

THE GOVERNMENT OF JAMAICA
INTER-AMERICAN DEVELOPMENT BANK

SUPPORT TO THE PUBLIC SECTOR TRANSFORMATION PROGRAMME
(INVESTMENT COMPONENT)
INTER-AMERICAN DEVELOPMENT BANK LOAN CONTRACT No. 4374/OC-JA
FINANCIAL STATEMENTS
MARCH 31, 2020

THE GOVERNMENT OF JAMAICA
INTER-AMERICAN DEVELOPMENT BANK

SUPPORT TO THE PUBLIC SECTOR TRANSFORMATION PROGRAMME
(INVESTMENT COMPONENT)
INTER-AMERICAN DEVELOPMENT BANK LOAN CONTRACT No. 4374/0C-JA

Financial statements
Period ended March 31, 2020

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KPMG
Chartered Accountants
P.O. Box 436
6 Duke Street
Kingston
Jamaica, W.I.
+1 (876) 922 6640
firmmail@kpmg.com.jm

INDEPENDENT AUDITORS' REPORT

To the Ministry of Finance and the Public Service
SUPPORT TO THE PUBLIC SECTOR TRANSFORMATION PROGRAMME
(INVESTMENT COMPONENT)
INTER-AMERICAN DEVELOPMENT BANK LOAN CONTRACT No. 4374/0C-JA

Opinion

We have audited the accompanying financial statements, which comprise the statement of cash flows, the statement of cumulative investments and a summary of significant accounting policies, and other explanatory information for Support to the Public Sector Transformation Programme (Investment Component), (the Programme), executed by the Ministry of Finance and the Public Service (MoFP), and financed by the Inter-American Development Bank Loan Agreement #4374/0C-JA as of and for the period ended March 31, 2020 and have obtained all the information and explanations which we required.

In our opinion, the financial statements present fairly, in all material respects, the cash flows and cumulative investments for the Support to the Public Sector Transformation Programme for the period ended March 31, 2020, in accordance with the Cash Basis IPSAS: Financial Reporting under the Cash Basis of Accounting.

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Programme in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants including International Independence Standards (IESBA Code), and we have fulfilled our other 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.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Ministry of Finance and the Public Service
SUPPORT TO THE PUBLIC SERVICE TRANSFORMATION PROGRAMME
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Basis of Accounting

Without modifying our opinion, we draw attention to note 3(a) to the financial statements, which describes the basis of accounting. The financial statements are prepared to comply with the financial reporting provisions of Inter-American Development Bank Loan Agreement #4374/OC-JA. As a result, the financial statements may not be suitable for another purpose.

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Cash Basis IPSAS: Financial Reporting under the Cash Basis of Accounting and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Programme's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

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Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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, but not for the purpose of expressing an opinion on the effectiveness of the MoFP's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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.

KPMG

Chartered Accountants
Kingston, Jamaica

August 20, 2020

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SUPPORT TO THE PUBLIC SECTOR TRANSFORMATION PROGRAMME
(INVESTMENT COMPONENT)

INTER-AMERICAN DEVELOPMENT BANK LOAN CONTRACT No. 4374/0C-JA

STATEMENT OF CASH FLOWS

Period ended March 31, 2020

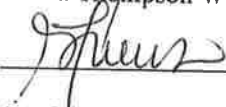
(Expressed in U.S. dollars)

	Note	Period ended March 31, 2020		
		<u>IDB</u>	<u>GOJ</u>	<u>TOTAL</u>
CASH RECEIVED				
Activities during the period:				
Advances	4	6,874,627	-	6,874,627
Direct Payment	4	186,943	-	186,943
GOJ Contribution	5	-	1,304,129	1,304,129
Total cash received during the period		<u>7,061,570</u>	<u>1,304,129</u>	<u>8,365,699</u>
DISBURSEMENTS MADE				
Activities during the period:				
Goods and Services, being total cash disbursements during the period		<u>6,374,242</u>	<u>1,304,129</u>	<u>7,678,371</u>
AVAILABLE CASH AS AT THE END OF THE PERIOD				
	6	<u>687,328</u>	<u>-</u>	<u>687,328</u>

The financial statements on pages 4 to 14 were approved by The Ministry of Finance and the Public Service – Transformation Implementation Unit on August 20, 2020 and signed on its behalf by:



Maria Thompson Walters - Executive Director, TIU



Sandra Fairclough – Principal Finance Officer (Acting)

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STATEMENT OF CUMULATIVE INVESTMENTS
Period ended March 31, 2020
(*Expressed in U.S. dollars*)

	Note	Cumulative through March 31, 2020		
		<u>IDB</u>	<u>GOJ</u>	<u>TOTAL</u>
Investment Category:	7			
COMPONENT 1: ENHANCING QUALITY OF PUBLIC SERVICES				
i Process Re-engineering and ICT Investment to improve specific services		575,831	-	575,831
ii Improving government connectivity and ICT Services		14,001	-	14,001
iii Retraining and Upskilling of public officers		84,848	-	84,848
iv Strengthening of public sector transformation implementation, communications and change management		<u>425,091</u>	<u>24,913</u>	<u>450,004</u>
		<u>1,099,771</u>	<u>24,913</u>	<u>1,124,684</u>
COMPONENT 2: ENHANCING EFFICIENCY IN PUBLIC SPENDING				
i Expansion of My HR+		3,623,616	70,561	3,694,177
ii Implementation of shared corporate services for the public sector		723,716	261,278	984,994
iii Compensation review		146,089	29,634	175,723
iv Communication and change management		-	-	-
		<u>4,493,421</u>	<u>361,473</u>	<u>4,854,894</u>
Programme Management and Coordination		<u>781,050</u>	<u>917,743</u>	<u>1,698,793</u>
Total		<u>6,374,242</u>	<u>1,304,129</u>	<u>7,678,371</u>

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Notes to the Financial Statements
Period ended March 31, 2020

1. The Programme

A loan contract was entered into between the Government of Jamaica and the Inter- American Development Bank on February 21, 2018 to finance the Support to The Public Sector Transformation Programme (Investment Component) (“the Programme”). The Ministry of Finance and the Public Service (MoFP) was designated as the Executing Agency to implement the Project.

The main objective of the Programme is to improve the delivery of public services in Jamaica through enhancing: (1) quality of transactional services; and (2) efficiency in public spending.

The estimated cost of the Programme in the amount of US\$50,000,000 will be distributed in accordance with the following categories:

Investment Category	IDB	
	(US\$ Million)	%
Component 1 – Enhancing Quality of Public Services		
(i) Process reengineering and ICT investments to improve specific Services	5,572	11%
(ii) Improving government connectivity and ICT Services	10,250	20%
(iii) Retraining and upskilling of public officers	800	2%
(iv) Strengthening of public sector transformation implementation, communications and change management	3,447	7%
	20,069	40%
Component 2 – Enhancing Efficiency in Public Spending		
(i) Expansion of MyHR+	14,602	29%
(ii) Implementation of shared corporate services for the public sector	8,265	17%
(iii) Compensation review	1,775	4%
	24,642	49%
Programme Management and Coordination	3,871	8%
Audit and Monitoring and Evaluation	370	1%
Contingencies	1,048	2%
Total	50,000	100%

These financial statements of the Programme are for the period from the date of inception to March 31, 2020.

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Notes to the Financial Statements (continued)
Period ended March 31, 2020

2. Components of the Programme

The Programme includes the execution of the following components:

a) Component 1 – Enhancing Quality of Public Services

This component will provide the financing for:

- (i) modernization interventions in three (3) prioritized Ministries, Department and Agencies (MDAs) which will include organizational and process reengineering and Information and Communication Technologies (ICT) investments to improve specific services and to make them available online, as well as project management offices in each institution to enhance the capacity of the government to successfully implement these activities;
- (ii) building on the existing infrastructure laid and/or owned by the National Works Agency (NWA), the Programme will:
 - (a) extend and create a network connecting e-government Jamaica Limited's data center to all MDAs in the Kingston Metropolitan Area through fiber optics, creating a redundant and reliable, connectivity network across the government, and
 - (b) upgrade the current data center in e-Gov Jamaica Limited with required technologies to accommodate initial consolidation of data centers and applications that MDAs currently carry out separately;
- (iii) upskilling and retraining of public officers, which will include upskilling activities that are mandatory and focus on public officers whose function will change as a result of the reforms, including the need to enhance the quality of public services and retraining activities that focus on persons leaving the public service who request these services, with the objective of acquiring a broader set of skills to become more employable in the wider labour market: and
- (iv) strengthening of the Public Sector Transformation Implementation Unit (PSTIU) to enhance the capacity of the government to successfully implement the overall Public Sector Transformation (PST) programme as well as six (6) change management and six (6) communication strategies for the activities under (i) through to (iii) above.

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Notes to the Financial Statements (continued)
Period ended March 31, 2020

2. Components of the Programme (continued)

b) Component 2 – Enhancing Efficiency in Public Spending

This component will provide the financing for:

- (i) the expansion of MDAs of the electronic Human Resources (HR) Management System, My HR+, that the government is currently implementing in fourteen (14) MDAs, which will allow for inter alia: (a) integrated payroll management (b) better workforce planning; and (c) the identification of wage differentials between males and females in the public sector and type of positions occupied by women in the public sector;
- (ii) the implementation of an operational model for three (3) shared corporate services for the public sector in key strategic areas, including financing HR activities resulting from their implementation;
- (iii) the implementation of specific activities coming out of the compensation review including the development of a single salary structure, an allowance review and structuring of performance management; and

3. Significant Accounting Policies

(a) 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 International Public Sector Accounting Standards (IPSAS) under which transactions should be recorded when they occur and not when they are paid. However, IPSAS have been applied to circumstances such as those discussed in the chapter “Cash Basis IPSAS: Financial Reporting under the Cash Basis of Accounting.”

(b) Recording of Transactions

Transactions are recorded in dual currency. As the loan is denominated in US dollars, for preparation of the financial statements, US dollar is used. The guidelines and Terms of Reference stipulate that the project financial statements should include separate identification of revenue and expenditures from IDB.

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Notes to the Financial Statements (continued)
Period ended March 31, 2020

3. Significant Accounting Policies (continued)

(c) Foreign currency and financing charge transactions:

The accounting records of the programme are maintained in United States dollars (USD). However, programme expenditure is incurred mainly in Jamaica dollars. The IDB portion of expenditure incurred in Jamaican dollars (JMD) is translated to United States dollars, per transaction, at the rate of exchange prevailing at the date funds used to pay said transactions were transferred from the Special Bank Account (USD) to the Programme Bank Account (JMD), pursuant to the understanding in force between IDB and the GOJ.

The expenditures associated with GOJ contribution to the Programme is incurred in Jamaican dollars and is translated to United States dollars using the monthly weighted average selling exchange rate at the Bank of Jamaica based on the effective payment date of the transaction.

All fees and charges for undisbursed loan funds, as well as, losses due to exchange rate fluctuations are not considered eligible programme expenditures and are absorbed by the Government of Jamaica. Bank charges are considered eligible expenditure to the loan once deemed reasonable.

The Programme account balance at 31st March 2020, denominated in Jamaican Dollars, was translated at the exchange rate used to convert the last advance transferred from the US\$ Special Account. The exchange rate applied was J\$139.28 to US\$1.00.

(d) Fixed Assets:

Fixed assets procured with programme resources are recorded at their acquisition cost at the date of purchase. Depreciation is not charged on these assets and is also not reflected in these financial statements.

4. Source of Funding

Total funding received during the period amounts to US\$7,061,570.

Advances requested during the period:

<u>Request No.:</u>	<u>LMS No.</u>	<u>Value Date:</u>	<u>US\$</u>
No. 1	201836940	August 22, 2018	1,535,199
No. 4	201918416	April 26, 2019	2,000,000
No. 7	201968439	December 23, 2019	1,359,428
No. 2	201911354	March 20, 2019	<u>1,980,000</u>
			<u>6,874,627</u>

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Notes to the Financial Statements (continued)
Period ended March 31, 2020

4. Source of Funding (continued)

Direct payment during the period:

<u>Request No.:</u>	<u>LMS No.</u>	<u>Value Date:</u>	
No. 5	201967027	December 19, 2019	<u>186,943</u>
Total advances received as at March 31, 2020			<u>7,061,570</u>

Request No. 2 was originally slated for a direct payment, however the amount was subsequently transferred to the Programme's Special Account. Request Nos. 3 and 6 are expense justifications.

5. Local Counterpart funds

During the Period, the Programme expended J\$ 174,212,438 (US\$1,304,129) as GOJ Contributions to the Programme. The funds were issued via warrant allocations. Unused warrants allocated were surrendered to the Consolidated Fund of Jamaica.

Transactions associated with the GOJ Contribution to the Programme are executed by the main Finance and Accounts Division of The Ministry of Finance and the Public Service.

6. Available Cash Balances

The available bank balances at the end of the period are as follows:

	US\$
Bank of Jamaica - Special Account – 810592	472,443
National Commercial Bank – Project Account – 331108235 (J\$29,928,499)	<u>214,885</u>
	<u>687,328</u>

No exchange rate movement is reflected in the Financial Statement, as a result of Jamaican dollar expenditures from the Programme Account being converted to United States Dollars using the method as defined in Section 4,10b(i) of the loan agreement.

7. Special Account Reconciliation

	US\$
Funds received during the period	<u>6,874,627</u>
Expenditure documented by SOE during the period (Advances justified)	(5,329,965)
Expenditure not yet documented by SOE during the period (Advances pending justification)	(857,334)
	<u>(6,187,299)</u>
Funds available for disbursement as at March 31, 2020 (see note 6)	<u>687,328</u>

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Notes to the Financial Statements (continued)
Period ended March 31, 2020

8. Investment Category – Actual Expenditure

Total loan funds invested during the period amounted to US\$6,374,242.

Investment Category	IDB Disbursement (US\$ Million)			Percentage (Actual Vs.Budget)
	Loan	Actual	Balance	
Component 1 – Enhancing Quality of Public Services				
(i) Process reengineering and ICT investments to improve specific services	5,572	576	4,996	10%
(ii) Improving government connectivity and ICT Services	10,250	14	10,236	0%
(iii) Retraining and upskilling of public officers	800	84	716	10%
(iv) Strengthening of public sector transformation implementation, communications and Change Management	3,447	425	3,022	12%
	20,069	1,099	18,970	5%
Component 2 – Enhancing Efficiency in Public Spending				
(i) Expansion of MyHR+	14,602	3,624	10,978	25%
(ii) Implementation of shared corporate services for the public sector	8,265	724	7,541	9%
(iii) Compensation review	1,775	146	1,629	8%
	24,642	4,494	20,148	18%
Programme Management and Coordination	3,871	781	3,091	20%
Audit and Monitoring and Evaluation	370	-	370	0%
Contingencies	1,048	-	1,048	0%
Total	50,000	6,374	43,626	13%

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Notes to the Financial Statements
Period ended March 31, 2020

9. Reconciliation of Loan Management System (LMS) and Expenditure Summary

Loan Component Subcomponent	Component 1				Component 2			Project Management and Coordination US\$	Advance US\$	Total US\$
	(i)	(ii)	(iii)	(iv)	(i)	(ii)	(iii)			
	US\$				US\$					
Amounts documented as per LMS	2,309,763	-	61,239	351,128	1,440,761	353,628	333,031	667,357	1,544,663	7,061,570
Adjustments for LMS per IDB	(1,980,000)	-	-	-	1,980,000	186,943	(186,943)	-	-	-
Revised amounts as per LMS	<u>329,763</u>	<u>-</u>	<u>61,239</u>	<u>351,128</u>	<u>3,420,761</u>	<u>540,571</u>	<u>146,088</u>	<u>667,357</u>	<u>1,544,633</u>	<u>7,061,570</u>
Justification of Advances:										
Request: LMS No: Value Date:										
No. 2 201911354 20-Mar-19	-	-	-	-	1,980,000	-	-	-	-	1,980,000
No. 3 201913918 03-Apr-19	51,189	-	61,239	120,548	859,083	-	-	213,402	-	1,305,461
No. 6 201968420 20-Dec-19	<u>278,574</u>	<u>-</u>	<u>-</u>	<u>230,580</u>	<u>581,678</u>	<u>353,628</u>	<u>146,089</u>	<u>453,955</u>	<u>-</u>	<u>2,044,504</u>
	<u>329,763</u>	<u>-</u>	<u>61,239</u>	<u>351,128</u>	<u>3,420,761</u>	<u>353,628</u>	<u>146,089</u>	<u>667,357</u>	<u>-</u>	<u>5,329,965</u>
Direct payment:										
Request: LMS No: Value Date:										
No. 5 201967027 19-Dec-19	-	-	-	-	-	186,943	-	-	-	186,943
Total submission to IDB	<u>329,763</u>	<u>-</u>	<u>61,239</u>	<u>351,128</u>	<u>3,420,761</u>	<u>540,571</u>	<u>146,088</u>	<u>667,357</u>	<u>-</u>	<u>5,516,908</u>
Amounts pending										
Justification	<u>246,068</u>	<u>14,001</u>	<u>23,609</u>	<u>73,963</u>	<u>202,855</u>	<u>183,145</u>	<u>-</u>	<u>113,693</u>	<u>-</u>	<u>857,334</u>
Total Expenditure	<u>575,831</u>	<u>14,001</u>	<u>84,848</u>	<u>425,091</u>	<u>3,623,616</u>	<u>723,716</u>	<u>146,089</u>	<u>781,050</u>	<u>-</u>	<u>6,374,242</u>
	<u>(246,068)</u>	<u>(14,001)</u>	<u>(23,609)</u>	<u>(73,963)</u>	<u>(202,935)</u>	<u>(183,145)</u>	<u>-</u>	<u>(113,693)</u>	<u>1,544,633</u>	<u>687,328</u>

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10. Non – current Assets

Non – current assets purchased during the period, funded by IDB resources totaled \$2,981,482, as detailed below:

	(US\$)
Furniture, Fixtures & Fittings	8,440
Office & Other Equipment	44,306
Motor Vehicle	41,131
Computer Equipment	120,058
Computer software	<u>2,767,547</u>
	<u>2,981,482</u>

11. Impact of the COVID-19 Pandemic

The World Health Organization in March 2020 declared the novel coronavirus (COVID-19), as a pandemic. The first step was to safeguard our team members by instituting a work-from-home strategy in early March. Accompanying this directive was the development and dissemination of a “COVID-19 Policy and Operations Guide” along with a Business Continuity Plan. With Government of Jamaica-wide efforts in place to reduce the spread of COVID-19, the TIU adapted its work processes to ensure:

- the safety of the team as business continue;
- stakeholders are aware of what to expect;
- risks are evaluated and monitored for timely and effective responses; and
- modified strategies are executed to deliver the planned benefits of the Programme.

Across the 5 Pillars, impact was categorized from ‘Little to None’ to ‘Catastrophic’ (note, there were no catastrophic impacts found during the assessment). Work Deliverables will be conducted during this time and deliverables will be ensured through:

- Work From Home
- Reliance on supporting information and communication technology
- Scheduled Remote Team Meetings
- Records management via Microsoft 365.

There are project dependency external to the TIU Team, specifically, the client’s:

- availability/good health
- access to equipment, internet and collaboration software; and
- access to Data

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Notes to the Financial Statements
Period ended March 31, 2020

11. Impact of the COVID-19 Pandemic (continued)

These dependencies will negatively affect project execution and as such, the TIU has communicated directly with each client/key stakeholder to clearly define expectations of both the programme and the client. The TIU has worked with clients to even assist in setting up technological systems to support their own work.

There are several new programme risks and issues due to the pandemic; these are all managed through a Risk Register with the accompanying risk responses and assigned ownership. This is managed by both the Programme Management Office as well as each Programme Manager.

For offices fully under the control of the TIU at Saxthorpe Avenue, we instituted measures to safeguard and protect our stakeholders by establishing protocols to access our premises and drastically reducing the number of staff on premise (with a capacity of close to 200, only approximately 6 persons worked at Saxthorpe). In addition, we have been working with our staff to ensure common areas are thoroughly cleaned and sanitized. For our office at the Ministry of Finance and the Public Service and with our team members spread across several other Ministries, Departments, and Agencies, we follow the protocols implemented at those entities.

It was agreed that while these measures persisted the execution of the Programme and its' costs could be affected mainly by (i) the duration and spread of the outbreak, (ii) the restrictions and advisories from Government and (iii) the overall effects on the economy. One such impact was the reduction in budget. For the Financial Year April 2020 to March 2021, our initial budget was JMD 87,397,000 (GOJ) and JMD 1,415,910,000 (IDB). Consequent on the pandemic, an early first supplemental budget was done which led to a budget adjustment of JMD 154,771,000 (GOJ) resources and JMD 558,018,000 (IDB) resources. This major reduction to the IDB allocation was not enough to maintain the current contracts. Representation was made to the Budget Team at the MOF and the final approval 1st supplemental saw an increase to the IDB Loan to JMD 1,058,018,000 (the GOJ portion remained the same).

Despite the increase, the Project Management Team had to cut and slow down several activities to fit within the budget year. Discussions are being held with suppliers to delay delivery of goods and services to ensure we stay within our fiscal space. Some activities have been cancelled for this year because of the budget decrease. To ensure the programme continues unabated, the pre-planning and procurement steps for all planned activities have not been stopped – this is in an effort to ensure that come the new Financial Year (or if there is a 2nd supplementary budget), we are at contract stage and can be quickly executed. We have updated our requirements and contracts documents (where applicable) to reflect this. As of the third week in May 2020, Government restrictions have significantly relaxed.



KPMG
Chartered Accountants
P.O. Box 436
6 Duke Street
Kingston
Jamaica, W.I.
+1 (876) 922 6640
firmmail@kpmg.com.jm

INDEPENDENT AUDITORS' REPORT

To the Government of Jamaica
SUPPORT TO THE PUBLIC SECTOR TRANSFORMATION PROGRAMME
(INVESTMENT COMPONENT)
INTER-AMERICAN DEVELOPMENT BANK LOAN CONTRACT No. 4374/OC-JA

The System of Internal Control

We have audited the statement of cash flows for the period ended March 31, 2020 and the statement of cumulative investments as at March 31, 2020 for the Support to the Public Sector Transformation Programme (Investment Component), (the Programme), executed by the Ministry of Finance and the Public Service (MoFP), and financed by the Inter-American Development Bank Loan Agreement #4374/OC-JA, and have issued our report thereon dated August 20, 2020.

We conducted our audit in accordance with International Standards on Auditing and the requirements of Inter-American Development Bank. These require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements, whether due to fraud or error.

Management's responsibility

The management of MoFP is responsible for establishing and maintaining a system of internal control sufficient to mitigate the risks of financial information misstatements and safeguard the assets of the Programme, including other procured goods. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of the system of internal control policies and procedures. The objectives of a system of internal control are to provide management with reasonable, but not absolute, assurance that assets are protected against loss from unauthorised use or disposition; transactions are executed in accordance with management's authorisation and in accordance with the terms of the contract, and transactions are recorded properly to permit the preparation and fair presentation of the financial statements.



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INDEPENDENT AUDITORS' REPORT

To the Government of Jamaica
SUPPORT TO THE PUBLIC SECTOR TRANSFORMATION PROGRAMME
(INVESTMENT COMPONENT)
INTER-AMERICAN DEVELOPMENT BANK LOAN CONTRACT No. 4374/0C-JA

The System of Internal Control (Continued)

Management's responsibility (continued)

Because of inherent limitations in any system of internal control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risks that procedures may become inadequate because of the changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Auditors' responsibility

In planning and performing our audit of the Programme's financial statements for the period ended March 31, 2020, we obtained an understanding of the system of internal control and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the Programme's financial statements and not to express an opinion on the effectiveness of the system of internal control. Accordingly, we do not express such an opinion.

A material weakness is a reportable condition in which the design or operation of one or more of the specific elements of the system of internal control does not reduce to a relatively low level the risk that significant errors or irregularities in amounts that would be material in relation to the Programme's financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the system of internal control would not necessarily disclose all matters in the system of internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are considered material weaknesses as defined above. However, we noted no matters involving the system of internal control and its operations that we consider material weaknesses as defined above.

We have not identified any significant weaknesses in the internal control structure. However, a shortcoming in the internal control structure has been identified and communicated in a letter to the management.

Chartered Accountants
Kingston, Jamaica

August 20, 2020



KPMG
Chartered Accountants
P.O. Box 436
6 Duke Street
Kingston
Jamaica, W.I.
+1 (876) 922 6640
firmmail@kpmg.com.jm

INDEPENDENT AUDITORS' REPORT

To the Government of Jamaica
SUPPORT TO THE PUBLIC SECTOR TRANSFORMATION PROGRAMME
(INVESTMENT COMPONENT)
INTER-AMERICAN DEVELOPMENT BANK LOAN CONTRACT No. 4374/OC-JA

Integrated Review of the Procurement and Disbursement Requests submitted to IDB

We have examined the disbursement requests and the processes to procure and contract goods, works and consulting services, performed by the Executing Agency for the period ended March 31, 2020. Our engagement included verifying the reasonableness of such and the validity and eligibility of the expenditures submitted by means of the disbursement justifications for the period ended March 31, 2020.

We have audited the financial statements comprising the statement of cash flows set out on page 4 as at and for the period ended March 31 2020, and the statement of cumulative investments set out on page 5 for the period ended March 31, 2020, for the Support to the Public Sector Transformation Programme (Investment Component), (the Programme), executed by the Ministry of finance and the Public Service (MoFP), and financed by the Inter-American Development Bank Loan Agreement #4374/OC-JA, and have issued our report thereon dated August 20, 2020. We conducted our audit in accordance with International Standards on Auditing and the requirements of Inter-American Development Bank and for the purpose of forming an opinion on the financial statements taken as a whole.

Management's Responsibility

Management is responsible for implementing processes to procure and contract works, goods and services in accordance with the applicable guidelines and for maintaining documentation to support disbursement requests in accordance with the requirements of the Project.



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INDEPENDENT AUDITORS' REPORT

To the Government of Jamaica
SUPPORT TO THE PUBLIC SECTOR TRANSFORMATION PROGRAMME)
(INVESTMENT COMPONENT)
INTER-AMERICAN DEVELOPMENT BANK LOAN CONTRACT No. 4374/OC-JA

Integrated Review of the Procurement and Disbursement Requests submitted to IDB (Continued)

Auditors' Responsibility

Our responsibility is to express an opinion on whether or not disbursement requests are supported by adequate documentation, are fairly presented and represent valid and eligible expenses of the Programme and whether or not the process to procure and contract works, goods and services are performed in accordance with the applicable guidelines. The standards require that we comply with independence and ethical requirements in performing the review.

Our engagement includes verifying the reasonableness of, and the validity and eligibility of the expenditures submitted by means of the disbursement justifications for the period ended March 31, 2020. The engagement also includes, examining on a test basis, evidence supporting the processes of selecting and contracting goods, works, and services, and the amounts and disclosures in the disbursement requests submitted, which form a part of the statement of cash flows and the statement of cumulative investments for the period ended March 31, 2020.

Opinion

In our opinion, the processes to procure and contract works, goods, and services were performed in accordance with the applicable guidelines, and the documentations supporting the expenditures made correspond to the disbursement requests for the period ended March 31, 2020, and were fairly presented and represented valid and eligible expenses to the Programme, in all material respects.

Restriction of Use

The report is provided in order to comply with the financial reporting provisions of Inter-American Development Bank Loan Agreement #4374/OC-JA. As a result, the report may not be suitable for another purpose.

A stylized, handwritten-style signature of the KPMG logo in blue ink.

Chartered Accountants
Kingston, Jamaica

August 20, 2020