AUDIT OF THE GRANT FUNDS MANAGED FOR THE PERIOD NOVEMBER 5, 2013 TO AUGUST 31, 2015 BY THE ORGANISATION OF EASTERN CARIBBEAN STATES THROUGH THE PROJECT MANAGEMENT UNIT UNDER THE EASTERN CARIBBEAN ENERGY REGULATORY AUTHORITY (ECERA) PROJECT, FINANCED UNDER GRANT FUNDS PROVIDED UNDER THE SUPPORT FOR SMALL ISLAND DEVELOPING STATES (SIDS) DOCK SUPPORT PROGRAM MULTI-DONOR TRUST FUND AND EXTENDED FOR THE BENEFIT OF ECERA MEMBER COUNTRIES AND OECS PARTICIPATING COUNTRIES

Independent Auditors’ Report
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</table>
Dr. Didacus Jules  
Director General  
OECS Commission  
The Morne  
Castries  
SAINT LUCIA  

December 21, 2015  
Ref: LT/ta  

Dear Dr. Jules  

AUDIT OF THE GRANT FUNDS MANAGED FOR THE PERIOD NOVEMBER 5, 2013 TO AUGUST 31, 2015 BY THE ORGANISATION OF EASTERN CARIBBEAN STATES THROUGH THE PROJECT MANAGEMENT UNIT UNDER THE EASTERN CARIBBEAN ENERGY REGULATORY AUTHORITY (ECERA) PROJECT, FINANCED UNDER GRANT FUNDS PROVIDED UNDER THE SUPPORT FOR SMALL ISLAND DEVELOPING STATES (SIDS) DQCK SUPPORT PROGRAM MULTI-DONOR TRUST FUND AND EXTENDED FOR THE BENEFIT OF ECERA MEMBER COUNTRIES AND OECS PARTICIPATING COUNTRIES.  

We have completed our audit of the Grant Funds Managed for the period November 5, 2013 to August 31, 2015 by the Organisation of Eastern Caribbean States through the Project Management Unit under the Eastern Caribbean Energy regulatory Authority (ECERA) Project, financed by the Grant Funds.  

Please find enclosed our report relating to the captioned audit. We would like to take this opportunity to thank your staff for the invaluable assistance and co-operation extended to us during the course of the audit.  

Should you need any further information or clarification thereon, please do not hesitate to contact us.  

Yours sincerely  

[Signature]  

BRENDA M. DUNCAN  
PARTNER  

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BDO Eastern Caribbean, a partnership registered in St. Lucia and St. Vincent and the Grenadines, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.
Audit of the Grant Funds Managed for the period November 5, 2013 to August 31, 2015 by the Organisation of Eastern Caribbean States through the Project Management Unit under the Eastern Caribbean Energy Regulatory Authority (ECERA) Project, financed under grant funds provided under the Support for Small Island Developing States (SIDS) Dock Support Program Multi-Donor Trust Fund and extended for the benefit of ECERA Member Countries and OECS Participating Countries

Objectives and Scope of the Financial and Internal Controls Audit

This special purpose audit was performed in accordance with the International Standards on Auditing issued by the International Federation of Accountants and therefore included the tests of the accounting records considered necessary under the circumstances. The specific objectives of the audit were to:

(a) Issue an opinion as to whether the Project financial statements present fairly, in all material respects, the financial position of the grant, the funds received and the disbursements made during the period November 5, 2013 to August 31, 2015, as well as the cumulative investments at the end of the period, in accordance with International Public Accounting Standards and the requirements of the respective agreements with the World Bank and co-financing organizations.

(b) Issue a report with respect to the adequacy of the internal control structure of the implementing institution in regard to the Project.

(c) Issue an opinion with respect to the implementing entity’s compliance with the terms of the Grant Agreement in respect of SIDS DOCK Grant and the applicable laws and regulations.

(d) Issue an opinion as to whether: (i) the expenditures reported are eligible for financing under the relevant agreements and supported by appropriate documentation; and (ii) whether grant funds have been used only for Project purposes, in accordance with the requirements established in the corresponding agreements with the World Bank.

(e) Issue an opinion as to whether the Statement of the Designated Accounts and Project Accounts used for managing the funds provided by the World Bank presents fairly the availability of funds at the end of the period audited, as well as the transactions made during the same period, in accordance with the provisions for the use of the funds established in the corresponding agreements with the World Bank.

A full scope financial and internal controls audit was undertaken. The procedures performed included:

1. Verifying that the operations and use of the designated accounts were in accordance with the grant agreement.

2. Reviewing procedures for ensuring the assets and other resources were used in accordance with applicable instructions and regulations in an effective and economical manner.

3. Reviewing all bank accounts and the controls on these accounts and obtaining positive confirmation of bank balances.

4. Reviewing Statements of Expenditure (SOEs) and documentation of the internal control structure governing these SOEs.

5. Ensuring that funds received and expenditure incurred were eligible under the grant agreements, recorded correctly and vouched to supporting documents.
INDEPENDENT AUDITORS’ REPORT ON THE FINANCIAL STATEMENTS

Dr. Didacus Jules  
Director General  
OECS Commission  
The Morne  
Castries  
SAINT LUCIA

Report on the Financial Statements

We have audited the accompanying financial statements for the period November 5, 2013 to August 31, 2015 by the Organisation of Eastern Caribbean States through the Project Management Unit under the Eastern Caribbean Energy Regulatory Authority (ECERA) Project, financed under grant funds provided under the Support for Small Island Developing States (SIDS) DOCK Support Program Multi-Donor Trust Fund and extended for the benefit of ECERA Member Countries and OECS Participating Countries, a summary of significant accounting policies and other explanatory notes.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards. 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.

Auditors’ Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity’s preparation and fair presentation of the financial statements 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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
INDEPENDENT AUDITORS’ REPORT ON THE FINANCIAL STATEMENTS (CONT’D)

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the results of the operations for the support for Small Island Developing States (SIDS) Dock Support Program Multi-Donor Trust Fund and extended for the benefit of ECERA Member Countries and OECS Participating Countries Project for the period November 5, 2013 to August 31, 2015, in accordance with International Public Sector Accounting Standards.

BDO

December 21, 2015
Organisation of Eastern Caribbean States
SIDS DOCK Grant Funds
TF 016770
Sources and Uses of Funds
For the Period from November 5, 2013 to August 31, 2015
(Expressed in United States Dollars)

<table>
<thead>
<tr>
<th>Sources of Funds</th>
<th>Actual for the period Nov 5, 2013 to August 31, 2015 USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>World Bank (WB)</td>
<td></td>
</tr>
<tr>
<td>SIDS DOCK Grant No. TF 016770</td>
<td>175,000</td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
<tr>
<td>Sources from World Bank</td>
<td></td>
</tr>
<tr>
<td>OECS Secretariat</td>
<td>175,000</td>
</tr>
<tr>
<td>Total Sources of Funds</td>
<td>686</td>
</tr>
<tr>
<td>Total Funds Available</td>
<td>175,686</td>
</tr>
<tr>
<td>Less: Uses of Funds</td>
<td></td>
</tr>
<tr>
<td>a. Carrying out outreach programs to deepen the engagement of ECERA Member Countries with their respective policy makers, utilities and stakeholders on future role, benefits and cost of ECERA Project in the national regulation process</td>
<td>100,562</td>
</tr>
<tr>
<td>b. (i) Carrying out outreach programs to increase the participation of OECS Participating Countries in the Regional Energy Committee as observers, including their participation in the launch of the ECERA Project; and provision of training, Workshops and consultations</td>
<td>20,767</td>
</tr>
<tr>
<td>b. (ii) Publicize promotional materials in other OECS Participating Countries</td>
<td>686</td>
</tr>
<tr>
<td>Refund</td>
<td></td>
</tr>
<tr>
<td>Total Uses of Funds</td>
<td>122,015</td>
</tr>
<tr>
<td>Bank and Cash Account Balance at August 31, 2015</td>
<td></td>
</tr>
<tr>
<td>Designated account</td>
<td>50,169</td>
</tr>
<tr>
<td>XCD operating account</td>
<td>3,502</td>
</tr>
<tr>
<td></td>
<td>53,671</td>
</tr>
</tbody>
</table>

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

Dr. Didacus Jules
Director General

Nicholas Devaux
Financial Controller
Organisation of Eastern Caribbean States  
SIDS DOCK Grant Funds  
TF 016770  
Uses of Funds by Project Activity  
For the Period from November 5, 2013 to August 31, 2015  
(Expressed in United States Dollars)

<table>
<thead>
<tr>
<th>Activity</th>
<th>Planned</th>
<th>Actual</th>
<th>Variance</th>
<th>Variance %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USD</td>
<td>USD</td>
<td>USD</td>
<td></td>
</tr>
<tr>
<td>1.1.01</td>
<td>Consultant Services</td>
<td>60,000</td>
<td>54,600</td>
<td>5,400</td>
</tr>
<tr>
<td>1.1.01.00</td>
<td>Conduct Research &amp; Develop Study Tours</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1.1.02.00</td>
<td>Regulatory Training - Consultant</td>
<td>60,000</td>
<td>54,600</td>
<td>5,400</td>
</tr>
<tr>
<td>1.2.00</td>
<td>Regulatory Training</td>
<td>63,828</td>
<td>39,997</td>
<td>23,831</td>
</tr>
<tr>
<td>1.2.01.00</td>
<td>Regulatory Training - Policy Makers Oecs</td>
<td>63,828</td>
<td>39,997</td>
<td>23,831</td>
</tr>
<tr>
<td>1.2.02.00</td>
<td>Regional Study Tour</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1.2.03.00</td>
<td>International Study Tour</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1.3.00</td>
<td>REC Activities Other OECS Member States</td>
<td>57,000</td>
<td>4,740</td>
<td>52,260</td>
</tr>
<tr>
<td>1.3.01.00</td>
<td>Participation in REC Meetings</td>
<td>50,000</td>
<td>1,350</td>
<td>48,650</td>
</tr>
<tr>
<td>1.3.02.00</td>
<td>Participation in Workshops</td>
<td>7,000</td>
<td>3,390</td>
<td>3,610</td>
</tr>
<tr>
<td>1.4.00</td>
<td>Engagement at the Political Level</td>
<td>10,000</td>
<td>-</td>
<td>10,000</td>
</tr>
<tr>
<td>1.4.01.00</td>
<td>Round Table Discussions</td>
<td>10,000</td>
<td>-</td>
<td>10,000</td>
</tr>
<tr>
<td>1.5.00.00</td>
<td>Public Awareness &amp; Advertising</td>
<td>74,934</td>
<td>20,767</td>
<td>54,167</td>
</tr>
<tr>
<td>1.7.00.00</td>
<td>Operating Cost</td>
<td>10,793</td>
<td>1,225</td>
<td>9,568</td>
</tr>
<tr>
<td>2.0.00.00</td>
<td>Contingences</td>
<td>23,445</td>
<td>-</td>
<td>23,445</td>
</tr>
<tr>
<td>Grand Total</td>
<td>300,000</td>
<td>121,329</td>
<td>178,671</td>
<td>60</td>
</tr>
</tbody>
</table>

The accompanying notes form an integral part of these financial statements.
Organisation of Eastern Caribbean States  
SIDS DOCK Grant Funds  
TF 016770  
Project Cash Withdrawals  
For the Period from November 5, 2013 to August 31, 2015  
(Expressed in United States Dollars)

<table>
<thead>
<tr>
<th>Disbursement Description</th>
<th>Grant Expenditure (a) Total for Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods</td>
<td></td>
</tr>
<tr>
<td>Consultants’ Services</td>
<td>54,600</td>
</tr>
<tr>
<td>Training</td>
<td></td>
</tr>
<tr>
<td>Operating Cost</td>
<td>66,729</td>
</tr>
<tr>
<td>Total</td>
<td>121,329</td>
</tr>
</tbody>
</table>

The accompanying notes form an integral part of these financial statements.
<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Total advanced by World Bank</td>
<td>175,000</td>
</tr>
<tr>
<td>2</td>
<td>Less: Total amount documented by World Bank</td>
<td>(121,312)</td>
</tr>
<tr>
<td>3</td>
<td>Present outstanding amount advanced to the Designated Account (1-2)</td>
<td>53,688</td>
</tr>
<tr>
<td>4</td>
<td>Balance of Designated account per bank statement at August 31, 2015</td>
<td>53,671</td>
</tr>
<tr>
<td></td>
<td>Designated account</td>
<td>50,169</td>
</tr>
<tr>
<td></td>
<td>XCD Operating account</td>
<td>3,502</td>
</tr>
<tr>
<td>5</td>
<td>Plus: Total amount claimed in this application</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Plus: Total amount withdrawn and not yet claimed</td>
<td>17</td>
</tr>
<tr>
<td>7</td>
<td>Plus: Amounts claimed in previous application not yet credited at date of</td>
<td></td>
</tr>
<tr>
<td></td>
<td>bank statements</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Subtotal of previous applications not yet credited</td>
<td>17</td>
</tr>
<tr>
<td>8</td>
<td>Less: Interest earned</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Total advanced accounted for (no. 4 through no.9)</td>
<td>53,688</td>
</tr>
<tr>
<td>10</td>
<td>Difference (3-9)</td>
<td></td>
</tr>
</tbody>
</table>

The accompanying notes form an integral part of these financial statements.
Schedule 5
Organisation of Eastern Caribbean States
SIDS DOCK Grant Funds
TF 016770
Cash Forecast
For the Period from September 1, 2015 to December 31, 2015
(Expressed in United States Dollars)

<table>
<thead>
<tr>
<th>Activity</th>
<th>Sept 1, 2015 to Dec 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Bank and Cash Account Balances</td>
<td>53,671</td>
</tr>
<tr>
<td>Add: Minimum Expected drawdown from Grant Funds</td>
<td>-</td>
</tr>
<tr>
<td><strong>Equals: Total Funds Available</strong></td>
<td>53,671</td>
</tr>
<tr>
<td><strong>Less: Expected Expenditure</strong></td>
<td></td>
</tr>
<tr>
<td>1.7.00.00 Operating Cost (include audit fee)</td>
<td>46,065</td>
</tr>
<tr>
<td><strong>Total Expected Expenditure</strong></td>
<td>46,065</td>
</tr>
<tr>
<td><strong>Equals: Forecasted bank account balance to be reimbursed</strong></td>
<td>7,606</td>
</tr>
</tbody>
</table>
## Organisation of Eastern Caribbean States
**SID S DOCK Grant Funds**
**TF 016770**

**Schedule of Withdrawal Application**
For the Period from November 5, 2015 to August 31, 2015
(Expressed in United States Dollars)

<table>
<thead>
<tr>
<th>Date Request Approved</th>
<th>Number</th>
<th>Advance $</th>
<th>Goods $</th>
<th>Consultants’ Services $</th>
<th>Training $</th>
<th>Operating Costs $</th>
<th>Total $</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 26, 2014</td>
<td>SIDS-01</td>
<td>100,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>March 3, 2015</td>
<td>SIDS-02</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>21,948</td>
<td>21,948</td>
</tr>
<tr>
<td>March 30, 2015</td>
<td>SIDS-03</td>
<td>25,000</td>
<td>-</td>
<td>54,600</td>
<td>-</td>
<td>14,276</td>
<td>68,876</td>
</tr>
<tr>
<td>July 28, 2015</td>
<td>SIDS-04</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>30,482</td>
<td>30,482</td>
</tr>
<tr>
<td>August 16, 2015</td>
<td>SIDS-05</td>
<td>50,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6</td>
<td>6</td>
</tr>
</tbody>
</table>

Total amount approved for the period November 5, 2013 to August 31, 2015

<table>
<thead>
<tr>
<th></th>
<th>Advance</th>
<th>Goods</th>
<th>Consultants’ Services</th>
<th>Training</th>
<th>Operating Costs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>175,000</td>
<td>-</td>
<td>54,600</td>
<td>-</td>
<td>66,712</td>
<td>121,312</td>
</tr>
</tbody>
</table>
Audit of the Grant Funds
For the period November 5, 2013 to August 31, 2015
By the Organisation of Eastern Caribbean States through the
Project Managing Unit of the Eastern Caribbean Energy Regulatory Authority
(ECERA) Project
Financed under the Grant Funds provided under the Support for Small Island
Developing States (SIDS) Dock Support Program Multi-Donor Trust Fund and
Extended for the benefit of ECERA Member Countries and
OECS Participating Countries
Index to Notes to the Financial Statements

Note 1  Date of Authorisation of Issue
Note 2  Project Background
Note 3  Summary of Significant Accounting Policies
Note 4  Financial Schedules
1. **Date of Authorisation of Issue**

These financial statements were authorized for issue by the Director General of the Commission of the Organisation of Eastern Caribbean States on December 21, 2015.

2. **Project Background**

The Governments of Saint Lucia and Grenada have received financing from the World Bank through the International Development Association toward the cost of the Eastern Caribbean Energy Regulatory Authority (ECERA) Project. The broad objective of the Project is to establish and operationalize a regional approach to the development of the electricity sector in the OECS Participating Countries by supporting the establishment of the ECERA to serve as many OECS Member States as possible. Implementation of the ECERA Project commenced in November 2012 with the design phase.

Given the current situation in the region and the fact that only two countries have committed to participating in ECERA, the ECERA Participating Countries - Grenada and Saint Lucia agreed in February 2015 that ECERA would be established around late 2015 by way of Treaty as a service based ‘Agency’ instead of an ‘Authority’ conferred with regulatory powers. The Treaty will be ratified between Grenada and Saint Lucia.

Meanwhile, both Grenada and Saint Lucia are pursuing the establishment of national regulatory agencies in their respective jurisdictions to provide for the regulation of utility supply services. In Saint Lucia, a National Utilities Regulatory Commission Bill has been drafted. That Bill provides for the establishment of the National Utilities Regulatory Commission (NURC) for the regulation of utility supply services. The term ‘Utility Supply Services’ is defined in the Schedule 1 of the Bill to include water supply service, sewage services and electricity supply services. The NURC Bill is expected to be enacted by late-2015. The NURC will commence operation after the Bill is enacted. Meanwhile in Grenada a Public Utilities Regulatory Commission (PURC) Bill has been drafted. The PURC Bill will repeal and replace the 1994 Public Utilities Commission Act. It provides for the PURC to regulate all public utilities in any sector placed under its jurisdiction by order. The PURC Bill is expected to be enacted around late 2015 / early 2016. The PURC will commence operation after the Bill is enacted.

The World Bank has been able secure grant funding of US $1.5 million from SIDS DOCK to support the policy work and studies during the ECERA Project during Part A - Establishing ECERA Phase. This grant funding will be managed directly by the World Bank; however, the World Bank made an allocation of US $300,000 available to the OECS, through the Commission, on a grant basis, to primarily support the participation of the non-participating OECS countries in the activities of the Regional Energy Committee so as to foster buy-in and increase participation in ECERA.
Audit of the Grant Funds
For the period November 5, 2013 to August 31, 2015
By the Organisation of Eastern Caribbean States through the
Project Managing Unit of the Eastern Caribbean Energy Regulatory Authority
(ECERA) Project
Financed under the Grant Funds provided under the Support for Small Island
Developing States (SIDS) Dock Support Program Multi-Donor Trust Fund and
Extended for the benefit of ECERA Member Countries and
OECS Participating Countries
Notes to the Financial Statements

2. Project Background (Cont’d)
   Some of the activities to be supported from the SIDS DOCK Grant fund include:-
   i. Finance observers countries and organisations participation in meetings of the Regional Energy
      Committee and Workshops;
   ii. Develop Strategy Note for increasing participation in ECERA;
   iii. Regulatory training;
   iv. Options for Study Tours

Objectives
The objective of the Project is to establish and operationalize a regional approach to the development
of the electricity sector in the OECS Participating Countries by supporting the establishment of the
ECERA to serve as many OECS Member States as possible. The mandate of ECERA will be consistent with
the above development objective and will be further defined in the Treaty negotiating process.

As part of the ECERA project, the extent of the regulatory powers of the ECERA as well as the scope of
its electricity sector policy advisory role will be specified individually by each of the Participating
Countries. The mandate of the ECERA will be articulated in the Treaty establishing the ECERA, which
will be signed by the Contracting Parties. The ECERA project will support, inter alia, the process of
Treaty formulation and negotiations.

Higher Level Objectives
Throughout the project preparation process and the corresponding consultations with stakeholders,
OECS Members agreed that sharing resources, coordinating efforts and harmonizing regulatory
frameworks would enable them to implement a number of high-level national policy goals, including
energy security, competitiveness of their respective electricity supply industries, and a greater degree
of energy diversification.

The ECERA project is an integral part of the broader efforts by the OECS to increase regional
integration. As a regional entity, the ECERA will maximize economies of scale in regulating the
electricity sector, enable better utilization of scarce skilled human resources and, by providing the
necessary regulatory tools, increase the capacity of OECS Members to implement regional-scale
arrangements for electricity trade. Through its regulatory powers, the ECERA will also provide
incentives to save energy, enable electricity cost savings to consumers, and, in the longer term, lower
electricity price volatility by helping to reduce reliance on diesel.

In addition, once set up, the ECERA will provide a higher degree of regulatory certainty and lower
regulatory risk to utilities, investors and consumers across the OECS Member States. The ECERA will
operate in respect of the specific electricity sector policies and sector structures of the individual
Member States, at the same time facilitating coordination and gradual harmonization of national
regulations to enable investments in the sector and to help the individual states implement their
national electricity sector policies.
Audit of the Grant Funds
For the period November 5, 2013 to August 31, 2015
By the Organisation of Eastern Caribbean States through the
Project Managing Unit of the Eastern Caribbean Energy Regulatory Authority
(ECERA) Project
Financed under the Grant Funds provided under the Support for Small Island
Developing States (SIDS) Dock Support Program Multi-Donor Trust Fund and
Extended for the benefit of ECERA Member Countries and
OECS Participating Countries
Notes to the Financial Statements

3. Summary of Significant Accounting Policies

The principal accounting policies adopted are stated in order to assist in a general understanding of the
financial statements. These policies have been consistently applied to the period presented, unless
otherwise stated.

(a) Basis of Preparation

The financial statements are prepared in accordance with International Public Sector
Accounting Standards under the Cash Basis of Accounting. On this basis cash receipts are
recognized when received and cash expenditure are recognized when paid rather than when
incurred.

(b) Foreign Currencies

In accordance with Article II of the Financing Agreements the proceeds are made available in
United States Currency which is also the currency used for budgeting. However, for the purpose
of recording payments the currency used is the Eastern Caribbean Currency which is the
currency of the primary economic environment in which the project operates. The reporting
currency is the United States Dollar. The currency conversion rate used is USD$1.00 =
XCD$2.6882 from November 5, 2013 to August 15, 2014 and USD$1.00 = XCD$2.70 from August
16, 2014 to August 31, 2015 for translation during the period and cash balances at period end.

(c) Cash and Cash Equivalents

All cash is kept in one of the project bank accounts at 1st National Bank Saint Lucia Limited.
Audit of the Grant Funds
For the period November 5, 2013 to August 31, 2015
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Notes to the Financial Statements

4. Financial Schedules

Sources and Uses of Funds (Schedule 1)

This statement identifies the sources and uses of funds for the period. Amounts were rounded off to
the nearest dollar for ease of presentation.

Total funds received for the period November 5, 2013 to August 31, 2015 was USD175,000.

All uses of funds are from proceeds of Grant received for the Project.

The reconciled bank account balances for the month ended August 31, 2015 is shown in Table 1 below:

### TABLE 1: BANK ACCOUNT DETAILS

<table>
<thead>
<tr>
<th>Name of Account</th>
<th>Account Number</th>
<th>Account Balance as at August 31, 2015</th>
<th>USD Equivalent</th>
</tr>
</thead>
<tbody>
<tr>
<td>OECS SIDS Grant Designated Account</td>
<td>6002934</td>
<td>USD$50,169</td>
<td>50,169</td>
</tr>
<tr>
<td>OECS SIDS Grant XCD Operation Account</td>
<td>6002933</td>
<td>ECD$9,456</td>
<td>3,502</td>
</tr>
</tbody>
</table>
Audit of the Grant Funds
For the period November 5, 2013 to August 31, 2015
By the Organisation of Eastern Caribbean States through the Project Managing Unit of the Eastern Caribbean Energy Regulatory Authority (ECERA) Project
Financed under the Grant Funds provided under the Support for Small Island Developing States (SIDS) Dock Support Program Multi-Donor Trust Fund and Extended for the benefit of ECERA Member Countries and OECS Participating Countries
Notes to the Financial Statements

4. **Financial Schedules (Cont’d)**

**Uses of Funds by Project Activity (Schedule 2)**

In accordance with the Operations Manual Volume I, Work Program as approved at the 6th Regional Energy Committee (REC) meeting held on January 6th, 2015 and revised and approve at the 9th REC meeting held on August 6th, 2015. “The Work Program will be updated in agreement with the Project Team as required to reflect the actual grant implementation needs and improvements in institutional capacity”. The Work Program formed the basis upon which expenditure was planned for the period. By letter dated March 18th, 2015 the World Bank had instructed the OECS Commission to put further activities under the SIDS DOCK Grant Agreement on hold, except REC meeting. Planned expenditure for the period was USD300,000; however, actual expenditure for the period was USD121,329 resulting in an overall positive variance of USD178,671.

Actual expenditure to date represents 40.4% of planned expenditure

The reasons for significant variances are as follows:

1. Variances
2. The positives variances noted are
3. Consultancy - Regulatory Training (Activity 1.1.02); was due to the negotiation of a lower fee for the training
4. Regulatory Training - Policy Makers OECS (activity 1.2.01); the training was combined in one as opposed to hosting two separate training sessions
5. Participating in Regional Energy Committee meetings (REC) (activity 1.3.01); is due to timing of the payment (US$42,313.30) for the 12th REC meeting was made available in September 2015
6. Participation in workshops (activity 1.02.3) a hold was put on the planned activities by World Bank in March 2015 thereby limiting the Use of Funds
7. Round Table Discussions (activity 1.4.01); the use of funds for this activity was put on hold as a result of directive from the World Bank
8. Public Awareness (activity 1.5.00.00); Activity was put on hold by the World Bank
Audit of the Grant Funds
For the period November 5, 2013 to August 31, 2015
By the Organisation of Eastern Caribbean States through the
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Financed under the Grant Funds provided under the Support for Small Island
Developing States (SIDS) Dock Support Program Multi-Donor Trust Fund and
Extended for the benefit of ECERA Member Countries and
OECS Participating Countries
Notes to the Financial Statements

4. Financial Schedules (Cont’d)
Project Cash Forecast (Schedule 5)
The cash forecasts for the next four months show the cash requirements and the estimated amount to
be refunded to the World Bank by December 31, 2015.

Subsequent Events
Expected expenditure based on commitments and forecast for the Grant is listed below:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit fees</td>
<td>3,703.70</td>
</tr>
<tr>
<td>Bank charges</td>
<td>48.15</td>
</tr>
<tr>
<td>Participation in REC meetings</td>
<td>42,313.30</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>46,065.15</strong></td>
</tr>
</tbody>
</table>
INDEPENDENT AUDITORS' REPORT ON THE USES OF FUNDS

Dr. Didacus Jules
Director General
OECs Commission
The Morne
Castries
SAINT LUCIA

We have completed our audit of the resources managed during the period ended August 31, 2015, by the Organisation of Eastern Caribbean States through the Project Management Unit of the Eastern Caribbean Energy Regulatory Authority (ECERA) Project, financed under the SIDS DOCK Grant Funds Numbers TF016770 and have issued our report thereon dated December 21, 2015.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

The preparation of the Statement of Sources and Uses of Funds is the responsibility of the Project’s management. We perform tests of the adequacy of supporting documents and the eligibility of expenditures paid with Project funds.

In our opinion, the expenditures reported were eligible and the grant funds were used for authorized Project activities for the period ended August 31, 2015, in accordance with the clauses defining the use of funds under the grant agreements.

BDO

December 21, 2015
INDEPENDENT AUDITORS’ REPORT ON INTERNAL CONTROLS

Dr. Didacus Jules  
Director General  
OECS Commission  
The Morne  
Castries  
SAINT LUCIA

We have completed our audit of the resources managed during the period ended August 31, 2015 by the Organisation of Eastern Caribbean States through the Project Management Unit of the Eastern Caribbean Energy Regulatory Authority (ECERA) Project, financed under the SIDS DOCK Grant Funds Numbers TF016770 and have issued our report thereon dated December 21, 2015.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

In planning and performing our audit of the Eastern Caribbean Energy Regulatory Authority (ECERA) Project use of the SIDS DOCK Grant Funds Numbers TF016770, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

The management of the Eastern Caribbean Energy Regulatory Authority (ECERA) Project is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structures, policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition; transactions are executed in accordance with management’s authorization and in accordance with terms of the agreements; transactions are recorded properly to permit the preparation of the financial statements in conformity with the basis of accounting described in Note 3. Due to inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of structure of future years 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.

For the purposes of this report, we have classified the significant internal control structure, policies and procedures in the following categories:

- Organisational controls
- Cash receipts
- Cash disbursements
- Maintenance of bank accounts
- Project reporting
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROLS (CONT’D)

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been utilized in operation. Control risk was also assessed.

We did not note any matters involving the control structure and its operations that we consider to be reportable conditions under standards established by the International Standards on Auditing. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Project's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not decrease to a relatively low level, the risk that errors or irregularities in amounts that would be material in relation to the financial statements may occur, and not be detected by employees in normal course of performing their assigned functions.

Our consideration of internal control structure would not necessarily disclose all matters in the internal control structure 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.

This report is intended for the information of OECS Headquarters and the World Bank. However, upon acceptance by the World Bank and its donor agencies, this report is a matter of public record and its distribution is not limited.

BD

December 21, 2015
INDEPENDENT AUDITORS’ REPORT ON COMPLIANCE

Dr. Didacus Jules
Director General
OECS Commission
The Morne
Castries
SAINT LUCIA

We have completed our audit of the resources managed during the period ended August 31, 2015 by the Organisation of Eastern Caribbean States through the Project Management Unit of the Eastern Caribbean Energy Regulatory Authority (ECERA) Project, financed under the SIDS DOCK Grant Funds Numbers TF016770 and have issued our report thereon dated December 21, 2015.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

Compliance with the credit and project agreement terms and laws and regulations applicable to the Eastern Caribbean Energy Regulatory Authority (ECERA) Project is the responsibility of management. As part of obtaining reasonable assurance as to whether the financial statements are free from material misstatement, we performed tests of the Project management’s compliance with certain provisions of the agreement terms and laws and regulations. These tests included assessment of eligibility and authorization of Project expenditures. However, our objective was not to provide an opinion on the overall compliance with such provisions. Accordingly, we do not express such an opinion.

Material instances of non-compliance are failures to follow requirements or violations of agreement terms and laws and regulations that cause us to conclude that the aggregation of misstatements resulting from those failures or violations are material to the financial statements.

We did not note any instances of non-compliance in forming our opinion on whether the SIDS DOCK Grant Funds financial statements for the period ended August 31, 2015 are presented fairly, in all material respects, in accordance with the terms of the credit and grant agreements and in conformity with the basis of accounting described in Note 3 to the financial statements, and this report does not affect our report on the financial statements dated December 21, 2015.

The results of our test of compliance indicate that, with respect to the items tested, the ECERA Project complied in all material respects, with the provisions referred to in the third paragraph of this report, and with respect to items not tested, nothing came to our attention that caused us to believe that the ECERA Project has not complied, in all material respects, with those provisions.
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE (CONT'D)

This report is intended for the information of OECS Commission and the World Bank. However, upon acceptance by the World Bank and its donor agencies, this report is a matter of public record and its distribution is not limited.

BDO

December 21, 2015