

**UNITED NATIONS DEVELOPMENT PROGRAM
GOVERNANCE REFORM IN THE OECS
POLICY AND INSTITUTIONAL DEVELOPMENT
PROJECT NUMBER 00046008**

**AUDIT REPORT
FOR THE YEAR ENDED 31ST DECEMBER 2006
(Expressed in US dollars)**



**TYRONE WATKINS ASSOCIATES
CERTIFIED ACCOUNTANTS**

**UNITED NATIONS DEVELOPMENT PROGRAM
GOVERNANCE REFORM IN THE OECS:
POLICY AND INSTITUTIONAL DEVELOPMENT PROJECT NUMBER 00046008
AUDIT REPORT FOR THE YEAR ENDED 31ST DECEMBER 2006**

SUMMARY

Background

The Governance Reform in the OECS Policy and Institutional Development Project was designed and funded by the UNDP to provide support, through the OECS Secretariat, to the Countries of the OECS at both the regional and sub-regional levels, to enable them to strengthen integration and governance mechanisms, and enhance national governance systems. The Implementing agency for this project is the Organization of Eastern Caribbean States Secretariat based in St. Lucia. The project's primary objectives are to strengthen and enhance the governance systems in support of sub-regional integration and to ensure the effective functioning of the OECS Economic Union and congruence with the Caribbean Single Market Economy; and to promote greater efficiency within the national public administration systems, as well as enhance their effectiveness and transformation to facilitate the timely implementation of regional and sub-regional strategies and initiatives. To this end, Governments will be enabled and better placed to reposition themselves strategically to meet new globally competitive challenges in a more efficient and productive manner. The project commenced in 2005 and is expected to be completed in 2007.

Objective and Scope of the Audit.

The objective of the audit was to perform a financial audit for the year ended 31st December 2006, in accordance with International Auditing Standards, UNDP Guidelines for financial audits of projects.

The specific objectives were:

- i) to express an opinion on whether the Combined Delivery Report for UNDP funded programs and projects presents fairly, all material respects, project revenues received and costs incurred for the period then ended in conformity with the cash receipts and disbursements basis;
- ii) to evaluate and obtain a sufficient understanding of the internal control structure of the organization, assess control risk, and identify reportable conditions, including material control weaknesses; and

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- iii) to determine whether the organization complied in all material aspects, with the agreement terms and applicable laws and regulations and express positive assurance on those items tested and negative assurance on those items not tested.

Our audit was performed in accordance with International Standards of Auditing, and the standards set for the United Nations with regard to recipients of UNDP funds. Accordingly, our audit included such tests of accounting records as we considered necessary in the circumstances.

The scope of our work consisted of the following:

- a. Examination of general ledgers, cash disbursements and receipts, travel records, project records and required supporting documentation.
- b. Examination of bank reconciliation statements.
- c. Review and testing of internal controls over cash disbursements, cash receipts and assets.

RESULTS OF THE AUDIT.

Summary of Quarterly Expenditure for 2006 OECS (Expressed in US Dollars)

Description	Jan to Mar	Apr to Jun	Jul to Sep	Oct to Dec	TOTAL
Short Term Tech Int'l Consultants	33	----	----	----	33
Short Term Tech Local Consultants.	3,476	2,046	4,161	17,015	26,698
Int'l Travel	----	----	----	26,873	26,873
Comm Equip	----	----	5,049	83	5,132
TOTAL	3,509	2,046	9,210	43,971	58,736

Statement of Cash OECS (Expressed in US Dollars)

Advances from UNDP	59,500
Expenditure for Period January to December 2006	<u>58,736</u>
Balance of Cash as at 31st December 2006	<u>764</u>

Statement of Equipment OECS (Expressed in US Dollars)

Inventory of Equipment Purchased in 2005	33,482
Equipment Purchased in 2006	<u>5,132</u>
Balance of Equipment as at 31st December 2006	<u>38,614</u>

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AUDIT REPORT FOR THE YEAR ENDED 31ST DECEMBER 2006**

1. Combined Delivery Report.

We were able to test the validity of the documentation produced which related to project disbursements through physical examination, observation and inspection. We were provided with the respective project records and original documentation to support project disbursements which we reviewed. We were able to determine the allowability of costs charged to the project by the application of appropriate auditing procedures. We expressed our opinion on the Combined Delivery Report for the period 1st January 2006 to 31st December 2006.

2. Internal Control Structure.

We reviewed and evaluated the internal control structure of the Organization of Eastern Caribbean States Secretariat as required by International Auditing Standards in order to obtain a sufficient understanding of the design of relevant control policies and procedures and whether those policies and procedures are being complied with.

Our review of the internal control structure was made for the limited purpose of determining the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Combined Delivery Report. Our review and evaluation did not disclose any material weaknesses in the internal control structure.

Compliance with Agreement Terms and Applicable Laws and Regulations.

The results of our examination showed that the items tested were generally in compliance with agreement terms and applicable laws and regulations. However, we noted that all quarterly financial reports for the ended 31st December 2006 were not submitted on a timely basis, notwithstanding that UNDP rules and regulations stipulate that all financial reports must be submitted to the UNDP no later than 15 days after the end of the quarter.

In respect to untested items, we report that nothing came to our attention as a result of specified audit procedures that caused us to believe such items were not in compliance with agreement terms and applicable laws and regulations.

We wish to thank the management and staff for the invaluable assistance and co-operation extended to us during the course of the audit.



Tyrone Watkins Associates

Certified Accountants, Certified Fraud Examiners and Forensic Auditors, Certified Financial Services Auditors, Certified Financial Consultants, Chartered Business Consultants, Chartered Business Administrators, Certified Government Financial Managers.

THE WATKINS FINANCIAL MANAGEMENT CENTRE, P.O. Box 937, Whitehall Main Road, St. Michael, Barbados, W.I.

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Independent Auditors' Report on the Combined Delivery Report.

**To the Director General of the Organization of Eastern Caribbean States, and
The Resident Representative of The United Nations Development Programme.**

We have audited the Combined Delivery Report of the UNDP Governance Reform in the OECS Policy and Institutional Development Project Number 00046008 with respect to expenditure incurred for the period 1st January 2006 to 31st December 2006. Our responsibility is to express an opinion on the accompanying statement based on our audit.

We conducted our audit in accordance with International Standards of Auditing. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- a. The Combined Delivery Report did include the expenditure amounting to US\$2,046 contained in the Financial Report submitted by the OECS for the quarter 1st April to 30th June 2006. The Combined Delivery Report has therefore been understated by US\$2,046. The total amount of expenditure incurred by the project for the period 1st January 2006 to 31st December 2006 should be US\$102,446 and not US\$100,400 as stated in the Combined Delivery Report. Subject to the foregoing, the Combined Delivery Report presents fairly all other expenditure incurred by the project for the year ended 31st December 2006 in accordance with UNDP requirements.
- b. The Statement of Equipment presents fairly, in all material respects the inventory balance of the project amounting to US\$38,614 as at 31st December 2006 in accordance with UNDP requirements.

Tyrone Watkins Associates

- c. The Statement of cash position presents fairly, in all material respects the cash balance of the project amounting to US\$764 as at 31st December 2006 in accordance with UNDP requirements.

This report is intended for the information of the Organization of Eastern Caribbean States Secretariat and the United Nations Development Programme.

Tyrone Watkins Associates
TYRONE WATKINS ASSOCIATES
CERTIFIED ACCOUNTANTS

11th April 2007

**UNITED NATIONS DEVELOPMENT PROGRAM
GOVERNANCE REFORM IN THE OECS:
POLICY AND INSTITUTIONAL DEVELOPMENT PROJECT NUMBER 00046008
NOTES TO COMBINED DELIVERY REPORT
FOR THE YEAR ENDED 31ST DECEMBER 2006**

1. Significant accounting policies

a) Advances of funds

Advances are recognized as funds are received.

b) Expenditure

Expenditure is recorded when the OECS Secretariat makes the disbursement. For direct payments, the expenditure is recorded when payments are made by the UNDP.

c) Foreign currency translation

The Combined Delivery Report has been translated to U.S.dollars using an exchange rate of EC\$2.70 to US\$1.00. Transactions arising during the year involving foreign currencies are translated and recorded at the rate of exchange prevailing on the dates of the transactions.

2. Specific objectives of the project and principal activity.

The specific objectives of the project are to promote greater efficiency within the national public administration systems and enhance their effectiveness and transformation to facilitate the timely implementation of regional and sub-regional reform strategies and initiatives; and strengthen and enhance the governance systems in support of sub-regional integration to ensure the effective functioning of the OECS Economic Union and congruence with the Caribbean Single Market and Economy.

Principal Activity during the Year 2006 includes the following:

- i Purchase of Video Conferencing Equipment.
- ii Publication of New OECS Draft Treaty.
- iii Multi-stakeholder Dialogue/Public Education for OECS Strategy.
- iv Public Platform Inform Information.
- v RARE Radio Program Development.
- vi Sports Community Development in the OECS Sub-region.

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NOTES TO COMBINED DELIVERY REPORT
FOR THE YEAR ENDED 31ST DECEMBER 2006**

3. Executing agency

The project is being executed and implemented by the Secretariat of the Organization of Eastern Caribbean States.

4. Project cost

The total estimated cost of the project is US\$ 444,000.



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Independent Auditors' Report on Internal Controls

**To the Director General of the Organization of Eastern Caribbean States and
The Resident Representative of The United Nations Development Programme.**

We have audited the accompanying Combined Delivery Report of the UNDP Governance Reform in the OECS Policy and Institutional Development Project Number 00046008, with respect to expenditure incurred for the period 1st January 2006 to 31st December 2006. Our responsibility is to express an opinion on the accompanying statement based on our audit.

We conducted our audit in accordance with International Standards of Auditing and the principles and procedures prescribed for the United Nations with respect to the funds obtained from or through the UNDP. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the Combined Delivery Report is free of material misstatement.

In order to determine our auditing procedures for the purpose of expressing our opinion on the Combined Delivery Report, we considered the project's internal accounting control structure, including an assessment of the effectiveness of the structure for the purposes of ensuring the integrity, validity and presentation of all transactions relating to the execution of the project. We further considered the quality of the accounting records and the administrative procedures for producing the financial information required by the UNDP.

The management of the OECS Secretariat is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of an internal control structure, 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 the terms of the agreements; and transactions are recorded properly to permit the preparation of the Combined Delivery Report in conformity with the basis of accounting described in the audit report. Because of inherent limitations in any

Tyrone Watkins Associates

internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the 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 purpose of this report, we have classified the internal control structure, policies and procedures in the following categories:

- a. Organizational controls
- b. Cash Receipts and disbursements.
- c. Equipment use and control.
- d. General financial management, and procurement and contracting.
- e. Monitoring, evaluation and reporting.

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operations and we assessed control risk.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses as established by the International Standards on Auditing. A material weakness is a reportable condition in which the design or operation of one or more specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the Combined Delivery Report may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

However, we noted one matter that we have reported to the management of the Organization of Eastern Caribbean States Secretariat in a separate letter dated 11th April 2007.

This report is intended for the information of the Organization of Eastern Caribbean States Secretariat and the United Nations Development Programme.


TYRONE WATKINS ASSOCIATES
CERTIFIED ACCOUNTANTS

11th April 2007



Tyrone Watkins Associates

Certified Accountants, Certified Fraud Examiners and Forensic Auditors, Certified Financial Services Auditors, Certified Financial Consultants, Chartered Business Consultants, Chartered Business Administrators, Certified Government Financial Managers.

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11th April, 2007

The Director General
Secretariat of the Organization of Eastern Caribbean States
The Morne
Castries
St. Lucia.

Dear Madam:

SUBJECT: AUDIT OF UNDP GOVERNANCE REFORM IN THE OECS PROJECT NUMBER 00046008

In connection with the audit of the UNDP Governance Reform in the OECS Policy and Institutional Development Project Number 00046008 for the period 1st January 2006 to 31st December 2006, we hereby submit herewith comments and suggestions on accounting procedures, internal controls and other related matters. We believe that these comments and suggestions warrant careful consideration by management as they indicate areas in which the project may be able to effect improvements in existing procedures, strengthen controls and improve the accounting for the project's transactions.

The management of the OECS Secretariat is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of an internal control structure, 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 the terms of the agreements; and transactions are recorded properly to permit the preparation of the Combined Delivery Report in conformity with the basis of accounting described in the audit report. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of polices and procedures may deteriorate.

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Our observations, findings and recommendations are set out below:

Consistently late submission of Quarterly Financial Reports.

Finding

We noted that the financial reports for the four quarters ended 30th March 2006, 30th June 2006, 30th September 2006, and 31st December 2006 were submitted to the UNDP on 9th May 2006, 27th July 2006, 23rd October 2006 and 24th January 2007 respectively, notwithstanding that UNDP rules and regulations stipulate that all financial reports must be submitted to the UNDP no later than 15 days after the end of the quarter.

Impact

Timely submission of Quarterly Financial Reports is an important control procedure which ensures that project activities can be properly monitored by UNDP. In addition, it enables the quick resolution of any difficulties which may arise during project implementation.

Recommendation

UNDP rules and regulations stipulate that all financial reports must be submitted to the UNDP no later than 15 days after the end of the each quarter, and it is recommended that the OECS takes the appropriate steps to ensure that these regulations are complied with.

Management Response.

The Secretariat will endeavor to ensure that, in future, quarterly reports are submitted to UNDP on a timely basis, in accordance with UNDP requirements.

Yours Faithfully,

Tyrone Watkins Associates
TYRONE WATKINS ASSOCIATES
CERTIFIED ACCOUNTANTS

Selection Criteria :

Business Unit : BRB10
 Period : Jan-Dec (2006)
 Selected Award Id : 00040608
 Selected Fund Code : ALL

Award Id : 00040608 Governance Reform in the OECS:	Period : Jan-Dec (2006)
Project # : 00046008 Governance Reform in the OECS:	Impl. Partner : 00199 National Execution
	Location : Barbados

	Govt Disb	UNDP Disb	UN Agencies	Encumbrance	Total Exp
Fund : 04200 (Regional Activities (Line 1.2))					
71205 - Intl Consultants-Sht Term-Tech	33.21	623.84	0.00	0.00	657.05
71210 - Intl Consultants-Sht Term-Supp	0.00	4,750.30	0.00	0.00	4,750.30
71305 - Local Consult.-Sht Term-Tech	23,972.22	14,859.24	0.00	0.00	38,831.46
71605 - Travel Tickets-International	27,552.35	17,613.02	0.00	0.00	45,165.37
71610 - Travel Tickets-Local	0.00	107.75	0.00	0.00	107.75
71615 - Daily Subsistence Allow-Intl	0.00	564.50	0.00	0.00	564.50
71625 - Daily Subsist Allow-Mtg Partic	0.00	- 873.83	0.00	0.00	- 873.83
71635 - Travel - Other	0.00	5,862.50	0.00	0.00	5,862.50
72405 - Acquisition of Communic Equip	5,132.39	0.00	0.00	0.00	5,132.39
74525 - Sundry	0.00	202.86	0.00	0.00	202.86
Total for Fund 04200	56,690.17	43,710.18	0.00	0.00	100,400.35
Total for Project : 00046008	56,690.17	43,710.18	0.00	0.00	100,400.35
Award Total :	56,690.17	43,710.18	0.00	0.00	100,400.35

Tyrone Watkins Associates

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 St. Michael, Barbados, W.I.
 Tel: (246) 425-5012 Fax (246) 425-5013

Signed By :

Enaus

[Signature]

Date :

28/6/07

28/3/07

Financial Report

- (a) Designated Institution: **OECS Secretariat**
 (b) Programme/Project number: **00046008**
 Programme/Project title: **Governance Reform in the OECS: Policy and Institutional Development**
 (c) For the period: **1st April to 30th June 2006**
 (d) Source of Funds: **UNDP**
 (e) Currency: **United States Dollars**

(I)	(II)			(III)
Item	Chart of Account			Amount
(f) Opening Balance:				16,991.08
(g) Advance Received:				25,000.00
(h) Available Funds:				41,991.08
<u>Detail Expenditures</u>	<u>Account</u>	<u>Fund</u>	<u>Donor</u>	
Project Number:				
Multi-stakeholder Dialogue	71600	04200	00012	46.30
Sports Community Level Development	71300	04200	00012	2,000.00
(i) Total Expenditures				2,046.30
(j) Closing Balance:				39,944.78
(k) Outstanding Obligations:				23,000.00
(l) Planned Expenditures:				16,944.78
(m) Total Requirements:				39,944.78
(n) Advance Requested:				0.00

Designated Institution approval/signature:

Title: Director General, Carriemshmael

Date: July 21, 2006



Country office approval/signature:

Title: Paula A. Mohamed

Title: Programme Manager, Governance

Date: 26/07/2006

Financial Report

Given to Karam 25/10/06

- (a) Designated Institution: **OECS Secretariat**
- (b) Programme/Project number: **00046008**
 Programme/Project title: **Governance Reform in the OECS: Policy and Institutional Development**
- (c) For the period: **1st July to 30th September 2006**
- (d) Source of Funds: **UNDP**
- (e) Currency: **United States Dollars**

(I)	(II)			(III)
Item	Chart of Account			Amount
(f) Opening Balance:				39,944.78
(g) Advance Received:				
(h) Available Funds:				39,944.78
<u>Detail Expenditures</u>	Account	Fund	Donor	
Project Number:				
Multi-stakeholder Dialogue	71600	04200	00012	679.64
Sports Community Level Development	71300	04200	00012	3,481.48
Equipment Support-Monitors	72400	04200	00012	5,049.00
(i) Total Expenditures				9,210.12
(j) Closing Balance:				30,734.66
(k) Outstanding Obligations:				20,000.00
(l) Planned Expenditures:				44,734.66
(m) Total Requirements:				64,734.66
(n) Advance Requested:				24,000.00

Designated institution approval/signature:

Country office approval/signature:

Title: Director General
Date: October 13, 2006

Name: Paula Mohamed
Title: Programme Manager, Governance
Date: 23 October 2006

ONLY US\$14,000 BEING PROCESSED. \$10,000 BEING RETAINED TO SUPPORT FUNDING OF OECS YOUTH TO ATTEND A CONFERENCE IN NEW YORK.

Paula A. Mohamed
Paula A. Mohamed

Version #1 7098

Financial Report

(a) Designated Institution: **OECS Secretariat**
 (b) Programme/Project number: **00046008**
 Programme/Project title: **Governance Reform in the OECS: Policy and Institutional Development**
 (c) For the period: **1st October to 31st December 2006**
 (d) Source of Funds: **UNDP**
 (e) Currency: **United States Dollars**

(I)	(II)			(III)
Item	Chart of Account			Amount
(f) Opening Balance:				30,734.66
(g) Advance Received:				14,000.00
(h) Available Funds:				44,734.66
<u>Detail Expenditures</u>	<u>Account</u>	<u>Fund</u>	<u>Donor</u>	
Project Number:				
Multi-stakeholder Dialogue	71600	04200	00012	8,343.70
RARE Radio Development	71600	04200	00012	16,981.48
Public Platform Information	71300	04200	00012	15,015.03
Equipment Support-Monitors	72400	04200	00012	83.39
Monitoring and Evaluation	71600	04200	00012	1,547.53
Sports Community Level Development	71300	04200	00012	2,000.00
(i) Total Expenditures				43,971.13
(j) Closing Balance:				763.53
(k) Outstanding Obligations:				763.53
(l) Planned Expenditures:				10,000.00
(m) Total Requirements:				10,763.53
(n) Advance Requested:				10,000.00

Designated institution approval/signature:

Len Ishmael

Title: Director General, Len Ishmael
 Date: January 22, 2007

Country office approval/signature:

John A. ...

Title: Resident Representative
 Date:

VOUCHER ID 4832 VALID

Given to Cheryl on 10/05/06

Financial Report

- (a) Designated Institution: OECS Secretariat
 (b) Programme/Project number: 00046008
 Programme/Project title: Governance Reform in the OECS: Policy and Institutional Development
 (c) For the period: 1st January to 31st March 2006
 (d) Source of Funds: UNDP
 (e) Currency: United States Dollars

(I)	(II)			(III)
Item	Chart of Account			Amount
(f) Opening Balance:				0.00
(g) Advance Received:				20,500.00
(h) Available Funds:				20,500.00
<u>Detail Expenditures</u>	<u>Account</u>	<u>Fund</u>	<u>Donor</u>	
Project Number:				
Local Consultants – Short-Term Technical	71300	04200	00012	3,475.71
International Consultants	71200	04200	00012	33.21
(l) Total Expenditures				3,508.92
(j) Closing Balance:				16,991.08
(k) Outstanding Obligations:				16,991.08
(l) Planned Expenditures:				25,000.00
(m) Total Requirements:				41,991.08
(n) Advance Requested:				25,000.00


Designated institution approval/signature



Title: Director General

Date: April 24th, 2006

Country office approval/signature



Paula A. Mohamed

Title: Programme Manager, Environment

Date: 9/05/2006