

LOAN CONTRACT 4363/OC-BH

CLIMATE-RESILIENT COASTAL MANAGEMENT

AND INFRASTRUCTURE PROGRAM

FINANCIAL REPORTS

30 JUNE 2021

**CLIMATE-RESILIENT COASTAL MANAGEMENT
AND INFRASTRUCTURE PROGRAM**

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REPORT OF THE AUDITORS TO THE MANAGEMENT OF CLIMATE-RESILIENT COASTAL MANAGEMENT AND INFRASTRUCTURE PROGRAM

Opinion

We have audited the accompanying financial statements of Climate-Resilient Coastal Management and Infrastructure Program ("Program"), which comprise the Statement of Cash Received and Disbursements and the Statement of Cumulative Investments as at and for the period from 1 March 2019 to 30 June 2021, and notes to the Program's financial statements, including a summary of significant accounting policies. The Program is executed by the Ministry of Public Works ("Executing Agency") and financed with funds from the Inter-American Development Bank ("IDB") Loan Contract No. 4363/OC-BH.

In our opinion, the accompanying financial statements of the Program for the period from 1 March 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. 4363/OC-BH and the Audited Financial Reports and External Audit Management Handbook for Project financed by IDB.

Basis for Opinion

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 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's Project Implementation Unit ("PIU") is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions of IDB Loan Contract No. 4363/OC-BH, and for such internal control as PIU 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 PIU 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 December 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.

CLIMATE-RESILIENT COASTAL MANAGEMENT AND INFRASTRUCTURE PROGRAM


STATEMENT OF CASH RECEIVED AND DISBURSEMENTS

JUNE 30, 2021

(Expressed in US Dollars)

	Note	June 30, 2021	
CASH RECEIVED		<u>IDB</u>	<u>TOTAL</u>
Beginning balance		\$-	\$-
Activity during the period:		-	-
Disbursements: Reimbursement #01	3	102,667	102,667
Advance of Funds #02	3	<u>925,500</u>	<u>925,500</u>
Total Cash Received		<u>1,028,167</u>	<u>1,028,167</u>
DISBURSEMENTS			
Beginning balance		-	-
Activity during the period:			
Payments for goods and services		1,073,959	1,073,959
Other-Refund of expenses not approved by IDB		<u>(87,000)</u>	<u>(87,000)</u>
Total Cash Disbursements	7,10	<u>986,959</u>	<u>986,959</u>
TOTAL AVAILABLE CASH AS OF PERIOD-END		<u>\$41,208</u>	<u>\$41,208</u>

These financial statements were approved on December 10, 2021 by:


 Mr. Luther Smith
 Permanent Secretary
 Ministry of Works and Utilities

Charlene
 Collie

Charlene Collie
 Program Coordinator
 Program Implementation Unit

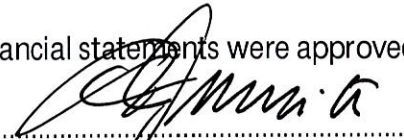
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 DN: cn=Charlene Collie, o=Ministry of
 Public Works, ou=Project
 Implementation Unit,
 email=charlenecollie@bahamas.gov.bs,
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CLIMATE-RESILIENT COASTAL MANAGEMENT AND INFRASTRUCTURE PROGRAM

**STATEMENT OF CUMULATIVE INVESTMENTS
FOR THE PERIOD FROM MARCH 1, 2019 TO JUNE 30, 2021
(Expressed in US Dollars)**

ITEM	Opening Balance		Movement during period from March 1, 2019 to 30 June 2021		June 30,2021	
	IDB	TOTAL	IDB	TOTAL	IDB	TOTAL
1.0 Sustainable Coastal Protection Infrastructure						
1.1 East Grand Bahama	-	-	-	-	-	-
1.2 Nassau/Junkanoo Beach	-	-	-	-	-	-
1.3 Central Long Island	-	-	-	-	-	-
2.0 Natural Infrastructure for Hazard Resilience in Andros	-	-	500,000	500,000	500,000	500,000
3.0 Institutional Strengthening for Coastal Risk Management	-	-	3,959	3,959	3,959	3,959
4.0 Administration						
4.1 Program Implementation Unit	-	-	483,000	483,000	483,000	483,000
4.2 Financial Audits	-	-	-	-	-	-
4.3 Monitoring and Evaluation	-	-	-	-	-	-
	-	-	483,000	483,000	483,000	483,000
5.0 Contingencies	-	-	-	-	-	-
GRAND TOTAL			<u>\$986,959</u>	<u>\$986,959</u>	<u>\$986,959</u>	<u>\$986,959</u>

These financial statements were approved on December 10,2021 by:


.....
Mr. Luther Smith
Permanent Secretary
Ministry of Works and Utilities

**Charlene
Collie**

Charlene Collie
Program Coordinator
Project Implementation Unit

Digitally signed by Charlene Collie
DN: cn=Charlene Collie, o=Ministry of
Public Works, ou=Project Implementation
Unit,
email=charlenecollie@bahamas.gov.bs,
c=BS
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CLIMATE-RESILIENT COASTAL MANAGEMENT AND INFRASTRUCTURE PROGRAM

NOTES TO THE PROGRAM FINANCIAL STATEMENTS

FOR THE YEAR PERIOD FROM MARCH 1, 2019 TO JUNE 30, 2021

1. Description of the Program

- a) The Ministry of Public Works ("MOPW") has implemented Climate-Resilient Coastal Management and Infrastructure Program (BH-L1043), based on the Loan Agreement 4363/OC-BH signed between the Government of the Bahamas ("GoBH") and the Inter-American Development Bank ("IDB") on June 14, 2018 in the amount of \$35,000,000.
- b) The goals and objectives of the Program was to build resilience to coastal risks (including those associated with climate change) through sustainable coastal protection infrastructure, including natural infrastructure and integrated management of the Coast. Specifically, the program will finance science-based shoreline stabilization and coastal flooding control measures in East Grand Bahama, Central Long Island and Nassau/Junkanoo Beach in New Providence; natural infrastructure for hazard resilience through restoration of coastal natural habitats (mangroves, reefs) in Andros and institutional strengthening for coastal risk management. This Program is expected to result in a reduction of economic losses due to natural disasters and an increase in local economic activity through coastal resilience.
- c) There are 5 components to this Program: (1) Sustainable Coastal Protection Infrastructure, (2) Natural Infrastructure for Hazard Resilience in Andros, (3) Institutional Strengthening for Coastal Risk Management and (4) Administration and (5) Contingencies.
- d) The period of the Loan is for 6 years from June 14, 2018 to June 14, 2024. The Loan is to be financed by the IDB at \$35,000,000.

The loan is repayable in semi-annual, consecutive and insofar as possible, equal instalments commencing 78 months from the loan contract date, December 14, 2024, and shall be fully repaid no later than 24 years from that date, June 14, 2042.

- e) The GoBH has designated the MOPW as the Executing Agency (EA) which established a Project Implementation Unit ("PIU") within its organizational structure. The PIU was staffed with a team of technical and fiduciary staff who will conduct the Program coordination, administration, financial management and monitoring responsibilities.

CLIMATE-RESILIENT COASTAL MANAGEMENT AND INFRASTRUCTURE PROGRAM

NOTES TO THE PROGRAM FINANCIAL STATEMENTS

FOR THE YEAR PERIOD FROM MARCH 1, 2019 TO JUNE 30, 2021

1. Description of the Program (continuation)

The budgeted investment categories of the Loan include (Cost and Financing):

	IDB	Total
	(in millions of USD)	
1.Sustainable Coastal Protection infrastructure		
1.1 East Grand Bahama	2.50	2.50
1.2 Nassau/Junkanoo Beach	18.00	18.00
1.3 Central Long Island	3.00	3.00
	<u>23.50</u>	<u>23.50</u>
2. Natural Infrastructure for Hazard Resilience in Andros	<u>3.00</u>	<u>3.00</u>
3. Institutional Strengthening for Coastal Risk Management	<u>3.50</u>	<u>3.50</u>
4. Administration		
4.1 Program	1.50	1.50
4.2 Financial Audits	0.20	0.20
4.3 Monitoring and Evaluation	0.30	0.30
	<u>2.00</u>	<u>2.00</u>
5. Contingencies	<u>3.00</u>	<u>3.00</u>
Total	<u>35.00</u>	<u>35.00</u>

2. Key Accounting Policies

▪ Basis of Presentation

- a) The Financial Statements have been prepared using the cash basis of accounting, recognizing contribution when the cash is received and recognising 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 International Public Sector Accounting Standards ("IPSAS") have been applied to circumstances such as those discussed in the chapter "Cash Basis-IPSAS: Financial Reporting under the Cash Basis of Accounting".

CLIMATE-RESILIENT COASTAL MANAGEMENT AND INFRASTRUCTURE PROGRAM

NOTES TO THE PROGRAM FINANCIAL STATEMENTS

FOR THE YEAR PERIOD FROM MARCH 1, 2019 TO JUNE 30, 2021

2. Key Accounting Policies (continuation)

▪ Monetary Unit

- b) For purposes of these financial statements, the Program's accounting records are maintained in US Dollars. However, some of the Program's transactions are denominated in Bahamian Dollars. These transactions are translated at par.

3. Available Cash Balance

In December 2019, IDB approved two (2) Disbursement Requests which consists of (1) Reimbursement of funds for \$102,667 and (2) Advance of Funds in the amount of \$925,500. The funds were transferred to account number 1.2890.01751 held at the Central Bank of The Bahamas.

The available balance on the account as of June 30, 2021 was \$41,208. There has been no transfer of funds from the Central Bank account up to year end. Generally, on request of the EA, funds are released from the Central Bank account to the Public Treasury. This action replaces funds initially used by the GoBH for IDB disbursements and seeks reimbursement from the Program's funding.

Reconciliation of the Program's cash balance follows:

	June 30, 2021
Central bank Account No.1.2890.01751	1,028,167
Less: Payments on behalf of the Program by the Public Treasury	(986,959)
Available Cash Balance	\$41,208

4. Advances Pending Justification

As at June 30, 2021, the amount pending justification to the IDB amounted to \$884,292 and was included in disbursement requests pending to be processed.

CLIMATE-RESILIENT COASTAL MANAGEMENT AND INFRASTRUCTURE PROGRAM

NOTES TO THE PROGRAM FINANCIAL STATEMENTS

FOR THE YEAR PERIOD FROM MARCH 1, 2019 TO JUNE 30, 2021

5. Advances and Justification

June 30, 2021

Opening Balance - Advance of Funds	-
Advances and Reimbursement received	1,028,167
Advances recorded and justified	(102,667)
Disallowed by IDB	-
Closing Balance of Advances	\$925,500

6. Local Counterpart Funds

There is no GoBH counterpart funding for this Program. Expenses incurred for the Program are absorbed by the EA's capital funding upon approval following the GoBH procurement policies.

7. Procurement of Goods and Services

The approved Procurement Plan (PP) serves as the basis for all of the purchasing and contracting on the Program. For the procurement of works, goods, and non-consulting services, any of the methods described in the Procurement Policies may be used, provided that such method has been identified for the respective procurement in the PP approved by IDB. The procurement of goods and services below was conducted in accordance with IDB Bank policies.

Investment category	Details	June 30, 2021
2.4	Baseline Studies and Design of Nature-based Solutions – Bahamas National Trust	500,000
3.1	Assistant Engineer	3,959
4.1	PIU Individual consultants	483,000
Total		\$986,959

CLIMATE-RESILIENT COASTAL MANAGEMENT AND INFRASTRUCTURE PROGRAM

NOTES TO THE PROGRAM FINANCIAL STATEMENTS

FOR THE YEAR PERIOD FROM MARCH 1, 2019 TO JUNE 30, 2021

8. Disbursements

As at June 30, 2021, the cumulative disbursements were \$986,959.

9. 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	986,959
Amount disbursed per Statement of Cumulative Investments as of June 30, 2021	986,959
Difference	\$-

10. 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

	June 30, 2021
Component 1-Sustainable Coastal Protection Infrastructure	-
Component 2-Natural Infrastructure for Hazard Resilience in Andros	-
Component 3-Institutional Strengthening for Coastal Risk Management	-
Component 4-Administration and Contingencies	102,667
Total	\$102,667

Project records

	June 30, 2021
Component 1-Sustainable Coastal Protection Infrastructure	-
Component 2-Natural Infrastructure for Hazard Resilience in Andros	500,000
Component 3-Institutional Strengthening for Coastal Risk Management	3,959
Component 4-Administration and Contingencies	483,000
Total	\$986,959

The difference between the records above of \$884,292 is the amount of the Advance Pending Justification as disclosed in Notes 4.

CLIMATE-RESILIENT COASTAL MANAGEMENT AND INFRASTRUCTURE PROGRAM

NOTES TO THE PROGRAM FINANCIAL STATEMENTS

FOR THE YEAR PERIOD FROM MARCH 1, 2019 TO JUNE 30, 2021

11. Contingencies

There are no contingencies this period.

12. Subsequent Events

The following are the events subsequent to 30 June 2021:

- (i) New contracts were approved by the IDB for the Project Coordinator (2 years) and the Financial Specialist (1 year), effective August 2021, at \$90,000 and \$48,000 annually, respectively.
- (ii) On September 27, 2021, approval of the Justification report for the Advance of Funds by the IDB, \$884,292.

13. Opening Balances

No opening balances are shown as these financial statements were prepared from the establishment of the Project Implementation Unit (PIU) in March 2019.