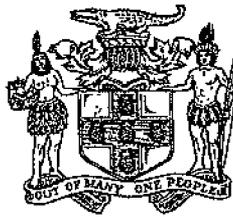


**GOJ/IBRD LOAN CONTRACT NO. 8405 - JM
YOUTH EMPLOYMENT IN DIGITAL AND ANIMATION INDUSTRIES PROJECT
(YEDAIP)
FINANCIAL STATEMENTS
FOR THE PERIOD APRIL 1, 2016 – MARCH 31, 2017**

GOJ/IBRD LOAN CONTRACT NO. 8405 - JM
YOUTH EMPLOYMENT IN DIGITAL AND ANIMATION INDUSTRIES PROJECT
(YEDAIP)
FINANCIAL STATEMENTS
PERIOD APRIL 1, 2016 - MARCH 31, 2017

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2017

AUDITOR GENERAL'S DEPARTMENT
40 KNUTSFORD BOULEVARD
P.O. BOX 455
KINGSTON 5
JAMAICA

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

September 29, 2017

INDEPENDENT AUDITOR 'S REPORT

To the Permanent Secretary
Ministry of Science Energy and Technology (MSET)

GOJ/IBRD LOAN AGREEMENT No. 8405-JM
Youth Employment in the Digital and Animation Industries Project (YEDAIP)
Period April 1, 2016 – March 31, 2017

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 9, which comprise the Statement of Sources and Uses of Funds, as at March 31, 2017, 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 1-2 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: Schedule 2 Project Execution, Section I Implementation Arrangements, Section II Project Monitoring, Reporting and Evaluation.
- International Standards of Supreme Audit Institutions (ISSAIs).

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in my professional judgment, were of most significance in 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:

Deposits totaling J\$4,298,835.00/US\$ 34,278.01 were made to the local Project Bank Account and comingled with funds received from the Designated Account. Management advised that these funds were received from two entities who contributed to the project. This contravened the conditions in the loan agreement which states that the accounts must be segregated.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The executing agency, the Ministry of Science, Energy and Technology, 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 Coordination Unit (PCU) to reflect the transactions of the Programme for the period ended April 1, 2016 to financial year at March 31, 2017.

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, 2017
	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.

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, we exercise professional judgment and maintain 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 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 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.

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 Coordination 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 Loan Agreement:

Schedule 2 -	Section 1(A)(3)	Project Steering Committee
	Section 1(A)(4)	Advisory Board
	Section 1(A)(5)	Start Up Jamaica Management Team
	Section 1(B)(4)	Research Grants
	Section 2(A)	Project Reports
	Section 2(B)(1)	Financial Management, Financial Reports and Audit

- a) The Project Steering Committee for YEDAIP did not meet as stipulated in the loan agreement. The evidence provided indicated that no meeting was held for the financial year April 2016 to March 2017.

Additionally, YEDAIP did not implement the following as required by the loan agreement:

- b) A Project Operations Manual to guide the operations of the Project.
- c) We saw no evidence that the Project Manager prepared and submitted bi-annual Progress Reports to the World Bank.

OPINION – GENERAL

In my opinion, the PCU did not maintain an adequate accounting system based on separate and clearly identifiable accounts which enabled the recording, monitoring and reporting of the operations and 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.

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, 2017. 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, 2017 as well as the transactions made during the period April 1, 2016 to March 31, 2017 in conformity with International Public Sector Accounting Standards (IPSAS) Cash Basis.



Auditor General of Jamaica

2017.09.29.....

Date

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GOJ/IBRD LOAN AGREEMENT No. 8405-JM

Ministry of Science, Energy and Technology (MSET)

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

Period April 1, 2016 – March 31, 2017

AUDIT OF STATEMENTS OF EXPENDITURE (SOE) PROCEDURES

In the course of the Audit of the Ministry of Science, Energy and Technology (MSET) Youth Employment in the Digital and Animation Industries Project (YEDAIP) for the year ending March 31, 2017. 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>
5	June 14, 2016	1,199,000.00
	Total	1,199,000.00

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

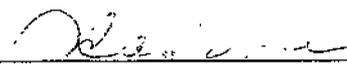
In my opinion, the statements of expenditure and the annexes submitted in support of them, together with the internal controls procedures used in their preparation can be relied upon to support the applications for advance in conforming to the requirements of the Loan Agreement.


.....
Auditor General of Jamaica

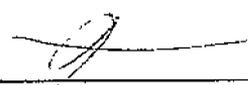
2017/09/29.....
Date

Government of Jamaica Loan # 8405-JM
Youth Employment in the Digital and Animation Industries Project
Sources and Uses of Funds
for the Year Ended March 31, 2017

	<u>Period ending</u> <u>March 31, 2017</u> <u>US\$</u>	<u>Cumulative to</u> <u>March 31, 2017</u> <u>US\$</u>	<u>Cumulative to</u> <u>March 31, 2016</u> <u>US\$</u>
Sources of Funds			
World Bank Financing			
Designated Account	1,199,000.00	1,740,976.65	541,976.65
Retroactive Financing	-	-	-
Direct Payment	-	-	-
Front End Fee	-	50,000.00	50,000.00
Total Receipts	1,199,000.00	1,790,976.65	591,976.65
Uses of Funds			
Comp 1: Skills & capacity to Enhance Employability & Entrepreneurship	458,420.49	692,569.28	234,148.79
Comp 2: Establishment of Startup Jamaica	139,576.34	240,760.44	101,184.11
Comp 3: Early Stage Investment for Tech. Startups	-	-	-
Comp 4: Support to Science, Technology and Innovation	-	-	-
Comp 5: Project Administration	158,723.77	323,268.25	164,544.48
Total Project Investments	756,720.59	1,256,597.97	499,877.38
Front End Fee	-	50,000.00	50,000.00
Total Project Investment and Fees	756,720.59	1,306,597.97	549,877.38
Net Cash Movement	442,279.41	484,378.68	42,099.27
Movement in bank balances			
Opening Balances			
World Bank DA - B	991.32	-	-
Local Bank Account	41,107.95	-	-
	42,099.27	-	-
Closing Balances			
World Bank DA	484,378.68	484,378.68	991.32
Local Bank Account	-	-	41,107.95
Total Closing Balances	484,378.68	484,378.68	42,099.27
Net Change in Bank Balances	442,279.41	484,378.68	42,099.27

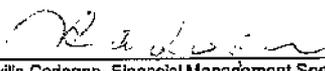

 Neville Cadogan
 Financial Management Specialist


 Hillary Alexander (Ms.)
 Permanent Secretary
 Ministry of Science, Energy and Technology

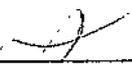

 Mrs. Judy Marshall Anderson
 Chief Project Manager

GOVERNMENT OF JAMAICA LOAN#8405-JM
 YOUTH EMPLOYMENT IN THE DIGITAL & ANIMATION INDUSTRIES PROJECT
 STATEMENT OF CUMULATIVE INVESTMENTS
 FOR THE YEAR ENDED MARCH 31, 2017

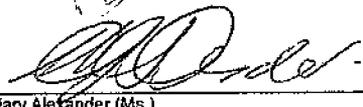
Category	Period ending	Cumulative as at	Cumulative as at
	March 31, 2017	March 31, 2017	March 31, 2016
	US\$	US\$	US\$
Category 1: GO; CS; NCS; TRN; OP	766,720.59	1,256,597.97	499,877.38
Category 2: Research Grant under p.4(a) of the Project	-	-	-
Category 3: Scholarship under p1 (g) of the Project	-	-	-
Front End Fee		50,000.00	50,000.00
TOTAL PROJECT INVESTMENTS AND FEES	766,720.59	1,306,597.97	549,877.38



 Neville Cadogan- Financial Management Specialist



 Mrs. Judy Marshall Anderson- Chief Project Manager

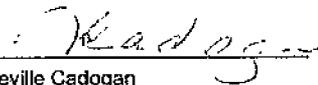


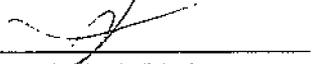
 Hillary Alexander (Ms.)
 Permanent Secretary
 Ministry of Science, Energy & Technology

**Government of Jamaica Loan # 8405-JM
Youth Employment in the Digital and Animation Industries Project
Designated Account Reconciliation Statement
for the Year Ended March 31, 2017**

Bank of Jamaica Account #810142

		<u>US\$</u>
1	Total Advanced By the World Bank	1,790,976.65
2 (a)	Less: Eligible Expenditure for the Current Year Ended March 31, 2017 Documented by World Bank	(604,415.83)
2 (b)	Less: Cumulative Eligible Expenditure for the Prior Periods Ended March 31, 2016 Documented by World Bank	(145,486.73)
3	Present Outstanding Amount Advanced to the Designated Account	1,041,074.09
4	Balance of USD Designated Account per Bank Reconciliation Statement as at period end - March 31, 2017	484,378.68
	Balance of Project Account per Bank Reconciliation Statement as at period end - March 31, 2017	-
5	Plus: Eligible Expenditure for the Current Year Documented After the period End - March 31, 2017 (WA #006)	556,695.41
6	Plus: Total Amount 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)	1,041,074.09
10	Difference (3 - 9)	-


Neville Cadogan
Financial Management Specialist


Mrs Judy Marshall Anderson
Chief Project Manager


Permanent Secretary
Ministry of Science, Energy & Technology

Youth Employment in the Digital and Animation Industries Project

Notes to the Financial Statements

For Period 1 April 2016 to 31 March 2017

Expressed in USD

1. OVERVIEW

A loan was awarded to the Government of Jamaica by the International Bank for Reconstruction and Development (IBRD) Technical Assistance Program. The loan is being administered by the International Bank for Reconstruction and Development (IBRD). The loan proceed is **USD20.0 Million**.

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.

PROJECT COMPONENTS

The Youth Employment in the Digital and Animation Industries Project consists of five parts:

Part I. Skills and Capacity to Enhance Employability and Entrepreneurship

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.

Part II. Establishment of Startup Jamaica

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.

Part III. Early Stage Investment for Tech Startups

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.

Part IV: Support to Science, Technology and Innovation

Strengthening Jamaica's capacity in science, technology and innovation, through:

- a. provision of Research Grants to eligible Research Grant Beneficiaries to carry out innovation IT research application with commercial potential; and
- b. enrolling selected applicants into the programs of Startup Jamaica.

Part V: Project Administration

Strengthening the institutional capacity for Project Management, including:

- a. carrying out financial management and procurement under the Project;
- b. preparing Project Reports;
- c. publishing calls for research proposals;
- d. coordinating the various institutions participating in the Project;
- e. providing management and implementation support; and
- f. monitoring and evaluating Project progress and results; all through provision of goods, works, technical advisory services, training and operating costs.

MANAGEMENT REPORT

The Annual Report is submitted by management for the Youth Employment in the Digital and Animation Industries Project (YEDAIP) for the period April 1, 2016 to year ended March 31, 2017.

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

This is the amount allocated based on the Government of Jamaica approved budget allocation to the Ministry of Science, Energy and Technology.

3. Summary of Accounting Policies

I) Basis of Preparation

The Project Accounting Unit (PAU) uses the cash basis of accounting to account for the project's transactions. Under this basis, income is recognized 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.

II) Recording of Transactions

Transactions are entered in local currency. However, transactions are converted for preparation of the financial statements. Receipt 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

Youth Employment in the Digital and Animation Industries Project

Notes to the Financial Statements

For Period 1 April 2016 to 31 March 2017

Expressed in USD

Expenses paid from the Jamaican dollar account, held with 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.

4. Disbursement Request

<u>Disbursement Request</u> <u>Date</u>	<u>Disbursement</u> <u>Number</u>	<u>Amount</u> <u>US\$</u>
June 14, 2016	1	1,199,000
Total		1,199,000

This represents the total advance issued by the IBRD for the period ending March 31, 2017.

5. Source of Funds

The amount of **USD 1,791 Million (cumulatively USD 1,791 Million)** was received from the World Bank for the period under review, this amount is inclusive of front-end fee (**USD 0.050 Million**) charged by the Bank.

6. Use of Loan Funding

Total funds invested during the period amounts to approximately **USD 1,257 Million (cumulatively USD 1,257 Million)**.

7. Cash availability as at March 31, 2017

The cash available as at March 31, 2017, as expressed in US dollars is:

<u>Bank Accounts</u>	<u>Total Cash Available</u> <u>US\$</u>
Special Account	-
Administrative Account	484,378.68
Total Closing Balances	484,378.68

Youth Employment in the Digital and Animation Industries Project
Notes to the Financial Statements
For Period 1 April 2016 to 31 March 2017
Expressed in USD

This represents the cash balances at the end of the period for the Special Bank Account Number **810142** and Project Administrative Bank Account Number **351168250**. This Special Account is the Designated Account 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.