

**GOJ/IBRD LOAN CONTRACT NO. 8405-JM
YOUTH EMPLOYMENT
IN THE DIGITAL AND ANIMATION INDUSTRIES PROJECT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
MARCH 31, 2019**

**GOJ/IBRD LOAN CONTRACT NO. 8405 - JM
YOUTH EMPLOYMENT IN THE DIGITAL AND ANIMATION INDUSTRIES PROJECT (YEDAIP)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019**

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October 1, 2019

INDEPENDENT AUDITOR'S REPORT

**To the Permanent Secretary
Office of the Prime Minister**

GOJ/IBRD LOAN AGREEMENT No. 8405-JM

Youth Employment in the Digital and Animation Industries Project (YEDAIP)

Period April 1, 2018 – March 31, 2019

AUDIT CERTIFICATE

Opinion

I have audited the accompanying Financial Statements of the Youth Employment in the Digital and Animation Industries (YEDAIP), set out on pages 1 to 11, which comprise the Statement of Sources and Uses of Funds, as at March 31, 2019, Statement of Cumulative Investments, Designated Account Reconciliation Statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In my opinion, the appended Statements 1-3 and Supplementary Financial Information reflect a true and fair view of the transactions of the Project for the period under review and the transactions conformed to the terms of the Loan Agreement and complied with the International Public Sector Accounting Standards (IPSAS) Cash Basis.

Basis for Opinion

The audit of the Project was conducted in accordance with:

- Article III Section 3.01: Article V of the General Conditions of the Loan Agreement between the Government of Jamaica (GOJ) and the International Bank for Reconstruction and Development (IBRD) dated September 3, 2014.
- Article III Section 3.02: Annex 2 Project Execution, Section I Implementation Arrangements, Section II Project Monitoring, Reporting and Evaluation amended January 10, 2018.
- International Standards of Supreme Audit Institutions (ISSAIs).

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 of the current period. These matters were addressed in the context of the financial statements as a whole and in forming my opinion there on. The key audit matter was:

Cumulative eligible expenditure and current year eligible expenditure disclosed in the Designated Account Reconciliation Statement did not agree with the expenditure in the Statement of Sources and Uses of Funds. At the time of this report, management was not able to substantiate the differences. Consequently, the financial statements may include inaccurate expenditure that could lead to material misstatements. Management was advised to investigate the differences identified in the expenditure and make the necessary adjustments.

| Description | Designated Reconciliation | Sources & Uses of Funds | Difference |
|-----------------------------------|---------------------------|-------------------------|------------|
| | US\$ | US\$ | US\$ |
| Current year eligible expenditure | 4,047,710.44 | 4,055,407.59 | (7,697.15) |
| Cumulative eligible expenditure | 2,129,720.60 | 2,124,391.47 | 5,329.13 |
| Net difference | | | (2,368.02) |

Source: Youth Employment in the Digital and Animation Industries Project

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The executing agency, the Office of the Prime Minister, 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 Ministry is also required to present audited Financial Statements to the IBRD.

The attached Financial Statements and supplementary financial information which are described hereunder were submitted to me by the Project Implementation Unit (PIU) to reflect the transactions of the Project for the period April 1, 2018 to March 31, 2019.

Statement 1 Statement of Sources and Uses of Funds
Statement 2 Statement of Cumulative Investments by Disbursement Category
Statement 3 Designated Account Reconciliation Statement as at March 31, 2019
Notes to the Financial Statements

In preparing the financial statements, management 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 there are plans to liquidate the Project or to cease operations, or has no realistic alternative but to do so.

I have communicated with the World Bank 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 ADDITIONAL REQUIREMENTS OF LOAN AGREEMENT NO 8405-JM.

COMPLIANCE WITH APPLICABLE LAWS, REGULATIONS AND FINANCIAL CLAUSES OF THE LOAN AGREEMENT

During the period under review, I examined compliance by the Project Implementation Unit of the Executing Agency with the applicable laws and regulations related to the Project's activities and with the accounting/financial/ management clauses of the Loan Agreement No. 8405-JM. With the exception of the items highlighted below there was general compliance with the following sections of the amended Loan Agreement dated January 10, 2018:

| | | |
|-----------|-----------------|--|
| Annex 2 - | Section I(B)(5) | Anti-Corruption |
| | Section II(B) | Financial Management, Financial Reports and Audits |
| | Section III | Procurement |
| | Section IV(A) | Withdrawal of Loan Proceeds - General |

NON-COMPLIANCE TO CLAUSES IN LOAN AGREEMENT

The Loan Agreement states:

| | | |
|-----------|-----------------|---|
| Annex 2 - | Sections I(A) 3 | (a) The Steering Committee should include a representative from the following implementing bodies; "HEART/Trust NTA, JAMPRO, MSET, MOEYI, MEGAJC, MOFPS, OPM. PIOJ", and chaired by the OPM". (b) The borrower shall cause the Project Steering Committee to meet at least biannually. |
| | Section II(A) | Project Progress Reports covering a period of six months should be prepared and furnished to the Bank not later than 60 days after the end of the period covered by such report |

We observed that the Steering Committee only met once for the period under review. Additionally, the Project Steering Committee did not include an assigned representative from the MEGAJC. Further, the Semestral Report covering the period July to December 2018 was submitted to the World Bank forty (40) working days after the stipulated deadline. The report was sent on May 26, 2019 which falls one hundred (100) working days after the end of the period

OPINION – GENERAL

In my opinion, the PIU maintained an adequate accounting system based on separate and clearly identifiable accounts which enabled the recording, monitoring and reporting of the operations and

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 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 ISSAIs, I exercised professional judgment and maintained professional scepticism 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 the purpose of 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 I conclude that a material uncertainty exists, I am required to draw attention in the 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.

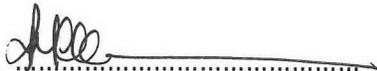
costs under the Programme in accordance with satisfactory accounting/financial/management practices and standards as required by Schedule II Section 2 (B) of the Loan Agreement.

AUDIT OF THE SPECIAL BANK ACCOUNT

I have examined the appended Special Bank Account Statement – Statement 3, reflecting the movement in the Special Bank Account for the period ended March 31, 2019. The Special Bank Account No. 810142 is maintained in United States Dollars in the name of the Ministry of Finance/Youth Employment in the Digital and Animation Industries Project Loan Agreement No. 8405-JM. My examination was made in accordance with the standards of the International Organization of Supreme Audit Institutions (INTOSAI) and accordingly included such tests of the accounting records and other procedures I considered necessary.

OPINION – SPECIAL BANK ACCOUNT

In my opinion, the Special Bank Account Statement reflects the balance in the Special Bank Account at March 31, 2019. However, there was an unreconciled net difference of US\$2,368.02, which casts doubt on the completeness, and accuracy of the transactions reported in the reconciliation for the period April 1, 2018 to March 31, 2019.


.....
Auditor General of Jamaica

2019/10/01.....
Date



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GOJ/IBRD LOAN AGREEMENT No. 8405-JM

Office of the Prime Minister (OPM)

Youth Employment in the Digital and Animation Industries Project (YEDAIP)

Period April 1, 2018 – March 31, 2019

AUDIT OF STATEMENTS OF EXPENDITURE (SOE) PROCEDURES

In the course of the Audit of the Office of the Prime Minister (OPM), Youth Employment in the Digital and Animation Industries Project (YEDAIP) for the twelve-month period ending March 31, 2019, I examined the following statements of expenditure submitted to the IBRD during the financial year under review in support of applications for advance of funds from the Loan Account in accordance with the Loan Agreement:

| <u>Application Number</u> | <u>Date Advanced</u> | <u>Amount (US\$)</u> |
|-------------------------------|----------------------|----------------------------|
| 007 | June 1, 2018 | 4,255,276.19 |
| 009 | December 6, 2018 | 817,439.92 |
| | Total | <u>5,072,716.11</u> |

The examination was done in accordance with generally accepted auditing standards and procedures prescribed by INTOSAI and accordingly, included such tests as the verification of the internal control systems and of the accounting records, tests of the origin and eligibility of expenditures, certification and procurement procedures for goods and services, filing of supporting documents and such other auditing procedures as I considered necessary in the circumstances.

Opinion

In my opinion, the statements of expenditure and the annexes submitted in support of them, together with the internal controls procedures used in their preparation can be relied upon to support the applications for advance in conforming to the requirements of the Loan Agreement.


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Auditor General of Jamaica

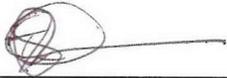
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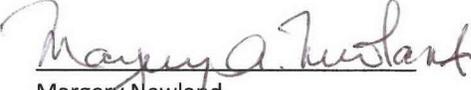
Government of Jamaica IBRD Loan #8405-JM
 Youth Employment in the Digital and Animation Industries Project
 Sources and Uses of Funds
 for the Year Ended March 31, 2019

1

| | Period Ending March 31, 2019 US\$ | Cumulative to March 31, 2019 US\$ | Cumulative to March 31, 2018 US\$ |
|---|---|---|---|
| Sources of Funds | | | |
| World Bank Financing | | | |
| Designated Account | 5,072,716.11 | 8,213,692.76 | 3,140,976.65 |
| Front End Fee | - | 50,000.00 | 50,000.00 |
| Total Receipts | 5,072,716.11 | 8,263,692.76 | 3,190,976.65 |
| Uses of Funds | | | |
| Comp 1: Skills and Capacity to enhance Employability & Entrepreneurship | 798,481.28 | 2,130,786.93 | 1,332,305.65 |
| Comp 2: Establishment of Startup Jamaica | - | 280,413.29 | 280,413.29 |
| Comp 3. Digital and Technical Skills development | 2,886,293.05 | 2,886,293.05 | - |
| Comp 4. Support to Science, Technology and Innovation | 109,325.76 | 109,325.76 | - |
| Comp 5. Project Administration | 261,307.50 | 772,980.03 | 511,672.53 |
| Total Project Investment | 4,055,407.59 | 6,179,799.06 | 2,124,391.47 |
| Front End Fees | - | 50,000.00 | 50,000.00 |
| Total Project Investment and fees | 4,055,407.59 | 6,229,799.06 | 2,174,391.47 |
| Net Cash Movement | 1,017,308.52 | 2,033,893.70 | 1,016,585.18 |
| Foreign Exchange Movement | 2,545.72 | 2,652.97 | 107.25 |
| Adjusted Net Cash Movement | 1,019,854.24 | 2,036,546.67 | 1,016,692.43 |
| Movement in Bank Balances | | | |
| Opening Balances | | | |
| World Bank DA-B | 1,012,258.99 | | |
| Project Account-New Kingston | 4,433.44 | | |
| Total Opening Balance | 1,016,692.43 | | |
| Closing Balances | | | |
| Designated Account | 1,033,268.23 | 1,033,268.23 | 1,012,258.99 |
| Project Account-Duke Street | 268,392.21 | 268,392.21 | - |
| | 1,301,660.44 | 1,301,660.44 | 1,012,258.99 |
| Unspent Advance to HEART Trust/NTA | 734,886.23 | 734,886.23 | 4,433.44 |
| Total Closing Balance | 2,036,546.67 | 2,036,546.67 | 1,016,692.43 |
| Net change in Bank Balances | \$1,019,854.24 | \$2,036,546.67 | \$1,016,692.43 |

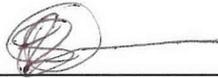

 Merine Tulloch
 Financial Management Specialist


 Audrey V. Sewell (Mrs.) CD, JP
 Permanent Secretary
 Office of the Prime Minister

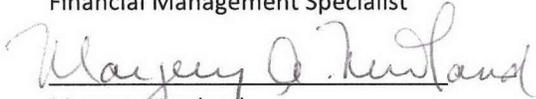

 Margery Newland
 Project Manager

Government of Jamaica IBRD Loan #8405-JM
 Youth Employment in the Digital and Animation Industries Project
 Statement of Cumulative Investments
 for the Year Ended March 31, 2019

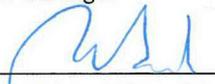
| Category | <u>Period Ending</u> | <u>Cumulative as at</u> | <u>Cumulative as at</u> |
|--|-----------------------|-------------------------|-------------------------|
| | <u>March 31, 2019</u> | <u>March 31, 2019</u> | <u>March 31, 2018</u> |
| | <u>US\$</u> | <u>US\$</u> | <u>US\$</u> |
| GO, CW, NCS, CS, TRN, OP | 4,055,407.59 | 6,179,799.06 | 2,124,391.47 |
| Research Grants under Part 4(a) | - | - | - |
| Scholarships under Part 1(g) | - | - | - |
| Front end fees | - | 50,000.00 | 50,000.00 |
| Total Project Investment and Fees | 4,055,407.59 | 6,229,799.06 | 2,174,391.47 |



Merine Tulloch
 Financial Management Specialist



Margery Newland
 Project Manager



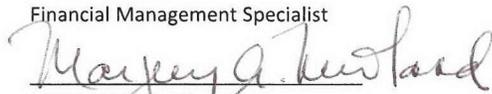
Audrey V. Sewell (Mrs.) CD, JP
 Permanent Secretary
 Office of the Prime Minister

Bank of Jamaica Account # 810142

| | US\$ |
|---|----------------------------|
| 1 Total advanced by the World Bank | 8,213,692.76 |
| 2 (a) Less: Eligible expenditure for the current year ended March 31, 2019 documented by World Bank | (1,228,607.92) |
| 2 (b) Less: Cumulative eligible expenditure for prior periods ended March 31, 2018 documented by World Bank | <u>(2,129,720.60)</u> |
| 3 Present Outstanding Amount Advanced to the Designated Account | <u>4,855,364.24</u> |
| 4 Balance of USD Designated Account per Bank Reconciliation Statement as at period end- March 31, 2019 | 1,033,268.23 |
| Balance of Project Account per Bank Reconciliation Statement as at period end- March 31, 2019 | 265,846.49 |
| Balance on Advance to HEART Trust/NTA Account per Bank Reconciliation Statement as at March 31, 2019 | 734,886.23 |
| 5 Plus: Eligible Expenditure for the Current Year Documented after the period end-March 31, 2019 | 2,819,102.52 |
| 6 Plus: Total withdrawn and not yet claimed | - |
| Reason: | |
| 7 Plus: Amount Claimed in Previous Applications not yet Credited at Date of Bank Statement | - |
| Application Number: | |
| Subtotal of Previous Applications not yet Credited | - |
| 8 Less: Interest Earned | - |
| 9 Total Advance Accounted For (#4 through #9) | <u>4,853,103.47</u> |
| 10 Difference (3 - 9) | <u>2,260.77</u> |
| 11 Difference Accounted for by: | |
| Bank Charges recoverable from GOJ(2017/2018) | (374.14) |
| Foreign Exchange Fluctuations | <u>2,634.91</u> |
| | <u>2,260.77</u> |



Merine Tulloch
 Financial Management Specialist



Margery Newland
 Project Manager



Audrey V. Sewell (Mrs.) CD, JP
 Permanent Secretary
 Office of the Prime Minister

1. OVERVIEW

A loan in the amount of **USD20.0 Million**, was granted to the Government of Jamaica by the International Bank for Reconstruction and Development (IBRD) Technical Assistance Program. The loan is being administered by the Office of the Prime Minister (OPM).

The objective of the project is to support Youth Employment in the Digital and Animation Industries in Jamaica. It is estimated that the project will directly and indirectly benefit approximately 15,000 young people between the ages of 15-30 years in both urban and rural areas. The Loan was restructured in January 2018. The description of the components before and after the restructuring is detailed below.

Project Components

The Youth Employment in the Digital and Animation Industries Project is being implemented under five components:

Component 1. Skills and Capacity to Enhance Employability and Entrepreneurship (ORIGINAL)

Building the capacity and enhancing the skills of Jamaica's youth to improve their employability in the growing animation industry through:

- a. Expanding the existing 2D Animation Training Program at selected vocational and tertiary educational institutions;
- b. Establishing 2D and/or 3D Animation Training Programs at selected secondary, vocational and tertiary educational institutions;
- c. Establishing an accredited university degree program for professional animators;
- d. developing a business acceleration program for animation studios whereby companies undergo an intensive selection process and surrender some of the equity in their companies in return for seed capital, training and mentorship;
- e. Developing training program to increase the quantity and quality of software programmers and product designers;
- f. Organizing competitions to identify youth with best talents in the digital and animation fields;
- g. Providing need-based scholarships to enable youth from lower-income families and vulnerable communities to participate in the training activities; and
- h. Developing a policy framework and strategic plan for the animation industry.

Under the restructuring agreement activities have been re-organized under two sub-components.

1. OVERVIEW (Component 1) - continued

Sub-Component 1 –Strengthening Animation Training. The specific activities include:

- i. expanding the existing 2D Animation Training Program at selected vocational and tertiary educational institutions; and incorporate emerging fields including, *inter alia*, virtual reality, visual effects, and animation for software applications; [to be executed by OPM]
- ii. establishing 2D and/or 3D Animation Training Programs at selected secondary, vocational and tertiary educational institutions; and incorporate emerging fields including, *inter alia*, virtual reality, visual effects, and animation for software applications; [to be executed by OPM]
- iii. organizing competitions to identify the youth talent pool in the digital and animation fields; [to be executed by OPM]
- iv. facilitating youth from lower-income families, and vulnerable communities to participate in the training activities provided by the Project, including training programs to access global work information on-line; [to be executed by OPM in collaboration with the Ministry of Education Youth and Information]

Sub-Component 2 - Enhancing the Animation Industry by collaborating with key stakeholders, especially Jamaica Promotions Corporation (JAMPRO) which is Jamaica’s national investment and export promotion agency, mandated to drive Jamaica's economic development through growth in investment and export.

The activities include:

- i. Development of specific services to enhance the industry’s business capacity to improve the capacity of studios to secure co-production deals with established international studios [to be executed by JAMPRO]
- ii. Financing the participation of the animation studios and key stakeholders in international events and facilitating support for professional networking; [to be executed by JAMPRO] and
- iii. Developing a policy note to enhance the framework and strategic plan for the animation industry to engage in a longer-term policy dialogue. [to be executed by JAMPRO]

A JAMPRO Coordinator and a Business Development Specialist (short term Consultant) will be recruited and located in JAMPRO to manage this sub-component and liaise with the PIU.

1. OVERVIEW - *continued*

Component 2. Establishment of Startup Jamaica (ORIGINAL - COMPONENT DISCONTINUED)

Establishing Startup Jamaica, a technology hub, to host the Acceleration Program and other training initiatives for startup companies in partnership with private sector companies through:

- a. Carrying out communication and outreach campaigns to target youth with business ideas to join the Acceleration Program;
- b. Designing and providing in-depth technical and business training to selected youth, including hands-on service provider support and external speakers/faculty trainers;
- c. Designing and implementing the Acceleration Program for tech start-ups; and
- d. Recruiting relevant technical staff to manage the Acceleration Program and other training initiatives.

The unspent funds originally allocated to this component were reallocated to the new Component 3.

Component 3. Early Stage Investment for Tech Startups (ORIGINAL COMPONENT - DISCONTINUED)

Increasing the amount of private sector investments in youth startup companies, through:

- a. organizing workshops and meetings to facilitate the establishment and support of a Jamaica Angel Investor Network;
- b. carrying out feasibility studies, policy dialogue and workshops for promoting the use of Royalty-based Equity Loans;
- c. carrying out awareness-raising campaigns and dialogue with potential investors to promote the establishment of Pre-purchase and Equity Crowd Funding Platforms;
- d. carrying out public awareness campaigns on Early Stage Investments; and
- e. establishing a targeted program to build trust among investors and Early Stage Companies, through provision of consulting services, goods and non-consulting services.

This component (Early Stage Investment for Tech Startups) was removed under the new restructuring agreement which took effect January 18, 2018. No aspect of this component had commenced.

Component 3: Digital and technical skills development for youth (NEW)

This component will support the document management and digitization cohort under the national Housing, Opportunity, Production and Employment (HOPE) Programme to provide training and apprenticeship for "Not in Education, Employment, or Training" (NEET) youths between 18 and 24 years old to improve their employability skills. The Sub-components are:

1. OVERVIEW (Component 3) - continued

Sub-component 1 – Training and Refurbishing / upgrading community and youth centers.

The activities include:

- i. Facilitating youths to participate in document management and digitization training and apprenticeship activities provided by the Project; *[to be executed by HEART Trust / NTA]*
- ii. Financing the operationalization of youth and community centers as digital / tech centers, including renovation and provision of equipment; *[to be executed by OPM in collaboration with Ministry of Education, Youth and Information]*

A MOU will be signed with the HEART Trust/NTA to ensure the smooth implementation of the activities.

Sub-Component 2 – Technical assistance and advisory services through the hiring of consultants.

The activities will include recruiting consultants to provide technical assistance and advisory services to improve the delivery of the training and apprenticeship program and increase the productivity and employability of apprentices. *[to be executed by OPM]*

A HOPE Coordinator will be hired to lead the activities under component 3.

Component 4: Support to Science, Technology and Innovation (US\$1.05M) (REDEFINED):

This component will focus on building the Science, Technology and Innovation (STI) framework in Jamaica through:

- a. Support for a digital market and job fair. *[to be executed by OPM];*
- b. Strengthening the existing young inventor/innovator competition in Jamaica, which aims to identify, produce and commercialize products and services. *[to be executed by OPM in collaboration with the SRC]* and
- c. Strengthening of the national STI system led by the National Commission on Science and Technology, which aims to conduct stakeholder consultations for STI policy and National Innovation Competition Awards. *[to be executed by OPM in collaboration with the NCST]*

There was no activity or expenditure on this component prior to the restructuring.

1. OVERVIEW - continued

Component 5: Project Administration

This component will support program management and implementation through inter alia;

- a. Strengthening the institutional capacity for Project Management, including:
- b. Carrying out financial management and procurement under the Project;
- c. Preparing Project Reports;
- d. publishing calls for research proposals;
- e. coordinating the various institutions participating in the Project;
- f. providing management and implementation support; and
- g. monitoring and evaluating Project progress and results;

1(A). MANAGEMENT REPORTS

Quarterly Reports have been submitted by management for the Youth Employment in the Digital and Animation Industries Project (YEDAIP) for the period April 1, 2018 to year ended March 31, 2019.

1(B). AUDITING OF THE PROJECT

The Project is currently audited by the Auditor General's Department.

The Auditors,
Auditor General's Department,
40 Knutsford Boulevard,
Kingston 5, Jamaica.

2. THE BUDGET

An allocation of J\$1,166,765,300 was approved in the Government of Jamaica approved budget allocation to the executing agency Office of the Prime Minister. This was reduced in the first supplementary estimates to J\$649,659,340.

3. SUMMARY OF ACCOUNTING POLICIES

i. Basis of Preparation

The Project Implementation Unit (PIU) uses the cash basis of accounting to account for the project's transactions. On this basis, income is recognized when funds are received rather than when requested and expenses are recognized when payments are made

3. SUMMARY OF ACCOUNTING POLICIES CONT'D

i. Basis of Preparation cont'd

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.

ii. Recording of Transactions

Transactions are mainly entered in local currency. However, transactions are converted for preparation of the financial statements. Receipts and expenditure in local currency are translated into US dollars, by applying the commercial bank rate at which the disbursement was received.

iii. 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.

iv. Equipment and other fixed assets

Equipment and other fixed assets procured with project resources are recorded at their acquisition cost at the date of purchase. Depreciation is not charged on these assets and is also not reflected in these financial statements.

v. Exchange Rate for the period

Expenses paid from the Jamaican dollar account, held with the National Commercial Bank, were converted by applying the exchange rate at which the funds were transferred from the Designated bank account at the Bank of Jamaica(BOJ). The closing balance on the Jamaican dollar account is translated at the BOJ closing rate at year end.

4. DISBURSEMENT REQUESTS

| <u>Disbursement Request</u> | <u>Disbursement</u> | <u>Amount</u> |
|-----------------------------|---------------------|----------------------------|
| <u>Date</u> | <u>Number</u> | <u>US\$</u> |
| June 1, 2018 | 7 | 4,255,276.19 |
| December 6, 2018 | 9 | 817,439.92 |
| Total | | <u>5,072,716.11</u> |

This represents the total advance issued by the IBRD for the period ending March 31, 2019.

5. SOURCE OF FUNDS

The cumulative amount of USD8.264 million was received from the World Bank for the loan period September 3, 2014 to March 31, 2019. The amount includes a front-end fee of USD50,000 charged by the Bank.

6. USE OF LOAN FUNDING

Total funds invested during the period amounts to approximately USD4.055 million (cumulatively USD6.179 million).

7. CASH AVAILABILITY AS AT MARCH 31, 2019

The cash available as at March 31, 2019, as expressed in US dollars is:

| <u>Bank Accounts</u> | <u>Total Cash Available (US\$)</u> |
|-------------------------------|------------------------------------|
| Designated Account | 1,033,268.23 |
| Deposit account at OPM | 268,392.21 |
| Total YEDAIP Accounts | 1,301,660.44 |
| HEART Trust/NTA* | 734,886.23 |
| Total closing balances | 2,036,546.67 |

*This represents the unspent balance on an advance to the Heart Trust NTA. The cash balances at the end of the period were for the Designated Bank Account Number 810142 and the Project Account at the National Commercial Bank Account Number 061187626. The Designated Account is operated by the Bank of Jamaica for the disbursement of loan funds. Funds disbursed by the World Bank for the Project is directly transferred to this account.