

**SOLAR PV DEMONSTRATION AND SCALE-UP
PROJECT TF-A1673**

FINANCIAL STATEMENTS

**FOR THE PERIOD JUNE 16, 2016 TO
OCTOBER 31, 2019**

Solar PV Demonstration and Scale-Up Project TF-A1673

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INDEPENDENT AUDITORS' REPORT

To the Director of Economic Planning
1st floor Administrative Building
Bay Street, Kingstown
Saint Vincent and the Grenadines

Report on the Financial Statements

Opinion

We have audited the financial statements of the Solar PV Demonstration and Scale-Up Project TF-A1673 (the "Project"), which comprise the statement of receipts and expenditure, statement of sources and uses of funds, the statement of the Designated Account and project accounts and statement of cumulative investments for the period June 16, 2016 to October 31, 2019, and notes comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the project and the cumulative investments as at October 31, 2019, and the funds received and disbursements made for the period June 16, 2016 to October 31, 2019, in accordance with the International Accounting Standards using the Cash Basis IPSAS - Financial reporting under the Cash Basis of Accounting and the World Bank guidelines.

Basis of 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 Project in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the financial statements

Management is responsible for the preparation and fair presentation of this financial statements in accordance with International Accounting Standards using the Cash Basis IPSAS - Financial reporting under the Cash Basis of Accounting and the World Bank guidelines and for such internal control as management determines is necessary to enable the preparation of financial statements that is free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the project or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the project's financial reporting process.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Director of Economic Planning
1st floor Administrative Building
Bay Street, Kingstown
Saint Vincent and the Grenadines

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 is 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 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 these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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.
- 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 Project's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Project to cease to continue as a going concern.
- 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 those charged with governance 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.



BDO Eastern Caribbean
Chartered Accountants
Kingstown, St. Vincent and the Grenadines
January 30, 2020

Background

The development objective (PDO) of the Project is to demonstrate the use of commercial-scale PV systems in the Caribbean through pilot projects and disseminate the results to contribute to future scale-up of such systems.

The Project finances the following two components:

- a) **Component 1: Provision of Technical Assistance - USD 100,000**
 - i. Solar PV technical support, including to structure and implement ownership and operational arrangements; carry out any necessary feasibility work and design of the system; and draft the technical specifications for the tender documents and to supervise the installation;
 - ii. Dissemination and training activities; and
 - iii. Supervision and management of Project activities and operating costs.
- b) **Component 2: Commercial Scale Rooftop PV System - USD 500,000**

Supply and installation of commercial rooftop PV systems in public buildings in the Recipients' territory.

Audit Objectives

The overall objective of this engagement is to allow the auditor to express a professional opinion on the financial position and performance of the projects at the end of the period audited and to report on the adequacy of the internal controls. The engagement will include a special purpose audit of the Project, including the resources provided by the Bank and any other sources of funding. The Bank funds shown in the Project financial statements should be reconciled with the Bank funds included in the entity's financial statements through a note to the financial statements. Notes to the Financial statements should clearly state the exchange rate used to convert the local currency into the USD.

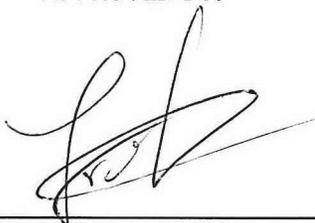
The specific objectives of the audit are to:

- Issue an opinion as to whether the Project financial statements, including all relevant Designated Account (DA) reconciliations, 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 international accounting standards and the requirements of the respective agreements with the Bank.
- Issue an opinion on whether the supplementary financial information for the Project is fairly presented, in all material respects.
- Issue a report with respect to the adequacy of the internal control structure of the implementing institution in regard to the Project. This evaluation should also include the internal controls related to the contribution of counterpart funds for the Project. For this purpose, the report/management letter will be based on an assessment of internal controls, which will take place at *mid-year* for each auditable year of Project execution.
- Conduct audit of 100 percent of the expenditures including those which were claimed under retroactive financing, and provide separate audit opinion about the eligibility of those expenditures.

Solar PV Demonstration and Scale-Up Project TF-A1673
Statement of Receipts and Expenditure
For the period June 16, 2016 to October 31, 2019
(Expressed in United States Dollars)

	Note	2019 US\$
CASH RECEIPTS		
Funds received from the World Bank	6	600,000
Interest income		1,587
Total funds received		601,587
Expenditure		
Component 1 - Provision of Technical Assistance	7	89,000
Component 2 - Commercial Scale Rooftop PV System	8	501,625
Total expenditure		590,625
Surplus of receipts over expenditure for the period		10,962

APPROVED BY:



Ricardo Frederick
Director of Economic Planning
Economic Planning and Sustainable Development Division

Solar PV Demonstration and Scale-Up Project TF-A1673
Statement of Sources and Uses of Funds
For the period June 16, 2016 to October 31, 2019
(Expressed in United States Dollars)

	Note	Current period Actual US\$	Cumulative Current US\$
Sources and uses of funds			
RECEIPTS			
World Bank			
<i>Designated account:</i>			
TF-A1673	6	600,000	600,000
<i>Interest received</i>		1,587	1,587
Total Receipts		<u>601,587</u>	<u>601,587</u>
Less: Payments (By Project Component)			
Component 1 - Provision of Technical Assistance	7	(89,000)	(89,000)
Component 2 - Commercial Scale Rooftop PV System	8	(501,625)	(501,625)
Total expenditure		<u>(590,625)</u>	<u>(590,625)</u>
NET RECEIPTS		<u>10,962</u>	<u>10,962</u>
Represented by Bank Balances:			
(i) USD Account			
Opening balance as at June 16, 2016		-	-
Add: Funds received from the World Bank		600,000	600,000
Less: Amounts transferred to XCD Account for disbursements		(593,100)	(593,100)
Closing balance as at October 31, 2019	5	<u>6,900</u>	<u>6,900</u>
(ii) XCD Account			
Opening balance as at June 16, 2016		-	-
Add: Amounts transferred from USD Account for disbursement		593,100	593,100
Add: Interest received		1,587	1,587
Less: Eligible expenditure		(590,625)	(590,625)
Closing balance as at October 31, 2019	5	<u>4,062</u>	<u>4,062</u>
Total Closing balance as at October 31, 2019		<u>10,962</u>	<u>10,962</u>

SOLAR PV DEMONSTRATION AND SCALE-UP PROJECT
 TF-A1673
 Statement of the Designated Account and Project Accounts
 For the period June 16, 2016 to October 31, 2019
 (Expressed in United States Dollars)

DESIGNATED ACCOUNT RECONCILIATION STATEMENT		
TF-A1673		
		US\$ (Total)
1	Total advanced by World Bank (or co-financier)	600,000
2	Less: Eligible expenditure for the current period June 16, 2016 to October 31, 2019 documented by World Bank	(590,625)
	Cumulative eligible expenditure for the prior periods documented by World Bank	-
3	<i>Present outstanding amount advanced to the designated account (1 - 2)</i>	9,375
4	Balance of designated account per bank statement as at October 31, 2019	6,900
	Balance of project account per bank statement as at October 31, 2019	4,062
5	Plus: Eligible expenditure for the current year documented after the year end	-
6	Plus: Total amount withdrawn and not yet claimed Reason: Incorrect withdrawal made by the Bank to be reimbursed	-
7	Plus: Amounts claimed in previous applications not yet credited at date of bank statement	-
	<u>Application no.</u>	
8	Subtotal of previous applications not yet credited	-
	Less: interest earned	(1,587)
9	<i>Total Advance accounted for (No. 4 through No. 9)</i>	9,375
10	Difference (line 3 less line 9)	-

Solar PV Demonstration and Scale-Up Project TF-A1673
Statement of Cumulative Investments
For the period June 16, 2016 to October 31, 2019
(Expressed in United States Dollars)

	June 16, 2016 to October 31, 2019 US\$	Cumulative at October 31, 2019 US\$
Investments		
Component 1 - Provision of Technical Assistance	89,000	89,000
Component 2 - Commercial Scale Rooftop PV System	501,625	501,625
	<u>590,625</u>	<u>590,625</u>

Solar PV Demonstration and Scale-Up Project TF-A1673
Notes to the Financial Statements
For the period June 16, 2016 to October 31, 2019
(Expressed in United States Dollars)

1. Objectives and nature of the project

The objectives of the Solar PV Demonstration and Scale-Up Project TF-A1673 are to strengthen the quality of service delivery in education to improve efficiency of social protection systems, and to improve effectiveness of labour market systems in Saint Vincent and the Grenadines.

These financial statements reflect the resources managed by the Solar PV Demonstration and Scale-Up Project TF-A1673 Project team, under the Ministry of Finance, Economic Planning, Sustainable Development and Information Technology, located in Kingstown, St. Vincent and the Grenadines.

2. Basis of preparation

The accounting policies set out below have been applied consistently to the period presented in these financial statements.

(a) Statement of compliance

These financial statements are prepared in accordance with International Accounting Standards using the Cash Basis IPSAS - Financial reporting under the Cash Basis of Accounting and the World Bank guidelines.

These financial statements were approved by the Director of Economic Planning on January 29, 2020.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

These financial statements are presented in United States dollars, which is the Project's functional currency. All financial information presented in United States dollars have been converted from Eastern Caribbean dollars at an exchange rate of 2.6882. Amounts in the financial statements have been rounded to the nearest dollar.

(d) Use of estimates and judgments

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Solar PV Demonstration and Scale-Up Project TF-A1673
 Notes to the Financial Statements
 For the period June 16, 2016 to October 31, 2019
 (Expressed in United States Dollars)

3. Significant accounting policies

(a) Foreign currencies

Foreign currencies are translated into United States dollars at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into United States dollars at the exchange rate ruling at that date. Foreign exchange differences arising from translation are recognised in the statement of sources and uses of funds and accumulated investments. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at fair value are translated to United States dollars at the foreign exchange rate ruling at the date the fair value was determined.

(b) Receipts

Funds received are recognised on the cash basis that is when received.

(c) Expenditure

Expenditure are recorded on a cash basis, that is at the time of payment instead of when incurred.

4. Restricted use of funds

The Credit Agreement requires that funds available in the account be restricted to the Project uses only.

5. Cash resources

	2019 US\$
Bank of St. Vincent and the Grenadines - USD Account	6,900
Bank of St. Vincent and the Grenadines - XCD Account	4,062
	<u>10,962</u>

6. Request for reimbursement

Submissions of requests for reimbursement during the period June 16, 2016 to October 31, 2019:

Application dates	Application amount US\$	Less bank charges US\$	Amount received US\$
May 15, 2017	50,000	(8)	49,992
February 7, 2018	24,986	(8)	24,978
May 15, 2018	173,414	(8)	173,406
September 4, 2018	345,413	(8)	345,405
September 19, 2019	5,709	(19)	5,690
September 23, 2019	478	(19)	459
	<u>600,000</u>	<u>(70)</u>	<u>599,930</u>

Solar PV Demonstration and Scale-Up Project TF-A1673
Notes to the Financial Statements
For the sixteen-month period June 16, 2016 to October 31, 2019
(Expressed in United States Dollars)

7. Component 1 - Provision of Technical Assistance

	June 16, 2016 to October 31, 2019	Cumulative at October 31, 2019
	US\$	US\$
Project Manager	37,222	37,222
Training	28,637	28,637
Training Equipment	10,788	10,788
Office Equipment	7,040	7,040
Operating Cost	3,976	3,976
Bank Charges on replenishment	99	99
Documentary	1,238	1,238
	<u>89,000</u>	<u>89,000</u>

8. Component 2 - Commercial Scale Rooftop PV System

	June 16, 2016 to October 31, 2019	Cumulative at October 31, 2019
	US\$	US\$
Supply and Installation of Solar PV System	<u>501,625</u>	<u>501,625</u>

9. Committed payments

Committed payments relate to expenditure for transactions in respect of activities within the contract period that were incurred and billed within the contract period and settled in the subsequent period. The total committed payments as at October 31, 2019 amounted to US\$3,463, which relates to audit fees payable on completion of the audit.

10. Financial instruments

(a) Fair value

Due to the short-term nature of certain financial instruments, the Project is of the opinion that their carrying value approximates fair value. These financial instruments include cash and bank.

The estimates of fair values presented herein are subjective in nature and do not necessarily indicate the amounts the Project could realize in current market exchange. Assets such as prepaid expenses are excluded from fair value. Thus, the total fair value amounts cannot be aggregated to determine the underlying economic value of the Project.

Solar PV Demonstration and Scale-Up Project TF-A1673
Notes to the Financial Statements
For the sixteen-month period June 16, 2016 to October 31, 2019
(Expressed in United States Dollars)

10. Financial instruments (cont'd)

(b) Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted.

To reduce exposure to credit risk, the Project performs ongoing credit evaluations of the prevailing financial conditions. Although the Project is exposed to credit-related losses in the event of nonperformance by counterparties to financial instruments, it does not expect any counterparties to fail to meet their obligations given their credit ratings.

Solar PV Demonstration and Scale-Up Project TF-A1673

ADDITIONAL INFORMATION

TO THE

FINANCIAL STATEMENTS

FOR THE PERIOD JUNE 16, 2016 TO OCTOBER 31, 2019

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROLS

**To the Director of Economic Planning
Ministry of Finance and Economic Planning, Sustainable Development and Information
Technology
Solar PV Demonstration and Scale-Up Project TF-A1673**

We have completed our audit of the Financial Resources Managed during the period June 16, 2016 to October 31, 2019 under Solar PV Demonstration and Scale-Up Project TF-A1673. Our responsibility is to express an opinion on the Project's Internal Controls based on our audit.

We conducted our audit in accordance with International Standards on Auditing, the World Bank Guidelines and the Terms of Reference for the engagement. International Standards on Auditing and World Bank Guidelines require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements as a whole is free from material misstatement.

In planning and performing our audit, we considered the Project's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the Statement of Sources and Uses of Funds and not to provide assurance on the internal control structure.

The Project's management is responsible for establishing and maintaining an adequate internal control structure. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of an internal control structure are to provide management with reasonable but not absolute assurance that assets are safeguarded against losses from non authorised uses or disposition and that transactions are executed according to management authorization and are adequately recorded in order to permit preparation of the financial statements in conformity with the Project Agreement.

Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected.

For the purpose of this report we have classified significant policies and procedures relative to the Project's internal control structure into the entity level controls, which is the overall general control environment and specific control procedures which relates in various systems and application controls. These included controls over procurement of goods and services, receipts and disbursements, cashbook and bank account maintenance, the maintenance of proper accounting records and timely reporting of management and financial information.

For each of the categories listed above, we obtained an understanding of the design and implementation of controls and the relevant policies and procedures and guidelines established by management in respect of the various controls in order to determine whether they have functioned efficiently during the period under review and assess the control risks.

A material weakness is a reportable condition in which the design, implementation; or effectiveness of elements of the internal control structure do not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited, may occur and not be detected. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that would be material weaknesses as defined above.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROLS (CONT'D)

To the Director of Economic Planning
Ministry of Finance and Economic Planning, Sustainable Development and Information
Technology
Solar PV Demonstration and Scale-Up Project TF-A1673

We noted no matters involving the internal control over financial reporting audit operation that we consider to be material weakness except as disclosed in our management letter.



BDO Eastern Caribbean
Chartered Accountants
Kingstown, St. Vincent and the Grenadines
January 30, 2020

INDEPENDENT AUDITORS' REPORT ON THE ELIGIBILITY OF EXPENDITURE

**To the Director of Economic Planning
Ministry of Finance and Economic Planning, Sustainable Development and Information Technology
Solar PV Demonstration and Scale-Up Project TF-A1673**

We have completed our audit of the Solar PV Demonstration and Scale-Up Project TF-A1673, financed by Credit VCT-RS-001 for the period June 16, 2016 to October 31, 2019.

We conducted our audit in accordance with International Standards on Auditing, the World Bank Guidelines and the Terms of Reference for the engagement. Those standards and the World Bank Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether the Project has complied with the terms of the Project Agreements.

As part of obtaining reasonable assurance as to whether the financial statements is free of material misstatement, we performed tests on the expenditures included in the Statement of Receipts and Expenditure. This included testing the accuracy, eligibility, compliance with applicable Project Agreements and internal control procedures.

In our opinion, the expenditures included in the Statement of Receipts and Expenditure are accurate and eligible, the funds have been used only for Project purposes in accordance with the requirements established in the Project Agreement.



BDO Eastern Caribbean
Chartered Accountants
Kingstown, St. Vincent and the Grenadines
January 30, 2020

Government of SVG - IDA CR No.6060 -VC
Solar PV Demonstration and Scale-Up Project
Interim Un-audited Financial Monitoring Report
Statement of Expenditure
For the period June 16, 2016 to October 31, 2019
(Amounts in US\$)

	Period (January 1, 2019 to October 31, 2019)	Cumulative (June 16,2016 to December 31, 2018)	TOTAL
Component:	TF-A1673	TF-A1673	TF-A1673
	US\$	US\$	US\$
Component 1 - Provision of technical assistance			
Project Manager	11,165	26,057	37,222
Structural Engineer	-	-	-
Office Equipment (computer, printer, projector, office chair etc)	-	7,040	7,040
Documentary (print, video, press release and PR)	1,238	-	1,238
Training Equipment	-	10,788	10,788
Training	28,637	-	28,637
Event	-	-	-
Operating Costs	23	3,953	3,976
Audit	-	-	-
Bank charges on replenishment	59	40	99
Exchange Loss	-	-	-
Subtotal - Component 1	41,122	47,878	89,000
Component 2- Commercial Scale Rooftop PV System			
Supply and Installation of Solar PV System	317,780	183,845	501,625
Subtotal - Component 2	317,780	183,845	501,625
Total	358,902	231,723	590,625

ANNEX 2 TERMS OF REFERENCE

Terms of Reference (TOR)
Solar PV Demonstration and Scale-Up Project TF-A1673
For the period June 16, 2016 to October 31, 2019

FINANCIAL AUDIT

GENERAL CONSIDERATIONS AND REQUIREMENTS

I. Basic Considerations for Audits of Projects Financed by the World Bank

These Terms of Reference provide the basic information needed by the auditor to obtain an understanding of the engagement, in order to prepare a proposal and to plan and perform the audit. However, this information must be complemented with that provided in the most relevant Bank publications regarding auditing: the Guidelines on Annual Financial reporting and Auditing for World Bank-financed activities (The Guidelines). This publication constitutes the basic criteria against which the Bank will measure the quality of the auditor's work when performing the desk review of the audit report. Furthermore, the "Guidelines" are specifically considered an integral part of the TORs.

II. Relationships and Responsibilities

The client for the audits is the Implementing Entities (IE) and the Bank is an interested party. A Bank representative may participate in the entrance and exit conferences; supervise the work performed by the auditors to ensure it complies with the terms of reference and the applicable auditing standards, and to provide comments on the draft audit report.

The IE is responsible for preparing all the financial statements and reports required, and for ensuring that all the necessary records are available for the audit, that all the accounting entries and adjustments are made and that all the necessary actions have been taken to allow the auditors to issue the final report of each project before May 31st each year.

The auditors should maintain on file adequate working papers for a period of three years after the end of the audit. During this period, the auditors should promptly provide the working papers requested to the Bank.

III. Audit Background

During loan negotiations the Bank and the Borrower agreed that there would be annual independent audits of each Project for the participating countries separately.

IV. Audit Objectives

The overall objective of this engagement is to allow the auditor to express a professional opinion on the financial position and performance of the projects at the end of the period audited and to report on the adequacy of the internal controls. The engagement will include a special purpose audit of each Project, including the resources provided by the Bank and any other sources of funding. The Bank funds shown in the Project financial statements should be reconciled with the Bank funds included in the entity's financial statements through a note to the financial statements. Notes to the Financial Statements should clearly state the exchange rate used to convert the local currency into the USD.

Audit of the Project: This special purpose audit must be performed in accordance with the International Standards on Auditing issued by the International Federation of Accountants (IFAC), and therefore must include the tests of the accounting records that the auditors consider necessary under the circumstances. The specific objectives of the audit are to:

- Issue an opinion as to whether the Project financial statements, including all relevant Designated Account (DA) reconciliations, 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 international accounting standards and the requirements of the respective agreements with the Bank.
- Issue an opinion on whether the supplementary financial information for the Project is fairly presented, in all material respects.
- Issue a report with respect to the adequacy of the internal control structure of the implementing institution in regard to the Project. This evaluation should also include the internal controls related to the contribution of counterpart funds for the Project. For this purpose, the report/management letter will be based on an assessment of internal controls, which will take place at *mid-year* for each auditable year of Project execution. This will permit early detection on any internal control issues to provide corrective feedback to the IE prior to the carrying out of the end-year audit.
- Conduct audit of 100 percent of the expenditures those were claimed under retroactive financing and provide separate audit opinion about the eligibility of those expenditures.

V. Procedures and Scope of the Audit

The audit shall be performed in accordance with generally accepted auditing standards, which must be compatible with the guidelines contained in the Bank publication mentioned above. Therefore the audit must include adequate planning, the evaluation and testing of the internal control structure and systems and obtaining sufficient objective evidence to allow the auditors to reach reasonable conclusions on which to base their opinions. In conducting their work, the auditors should pay special attention to the following requirements:

- All Project funds - external or counterpart funds - should be used in accordance with the conditions of the relevant financing agreements, with due attention to economy and efficiency, and only for the purposes for which the financing was provided.
- Goods and services financed should be procured in accordance with the relevant financing agreement.
- Implementing entities should keep all necessary supporting documents, records, and accounts in respect of all Project ventures including expenditures reported via IFRs and DA. Clear linkages should exist between the books of account and reports presented to the Bank.
- Where a DA has been used, it should be maintained in accordance with the provisions of the relevant financing agreement.
- Conduct audit of 100 percent of the expenditures those were claimed under retroactive financing, and provide separate audit opinion about the eligibility of those expenditures.
- The Project accounts should be prepared in accordance with International Accounting Standards consistently applied, and give a true and fair view of the financial situation of the Project at the end of the period and of the resources and expenditures for the year ended on that date.

The audit should be performed in accordance with acceptable auditing standards, and therefore should include the tests of the accounting records that the auditors consider necessary under the circumstances. The auditors should be alert for situations or transactions that may indicate fraudulent, wasteful or illegal acts and expenditures. If such evidence exists, the auditors must communicate the situation simultaneously to a duly authorized representative of the Bank and to the Project management, and exercise caution and due professional care in expanding their audit steps and procedures related to illegal acts. Section 240 of the International Standards on Auditing provides guidance on this respect.

VI. Other Responsibilities of the Auditor

The auditor should comply with the following requirements:

- A. Conduct entrance and exit conferences with the Ministry of Finance, Economic Planning, Sustainable Development and Information Technology (MoFESI) of St. Vincent and the Grenadines.
- B. Plan the audit work so that preliminary reviews can be conducted during the period under review (including the first few months), with the purpose of evaluating the systems of internal control and communicating to the implementing entity in a timely manner any situations that merit the attention of management before the issuance of the final audit report.
- C. Independently reference the audit report before issuing it.
- D. Obtain a Management Representation Letter in accordance with section 580 of the International Standards on Auditing, signed by the management of the MoFESI

VII. Audit reports

A. Audit Report on the financial statements of the projects

The auditor will submit an audit report for each project.

Once each audit has been completed, the auditors shall issue the respective report containing the specific opinions and conclusions required. All the reports resulting from the audit of the Project should be incorporated into one document. This report should be addressed and delivered to the MoFESI one month before as per the requirements of the Financing Agreements so that the audit report could be approved and sent to the Bank to comply with the requirements of respective Legal agreements. The report(s) shall be issued in English, duly signed and bound, in original and 9 copies. The report for the Project should contain at least:

- A. A title page, table of contents, a transmittal letter to the Director of Planning and a summary containing the information required in the Guidelines.
- B. The audit report and opinion on the Project financial statements, their corresponding notes and supplementary information. Any costs that are not supported by adequate records or that are not eligible under the terms of the loan agreement (questioned costs) should be identified.
- C. The audit's report on the internal control structure for the Project. The report should disclose, among other information discussed in the Guidelines, the reportable conditions (those that have an impact on the financial statements), including the identification of material weaknesses in the internal control structure of the implementing unit, as well as the comments by the management of the Ministry of Economic Planning etc.

- D. This report should include a section on the follow-up of recommendations made in prior audits, indicating the current status of the recommendations as corrected, partially corrected, or not corrected. The deficiencies that still have not been corrected should be reported again in the current audit report, along with the corresponding management's comments.
- E. A summary of the main audit procedures performed for planning the audit, evaluating the internal control structure, checking the figures included in the financial statements and other areas subject to audit and for evaluating compliance with terms of the applicable agreements, laws and regulations.
- F. Provide a separate audit opinion on the eligibility of the expenditures claimed for retroactive financing.

B. Management Letter

In addition to the audit reports, the auditor will prepare a "management letter," in which the auditor will:

- (i) Provide comments and observations on the notes to the accounts, accounting records, systems, and internal controls that were examined during the course of the audit;
- (ii) Identify specific deficiencies and areas of weakness in systems and internal controls and make recommendations for their improvement;
- (iii) Report on the degree of compliance of each of the financial covenants in the financing agreement and give comments, if any, on internal and external matters affecting such compliance; and
- (iv) Communicate matters that have come to the attention during the audit which might have a significant impact on the implementation of the Project.