

LOAN CONTRACT 4363/OC-BH

CLIMATE-RESILIENT COASTAL MANAGEMENT

AND INFRASTRUCTURE PROGRAM

FINANCIAL REPORTS

30 JUNE 2022

**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 year ended 30 June 2022, 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 year ended 30 June 2022 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 (ISA) 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 International Financial Reporting Standards (IFRSs) 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 ISA 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
2 November 2022**

APPENDIX TO THE AUDITORS' REPORT

Detailed Description of Our Responsibilities

As part of an audit in accordance with ISA, 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 auditors' 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 auditors' 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

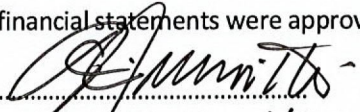
STATEMENT OF CASH RECEIVED AND DISBURSEMENTS

30 JUNE 2022

(Expressed in US Dollars)

	Note	30 June 2022		30 June 2021	
		<u>IDB</u>	<u>TOTAL</u>	<u>IDB</u>	<u>TOTAL</u>
CASH RECEIVED					
Beginning balance		\$1,028,167	\$1,028,167	\$-	\$-
Activity during the period:					
Reimbursement	3	518,381	518,381	102,667	102,667
Advance of Funds	3	<u>1,096,324</u>	<u>1,096,324</u>	<u>925,500</u>	<u>925,500</u>
Total activity during the period		<u>1,614,705</u>	<u>1,614,705</u>	<u>1,028,167</u>	<u>1,028,167</u>
Total Cash Received		<u>2,642,872</u>	<u>2,642,872</u>	<u>1,028,167</u>	<u>1,028,167</u>
DISBURSEMENTS					
Beginning balance		986,959	986,959	-	-
Activity during the period:					
Payments for goods and services		724,402	724,402	1,073,959	1,073,959
Less: Refund of expenses not approved by IDB		<u>(11,500)</u>	<u>(11,500)</u>	<u>(87,000)</u>	<u>(87,000)</u>
Total activity during the period		<u>712,902</u>	<u>712,902</u>	<u>986,959</u>	<u>986,959</u>
Total Cash Disbursements	7,10	<u>1,699,861</u>	<u>1,699,861</u>	<u>986,959</u>	<u>986,959</u>
TOTAL AVAILABLE CASH AS OF PERIOD-END		<u>\$943,011</u>	<u>\$943,011</u>	<u>\$41,208</u>	<u>\$41,208</u>

These financial statements were approved on 2 November 2022 by:



 Mr. Luther Smith 11/11/22
 Permanent Secretary
 Ministry of Works and Utilities



 Charlene Collie
 Program Coordinator
 Program Implementation Unit

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

CLIMATE-RESILIENT COASTAL MANAGEMENT AND INFRASTRUCTURE PROGRAM

STATEMENT OF CUMULATIVE INVESTMENTS FOR THE YEAR ENDING 30 JUNE 2022 (Expressed in US Dollars)

ITEM	Opening Balance		Movement during the year		30 June 2022	
	IDB	TOTAL	IDB	TOTAL	IDB	TOTAL
1.0 Sustainable Coastal Protection Infrastructure						
1.1 East Grand Bahama	-	-	1,503	1,503	1,503	1,503
1.2 Nassau/Junkanoo Beach	-	-	192,057	192,057	192,057	192,057
1.3 Central Long Island	-	-	1,503	1,503	1,503	1,503
	-	-	195,063	195,063	195,063	195,063
2.0 Natural Infrastructure for Hazard Resilience in Andros						
2.1 Baseline Studies – Priority site	500,000	500,000	-	-	500,000	500,000
2.4 Coastal Ecosystems Restoration	-	-	155,015	155,015	155,015	155,015
	500,000	500,000	155,015	155,015	655,015	655,015
3.0 Institutional Strengthening for Coastal Risk Management						
3.1 Coastal Project Management Unit	3,959	3,959	64,539	65,539	68,498	68,498
3.2 Coastal Hazard Monitoring	-	-	133,465	133,465	133,465	133,465
	3,959	3,959	198,004	198,004	201,963	201,963
4.0 Administration						
4.1 Program Implementation Unit	483,000	483,000	152,500	152,500	635,500	635,500
4.2 Financial Audits	-	-	12,320	12,320	12,320	12,320
4.3 Monitoring and Evaluation	-	-	-	-	-	-
	483,000	483,000	164,820	164,820	647,820	647,820
5.0 Contingencies	-	-	-	-	-	-
GRAND TOTAL	\$986,959	\$986,959	\$712,902	\$712,902	\$1,699,861	\$1,699,861

These financial statements were approved on 2 November 2022 by:


 Mr. Luther Smith
 Permanent Secretary
 Ministry of Works and Utilities


 Charlene Collie
 Program Coordinator
 Project Implementation Unit

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

CLIMATE-RESILIENT COASTAL MANAGEMENT AND INFRASTRUCTURE PROGRAM

NOTES TO THE PROGRAM FINANCIAL STATEMENTS

FOR THE YEAR ENDING 30 JUNE 2022

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 14 June 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 14 June 2018 to 14 June 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, 14 December 2024, and shall be fully repaid no later than 24 years from that date, 14 June 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 ENDING 30 JUNE 2022

1. Description of the Program (continuation)

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

	<u>IDB</u>	<u>Total</u>
	(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	<u>3.00</u>	<u>3.00</u>
	<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	<u>0.30</u>	<u>0.30</u>
	<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 ENDING 30 JUNE 2022

2. Key Accounting Policies (cont)

▪ 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 May 2022, IDB approved two (2) Disbursement Requests which consists of (1) Reimbursement of funds for \$518,381 and (2) Advance of Funds in the amount of \$1,096,324. 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 at 30 June 2022 was \$943,011 (2021: \$41,208). During the year, the total funds transferred from the Central Bank account amounted to \$1,028,167 (2021: \$Nil). 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, which totalled \$712,902 (2021: \$986,959) disbursements during the year and seeks reimbursement from the Program's funding.

Reconciliation of the Program's cash balance follows:

	30 June 2022	30 June 2021
Central bank Account No.1.2890.01751	1,614,705	1,028,167
Less: Payments on behalf of the Program by the Public Treasury	(712,902)	(986,959)
Available Cash balance, brought forward	41,208	--
Available Cash Balance, ending	\$943,011	\$41,208

CLIMATE-RESILIENT COASTAL MANAGEMENT AND INFRASTRUCTURE PROGRAM

NOTES TO THE PROGRAM FINANCIAL STATEMENTS

FOR THE YEAR ENDING 30 JUNE 2022

4. Advances Pending Justification

As of 30 June 2022, there were disbursements of \$153,313 (2021: \$884,292) to be processed pending justification by IDB.

5. Advances and Justification

	30 June 2022	30 Jun 2021
Opening Balance - Advance of Funds	925,500	-
Advances recorded and justified	(1,443,881)	(102,667)
Advances and Reimbursement received	1,614,705	1,028,167
Disallowed by IDB	-	-
Closing Balance - Advances of Funds	\$1,096,324	\$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.

CLIMATE-RESILIENT COASTAL MANAGEMENT AND INFRASTRUCTURE PROGRAM

NOTES TO THE PROGRAM FINANCIAL STATEMENTS

FOR THE YEAR ENDING 30 JUNE 2022

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	Procurement Category	Procurement Method	Details of Service	30 June 2022	30 June 2021
1.1	Non-Consulting Services	Limited Shopping	Advertising-EGB	1,503	-
1.2	Works	Quality & Cost Based	Baseline Studies -Junkanoo Beach (Mott McDonald)	192,057	-
1.3	Non-Consulting Services	Shopping	Advertising-CLI	1,503	-
2.1	Works	Quality & Cost Based	Hazard Resilience in Andros (Smith Warner)	155,015	-
2.4	Works	Direct Contracting	Bahamas National Trust	-	500,000
3.1	Individual Consultant	3CV's	Asst. Engineer-PIU	47,500	3,959
3.1	Non-Consulting Services	Shopping	Travel-PIU	17,039	-
3.2	Goods	Shopping	Office Equipment, Computers & Supplies	99,039	-
3.2	Works	Quality & Cost Based	Updating of Building Code (Mott McDonald)	34,426	-
4.1	Individual Consultant	3CV's	Individual Consultants-PIU	152,500	483,000
4.2	Consultants-Firms	Least Cost	Audit Services-BDO	12,320	-
Total				\$712,902	\$986,959

CLIMATE-RESILIENT COASTAL MANAGEMENT AND INFRASTRUCTURE PROGRAM

NOTES TO THE PROGRAM FINANCIAL STATEMENTS

FOR THE YEAR ENDING 30 JUNE 2022

8. Disbursements

As at 30 June 2022, the cumulative disbursements totaled \$1,699,861 (2021: \$986,959).

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

	2022	2021
Amount disbursed per Statement of Cash Received and Disbursements as at 30 June	712,902	986,959
Amount disbursed per Statement of Cumulative Investments as at 30 June	712,902	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 as at 30 June:

IDB records

	2022	2021
Component 1-Sustainable Coastal Protection Infrastructure	195,063	--
Component 2-Natural Infrastructure for Hazard Resilience in Andros	562,006	--
Component 3-Institutional Strengthening for Coastal Risk Management	169,659	--
Component 4-Administration and Contingencies	619,820	102,667
Total	\$1,546,548	\$102,667

Project records

	2022	2021
Component 1-Sustainable Coastal Protection Infrastructure	195,063	--
Component 2-Natural Infrastructure for Hazard Resilience in Andros	655,015	500,000
Component 3-Institutional Strengthening for Coastal Risk Management	201,963	3,959
Component 4-Administration and Contingencies	647,820	483,000
Total	\$1,699,861	\$986,959

CLIMATE-RESILIENT COASTAL MANAGEMENT AND INFRASTRUCTURE PROGRAM

NOTES TO THE PROGRAM FINANCIAL STATEMENTS

FOR THE YEAR ENDING 30 JUNE 2022

10. Reconciliation by Investment Categories Between the Program's Records and IDB's Records (cont)

The difference between the records above of \$153,313 (2021: \$884,292) is the amount of the Advance Pending Justification as disclosed in Note 4.

11. Contingencies

There are no contingencies this period.

12. Subsequent Events

There were no notable events subsequent to year end.