

WEST AFRICAN POWER POOL

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

Table of Contents	Pages
General information	1
Report of the Executive Board	2
Report of the independent auditor	3 – 4
Statement of financial performance	5
Statement of financial position	6
Statement of cash flows	7
Statement of changes in net assets	8
Notes	9 - 21
Presentation of budget information in financial statements	22 - 24

GENERAL INFORMATION

The West African Power Pool (WAPP) was created by Decision A/DEC.5/12/99 during the 22nd Summit of the Authority of ECOWAS Heads of State and Government in order to address the issue of power supply deficiency within West Africa.

The 29th Summit of the Authority of ECOWAS Heads of State and Government held in Niamey January 2006, adopted the Articles of Agreement establishing the new WAPP Organisation by Decision A/DEC.18/01/06. The new Organisation began actual operations in July 2006.

Executive Board Members

Dr. Engr. J.O. Makoju	Board Chairman
Mr. Saloum Cissé	Member
Mr. Kweku A. Awotwi	Member
Amidou Traoré	Member
Mr. Seydina Kane	Member
Mr. Appolinaire Ki Siengui	Member
Mr. Djibril Salifou	Member
Alpha Sékou Djiteye	Member
William Hutton-Mensah	Member
Gnande Djeteli	Member
Mr. Amadou Diallo	Member
Charles Darku	Member (Observer)
Marius Hounkpatin	Member (Observer)

Auditor

PricewaterhouseCoopers Chartered Accountants
No. 12 Airport City
Una Home 3rd Floor
PMB CT42
Cantonments
Accra

Secretariat

West African Power Pool
06 BP 2907 Cotonou
Republique du Benin

Bankers

Ecobank Benin
Rue de Gouverneur Bayol
01 B.P. 1280 Cotonou
Republic of Benin

Continental Bank
Carrefour des 3 banques
Avenue Jean Paul II
01 BP 2020 Cotonou
Republic of Benin

Diamond Bank
01 BP 955 RB Cotonou
Republic of Benin

REPORT OF THE EXECUTIVE BOARD

The Executive Board has the pleasure in submitting their report and the audited financial statements of WAPP for the year ended 31 December 2011.

Statement of the Executive Board's responsibilities

The Executive Board is responsible for the preparation of the financial statements for each financial year, which gives a true and fair view of the state of affairs of the Organisation and of the surplus or deficit for the year. In preparing these financial statements, the Executive Board has selected suitable accounting policies and then applied them consistently, made judgements and estimates that are reasonable and prudent and followed International Public Sector Accounting Standards (IPSAS).

The Executive Board is responsible for ensuring that the Organisation keeps proper books of account and accounting records that disclose with reasonable accuracy at any time the financial position of the Organisation. The Executive Board is also responsible for safeguarding the assets of the Organisation and taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

The main activity of the Organisation is to pool electricity resources of member institutions for a more stable and reliable electricity supply to their citizens at affordable costs over the medium to long-term.

Results

The Statement of Financial Performance on page 5 shows a net surplus for the year of **UA 836,629** (2010: UA 838,954 net deficit) which has been transferred to accumulated fund.

Auditor

The auditor, PricewaterhouseCoopers Chartered Accountants, has expressed interest to continue to be the auditor of WAPP.

BY ORDER OF THE BOARD

Secretary General:

Board Chairman:

..... **2012**

REPORT OF THE INDEPENDENT AUDITOR TO THE EXECUTIVE BOARD OF WAPP

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of WAPP set out on pages 5 to 21. These financial statements comprise the statement of financial position as at 31 December 2011, the statement of financial performance, the statement of cash flows and the statement of changes in net assets for the year then ended and a summary of significant accounting policies and other explanatory information.

Executive Board's responsibility for the financial statements

The Executive Board is responsible for the preparation of financial statements that give a true and fair view in accordance with International Public Sector Accounting Standards and for such internal control as the Executive Board determine is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 the Executive Board, as well as evaluating the overall presentation of the financial statements.

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

**REPORT OF THE INDEPENDENT AUDITOR TO THE EXECUTIVE BOARD OF WAPP
(continued)**

Opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of WAPP as at 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

For PricewaterhouseCoopers Chartered Accountants

Michael Asiedu-Antwi
Partner

.....**2012**

STATEMENT OF FINANCIAL PERFORMANCE

(All amounts are expressed in UA)

		<u>Year ended 31 December</u>	
	Note	2011	2010
Operating revenue			
Contributions from Members	2	3,069,042	3,052,375
Grants from donors	3	232,695	66,903
Other Income	4	<u>-</u>	<u>12,307</u>
		<u>3,301,737</u>	<u>3,131,585</u>
Operating expenses			
Personnel expenses	5	1,181,533	1,121,344
General expenses	6	(584,749)	1,237,635
Administrative expenses	7	824,309	758,647
Executive Board and Committee Meetings	8	<u>565,529</u>	<u>444,178</u>
Operating expenses before depreciation and amortisation		1,986,622	3,561,804
Add: depreciation and amortisation charge for the period	9 and 10	183,897	117,861
Less capital grants	19	<u>(31,227)</u>	<u>(36,945)</u>
Total expenses		<u>2,139,292</u>	<u>3,642,720</u>
Financial income	11	16,316	17,071
Financial expense	12	<u>(342,132)</u>	<u>(344,890)</u>
Net financial expense		<u>(325,816)</u>	<u>(327,819)</u>
Surplus/(deficit) for the year transferred to accumulated fund		<u>836,629</u>	<u>(838,954)</u>

STATEMENT OF FINANCIAL POSITION

(All amounts are expressed in UA)

		<u>At 31 December</u>	
	Note	2011	2010
Non current assets			
Property, plant and equipment	9	472,733	296,929
Intangible assets	10	<u>195,113</u>	<u>196,591</u>
		<u>667,846</u>	<u>493,520</u>
Current assets			
Cash and bank balances	13	1,145,957	813,366
Receivables from exchange transactions	14	749,076	328,327
Recoverables from non-exchange transactions	15	248,841	-
Prepayments	16	<u>29,330</u>	<u>10,176</u>
		<u>2,173,204</u>	<u>1,151,869</u>
Total assets		<u>2,841,050</u>	<u>1,645,389</u>
Current Liabilities			
Accounts payable	17	<u>434,176</u>	<u>65,304</u>
Non current liabilities			
Separation provision	18	99,501	78,114
Capital grants	19	<u>53,089</u>	<u>84,316</u>
		<u>152,590</u>	<u>162,430</u>
Total liabilities		<u>586,766</u>	<u>227,734</u>
Net assets		<u>2,254,284</u>	<u>1,417,655</u>
Represented by:			
Accumulated Fund		<u>2,254,284</u>	<u>1,417,655</u>

The financial statements on pages 5 to 21 were approved by the Executive Board on2012 and signed on their behalf by:

Secretary General:.....

Name and Signature

Board Chairman:.....

Name and Signature

WEST AFRICAN POWER POOL*Financial statements**Year ended 31 December 2011***STATEMENT OF CASH FLOWS**

(All amounts are expressed in UA)

		<u>Year ended 31 December</u>	
	Note	2011	2010
Cash flows from operating activities			
Cash generated from/(used in) operations	20	<u>690,814</u>	<u>(578,974)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	9b	(289,655)	(101,237)
Additions to intangible assets	10	<u>(68,568)</u>	<u>(198,367)</u>
Net cash used in investing activities		<u>(358,223)</u>	<u>(299,604)</u>
Cash flows from financing activities		<u>-</u>	<u>-</u>
Increase/(decrease) in cash and cash equivalents		<u>332,591</u>	<u>(878,578)</u>
Movement in cash and cash equivalents			
Balance at beginning of year		813,366	1,691,944
Increase/(decrease) in the year		<u>332,591</u>	<u>(878,578)</u>
Balance at end of year	13	<u>1,145,957</u>	<u>813,366</u>

WEST AFRICAN POWER POOL*Financial statements**Year ended 31 December 2011*

STATEMENT OF CHANGES IN NET ASSETS

(All amounts are expressed in UA)

	Accumulated fund
2010	
Balance at 1 January	2,256,609
Deficit for the year	<u>(838,954)</u>
Balance at 31 December	<u>1,417,655</u>
2011	
Balance at 1 January	1,417,655
Surplus for the year	<u>836,629</u>
Balance at 31 December	<u>2,254,284</u>

NOTES

1. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with International Public Sector Accounting Standards (IPSAS).

In the absence of an International Public Sector Accounting Standard that specifically applies to a transaction, other event or condition, management uses its judgement in developing and applying an accounting policy that results in information that is relevant to the decision-making needs of users that the financial statements:

- (i) represent faithfully the financial position, financial performance and cash flows of the entity;
- (ii) reflect the economic substance of transactions, other events and conditions and not merely the legal form;
- (iii) are neutral, i.e., free from bias;
- (iv) are prudent; and
- (v) are complete in all material respects.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the organisation

In December 2009, the International Public Sector Accounting Standards Board (IPSASB) issued the following new standards on Financial Instruments to replace the previous IPSAS 15 - Financial Instruments: Disclosure and Presentation.

- IPSAS 28, "Financial Instruments: Presentation"; (effective for annual financial statements covering periods beginning on or after 1 January 2013).
- IPSAS 29, Financial Instruments: "Recognition and Measurement" (effective for annual financial statements covering periods beginning on or after 1 January 2013).
- IPSAS 30 "Financial Instruments: Disclosure (effective for annual financial statements covering periods beginning on or after 1st January 2013).

The Executive Board is yet to assess the full impact of the above standards on the organisation's financial reporting.

There are no other IPSAS interpretations that are not yet effective that would be expected to have a material impact on the organisation.

NOTES (continued)**1. Accounting policies (continued)****(b) Property, plant and equipment**

Property, plant and equipment (PPE) are stated at acquisition cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated on the straight-line basis at rates estimated to write off the cost of each item over the estimated term of its useful life. A full year's depreciation is charged in the year of acquisition. No depreciation is charged in the year of disposal. The annual rates used for this purpose are as follows:

Computers	25%
Equipment	14.20%
Furniture and Fixtures:	
Residence	33.33%
Office	25%
Vehicles	20%
Building	2.86%

Impairment

The carrying values of PPE are reviewed for impairment if events or changes in circumstances indicate that they may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Any provision for impairment is charged against the Statement of Financial Performance in the year in which the impairment is identified.

(c) Intangible assets

Intangible assets mainly comprise of patented and non-patented technology, know-how and software. These are capitalized and amortised on the straight line basis in the statement of financial performance over the expected useful lives, or the period of legal rights.

(d) Revenue recognition

Assessed contributions from member utilities are recognised when they are approved by the Executive Board. Unpaid contributions during the period are recognised as receivables after netting off any provisions.

Other revenues, including costs reimbursed by third parties, are recognised when they are acquired, either contractually, or in the absence of a contract, upon receipt.

NOTES (continued)

1. Accounting policies (continued)

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all direct expenditure incurred in bringing the inventories to their current state under normal operating conditions.

(f) Receivables

Receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts or losses. Allowance for loss is established based on a review of outstanding amounts at the reporting date.

(g) Financial Instruments

WAPP uses only non-derivative financial instruments as part of its normal operations. These financial instruments include bank accounts, certificates of deposit, accounts receivable and accounts payable.

All financial instruments are appropriately recognised in the statement of financial position.

(h) Functional and presentation currency

Most transactions were made in FCFA which is the functional currency of WAPP. The financial statements are presented in Unit of Account (UA) which is the presentation currency of ECOWAS institutions.

Transactions during the period are translated into the presentation currency, Unit of Account (UA) using rates at the date of the transaction or at a quarterly average rate for expenditure incurred during the quarter. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into UA at the rates of exchange ruling at that date.

Gains or losses realised or incurred are recognised in the statement of financial performance.

(i) Grants

Grants are amortised over their useful lives and netted-off the depreciation charge for the year. Where assets received are below the depreciation threshold of WAPP, the monetary values of the items are recognised as income in the year the grant is received. Cash donations are recognised as income in the statement of financial performance when received.

NOTES (continued)

1. Accounting policies (continued)

(j) Staff Retirement Benefits

WAPP's contribution to staff (except the Secretary General) retirement benefit schemes are recognised in the statement of financial performance as the obligation falls due. The scheme consists of a monthly contribution of 17% of employees' basic salary as pension fund by the employer.

WAPP sets aside 25% of the Secretary General's annual salary to cater for his separation payment at the end of his service period. This is recognised in the statements of financial performance annually.

(k) Provision

Provision for liabilities and charges are recognised when WAPP has a present legal or constructive obligation as a result of a past event, and it is probable that WAPP will be required to settle the obligation. Provisions are measured at managements' best estimate of the expenditure required to settle the obligation at the date of the Statement of Financial Position.

WEST AFRICAN POWER POOL*Financial statements**Year ended 31 December 2011***NOTES (continued)**

(All amounts in the notes are expressed in UA unless otherwise stated)

	2011	2010
2. Contributions from Members	<u>3,069,042</u>	<u>3,052,375</u>
3. Grants from donors		
This represents financial assistance received from donors in cash to support WAPP Secretariat during the year.		
	2011	2010
World Bank	54,494	12,707
USAID	<u>178,201</u>	<u>54,196</u>
	<u>232,695</u>	<u>66,903</u>
4. Other income		
This represents monetary value of items received from donors, the values of which, individually, are below the threshold for capitalisation		
	2011	2010
Korean Electric Power Corporation (KEPCO)	<u>-</u>	<u>12,307</u>
5. Personnel expenses		
Staff salaries	661,346	615,463
Salary for contractors and temporary staff	167,028	137,470
Installation allowances	-	8,421
Initial travel and accommodation	2,566	13,618
Refund of school fees	124,355	132,737
Other expenses*	73,914	67,950
Pension fund contributions	78,235	73,965
Separation provision for SG	17,418	19,084
Medical expenses	10,428	10,298
Training Costs	<u>46,243</u>	<u>42,338</u>
	<u>1,181,533</u>	<u>1,121,344</u>

*Other expenses represent other staff costs such as domestic and home leave allowances.

WEST AFRICAN POWER POOL*Financial statements**Year ended 31 December 2011***NOTES (continued)**

(All amounts in the notes are expressed in UA unless otherwise stated)

	2011	2010
6. General expenses		
Administration expenses	23,427	17,202
Repairs and maintenance	62,461	69,843
Utility expenses	12,418	7,164
Rent	15,965	10,414
Provision for outstanding membership contributions	(1,089,978)	910,390
Transportation	166,959	128,706
Audit fees and expenses	29,873	22,531
Legal fees	6,517	-
Consultancy services	170,652	66,697
Software licenses	<u>16,957</u>	<u>4,688</u>
	<u>(584,749)</u>	<u>1,237,635</u>
7. Administrative expenses		
Public relations, publicity and adverts	19,518	44,861
Postages and communications	72,348	76,429
Official missions	482,326	450,505
Conference materials	10,408	7,202
Linguistic services	83,278	43,018
Entertainment/ reception retreats	145,106	132,009
Recruitment	634	4,623
Project facilitation	<u>10,691</u>	<u>-</u>
	<u>824,309</u>	<u>758,647</u>
8. Executive Board and Committee Meetings		
Executive Board Meetings	107,719	158,594
Engineering and Operating Committee	138,358	96,944
Strategic Planning and Environmental Committee	279,731	135,698
Human Resources and Governance Committee	<u>39,721</u>	<u>52,942</u>
	<u>565,529</u>	<u>444,178</u>

NOTES (continued)

(All amounts in the notes are expressed in UA unless otherwise stated)

9(a). Property, plant and equipment

2011	Computers	Equip., furniture & fixtures	Motor Vehicles	Building	Work-in- progress	Total
Cost						
As at 1 st January 2011	134,645	51,179	294,814	-	107,537	588,175
Transfers	-	-	-	107,537	(107,537)	-
Additions	<u>3,652</u>	<u>11,539</u>	<u>46,840</u>	<u>227,624</u>	<u>-</u>	<u>289,655</u>
At 31st December 2011	<u>138,297</u>	<u>62,718</u>	<u>341,654</u>	<u>335,161</u>	<u>-</u>	<u>877,830</u>
Accumulated Depreciation						
As at 1 st January 2011	78,541	31,702	181,003	-	-	291,246
Charge for the year	<u>30,171</u>	<u>10,196</u>	<u>63,908</u>	<u>9,576</u>	<u>-</u>	<u>113,851</u>
At 31st December 2011	<u>108,712</u>	<u>41,898</u>	<u>244,911</u>	<u>9,576</u>	<u>-</u>	<u>405,097</u>
Net Book Value At 31st December 2011						
	<u>29,585</u>	<u>20,820</u>	<u>96,743</u>	<u>325,585</u>	<u>-</u>	<u>472,733</u>

NOTES (continued)

(All amounts in the notes are expressed in UA unless otherwise stated)

9(a). Property, plant and equipment (continued)

2010	Computers	Equipment, furniture & fixtures	Motor Vehicles	Work-in- progress	Total
Cost					
As at 1 st January 2010	109,630	51,179	269,679	31,315	461,803
Additions	<u>25,015</u>	<u>-</u>	<u>25,135</u>	<u>76,222</u>	<u>126,372</u>
At 31st December 2010	<u>134,645</u>	<u>51,179</u>	<u>294,814</u>	<u>107,537</u>	<u>588,175</u>
Accumulated Depreciation					
As at 1 st January 2010	47,088	24,391	122,550	-	194,029
Charge for the year	<u>31,453</u>	<u>7,311</u>	<u>58,453</u>	<u>-</u>	<u>97,217</u>
At 31st December 2010	<u>78,541</u>	<u>31,702</u>	<u>181,003</u>	<u>-</u>	<u>291,246</u>
Net Book Value					
At 31 st December 2010	<u>56,104</u>	<u>19,477</u>	<u>113,811</u>	<u>107,537</u>	<u>296,929</u>

9(b). Additions to Property, plant and equipment comprise:

	2011	2010
Cash consideration	289,655	101,237
Non-cash consideration (capital grants received – note 18)	<u>-</u>	<u>25,135</u>
	<u>289,655</u>	<u>126,372</u>

9(c) Work in progress

Work in progress for 2010 was in respect of funds paid for the demarcation and fencing of land earmarked for the construction of WAPP's headquarters in Cotonou. This was completed in 2011

NOTES (continued)

(All amounts in the notes are expressed in UA unless otherwise stated)

	2011	2010
10. Intangible assets		
Cost		
As at 1 st January	257,044	58,677
Additions	<u>68,568</u>	<u>198,367</u>
At 31st December	<u>325,612</u>	<u>257,044</u>
Accumulated Amortisation		
As at 1 st January	60,453	39,809
Charge for the year	<u>70,046</u>	<u>20,644</u>
At 31st December	<u>130,499</u>	<u>60,453</u>
Net Book Value	<u>195,113</u>	<u>196,591</u>
11. Financial Income		
Bank interest	<u>16,316</u>	<u>17,071</u>
12. Financial expense		
Bank charges	3,491	9,832
Exchange differences	<u>338,641</u>	<u>335,058</u>
	<u>342,132</u>	<u>344,890</u>
13. Cash and bank balances		
Cash at Bank	1,135,980	804,674
Cash on hand	<u>9,977</u>	<u>8,692</u>
	<u>1,145,957</u>	<u>813,366</u>
14. Receivables from exchange transactions		
Members' contribution receivable	2,524,722	3,152,527
Provision for doubtful debts	<u>(1,783,885)</u>	<u>(2,873,863)</u>
	740,837	278,664
Advances with consultants	-	39,980
Staff advances	<u>8,239</u>	<u>9,683</u>
	<u>749,076</u>	<u>328,327</u>

WEST AFRICAN POWER POOL*Financial Statements**For the year ended 31 December 2011***NOTES (continued)**

(All amounts in the notes are expressed in UA unless otherwise stated)

15. Recoverables for non exchange transactions

These are expenses incurred on various donor funded projects which are yet to be refunded to WAPP.

	2011	2010
ECOWAS Guinea Bissau Project	5,257	-
ECOWAS Guinea Conakry Project	13,775	-
World Bank Projects	36,961	-
USAID Capacity Support to WAPP Members Programme	<u>192,848</u>	<u>-</u>
	<u>248,841</u>	<u>-</u>

16. Prepayments

Insurance	5,047	6,277
Rent (SG's residence and guest house)	13,018	1,938
Telecommunications (deposit)	1,962	1,961
Internet	<u>9,303</u>	<u>-</u>
	<u>29,330</u>	<u>10,176</u>

WAPP rents accommodation for the Secretary General in Cotonou, under a tenancy agreement which terminates on November 2012. Included in the tenancy agreement is a requirement to pay the landlord in advance for the entire period, which is expensed annually on a pro-rata basis.

17. Accounts payable

	2011	2010
Auditor's remuneration	29,000	22,531
Other payables	<u>405,176</u>	<u>42,773</u>
	<u>434,176</u>	<u>65,304</u>

18. Separation provision

This represents funds set aside annually by WAPP to cater for the Secretary General's separation payment at the end of his service period.

Balance at 1 January	78,114	59,096
Charge for the year	<u>21,387</u>	<u>19,018</u>
Balance at 31 December	<u>99,501</u>	<u>78,114</u>

NOTES (continued)

(All amounts in the notes are expressed in UA unless otherwise stated)

19. Capital Grants

- (i) The French Embassy provided a grant of UA 64,522 in 2006, representing 90% of the cost of a standby generator for the WAPP Secretariat as well as cabling for LAN and phone systems, fire fighting equipment and a PABX system.
- (ii) USAID provided grants in the form of two vehicles and security systems for WAPPP's office building amounting to UA 28,585 and UA 48,764 respectively in 2009.
- (iii) Korean International Co-operation Agency (KOICA) donated a Toyota Prado valued at UA 19,474 to WAPP in 2009.
- (iv) Korean Electric Power Corporation (KEPCO) donated a Nissan Patrol valued at UA 25,135 to WAPP in 2010.

The grants are being amortised over the useful life of the related assets. The amortisation is credited to the depreciation charge for the year.

Grant Source	Opening balance as at 01.01.2011	Additions	Amortisation for year	Closing balance as at 31.12.2011
French Embassy-Generators and Fire equipment	10,992	-	4,397	6,595
USAID (two vehicles)	17,151	-	5,717	11,434
USAID (security systems)	24,381	-	12,191	12,190
KOICA (one vehicle)	11,684	-	3,895	7,789
KEPCO (one vehicle)	<u>20,108</u>	<u>-</u>	<u>5,027</u>	<u>15,081</u>
	<u>84,316</u>	<u>-</u>	<u>31,227</u>	<u>53,089</u>

WEST AFRICAN POWER POOL*Financial Statements**For the year ended 31 December 2011***NOTES (continued)**

(All amounts in the notes are expressed in UA unless otherwise stated)

20. Cash generated from operations	Note	2011	2010
Net surplus/(deficit) for the year		836,629	(838,954)
Adjustments for non-cash items:			
Depreciation and amortisation of intangible assets	9a and 10	183,897	117,861
Amortisation of capital grant	19	(31,227)	(36,945)
Changes in working capital:			
(Increase)/decrease in receivables from exchange transactions		(420,749)	133,149
Increase in recoverables from non-exchange transactions		(248,841)	-
Increase in prepayments		(19,154)	(773)
Increase in accounts payable		368,872	27,670
Increase in separation provision		<u>21,387</u>	<u>19,018</u>
Cash generated from/(used in) operations		<u>690,814</u>	<u>(578,974)</u>

21. Related party transactions

West African Power Pool (WAPP) is governed by the Executive Board whose members are entitled to payment of honoraria and other travel related expenses when participating in WAPP meetings or any other WAPP business. The following were members of the Executive Board during the year:

Dr. Engr. J.O. Makoju	Board Chairman
Mr. Saloum Cissé	Member
Mr. Kweku A. Awotwi	Member
Amidou Traoré	Member
Mr. Seydina Kane	Member
Mr. Appolinaire Ki Siengui	Member
Mr. Djibril Salifou	Member
Alpha Sékou Djiteye	Member
William Hutton-Mensah	Member
Gnande Djeteli	Member
Mr. Amadou Diallo	Member
Charles Darku	Member (Observer)
Marius Hounkpatin	Member (Observer)

Except Mr. Amadou Diallo who is remunerated by the organisation, no other board member received any remuneration or loans other than the above entitlements during the year under review. For the year under review, the Secretary General's total emolument was **UA 118,014** (2010: UA 139,112)

NOTES (continued)

(All amounts in the notes are expressed in UA unless otherwise stated)

22. Financial instruments

All financial instruments to which WAPP is a party are recognised in the financial statements.

Credit risk

In the normal course of business, WAPP incurs credit risk from accounts receivable and transactions with banking institutions. WAPP manages its exposure to credit risk by:

- Holding bank balances and short-term deposits (demand deposits) with reputable banking institutions registered in Republic of Benin; and
- Maintaining credit control procedures over accounts receivable.

The maximum exposure as at 31 December 2011 was equal to the total amount of bank balances, short-term deposits, and receivables disclosed in the statement of financial position.

WAPP does not require any collateral or security to support financial instruments and other receivables it holds due to the low risk associated with the realisation of these instruments.

Foreign currency exchange rate risk

WAPP operates separate bank accounts in CFA and US\$ currencies. WAPP incurs currency risk as a result of the conversion of foreign currency balances held in these bank accounts to UA at period end. The currency risk associated with this balance is considered minimal and therefore WAPP does not hedge its foreign currency exposure.

Foreign currency transactions are translated to UA at exchange rates at the dates of the transactions.

Fair values

As at 31 December 2011, the carrying amounts approximate the fair values for all financial instruments held by WAPP (2010: carrying amounts approximate the fair values).

23. Capital commitments

There were no capital commitments at 31 December 2011 (2010: nil).

24. Contingent liability

There were no contingent liabilities at 31 December 2011 (2010: nil).

24. Comparatives

Where necessary, comparatives have been reclassified to conform to presentation in the current year.

Presentation of Budget Information in Financial Statements

Basis of preparation

The budget information has been prepared on a cash basis since it is the policy of WAPP to apply the cash basis of accounting for its budgets during the fiscal year. The financial statements however, are prepared on accrual basis of accounting. The accrual basis of accounting is one under which transactions, other events and conditions are recognised when they occur (and not only when cash or its equivalent is received or paid). Therefore, the concept recognises revenue when earned and expenses when incurred.

Key assumptions include:

- Funding available throughout the periods
- Member utilities will pay their contributions regularly

Budget Approval

The West African Power Pool is a specialised institution of ECOWAS headquartered in the Republic of Benin.

WAPP's highest decision making body is the General Assembly which provides the overall strategic direction of the institution and adoption of Executive Board's reports.

The functioning of WAPP is entrusted to the Executive Board whose functions include: "Examination and recommendation to the General Assembly, the entry, exit and re-entry of Members to the Pool, authorisation of major contracts, Approval or revision of the operating and capital budgets and any additional expenditure and approval of audit reports. The Executive Board reviews, approves or disapproves actions of the various Organisational Committees of WAPP.

The approval of the Budget by the Executive Board and its adoption at the General Assembly empowers the Secretariat (through the Secretary General), subject to any special conditions to:

- Commit and authorise expenditure and to make all payments to be borne by the Organisation, for the purposes assigned and within the limits of the appropriations and the commitment authority, as the case may be; and
- Provide the Executive Board with monthly budget and variance for review and approval.

Comparison of budget and actual on expense categories level

Introduction

WAPP's financial statements are prepared on accrual basis whilst the budget is on cash basis. The Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets and Statement of Cash Flow Statements are prepared on a full accrual basis. The financial statements and the budget are therefore prepared using different basis.

To enable users and funders derive the needed benefit and make this presentation useful, management has decided to present the comparison by expenditure categories. This form of presentation as indicated is to ensure management achieves the reporting requirement of IPSAS 24 and also meet the needs of stakeholders within the Pool for effective decision making.

The approved budget for the expense categories outlined below covers the fiscal period 1 January to 31 December 2011.

Budget for the year under review

The budget and actual analysis provides the expenditure categories incurred by WAPP. The approved budget drives the business of the Secretariat.

	Annual Budget (cash basis)	Actual Expenditure (cash basis)	Variance	Variance
	UA	UA	UA	%
Salaries and Other Personnel Expenses (1)	1,338,265	1,181,533	156,732	12
General Expenses (2)	397,661	498,712	(101,051)	(25)
Administration Expenses (3)	689,542	824,309	(134,767)	(20)
Executive Board and Committee Meetings	560,491	565,529	(5,038)	(1)
Capital (4)	179,401	358,223	(178,822)	(100)
	3,165,360	3,428,306	(262,946)	(8)%

Explanations of Significant deviations

- Salaries and Other Personnel Expenses** – Some staff budgeted for could not be recruited during the year due to non payment of contribution by members during the year.
- General Expenses** – Actual expenditure exceeded budget due to the increase in Consultancy fees and expenses incurred on the payments to the debt collector (appointed on the instructions of the Executive Board) during the course of the year to help recover outstanding contributions from Members. The debt collector helped to recover some of the outstanding contribution from Member Utilities.
- Administrative Expenses** – This was mainly due to excessive expenses on linguistic services and reception/entertainment expenses on meetings, trainings and workshops. During the year under review, WAPP executed numerous programs and activities on projects funded by World Bank and USAID. Some of these activities and programs are actually funded by these donors but

we recognise inflows from these organisations as revenues (as shown in the statement of financial performance). The variance is due to the increase in project facilitation expenses.

- 4. Capital** – The excess expenditure over the budget is due to clearing and fencing of the proposed Calavi information and Coordination Centre and Headquarters. Preparatory works on the Calavi headquarters were approved to be paid out of accumulated surplus of previous years in the 2010 budget. Implementation was delayed because no indication was received with regards to the timing of the proposed European Commission (EC) funding for that project. In 2011, the EC indicated that funds could be available in 2012 and hence the reason for the implementation of the preparatory works.

Reconciliation of Actual Amounts in the Budget and Actual Amounts in the Financial Statements

Description	Operating	Financing	Investing	Total (UA)
Actual amount on comparable basis as presented in the budget and actual financial statements	-	-	-	3,428,306
*Basis difference	-	-	-	(1,289,014)
Actual amount in the statement of financial performance on an accrual basis				2,139,292

* Basis difference was arrived at as a result of the different basis used in the budget and the financial statements. The budget uses cash basis whilst the financial statements is prepared on accrual basis of accounting.

In budget, revenue is required to cover all committed expenditures. In the financial statement, revenue and expenses only includes amounts corresponding to amounts accruing for the period. The difference is treated as accrued revenue or expenses in the financial statement. Also, a provision is made for outstanding membership contributions and included in the statement of financial position and statement of financial performance. No such provision is made in the budget.

In budget, capital expenditures are recorded as current year expenses. This cost is capitalised and depreciated over the useful lives in the financial statements. These capital expenditures and associated depreciation are recorded net on the asset side of the Statement of Financial Position. Depreciation expense is recorded in the Statement of Financial Performance.