



# AUDIT DEPARTMENT

## REPORT OF THE DIRECTOR OF AUDIT GRENADA on the

Resources Managed for the period from 20 April 2017 to 31  
December 2018 by the Project Accounting Unit in the Ministry  
of Finance for the

### **OECS Regional Tourism Competitiveness (ORTC) Project**

And the income and expenditure for the accounting period  
ending 31 December 2018

**THE DIRECTOR OF AUDIT  
AUDIT DEPARTMENT**

**Report of the Director of Audit, on the Audit of the Resources Managed for the period from 20 April, 2017 to 31 December, 2018 by the Project Accounting Unit within the Ministry of Finance, Planning Economic Development and Physical Development for the OECS Regional Tourism Competitiveness (ORTC) Project and the income and expenditure for the accounting period ending on that date.**

**Francis Hosten**  
*Director of Audit (Ag.)*

# OECS REGIONAL TOURISM COMPETITIVENESS (ORTC) PROJECT

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## **List of Abbreviations**

DA	-	Designated Account
IC	-	Individual Consultant
IBRD	-	International Bank for Reconstruction and Development
IDA	-	International Development Association
IFRs	-	Interim Financial Reports
INTOSAI	-	International Organization of Supreme Audit Institutions
ISSAIs	-	International Standards of Supreme Audit Institutions
IT	-	Information Technology
M&E	-	Monitoring and Evaluation
ORTC	-	OECS Regional Tourism Competitiveness
PAU	-	Project Accounting Unit

Ref. No. ....  
In replying the above  
Number and date of this  
letter should be quoted.



**AUDIT DEPARTMENT  
ST. GEORGE'S  
GRENADA, W.I.**

Tel. Nos.: (473) 440-2264/6518  
Fax: No.: (473) 435-0079

16 July 2019

Ms. Patricia Clarke  
Permanent Secretary  
Ministry of Finance, Planning, Economic Development  
and Physical Development  
Ministry of Finance  
Financial Complex  
**ST. GEORGE**

Dear Ms. Clarke,

I have audited the Resources Managed for the period from 20 April, 2017 to 31 December, 2018 by the Project Accounting Unit in the Ministry of Finance, for the OECS Regional Tourism Competitiveness (ORTC) Project.

In accordance with the Terms of Reference for Financial Auditors and the International Organization of Supreme Audit Institutions' (INTOSAI) auditing standards, I hereby submit my report to those charged with governance for consideration and necessary action.

Yours respectfully,

*Andrew* ..... for .....  
Francis Hosten  
**DIRECTOR OF AUDIT (AG.)**

## **Acknowledgement**

I would like to thank the staff of the Project Accounting Unit in the Ministry of Finance for their courtesies and co-operation during the audit and to the Government Printer for his assistance in publishing this report.

Thanks also to the staff of the Audit Department for their continued commitment and dedication in fulfilling the mandate of the Department.

**Audit of the Resources Managed for the period from 20 April, 2017 to 31 December, 2018 by the Project Accounting Unit in the Ministry of Finance for the OECS Regional Tourism Competitiveness (ORTC) Project and the income and expenditure for the accounting period ending 31 December, 2018.**

**Summary of Main Audit Procedures**

**Audit Objectives**

The overall objectives of this engagement is to allow the Auditor to express a professional opinion on the financial position at the end of the period and for the sources and uses of funds for the accounting period audited of the project; to report on the adequacy of the internal controls, and to express an opinion on the compliance with the covenants of the credit agreement and applicable laws and regulations. The engagement will include a special purpose audit of the Project, including the resources provided by the Bank.

The specific objectives of the audit are to:

- Issue an opinion as to whether the Project Financial Statements present fairly, in all material respects, the financial position of the project, the funds received and the disbursements made during the period audited, as well as the cumulative investments at the end of the period, in accordance with the cash basis of accounting and requirements of the respective agreements with the Bank and other co-financing organizations.
- Issue an opinion with respect to the implementing entity's compliance with the terms of the credit agreement and applicable laws and regulations (with regard to the financial aspects).
- Issue an opinion as to whether the expenditures reported are eligible for financing; and funds have been used only for project purposes.
- Issue an opinion as to whether the Statement of the Designated Account and Project Accounts used for managing the funds provided by the Bank, presents fairly the availability of funds at the end of the period audited, as well as the transactions made during the same period, in accordance with financial reporting provisions outlined in the project's legal agreements.
- Issue a report with respect to the adequacy of the internal control structure of the implementing institution in regard to the project.

## **Audit Scope and Main Audit Procedures**

The audit covered the activities performed during the period 20 April, 2017 to 31 December, 2018 and was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs) issued by the International Organization of Supreme Audit Institutions (INTOSAI).

The audit included the following procedures:

- Performing substantive tests on transactions for the period.
- Review of the Project Co-ordination Unit's internal control structure.
- Examined bank reconciliations for the period audited.
- Physical verification of assets purchased for the project's use.
- Performed checks to determine compliance with the credit agreement, World Bank guidelines for Procurement of goods and services and applicable laws and regulations.
- Review of the country's accounting system (SmartStream) to ensure revenue and expenses were recorded.
- Review of relevant documentations.

Permanent Secretary (Ag.)  
Ministry of Finance  
Financial Complex  
Carenage  
**ST. GEORGE'S**

**Audit of the Resources Managed for the period from 20 April, 2017 to 31 December, 2018 by the Project Accounting Unit in the Ministry of Finance, for the OECS Regional Tourism Competitiveness (ORTC) Project and the income and expenditure for the accounting period ending 31 December, 2018.**

**DIRECTOR OF AUDIT REPORT  
ON THE FINANCIAL STATEMENTS**

I have audited the accompanying financial statement of the OECS Regional Tourism Competitiveness (ORTC) Project financed under IBRD Loan No. 8734, which comprise the Statement of Sources and Uses of Funds for the period ended 31 December 2018, Designated Account Reconciliation, Project by Disbursement Category and Notes to the financial statements and other explanatory schedules and statements for the year then ended.

**Opinion**

In my opinion, the Project financial statements for the period ended 31 December, 2018 presents fairly in all material respects, the financial position of the Project, the funds received and the disbursements made during the period audited, as well as the cumulative investments at the end of the period, in accordance with the cash basis of accounting.

**Basis of Opinion**

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs) issued by the International Organization of Supreme Audit Institutions (INTOSAI), World Bank Guidelines and the Government of Grenada policies, procedures and regulations. My responsibilities under these standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Project in accordance with the ethical requirements that are relevant to my audit of the financial statements in Grenada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## **Emphasis of Matter - Basis of Accounting**

I draw attention to Note 4 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Project Accounting Unit in complying with the financial reporting provisions of the agreement referred to above. As a result, the financial statements may not be suitable for another purpose. My opinion is not modified in respect to this matter.

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

Management is responsible for preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Section II (B) of Schedule 2 of the Loan Agreement and for such internal control that management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditor's Responsibilities for the Audit of the Financial Statement**

My objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs issued by INTOSAI and the Government's policies, procedures and applicable legislations 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 statement.

As part of an audit in accordance with ISSAIs, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 Project Accounting Unit internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

## REPORT ON COMPLIANCE

### Management's Responsibility for Compliance

In addition to the responsibility for the preparation and fair presentation of the financial statements described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with covenants of the Loan agreement and applicable laws and regulations of Grenada.

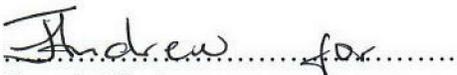
### Auditor's Responsibility

In addition to the responsibility to express an opinion on the financial statements described above, my responsibility includes expressing an opinion on whether the activities, financial transactions and information reflected in the financial statements are, in all material respects, in compliance with covenants of the credit agreement and applicable laws and regulations of Grenada. This responsibility includes performing procedures to obtain audit evidence about whether the Sources and Uses of Funds have been applied to the purposes intended. Such procedures include the assessment of the risks of material non-compliance.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Opinion

In my opinion, in all material respect, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them.

 Andrew..... for.....

Francis Hosten

**DIRECTOR OF AUDIT (AG.)**

Audit Department  
**GRENADA**

16 July 2019

Permanent Secretary (Ag.)  
Ministry of Finance  
Financial Complex  
Carenage  
**ST. GEORGE'S**

**DIRECTOR OF AUDIT REPORT  
STATEMENT OF DESIGNATED ACCOUNT AND PROJECT ACCOUNT**

**Audit of the Resources Managed for the period from 20 April, 2017 to 31 December, 2018 by the Project Accounting Unit in the Ministry of Finance for the OECS Regional Tourism Competitiveness (ORTC) Project and the income and expenditure for the accounting period ending 31 December, 2018.**

**Introduction**

I have audited the Statement of the Designated Account and Project Account of the OECS Regional Tourism Competitiveness (ORTC) Project for the period then ended 31 December 2018. My responsibility is to express an opinion on the statement based on my audit.

**Opinion**

In my opinion the Statement of the Designated Account and the Project Account used for managing the funds provided by the bank present fairly the availability of funds for the period then ended 31 December 2018, as well as the transactions made during the same period in accordance with the provisions for the use of the funds established by the relevant credit agreement.

**Scope**

I conducted the audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) and World Bank guidelines. Those standards and World Bank guidelines require that I plan and perform the audit to obtain reasonable assurance that the Designated Account and Project Account are free of material misstatement. I believe that the audit provides a reasonable basis for my opinion.



Francis Hosten  
**DIRECTOR OF AUDIT (AG.)**

Audit Department  
**GRENADA**

16 July 2019

Permanent Secretary (Ag.)  
Ministry of Finance  
Financial Complex  
Carenage  
**ST. GEORGE'S**

**DIRECTOR OF AUDIT REPORT  
REPORT ON INTERNAL CONTROL**

**Audit of the Resources Managed for the period from 20 April, 2017 to 31 December, 2018 by the Project Accounting Unit in the Ministry of Finance for the OECS Regional Tourism Competitiveness (ORTC) Project and the income and expenditure for the accounting period ending 31 December, 2018.**

I have audited the financial statements of the OECS Regional Tourism Competitiveness Project for the twenty month period ended 31 December 2018.

My audit was guided by the auditing standards issued by the International Organization of Supreme Audit Institutions (INTOSAI). Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free from material misstatement.

In planning and performing my audit, I considered the Project Accounting Unit's (PAU) internal control over financial reporting, by obtaining an understanding of the policies and procedures that govern internal controls, determining whether these controls had been placed in operation and assessing control risk and performing tests of the PAU's controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal controls. Accordingly, I do not express an opinion on the effectiveness of the PAU's internal controls over financial reporting.

The management of the Project Accounting Unit (PAU) is responsible for maintaining effective internal control over financial reporting. I limited my control testing to those controls necessary to achieve the following control objectives that provide reasonable, but not absolute assurance, that: (1) transactions are properly recorded, processed, and summarized to permit the preparation of the financial statements in accordance with the Government's accounting policies and the World Bank Guidelines and (2) transactions are executed in compliance with laws and regulations that could have a direct and material effect on the financial statements.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the PAU's ability to initiate, authorize, record, process, or report financial data reliably, such that there is more than a remote likelihood that a misstatement of the PAU's financial statements that is more than inconsequential will not be prevented or detected by PAU's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the PAU's internal control. My consideration of internal control was for the limited purpose described in the second paragraph of this report and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

I did not discover any material weakness in the internal control structure of the Project Accounting Unit in regard to the project.

*Andrew*.....for.....

Francis Hosten

**DIRECTOR OF AUDIT (AG.)**

Audit Department

**GRENADA**

16 July 2019

Government of Grenada  
 OECS Regional Tourism Competitiveness Project  
 Statement of Sources and Uses of Funds  
 IBRD Loan No. 8734  
 For the Period ended December 31st, 2018  
 Figures in United States Dollars (US\$)

Particulars	CURRENT YEAR	CUMMULATIVE
	ACTUAL	ACTUAL
<b>Cash Receipts</b>		
<b>World Bank Financing</b>	<b>161,405.18</b>	<b>161,405.18</b>
Designated Account	161,405.18	161,405.18
Direct Payment	-	-
<b>Other Receipts</b>	<b>93.02</b>	<b>93.02</b>
Interest Earned	93.02	93.02
Sale of Tender document Revenue	-	-
<b>Total Receipts</b>	<b>161,498.20</b>	<b>161,498.20</b>
<b>Less: Expenditures by Component and Category</b>		
<b>Component 1 - Facilitation of the Movement of People</b>	-	-
Category 1 - Works, Goods, Consultant Services, Operating Costs	-	-
<b>Component 2 - Pilot Tourism Investments</b>	-	-
Category 1 - Works, Goods, Consultant Services, Operating Costs	-	-
Category 2 - Ferry Services	-	-
<b>Component 3 - Market Development and Promotion</b>	-	-
Category 1 - Works, Goods, Consultant Services, Operating Costs	-	-
<b>Component 4 - Project Implementation Support</b>	<b>44,730.74</b>	<b>44,730.74</b>
Category 1 - Works, Goods, Consultant Services, Operating Costs	44,730.74	44,730.74
<b>Total Expenditures</b>	<b>44,730.74</b>	<b>44,730.74</b>
<b>Net Receipts/Payments</b>	<b>116,767.46</b>	<b>116,767.46</b>
<b>Statement of Cash Balances</b>		
<b>Opening Cash Balances</b>	-	
World Bank Designated Account (US\$ )	-	
Project Account (EC\$ Account)	-	
<b>Net Cash Available</b>	<b>116,767.46</b>	
<b>Closing Cash Balances</b>		
World Bank Designated Account (US\$ )	<b>69,716.75</b>	
Project Account (EC\$ Account)	<b>47,050.71</b>	
<b>Total Closing Cash Balances</b>	<b>116,767.46</b>	

Prepared By:   
 NATIKA BAIN-CHARLES  
 SENIOR ACCOUNTANT  
 ACCOUNTANT GENERAL DEPARTMENT

Authorised By:   
 ISHA ABRAHAM  
 ACCOUNTANT GENERAL (AG)  
 ACCOUNTANT GENERAL DEPARTMENT

Government of Grenada  
 OECS Regional Tourism Competitiveness Project  
 Designated Account Reconciliation

IBRD Loan No. 8734

For the period ended December 31st, 2018

*Bank's name: Grenada Co-operative Bank Ltd*

*Bank Account No. 125000900*

*Account Name: Government of Grenada: OECS Regional Tourism Competitiveness Project*

	USD
1 Total advanced by World Bank as at December 31st, 2018 (Less Front end Fee)	161,405.18
2 Less: Total amount documented by World Bank	-
3 Present outstanding amount advanced to DA	161,405.18
4 Balance on Designated and Project Account per attached bank reconciliation as at December 31st, 2018	116,767.46
5 Plus: Total amount to be documented in this application	44,730.74
6 Plus: Total amount withdrawn and not yet documented	-
<i>Reason:</i>	
7 Plus: Amounts claimed in previous applications not yet credited at date of bank statements	-
Subtotal of previous applications not yet credited	93.02
8 Less: Other Income	-
9 Total advance accounted for (no. 4 through no. 9 )	161,405.18
10 Difference (3-9)	0.00

11. Explanation of Differences

Government of Grenada  
 OECS Regional Tourism Competitiveness Project  
 IBRD Loan No. 8734  
 Project by Disbursement Category  
 For the Period ended December 31st, 2018

Category Number	DISBURSEMENT CATEGORY Category Description	CURRENT PERIOD		CUMULATIVE				Total Allocation per Legal Agreements
		Actual	Amount Per Financial Statements	Amount per Client Connection	Difference	Comments		
	Category 1 - Works, Goods, Non-Consultant Services, Consultant Services, Training & Operating Costs	44,730.74	44,730.74	22,861.95	21,868.79	Difference due to US\$11,390.98 & US\$ 10,477.79 to be documented for quarter ended September 30th & December 31st, 2018 respectively.	5,785,000.00	
	Category 2 - Ferry Services under Part A. 2a of the Project						200,000.00	
	Front End Fee			15,000.00			15,000.00	
	<b>Total</b>	<b>44,730.74</b>	<b>44,730.74</b>	<b>37,861.95</b>	<b>21,868.79</b>		<b>6,000,000.00</b>	

**Government of Grenada**  
**OECS REGIONAL TOURISM COMPETITIVENESS PROJECT**  
**IBRD Loan No. 8734**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Period ending 31<sup>st</sup> December, 2018**

**NOTE 1: OBJECTIVE AND NATURE OF THE PROJECT**

The objective of the Project are to: (a) facilitate the movement of tourists within the Participating Countries using ferries; (b) improve selected tourism sites; and (c) strengthen implementation capacity for regional tourism market development.

The Project consists of the following parts:

Part A: Facilitation of the Movement of People

1. Establishment of a single regional space for immigration and customs regulations for international tourists, including:
  - (a) at the national level, through the rehabilitation of domestic ferry terminals of the Borrower to upgrade them into international terminals; and
  - (b) at the regional level through the provision of technical assistance for:
    - (i) the country-level implementation of decisions made at a regional level for the facilitation of the movement of people and goods, including the implementation of any revisions to the existing regional immigration system, to the OECS Treaty or other treaties of the Participating Countries for a the creation of a single economic space, and any other policy/regulatory changes aimed at the facilitation of the movement of people goods that would require country-level implementation; and
    - (ii) introduction of a simplified immigration and customs clearance system for the Participating Countries' ferry vessels that would allow them to submit their customs declarations and other required documents in the form of electronic notifications, prior to arrival to their destination ("Sail Clear" system).
2. Development of a pilot regional ferry system corridor, including:
  - (a) Establishing a temporary Ferry Services Fund for providing Ferry Services Incentives to selected ferry operators to encourage ferry transportation within the territories of the Participating Countries;
  - (b) Providing technical assistance, software and hardware for development of a centralised ferry scheduling system;

- (c) Providing technical assistance to review the legal, institutional and operational framework related to water transport, safety standards and their enforcement; and
- (d) Supporting the dialogue between the borrower's government and ferry operators

#### PART B: Pilot Tourism Investments

1. Carrying out infrastructure improvements and rehabilitation works for the Fort George historic site, including preparation of technical studies and design plans for such investments and works.
2. Provision of assistance with the preparation of a tourism development framework for the island of Carriacou.

#### PART C: Market Development and Promotion Capacity Building

1. Providing assistance to the Borrower in strengthening its tourism market development capacity, including, inter alia, the preparation and implementation of its tourism development plan, tourism environmental planning management, financial and economic impact assessment, strengthening its social media presence enhancing online presence and carrying out outreach work.
2. Carrying out of the activities to develop and implement a regional market development program for attracting new markets and consolidating existing ones, including preparing a regional market strategy and developing an IT platform for the region's travel marketing, training and participation in regional trade fairs.

#### PART D: Project Implementation Support

1. Strengthening the capacity of the PAU and Project Implementing agencies for Project management and coordination, including monitoring and evaluation, audits, recruitment of staff, Training and financing of Incremental Operating Costs.
2. Carrying out the Project impact evaluation.

#### **NOTE 2: PROJECT FINANCING**

The cost of the project is estimated at US \$6,000,000.00 financed with IBRD funds.

#### **NOTE 3: – AUDIT PERIOD**

This Financial Audit covers a period of 20 months, straddling April 20<sup>th</sup>, 2017 (the date the financing agreement came into effect) 31<sup>st</sup> December, 2018.

**Government of Grenada**  
**OECS REGIONAL TOURISM COMPETITIVENESS PROJECT**  
**IBRD Loan No. 8734**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Period ending 31<sup>st</sup> December, 2018**

**NOTE 4: MAIN ACCOUNTING POLICIES**

1. All transactions are recorded, and the financial statements prepared, using the cash basis of accounting.
2. The financial accounts are maintained and the financial statements are prepared in Eastern Caribbean Dollars. Where required within this report, translation into United States Dollars is effected using the exchange rate of US\$1.00 to EC\$2.6882.
3. Fixed Assets procured with project resources are recorded at their acquisition cost at the date of purchase. No depreciation is recorded for project assets.
4. The Financial Statements have been prepared on the basis of historical cost convention. No account is taken of inflation.

**NOTE 5: FIXED ASSETS**

During the period under review no new Fixed Assets were purchased.

**NOTE 6: CASH AVAILABILITY**

Cash Available as at 31<sup>st</sup> December, 2018 included;

	US\$
Designated Account	69,716.75
Project Account	<u>47,050.71</u>
	<u>116,767.46</u>

**NOTE 7: INTEREST**

Interest of US\$93.02 was earned on deposits in the Designated Account during the period under review.

**NOTE 8: SIGNIFICANT BIDS PROCESSED AND AWARDED DURING THE PERIOD UNDER REVIEW**

**CONSULTANT SERVICES:**

**1. FRANCIS ROBERTSON**

- Procurement Method IC
- Date of Contract No-objection N/A
- Approved Contract Sum US \$77,351.39
- Contractor Francis Robertson
- Nationality Grenadian
- Amount Paid for the period US \$35,365.07
- Financing IBRD 8734