The g7+ Secretariat

Annual Financial Statements

Year ended 31 December 2015
The g7+

Chair of g7+
His Excellency Kaifala Marah
His Excellency Momodu L. Kargbo (from May 2016)

Deputy Chair of g7+
His Excellency Michel Presume

The g7+ Secretariat
General Secretary of Secretariat
Dr Helder da Costa
Mr Habib U. Mayar
Ministry of Finance
Palácio do Governo, Cobe House 2nd Floor,
Avenida Presidente Nicolau Lobato
Dili, Timor-Leste

Deputy General Secretary
Headquarters

Current 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

Independent Auditor
Deloitte Unipessoal Lda

Website
http://www.g7plus.org/
BACKGROUND

The g7+ Secretariat (hereafter the “Secretariat”) facilitates the development of the activities of the g7+. The Secretariat of g7+ is hosted by the Ministry of Finance of the 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 2015 no. 1/2015 approving an amount of USD $2,500,000 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 2015, the Secretariat received $3.5m in grant and contribution income. This consisted of a special $1m donation from the Timor-Leste government to Central African Republic (CAR) to provide aid for their elections, in addition to the $2.5m grant for the operations of the Secretariat. Total expenditure was $1.48m excluding the donation to Central African Republic (CAR) which represents an execution rate of 56%, and $2.48m including the donation to CAR which represents an execution rate of 68%.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

This is the second period of operations of the Secretariat, and there have been no significant changes in the state of affairs, other than the appointment of the Deputy General Secretary.

APPROVAL OF FINANCIAL STATEMENT

The accompanying financial statements for the year ended 31 December 2015 have been approved on behalf of the Secretariat by:

Dr Helder Da Costa
General Secretary
The g7+ Secretariat
15 September 2016
Independent Auditor’s Report
to the General Secretary of the g7+ Secretariat

We have audited the accompanying Statement of Cash Receipts and Payments (the “Statement”) of the g7+ Secretariat for the year ended 31 December 2015, Note 1 comprising a summary of significant accounting policies, and other explanatory information as set out on pages five to nine. The Statement has been prepared in accordance with the cash basis of accounting.

Management’s Responsibility for the financial statements

Management is responsible for compliance with the requirements of the Memorandum of Understanding signed with the Government of Timor-Leste and the preparation and fair presentation of the Statement and has determined that the accounting policies described in Note 1, are appropriate to meet the financial reporting requirements of the Memorandum of Understanding.

Management’s responsibility also includes such internal control as management determine is necessary to enable the preparation of the Statement that is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of the Statement, 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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
Opinion

In our opinion, the Statement presents fairly, in all material respects, cash receipts and payments of the g7+ Secretariat for the year ended 31 December 2015 in accordance with the basis of accounting described in Note 1 to the Statement.

Other matter

We draw to your attention that our audit of donations includes payments to the recipients receiving the monies from the Secretariat, but excludes the recipients' use of the monies received.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the Statement, which describes the basis of accounting. The Statement has been prepared to assist the g7+ Secretariat to meet the financial reporting requirements of the Memorandum of Understanding. As a result, the Statement may not be suitable for another purpose.

Deloitte
Chartered Accountants
Dili, Timor-Leste
15 September 2016
The g7+ Secretariat
Statement of Cash Receipts and Payments
For the year ended 31 December 2015

<table>
<thead>
<tr>
<th>Note</th>
<th>Year ended 31/12/2015</th>
<th>Period ended 31/12/2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US</td>
<td>US</td>
</tr>
<tr>
<td>RECEIPTS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grant income from Government of Timor-Leste</td>
<td>2,500,000</td>
<td>2,500,000</td>
</tr>
<tr>
<td>Donation received from the Government of Timor-Leste</td>
<td>1,000,000</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Other Income</td>
<td>129,982</td>
<td>14,988</td>
</tr>
<tr>
<td><strong>Total Receipts</strong></td>
<td><strong>3,629,982</strong></td>
<td><strong>4,514,988</strong></td>
</tr>
<tr>
<td>PAYMENTS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and benefit costs</td>
<td>6</td>
<td>(304,509)</td>
</tr>
<tr>
<td>Local travel costs</td>
<td></td>
<td>(6,759)</td>
</tr>
<tr>
<td>Conference and event costs</td>
<td>3</td>
<td>(1,022,144)</td>
</tr>
<tr>
<td>Administrative costs</td>
<td></td>
<td>(120,334)</td>
</tr>
<tr>
<td>Other Expenses</td>
<td></td>
<td>(29,894)</td>
</tr>
<tr>
<td>Donation Paid on behalf of the Government of Timor-Leste</td>
<td>4</td>
<td>(1,000,000)</td>
</tr>
<tr>
<td><strong>Total Payments</strong></td>
<td><strong>(2,483,640)</strong></td>
<td><strong>(3,104,427)</strong></td>
</tr>
<tr>
<td><strong>Total Increase in cash</strong></td>
<td><strong>1,146,342</strong></td>
<td><strong>1,410,561</strong></td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the period</td>
<td>5</td>
<td><strong>1,410,561</strong></td>
</tr>
<tr>
<td>Cash and cash equivalents at the end of the year/period</td>
<td>5</td>
<td><strong>2,556,903</strong></td>
</tr>
</tbody>
</table>
Notes to the Financial Statements

1. Accounting Policies

General
The execution of the grant to the g7+ Secretariat was formalised under the Memorandum of Understanding signed with the Government of the Democratic Republic of Timor-Leste on the 28th February 2014. The g7+ Secretariat was formalised under the g7+ Charter Article 5.1 which was signed in June 2014.

The primary role of the Secretariat is to provide policy advice, coordination and assistance in implementing the decision of the g7+ Ministerial Forum and to coordinate with the focal Ministries of each Member state of the g7+.

Financial Regulations
The General Secretary approved financial regulations on 1 July 2014 but as yet not all financial regulations have been implemented including the financial reporting requirements and those regulations relating to cash advances to staff and cash acquittals.

Basis of preparation
The Secretariat’s policy is to prepare its financial statements on a cash basis. On this basis revenue is recognized when deposited into the Secretariat’s bank account, rather than when earned, and expenses are recognized when paid rather than when incurred. The accounting policies have been applied consistently throughout the year.

Reporting entity
The reporting entity is the g7+ Secretariat.

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

Foreign currency translation
Foreign currency transactions are translated into the functional currency using actual amount of currency paid to settle the transaction.

Comparative period
The comparative 2014 figures shown cover the ten month period ended 31 December 2014.

Authorisation Date
The financial statements were authorised for publication on 15 September 2016 by Dr Helder Da Costa, General Secretary of the g7+ Secretariat.
Notes to the Financial Statements (continued)

1. Accounting Policies (continued)

Cash and cash equivalents

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.

Minor Capital Equipment
Purchases of minor capital equipment are expensed when been paid.

Receipts
Receipts are recognised on a cash basis, which means they are recognised when received rather than when earned.

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+.

Contribution
Contributions are amounts provided to the g7+ from the other member States, other than Timor-Leste, for the activities and operations of the g7+.

Donation received from the Government of Timor-Leste
On the request of the Government of RDTL, 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.

Other Income
Other income consists of reimbursements from donor organisations for g7+ events and the sale of fixed assets.

Payments
Payments are recognised on a cash basis. The Secretariat’s payments comprise payments to employees for salaries, allowances and to external suppliers for provision of goods and services.

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.
Notes to the Financial Statements (continued)

2. Receipts
The g7+ Secretariat has two main sources of income. The first is grant income from the Timor-Leste government which totalled the $3.5 million (2014: $4.5 million) consisting of a grant paid in accordance with the Memorandum of Understanding of $2.5 million (2014: 2.5 million) and a $1 million donation for the Government of Central African Republic (CAR) to aid their elections (2014: $2 million donation for the Ebola affected countries of Sierra Leone, Liberia and Guinea.)

Other Income
The g7+ Secretariat also receives other income, which consists of reimbursements and proceeds from the sale of fixed assets. Reimbursements are received from the United Nations Development Programme (UNDP) and the International Labour Organisation (ILO) for event costs. The g7+ Secretariat incurs the total initial costs and UNDP & ILO reimburses their share of the costs, which for the year ended 31 December 2015, was $129 thousand (2014: nil).

The proceeds from the sale of fixed assets for ended 31 December 2015 were $1 thousand (2014: nil).

In addition to grant income, each member state of the g7+ shall be 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. In 2015 no member country paid this contribution (2014: one).

3. Conference and events
During the year, the g7+ Secretariat facilitated the following conferences and incurred expenditures as follows:

<table>
<thead>
<tr>
<th>Year ended 31/12/2015</th>
<th>Period ended 31/12/2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>US $</td>
<td>US $</td>
</tr>
<tr>
<td>G7+ Ministerial Meeting</td>
<td>-</td>
</tr>
<tr>
<td>Global Partnership Ministerial Meeting</td>
<td>-</td>
</tr>
<tr>
<td>World Bank/IMF Spring Meetings</td>
<td>36,261</td>
</tr>
<tr>
<td>g7+ Heads of State Summit</td>
<td>141,470</td>
</tr>
<tr>
<td>g7+ Technical Meeting</td>
<td>87,226</td>
</tr>
<tr>
<td>IDPS Global Meeting</td>
<td>93,031</td>
</tr>
<tr>
<td>World Bank Fragility Forum</td>
<td>87,904</td>
</tr>
<tr>
<td>Financing for Development Meeting</td>
<td>35,790</td>
</tr>
<tr>
<td>Steering committee</td>
<td>45,371</td>
</tr>
<tr>
<td>African Development Bank conference</td>
<td>85,381</td>
</tr>
<tr>
<td>Bangui Forum on New Deal adoption for CAR</td>
<td>128,301</td>
</tr>
<tr>
<td>National Forum for Reconciliation, CAR</td>
<td>172,630</td>
</tr>
<tr>
<td>Other International Meetings</td>
<td>60,417</td>
</tr>
<tr>
<td>Other Meetings</td>
<td>48,362</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,022,144</strong></td>
</tr>
</tbody>
</table>
4. Donation paid on behalf of Government of Timor-Leste
   In 2015 the g7+ Secretariat paid $1 million to the Central African Republic (CAR) government to assist with their elections.

   In 2014, the g7+ Secretariat paid a $2 million donation to Ebola affected countries of Guinea, Liberia and Sierra Leone.

5. Cash and cash equivalents
   Cash comprises of cash on hand and demand deposits. Demand deposits consist of balances with banks.

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US $</td>
<td>US $</td>
</tr>
<tr>
<td>Cash at Bank</td>
<td>2,478,842</td>
<td>1,396,529</td>
</tr>
<tr>
<td>Cash on hand</td>
<td>7,561</td>
<td>14,032</td>
</tr>
<tr>
<td>Cash and salary advances</td>
<td>70,500</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>2,556,903</td>
<td>1,410,561</td>
</tr>
</tbody>
</table>

   All advances are unsecured and do not earn interest.

6. Salaries and Wages
   Salaries and wages consist of the following payments

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US $</td>
<td>US $</td>
</tr>
<tr>
<td>Salaries and benefits costs</td>
<td>304,509</td>
<td>190,943</td>
</tr>
</tbody>
</table>

7. Subsequent events
   Pursuant to the MoU signed with the Government of RDTL, the Secretariat may retain any income generated on the investment of the Grant and use such income for the same purposes as the Grant. In 2016, the g7+ Secretariat decided to save in a term deposit account with Bank Mandiri. The account holds a deposit of $2 million for a period of one year. The term deposit account has an interest rate of 0.75% p.a.

   The donation paid on behalf of Government of Timor-Leste to the Government of the Central African Republic was returned to the bank account of the g7+ Secretariat in January 2016 due to incorrect bank details. Subsequently, the donation was confirmed to have been received by the Government of CAR later in January 2016.