concern and therefore it may be required to realise its assets at amounts different to their carrying amounts and settle liabilities other than in the ordinary course of business.

Reporting entity

The reporting entity is the g7+ Secretariat Headquarter at Dili, Timor Leste.

Reporting currency

The reporting currency is United States Dollars (US\$).

Foreign currency translation

Foreign currency transactions are translated into the functional currency using the open market rate or the actual amount of currency paid to settle the transaction. Differences due to foreign currency conversion are booked under Foreign Exchange Gain / Loss.

Authorisation Date

The financial statements were authorised for publication on 24 September 2020 by Dr Helder Da Costa, General Secretary of the g7+ Secretariat.

The g7+ Secretariat
Notes to the Financial Statements
For the year ended 31 December 2019

Notes to the Financial Statements (continued)

1. Accounting Policies(continued)

Cash and cash equivalents

Cash comprises demand deposits and cash equivalents. The Budget and Financial Management Law (13/2009) sets out in Article 15, Part 2, and the requirements for operating official bank accounts.

Advances and other current assets

All advances are funds advanced to staff, which are to be acquitted upon provision of receipts or repayment of funds. All advances are current assets and required to be repaid within a year. All trade creditors are current liabilities and required to be paid within a year. Credit and debit card balances shown are not in the name of the g7+ but rather in the name of the holders of the cards. All expenses are recognized on accrual basis, which means they are recognized when they are incurred rather than when they are paid.

Revenue

Revenue is recognized on an accrual basis, which means they are recognized when they are earned rather than when received.

Grant income from Government of Timor-Leste

The g7+ Secretariat receives a grant on an annual basis from the Government of Timor-Leste for the activities and operations of the g7+.

Contributions

Each member state of the g7+ is encouraged to make financial contributions to fund its activities and in particular to permit the proper functioning of the Secretariat. The contribution income policy is voluntary for member countries.

Donation received from the Government of Timor-Leste

On the request of the Government of Timor-Leste, the g7+ Secretariat acted as conduit and thus received donor funding from the Government of Timor-Leste and channelled to other countries on behalf of the Government of Timor-Leste. However, no donation has been received from the Government of Timor-Leste during 2019.

Donation received from the Government of Finland

Government of Finland gave a donation of Euro:250,000 equivalent to US\$:272,407 for the activities of the g7+. Revenue has been brought to account in line the completion of the performance obligation.

Reimbursement of expenditure by third parties

Reimbursements of expenditure is made by donor organisations for the g7+ events.

Interest earned on deposit

Interest is earned on deposits at market rates. Interest is recognized on receipt.

Expenses

Expenses are recognised on an accrual basis. The Secretariat's expenses comprise payments to employees for salaries, allowances, special advances and payments to external suppliers for provision of goods and services.

The g7+ Secretariat
Notes to the Financial Statements
For the year ended 31 December 2019

Taxation

The Secretariat is exempt from paying taxes on income. Withholding taxes on certain payments to suppliers and wages income tax on employee salaries and wages are payable under the current system of taxation in the Democratic Republic of Timor-Leste.

2. Revenues

	2019	2018
	US\$	US\$
<i>During the year, the g7+ Secretariat recognized the following revenues:</i>		
Grant from Government of Timor-Leste for operational use	1,500,000	1,125,000
Donation Received from SIDA - Swedish Government	---	110,441
Donation Received from Finland Government	147,905	---
Voluntary Contribution from Sierra Leone	---	45,000
Interest earned on Deposit at Mandiri Bank	10,072	15,783
Other Income	1,993	---
	1,659,970	1,296,224

3. Conferences, meetings and events

During the year, the g7+ Secretariat incurred the following expenses relating to conferences, meetings and events:

The g7+ Global Advocacy	187,429	190,490
The g7+ Representation	52,287	104,292
The g7+ National Advocacy	49,197	9,394
World Bank/IMF Spring & Annual Meetings	29,857	52,416
The g7+ Technical Meeting	---	116,823
IDPS Global Meeting	---	10,386
Fragile to fragile Corporation	98,863	62,220
United Nations General Assembly (UNGA)	50,029	84,143
High Level Political Forum	42,454	114,268
Sustainable Development Goals (SDG)	35,583	819
Ministerial Meeting	343,007	---
Natural Resource Management (NRM) Meeting	99,268	---
	987,974	745,251

4. Payments to g7+ Foundation Lisbon:

Payments to Lisbon Foundation are made to carry out the full implementation of the g7+ European Foundation and in accordance with the article 4 of MOU between g7+ Secretariat and RDTL, the payment is made as initial seeding fund as per the approval from g7+ Chair and g7+ foundation has a binding to proper utilization of funds and securing of interest of g7+ Secretariat

through its bylaws (article 4). Transferred funds of US\$:288,750 are still available in the g7+ foundation as of close of year 2019.

The g7+ Secretariat
Notes to the Financial Statements
For the year ended 31 December 2019

Notes to the Financial Statements (continued)

5. Cash and cash equivalents

Cash and cash equivalents is comprised of the following:

	2019	2018
	US\$	US\$
Cash at Bank	1,549,486	1,755,847
Deposits with Mandiri Bank	1,000,000	1,000,000
Credit and Debit cards	46,387	55,340
Petty cash	602	20,983
Total	2,596,475	2,832,170

All balances are non-interest earning except for the deposits with Mandiri Bank which earn interest at 0.75% per annum. The deposits with Mandiri Bank are in the form of one certificate of deposits for the amount of USD 1 million, redeemable on presentation at the bank.

As corporate cards are unavailable in Timor-Leste, the credit and debit cards are in the name of General Secretary and Deputy General Secretary of the g7+ and not in the name of g7+. The cards are intended to be used only for business purposes and are subject to the normal acquittal processes.

6. Subsequent events:

The outbreak of COVID-19 and the subsequent quarantine measures imposed by the Timor-Leste and other governments as well as the travel and trade restrictions imposed by Timor-Leste and other countries in early 2020 have caused disruption to businesses and economic activity. The Secretariat considers this to be a non-adjusting post balance sheet date event and accordingly the financial effects of COVID-19 have not been reflected in the Secretariat's financial statements at 31 December 2019.

As the situation remains fluid (due to evolving changes in government policy and evolving business and customer reactions thereto), at the date these financial statements are authorised for issue, the Secretariat considered that the financial effects of COVID-19 on the Secretariat's financial statements cannot be reasonably estimated for future financial periods. The general economic impacts arising from COVID-19 would potentially have a negative impact on the operations of funding bodies, which in turn could impact on the ability of the Secretariat to continue as a going concern

No other matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Secretariat, the results of those operations or the state of affairs of the entity in subsequent financial years.