

**FINANCIAL AND SYSTEMS AUDIT OF THE CARIBBEAN
REGIONAL COMMUNICATION INFRASTRUCTURE
PROGRAMME (CARCIP)**

CREDIT NUMBER 5118-VC

FEBRUARY 2019

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INDEPENDENT AUDITORS' REPORT – FINANCIAL AUDIT

The Government of St. Vincent and the Grenadines
Ministry of Finance, Economic Planning, Sustainable Development and Information Technology
Bay Street
Kingstown
St. Vincent and the Grenadines

We have audited the Financial Report for the Caribbean Regional Communication Infrastructure Programme for the period from 1 January 2017 to 31 July 2018 which is set out in Annex I of this report. This report is made to the Government of St. Vincent and the Grenadines in accordance with our Terms of Reference.

Respective Responsibilities of the Entity's management and auditors

The preparation of the Financial Report is the responsibility of the Entity's management. Our responsibility is to express an opinion on the Financial Report based on our audit, which is a financial audit performed in the context of compliance with the applicable Agreement Terms and Conditions for the Project.

We conducted our audit in accordance with the International Standards on Auditing insofar as these standards can be usefully applied to this financial audit in its specific compliance context. These standards require that we comply with ethical requirements and that we plan and perform the audit to obtain reasonable assurance about whether the Financial Report is free from material misstatement. An audit includes examining evidence supporting the amounts and disclosures in the above mentioned financial report. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Financial Report.

The objective of this financial audit, in accordance with our Terms of Reference, was to enable us to express an opinion on whether Financial Report of the Project, including all relevant Designated Account (DA) reconciliations, the supplementary financial information for the project and the cumulative investments present fairly, in all material respects, the financial position of the project, the funds received and the disbursements made during the period from 1 January 2017 to 31 July 2018 in accordance with the rules and conditions governing the use of funds as expressed or referred to in the Financing Agreement between the International Development Association and the Government of St. Vincent and the Grenadines.

We believe that our audit provides a reasonable basis for our opinion.

Scope of the audit

The scope of our audit is set out in the Terms of Reference as noted in Section 1 of our report. We have reported all our findings regardless of the amount involved.

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

Basis for Qualified Opinion

We refer to our financial findings totalling XCD 418,511.26 as set out in Section 1 (Summary of Findings) of our report. These findings represent 15% of the total expenditure amount reported for the Project.

We consider these financial findings material in the context of our audit.

Qualified Opinion

In our opinion, except for the effects of the matters referred to in the preceding 'basis for qualified opinion' paragraph the Financial Report of the Project, including all relevant Designated Account (DA) reconciliations, the supplementary financial information for the project and the cumulative investments present fairly, in all material respects, the financial position of the project, the funds received and the disbursements made during the period from 1 January 2017 to 31 July 2018 in accordance with the rules and conditions governing the use of funds as expressed or referred to in the Financing Agreement between the International Development Association and the Government of St. Vincent and the Grenadines.

This report is intended solely for the information and use of the Government of St. Vincent and the Grenadines.



Tim Woodward
Partner
Moore Stephens LLP

150 Aldersgate Street
London
EC1A 4AB

7 February 2019

INDEPENDENT AUDITORS' REPORT – SYSTEMS AUDIT

The Government of St. Vincent and the Grenadines
Ministry of Finance, Economic Planning, Sustainable Development and Information Technology
Bay Street
Kingstown
St. Vincent and the Grenadines

We have audited the Internal Control System set up and operated by the Entity for the Caribbean Regional Communication Infrastructure Programme and for the purpose of managing risks to the achievement of the objectives of the Project. These risks include risks to the Project funding provided by the International Development Association not being used in conformity with the applicable Financing Agreement.

This systems audit covers the design and operating effectiveness of the Internal Control System in the period from 1 January 2017 to 31 July 2018.

Our findings are set out in the relevant sections of our report, which is made solely to the Government of St. Vincent and the Grenadines in order to gain assurance that risks to the achievement of the objectives of the Project are properly managed and controlled.

Respective Responsibilities of the Entity's management and auditors

The Entity's management are responsible for the design, implementation and effective operation of the Internal Control System, including the management and control of risks to the achievement of the objectives to the Project.

Our responsibility is to audit the Internal Control System and to report our findings to the Government of St. Vincent and the Grenadines in accordance with the Terms of Reference for the audit engagement. These specify that we should carry out our work in accordance with International Standards on Auditing insofar as these standards can be applied in the specific context of a systems audit intended to provide assurance that risks to the achievement of the objectives of the Project are properly managed and controlled. These standards require us to observe applicable ethical standards in the conduct of our work.

Scope of the audit

The scope of our audit is set out in our Terms of Reference as noted in Section 1 of our report. It includes an assessment of the main risks to the achievement of the objectives of the Project including risks to the Project funding provided not being used in conformity with the applicable Contractual Conditions and the risk of error, irregularities and fraud with regard to Project funding. The scope of our audit includes an assessment of whether the design of the Internal Control System sufficiently mitigates those risks and whether it is operating effectively.

Our work is designed to concentrate only on the key internal controls of the Entity and specifically those relating to the Project which are designed to prevent and detect material errors, irregularities or fraud with regard to the Project funding.

For the purpose of determining what is a material weakness or deficiency in the Internal Control System we have assessed whether the absence or failure of a control or a series of controls results in a significant risk of material error, irregularity or fraud in the use of the Project funds provided by the International Development Association.

Accordingly, our findings cannot be relied upon to disclose every weakness in internal control that may exist at the Entity or Project level. Additionally, although our audit scope includes consideration of qualitative as well as quantitative factors, it is not a performance audit and therefore concentrates on financial internal controls rather than operational controls.

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

Basis for a qualified opinion

We refer to our system audit findings as set out in Section 2.2 of our report. We consider that these weaknesses do pose a significant risk to the achievement of the objectives of the Project.

We consider these systems audit findings to be material in the context of our audit.

Qualified Opinion

In our opinion, except for the effects of the matters referred to in the preceding 'basis for qualified opinion' paragraph, the Internal Control System set up and operated by the Entity for the purpose of managing material risks to the achievement of the objectives of the Project, was suitably designed and operated effectively in the period from 1 January 2017 to 31 July 2018.

This report is intended solely for the information and use of the Government of St. Vincent and the Grenadines.



Tim Woodward
Partner
Moore Stephens LLP

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7 February 2019

SUMMARY OF FINDINGS

Based on the work we have carried out we have identified a number of issues. A comprehensive list of these issues and weaknesses is given in Section 2. We provide below a summary of issues identified:

Financial Audit Findings

No.	Title	Amount (XCD)	Detail of recommendation	Response from Ministry of Economic Planning	Further comments from Moore Stephens
1	Lack of evidence that procurement procedures were carried out by the Grantees	80,958.71	It is recommended that the Grants Manager reviews the procurement documentation submitted by the Grantee and checks if all the required procurement procedures were carried out by the entity. Only then the Ministry of Economic Planning should make any payment.	Central Technology Centre was presented in the proposal of SVG Institutes of Architect as a single entity that can provide the necessary training which was approved at the national steering committee.	
2	Advances claimed as expenditure	294,165.64	It is recommended that only actual expenditure is charged to the project.	Two additional reports which were submitted by NCTI would reduce the balancing outstanding to XCD 294,165.64. For the payment to Maurice John, an advance was paid prior to delivery of service and the balance paid upon completion of the service. The service was performed within the period covered by the grantees contract and the financing agreement covering CARCIP	
3	Costs not relevant to the project	40,012.78	With regard to the meeting refreshments, we recommend that CARCIP should discuss with venues who provide refreshments for meetings whether there can be a flexible policy. In addition they could communicate with potential attendees prior to the meeting to stress the importance that they only RSVP yes when they are sure that they are able to attend.	While catering service is procured based on an estimate of the number of invitees that may attend, even though no one shows up for the consultation, the services of the caterer still has to be paid for. It should also be noted that due to the nature of the meeting – citizen engagement – it was not possible to determine the level of participation in advance. Further, the costs not relevant to the project relate to the case where the acceptance certificate said Regional Disaster Vulnerability Reduction project instead of CARCIP. The error was due to cutting and pasting. The goods were indeed related to the CARIP project. The Acceptance Certificate has since been corrected and resubmitted to the auditors.	
4	Costs not relating to the period covered by the Financing Agreement	3,374.13	We recommend that only costs which are incurred during the project period are included within the financial report.		
Total		418,511.26			

Systems Audit Findings

No.	Title	Priority	Detail of recommendation	Response from Ministry of Economic Planning	Further comments from Moore Stephens
1	Deficiencies in the administrative organisation of procurement documentation	1	It is recommended that for each procurement process a file is open which shall include an index for all the relevant documentation contained in the file. This documentation should also be referenced.		
2	Deficiencies in the administrative organisation of Grantee documentation	1	It is recommended that for each Grantee process a file is open which shall include an index for all the relevant documentation contained in the file. This documentation should also be referenced.		
3	Lack of evidence that procurement procedures were carried out by the Grantees	1	It is recommended that each Grantee complies with the conditions set out in the Grant Agreement. In that sense the Grants Manager should review the documentation sent by the Grantee and check if all the required procurement procedures were carried out by the entity. Only then the Ministry of Economic Planning should make any payment.		
4	No delivery note for the products acquired	1	We recommend that the Ministry performs a three-way match prior to paying an invoice including the invoice, the delivery note and the Purchase Order. If a Delivery Order is not received then the payment should not go ahead.		

1. ENGAGEMENT CONTEXT

1.1 Introduction

The financial and systems audit of the Caribbean Regional Communication Infrastructure Programme (CARCIP) for the period from 1 January 2017 to 31 July 2018 was carried out from 2 -9 November 2018 by Dora Chambers and Daniela Gianneschi. The audit was performed in accordance with the terms of reference prepared by the Ministry of Economic Planning in Kingstown.

1.2 Background

As part of the National ICT (Information and Communications Technology) Strategy and Action Plan, the Government of St Vincent and the Grenadines has commenced the implementation of the Caribbean Regional Communication Infrastructure Programme (CARCIP). This project is funded by the International Development Association and is designed to (i) bridge the ICT infrastructure gaps at the national and regional levels, (ii) stimulate growth of the IT and IT-Enabled Services sector and (iii) create an enabling environment that fosters competitive access to ICT infrastructure and the IT/IT-Enabled Services sector and other applications industry.

The project consists of three components:

- Regional Connectivity Infrastructure;
- ICT-led Innovation; and
- Implementation Support.

The duration of the project was initially of five years, however, and as per letter from the World Bank dated 24 May 2016 the implementation period was extended to six and a half years, being the closing date 1 August 2018. A subsequent amendment was then signed on 29 June 2018 which extended the project up until 1 February 2020. The estimated cost of the Programme is USD 6 million.

1.3 Audit Objectives

As set out in the terms of reference, the objective of our audit assignment was:

- To express a professional opinion on the financial position and performance of the project at the end of the period audited and to report on the adequacy of the internal controls.

The additional specific objectives of this audit are:

- 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. It should also include 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.
- For this purpose, the reports are based on an assessment of internal controls, at the *mid-year* for each auditable year of Project execution. This permits early detection of any internal control issues to provide corrective feedback to the Ministry of Economic Planning prior to the carrying out of the year-end audit.

- Conduct audit of 100 percent of the expenditure claimed under retroactive financing, and provide separate audit opinion about the eligibility of those expenditures.

This final additional specific objective was not applicable as no expenditure was claimed under retroactive financing during the period.

1.4 Audit scope

The scope of work of the financial audit covered the expenditure and revenue stated in the Financial Report of the Project for the period from 1 January 2017 to 31 July 2018.

The scope of work of the systems audit covered the design and operating effectiveness of the Internal Control System in the period from 1 January 2017 to 31 July 2018. The Internal Control System subject to audit is described in Annex III to this report.

The scope of work included specific considerations and procedures which are set out further below:

- All Project 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;
- The Ministry of Economic Planning should keep all necessary supporting documents, records, and accounts in respect of all Project ventures including expenditures reported via Interim Financial Reports (IFRs) and the Designated Account (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 all expenditures claimed under retroactive financing, and provide separate audit opinion about the eligibility of those expenditures; and
- 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.

In carrying out the audit, we reviewed documentation at the offices of the Ministry of Economic Planning, St Vincent, in order to assess their accounting, internal control and management procedures. Specifically, the work we carried out included the following specific considerations and procedures:

Obtaining an understanding of the engagement context

In advance of the audit fieldwork, we reviewed the terms of reference and contacted the entity being audited to obtain key financial and other data required in order to assist us in the assessment of risk and audit planning.

The opening meeting for the audit took place on 2 November 2018 at the premises of the Economic Planning Division in Kingstown, St Vincent. The purpose of the opening meeting was to clarify the objectives of the audit to the contractor, discuss the background of the contracted activities and discuss any initial issues raised by the auditor or contractor relating to the organisation and scope of the audit. The following people were in attendance:

Nerissa Pitt	Project Accountant, Ministry of Economic Planning
Roxanne John	Project Coordinator, Ministry of Economic Planning
Janelle Quow	Procurement Manager, Ministry of Economic Planning
Dora Chambers	Team Leader, Moore Stephens LLP

Risk assessment and Materiality

We assessed the risks of material errors or misstatements in the expenditure and revenue stated in the Financial Report, whether caused by error or fraud. Where necessary we designed and performed further audit procedures to address risks identified.

Sampling and other means of selecting items for testing

We tested 100% of expenditure.

Obtaining Evidence regarding Design of Controls and Tests of controls

We designed and performed audit procedures, the nature, timing and extent of which were tailored to the assessed risks of material errors.

We obtained a description of, and carried out a review of, the accounting procedures relevant to the Project.

Based on our understanding of the accounting systems in place we undertook substantive testing of the expenditure claimed. We checked compliance with contractual rules as expressed or referred to in the Financing Agreement and the Project Implementation Manual. We checked individual amounts claimed against original supporting invoices and documentation.

Substantive procedures

The fieldwork was performed from 2-9 November 2018. Specifically, the work carried out included the following:

(a) Documentation, filing and record keeping for Project expenditure and income

- We ensured that the project operated an organised system for filing original numbered invoices and receipts which are easily retrievable and specific to the project.

(b) Eligibility of project expenditure and Income

- We ensured that (apart from where reported to the contrary within this report) all expenditure and income had been incurred in accordance with the Financing Agreement – for example that it had been authorised by the appropriate member of staff, that appropriate segregation of duties had been maintained and that all relevant procedures had been followed.
- We vouched expenditure amounts to invoices, bank statements, contracts or similar supporting documentation, including evidence of outputs. This included testing whether the expenditure had been generated within the contracted project period.
- We confirmed that expenditure was consistent with the pursuit of project objectives as set out in the Financing Agreement, and that the project budget had not been exceeded.

(c) Accounting / Financial Reporting

- We reconciled the financial report for the period concerned to data drawn from the accounting system of the Central Planning Division, to confirm the completeness, existence and accuracy of expenditure reported.

(d) Procurement

- Through a review of tender files and supporting documents, we confirmed that the procurement procedures had been correctly followed and that the tender process was fair, transparent and value for money was obtained.

(e) Cash and bank management (treasury)

- Banking arrangements were in place to effectively manage the receipt of funds and Designed Account reconciliations had been prepared.

(f) Grantees

- We ensured that the Grantees' selection process was in accordance to the Business Incubation and Training Grants Manual.

2. AUDIT FINDINGS

2.1 Financial Audit Findings

Finding n°: 1	Title: Lack of evidence that procurement procedures were carried out by the Grantees
Compliance issue: Incorrect procurement procedure applied	

Observation and Analysis:

Section 2.05 (Eligible Expenditures) of 'General Conditions for Credits and Grants' states:

'...(a) the payment is for the financing of the reasonable cost of goods, works or services required for the Project...'

Also the Grant Agreements signed between the Government of St. Vincent and the Grenadines and the Grantees state the following:

'For any expenditure exceeding XCD \$5,000, the Recipient shall source three quotations before making the purchase, using the shopping template to be provided by the contracting authority. The purchase shall be made from the supplier with the lowest responsive price. Expenditure less than XCD \$5,000 will be procured using the request for drawdown of grant funds, signed by the Project coordinator'.

In addition the "Business Incubation and Training Grants Manual" states in its section 2.2.5 related to Incubation Grants that "Goods and services will be procured by the Grantee. All Single purchases must be supported by at least three quotations. All three (3) quotations along with the application for payment must be submitted to the Grant Manager of CARCIP. Single source for any amount MUST require the approval of the CPD with recommendation from the CARCIP Project Coordinator".

Section 3.2.7 of the same Manual relates to Training Grants and states that "Goods and services as it relates to training grants will be procured by the Grantee. All Single purchases MUST be supported by at least three (3) quotations. All three (3) quotations along with the application for payment must be submitted to the Grant Manager of CARCIP. Single Source for any amount should require the approval of the CPD with recommendation from the CARCIP Project Coordinator".

We have analysed the procurement documentation provided by the Grantees to the Grants Manager and noted that there was no evidence that the Grantees requested and obtained at least 3 quotations. We could obtain neither the invitations to quote that were allegedly sent to the suppliers/service providers and sometimes we could not obtain the quotes that might have been received (just the quote of the successful bidder was available). A list of the transactions reviewed is shown below:

Date	Reference	Transaction Description	XCD	USD
4/27/17	70/2017	Central Technology Centre Ltd - Payment for providing 2 weeks of training to Architects and reimbursement of airfare and accommodation costs as per contract with SVG Institute of Architects	80,958.71	30,116.33
Total			80,958.71	30,116.33

We consider the amount of XCD 80,958.71 to be ineligible.

Amount: XCD 80,958.71

Recommendation:

It is recommended that the Grants Manager reviews the procurement documentation submitted by the Grantee and check if all the required procurement procedures were carried out by the entity. Only then the Central Planning Division should make any payment.

Comments from the Entity:

For greenfinger, all of the letters of invitation to quotes were made available to the auditors which is evidence that more than three requests for suppliers to provide quotation were sent out.

Procumbent documents for the third finding for contract valued at XCD 55,000.00 were shared with the auditors.

Central Technology Centre was presented in the proposal of SVG Institutes of Architect as a single entity that can provide the necessary training which was approved at the national steering committee.

Further comments from the auditor: The finding was subsequently amended.

Finding n°: 2**Title:** Advances claimed as expenditure**Compliance issue:** Expenditure not incurred**Observation and Analysis:**

Section 2.05 (Eligible Expenditures) of 'General Conditions for Credits and Grants' states:

'...(a) the payment is for the financing of the reasonable cost of goods, works or services required for the Project...'

We noted that in the financial report advances to the Grantee NCTI were included as expenditure. View details below:

Date	Reference	Trans Description	Transaction amount XCD	Transaction amount USD
3/3/17	29/2017	National centre of Technologic - Advance for Incubation for Quarter 1 of 2017	31,870.00	11,855.52
3/3/17	29/2017	National centre of Technologic - Advance for Training for Quarter 1 of 2017	175,000.00	65,099.32
10/24/17	149/2017	National centre of Technologic - Advance for quarter 2 of 2017	100,000.00	37,199.61
10/24/17	149/2017	National centre of Technologic - Advance for quarter 2 of 2017	150,000.00	55,799.42
3/5/18	21/2018	Maurice John - Advance payment for social media marketing consultancy for 3 months on behalf of Konserv, a CARCIP grantee	1,200.00	446.40
4/18/18	34/2018	National centre of Technologic - Advance payment for quarter 2 of 2018	200,000.00	74,399.23
4/18/18	34/2018	National centre of Technologic - Advance payment for quarter 2 of 2018	200,000.00	74,399.23
Total			856,870.00	318,752.32

The expenditure per the financial reports submitted by NCTI amounts to XCD 562,704.36. Thus, we consider the difference of XCD 294,165.64 to be ineligible (XCD 856,870.00 – XCD 562,704.36).

Amount: XCD 294,165.64**Recommendation:**

It is recommended that only actual expenditure is charged to the project.

Comments from the Entity:

Two additional reports which were submitted by NCTI would reduce the balancing outstanding to XCD 294,165.64. For the payment to Maurice John, an advance was paid prior to delivery of service and the balance paid upon completion of the service. The service was performed with the period covered by the grantees contract and the financing agreement covering CARCIP

Further comments from the auditor: The finding was amended.

Finding n°: 3**Title: Costs not relevant to the project****Compliance issue: Costs not linked to project / not necessary for performance of the project****Observation and Analysis:**

Section 2.05 of the Project Implementation Manual entitled 'Eligible expenditures', states that eligible expenditure must satisfy the following requirements:

- The payment is for the financing of the reasonable cost of goods, works or services required for the project.'

We noted certain items of expenditure which appeared not to relate to the project or were not necessary for the performance of the project, and therefore we deem that they are questionable. We set out the details of these costs in the table below and describe the reason why we consider the cost to be questionable:

Date	Reference	Description	Amount	Comments
2/24/17	17/2017	Mavcom - Payment for supplying Course Equipment and software to NCTI as per contract no.21/2017	36,407.02	We saw an acceptance certificate, which was for the Regional Disaster Vulnerability Reduction project, not the CARCIP project so we deem that the goods do not relate to the project subject to audit.
3/3/17	30/2017	Darron Andrews - Payment for the provision of musical entertainment during broadband consultation at Kingstown on February 16, 2017	250.00	Darron Andrews - Payment for the provision of musical entertainment during broadband consultation at Kingstown on February 16, 2017. We saw an agenda which showed this was for a cultural presentation which lasted for five minutes.
Total			36,657.02	

For the following items, we noted that meetings had taken place and that snacks and refreshments had been purchased for these meetings but that the participant lists had been signed by less people than stated in the invoice for the refreshments. We therefore deem that the difference in the two amounts is questionable.

Date	Reference	Description	Comments	Questionable amount
3/1/17	23/2017	Shaveca Hazell - Payment for the provision of catering services at the broadband consultations held in Bequia, February 9, 2017	The participation list only showed 11 signatures whereas the snacks were ordered for 50 people at \$15 each. Therefore we deem 39 of the snacks to be unnecessary for the project.	625.76
3/3/17	31/2017	Estella Bascombe - Payment for the provision of catering services at broadband consultation at Layou on January 31, 2017	The participant list only showed 18 people whereas 50 snacks had been bought for \$15 each. Therefore we only deem 18 of the snacks to be unnecessary for the project.	480.00
3/17/17	35/2017	Moricia Richards - Payment for the provision of catering services at broadband consultations held at Kingstown on February 16, 2017	The participant list only shows 50 participants whereas the invoice states that snacks for 200 were ordered. We deem that only 50 of the 200 snacks ordered to be unnecessary.	2,250.00
Total				3,355.76

Amount: XCB 40,012.78

Recommendation:

With regard to the meeting refreshments, we recommend that CARCIP should discuss with venues who provide refreshments for meetings whether there can be a flexible policy. In addition they could communicate with potential attendees prior to the meeting to stress the importance that they only RSVP yes when they are sure that they are able to attend.

Comments from the Entity:

While catering service is procured based on an estimate of the number of invitees that may attend, even though no one shows up for the consultation, the services of the caterer still has to be paid for. It should also be noted that due to the nature of the meeting – citizen engagement – it was not possible to determine the level of participation in advance. Further, in the case where the acceptance certificate said Regional Disaster Vulnerability Reduction project instead of CARCIP, the error was due to cutting and pasting and the goods were indeed related to the CARIP project. The Acceptance Certificate has been corrected and resubmitted to the auditors.

Further comments from the auditor: Relating to the catering services, we deem that the project could have tighter controls over the number of attendees as per the recommendation. Regarding the acceptance certificate, there is a risk that this cost may be double funded and therefore based on the documents that we have seen, we cannot say that it is for the purpose of the CARCIP project.

Finding n°: 4	Title: Costs not relating to the period covered by the Financing Agreement
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Compliance issue: Costs not relating to the period subject to audit or the grant period

Observation and Analysis:

According to Section 2.05 Eligible expenditures of the General Conditions to the contract, eligible expenditures must satisfy the following condition: 'payment is made on or after the date specified in the Financing Agreement, and except as the Association may otherwise agree, is for expenditures incurred prior to the closing date.'

The Financing agreement signed between the World Bank and CARCIP has been extended to last until 1st February 2020, which is seen as the end of the project period. However, during our testing we found that some services were procured for a period of between 4 – 6 years commencing in 2018, going beyond even the extended project period. Grantees should only request reimbursement for products/services procured for the project period. We list the invoice where this instance was found below:

Account Description	Date	Reference	Trans Description	Ineligible amount XCD	Description of cost	Comments
3A's Technology, a CARCIP grantee	19/7/2018	65/2018	Aldous Anderson - Reimbursement of amount paid for services purchased on behalf of 3A's Technology, a CARCIP grantee.	1,769.65	IT services procured, specifically name domain, website hosting, SSL software, social media management, USB redirect for website, Face book ads.	<p>The invoice for 3A's technology services dated 28/06/2018 includes 3 services which were paid upfront for several years beyond the project scope, that is specifically:</p> <ol style="list-style-type: none"> 1. Hosting through Godaddy for 6 years for 1,639.83 XCD 2. Domain name for 5 years for 216.21 XCD 3. Standard SSL for 4 years for 641.24 XCD <p>Given that the remaining project period from the date of invoice to 1st February 2020 is only 19 months, we deem part of the expenditure for the above services ineligible. The ineligible amounts using the pro rata calculation are as follows :</p> <p>Hosting through Godaddy for 4 years for $(19/72 \times 1,639.83) = 432.73$ XCD</p> <p>$1,639.83 - 432.73 =$ 1207.10 XCD</p> <p>Domain name for 3 years $(19/60 \times 129.726) = 41.08$ XCD</p> <p>$216.21 - 41.08 =$ 175.13 XCD</p>

						<p>Standard SSL for 2 years $(19/48 \times 641.24) = 253.82 \text{ XCD}$</p> <p>$641.24 - 253.82 = 387.42$</p> <p>Total of ineligible expenditure amounts to $1207.10 + 175.131 + 387.416 = 1,769.65 \text{ XCD}$</p>
EkApps – Incubation grants	03/04/2018	DA04/2018	PDR Solutions US LLC - Payment for renewal of web site hosting package on behalf of EkApps	1,604.48	Renewal of web hosting package for 4.5 years	<p>The invoice covers 4.5 years of web hosting package, 4.5 years equals 54 months. However, there is only 22 months (April 2018 –1st February 2020) remaining in the project period which lasts until 1st February 2020. The total invoice amount should therefore be reimbursed pro rata, to cover only the 22 months relevant to the project.</p> <p>$(22/54 \times 2,707.55) = 1103.08 \text{ XCD}$</p> <p>The amount reimbursed should therefore be 1103.008 XCD. We deem the remaining amount, 1604.48 XCD ineligible as it covers expenditure beyond the end of the project period.</p>
Total				3,374.13		

Amount: 3,374.13

Recommendation:

We recommend that only costs which are incurred during the project period are included within the financial report.

Comments from the Entity:

The recommendation is noted.

2.2 Systems Audit Findings

Finding n°: 1	Title: Deficiencies in the administrative organisation of procurement documentation
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Internal control issue: Expenditure control including related procurement process and procedures

Observation and Analysis:

The procurement documentation analysed by us had some deficiencies from the point of view of its administrative organization. The main issues noted were the following:

- Absence of procurement file with an index referring to the documentation contained;
- No numbering / reference of existing documentation.

In addition to facilitating the consultation of the various processes, the improvement of its organization will certainly allow compliance with the provisions of section 4 of the Project Implementation Manual, which stipulates that *“staff shall keep a record of the procurement process and documentation and maintain a file system for future reference and for auditing purposes. A separate file shall be opened for each approved procurement package and each file shall contain all relevant procurement documents”*.

Conclusions:

We concluded that improvements should be made in terms of filing the procurement documentation. This would reduce the risk of losing or misplacing relevant documentation.

Recommendation:

It is recommended that for each procurement process a file is opened which includes an index for all the relevant documentation contained in the file. This documentation should also be referenced.

Recommendation priority: 1

Comments from the Entity:

Recommendation is noted.

Finding n°: 2

Title: Deficiencies in the administrative organisation of Grantees documentation

Internal control issue: Expenditure control

Observation and Analysis:

The relevant documentation related to the selection process of the Grantees, i.e. application form, eligibility checks, evaluation committee minutes, National Steering Committee minutes and Grant Agreement among others is kept by the Grants Manager and Project Coordinator at the Department of Telecommunications, Science and Technology. At the Ministry of Economic Planning is also kept the Grant Agreement and all the necessary documentation to enable the Division to make payments to the Grantees or payments on their behalf.

We noted that the files provided by the Grants Manager and the Ministry of Economic Planning had deficiencies from the point of view of its administrative organization. The main issues noted were the following:

- Absence of a Grantee file with an index referring to the documentation contained;
- No numbering / reference of existing documentation.

We were also not able to see the full documentation relating to the call for proposal for grantees dated April 15 2016. We requested access to and were not provided with the following:

- No eligibility checklist for selected grantees
- No interview minutes or reports of site visits prior to selecting the grantees

We were only able to see one letter informing the grantee of being selected - MHR Holdings. We haven't been able to see the letters for other grantees who were successful.

This is not a financial finding since we have seen a report which summarises the bid evaluation conducted.

Conclusions:

We concluded that improvements should be made in terms of filing the Grantees documentation. This would contribute to mitigate the risk of losing or misplacing relevant documentation.

Recommendation:

It is recommended that for each Grantee process a file is open which shall include an index for all the relevant documentation contained in the file. This documentation should also be referenced.

Recommendation priority: 1

Comments from the Entity:

The eligibility checklist was shared with the auditors. It may have been a misunderstanding as to the checklist requested. The checklist for all applicants is submitted to the auditors. Further, minutes from a CARCIP steering committee meeting was shared with the auditors and this report contained summary of the interviews held with grantees. Each grantee has file that is kept by the Grants manager.

Further comments from the auditor: Despite the supporting documents seen, we still deem that the finding stands. The eligibility checklists sent were blank versions and therefore did not provide evidence of the assessment carried out.

Finding n°: 3

Title: Lack of evidence that procurement procedures were carried out by the Grantees

Internal control issue: Expenditure control including related procurement process and procedures

Observation and Analysis:

As referred in financial audit finding no.1 we have analysed the procurement documentation provided by the Grantees to the Grants Manager and noted that there was no evidence that the Grantees requested and obtained at least 3 quotations as required by the Grant Agreement and the Business Incubation and Training Grants Manual. A bid comparison table was often available but we could obtain neither the invitations to quote that were allegedly sent to the suppliers/service providers nor the quotes that might have been received (just the quote of the successful bidder was available).

Conclusions:

We concluded that improvements should be made in terms of reviewing the procurement documentation sent by the Grantees in order to assure that all the necessary procedures were carried out by the Grantee and were in compliance with both Grant Agreement and Business Incubation and Training Grants Manual.

Recommendation:

It is recommended that each Grantee complies with the conditions set out in the Grant Agreement. In that sense the Grants Manager should review the documentation sent by the Grantee and check if all the required procurement procedures were carried out by the entity. Only then the Central Planning Division should approve and make any payment.

Recommendation priority: 1

Comments from the Entity:

The recommendation is noted. However, the Grants manager had worked closely with the grantees to ensure that the procedures are followed.

Finding n°: 4

Title: No delivery note for the products acquired

Internal control issue: Payment processing

Observation and Analysis:

We noted that for one item of equipment that was purchased, the Ministry had not received a Delivery note and yet had arranged for payment of the invoice. The transaction to which this applies is set out in the table below:

Supplier	Description of cost	Amount XCD	Other comments
	Four desktop phones handsets and one year of service (July 2017 - June 2018)	4,800.03	MHR Holding, a grantee under CARCIP

Recommendation:

We recommend that the Ministry performs a three-way match prior to paying an invoice including the invoice, the delivery note and the Purchase Order. If a Delivery Order is not received then the payment should not go ahead.

Recommendation priority: 1

Comments from the Entity:

Recommendation is noted.

3. SPECIFIC MATTERS

The additional specific objectives of this audit along with the associated work we performed are as follows:

- 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. It should also include 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.

We reviewed the Designated Account (DA) reconciliations for the period from January 2017 to July 2018 which were included in the interim financial reports. The cumulative amount of expenditure at 31 July 2018 reconciled to total project expenditure per the Project Financial Report (Annex 1) that we were provided. Our opinion with regard to this objective is provided on pages 3 and 4 of this report.

Refer to Annex IV for the DA reconciliation for the quarter to 31 July 2018.

- Issue an opinion on whether the supplementary financial information for the Project is fairly presented, in all material respects.

In addition to the Project Financial Report, we were provided with the interim financial reports for each quarter in 2017 and up until June 30 2018. This included expenditure by activity and sub-activity, analysis of operating expenses, cash flow forecast and a procurement monitoring schedule. This information was consistent with the Project Financial Report and Designated Account reconciliations. Our opinion with regard to this objective is provided on pages 3 and 4 of this report.

- Issue a report with respect to the adequacy of the internal control structure of the implementing institution in regard to the Project.

Our assessment of internal controls is included in Annex III and the Audit Report relating to this is provided on pages 5 and 6 of this report.

- For this purpose, the report 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 CPD prior to the carrying out of the end-year audit.

Our assessment of internal controls is included in Annex III and the Audit Report relating to this is on pages 5 and 6 of this report.

- Conduct audit of 100 percent of the expenditures claimed under retroactive financing, and provide separate audit opinion about the eligibility of those expenditures.

There was no expenditure claimed under retroactive financing for the period.

ANNEXES

ANNEX I - CARCIP FINANCIAL REPORT (AUGUST 2011 – JULY 2018)

Budget Heading	Amount provided in contract		Expenditure (Aug 2011 – Dec 2013)		Expenditure (Jan 2014 – Dec 2014)		Expenditure (Jan 2015 – Dec 2015)		Expenditure (Jan 2016 – Dec 2016)		Expenditure (Jan 2017 – July 2018)		Balance	
	USD	XCD	USD	XCD	USD	XCD	USD	XCD	USD	XCD	USD	XCD	USD	XCD
Component 1: Regional Connectivity Infrastructure	3,450,000	9,274,290	-	-	42,526	114,318	51,564	138,614	154,151	414,388	205,449	552,289	2,996,310	8,054,680.95
Broadband Network Consultancy: Validation, design & tendering of works	200,000	537,640	-	-	-	-			141,852	381,327	141,665	380,825	(83,518)*	(224,512)
Draft legal and regulatory safeguards consultancy	200,000	537,640	-	-	-	-			3,179	8,546	61,924	166,464	134,897	362,629.96
Goods for IXP	20,000	53,764	-	-	42,526	114,318							(22,526)*	(60,554.00)
Government Network-Design, Supply & Installation of PBX and associated LAN & (minimal) WAN infrastructure	550,000	1,478,510	-	-	-	-							550,000	1,478,510.00
Installation of new broadband network	2,330,000	6,263,506	-	-	-	-							2,330,000	6,263,506.00
Broadband Network: Supervision of Installation	100,000	268,820	-	-	-	-							100,000	268,820.00
Government Electronic Mail Service	50,000	134,410	-	-	-	-	51,564	138,614	9,119	24,515	1,860	5,000	(12,543)*	(33,718.84)*
Component 2: ICT Led Innovation	2,000,000	5,376,400	17,810	47,876	179,727	483,142	97,431	261,914	537,729	1,445,524	745,519	2,004,103	421,784.03	1,133,840.78
Business Incubation Grants and Training Manager	125,000	336,025	17,810	47,876	49,633	133,423	26,784	72,000	26,784	72,000	20,088	54,000	(16,098)*	(43,274)*

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Budget Heading	Amount provided in contract		Expenditure (Aug 2011 – Dec 2013)		Expenditure (Jan 2014 – Dec 2014)		Expenditure (Jan 2015 – Dec 2015)		Expenditure (Jan 2016 – Dec 2016)		Expenditure (Jan 2017 – July 2018)		Balance	
	USD	XCD	USD	XCD	USD	XCD	USD	XCD	USD	XCD	USD	XCD	USD	XCD
Business Incubation Grants	1,050,000	2,822,610	-	-	3,926	10,554			241,249	648,526	320,590	861,810	484,235.05	1,301,720.53
Implementation and capacity building support for Centre of Excellence	150,000	403,230	-	-	11,992	32,237	61,393	165,038	54,188	145,669	61,915	166,441	(39,489)*	(106,154.81)*
Equipment for Centre of Excellence	50,000	134,410	-	-	-	-	9,254	24,877	22,207	59,697	20,460	55,000	(1,921)*	(5,163.89)*
Technical assistance for skills assessment and program development	100,000	268,820	-	-	114,176	306,928							(14,176)*	(38,108)*
Skills development and certification	525,000	1,411,305	-	-	-	-			193,301	519,632	322,466	866,852	9,233.30	24,820.94
Component 3: Implementation Support	550,000	1,478,510	105,505	283,619	89,976	241,874	71,896	193,272	95,100	255,648	117,144	314,906	70,378.80	189,191
Project Coordinator	250,000	672,050	53,613	144,123	43,639	117,310	45,220	121,561	46,253	124,338	26,981	72,530	34,293	92,187
Monitoring and Evaluation	25,000	67,205	-	-	-	-							25,000	67,205
Social Safeguard	50,000	134,410	-	-	-	-							50,000	134,410
Financial Audit	50,000	134,410	-	-	7,374	19,823			14,748	39,646	27,038	72,684	840	2,258
Equipment to support project management	50,000	134,410	6,264	16,838	4,831	12,987					13,543	36,407	25,362	68,178
Training for CPD, ITSD, and DTST	50,000	134,410	8,079	21,718	7,470	20,081	14,796	39,776	15,377	41,336			4,278	11,499
Operating Expenses	75,000	201,615	37,549	100,940	26,662	71,673	11,880	31,934.64	18,722	50,329	49,581	133,285	(69,394)*	(186,546)*
Total	6,000,000	16,129,200	123,315	331,495	312,229	839,334	220,891	593,800	786,980	2,115,560	1,068,112	2,871,298	3,488,473	9,377,713

* A 'no-objection' was received from the World Bank for expenditure in excess of original budget.

Notes to the Financial Report

1. Accounting standards

The financial report has been prepared on a Cash Basis and this accounting policy has been applied consistently throughout the period. Under the cash basis of accounting, revenues are reported on the income statement when the cash is received and expenditure reported when cash is disbursed.

2. Basis of measurement

Expenses are recorded in the Financial Report on the basis of Historical Cost.

3. Functional currency

The reporting currency is East Caribbean Dollars (XCD).

4. Estimates and judgements

All expenditure is accounted for on a Cash Basis and has been classified under budgetary headings that aggregate all costs related to that category, the classification of which is a matter of Management's professional judgement.

ANNEX II – SOURCES AND USE OF FUNDS

Sources of funding and revenue - amounts in USD

Sources of funding and revenue	Budget	Actual (Aug 2011 – Dec 2013)	Actual (Jan 2014 – Dec 2014)	Actual (Jan 2015 – Dec 2015)	Actual (Jan 2016 – Dec 2016)	Actual (Jan 2017 – Dec 2018)	Total Actual (Aug 2011 – July 2018)
World Bank contribution	6,000,000	200,000	336,575	500,000	1,000,000	1,350,000	3,386,575.00
Total of funding and revenue	6,000,000	200,000	336,575	500,000	1,000,000	1,350,000	3,386,575.00

Summary by category / main type of expenditure - amounts in USD

Expenditure category	Budget	Actual (Aug 2011 – Dec 2013)	Actual (Jan 2014 – Dec 2014)	Actual (Jan 2015 – Dec 2015)	Actual (Jan 2016 – Dec 2016)	Actual (Jan 2017 – July 2018)	Total Project Expenditure
Component 1: Regional Connectivity Infrastructure	3,450,000	-	42,526	51,564	154,151	205,449	453,690
Component 2: ICT Led Innovation	2,000,000	17,810	179,727	97,431	537,729	745,519	1,578,216
Component 3: Implementation Support	550,000	105,505	89,976	71,896	95,100	117,144	479,621
Adjustments made for ineligible expenditure / transaction fees					(325)*		
Total	6,000,000	123,315	312,229	220,891	786,570	1,068,112	2,511,201

* Please note that adjustments were made to prior period expenditure as follows: amounts for \$ 67.64 and \$ 342.70 were refunds used to reduce expenditure documented to the Bank in 2016, and \$85 was a cumulative amount of bank transaction fees from 2012 to 2016.

ANNEX III – SYSTEMS DESCRIPTION

Cash and bank management

A USD account (# 9027), known as the 'Designated' account, held with the Bank of St Vincent and the Grenadines was used to receive the International Development Association funds. Funds are drawn down periodically into the local XCD account (# 135715), also held with the Bank of St Vincent and the Grenadines, from where payments in local currency can be made.

Designated Account reconciliations are performed monthly which reconcile with International Development Association funds received to the funds drawn down into the local account. Monthly bank reconciliations for the XCD account are also performed.

We were provided with bank statements to evidence the receipts of the USD 500,000 and USD 850,000 from the International Development Association on 6 April 2017 and 2 May 2018.

Accounting and Reporting

The Ministry of Economic Planning was responsible for maintaining the underlying accounting records and prepared all reports. They use the accounting software 'Peachtree' which allows different projects to be set-up and maintained individually. Project expenditure is allocated against budget headings which are monitored using 'control cards'.

All computers and software used require password entry. The access / restrictions are set based on role and authority level. This is to strengthen appropriate segregation of duties.

Expenditure

In 2016 Incubation and Training grant agreements were signed between several Grantees and the Government of St. Vincent and the Grenadines. The majority of the expenditure reported relates to payments made by the Grantees and payments made by the Government on their behalf. Expenditure also includes payments to the consultants.

We noted an issue where advances made by the Government to the Grantees were being claimed as expenditure. Please refer to financial audit finding no.2 for further details.

A Manual has been developed to guide the process through Business Incubatees from eligible incubators to access Business Incubation Grants or ICT related Training Grants. This "Business Incubation and Training Grants Manual" which is dated 29 July 2014 has received the World's Bank 'no objection' on 1 August 2014.

This Manual is divided into four sections:

1. Business Incubation and Training Grants Manual Overview
2. Business Incubation Grants Policies and Procedures
3. Training Grants Policies and Procedures
4. Applicants Procedures

The Manual sets up the steps to be followed from the application to the award process for Grants and also includes the procurement procedures for goods and services that the Grantees need to carry out. In this particular area we have noted several instances where we could not obtain evidence that at least three quotations were being requested and obtained by the Grantee as foreseen in the Manual and Grant Agreement. Please refer to financial audit finding no.1 and systems audit finding no.3 for further details.

We have also noted some deficiencies in the administrative organisation of the Grantees documentation. Please refer to systems audit finding no.2 for further details.

Purchases are generally initiated by a Project Officer who completes a purchase requisition. A purchase order will then be completed by one of the Administrative staff and approved by a more senior staff member, such as a Procurement Officer. Upon receipt of the invoice, a 3 way match is performed

(checking the invoice against the purchase order and receipt note) in order to verify the purchase. A payment voucher is then prepared by one of the Accountants, before being reviewed by a more senior Accountant, and sent to the Project Coordinator to approve. A bank order is then signed by two of four bank signatories: Deputy Director of Planning, Accountant General, Permanent Secretary or Senior Projects Officer.

Procurement

The following thresholds were in place (as per the Project Implementation Manual) in order to determine which procurement procedures should be followed:

Expenditure Category	Contract Value (Threshold) USD Thousands	Procurement Method
1. Works	> 3.0	ICB
	3.0-250	NCB
	< 250	Shopping
2. Goods	> 250	ICB
	50-250	NCB
	< 50	Shopping
3. Services		
- firms	> 200	QCBS
	< 200	QCBS, QBS, FBS, LCS, CQ, SSS
- individuals	> 50	Comparison of 3 CVs
	< 50	

We noted some deficiencies in the administrative organisation of procurement documentation. Please refer to systems audit finding no.1 for further details.

ANNEX IV – DESIGNATED ACCOUNT RECONCILIATION 2018

	Designated Account Reconciliation Statement	Amount USD
1	Total advanced by World Bank (or co-financier)	3,386,575
2	Less: Eligible expenditure for the period ended 31 March 2018 documented by World Bank	774,809
	Less: Cumulative eligible expenditure for the prior periods ended December 31, 2016 documented by World Bank	1,226,554
3	Present outstanding amount advanced to designated account (1-2)	1,385,212
4	Balance of USD designated account per bank reconciliation statement as at period end July 31, 2018	852,842
5	Balance of project account per bank reconciliation statement as at period end July 31, 2018	56,494
6	Plus: Eligible expenditure for the current year documented after the period end	137,703
	Plus: Total amount withdrawn and not yet claimed	
7	Reason: Supporting documents for expenditure not yet uploaded to client connection Plus: Amounts claimed in previous applications not yet credited	-
	<u>Application no.</u>	
	Subtotal of previous applications not yet credited	-
8	Less interest earned	(7,028)
9	Total Advance accounted for (No. 4 through No.9)	1,040,012
10	Difference (line 3 less line 9)	345,200
	Represented by:	
10 (b)	Exchange loss	(45)
10 (c)	revenue from bid documents	695
10 (d)	Ineligible expenditure identified in period to 30 July 2018	(155,685)
10 (e)	Ineligible expenditure identified in period from 1 January to 31 December 2016	(184,566)
10 (f)	Ineligible expenditure identified in period from 1 January to 31 December 2015	(125)
10 (g)	Ineligible expenditure identified in period from 1 January to 31 December 2014	(68)
10 (h)	Ineligible expenditure identified in period from 1 August 2011 to 31 December 2013	(5,406)
		(345,200)

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		2013 Amount (USD)	2014 Amount (USD)	2015 Amount (USD)	2016 Amount (USD)	2017-2018 Amount (USD)	Cumulative at 31 December 2018 Amount (USD)
1	Total advanced by World Bank (or co-financier)	200,000	336,575	500,000	1,000,000	1,350,000	3,386,575
2	Balance of designated account as at 31 December 2013 / 2014 / 2015 / 2016 and 30 July 2018*	77,549	103,345	394,680	624,442	909,336	909,336
3	Plus: amount of eligible expenditure	117,909	312,161	220,766	602,414	912,512	2,165,763
4	Plus: Total amount withdrawn and not yet claimed	-	-	-			
5	Plus: Amounts claimed in previous applications not yet credited at date of bank statement	-	-	-			
6	Less interest earned	(887)	(451)	(644)	(1,994)	(3,052)	(7,028)
7	Total Advance accounted for (No. 2 through No.6)	194,571	415,055	614,802	1,224,862	1,818,797	3,068,072
8	Difference (line 1 less line 7)	5,429	(78,480)	(114,802)	(224,862)	(468,797)	318,503
	Represented by:						
8 (a)	Transaction fees and Bank Charges	(23)	(39)	(23)		85**	
8 (b)	Revenue from bid documents	-	695	-			695
8 (c)	Refund from HTERP	-	343	-			343
8 (d)	Refund from PSIP for payment of Gasoline	-	-	67			67
8 (e)	Bank balance carried forward		77,549	103,345	394,680	624,442	-
8 (f)	Direct payment			11,538	14,748		26,286
8 (g)	Ineligible expenditure identified in period from 1 August 2011 to 31 December 2016	(5,406)	(68)	(125)	(184,566)	(155,685) (45)	(345,849) (45)
8 (h)	Exchange loss on amount incurred in USD						
	Total	(5,429)	78,480	114,802	224,862	(468,797)	(318,503)

* This includes the balance of the designated account in USD and the balance of the XCD special account. Conversions from XCD to USD were made by using an exchange rate of 2.6882

** This relates to transaction costs that were incurred between the period 2012 to 2016. A credit has been added here to net off the transaction costs which have been included as expenditure above in the year 2017-2018.