

**CREDIT ENHANCEMENT PROGRAMME FOR THE MICRO, SMALL AND
MEDIUM ENTERPRISES PROJECT**

FINANCIAL STATEMENTS

MARCH 31, 2022

Credit Enhancement Programme for the Micro, Small and Medium Enterprises Project
Financial Statements
For the year ended March 31, 2022

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Financial Statements

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Audit Report on the System on Internal Control

**Report on the Integrated Review of the Procurement Process and Disbursement Requests
submitted to the Bank**

Audit Report on Compliance with Financial Clauses and the Project Operating Regulations



AUDITOR GENERAL'S DEPARTMENT
40 KNUTSFORD BOULEVARD
P.O. BOX 455
KINGSTON 10
JAMAICA

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:-

Tel. No.: 926-8309/926-5963/926-5846
Fax Number: 968-4690
Email: audgen@auditorgeneral.gov.jm

IDB LOAN CONTRACT NO. 4115/OC-JA
Development Bank of Jamaica
Credit Enhancement Programme for Micro, Small and Medium Enterprises Project
Year ended March 31, 2022
Audit Report on the Financial Statements

OPINION

I have audited the accompanying financial statements of the *Credit Enhancement Programme for Micro, Small and Medium Enterprises (MSMEs) Project*, which comprises the Statement of Cash Flows, the Statement of Cumulative Investments and a summary of the significant accounting policies and other explanatory notes. The Programme is executed by the Development Bank of Jamaica and financed by the Inter-American Development Bank under Loan Agreement No. 4115/OC-JA and the Government of Jamaica for the year ended March 31, 2022.

In my opinion, the appended financial statements reflect a true and fair view of the Cash Flows and the Statement of Cumulative Investments for the Project for the period ended March 31, 2022 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 the International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under ISSAIs are further described in the Auditor's Responsibility for the Audit of the Financial Statements section of this report. I am independent of the Project in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and I have fulfilled my 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 my audit of the financial statements for the year ended March 31, 2022. These matters were addressed in the context of the audit of the financial statements as a whole and in forming my opinion thereon. I have determined that there is no key audit matter to report.

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 Executing Agency is also required to present audited financial statements to the Inter-American Development Bank (IDB).

In preparing the financial statements, management is responsible for assessing the Project's ability to continue as a going concern, disclosing as applicable, matters relating to going concern and using the going concern basis of accounting unless there are plans to liquidate the project or to cease operations, or has no realistic alternative but to do so.

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 exercised professional judgment and maintained professional skepticism throughout the audit.

I also:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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 controls.
- Obtained an understanding of internal controls relevant to the audit in order to design audit procedures that were appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Project's internal controls.


- Evaluated the appropriateness of accounting policies used and related disclosures made by management.
- Concluded 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 relating 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.
- Evaluated 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 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 were 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.

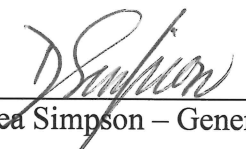

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Auditor General

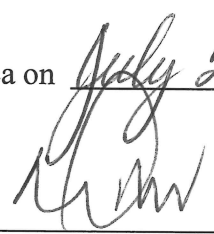

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Date

DEVELOPMENT BANK OF JAMAICA
IDB – CREDIT ENHANCEMENT PROGRAMME FOR MSMEs PROJECT
PROJECT # 4115/OC-JA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2022

	Note	IDB US\$	Total US\$
Cash Received			
Accumulated cash at beginning of period		9,465,782.81	9,465,782.81
Activity during the year			
Disbursements		3,518,600.00	3,518,600.00
Interest received		-	-
Total cash received at March 31, 2022		<u>12,984,382.81</u>	<u>12,984,382.81</u>
Cash Disbursements			
IDB expenditure		46,576.85	46,576.85
		<u>46,576.85</u>	<u>46,576.85</u>
Other payments during the year:			
Reimbursement from Development Bank of Jamaica	4	191.25	191.25
		<u>191.25</u>	<u>191.25</u>
Total cash disbursements at March 31, 2022		<u>46,768.10</u>	<u>46,768.10</u>
Available Cash at the end of the year	5	<u>12,937,614.71</u>	<u>12,937,614.71</u>

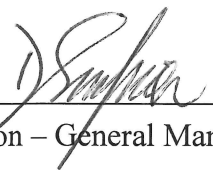
Approved for issue on behalf of the Development Bank of Jamaica on July 26, 2022 and signed on its behalf by:



 Mrs. Dorothea Simpson – General Manager, Finance


 Mr. M. Anthony Shaw – Managing Director

DEVELOPMENT BANK OF JAMAICA
IDB – CREDIT ENHANCEMENT PROGRAMME FOR MSMEs PROJECT
PROJECT # 4115/OC-JA
STATEMENT OF CUMULATIVE INVESTMENTS
FOR THE YEAR ENDED MARCH 31, 2022

Component	INVESTMENT CATEGORY	Cumulative at March 31, 2021		Current period March 31, 2022		Cumulative at March 31, 2022	
		IDB	TOTAL	IDB	TOTAL	IDB	TOTAL
		US\$	US\$	US\$	US\$	US\$	US\$
1A	CEF Capital Resources	9,308,908.07	9,308,908.07	3,450,000.00	3,450,000.00	12,758,908.07	12,758,908.07
1B	Project Administration	87,694.71	87,694.71	29,620.00	29,620.00	117,314.71	117,314.71
	Administration	44,737.47	44,737.47	2,323.21	2,323.21	47,060.68	47,060.68
	Evaluations & Audits	42,957.24	42,957.24	27,296.79	27,296.79	70,254.03	70,254.03
1C	Advance of Funds	29,620.00	29,620.00	38,980.00	38,980.00	68,600.00	68,600.00
	TOTALS	9,426,222.78	9,426,222.78	3,518,600.00	3,518,600.00	12,944,822.78	12,944,822.78


 Mrs. Dorothea Simpson – General Manager, Finance


 Mr. M. Anthony Shaw – Managing Director

**DEVELOPMENT BANK OF JAMAICA
IDB – CREDIT ENHANCEMENT PROGRAMME FOR MSMEs PROJECT
PROJECT # 4115/OC-JA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2022**

1. OVERVIEW - Nature and Activities of the Project

The Credit Enhancement Programme for Micro, Small and Medium Enterprises (MSMEs) is a partnership of the Government of Jamaica (GOJ) and the Inter-American Development Bank (IDB). 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. The project is a US\$20 million project to be executed over 5 years from September 2017 to September 2022. The objective of the project is to improve access to finance for MSMEs through the Development Bank of Jamaica's (DBJ) Credit Enhancement Facility (CEF).

The executing agency for this project is the DBJ. The project consists of one main component:

Component 1A: Expansion of the DBJ's Guarantee Fund, the CEF, with US\$19.8 million. The fund will be expanded through a capital injection of US\$3.96 million per annum, over a period of five years.

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

Project Administration

The Executing Agency (EA) has been established at the 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 the EA's Loan Origination and Portfolio Management Department, in accordance with the Operating Regulations.

MANAGEMENT REPORT

Within DBJ's reporting structure, the Project submits monthly reports to the Strategic Services Department, and semi-annual progress reports to the Inter-American Development Bank (IDB). The information is assimilated into the Agency's annual report to the IDB. Regarding reports to the IDB, two semi-annual 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 Boulevard.
Kingston 5
Jamaica

**DEVELOPMENT BANK OF JAMAICA
IDB – CREDIT ENHANCEMENT PROGRAMME FOR MSMEs PROJECT
PROJECT # 4115/OC-JA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2022**

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 uses the International Public Sector Accounting Standards (IPSAS) 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, which is held with the Bank of Nova Scotia (BNS) were converted using the Bank of Jamaica's (BOJ) rates of exchange applicable on the day of the transactions.

iv. Fluctuation rate and fees

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 budget allocation for the FY 2021/2022 was US\$3,008,228.20 or J\$440,950,000.00. The budget was then revised during the passing of the GOJ's supplemental estimates to J\$620,950,000.00 (US\$4,236,215.67). Budgeted expenditure represents amounts that were included in the national budget of Jamaica for the fiscal year ended March 31, 2022.

The amount was converted using an average exchange rate of US\$1.00 = J\$146.5813.

DEVELOPMENT BANK OF JAMAICA
IDB – CREDIT ENHANCEMENT PROGRAMME FOR MSMEs PROJECT
PROJECT # 4115/OC-JA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2022

4. Reimbursement from Development Bank of Jamaica (DBJ)

This amount represents reimbursement of advance by DBJ to the Project's bank account for salaries paid from the project's bank account in May 2021.

5. Available Cash Balance

The available cash balance as at March 31, 2022 is deposited in the Project's bank accounts.

	2022	2021
	US\$	US\$
BNS Special Account # 803807	1,827.91	1,220.69
BOJ Project Bank Account # 810517	<u>12,935,786.80</u>	<u>9,464,562.12</u>
	<u>12,937,614.71</u>	<u>9,465,782.81</u>

During the financial year ended March 31, 2022, the available interest earned equated to nil (2021 – US\$2,424.25). In addition, the exchange rate fluctuations amounted to US\$91.68 net (2021 – US\$346.64 net)

6. Advances and Justification

	2022	2021
	US\$	US\$
Opening Balance of Advances	29,620.00	-
Advances recorded during the period	<u>3,518,600.00</u>	<u>2,913,534.00</u>
Advances received	3,548,220.00	2,913,534.00
Justification of Advance	<u>3,479,620.00</u>	<u>2,883,914.00</u>
Closing balance of advances	<u>68,600.00</u>	<u>29,620.00</u>

7. Disbursements Made

Disbursement No.	Request date	Amount requested	Amount approved by IDB
16	03.05.2021	2,800,000.00	2,800,000.00
18	02.11.2021	68,600.00	68,600.00
19	02.11.2021	<u>650,000.00</u>	<u>650,000.00</u>
		<u>3,518,600.00</u>	<u>3,518,600.00</u>

DEVELOPMENT BANK OF JAMAICA
IDB – CREDIT ENHANCEMENT PROGRAMME FOR MSMEs PROJECT
PROJECT # 4115/OC-JA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2022

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

		US\$
Statement of Cash Flows		<u>12,937,614.71</u>
Statement of Cumulative Investments:		
Inter-American Development Bank:		
Advance	12,944,822.78	
Expense/Interest Income	<u>(7,208.07)</u>	
		<u>12,937,614.71</u>

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

		LMS1 (US\$)	CEF (US\$)	Difference (US\$)
01.00.00	CEF Capital Resources	12,758,908.07	12,758,908.07	-
02.00.00	Project Administration, M&E	117,314.71	117,314.71	-
86.00.00	Advance of Funds	<u>68,600.00</u>	<u>68,600.00</u>	-
Total		<u>12,944,822.78</u>	<u>12,944,822.78</u>	<u>-</u>

10. Advances Pending Justification

As at March 31, 2022 there were advances in the amount of \$68,600.00 pending justification to the IDB.