AUDIT OF THE RESOURCES MANAGED DURING THE PERIOD FROM DECEMBER 14th, 2015 to MARCH 31st 2017 BY THE PROJECT MANAGEMENT UNIT UNDER THE APUA PROJECT FOR A ROADMAP TO IMPROVE WATER AND ENERGY SERVICES: IDF GRANT NO. TF017417

Financial Statements

March 31, 2017

(Expressed in United States Dollars)
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INDEPENDENT AUDITORS' REPORT

To the Project Coordinator

AUDIT OF THE RESOURCES MANAGED DURING THE PERIOD FROM DECEMBER 14TH 2015 TO MARCH 31ST 2017 BY THE PROJECT MANAGEMENT UNIT UNDER THE APUA PROJECT FOR A ROADMAP TO IMPROVE WATER AND ENERGY SERVICES: IDF GRANT NO. TF017417

Opinion

We have audited the financial statements of the resources managed during the period from December 14, 2015 to March 31, 2017 by the Project Management Unit under the APUA Project for a Roadmap to improve water and energy services: IDF Grant No. TF017417 which comprise the statement of financial position as at March 31, 2017, the statements of receipts and payments, project funds and cash flows for the period then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Project as at March 31, 2017, and its financial performance and its cash flows for the period then ended in accordance with the World Bank Guidelines.

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 Project 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 Antigua and Barbuda, 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.

Other Matter

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Project to comply with the financial reporting provisions of the World Bank. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Project and the World Bank and should not be used by or distributed to parties other than the Project or the World Bank.

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

The Project Management Unit is responsible for the preparation and fair presentation of the financial statements in accordance with the World Bank Guidelines, and for such internal control as management 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 Project Management Unit is responsible for assessing the Project'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 Project or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Project's financial reporting process.
INDEPENDENT AUDITORS’ REPORT (cont’d)

To the Project Coordinator
AUDIT OF THE RESOURCES MANAGED DURING THE PERIOD FROM DECEMBER 14th 2015 to MARCH 31st 2017 BY THE PROJECT MANAGEMENT UNIT UNDER THE APUA PROJECT FOR A ROADMAP TO IMPROVE WATER AND ENERGY SERVICES: IDF GRANT NO. TF017417

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 Project’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 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 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 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 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.

Chartered Accountants
February 2, 2018
Antigua and Barbuda

[Signature]
Statement of Financial Position
At March 31, 2017

(Expressed in United States Dollars)

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td></td>
</tr>
<tr>
<td>Cash at bank</td>
<td>$28,376</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$28,376</td>
</tr>
<tr>
<td>Fund Balances:</td>
<td></td>
</tr>
<tr>
<td>Project Funds</td>
<td>$28,376</td>
</tr>
<tr>
<td>Total Fund Balances</td>
<td>$28,376</td>
</tr>
</tbody>
</table>

Permanent Secretary

APPROVED BY

Senior Economist

The notes on pages 7 to 9 are an integral part of these financial statements.
Statement of Receipts and Payments
For the period from December 14, 2015 to March 31, 2017

*(Expressed in United States Dollars)*

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Receipts:</strong></td>
<td></td>
</tr>
<tr>
<td>Project funds received - World Bank</td>
<td>$223,062</td>
</tr>
<tr>
<td><strong>Payments:</strong></td>
<td></td>
</tr>
<tr>
<td>Comprehensive governance assessment</td>
<td>26,070</td>
</tr>
<tr>
<td>Loss reduction assessment</td>
<td>33,195</td>
</tr>
<tr>
<td>Consultant fees</td>
<td>126,478</td>
</tr>
<tr>
<td>Travel</td>
<td>8,475</td>
</tr>
<tr>
<td>Bank charges</td>
<td>468</td>
</tr>
<tr>
<td></td>
<td>194,686</td>
</tr>
<tr>
<td><strong>Excess of receipts over expenditure being cash at end of period</strong></td>
<td>$28,376</td>
</tr>
</tbody>
</table>

*The notes on pages 7 to 9 are an integral part of these financial statements.*
Statement of Project Funds

For the period from December 14, 2015 to March 31, 2017

*(Expressed in United States Dollars)*

<table>
<thead>
<tr>
<th>Project Funds</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Excess of receipts over expenditure being net increase in cash</td>
<td>$28,376</td>
</tr>
<tr>
<td>Balance at March 31, 2017</td>
<td>$28,376</td>
</tr>
</tbody>
</table>

The notes on pages 7 to 9 are an integral part of these financial statements.
Statement of Cash Flows
For the period from December 14, 2015 to March 31, 2017

(Expressed in United States Dollars)

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activity</td>
<td></td>
</tr>
<tr>
<td>Excess of receipts over expenditure</td>
<td>$ 28,376</td>
</tr>
<tr>
<td>Net cash generated by operating activity</td>
<td>28,376</td>
</tr>
<tr>
<td>Cash, beginning of period</td>
<td></td>
</tr>
<tr>
<td>Cash, end of period</td>
<td>$ 28,376</td>
</tr>
<tr>
<td>Represented by:</td>
<td></td>
</tr>
<tr>
<td>Cash at bank</td>
<td>$ 28,376</td>
</tr>
</tbody>
</table>

The notes on pages 7 to 9 are an integral part of these financial statements.
Notes to Financial Statements
March 31, 2017

(Expressed in United States Dollars)

1. Project:

The objective of the Project is to support the Government of Antigua and Barbuda's efforts to modernize and improve the delivery of basic services (water and energy) provided by the Antigua Public Utilities Authority (APUA).

The financial statements reflect the resources managed by the Ministry of Finance and Corporate Governance under the APUA Project for a Roadmap to Improve Water and Energy Services, Grant No. TF017414.

Background:

The Government of Antigua and Barbuda (GOAB) has received from the International Bank for Reconstruction and Development (“World Bank”) a grant from the World Bank’s Institutional Development Fund (“IDF”) in an amount of Three hundred and twenty thousand United States Dollars (US$320,000) (“Grant”) to finance a project to improve the delivery of water and electricity services.

The Project’s components are:

1. Assessing the governance of APUA and its impact on the quality of service delivered and operational performance.
2. Developing a roadmap for implementation of utility reform based on the results of component one.
3. Enabling client capacity building on water utility reform. This component would support a national workshop on utility reform.

The Project was implemented by a Project Management Unit (PMU) in Antigua and Barbuda and had an implementation period of December 14, 2015 to March 31, 2017.

2. Statement of Compliance and Basis of Preparation:

The accounting policies set out below have been applied in these financial statements.

(a) Statement of Compliance:
These financial statements are prepared in accordance with World Bank Guidelines.

These financial statements were approved by the Permanent Secretary, Ministry of Finance and Corporate Governance on February 2, 2018.
Notes to Financial Statements (cont’d)

March 31, 2017

(Expressed in United States Dollars)

2. Statement of Compliance and Basis of Preparation: (cont’d)
   
   (b) Basis of Measurement:
   These financial statements have been prepared on the historic cost basis.

   (c) Functional and Presentation Currency:
   These financial statements are presented in United States dollars (US$), which is the Project’s functional currency. All financial information presented in United States dollars has been rounded to the nearest dollar.

3. Summary of Significant Accounting Policies:

   (a) Foreign Currency Translation:
   Transactions in foreign currencies are translated into United States Dollars at the exchange rates at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into United States Dollars at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

   (b) Revenue:
   Grant revenue is recognised on the cash basis, as and when received.

   (c) Expenses:
   Expenses are recorded on a cash basis, that is at the time of payment instead of when incurred.

4. Restricted Use of Funds:

   The Agreement requires that funds available in the Project Account be restricted to the Project uses only. Any Project funds available at the end of the Project should be returned to the World Bank/IDF.

5. Committed Payments:

   Committed payments relates to expenditure for transactions in respect of activities within the contract period that were incurred within the contract period and settled in the subsequent period.
5. **Committed Payments: (cont’d)**

These transactions cannot be included in the statement of financial position because this statement is prepared on a cash basis. These amounts are eligible expenditure and have been summarised as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>External audit fees</td>
<td>$2,963</td>
</tr>
</tbody>
</table>

6. **Cash:**

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Caribbean Amalgamated Bank US$ Project Account</td>
<td>$28,376</td>
</tr>
</tbody>
</table>

7. **Financial Instruments:**

(a) **Fair Value:**
Due to the short-term nature of certain financial instruments, the Project is of the opinion that their carrying value approximates fair value. These financial instruments include cash at bank.

The estimates of fair values presented herein are subjective in nature and do not necessarily indicate the amounts the Project could realize in current market exchange.

(b) **Credit Risk:**
Credit risk represents the accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted.

To reduce exposure to credit risk, the Project performs ongoing credit evaluations of the prevailing financial conditions. Although the Project is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments, it does not expect any counterparties to fail to meet their obligations given their credit ratings.

8. **Direct Payments:**

The accounts do not include an amount of US$78,209 which represents direct payments made by the World Bank at the start of the Project. There are no locally available records to substantiate this payment.
AUDIT OF THE RESOURCES MANAGED DURING THE PERIOD FROM DECEMBER 14th 2015 to MARCH 31st 2017 BY THE PROJECT MANAGEMENT UNIT UNDER THE APUA PROJECT FOR A ROADMAP TO IMPROVE WATER AND ENERGY SERVICES: IDF GRANT NO. TF017417

Additional Information

To the Financial Statements

For the Period from December 14, 2015 to March 31, 2017
AUDIT OF THE RESOURCES MANAGED DURING THE PERIOD FROM DECEMBER 14th 2015 to MARCH 31st 2017 BY THE PROJECT MANAGEMENT UNIT UNDER THE APUA PROJECT FOR A ROADMAP TO IMPROVE WATER AND ENERGY SERVICES: IDF GRANT NO. TF017417

ADDITIONAL INFORMATION

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<th>Pages</th>
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</thead>
<tbody>
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<td>1-2</td>
</tr>
<tr>
<td>Independent Auditors’ Report on Compliance</td>
<td>3</td>
</tr>
<tr>
<td>Independent Auditors’ Report on the Statement of Expenditure (SOE)</td>
<td>4</td>
</tr>
<tr>
<td>Statement of Expenditure</td>
<td>5</td>
</tr>
<tr>
<td>Independent Auditors’ Report on the Designated Account Statement</td>
<td>6</td>
</tr>
<tr>
<td>Designated Account Statement</td>
<td>7</td>
</tr>
</tbody>
</table>
Independent Auditor’s Report on Internal Controls

To the Project Coordinator

We have completed our audit of the financial resources managed during the period from December 14, 2015 to March 31, 2017 by The Project Management Unit under the APUA Project for a Roadmap to improve water and energy services: IDF Grant No. TF017417, (the Project). Our responsibility is to express an opinion on the Project’s Internal Controls based on our audit.

We conducted our audit in accordance with International Standards on Auditing, the World Bank Guidelines on the Project and the Terms of Reference for the engagement. International Standards on Auditing and World Bank Guidelines require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

The Project’s management is responsible for establishing and maintaining an adequate internal control structure. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of an internal control structure are to provide management with reasonable but not absolute assurance that assets are safeguarded against losses from non-authorised uses or disposition and that transactions are executed according to management authorization and are adequately recorded in order to permit preparation of the financial statements in conformity with World Bank Guidelines and the Project Agreement.

Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected.

For the purpose of this report we have classified significant policies and procedures relative to the Project’s internal control structure into the entity level controls, which is the overall general control environment and specific control procedures which relates to various systems and application controls. These included controls over procurement of services, receipts and disbursements, cashbook and bank account maintenance, the maintenance of proper accounting records and timely reporting of management and financial information.

For each of the categories listed above, we obtained an understanding of the design and implementation of controls and the relevant policies and procedures and guidelines established by management in respect of the various controls in order to determine whether they have functioned efficiently during the period under review and assess the control risks.

A material weakness is a reportable condition in which the design, implementation; or effectiveness of elements of the internal control structure do not reduce to a relatively low level, the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited, may occur and not be detected. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that would be material weaknesses as defined above.
Independent Auditor’s Report on Internal Controls

To the Project Coordinator

We noted no matters involving the internal control structure and its operation that we consider to be a material weakness. However, we draw the following observations to your attention:

i) During the period under our review we noted two (2) instances where payment request forms were not approved by the Project Coordinator. These payments were in the amounts of $8,474.63 and $93,283.56 respectively. However, the wire transfer payment requests were duly authorized by the appropriate signatories.

ii) We noted that while bank reconciliations were prepared, they were not prepared in a timely manner and further, there was no evidence of review.

Chartered Accountants
February 02, 2018
Antigua and Barbuda
Independent Auditor’s Report on Compliance

To the Project Coordinator

We have completed our audit of the financial resources managed during the period December 14, 2015 to March 31, 2017, under the APUA Project for a Roadmap to improve water and energy services: IDF Grant No. TF017417, (the Project). Our responsibility is to express an opinion on the Project's compliance with the terms of the Project Agreements based on our audit.

We conducted our audit in accordance with International Standards on Auditing, the World Bank Guidelines on the Project and the Terms of Reference for the engagement. Those Standards and World Bank Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether the Project has complied with the terms of the Project agreements.

In our opinion, the Project has in all material respects complied with the terms of the Project agreements for the period ended March 31, 2017.

Chartered Accountants
February 02, 2018

Antigua and Barbuda
Independent Auditor’s Report on the Statement of Expenditure (SOE)

To the Project Coordinator

We have completed our audit of the financial resources managed during the period December 14, 2015 to March 31, 2017, under the APUA Project for a Roadmap to improve water and energy services: IDF Grant No. TF017417, (the Project). Our responsibility is to express an opinion on the Project’s Statement of Expenditure based on our audit.

We conducted our audit in accordance with International Standards on Auditing, the World Bank Guidelines and Terms of Reference for the engagement. Those standards and the World Bank Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether the Project has complied with the terms of the Project Agreements.

As part of obtaining reasonable assurance as to whether the financial statements are free of material misstatement, we performed tests on the expenditures included in the Statement of Expenditure. These included testing eligibility and compliance with applicable Project Agreements and internal control procedures.

In our opinion, the expenditures included in the Statement of Expenditure are eligible, the funds have been used only for Project purposes in accordance with the requirements established in the Project Agreement, and the internal control procedures used in the preparation of the SOE are adequate.

Chartered Accountants
February 02, 2018
Antigua and Barbuda
AUDIT OF THE RESOURCES MANAGED DURING THE PERIOD FROM DECEMBER 14th 2015 to MARCH 31st 2017 BY THE PROJECT MANAGEMENT UNIT UNDER THE APUA PROJECT FOR A ROADMAP TO IMPROVE WATER AND ENERGY SERVICES: IDF GRANT NO. TF017417

Statement of Expenditure (SOE)

For the period from December 14, 2015 to March 31, 2017

(Expressed in United States Dollars)

<table>
<thead>
<tr>
<th>Dates</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 21, 2016</td>
<td>$26,070</td>
</tr>
<tr>
<td>August 8, 2016</td>
<td>$8,475</td>
</tr>
<tr>
<td>September 14, 2016</td>
<td>$33,195</td>
</tr>
<tr>
<td>September 14, 2016</td>
<td>$33,195</td>
</tr>
<tr>
<td>December 19, 2016</td>
<td>$93,283</td>
</tr>
</tbody>
</table>

Total expenditures submitted during the period $194,218

Bank charges for the period $468

Total expenditures for the period $194,686
Independent Auditor’s Report on the Designated Account Statement

To the Project Coordinator

We have audited the accompanying Designated Account for the period from December 14, 2015 to March 31, 2017, under the APUA Project for a Roadmap to improve water and energy services: IDF Grant No. TF017417 (the Project). Our responsibility is to express an opinion on the Project’s Designated Account based on our audit.

We conducted our audit in accordance with International Standards on Auditing, the World Bank Guidelines and Terms of Reference for the engagement. Those standards and the World Bank Guidelines require that we plan and perform the audit to obtain reasonable assurance as to whether the Project has complied with the terms of the Agreement. An audit includes examining appropriate evidence on a test basis. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Designated Account Statement presents fairly in all material respects, the financial position of the Project Account of the APUA Project for a Roadmap to improve water and energy services: IDF Grant No. TF017417 as of March 31, 2017, and all activities therein have only been for purposes of the Project for the period from December 14, 2015 to March 31, 2017 in accordance with the World Bank Guidelines.

Chartered Accountants
February 02, 2018

Antigua and Barbuda
**AUDIT OF THE RESOURCES MANAGED DURING THE PERIOD FROM DECEMBER 14th 2015 TO MARCH 31st 2017 BY THE PROJECT MANAGEMENT UNIT UNDER THE APUA PROJECT FOR A ROADMAP TO IMPROVE WATER AND ENERGY SERVICES: IDF GRANT NO. TF017417**

Designated Account Statement

Eastern Caribbean Amalgamated Bank

For the period from December 14, 2015 to March 31, 2017

*(Expressed in United States Dollars)*

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IDF Receipts</strong></td>
<td></td>
</tr>
<tr>
<td>Requests made during the period from December 14, 2015 to March 31, 2017</td>
<td>$223,062</td>
</tr>
<tr>
<td>Total funds received during the period</td>
<td>223,062</td>
</tr>
<tr>
<td>Total funds available for the period</td>
<td>223,062</td>
</tr>
<tr>
<td><strong>Less:</strong></td>
<td></td>
</tr>
<tr>
<td>Payments for Services</td>
<td>(194,686)</td>
</tr>
<tr>
<td>Total disbursements made during the period</td>
<td>194,686</td>
</tr>
<tr>
<td>Project account balance at March 31, 2017</td>
<td>$28,376</td>
</tr>
</tbody>
</table>