

CREDIT ENHANCEMENT PROGRAMME FOR MSMEs PROJECT

FINANCIAL STATEMENTS

MARCH 31, 2019

CREDIT ENHANCEMENT PROGRAMME FOR MSMEs PROJECT

March 31, 2019

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ANY REPLY OR SUBSEQUENT REFERENCE
TO THIS COMMUNICATION SHOULD BE
ADDRESSED TO THE AUDITOR GENERAL
AND NOT TO ANY OFFICER BY NAME
AND THE FOLLOWING REFERENCE
QUOTED: -

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IDB LOAN CONTRACT NO. 4115-JM
DEVELOPMENT BANK OF JAMAICA
CREDIT ENHANCEMENT PROGRAMME for MSMEs PROJECT
EIGHTEEN MONTH PERIOD ENDING MARCH 31, 2019
AUDIT REPORT ON THE FINANCIAL STATEMENTS

OPINION

I have audited the accompanying financial statements for the Credit Enhancement Programme for MSMEs Project, which comprises the Statement of Cash Flow, the Statement of Cumulative Investments and a summary of the significant accounting policies and other explanatory notes shown on pages 3a to 8. The Programme is executed by the Development Bank of Jamaica and financed by the Inter-American Development Bank under Loan Agreement No. 4115-JM and the Government of Jamaica for the period ended March 31, 2019.

In my opinion, the appended financial statements reflect a true and fair view of the cash flow and the statement of cumulative investments for the project as of and for the period ended March 31, 2019 in accordance with International Public Sector Accounting Standards (IPSAS) Cash Basis and the accounting policies described in Note 2.

BASIS FOR OPINION

The audit of the Project was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under ISSAIs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. My staff and I are independent of the Project in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in my professional judgment, were of most significance in the audit of the financial statements. There were no key audit matters for the financial period ending March 31, 2019.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The executing agency, the Development Bank of Jamaica, is responsible for the preparation and fair presentation of these financial statements, in accordance with International Public Sector Accounting Standards (IPSAS) Cash Basis. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether, due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The Agency is also required to present audited financial statements to the IADB.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS

My responsibility is to express an opinion on these Financial Statements based on my audit. I conducted my audit in accordance with the auditing standards issued by the International Organization of Supreme Audit Institutions (INTOSAI). Those standards require that I comply with ethical requirements and plan and perform the audit 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 auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these financial statements.

As part of an audit in accordance with ISSAIs, I exercise professional judgment and maintain professional skepticism throughout the audit.

I 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 my 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 expressing an opinion on the effectiveness of the Project's internal control.
- Evaluate the appropriateness of accounting policies used and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. The conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Project to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that presents a true and fair view.

I have communicated with the IDB regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that was identified during the audit.

REPORT ON THE ADDITIONAL REQUIREMENTS OF THE IDB LOAN CONTRACT No. 4115/OC-JA

I have obtained all the information and explanations, which to the best of my knowledge and belief were necessary for the purpose of the audit. In my opinion, proper accounting records have been maintained and the Financial Statements agree therewith and give the information required in the manner so required.



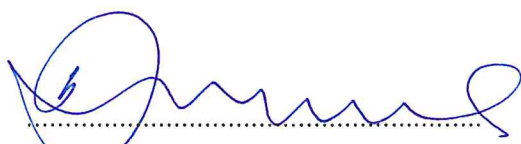
 Auditor General of Jamaica

2019/07/30
 Date

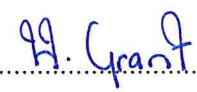
DEVELOPMENT BANK OF JAMAICA
IDB – CREDIT ENHANCEMENT PROGRAMME FOR MSMEs PROJECT
PROJECT # 4115/OC-JA
STATEMENT OF CASH FLOWS
FOR THE EIGHTEEN MONTH PERIOD ENDED MARCH 31, 2019

	Note	IDB US\$	Total US\$
CASH RECEIVED			
Accumulated cash at beginning of period		-	-
Activity during the year			
Disbursements		2,000,000.00	2,000,000.000
Interest received		26,010.64	26,010.64
DBJ advance		18,557.88	18,557.88
Foreign exchange gain/(loss)		248.97	248.97
Total cash received as at March 31, 2019		2,044,817.49	2,044,817.49
Activity during the year			
IDB expenditure		18,521.99	18,521.99
Total cash disbursements as at March 31, 2019		18,521.99	18,521.99
Available Cash as at the end of the year	4	2,026,295.50	2,026,295.50

Approved for issue on behalf of the Development Bank of Jamaica on *July 29, 2019* and signed on its behalf by:



 Authorized Signature



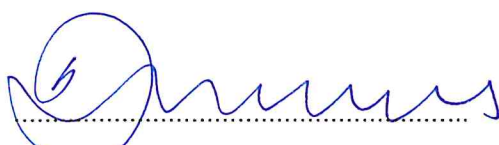
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DEVELOPMENT BANK OF JAMAICA
IDB – CREDIT ENHANCEMENT PROGRAMME FOR MSMEs PROJECT
PROJECT # 4115/OC-JA
STATEMENT OF CUMULATIVE INVESTMENTS
FOR THE EIGHTEEN MONTH PERIOD ENDED MARCH 31, 2019

Component	INVESTMENT CATEGORY	Current period as at March 31, 2019		Cumulative as at March 31, 2019	
		IDB	TOTAL	IDB	TOTAL
		US\$	US\$	US\$	US\$
1A	CEF Capital Resources	1,981,223.61	1,981,223.61	1,981,223.61	1,981,223.61
1B	Project Administration	18,776.39	18,776.39	18,776.39	18,776.39
	Administration	18,776.39	18,776.39	18,776.39	18,776.39
	Evaluations & Audits	-	-	-	-
		-	-	-	-
	TOTALS	2,000,000.00	2,000,000.00	2,000,000.00	2,000,000.00



 Authorized Signature



 Authorized Signature



 Authorized Signature

**DEVELOPMENT BANK OF JAMAICA
IDB – CREDIT ENHANCEMENT PROGRAMME FOR MSMEs PROJECT
PROJECT # 4115/OC-JA
NOTES TO THE FINANCIAL STATEMENTS
18 MONTH PERIOD ENDED MARCH 31, 2019**

1. OVERVIEW - Nature and Activities of the Project

The Credit Enhancement Programme for Micro, Small and Medium Enterprises (MSMEs) is a partnership of Government of Jamaica (GOJ) and the Inter-American Development Bank (IDB), hereinafter, referred to as “The Project”. The objective of the Programme is to promote productive investments in MSMEs in Jamaica by enhancing their access to financing, particularly medium and long term loans, through DBJ’s Credit Enhancement Facility (CEF). The Project is a US\$20 million project to be executed over 5 years from September 2017 to September 2022.

The executing agency for this project is the Development Bank of Jamaica (DBJ). The Project consists of one main component:

Component 1A: Expansion of the DBJ’s Guarantee Fund the CEF (US\$19.8 million) – The fund will be expanded through a capital injection of US\$3.96 million over five years

Component 1B: Project Management (Administration, monitoring and evaluation) - (US\$200,000.00)

Project Administration

The Executing Agency (EA) has been established at Development Bank of Jamaica with its Projects Branch, which falls under the responsibility of the General Manager of the EA’s Strategic Services Department, with the support of EA’s Loan Origination and Portfolio Management Department, in accordance with the Operating Regulations.

MANAGEMENT REPORT

Within DBJ’s reporting structure, The Project submitted monthly reports to the Strategic Services Department, and semi-annual progress reports to the Inter-American Development Bank (IDB). The information from which is assimilated into the Agency’s annual report to the IDB. Regarding reports to the IDB, two semiannual reports and one annual report were submitted during the period for the IDB Credit Enhancement Programme for MSMEs Project.

AUDITING OF THE PROJECT

The Auditor General’s Department currently audits the Project.

The Auditor General’s Department,
40 Knutsford Blvd.
Kingston 5
Jamaica

DEVELOPMENT BANK OF JAMAICA
IDB – CREDIT ENHANCEMENT PROGRAMME FOR MSMEs PROJECT
PROJECT # 4115/OC-JA
NOTES TO THE FINANCIAL STATEMENTS
18 MONTH PERIOD ENDED MARCH 31, 2019

2. Summary of Accounting Policies

i. Statement of compliance

These financial statements have been prepared in accordance with the General Conditions of the Agreement and the Guide for Financial Reports and External Audits for Operations financed by the Inter-American Development Bank.

ii. Basis of preparation

The Executing Agency (EA) uses the International Public Sector Accounting Standards - Cash Basis of Accounting to account for the project's transactions. This principle requires recognizing income when funds are received rather than when requested and expenses are recognized when payment is made rather than when obligations are incurred. Since the main objective of these financial statements is to disclose the sources and uses of funds, it is not necessary to present information adjusted for inflation.

iii. Currency translation

Expenses paid from the Jamaican Dollar Project Account held with Bank of Jamaica (BOJ) are converted by using the rates of exchange applicable on the day of the transaction for BOJ.

iv. Fluctuation rate and fees

All fees and charges for un-disbursed loan funds, as well as losses due to exchange rate fluctuations are not considered eligible project costs and are absorbed by the Government of Jamaica.

v. Restricted use of Project Funds and other assets

In accordance with the Loan Agreement between the GOJ and the IDB, funds available in the Special Account are restricted to project purposes only.

3. The Budget

The revised budget allocation for the FY 2018/2019 was US\$2,000,000 or J\$250,000,000.00. The budgeted expenditure represents amounts that were included in the national budget of Jamaica for the fiscal year ended March 31, 2019.

The amount was converted using a rate of USD1.00 to JMD 125.00.

DEVELOPMENT BANK OF JAMAICA
IDB – CREDIT ENHANCEMENT PROGRAMME FOR MSMEs PROJECT
PROJECT # 4115/OC-JA
NOTES TO THE FINANCIAL STATEMENTS
18 MONTH PERIOD ENDED MARCH 31, 2019

4. Available Cash Balance

The available cash balance as at March 31, 2019, is deposited in the Project's bank accounts.

	2019 US\$
BNS Special Account # 803807	19,204.25
BOJ Project Bank Account # 810517	2,007,091.25
Total	<u><u>2,026,295.50</u></u>

During the financial year ended March 31, 2019 the available interest earned equate to US\$26,010.64. In addition, the exchange rate fluctuations amounted to US\$248.97.

5. Advances and Justification

	2019 US\$
Opening balance of advances	-
Advances recorded during the period	2,000,000.00
Advances received	2,000,000.00
Justification of advance	(1,993,339.00)
Closing balance of advances	<u><u>6,661.00</u></u>

6. Disbursements Made

Disbursement#	Request date	Amount requested	Amount approved by IDB
1	12.06.2018	1,385,500.00	1,385,500.00
3	15.11.2018	607,839.00	607,839.00
4	15.11.2018	6,661.00	6,661.00
		<u><u>2,000,000.00</u></u>	<u><u>2,000,000.00</u></u>

DEVELOPMENT BANK OF JAMAICA
IDB – CREDIT ENHANCEMENT PROGRAMME FOR MSMEs PROJECT
PROJECT # 4115/OC-JA
NOTES TO THE FINANCIAL STATEMENTS
18 MONTH PERIOD ENDED MARCH 31, 2019

7. Reconciliation between the Statement of Cash Flows and the Statement of Cumulative Investments.

		US\$
Statement of Cash flow		<u>2,026,295.50</u>
Statement of Investment:		
International Development Bank:		
Advance	2,000,000.00	
Expense/other advances	26,295.50	
		<u>2,026,295.50</u>

8. Reconciliation by Investment Categories between the Program's Records and the IDB's Records.

	LMSI (US\$)	CEF (US\$)	Difference (US\$)
01.00.00 CEF Capital Resources	1,981,223.61	1,981,223.61	-
02.00.00 Administrative, M&E	12,115.39	18,776.39	(6,661.00)
Total	1,993,339.00	2,000,000.00	(6,661.00)

9. Advances Pending Justification

As at March 31, 2019 the amount pending justification to the IDB amounted to US\$6,661.00, which is related to expenditures incurred but not submitted for approval.



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July 30, 2019

IDB LOAN CONTRACT NO. 4115/OC-JA
DEVELOPMENT BANK OF JAMAICA
CREDIT ENHANCEMENT PROGRAMME for MSMEs PROJECT
PERIOD OCTOBER 1, 2017 - MARCH 31, 2019

AUDIT REPORT ON THE SYSTEM OF INTERNAL CONTROL

I have audited the Statement of Cash Flow and the Statement of Cumulative Investments for the Credit Enhancement Programme for MSMEs Project executed by the Development Bank of Jamaica and financed by the Government of Jamaica and the Inter-American Development Bank under Loan Agreement No. 4115/OC-JA for the period ended March 31, 2019 and have issued my report thereon dated July 30, 2019.

I conducted my audit in accordance with the Standards of the International Organization of Supreme Audit Institutions (INTOSAI), and the Inter American Development Bank's requirements, specifically the Financial Management Policy for IDB-financed projects (OP-273-2) and the Financial Management Operational Guidelines (OP-274-2). Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the Project's financial statements are free of material misstatements.

The management of the Credit Enhancement Programme for MSMEs Project is responsible for establishing and maintaining a system of internal control sufficient to mitigate the risks of financial information misstatement and safeguard the assets of the project, including construction works and other procured goods. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of the internal control policies and procedures. The objectives of a system of internal control are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition; transactions are executed in accordance with management's authorization and in accordance with the terms of the contract, and transactions are recorded properly to permit the preparation of the Statement of Cash Flow, in conformity with the basis of accounting described in Note 2 to

the financial statements. Because of inherent limitations in any system of internal control, errors or irregularities may nevertheless occur and not be detected. In addition, 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 my audit of the project's financial statements for the period ended March 31, 2019, I obtained an understanding of the system of internal control. With respect to the system of internal control, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing an opinion on the projects financial statements and not to express an opinion on the effectiveness of the system of internal control. Accordingly, I do not express such an opinion.

My audit disclosed certain matters involving the system of internal control and its operations that I have reported to management of the Development Bank of Jamaica in a separate letter dated July 30, 2019 a copy of which is attached to this report.


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Auditor General of Jamaica

2019/07/30
.....
Date



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July 30, 2019


IDB LOAN CONTRACT NO. 4115/OC-JA
DEVELOPMENT BANK OF JAMAICA
CREDIT ENHANCEMENT PROGRAMME for MSMEs PROJECT
PERIOD OCTOBER 1, 2017 - MARCH 31, 2019
REPORT ON THE INTEGRATED REVIEW OF THE PROCUREMENT PROCESS AND
DISBURSEMENT REQUESTS SUBMITTED TO THE BANK

I have audited the Statement of Cash Flow, Statement of Cumulative Investments for the period ended March 31, 2019 for the Credit Enhancement Programme for MSMEs Project executed by the Development Bank and financed by the Government of Jamaica and the Inter-American Development Bank under Loan Agreement No. 4115/OC-JA, and have issued my report thereon dated July 30, 2019. In relation to my audit, I 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, 2019. My audit included verifying the reasonableness of such and the validity and eligibility of the expenditures submitted by means of the disbursement justifications for that period.

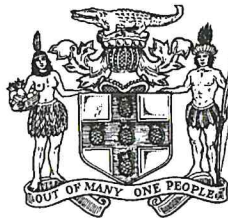
I conducted my audit in accordance with the Standards of the International Organization of Supreme Audit Institutions (INTOSAI), and the Inter American Development Bank's requirements, specifically the Financial Management Policy for IDB-financed projects (OP-273-2) and the Financial Management Operational Guidelines (OP-274-2). Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the executing agency has complied with the provisions of Loan Contract No. 4115/OC-JA. The audit also included 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 and that form a part of the Statement of Cash Flow and the Statement of Cumulative Investments for the period examined.

In my opinion, the processes to procure and contract works, goods and services were performed in accordance with the applicable standards, and the

documentation supporting the expenditures made that correspond to the disbursement requests for the period under examination were fairly presented and represented valid and eligible expenses to the Project.


.....
Auditor General of Jamaica

2019/07/30
Date



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DEVELOPMENT BANK OF JAMAICA
CREDIT ENHANCEMENT PROGRAMME for MSMEs PROJECT
PERIOD OCTOBER 1, 2017 - MARCH 31, 2019

**AUDIT REPORT ON COMPLIANCE WITH FINANCIAL CLAUSES AND THE PROJECT
OPERATING REGULATIONS**

I have audited the Statement of Cash Flow and the Statement of Cumulative Investments for the Credit Enhancement Programme for MSMEs Project through the Development Bank of Jamaica and financed by the Inter American Development Bank under Loan Agreement No. 4115/OC-JA for the period ended March 31, 2019 and have issued my report thereon dated July 30, 2019.

In relation to my audit, I determined compliance with the financial and accounting contractual clauses and articles within the Special Conditions and General Conditions of Loan Contract No. 4115/OC-JA and compliance with the applicable provisions of the Project Operating Regulations, as of March 31, 2019. I have examined the Special Conditions described in Chapters I, II, III, IV, V and VI, Clause Nos. 1.01, 1.02, 1.03, 2.01, 2.02, 2.03, 2.04, 3.01, 3.02, 3.03, 3.04, 3.05, 3.06, 3.07, 4.01, 4.02, 4.03, 4.04, 5.01, 5.02, 5.03, 6.01, 6.02 and 6.03 also Chapters I, II, III, IV, V, VI, VII, VIII and IX of the General Conditions, Article Nos. 1.01, 2.01, 3.01 to 3.16, 4.01 to 4.10, 5.01 to 5.05, 6.01 to 6.04, 7.01 to 7.04, 8.01 to 8.02 and 9.01 to 9.06 and the provisions established in the Project Operating Regulations.

I conducted my audit in accordance with the Standards of the International Organisation of Supreme Audit Institutions (INTOSAI) and the requirements of the Inter-American Development Bank. Those standards require that I plan and perform the audit to obtain reasonable assurance that the Project has complied with the pertinent loan contractual clauses, applicable laws and regulations, and

the provisions contained in the Project Operating Regulations. The audit also included examining, on a test basis, the appropriate evidence. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, for the period ended March 31, 2019, the Project complied, in all material respects with the financial and accounting contractual clauses of the Loan Contract for the Credit Enhancement Programme for MSMEs Project No. 4115/OC-JA and with applicable laws and regulations and the Operating Regulations for the Project.


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Auditor General of Jamaica

2019/07/30
.....
Date