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***GOVERNMENT OF BELIZE
MINISTRY OF EDUCATION, YOUTH, SPORTS
AND CULTURE:
EDUCATION QUALITY IMPROVEMENT PROGRAM***

FINANCIAL REPORT

LOAN CONTRACT NO. 3186/OC-BL

***Financial Statements for the Year Ended March 31, 2016 and
Six Months Ended March 31, 2015 and
Independent Auditors' Report***

EDUCATION QUALITY IMPROVEMENT PROGRAM

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GOVERNMENT OF BELIZE
MINISTRY OF EDUCATION, YOUTH, SPORTS AND CULTURE
EDUCATION QUALITY IMPROVEMENT PROGRAM
LOAN CONTRACT NO. 3186/OC-BL
AS OF MARCH 31, 2016 AND 2015 (IN US DOLLARS)

INTRODUCTION

The Government of Belize ("GOB") and the Inter-American Development Bank ("IDB") signed Loan Contract No 3186/OC-BL on September 30, 2014. The purpose of the contract is to cooperate in the execution of the Education Quality Improvement Program (the "Program").

The parties agree that the execution of the Program and the utilization of the resources of the Bank's financing will be carried out by the Borrower through the Ministry of Education, Youth, Sports and Culture (MOEYSC) through the Program Executing Unit (PEU), hereinafter referred to as the "Executing Agency".

The Executing Agency will be responsible for the overall coordination and execution of the Program through:

1. The coordination of components, consultancies and key stakeholders;
2. The monitoring of progress and results;
3. Procurement and contracting of goods and services;
4. Processing of eligible payments;
5. Financial management;
6. IDB supervision-related activities;
7. Reporting to the IDB and other Government entities.

The Program's overarching objective is to support the Government of Belize in improving the quality of primary education, and the governance of the Belize education system. The specific objectives of the Program are as follow:

- i) Train approximately 80% of TEI pre-service instructors who teach methods courses and 50% of in-service teachers at the primary level;
- ii) Train approximately 50% of primary school principals in instructional leadership and administration;
- iii) Develop and implement an Education Management Information System (EMIS) for the primary and secondary levels; and
- iv) Improve the profile of teacher candidates.

The Program's objectives will be achieved through investments in three components:

Component I: Improving the Quality of Teachers (US\$4.4 million)

The component aims to improve the quality of primary school teachers by raising the profile of teacher candidates, improving the quality of initial teacher education, and improving the skills of in-service teachers. To achieve this objective, the component is structured around three sub-components:

1. ***Sub-component 1.1 – System for attracting and accepting higher quality entrants into teacher training.*** The planned activities are: (i) Marketing campaign to attract higher profile candidates for teacher training; and (ii) Assessment of teacher training candidates to identify those who need remedial assistance during their teacher training.
2. ***Sub-component 1.2 – Capacity-building of the TEIs in their training of primary education teachers.*** The planned activities are: (i) Capacity building of TEI instructors and internship supervisors to improve teacher training in pedagogical practices in Math, Science, and English, focusing on how to link the teaching of content with concrete content specific pedagogy; and (ii) Training, mentoring and technical assistance to TEI department heads and administrators.

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INTRODUCTION (CONTINUED)

3. ***Sub-component 1.3 – On-site and distance practical professional development.*** The planned activities are: (i) Development of school level curriculum and lesson plans for Math, Science and English, based on the national curriculum. In Math, the Visible and Tangible TIMI model will be used, and similar student centered teaching approaches will be used in Science and English; (ii) Development of formative assessment instruments to enable the continuous assessment of student competencies. The formative assessment instruments will be aligned with the learning outcomes of the national primary curriculum and the school level curriculum; and (iii) Implementation of the lesson plans and formative assessments in the classrooms, including external training, tutoring and mentoring for principals and teachers currently in the classrooms.

Component II: Governance of the Education System (US\$3.6 million).

The component aims to create a quality assurance system to improve education policy planning and accountability mechanisms at various levels of the education system, including schools, the TEIs, and the MOEYS. To achieve this objective, the component is structured around two sub-components:

1. ***Sub-component 2.1 – Strengthening of the Quality Assurance Role of TEIs.*** The planned activities are: (i) Creation of a feedback system to strengthen the capacity of TEIs to monitor the quality of their services and outputs; (ii) Training, mentoring, and technical assistance to principals, department heads, and administrators of the TEIs on how to monitor and assure the quality of their services; and (iii) Development of an entry into profession exam for new teacher candidates.
2. ***Sub-component 2.2 – School Quality Assurance System.*** The planned activities are: (i) Training and technical assistance to principals to promote their leadership as the vehicle for improving school and student performance, including training on data collection and reporting processes, as well as the use of student data to identify teacher professional development needs and develop school improvement plans; (ii) Creation of an integrated EMIS with information on student enrollment and results, student and teacher attendance, school infrastructure, use of curricula and textbooks, teacher qualifications, etc., to enable planning and quality assurance at various levels of the system (schools, district education offices, and central level); (iii) Training and technical assistance to the MoEYSC and schools in the use of the EMIS for the purposes of quality assurance; and (iv) Training and technical assistance to increase parent participation in school management.

Component III: Evaluation. Evaluation (US\$0.7 million).

The component will finance the evaluation of the operation through two sub-components:

1. ***Sub-component 3.1 – Evaluation of the pre-service teacher training.*** The analysis will compare the results of the entry into teacher training exam with the entry into the profession exam. In addition the entry mechanism for teacher training will be evaluated by applying non-cognitive and cognitive tests for all applicants to the teacher training.
2. ***Sub-component 3.2 – Randomized control trial of the on-site practical professional development in primary schools.*** The experiment will randomize all primary schools into a treatment and control group in order to learn whether the teacher training component has a causal effect on student learning.

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INTRODUCTION (CONTINUED)

The estimated total cost of the Program is the equivalent of US\$10,100,000 in accordance with the following investment categories and sources of financing:

Cost and Financing
(USDollars)

Cost Table (US\$, 000)				
Component/Subcomponent	IDB	Local Counterpart	Total	%
Component I: Improving the Quality of Teachers	<u>4,391</u>		<u>4,391</u>	<u>44%</u>
1.1 System for attracting and accepting higher Quality Teacher Training Candidates.	1,501		1,501	15%
1.2 Capacity building of the TEIs in the training of primary education teachers.	595		595	6%
1.3 On-site Practical Professional Development.	2,296		2,296	23%
Component II: Governance of the Education System	<u>3,578</u>		<u>3,578</u>	<u>35%</u>
2.1 Strengthening of Quality Assurance Role of TEIs.	1,156		1,156	11%
2.2 School Quality Assurance System.	2,422		2,422	24%
Component III: Evaluation	<u>748</u>		<u>748</u>	<u>7%</u>
3.1 Data Collection, Evaluation of the pre-service teacher training.	348		348	3%
3.2 Data Collection, Randomized control trial of the on-site practical professional development in primary schools.	400		400	4%
Program Management	<u>867</u>	<u>100</u>	<u>967</u>	<u>10%</u>
4.1 Executing Unit/Program Execution Support	682	100	782	8%
4.2 Midterm and Final Review, including ex-post economic analysis	60		60	1%
4.3 Audit	125		125	1%
Contingency	<u>416</u>		<u>416</u>	<u>4%</u>
Total	<u>10,000</u>	<u>100</u>	<u>10,100</u>	<u>100%</u>

The Program is estimated to meet its objectives within five (5) years of the signing of the loan contract, that is, by September 2019. The Program officially commenced operations on October 1, 2014.

The financial statements and notes of the Program for the year ended March 31, 2016 follow on pages 7 to 17.

GOVERNMENT OF BELIZE
MINISTRY OF EDUCATION, YOUTH, SPORTS AND CULTURE
EDUCATION QUALITY IMPROVEMENT PROGRAM
LOAN CONTRACT NO. 3186/OC-BL
OBJECTIVE AND SCOPE OF THE AUDIT
AS OF MARCH 31, 2016 AND 2015 (IN US DOLLARS)

OBJECTIVE OF AUDIT

The objective of our audit is to provide IDB with the assurance that IDB resources are being managed in accordance with the terms of Loan Contract No. 3186/OC-BL, in an environment in which there are adequate management, administrative and financial controls.

Our audit was conducted in accordance with the requirements of Project Financial Reports and Audit Guidelines and in accordance with International Standards on Auditing. Accordingly, our auditing procedures included tests of accounting records and controls along with other procedures considered necessary in the circumstances.

The specific objectives of our audit were:

1. To express an opinion as to whether the Statement of Cash Receipts and Payments, Statement of Cumulative Investments and the Statement of Budget versus Actual present fairly, in all material respects, the cash received and disbursements made for the year ended March 31, 2016 in accordance with International Public Sector Accounting Standards issued by the Public Sector Committee of the International Federation of Accountants;
2. To obtain a sufficient understanding of the Education Quality Improvement Program's internal controls and risk assessment procedures;
3. To report on material weaknesses in internal controls and inefficiencies encountered; and
4. To determine whether the Education Quality Improvement Program's complied, in all material respects, with the terms of the Loan agreement and any other applicable laws and regulations.

SCOPE OF AUDIT

The scope of our audit included:

1. An evaluation of the internal control system of the Program;
2. A review of the financial transactions and accounting records for the purpose of providing an opinion as to whether the financial information of the Program is reasonably presented and in accordance with International Public Sector Reporting Standards (IPSAS) issued by the International Federation of Accountants (IFAC) and IDB's requirements;
3. An evaluation of compliance with the financial, accounting and operational contractual clauses and regulations;
4. A review of the supporting documentation and controls related to the activities and investments financed, procurement of goods and contracting of works and consulting services; and
5. A review of procedures used to record, control and maintain goods acquired with Program funds.



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**INDEPENDENT AUDITORS' REPORT
ON THE STATEMENT OF CASH FLOWS
AND STATEMENT OF CUMULATIVE
INVESTMENTS GOVERNMENT OF BELIZE,
MINISTRY OF EDUCATION, YOUTH, SPORTS AND CULTURE
EDUCATION QUALITY
IMPROVEMENT PROGRAM LOAN CONTRACT
NO. 3186/OC-BL**

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To: Government of Belize, Ministry of Education, Youth, Sports and Culture

Program: Education Quality Improvement Program

Report on the Financial Statements

We have audited the accompanying financial statements, which comprise the Statement of Cash Receipts and Payments, Statement of Cumulative Investments and the Statement of Budget versus Actual, and a summary of significant accounting policies and other explanatory information for the Education Quality Improvement Program executed by the Government of Belize through the Ministry of Education, Youth, Sports and Culture and financed with funds from Inter-American Development Bank (IDB) Loan Contract No. 3186/OC-BL as of and for the year ended March 31, 2016.

Management's responsibility for the financial statements

The Program's management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards, and for such internal control as management determines is necessary for the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying statements, based on our audit. We conducted our audit in accordance with International Standards on Auditing, and specific requirements of the Inter-American Development Bank. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes performing procedures to obtain evidence supporting the amounts and disclosures in the financial statements.

Partners

Claude Burrell CPA CISA
Giacomo Sanchez CPA

Audit • Tax • Advisory

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Independent Auditors' Report

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The procedures selected depend on the auditor's 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 auditor considers internal control 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 assessing the accounting principles used and significant estimates made by Program management as well as evaluating the overall financial statement presentation. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

As described in Note 3, the Statement of Cash Receipts and Payments, Statement of Cumulative Investments and the Statement of Budget versus Actual were prepared using the cash basis of accounting in accordance with the Cash Basis IPSAS: Financial Reporting under the Cash Basis of Accounting. Cash basis accounting recognizes transactions and acts only when the cash (and/or cash equivalent) is received or disbursed by the entity, and not when they give rise to, accrue or originate rights or obligations although there was no cash movement.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash receipts and payments, the cumulative investments and budget versus actual comparison for the Education Quality Improvement Program as of and for the year ended March 31, 2016 in accordance with the basis of accounting described in the paragraph above and the accounting policies described in Note 3 and in the terms of IDB Contract No. 3186/OC-BL.

Report on other legal and/or regulatory requirements

We did observed situations suggesting noncompliance with the financial clauses in the Inter-American Development Bank Loan Contract No. 3186/OC-BL during the period reviewed by us. See Report on System of Internal Controls page 20.

Chartered Accountants
Belize City, Belize
April 22, 2016

GOVERNMENT OF BELIZE, MINISTRY OF EDUCATION, YOUTH, SPORTS AND CULTURE
EDUCATION QUALITY IMPROVEMENT PROGRAM
LOAN CONTRACT NO. 3186/OC-BL
STATEMENTS OF CASH RECEIPTS AND PAYMENTS
YEAR ENDED MARCH 31, 2016 AND SIX MONTHS ENDED MARCH 31, 2015 (IN US DOLLARS)

Notes	MARCH 31, 2016			MARCH 31, 2015		
	IDB	LOCAL	TOTAL	IDB	LOCAL	TOTAL
Cash Received						
Accumulated as at beginning of year	\$ 300,000	\$ -	\$ 300,000	\$ -	\$ -	\$ -
Activity During the Period						
• Advance fund replenishment/disbursements	-	-	-	300,000	-	300,000
• Return of funds to IDB due to budget reformulation	-	-	-	-	-	-
• Interest received/used	-	-	-	-	-	-
Total Cash Received as of March 31, 2016	300,000	-	300,000	300,000	-	300,000
Direct Payments						
Accumulated as at beginning of year	554,787	14,688	569,475	-	-	-
• Direct payments	2,070,854	32,682	2,103,536	554,787	14,688	569,475
Total Direct Payments	2,625,641	47,370	2,673,011	554,787	14,688	569,475
TOTAL CASH RECEIVED AND DIRECT PAYMENTS	2,925,641	47,370	2,973,011	854,787	14,688	869,475
Cumulative cash disbursements, beginning of year	566,587	14,688	581,275			
Activity During the Period						
• Component I: Improving the Quality of Teachers	1,376,746	-	1,376,746	-	-	554,787
• Component II: Governance of the Education System	658,597	-	658,597	554,787	-	11,800
• Component III: Evaluation	2,135	-	2,135	11,800	-	14,688
• Program Management	112,554	32,682	145,236	566,587	14,688	581,275
Total Cash Disbursement as of March 31, 2016	2,716,619	47,370	2,763,989			
Program Receipts Less Disbursements	209,022	-	209,022	288,200	-	288,200
Reimbursable from Program to MoEYS	90,978	-	90,978	11,800	-	11,800
Available Cash Balance as of March 31, 2016	300,000	-	300,000	300,000	-	300,000

E. Quintana Ph.D.
Program Coordinator

David Xland
Chief Executive Officer,
Ministry of Education Youth & Sports

The accompanying notes on pages 11 to 17 form an integral part of these financial statements.

GOVERNMENT OF BELIZE, MINISTRY OF EDUCATION, YOUTH, SPORTS AND CULTURE
EDUCATION QUALITY IMPROVEMENT PROGRAM

LOAN CONTRACT NO. 3186/OC-BL

STATEMENTS OF CUMULATIVE INVESTMENTS

YEAR ENDED MARCH 31, 2016 AND SIX MONTHS ENDED MARCH 31, 2015 (IN US DOLLARS)

INVESTMENT CATEGORY/ COMPONENTS	MARCH 31, 2015			MOVEMENTS DURING THE PERIOD ENDED MARCH 31, 2016			CUMULATIVE AT THE END OF MARCH 31, 2016		
	IDB	Local Counterpart	Total	IDB	Local Counterpart	Total	IDB	Local Counterpart	Total
Component I: Improving the Quality of Teachers									
1.1 System for attracting and accepting higher Quality Teacher Training Candidates	-	-	-	-	-	-	-	-	-
1.2 Capacity building of the TEIs in the training of primary education teachers	-	-	-	1,376,746	-	1,376,746	1,376,746	-	1,376,746
1.3 On-site Practical Professional Development	-	-	-	-	-	-	-	-	-
TOTAL	-	-	-	1,376,746	-	1,376,746	1,376,746	-	1,376,746
Component II: Governance of the Education System									
2.1 Strengthening of Quality Assurance Role of TEIs	65,430	-	65,430	65,431	-	65,431	130,861	-	130,861
2.2 School Quality Assurance System	489,357	-	489,357	593,166	-	593,166	1,082,523	-	1,082,523
TOTAL	554,787	-	554,787	658,597	-	658,597	1,213,384	-	1,213,384
Component III: Evaluation									
3.1 Data Collection, Evaluation of the pre-service teacher training	-	-	-	-	-	-	-	-	-
3.2 Data Collection, Randomized control trial of the on-site practical professional development in primary schools	11,800	-	11,800	2,135	-	2,135	13,935	-	13,935
TOTAL	11,800	-	11,800	2,135	-	2,135	13,935	-	13,935

The accompanying notes on pages 11 to 17 form an integral part of these financial statements.

**GOVERNMENT OF BELIZE, MINISTRY OF EDUCATION, YOUTH, SPORTS AND CULTURE
EDUCATION QUALITY IMPROVEMENT PROGRAM**

LOAN CONTRACT NO. 3186/OC-BL

STATEMENTS OF CUMULATIVE INVESTMENTS (CONTINUED)

YEAR ENDED MARCH 31, 2016 AND SIX MONTHS ENDED MARCH 31, 2015 (IN US DOLLARS)

INVESTMENT CATEGORY/ COMPONENTS	MARCH 31, 2015			MOVEMENTS DURING THE PERIOD ENDED MARCH 31, 2016			CUMULATIVE AT THE END OF MARCH 31, 2016		
	IDB	Local Counterpart	Total	IDB	Local Counterpart	Total	IDB	Local Counterpart	Total
Program Management									
4.1 Executing Unit/Program Execution Support	-	14,688	14,688	97,854	32,682	130,536	97,854	47,370	145,224
4.2 Midterm and Final Review, including ex-post economic analysis	-	-	-	-	-	-	-	-	-
4.3 Audit	-	-	-	14,700	-	14,700	14,700	-	14,700
TOTAL	-	14,688	14,688	112,554	32,682	145,236	112,554	47,370	159,924
ADMINISTRATION	-	-	-	-	-	-	-	-	-
AUDIT AND EVALUATIONS	-	-	-	-	-	-	-	-	-
CONTINGENCIES	-	-	-	-	-	-	-	-	-
FINANCE CHARGES	-	-	-	-	-	-	-	-	-
TOTAL INVESTMENT	566,587	14,688	581,275	2,150,032	32,682	2,182,714	2,716,619	47,370	2,763,989

The accompanying notes on pages 11 to 17 form an integral part of these financial statements.

**GOVERNMENT OF BELIZE, MINISTRY OF EDUCATION, YOUTH, SPORTS AND CULTURE
EDUCATION QUALITY IMPROVEMENT PROGRAM**

LOAN CONTRACT NO. 3186/OC-BL

STATEMENTS OF BUDGET VERSUS ACTUAL

YEAR ENDED MARCH 31, 2016 AND SIX MONTHS ENDED MARCH 31, 2015 (IN US DOLLARS)

	IDB'S CUMULATIVE INVESTMENT			LOCAL COUNTERPART CUMULATIVE INVESTMENT		
	IDB BUDGET	INVESTMENT AS AT MARCH 31, 2016	UNEXPENDED BUDGET AS AT MARCH 31, 2016	BUDGET	INVESTMENT AS AT MARCH 31, 2016	UNEXPENDED BUDGET AS AT MARCH 31, 2016
Investment Category/Components	\$	\$	\$	\$	\$	\$
Component I: Improving the Quality of Teachers	4,391,000	1,376,746	3,014,254	-	-	-
Component II: Governance of the Education System	3,578,000	1,213,384	2,364,616	-	-	-
Component III: Evaluation	748,000	13,935	734,065	-	-	-
Program Management	867,000	112,554	754,446	100,000	47,370	52,360
Contingency	416,000	-	416,000	-	-	-
Overall Total	10,000,000	2,716,619	7,283,381	100,000	47,370	52,630

The accompanying notes on pages 11 to 17 form an integral part of these financial statements.

GOVERNMENT OF BELIZE, MINISTRY OF EDUCATION, YOUTH, SPORTS AND CULTURE
EDUCATION QUALITY IMPROVEMENT PROGRAM
LOAN CONTRACT NO. 3186/OC-BL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016 AND
SIX MONTHS ENDED MARCH 31, 2015 (IN US DOLLARS)

1. PROGRAM STATUS

The Government of Belize (GoB) through the Ministry of Education, Youth, Sports, and Culture (MoEYSC), received a US\$10 Million loan from the Inter-American Development Bank (IADB), with the GoB providing counterpart funding in the amount of US\$100,000 as in-kind contribution for the estimated 60% of total work time for the Program Coordinator and the Program Assistant. The Loan Agreement (3186/OC-BL) was signed on September 30, 2014.

The Education Quality Improvement Program (EQIP) was approved on June 12, 2014 and gained eligibility on November 7, 2014. MoEYSC is the Executing Agency (EA) of the Program. As required by the terms of agreement, the Program Executing Unit (PEU) which would continue to be managed by Dr. Ellajean Gillett and Ms. Yvonne Eck was to be augmented by three other staff members—the: (i) Program Officer— Mr. Greg Nunez, (ii) Procurement Specialist—Mrs. Melanie Gladden, and (iii) Financial Specialist— Mrs. Hilma Chan-Link.

The PEU's office is located at 1899 Constitution Drive, City of Belmopan, Cayo District. The operation received an advance of funds of US\$300,000, of which US\$90,978 was disbursed at March 31, 2016. As of March 31, 2016, the project has been in execution approximately sixteen months and the IADB has disbursed to date a total of US\$2,716,619 from the US\$10,000,000. The remaining undisbursed funds currently stand at US\$7,283,381.

During the financial period April 1, 2015 to March 31, 2016 the Program had entered into twelve (12) new contracts. On April 1, 2015 the largest contract was signed with Mount Saint Vincent University (MSVU) amounting to US\$3,441,864.

The table below highlights all the contracts issued up to March 31, 2016.

CONTRACTOR	VALUE OF CONTRACT	PURPOSE OF CONTRACT
CSF	US\$1,804,206	Creation of an Integrated Education Management Information System (EMIS)
Caribbean Examination Council (CXC)	US\$654,303.59	Development and Implementation of a Teacher Profession Entry Exam
Dr. Michael Rosberg	BZ\$51,792.00 per annum	Program Officer Resigned with effect from 26/3/2015
Dr. Roy Young	BZ\$118,000.00	Survey Supervisor for Data Collection
MSVU	US\$3,441,863.90	Implementation of an Interactive Visible and Tangible Teaching Model for Science, English Language Arts, and Math
Simon Ferguson	BZ\$425.00 monthly	Storage facility rental for housing surveys, etc.
Alexis Bryant	BZ\$5,000.00	Design and Implementation of a Document Management System

GOVERNMENT OF BELIZE, MINISTRY OF EDUCATION, YOUTH, SPORTS AND CULTURE
EDUCATION QUALITY IMPROVEMENT PROGRAM
LOAN CONTRACT NO. 3186/OC-BL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2016 AND
SIX MONTHS ENDED MARCH 31, 2015 (IN US DOLLARS)

1. PROGRAM STATUS (CONTINUED)

CONTRACTOR	VALUE OF CONTRACT	PURPOSE OF CONTRACT
IT Care	BZ\$16,334.94	Office Equipment
Grant Thornton & Associates	BZ\$90,567.75	Audit
Melanie Gladden	BZ\$45,000.00	Procurement Specialist
The Angelus Press	BZ\$12,674.50	Office Furniture
Carlos Gargiulo	US\$85,000.00	Long Term International Consultant
Hilma Chan Link	BZ\$45,000.00 per annum	Finance Specialist
Greg Nunez	BZ\$48,000.00 per annum	Program Officer
Guerra Engineering Ltd.	BZ\$2470.50	1-AC unit 24K

There are three (3) procurement processes currently underway, as follows:

1. Application of Academic Achievement Tests and Survey Instruments in Primary Schools and Teacher Education Institutes throughout Belize.
2. Consultancy to Develop and Implement a Communication Strategy for Attracting Higher Quality Teacher Training Candidates and for Promoting the EQIP Program Components and Sub-components.
3. Implementation of a Leadership Training Program for Primary School Administrators and General Managers.

2. REPORTING ENTITY

The financial statements are of the Education Quality Improvement Program Technical Cooperation (the "Program") undertaken by Government of Belize (GOB) through the Ministry of Education Youth and Sports.

GOVERNMENT OF BELIZE, MINISTRY OF EDUCATION, YOUTH, SPORTS AND CULTURE
EDUCATION QUALITY IMPROVEMENT PROGRAM
LOAN CONTRACT NO. 3186/OC-BL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2016 AND
SIX MONTHS ENDED MARCH 31, 2015 (IN US DOLLARS)

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in United States dollars (USD) under the historical cost convention and conformity with International Public Sector Accounting Standard (IPSAS), "Financial Reporting under the Cash Basis of Accounting", issued by the Public Sector Committee of the International Federation of Accountants. The approved budget is developed on the same accounting basis (cash basis), same classification basis, and for the same period as for the financial statements. The official exchange rate for reporting purposes is fixed at BZ\$2 = US\$1.

The Program's accounting and financial reporting system aims to enable users to assess the accountability of the funds available for its activities. In order to satisfy this objective, the following accounting policies have been adopted.

- (a) The "cash basis" which is a comprehensive basis of accounting other than generally accepted accounting principles used in preparation of the financial statements. Cash received from the IDB is recognized when effectively deposited in the Program's bank account. Disbursements are recognized when they are paid.
- (b) All costs related to the Program's activities are classified, where appropriate, according to the work plan budget for the period.
- (c) No depreciation is charged on fixed assets acquired from Program's funds.
- (d) The Program's Statement of Cash Receipts and Payments reflects receipts and disbursements relating to IDB Loan Contract No. 3186/OC-BL.
- (e) The Program's funds are deposited in US dollars into account #311087, Education Quality Improvement Program of the Central Bank of Belize upon IDB's approval.

4. CASH AND BANK BALANCES

The available cash balance as of March 31, 2016, as held in the Program's bank account.

Education Quality Improvement Program	<u>2016</u>	<u>2015</u>
Central Bank of Belize Account No. 311087		
Statement balance at March 31,	\$300,000	\$300,000
Total cash and bank balance	<u>\$300,000</u>	<u>\$300,000</u>

5. DISBURSEMENTS PENDING JUSTIFICATION

At March 31, 2016, the disbursements pending justification to the IDB totaled US\$90,978.

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YEAR ENDED MARCH 31, 2016 AND
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6. RECONCILIATION OF THE IDB REVOLVING FUND

Balance in Bank Accounts at March 31, 2016	\$300,000
Funds Already Used and Pending Justification	90,978
Reconciled Revolving Fund Balance	390,978
Advance Fund Balance per LMS1	300,000
Difference	\$ 90,978*

*As at March 31, 2016, GOB has paid an amount of \$90,978 for EQIP expenses and are thus reimbursable to the GOB by EQIP Program. The Program has not performed a comprehensive reconciliation of all payments made by GOB against the IDB revolving fund allocation. See letter of recommendation.

7. DIRECT PAYMENT OR THIRD PARTY

Direct payments are payments made directly to suppliers by IDB based on disbursement requests by the Project Executing Unit. These requests must be supported by relevant authorization and documentation. The Program is formally advised when such payments have been made or otherwise verifies their occurrence. As at March 31, 2016 there has been twelve direct payments made by IDB on behalf of the Program totaling US\$2,625,641 to Community Systems Foundation, Mount Saint Vincent University, Caribbean Examinations Council and Carlos Gargiulo.

8. TOTAL IDB FUNDS DRAWN DOWN FROM LOAN

	Cumulative as at March 31, 2015	Year Ended March 31, 2016	Cumulative as at March 31, 2016
Advance Fund Float/ Replenishments (page 7)	\$300,000	\$ -	\$ 300,000
Direct Payments	554,787	2,070,854	2,625,641
	<u>\$854,787</u>	<u>\$2,070,854</u>	<u>\$2,925,641</u>

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9. LOCAL COUNTERPART FUNDS

	Cumulative as at March 31, 2015	Year Ended March 31, 2016	Cumulative as at March 31, 2016
Advance Fund Float/ Replenishments (page 7)	\$ -	\$ -	\$ -
Direct Payments	14,688	32,682	47,370
	<u>\$14,688</u>	<u>\$32,682</u>	<u>\$47,370</u>

Local counterpart funding is concentrated in the Program Management component of the budget.

10. PROGRAM EXECUTING UNIT (PEU)

	Cumulative as at March 31, 2015	Year Ended March 31, 2016	Cumulative as at March 31, 2016
Office furniture and equipment	\$ -	\$ 27,172	\$ 27,172
Personnel costs	-	103,364	103,364
Other	-	14,700	14,700
	<u>\$ -</u>	<u>\$145,236</u>	<u>\$145,236</u>

**11. RECONCILIATION OF THE CASH FLOW STATEMENT AND THE
STATEMENT OF CUMULATIVE INVESTMENTS**

	Cumulative as at March 31, 2015	Year Ended March 31, 2016	Cumulative as at March 31, 2016
Disbursements by the PEU	\$ 11,800	\$ 79,178	\$ 90,978
Direct Disbursements by IDB, including capitalization of finance charges	554,787	2,070,854	2,625,641
Cumulative Investments	<u>\$566,587</u>	<u>\$2,150,032</u>	<u>\$2,716,619</u>
Amount Drawn-down on the IDB Loan for the Period (Note 8)	\$854,787	\$2,070,854	\$2,925,641
Less: Cumulative Disbursements for the Period (above)	(566,587)	(2,150,032)	(2,716,619)
Available Cash Balance	<u>\$288,200</u>	<u>\$ (79,178)</u>	<u>\$ 209,022</u>

**GOVERNMENT OF BELIZE, MINISTRY OF EDUCATION, YOUTH, SPORTS AND CULTURE
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YEAR ENDED MARCH 31, 2016 AND SIX MONTHS ENDED MARCH 31, 2015 (IN US DOLLARS)**

12. LIABILITIES AND COMMITMENTS

The following lists the commitments (signed contractual agreements) of the Program as at March 31, 2016:

CONSULTANT/ CONTRACTOR	Contract Date	Description	Contract Sum	Sum Disbursed	Sum Outstanding
Community Systems Foundation	22/12/2014	Open EMIS	\$1,804,206	\$1,082,524	\$ 721,682
Caribbean Examination Council	12/01/2015	Teachers Exam	654,304	130,861	523,443
Dr. Roy Young	27/01/2015	Survey Supervisor for data collection	59,000	11,800	47,200
Mt. Saint Vincent University	01/04/2015	Implementation of an interactive visible tangible teaching model for Math, English and Science	3,441,864	1,376,746	2,065,118
Simon Ferguson	01/05/2015	Storage facility rental	5,313	3,188	3,718.50
Grant Thornton	08/06/2015	Audit	45,284	14,701	30,583
Melanie Gladden	15/06/2015	Procurement Specialist	22,500	17,813	4,687
Hilma Chan Link	05/10/2015	Finance Specialist	45,000	10,161	34,839
Dr. Carlos Gargiulo	18/09/2015	Long Term International Consultant	85,000	35,511	49,489
Greg Nunez	01/03/2016	Program Officer	48,000	2,000	46,000
			\$6,210,471	\$2,685,305	\$3,525,166

GOVERNMENT OF BELIZE, MINISTRY OF EDUCATION, YOUTH, SPORTS AND CULTURE
EDUCATION QUALITY IMPROVEMENT PROGRAM
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YEAR ENDED MARCH 31, 2016 AND
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13. RECONCILIATION OF INVESTMENT BETWEEN PROGRAM'S RECORDS AND IDB'S RECORDS

Investment Category/Components	IDB Cumulative Investment as at March 31, 2016 as per LMS1	IDB Cumulative Investment as at March 31, 2016 as per EQIP Records	Difference
Component I: Improving the Quality of Teachers	\$1,376,746	\$1,376,746	\$ -
Component II: Governance of the Education System	1,213,384	1,213,384	-
Component III: Evaluation	-	13,935	13,935
Program Management	35,511	112,554	77,043
Total Disbursements	2,625,641	2,716,619	90,978
Advance Fund Balance as at March 31, 2016:	300,000	209,022	(90,978)*
Total at March 31, 2016	\$2,925,641	\$2,925,641	\$ -

* Funds that are pending justification; see also note 5 and 6.

14. AUTHORIZATION DATE

The financial statements were authorized on July 11, 2016 by a Representative from MoEYSC and the EQIP Program Director.



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**INDEPENDENT AUDITORS' REPORT ON
THE SYSTEM OF INTERNAL CONTROL
GOVERNMENT OF BELIZE, MINISTRY
EDUCATION, YOUTH, SPORTS AND CULTURE
EDUCATION QUALITY IMPROVEMENT PROGRAM
LOAN CONTRACT NO. 3186/OC-BL**

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To: Government of Belize, Ministry of Education, Youth, Sports and Culture

Program: Education Quality Improvement Program

We have audited the Statement of Cash Receipts and Payments for the year ended March 31, 2016, the Statement of Cumulative Investments and the Statement of Budget versus actual as of and for the year ended March 31, 2016, for the Education Quality Improvement Program, entered into by the Government of Belize and the Inter-American Development Bank, executed by the Ministry of Education, Youth, Sports and Culture and have issued our report thereon dated April 22, 2016.

This report complements our opinion on the referenced financial statements.

The Management of the Education Quality Improvement Program is responsible for establishing and maintaining a system of internal control sufficient to mitigate the risks of financial information misstatements and safeguard the assets of the project, including construction works and other procured goods. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of system of internal control policies and procedures. The objectives of a system of internal control are to provide management with reasonable, but not absolute, assurance that assets are protected against loss from unauthorized use or disposition; transactions are executed in accordance with management's authorization and in accordance with the terms of the contract, and transactions are recorded properly to permit the preparation of fair and true financial statements. Because of inherent limitations in any system of internal control, 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.

In planning and performing our audit of the Program's financial statements for the period ended March 31, 2016, we obtained an understanding of the system of internal controls. With respect to the system of internal controls, we obtained an understanding of the design of the relevant policies and procedures and whether they have been placed in operation and we assessed control risk in order to determine our auditing procedures for the purpose of expressing an opinion on the Program's financial statements and not to provide an opinion on the system of internal controls. Accordingly, we do not express such an opinion.



Independent Auditors' Report

Page 2

We noted one matter that is described in this report (page 20), involving the system of internal control and its operation that we consider to be reportable condition under International Standards of Auditing. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the system of internal control that, in our judgment, could adversely affect the ability of the Education Quality Improvement Program to record, process, summarize, and report financial data consistent with assertions of management in the Statement of Cash Receipts and Payments, the Statement of Cumulative Investments and Statement of Budget versus Actual.

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

**Chartered Accountants
Belize City, Belize
April 22, 2016.**

GOVERNMENT OF BELIZE, MINISTRY OF EDUCATION, YOUTH, SPORTS AND CULTURE
EDUCATION QUALITY IMPROVEMENT PROGRAM
LOAN CONTRACT NO. 3186/OC-BL
REPORT ON THE SYSTEM OF INTERNAL CONTROLS
YEAR ENDED MARCH 31, 2016 AND
SIX MONTHS ENDED MARCH 31, 2015 (IN US DOLLARS)

Report on Internal Controls

Control Objective	In Compliance/ Not in Compliance
Purchase Orders are properly prepared, authorized and filed. Also, PO's issued relate to budgeted activities.	In Compliance.
The Administrative assistant verifies that items on the PO's are the items invoiced and received.	In Compliance.
Disbursement Requests were properly authorized and submitted; funds received were correctly recorded in the approved chart of accounts.	In Compliance.
Project Assets acquired exist, are in good working condition, and there are controls in place to properly track their transfer from one individual to another.	In Compliance.
Perform timely reconciliation of accounts.	Not in compliance, no comprehensive reconciliation of all payments made by GOB against the IIB revolving fund allocation. See recommendation on page 26.



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**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE WITH FINANCIAL AND ACCOUNTING
CONTRACTUAL CLAUSES AND THE PROGRAM'S
OPERATING REGULATIONS GOVERNMENT OF BELIZE,
MINISTRY OF EDUCATION, YOUTH, SPORTS AND CULTURE
EDUCATION QUALITY IMPROVEMENT PROGRAM
LOAN CONTRACT NO. 3186/OC-BL**

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**To: Government of Belize, Ministry of Education, Youth, Sports and Culture
Program: Education Quality Improvement Program**

We have audited the Statement of Cash Receipts and Payments for the year ended March 31, 2016, the Statement of Cumulative Investments and the Statement of Budget versus Actual as of and for the year ended March 31, 2016, for the Education Quality Improvement Program, entered into by the Government of Belize and the Inter-American Development Bank, executed by the Ministry of Education, Youth, Sports and Culture and have issued our report thereon dated April 22, 2016.

In relation to our audit, we determined compliance with most financial and accounting contractual clauses and articles within the Special Conditions and General Conditions of Loan Contract No. 3186/OC-BL, for the year ended March 31, 2014. We have examined the Special Conditions described in Part One, Chapters 1 to 7, the General Conditions described in Part Two, Chapter 1 to 9.

We conducted our audit in accordance with International Standards on Auditing and the requirements of the Inter-American Development Bank. Those standards require that we plan and perform the audit to obtain reasonable assurance that the Program has complied with the pertinent loan contractual clauses, applicable laws and regulations and the provisions contained in the Program's Operating Regulations. The audit also includes examining, on a test basis, the appropriate evidence. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, we one matter that is described in this report (page 22), of noncompliance that occurred in violation on the part of the Executing Agency with respect to the financial and accounting contractual clauses of Loan Contract No. 3186/OC-BL and the Program's Operating Regulations.

**Chartered Accountants
Belize City, Belize
April 22, 2016**

GOVERNMENT OF BELIZE, MINISTRY OF EDUCATION, YOUTH, SPORTS AND
CULTURE
EDUCATION QUALITY IMPROVEMENT PROGRAM
LOAN CONTRACT NO. 3186/OC-BL
REPORT ON CONTRACTUAL CLAUSES
YEAR ENDED MARCH 31, 2016 AND
SIX MONTHS ENDED MARCH 31, 2015 (IN US DOLLARS)

Report on Contractual Clauses

Section	Clause	Findings
ARTICLE 8.01. Financial Information and Internal Control Systems.	(a) The Borrower or the Executing Agency, or the Contracting Agency, as the case may be, shall maintain: (i) a financial information system acceptable to the Bank that enables accounting, budgetary and financial record keeping, as well as the issuance of financial statements and other reports related to the resources of the Loan and other financial sources, as the case may be; and (ii) an internal control structure that enables effective Project management; provides reliability regarding the financial information and the physical, magnetic and electronic records and files; and enables the fulfillment of the provisions of this Contract.	Not in Compliance. The Program Executing Unit has implemented a financial information system as at March 31, 2016; however the accrual method of accounting is currently being used and direct payments are recorded as expenditures but the receipts of payments are not recorded as revenue. See recommendations 1 and 2 on page 25.



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**INDEPENDENT AUDITORS' REPORT ON THE
INTEGRATED REVIEW OF THE PROCUREMENT
PROCESS AND DISBURSEMENT REQUESTS
MINISTRY OF EDUCATION, YOUTH, SPORTS AND CULTURE
EDUCATION QUALITY IMPROVEMENT PROGRAM,
LOAN CONTRACT NO. 3186/OC-BL**

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To: Government of Belize, Ministry of Education, Youth, Sports and Culture

Program: Education Quality Improvement Program

We have audited the Statement of Cash Receipts and Payments for the year ended March 31, 2016, the Statement of Cumulative Investments and the Statement of Budget versus Actual as of and for year ended March 31, 2016, for the Education Quality Improvement Program, entered into by the Government of Belize and the Inter-American Development Bank, executed by the Ministry of Education, Youth, Sports and Culture and have issued our report thereon dated April 22, 2016. In relation to our audit, we examined the disbursement request and processes to procure and contract goods, works and consulting services by the Executing Agencies for the year ended March 31, 2016. Our audit included verifying the reasonableness of the request and the validity and eligibility of the expenditures submitted to justify the disbursement request.

We conducted our audit in accordance with International Standards on Auditing issued by the International Federation of Accountants (IFAC), and the Inter-American Development Bank's requirements, specifically the Guide for Financial Reports and External Audits. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the executing agency has complied with the provisions of Loan Contract No. 3186/OC-BL. The audit also included examining, on a test basis, evidence supporting the processes of selecting and contracting goods, works and services and the amounts and disclosures in the disbursement requests submitted and that form part of the Statement of Cash Receipts and Payments, the Statement of Cumulative Investments and Statement of Budget versus Actual for the period examined.

In our opinion, the processes to procure and contract works, goods and services were performed in accordance with the applicable standards; and the documentation supporting the expenditures made that correspond to the disbursement requests for the period under examination were fairly presented and represent valid and eligible expenses to the Program.

**Chartered Accountants
Belize City, Belize
April 22, 2016**



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Dr. Ellajean Gillett
Program Coordinator
Education Quality Improvement Program
Constitution Drive
Belmopan, Belize

April 22, 2016

Dear Dr. Gillett

We have completed our audit of the Education Quality Improvement Program (EQIP) for the year ended March 31, 2016.

During the course of our audit, we examined the principal controls that EQIP has established to enable it to ensure, as far as possible, the accuracy and reliability of its records and safeguard of its assets. The details of our findings and our recommendations are included in the attached, Appendix I and Appendix II, to this letter.

Kindly note, however, that the examination we carried out cannot be relied upon to disclose every weakness and for this reason the matters dealt with in this letter are not necessarily the only shortcomings which may exist in the system. Any projection of such information to the future is subject to the risk that, because of change, the description may no longer portray what is in existence. The potential effectiveness of specific controls at EQIP is subject to inherent limitations and, accordingly, errors or fraud may occur and not be detected. Furthermore, the projection of any conclusions, based on our findings, to future periods is subject to the risk that (1) changes made to the system or controls, (2) changes in processing requirements, or (3) changes required because of the passage of time may alter the validity of such conclusions.

We must commend the Program for its positive efforts to abide by the guidelines stipulated in the Government of Belize and Inter- American Development Bank Loan Contract No. 3186/OC-BL. We would also like to express our appreciation to the members of your staff who assisted us in completing our procedures. They were always courteous, helpful, and professional. We greatly appreciate the opportunity to serve as your external independent auditors.

This report is intended solely for use by the Management of the Education Quality Improvement Program and the Representatives of the Inter-American Development Bank.

Please feel free to contact us whenever you feel we might be of assistance to you.

Sincerely
Grant Thornton, LLP

Giacomo Sanchez
Client Service Partner

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**REPORT ON PRIOR PERIOD FINANCIAL STATEMENTS AUDIT
SIX MONTHS ENDED MARCH 31, 2015**

1. NO ACCOUNTING SYSTEM IN PLACE

Observation

The PEU had not implemented an accounting system as of March 31, 2015.

Implication

The accounting system is the primary vehicle for recording, analyzing and retrieving financial data.

Recommendation

We recommend that the PEU establishes an appropriate accounting system in order to ensure the timely and accurate recording of the project's activities.

Program Response

The PEU had hired a Financial Specialist who had set up the Chart of Accounts and Internal Controls. Unfortunately, the Financial Specialist took up another job offer which offered a better remuneration package and not commute.

The PEU sought to hire another Financial Specialist but although a potential candidate was identified, the PEU has had to re-advertise to ensure that the most suitable candidate is identified and to ensure procedural consistency with other GOB projects as requested by the MOF.

As of 31 March 2015 the Program Executing Unit (PEU) did not have in place a financial information software. Since then the PEU has installed SmartStream and purchased QuickBooks, and once the Financial Specialist is contracted these system will be in use.

Because of not having Financial Specialist yet on board, the PEU has not been able to implement its financial information and internal control system as required by the loan contract. The PEU is in the process of identifying a suitable qualified person to fill this post.

Status Update – March 31, 2016.

Issue has been remediated. As at March 31, 2016, the Project Executing Unit has implemented the QuickBooks accounting software to maintain all program financial transaction.

2. ADVANCE FUND

Observation

The Central Bank of Belize account was established specifically to receive IDB advances as stipulated by the loan contract. Based on our examination of this account, the PEU does not have any access to the account or the related bank statements. Therefore no reconciliation can be performed on the account. All access to the account remains with the Ministry of Finance.

REPORT ON FINANCIAL STATEMENTS AUDIT
YEAR ENDED MARCH 31, 2016

1. FUND ACCOUNTING

Observation

While conducting our audit procedures, we noted entire loan balance of BZ\$20,000,000 was reflected in beginning equity and in an "IDB bank account". As at March 31, 2016, the PEU's accounting records reflected a bank balance of \$14,566,188.

Implication

This method of accounting implies that the program has BZ\$14,566,188 in the bank, thus overstating the financial position of the program. In actuality, the program has only drawn out BZ\$600,000 in cash of which \$0.00 have been justified.

Recommendation

We recommend that the Program adjust its records to truly reflect its financial position and utilize the cash basis of accounting so that the Program's accounting records are in line with the financial statement reporting requirements of the IDB.

Program Response

The PEU has recorded in Quick-book the journal entries provided by the Auditors, whereby the BZ\$20 million initial entry was reversed from the IDB bank account. Furthermore, a revenue sub account "IDB Direct Payment" under the IDB revenue account was opened in the QuickBooks system and all direct payments paid directly by IDB are recorded as receipt of revenue.

The Advance Fund has not been justified because total disbursement accumulated to date has not reach to the 80% threshold, which will then require the PEU to justify the cash fund.

2. RECORDING OF DIRECT PAYMENTS

Observation

While conducting our audit procedures, we identified that 12 direct payments were made to suppliers by the IDB on behalf of the EQIP Program. These direct payments were recorded as expenses but did not reflect IDB contribution of the funds rather it showed a payment from an "IDB bank account".

Implication

Improper recording of direct payments to suppliers understates grant revenues or loan receipts.

Recommendation

We recommend that future direct payments are included in a specific account marked for Direct Payments as a sub-account to the IDB loan revenue account so that receipts are properly recorded in the accounting system and reported.

Program Response

All direct payments have been reclassified to the "IDB Direct Payment" under the IDB loan revenue account and all payments subsequent to March 31, 2016 are being recorded to the revenue IDB Direct Payment account.

**GOVERNMENT OF BELIZE, MINISTRY OF EDUCATION, YOUTH AND SPORTS
EDUCATION QUALITY IMPROVEMENT PROGRAM**

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YEAR ENDED MARCH 31, 2016 AND

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APPENDIX II

Page 27

Implication

Despite the fact that there was only one transaction in the account during the year ended March 31, 2015, the lack of control over monitoring the account by the PEU could create reporting difficulties as the Program starts to draw down funds from the account and IDB replenishes the account. The PEU will be unable to determine if any amounts were owed to Government of Belize or the IDB if the revolving fund account is not properly factored into the records.

Recommendation

The Program needs to ensure that the advance fund is included in the accounting system and all approved disbursement requests have been properly transferred to the account by the IDB. A monthly reconciliation should be performed on the account to ensure all transactions are appropriately reported in the general ledger.

Program Response

The query about bank reconciliation “may” not be applicable because of our unique process outlined in the attached Word document “money flow”. These payments are made from the consolidated revenue fund which is done mainly through Belize Bank and the Accountant General reconciles the bank statement because they are not sent to Ministries. SMARTSTREAM (GOB’s Accounting System) however produces a “payable reconciliation report”. A check of this report will show that only one payment was made before the end of March 2015 (see attached). The Auditors could not validate this because they do not have access to SMARTSTREAM. Normally this would be confirmed from a bank statement. That said, if the Auditors had gotten the bank statement from Central Bank it would show that the US\$300,000 was paid into a capital 3 revenue head at the Treasury they would have been able to see that the entire US\$300,000 was paid out, however, would not have known how it was spent. This would have had to be validated through SMARTSTREAM. The SMARTSTREAM reports show the \$600,000 Belize dollars allocated on SMARTSTREAM and the “payable reconciliation report” will show that one payment was made before end of March 2015.

Status Update – March 31, 2016.

Issue has been partially remediated. As at March 31, 2016, the PEU now has access to bank statements for the Central Bank of Belize Bank account; however, no comprehensive reconciliation of all payments made by GOB against the IDB revolving fund allocation reflected in EQIP’s records.

Program Response-March 31, 2016

The Ministry of Education (PEU) will utilize the funds control balance to get the current balance of funds expended and funds available, which should match, with the QuickBooks program currently being maintained by the Financial Specialist. The payable reconciliation report will be our bank statement, which will have a record of all payments made even those that have been journalized.

3. LOAN MANAGEMENT SYSTEM (LMS)

Observation

As at March 31, 2015, the PEU does not have access to the IDB online Loan Management System. During our audit, we observed that these reports had to be obtained from the IDB.

Implication

This online access is important for the viewing and reconciliation of the IDB financing to the Program’s records. This is essential in verifying contributions received and the allocation of justified funds in their proper component.

**GOVERNMENT OF BELIZE, MINISTRY OF EDUCATION, YOUTH AND SPORTS
EDUCATION QUALITY IMPROVEMENT PROGRAM**

LOAN CONTRACT NO. 3186/OC-BL

YEAR ENDED MARCH 31, 2016 AND

SIX MONTHS ENDED MARCH 31, 2015

APPENDIX II

Page 28

Recommendation

We encourage that the PEU obtain access as soon as possible. A monthly reconciliation should be performed to ensure that accounting records reconcile to the loan management system.

Program Response

This will be rectified once the Financial Specialist is contracted as the IDB will then grant access to the LMS.

Status Update – March 31, 2016.

Issue has been remediated. As at March 31, 2016, the PEU has access to the IDB's Loan Management System (LMS).

* * * * *



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