

**GOVERNMENT DIGITAL TRANSFORMATION TO**

**STRENGTHEN COMPETITIVENESS PROGRAM**

**FINANCIAL REPORTS**

**30 JUNE 2021**

**GOVERNMENT DIGITAL TRANSFORMATION TO STRENGTHEN  
COMPETITIVENESS PROGRAM**

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**REPORT OF THE AUDITORS TO THE MANAGEMENT OF  
GOVERNMENT DIGITAL TRANSFORMATION TO STRENGTHEN  
COMPETITIVENESS PROGRAM**

**Qualified Opinion**

We have audited the accompanying financial statements of Government Digital Transformation to Strengthen Competitiveness Program ("Program"), which comprise the Statement of Cash Received and Disbursements and the Statement of Cumulative Investments as at and for the period from 8 April 2019 to 30 June 2021, and notes to the Program financial statements, including a summary of significant accounting policies. The Program is executed by the Office of the Prime Minister - Digital Transformation Unit ("Executing Agency") and financed with funds from the Inter-American Development Bank ("IDB") Loan Contract No. 4549/OC-BH.

In our opinion, except for the effect of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements of the Program for the period from 8 April 2019 to 30 June 2021 have been prepared, in all material respects, in accordance with the financial reporting requirements of the contractual clause of Loan Contract No. 4549/OC-BH and the Audited Financial Reports and External Audit Management Handbook for Program financed by IDB.

**Basis for Qualified Opinion**

The total available cash of the IDB funding as at 30 June 2021 was \$69,571.81. We were not able to satisfy ourselves on the existence and the accuracy of this balance and are unable to satisfy ourselves by other audit procedures. Consequently, we are unable to determine whether any adjustment to this balance was necessary.

We conducted our audit in accordance with International Standards on Auditing (ISAs) and specific requirements of the IDB. 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 Executing Agency in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in The Bahamas, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

**Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Use**

As described in Note 2 of the financial statements, the statement of cash received and disbursements and the statement of cumulative investments were prepared using the "Cash Basis IPSAS: Financial Reporting under the Cash Basis of Accounting" which is a comprehensive basis of accounting other than IFRS but is acceptable in preparing the Program's financial statements based on the Audited Financial Reports and External Audit Management Handbook for programs financed by IDB. Cash basis accounting recognises transactions and acts only when the cash is received or disbursed by the entity, and not when they give rise to, accrue or originate rights or obligations although there was no cash movement.

**Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Use (cont)**

The financial statements are prepared to assist the Executing Agency to comply with the financial reporting provisions of the contract referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Executing Agency and IDB and should not be distributed to or used by parties other than the Executing Agency or IDB. Our opinion is not modified in respect of this matter.

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

The Executing Agency - Program Executing Unit ("PEU") is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions of IDB Loan Contract No. 4549/OC-BH, and for such internal control as PEU determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.


In preparing the financial statements, the PEU is responsible for assessing the Program'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 Program or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Program'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.

A further description of the auditors' responsibilities for the audit of the financial statements is located in an Appendix to this report. This description forms part of our auditors' report.

A handwritten signature in blue ink, appearing to read 'BDO'.

**Chartered Accountants  
Nassau Bahamas  
10 November 2021**



## APPENDIX TO THE AUDITORS' REPORT

### **Detailed Description of Our Responsibilities**

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 risk 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 Program'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 Program'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 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 Program to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**GOVERNMENT DIGITAL TRANSFORMATION TO STRENGTHEN COMPETITIVENESS PROGRAM**


**STATEMENT OF CASH RECEIVED AND DISBURSEMENTS**

**30 JUNE 2021**

**(Expressed in US Dollars)**

	<b>30 June 2021</b>	
	<b><u>IDB</u></b>	<b><u>TOTAL</u></b>
<b><u>CASH RECEIVED</u></b>		
Beginning balance	\$ -	\$ -
Activity during the period		
▪ Disbursements (advances, reimbursements, direct payments and reimbursements guaranteed by letter of credit)	<u>1,553,758.00</u>	<u>1,553,758.00</u>
<b>Total Cash Received</b>	<b><u>1,553,758.00</u></b>	<b><u>1,553,758.00</u></b>
<b><u>DISBURSEMENTS</u></b>		
Beginning balance	-	-
Activity during the period		
▪ Payments for goods and services	<u>1,484,186.19</u>	<u>1,484,186.19</u>
<b>Total</b>	<b><u>1,484,186.19</u></b>	<b><u>1,484,186.19</u></b>
<b>TOTAL AVAILABLE CASH AS OF PERIOD-END</b>	<b><u>\$69,571.81</u></b>	<b><u>\$69,571.81</u></b>

These financial statements were approved on 10 November 2021 by:

.....  
  
Ms. Elise Delancy  
Permanent Secretary  
Office of the Prime Minister  
Department of Transformation and Digitization

.....  
  
Mr. Michael Hamilton  
Program Manager




**GOVERNMENT DIGITAL TRANSFORMATION TO STRENGTHEN COMPETITIVENESS PROGRAM**


**STATEMENT OF CUMULATIVE INVESTMENTS**  
**FOR THE PERIOD FROM 8 APRIL 2019 TO 30 JUNE 2021**

(Expressed in US Dollars)

ITEM	Opening Balance		Movement during period		Balance at 30 June 2021	
	IDB	TOTAL	IDB	TOTAL	IDB	TOTAL
1.0 Simplifying and digitizing government procedures	\$ -	\$ -	\$768,117.90	\$768,117.90	\$768,117.90	\$768,117.90
2.0 Strengthening institutional capacity for a digital government	-	-	206,175.27	206,175.27	206,175.27	206,175.27
30 Enhancing transparency and integrity in government	-	-	-	-	-	-
4.0 Evaluation, audit and contingencies	-	=	<u>509,893.02</u>	<u>509,893.02</u>	<u>509,893.02</u>	<u>509,893.02</u>
<b>Total Cumulative Investments</b>	<b>\$ -</b>	<b>\$ -</b>	<b><u>\$1,484,186.19</u></b>	<b><u>1,484,186.19</u></b>	<b><u>\$1,484,186.19</u></b>	<b><u>\$1,484,186.19</u></b>

These financial statements were approved on 10 November 2021 by:

.....  
  
 Ms. Elise Delancy  
 Permanent Secretary  
 Office of the Prime Minister  
 Department of Transformation and Digitization

.....  
  
 Mr. Michael Hamilton  
 Program Manager

**GOVERNMENT DIGITAL TRANSFORMATION TO STRENGTHEN  
COMPETITIVENESS PROGRAM**

**NOTES TO THE PROGRAM FINANCIAL STATEMENTS**

**FOR THE YEAR PERIOD FROM 8 APRIL 2019 TO 30 JUNE 2021**

**1. Description of the Program**

The Inter-American Development Bank and the Government of The Bahamas (GoBH) signed the Loan Contract No. 4549/OC BH on 8 April 2019 for the execution of the “Government Digital Transformation to Strengthen Competitiveness Program” or referred here as the “Program”. The Program was established to foster the competitiveness of the Commonwealth of the Bahamas by reducing the costs of conducting business with the government.

The disbursement period of the loan is six years ending on 8 April 2025. The loan is repayable in semi-annual, consecutive, and equal installments commencing 78 months from the effective date of the contract and shall be fully repaid no later than 25 years from the same date.

The Program’s Executing Unit is the Office of the Prime Minister – Digital Transformation Unit (PEU).

The specific objectives are:

- (i) streamlining government procedures and making them available online to reduce the cost of government bureaucracy;
- (ii) increasing the use of Information and Communication Technologies (ICT) in the public sector; and
- (iii) increasing transparency of government activities and strengthening auditing and control mechanisms.

Program Components and respective budget allotments based on the loan contract:

<b><u>Component No.</u></b>	<b><u>Description</u></b>	<b><u>Budget</u></b>
Component 1	Simplifying and digitizing government procedures	13,800,000
Component 2	Strengthening institutional capacity for a digital government	9,900,000
Component 3	Enhancing transparency and integrity in government	3,000,000
Component 4	Evaluation, audit and contingencies	<u>3,300,000</u>
Total		<u>\$30,000,000</u>



**GOVERNMENT DIGITAL TRANSFORMATION TO STRENGTHEN  
COMPETITIVENESS PROGRAM**

**NOTES TO THE PROGRAM FINANCIAL STATEMENTS**

**FOR THE YEAR PERIOD FROM 8 APRIL 2019 TO 30 JUNE 2021**

**2. Key accounting policies**

▪ Basis of Presentation

The statement of cash received and disbursements has 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 record-keeping modality differs from the IPSAS under which transactions should be recorded as they are incurred and not when they are paid. However, the IPSAS have been applied to these circumstances discussed in the chapter “Cash Basis IPSAS: Financial Reporting under the Cash Basis of Accounting.”

▪ Monetary Unit

The program’s accounting records are maintained in local currency and U.S. dollars. In order to calculate the equivalent in U.S. dollars, the cash received in local currency in a specific commercial bank account, is converted at the rate of exchange in effect at the time of receipt of these funds or at the rate of exchange at a time close to the transaction date, such as, the effective rate on the last day of the preceding month or the monthly average.

The exchange rate gain or loss that results from a difference of the exchange rate when the funds are received versus when they are converted to local currency to make payments for eligible expenses is accounted for as an exchange rate differential charged to: (i) Bank financing; (ii) local counterpart; or (iii) other sources.

**3. Available cash balance**

On 12 December 2019 and 9 July 2020, the Inter-American Development Bank approved Disbursement Requests Number 1 and 2, respectively, which represented an Advance of Funds in the total amount of \$1,553,758.00. The funds were transferred to account number Government Digital Account – 1289001951 at The Central Bank of the Bahamas.

**GOVERNMENT DIGITAL TRANSFORMATION TO STRENGTHEN  
COMPETITIVENESS PROGRAM**

**NOTES TO THE PROGRAM FINANCIAL STATEMENTS**

**FOR THE YEAR PERIOD FROM 8 APRIL 2019 TO 30 JUNE 2021**

**3. Available cash balance (continuation)**

The available cash balance on the account as at 30 June 2021 was \$69,571.81.

Reconciliation of the Program's cash balance follows:

Central Bank Account No. 1289001951	1,553,758.00
Less: Payments in behalf of the Program by the Public Treasury	<u>(1,484,186.19)</u>
	<u>\$69,571.81</u>

**4. Advances pending justification**

As of 30 June 2021, the amount pending justification to the IDB amounts to 1,484,186.19 and is included in the following disbursement requests pending to be processed or expenses incurred and not included in such requests.

Simplifying and digitizing government procedures	\$636,833.35
Strengthening institutional capacity for digital government	153,246.70
Programme Administration, Governance and Contingencies	<u>386,497.56</u>
	1,176,577.61
Payroll Expenses, Office Supplies & Equipment	<u>307,608.58</u>
	<u>\$1,484,186.19</u>

There were payroll expenses, office supplies and equipment not included in justification amount submitted to IDB. At the time of the transactions, amounts were accounted for from Government Funding with the view to correct and include in the next justification to IDB.

**GOVERNMENT DIGITAL TRANSFORMATION TO STRENGTHEN  
COMPETITIVENESS PROGRAM**

**NOTES TO THE PROGRAM FINANCIAL STATEMENTS**

**FOR THE YEAR PERIOD FROM 8 APRIL 2019 TO 30 JUNE 2021**

**5. Local counterpart funds**

There are no counterpart fund designated for the program.

**6. Procurement of goods and services**

The procurement of goods is conducted in accordance with IDB's bank policies.

<u>Name</u>	<u>Method Type</u>	<u>Amount</u>
Office Supplies	Non-consulting service	\$15,998.60
Office Equipment & Furniture	Non-consulting service	127,400.53
Software & Application	Non-consulting service	103,990.58
PEU Staff	Individual consultants	<u>1,236,796.48</u>
<b>Total</b>		<b><u>\$1,484,186.19</u></b>

**7. Disbursements**

As of 30 June 2021, there were two disbursements by IDB, Advances of Funds in the amount \$300,000.00 & \$1,253,758.00 totaling to US\$1,553,758.00.

**8. Reconciliation between the "Statement of Cash Received and Disbursements" and the "Statement of Cumulative Investments"**

Amount disbursed per Statement of Cash Received and Disbursements as of June 30, 2021	\$1,484,186.19
Amount disbursed per Statement of Cumulative Investments as of June 30, 2021	\$1,484,186.19



**GOVERNMENT DIGITAL TRANSFORMATION TO STRENGTHEN  
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**NOTES TO THE PROGRAM FINANCIAL STATEMENTS**

**FOR THE YEAR PERIOD FROM 8 APRIL 2019 TO 30 JUNE 2021**

**9. Reconciliation by Investment Categories between the program's records and IDB's records**

Listed below are the Program Investment categories along with the IDB records.

*IDB records*

COM-1 Simplifying and digitizing government procedures	--
COM-2 Strengthening institutional capacity for a digital government	--
COM-3 Enhancing transparency and integrity in government	--
COM-4 Evaluation, audit and contingencies	--
	\$--

*Program Investment Category*

COM-1 Simplifying and digitizing government procedures	\$768,117.90
COM-2 Strengthening institutional capacity for a digital government	206,175.27
COM-3 Enhancing transparency and integrity in government	--
COM-4 Evaluation, audit and contingencies	<u>509,893.02</u>
	<u>\$1,484,186.19</u>

**10. Subsequent events**

On 24 November 2021, an Advance of Fund of \$2,777,462 was received from IDB.

**11. Corresponding figures**

No opening figures are shown as the financial statements were prepared since inception.

## **REPORT ON THE SYSTEM OF INTERNAL CONTROL**

### **To the Management of Office of the Prime Minister - Digital Transformation Unit Government Digital Transformation to Strengthen Competitiveness Program**

We have audited the statement of cash received and disbursements and statement of cumulative investments of Government Digital Transformation to Strengthen Competitiveness Program, for the period from 8 April 2019 to 30 June 2021. The Program is executed by the Office of the Prime Minister - Digital Transformation Unit, and financed by the Inter-American Development Bank under Loan Contract No. 4549/OC-BH.

We issued our audit report thereon dated 10 November 2021.

This report complements our opinion on the referenced financial statements.

The management of Government Digital Transformation to Strengthen Competitiveness Program 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 Program, including construction works and other procured goods. In fulfilling this responsibility, estimates and judgments by Program's management are required to assess the expected benefits and related costs of 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 of fair and true financial statements. 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 risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the Program's financial statements for the for the period ended, we obtained an understanding of the system of internal control, and we assessed control risk in order to determine the auditing procedures for the purpose of expressing an opinion on the Program'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.

We noted certain matters that are described in this report, involving the system of internal control and its operation that we considered to be material weakness or reportable conditions under International Standards on Auditing. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the system of internal control that, in our judgment, could adversely affect the ability of the Program to record, process, summarize, and report financial data consistent with assertions of management in the Statement of Cash Received and Disbursements and the Statement of Cumulative Investments.

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 Program's financial statements may occur and not be detected in 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 also considered to be material weaknesses.

#### Reportable Condition

As disclosed in Note 3, the loan drawdowns for the Program are received in an account at the Central Bank of the Bahamas from the IDB. Once funds have been cleared, the Ministry of Finance submits a request to the Central Bank of the Bahamas to transfer the funds from the account to the Government's Consolidated Fund where all payments related to the Program are then disbursed. There is no specific bank account restricted for Program disbursements. It shows that the Program management does not have direct control and custody of the account balance.

We are also unable to confirm the balance as at 30 June 2021. As a result, a qualified audit opinion was issued.

We consider this matter as a reportable condition but not a material weakness as defined above.

*BDO*

**Chartered Accountants  
Nassau Bahamas  
10 November 2021**