

Independent Auditor's Report

To the Inter-American Development Bank
Public Financial Management Modernization Project

Opinion

We have audited the special purpose financial statements of the Support to Strengthen Trinidad and Tobago's Public Financial Management System (the "Project"), which comprise the statement of cash received and disbursements as at September 30, 2020, and the statement of cumulative investments, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying special purpose financial statements present fairly, in all material respects, the financial position of the Project as at September 30, 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Public-Sector Accounting Standards ("IPSAS").

Basis for 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 International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code") and we have fulfilled our ethical responsibilities in accordance with the IESBA Code. 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 Special Purpose Financial Statements

Management is responsible for the preparation and fair presentation of the special purpose financial statements in accordance with IPSAS, and for such internal control as management determines is necessary to enable the preparation of special purpose financial statements that are 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.

Auditor's Responsibilities for the Audit of the Special Purpose Financial Statements

Our objectives are to obtain reasonable assurance about whether the special purpose financial statements as a whole are 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 special purpose financial statements.



Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Special Purpose Financial Statements (Continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the special purpose 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, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control.
- 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 auditor's report to the related disclosures in the special purpose 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 auditor's 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 special purpose 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.



December 4, 2020

Port of Spain
Trinidad

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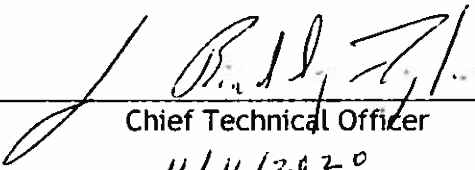
TT-L1042: Support to Strengthen Trinidad and Tobago's Public Financial Management System

STATEMENT OF CASH RECEIVED AND DISBURSEMENTS (USD)

For the Period October 1, 2019 to September 30, 2020

	Oct 1 to September 2020		
Cash Received	IDB	Local	Total
Beginning Balance	\$ 5,642,406	136,131.37	\$ 5,778,537
Activity during the Period			
- Disbursements (advances, reimbursements, direct payments and reimbursements guaranteed by letter of credit)	\$ 3,000,000	\$ -	\$ 3,000,000
Total Cash Received	\$ 8,642,406	\$ 136,131	\$ 8,778,537
Disbursements			
Beginning Balance	\$ 4,773,433		\$ 4,773,433
Activity during the Period			
- Direct Costs (Support and Implementation of IFMIS)	\$ 1,631,909		\$ 1,631,909
- Project Administration	\$ 277,654		\$ 277,654
- Evaluation	\$ 6,091		\$ 6,091
- Contingency			\$ -
Total Cash Disbursed	\$ 6,689,087	\$ -	\$ 6,689,087
Available Cash at the end of the Period	\$ 1,953,319	\$ 136,131	\$ 2,089,451

The accompanying notes form an integral part of these financial statements.


 Chief Technical Officer
 11/11/2020


 Permanent Secretary

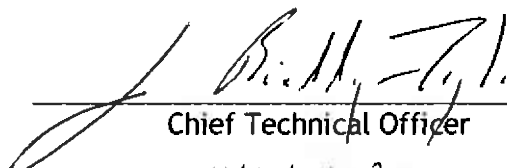
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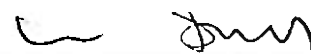
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STATEMENT OF CUMULATIVE INVESTMENTS (USD)
For the Period October 1, 2019 to September 30, 2020

ITEM	Opening Cumulative: October 1, 2019			Movement in the Period			Closing Cumulative: Sept 30, 2020		
	IDB	Govt	Total	IDB	Govt	Total	IDB	Govt	Total
	₤	₤	₤	₤	₤	₤	₤	₤	₤
DIRECT COSTS:	3,987,020		3,987,020	1,631,909		1,631,909	5,618,929		5,618,929
- Component I. Support for Public Financial Management Modernization	137,383		137,383	243,645		243,645	381,028		381,028
- Component II - Support for the implementation of a Integrated Financial Management Information System Implementation	3,849,637		3,849,637	1,388,263		1,388,263	5,237,901		5,237,901
- Project Administration	786,413		786,413	277,654		277,654	1,064,067		1,064,067
- Evaluation	-		-	6,091		6,091	6,091		6,091
- Contingency	-		-	-		-	-		-
Grand Total	4,773,433		4,773,433	1,915,653		1,915,653	6,689,087		6,689,087

The accompanying notes form an integral part of these financial statements.


Chief Technical Officer
11/11/2020


Permanent Secretary


LOAN: 3473/OC-TT

TT-L1042: Support to Strengthen Trinidad and Tobago's Public Financial Management System

STATEMENT OF CUMULATIVE INVESTMENTS (TTD) For the Period October 1, 2019 to September 30, 2020

ITEM	Opening Cumulative: October 1, 2019		Movement in the Period			Closing Cumulative: Sept 30, 2020	
DIRECT COSTS:	26,817,495	26,817,495	10,976,545		10,976,545	37,794,040	37,794,040
- Component I. Support for Public Financial Management Modernization	924,065	924,065	1,638,807		1,638,807	2,562,873	2,562,873
- Component I. Support for Public Financial Management Modernization	25,893,429	25,893,429	9,337,738		9,337,738	35,231,167	35,231,167
- Project Administration	-	-	-		-	-	-
- Evaluation	5,289,573	5,289,573	1,867,554		1,867,554	7,157,127	7,157,127
- Contingency	-	-	40,967		40,967	40,967	40,967
Grand Total	32,107,068	32,107,068	12,844,099		12,844,099	44,992,134	44,992,134

The accompanying notes form an integral part of these financial statements.


Chief Technical Officer
11/11/2020.


Permanent Secretary


Statement of Cashflows
For the Quarter Ending September 30, 2020

	<i>Year ending 30.9.20</i>	
	<i>US\$</i>	<i>TT\$</i>
Beginning Cash Balance (a)	1,005,104	6,760,531
<u>Cash received</u>		
Activity during the year		
Disbursements		
IDB Advances	3,000,000	20,178,600
Reimbursements		
Total cash received (b)	4,005,104	26,939,131
Adj for Unrealized Gain/Loss		
	4,005,104	26,939,131
<u>Disbursements made</u>		
Activity during the year		
Payments for goods and services		
From IDB Advances	(1,915,653)	(12,885,066)
From GORTT		
Total disbursements made (c)	(1,915,653)	(12,885,066)
Available cash at end of quarter (a)+(b)+(c)	2,089,451	14,054,064

Balance as per Bank Statement

2,089,451

The accompanying notes form an integral part of these financial statements.


 Chief Technical Officer


 Permanent Secretary

NOTES TO THE FINANCIAL STATEMENTS

1. Project description

The general objective of the project is to improve the efficiency and effectiveness of the Government of Trinidad and Tobago to allocate public resources. Its specific objectives are to improve:

- the Allocation of public resources, by improving the efficiency in the preparation, execution, monitoring and reporting on the budgetary operations of the Central Government
- the control and stewardship of public resources, by improvement in the Internal Audit Function and centralized monitoring of financial aggregates; and
- information management for decision making.

In order to achieve the above objectives, the project will implement the following two components:

Component I. Support for Public Financial Management Modernisation

This component seeks to modernise the Public Financial Management (PFM) procedural and legal framework for budget preparation and execution and includes the following activities:

- development and implementation of a new budget classification based on a Government Finance Statistics (GFS)-compliant Chart of Accounts and a treasury accounting framework that complies with International Public-Sector Accounting Standards
- development and implementation of a change management strategy
- development and implementation of institutional instruments to sustain PFM modernization efforts
- design and implementation of an Internal Audit framework to improve PFM control, transparency and reporting
- review of the PFM legal framework and preparation of recommendations to strengthen the framework.
- business process reengineering for budget preparation and execution processes.

Component II. Support for Implementation of an Integrated Financial Management Information System (IFMIS)

This component seeks to improve information management for PFM through implementation of the IFMIS and includes the following activities:

- Establishment of a centralized information technology (IT) governance framework within the Ministry of Finance
- Implementation of a Commercial off-the-shelf integrated financial management solution with government-wide coverage, including customization, data migration and integration services.

In addition to the above implementation activities, the project financing provides for project management support and project evaluation activities.

The estimated cost of the project is US \$40M to be fully financed by loan resources secured from the Inter-American Development Bank and is distributed in the project cost categories as follows:

Investment Category/Sub Category	Approved Loan Amount	
	Original	Current
1. Direct Costs	36,757,803	18,417,982
1.1 Component I. Support PFM Modernisation	8,506,000	3,568,440
1.1 Component II. Support for Implementation of an IFMIS	28,251,803	14,849,541
2. Project Administration	1,060,000	1,754,549
3. Evaluation	120,000	170,000
4. Contingency	2,062,197	2,205,137
5. Unallocated Funds	0	17,452,333
Total Expenditure	40,000,000	40,000,000

The Executing Agency for the Project is the Ministry of Finance which is implementing the Project through the Public Financial Management Modernization Unit (PFMMU), a special purpose unit established within the Ministry. The PFMMU also serves as the Project Implementation Unit for the Project.

2. Significant accounting policies

• Cash Basis of Accounting

The financial statements have been prepared using the cash basis of accounting, recognizing revenue when the cash is received and recognizing expenses when the cash has been disbursed. This accounting policy differs from the IPSAS under which transactions should be recorded when they occur and not when they are paid. However, the IPSAS have been applied to circumstances such as those discussed in chapter “*Cash Basis IPSAS: Financial Reporting under the Cash Basis of Accounting*”.

• Currency

The project’s accounting records are maintained in project currency. For both cash receipts and payments, the exchange rate used for conversion is the rate prevailing rate on the date of the transaction.

3. Reporting period

Project activity commenced in October 2016. The current reporting period is October 1, 2020 to September 30, 2020. Accordingly, these financial statements cover the fiscal period beginning October 1, 2018 and ending September 30, 2020. The exchange rate used for conversion to TTD as at September 30th, 2020 is \$6.7262 TTD to \$1 USD as per the Central Bank of Trinidad and Tobago's buying rate on that date.

4. Available cash balance

The available cash balance is held in the Project's bank account at the Central Bank of Trinidad and Tobago (CBTT) and does not include exchange rate earnings. The balance at September 30, 2020 is as follows:

	<u>TT\$</u>	<u>US\$</u>
CBTT Bank Account No. 20720-77	14,054,064	2,089,451

The account in which the advance is deposited in the Central Bank of Trinidad & Tobago is non-interest-bearing.

5. IDB Loan Funds Received

The following is the status of disbursements received from the IDB as at the reporting date:

Disbursement			Amount	
No	Type	Date	TT\$	US\$
1	Advance	29.06.17	12,682,400	2,000,000
2	Reimbursement	29.06.17	702,141	103,531
3	Reimbursement	27.11.17	221,648	32,600
4	Advance	28.11.18	24,293,754	3,642,406
5	Advance	09.12.19	20,225,100	3,000,000
Total			58,125,043	8,778,537

6. Advances pending justification

As at September 30, 2020, the amount of the advance pending justification was US\$267,034, which represented expenditures incurred utilizing resources from the advance but not yet justified.

To date, no project expenditures have been deemed ineligible.

7. Advances and justification

As at December 2019, an advance of US\$3,000,000 was disbursed to the project by the Bank.

	(US\$)	(TT\$)
Opening balance of advances - October 1, 2019	1,005,104	6,760,531
Advances received & recorded	3,000,000	20,178,600
Actual expenditure	-1,915,653	-12,885,066
Closing balance of advances - Sept 30, 2020	2,089,451	16,519,212

8. Contractual Obligations

On September 6, 2018 a fixed-cost turnkey contract for US \$13,711,666 plus VAT \$1,078,830.86 was awarded to FreeBalance Inc. for the implementation of an Integrated Financial Management Information System. All other contracts executed during the reporting period were in respect of Administration. All contracts are executed in United States dollars.

At September 30, 2020 future financial obligations in respect of existing contractual agreements were as follows:

Item	Activity as per P.P.		Registration No. of IDB Awarded Contract *	Total Amount of Loan or Commitment	Amount Paid under the Contract or Commitment	Balance Due	Due in the 120 Days
	Code	Description					
1	TTA-1783	IFMIS	SPFMS-13-LPI-B-	\$ 14,790,497.24	\$ 4,931,724.76	\$ 9,858,772.48	\$ 260,000.00
2	TTA-2290	CTO	SPFMS-12-IC-CI	\$ 175,200.00	\$ 175,200.00	\$ -	\$ 58,400.00
3	TTA-2246	Procurement Specialist	SPFMS-18-CD-CI	\$ 54,000.00	\$ 36,000.00	\$ 18,000.00	\$ 18,000.00
4	TTA-2194	Finance Specialist	SPFMS-26-3CV-CI	\$ 54,000.00	\$ 18,000.00	\$ 36,000.00	\$ 18,000.00
5	TTA-2293	Change Management Consultant	SPFMS-31-CD-CI	\$ 71,642.00	\$ 23,038.28	\$ 48,603.72	\$ 16,095.38
6	TTA-2195	IT Supervision	SPFMS-6-IC-CI-	\$ 190,500.00	\$ 63,500.00	\$ 127,000.00	\$ 63,500.00
7	TTA-2216	IA Consultant	SPFMS-4-IC-CI-	\$ 134,500.00	\$ 56,915.00	\$ 77,585.00	\$ 44,332.00
8	CCB/CTT-373/2019	Operational Expenses	CCB/CTT-373/2019	\$ 5,583.00	\$ -	\$ 5,583.00	\$ -
9	CCB/CTT/1132/2019	BDO Chartered Accountants (Trinidad)	CCB/CTT/1132/2019	\$ 11,385.00	\$ 6,005.28	\$ 5,379.72	
		TOTALS		\$	\$	\$	\$

9. Reconciliation by investment categories between the project's records and the IDB's records

Investment Category	Current Approved Loan Amount	PFMMU			IDB Available Balance per LMS Reports
		Expenditures	Available Balance PFMMU	Expenditures Pending Justification	
1. Direct Costs	35,736,363.00	5,618,929.01	30,117,433.99	296,284.01	30,421,784.59
1.1 Support PFM Modernisation	3,646,560.00	381,028.44	3,265,531.56	52,425.93	3,323,986.07
1.1 Implementation of IFMIS	32,089,803.00	5,237,900.57	26,851,902.43	243,858.08	27,097,798.52
2. Project Administration	1,888,500.00	1,064,066.97	824,433.03	70,800.00	887,081.05
3. Evaluation	170,000.00	6,091	163,909.33	-	163,994.72
4. Contingency	2,205,137.00	-	2,205,137.00	-	2,205,137.00
Total Expenditure	40,000,000.00	6,689,086.65	33,310,913.35	367,084.01	33,677,997.36

10. Reconciliation between Statement of Cash Flow & Statement of Cumulative Investments

Investment Category	RECONCILIATION OF EXPENDITURES		
	Statement of Cumulative Investments - Oct 2019 -Sept 2020	Oct 1 2020	Activity in the period
Total Funding Received	\$ 8,778,537	Opening Cash Balance	\$ 1,005,104
		Add Disbursement	\$ 3,000,000
1. Direct Costs	\$ 5,618,929	1. Direct Costs	
1.1 Support PFM Modernisation	\$ 381,028	1.1 Support PFM Modernisation	\$ (243,645)
1.1 Implementation of IFMIS	\$ 5,237,901	1.1 Implementation of IFMIS	\$ (1,388,263)
2. Project Administration	\$ 1,064,067	2. Project Administration	\$ (277,654)
3. Evaluation	\$ 6,091	3. Evaluation	\$ (6,091)
4. Contingency	\$ -	4. Contingency	\$ -
Total Expenditure	\$ 6,689,087		\$(1,915,653)
Closing Cash Balance	\$ 2,089,451		\$ 2,089,451

11. Cumulative Investments

ITEM	Opening Cumulative: Oct 1, 2019	Movement in the Period	Closing Cumulative: Sept 30, 2020
	IDB	IDB	IDB
	\$	\$	\$
DIRECT COSTS:	3,987,020	1,631,909	5,618,929
- Component I. Support for PFM Modernization	137,383	243,645	381,028
1.1 Development and implementation of a new budget classification based on a Government Finance Statistics (GFS)-compliant Chart of Accounts (CoA) and a treasury accounting framework that complies with International Public Sector Accounting Standards	4,076	57,500	61,576
1.2 Development and implementation of a change management strategy	66,438	24,573	91,011
1.3 Development and implementation of institutional instruments to sustain PFM modernization efforts.	-	26,547	26,547
1.4 Design and implementation of an Internal Audit (IA) framework to improve PFM control, transparency, and reporting.	66,869	135,025	201,894
1.5 Review of the PFM legal framework and preparation of recommendations to strengthen the framework.	-	-	-
1.6 Business process reengineering for budget preparation and execution processes	-	-	-
- Component II - Support for IFMIS Implementation	3,849,637	1,388,263	5,237,901
1.2.1 Establishment of a centralized IT governance framework within MoF	-	-	-
1.2.2 Implementation of a Commercial Off-The-Shelf Integrated Financial Management (COTS-IFMIS) solution with government-wide coverage, including customization, data migration, and integration services	3,849,637	1,388,263	5,237,901
- Project Administration	786,413	277,654	1,064,067
- Evaluation	-	6,091	6,091
- Contingency	-	-	-
Grand Total	4,773,434	1,915,653	6,689,087

12. Contingencies

There were no known contingencies at the reporting date.

13. Subsequent events

There were no subsequent events to be reported.