

**MINISTRY OF NATIONAL SECURITY  
CITIZEN SECURITY AND JUSTICE PROGRAM  
Commonwealth of The Bahamas  
IDB Loan Agreement 3499/OC-BH**

**Financial Statements for the Period  
From February 4, 2016 to June 30, 2017**

**MINISTRY OF NATIONAL SECURITY  
CITIZEN SECURITY AND JUSTICE PROGRAM  
Commonwealth of The Bahamas**

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## INDEPENDENT AUDITORS' OPINION

To Those Charged with Governance of  
Citizen Security and Justice Program:

### Opinion

We have audited the financial statements of Citizen Security and Justice Program (the "Program"), which comprise the Statement of Cash Flows and the Statement of Cumulative Investments for the period from February 4, 2016 to June 30, 2017, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Program for the period from February 4, 2016 to June 30, 2017 are prepared, in all material respects, in accordance with the financial reporting provisions of accounting described in Note 2 and the Inter-American Development Bank ("IDB") Loan Contract No. 3499/OC-BH dated February 4, 2016.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 Program 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. 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

We draw attention to Note 2 to the financial statements, which describes the basis of accounting. Program Management prepares the financial statements to assist the Program in compliance with the requirements established in Loan Contract 3499/OC-BH and the Financial Reports and External Audit Handbook for Projects IDB Financed Projects. Thus, the financial statements may not be suitable for other purposes. The Auditors' Report on the financial statements is only intended for the Program Executing Unit and the IDB. Our opinion is not modified in respect of this matter.



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

Program Management is responsible for the preparation and fair presentation of the financial statements in accordance with guidelines set out by the Inter-American Development Bank ("IDB"), and for such internal control as management determines is necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Program's ability to continue for the expected duration of the Program, disclosing, as applicable, matters related to non-compliance with the provisions of Loan Contract No. 3499/OC-BH, and management's intention to cease operations of the Program prematurely.

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.

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 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 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 assessing the Program's ability to continue for the expected duration of the Program, disclosing, as applicable, matters related to non-compliance with the provisions of Loan Contract No. 3499/OC-BH, and management's intention to cease operations of the Program prematurely. If we conclude that a material non-compliance 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 prematurely.

- 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.



October 25, 2017



**MINISTRY OF NATIONAL SECURITY COMMONWEALTH OF THE BAHAMAS  
CITIZEN SECURITY AND JUSTICE PROGRAM**

**STATEMENT OF CASH FLOWS  
FOR THE PERIOD FROM FEBRUARY 4, 2016 TO JUNE 30, 2017  
(Expressed in United States dollars)**

<b>ITEM</b>	<b>Notes</b>	<b>\$</b>
<b>CASH RECEIVED</b>		
Accumulated cash at the beginning of the period		-
Activity during the year		
Reimbursements		382,636
Advances		1,991,020
<b>Total Cash Received</b>		<b>2,373,656</b>
<b>DISBURSEMENTS MADE</b>		
Cumulative cash at beginning of period		-
Activity during the year		
Payments for goods and services		1,259,325
<b>Total cash disbursements</b>		<b>1,259,325</b>
<b>AVAILABLE CASH AS OF YEAR END</b>	<b>3</b>	<b>1,114,331</b>

The financial statements have been approved by the Permanent Secretary in the Ministry of National Security on October 25, 2017.

  
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Carl Smith  
Permanent Secretary

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

**MINISTRY OF NATIONAL SECURITY COMMONWEALTH OF THE BAHAMAS  
CITIZEN SECURITY AND JUSTICE PROGRAM**

**STATEMENT OF CUMULATIVE INVESTMENTS  
FOR THE PERIOD FROM FEBRUARY 4, 2016 TO JUNE 30, 2017**  
*(Expressed in United States dollars)*

<b>ITEM</b>	<b>Notes</b>	<b>\$</b>
<b>01.00.00 - Social C&amp;V Prevention in NP</b>		
Needs and asset assessment	6	135,000
Youth centers refurbished and expanded	6	732,667
Violence interrupters trained		10,871
Feasibility studies for violence interruption model completed		5,678
<b>02.00.00 - Youth Employability, Training, Strengthen PES</b>		
At-risk youth 15-29 obtained certificate on completion in training programs in New Providence	7	59,902
Electronic Labor Exchange enhanced (system)	8	117,625
<b>03.00.00 - Strength Justice Admin System</b>		
Integrated Justice System (case management) designed and implemented (including oversight of case management strategy)	9	32,489
<b>05.00.00 - Project Admin</b>		
PIU Payroll costs	10	156,827
Training		6,311
Advertising		1,955
<b>TOTAL</b>		<b>1,259,325</b>

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

# MINISTRY OF NATIONAL SECURITY COMMONWEALTH OF THE BAHAMAS CITIZEN SECURITY AND JUSTICE PROGRAM

## NOTES TO FINANCIAL STATEMENTS

PERIOD FROM FEBRUARY 4, 2016 TO JUNE 30, 2017

*(Expressed in United States dollars)*

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### 1. GENERAL

The Government of the Commonwealth of The Bahamas ("GOTB") entered into a loan financing agreement on February 4, 2016 in the amount of USD \$20,000,000 (twenty million dollars) with the Inter-American Development Bank ("IDB") ("Loan BH-L1033" or "the Loan"), to implement a Citizen Security and Justice Program (the "Program"). The overall objective of the Program is to reduce crime and violence in The Bahamas, namely, homicides, armed robberies and rapes. Consequently, the Program was designed to achieve its objectives through four components aimed to:

- (i) improve behaviors for non-violent conflict resolution in New Providence ("Component 1");
- (ii) increase employability and employment of the at-risk youth population (ages 15 - 29) in New Providence ("Component 2");
- (iii) strengthen institutional capabilities of justice services ("Component 3"); and
- (iv) reduce the recidivism rate among persons within the prison system ("Component 4").

The Ministry of National Security ("MONS") is the Executing Agency responsible for implementing the Program on behalf of the Government of The Bahamas. The MONS hired consultants to form a Project Implementation Unit ("PIU"). The PIU works with a cross-section of governmental agencies, departments and ministries to effectively implement the activities in each Component. These agencies provide technical support to the PIU for the procurement of Program activities and include the following:

- a) the Department of Labor for Component 2
- b) the Office of the Attorney General for Component 3 and
- c) the Department of Corrections and Department of Rehabilitative and Welfare Services for Component 4.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Below is a summary of significant accounting policies.

- a) **Basis of preparation** - The financial statements have been prepared using the cash basis of accounting, recognizing IDB funding when cash is received and recognizing expenses when the cash is disbursed. This accounting policy differs from International Public-Sector Accounting Standards ("IPSAS") under which transactions should be recorded when they occur and not when they are paid (i.e. on an accrual basis). Nonetheless, the IPSAS have been applied to circumstances such as those discussed in chapter "Cash Basis IPSAS: Financial Reporting under Cash Basis of Accounting".
- b) **Functional and presentation currency** - The financial statements are presented in United States dollars ("US dollars"), the Program's functional and reporting currency. The Project's accounting records are maintained in US dollars, in accordance with IDB's requirements. The foreign exchange rate for the Bahamian Dollar is set on par with the US dollar.

## 3. AVAILABLE CASH BALANCE

Cash received from the IDB is deposited to the Program's bank account with the Central Bank of the Bahamas, and subsequently transferred to the consolidated fund of the GOTB. The MONS' public treasury account for the Program is funded by transfers from the consolidated fund, via funding requests, in order to facilitate disbursement of Program expenditure. The available cash balance as of June 30, 2017, is included in the consolidated fund.

## 4. ADVANCES PENDING JUSTIFICATION

At June 30, 2017, the amount pending justification to the IDB amounted to \$1,397,052, which represented the following expenditures:

### Investment Category

Youth centers refurbished and expanded	\$ 304,463
At-risk youth 15-29 obtained certificate on completion in training programs	16,667
Electronic Labor Exchange enhanced (system)	117,625
Payroll Costs	43,000
Training	6,311
Advertising	<u>1,955</u>
	490,021
Plus: Undisbursed Funds	<u>907,031</u>
	<u>\$1,397,052</u>

An amount of \$50,000, which corresponds to ineligible program expenses has been excluded from the statement of cumulative investments. The amounts represent payment to a former PIU team member that failed to resubmit a signed contract, due to amendments made to the original contract that was nullified. \$14,722 of the \$50,000 was included in the \$382,636 reimbursed from the IDB.

## **5. ADVANCES AND JUSTIFICATION**

The following shows a reconciliation of advances received during the period.

Opening balance of advances	\$ -
Advances justified	(593,968)
Advances received	<u>1,991,020</u>
Closing balance of advances	<u>\$1,397,052</u>

## **6. COMMUNITY CENTERS**

During the year, \$135,000 was spent on consultancy services to canvass nine communities in New Providence to assess where centers should be located. As at June 30, 2017, the Fox Hill community was refurbished for \$324,818 and the Grant's Town center for \$328,413. Furniture and equipment for the centers cost \$40,690 and \$27,575 was spent on opening costs (signage, catering, equipment rental etc.). Drawings and construction administration for the centers totaled \$11,171.

## **7. YOUTH EMPLOYABILITY AND TRAINING**

A consultant was hired in September 2016 at a cost of \$50,000 per annum to lead the implementation of Component 2 Program Activities. Additionally, the Department of Labor conducted a pilot soft skills training program with the National Training Agency to attract and train 500 "at-risk" young persons between the ages of 15 and 29. The total cost to conduct the training was \$18,235.

## **8. ELECTRONIC LABOR EXCHANGE**

The Department of Labor upgraded its Public Employment Sector software at a cost of \$59,500. It also spent \$58,125 on hardware for its One Stop Shop locations in New Providence. The software upgrade will allow the Department to better link employers with candidates seeking employment with a view to reducing the level of unemployment.

## **9. STRENGTHENING THE JUSTICE ADMINISTRATION SYSTEM**

The expenditure of \$32,489 relates primarily to consultancy services to provide an assessment and strategy report on Component 3 (\$13,196), and the initiation and preparation of historic backlog cases within the criminal justice system (\$19,293).

## **10. PROJECT IMPLEMENTATION UNIT**

Payroll costs are attributed primarily to the Procurement Specialist, Financial Specialist (each at \$50,000 per annum) and an Administrative Assistant earning \$29,000 per annum. The Program Director is an employee with the MONS and is paid by that Ministry and not the Program.

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## INDEPENDENT AUDITORS' REPORT ON THE SYSTEM OF INTERNAL CONTROL

To Those Charged with Governance of  
Citizen Security and Justice Program:

We have audited the financial statements, comprising Statement of Cash Flows, Statement of Cumulative Investments and related disclosures for the period from February 4, 2016 to June 30, 2017 for Citizen Security & Justice Program (the "Program"), entered into by the Government of The Commonwealth of The Bahamas and the Inter-American Development Bank (the "IDB"), executed by The Ministry of National Security, and have issued our report thereon dated October 25, 2017.

We conducted our audit in accordance with International Standards on Auditing, issued by the International Federation of Accountants (IFAC), and the Inter-American Development Bank's requirements, specifically the *Financial Management Guidelines for IDB - Financed Projects (Document OP-273-6)* and the *Financial Management Operational Guidelines for IDB Finance Projects (Document DP-274-1)*. Those Standards and Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether the Program's financial statements are free of material misstatements.

The Management of The Ministry of National Security and the Management of the Program are responsible for establishing and maintaining a system of internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control system policies and procedures. The objectives of a system of internal control are to provide management with reasonable, but not absolute, assurance that 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 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. Also, projection of any evaluation of the structure to future periods is subject to 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 period from February 4, 2016 to June 30, 2017, we obtained an understanding of the system of internal control. With respect to the system of internal control, we obtained an understanding of the design of relevant controls within the policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the Program's financial statements and not to provide an opinion on the system of internal control. Accordingly, we do not express such an opinion.



We noted certain matters involving the system of internal control and its operation that we consider to be 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 accounting function of the Executing Agency" to record, process, summarize, and report financial data consistent with the assertions of management in the Statement of Cash Flows 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 errors or irregularities in amounts that would be material in relation to the Program's financial statements may occur and not be detected within 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 identify 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 as defined above.

We have noted reportable conditions as defined above. These reportable conditions involve the system of internal control and its operation. We have reported to the management of "the Executing Agency" of the Program in a separate letter dated October 25, 2017 which is attached to this report.

A handwritten signature in purple ink, reading "Deloitte & Touche". The signature is written in a cursive, flowing style.

October 25, 2017