

***Implementation of the Fisheries Component of the  
Integrated Caribbean Regional Agriculture and  
Fisheries Development (ICRAFD) Programme  
Financial Statements for the nineteen months  
ended October 31, 2001 and  
Independent Auditors' Report***

**IMPLEMENTATION OF THE FISHERIES COMPONENT OF THE INTEGRATED  
CARIBBEAN REGIONAL AGRICULTURE AND FISHERIES DEVELOPMENT  
PROGRAMME (ICRAFD);  
EDF VII (Reg.7606, Agreement No. 5475/REG)**

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**IMPLEMENTATION OF THE FISHERIES COMPONENT OF THE INTEGRATED  
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Introduction

Following the 7<sup>th</sup> EDF financing agreement between the Commission of the European Union and Member States of CARIFORUM, the technical and administrative provisions for the implementation of the fisheries components of the Integrated Caribbean Regional Agriculture and Fisheries Development Programme (ICDAFD) were set out. The International Agriculture Centre (IAC) of Wageningen in the Netherlands, was awarded a contract to familiarize itself with conditions in the CARIFORUM countries and based on the information garnered, to prepare a comprehensive work plan and cost estimates for the first phase (18 months) of implementation. The European Union gave approval of the final Work Plan and Cost Estimates in June 1998.

On 5<sup>th</sup> March, 1999 the Ministry of Agriculture, Fisheries and Cooperatives of the Government of Belize (GOB) on behalf of CARIFORUM and the Office of the European Commission signed a Work Programme and Cost Estimate Agreement in Belmopan, Belize, originally valued at US\$1,310,935 (EUR1,139,944 at the rate EURO=1.15 US\$ February 1999) is now valued at USD\$1,122,870.

The objective of Phase I of this Project Agreement is “ the optimal utilization and sustainable management of marine fisheries resources in CARIFORUM countries. The project’s purposes are “a) to strengthen fisheries planning and management capacity of national fisheries departments in CARIFORUM countries and b) to enhance the effective participation and support of fisheries’ communities in the planning and management process of the fishing industries for sustainable use of the coastal and marine fishery resources.”

The implementation of ICRAFD, although originally scheduled for commencement in 1999, did not begin in earnest until May 2000. The “initiation” stage of ICRAFD coincided with the “Mature to Closure” stage of Caricom Fisheries Research Assessment Management Programme (CFRAMP). This late take off meant that some of the CARICOM Fisheries Unit technical staff assigned to CFRAMP were available to implement the ICRAFD Project. The total need for consultants was partially replaced by the availability of skilled and experienced CFU staff.

The project’s executing agency is CARICOM Fisheries Unit (CFU).

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The resources allocated to the Project over the 19 month period as provided by the Project document amounted to USD\$1,122,870 made up as follows:

<u>SOURCE</u>	<u>INITIAL BUDGET</u>		<u>REVISED BUDGET</u>	
	<u>EURO</u>	<u>USD<sup>1</sup></u>	<u>EURO</u>	<u>USD<sup>2</sup></u>
7 <sup>th</sup> EDF Commitment	1,139,944	1,310,935	1,139,944	1,122,870

<sup>1</sup>As per work programme budget: Euro 1 = USD\$1.15 at February 1999

<sup>2</sup>As per work programme budget: Euro 1 = USD\$.9850 at May 2001

The Financial Report of the Project follows on pages 5 to 10.

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**OBJECTIVE**

The objective of the Audit is to provide the Commission of the European Communities with the assurance that the EDF resources are being managed in accordance with the Terms of Financing Agreement EDF VII (Reg.7606, Agreement No. 5475/REG). The activities specified in Work Programme and Cost Estimate, as revised; and the disbursements are being made in an environment in which there are adequate management, administrative, and financial controls which comply with the EDF financial regulations and procedures

The work was performed in accordance with international auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures which were considered necessary in the circumstances. The specific objectives of the audit were:

1. To express an opinion as to whether the EDF Fund Accountability Statement presents fairly, in all material respects, EDF project funds received and disbursed during the nineteen month period ended October 31, 2001 and verification of the fund balance as at the said date in conformity with the terms of the agreement and international financial reporting standards;
2. To evaluate and obtain a sufficient understanding of the Project's internal controls and procedures in order to assess control risk, identify and report on material weaknesses in internal controls and inefficiencies;
3. To perform tests to determine whether the Project complied, in all material respects, with the terms of the Financing Agreement and any other applicable laws and regulations.

**SCOPE**

The scope of the audit included:

1. An assessment of the rate of delivery;
2. Review of the system of financial accounting, monitoring and reporting;
3. Review of management system for recording, documenting, and reporting on resources utilization;
4. Review of use and management of equipment acquired for the Project; and
5. Review of organization structure, including adequacy of appropriate internal controls and record-keeping procedures.



**INDEPENDENT AUDITORS' REPORT ON  
FUND ACCOUNTABILITY REPORT  
OF  
IMPLEMENTATION OF THE FISHERIES COMPONENT OF THE INTEGRATED  
CARIBBEAN REGIONAL AGRICULTURE AND FISHERIES DEVELOPMENT  
PROGRAMME (ICRAFD) EDF VII (Reg.7606, Agreement No. 5475/REG)**

We have audited the accompanying Fund Accountability Statement for the 19 months ended October 31, 2001. This statement is the responsibility of the Project's management. Our responsibility is to express an opinion on the said statement based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards required that we plan and perform the audit to obtain reasonable assurance as to whether the Fund Accountability Statement is free of material misstatement, and whether the Project has complied with the relevant sections of the Financing Agreement and Work Programme as well as with applicable laws and regulations.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Fund Accountability Statement. An audit also includes assessing the accounting principles used and the significant estimates made by the management, as well as evaluating the overall Fund Accountability Statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

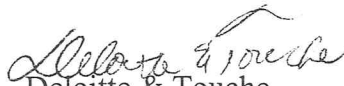
1. EDF Project Advances are being applied solely towards the cost of implementing the project in accordance with the budget provided in the Financing Agreement and Work Programme;
2. Disbursements are supported by adequate documentation.
3. The Fund Accountability Statement is fairly and adequately presented;
4. An appropriate management structure, internal controls and record-keeping system are being maintained except for matters noted in the Letter of Recommendations (page 14 to 15)

Deloitte  
Touche  
Tohmatsu

Julian Castillo      Kathlyn Tillett

**Independent Auditors' Report**  
**Page 2**

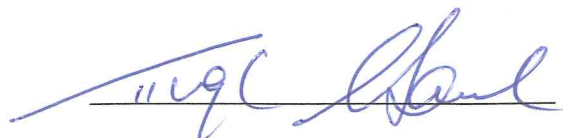
5. The CARICOM Fisheries Unit (CFU) has undertaken and has prepared reports for monitoring and evaluating the Project's substantive activities and the Project's management;
6. The procurement, use, control, and disposal of non-expendable equipment are in accordance with EDF requirements;
7. The Fund Accountability Statement, presents fairly, in all material respects, the results of the projects operations for the 19 months ended October 31, 2001 in accordance with International Financial Reporting Standards consistently applied; and
8. The project was, in all material respects, in compliance with the terms of the Financing Agreement and applicable laws and regulations.

  
Deloitte & Touche  
December 4, 2001

**IMPLEMENTATION OF THE FISHERIES COMPONENT OF THE INTEGRATED  
CARIBBEAN REGIONAL AGRICULTURE AND FISHERIES DEVELOPMENT  
PROGRAMME (ICRAFD);  
EDF VII (Reg.7606, Agreement No. 5475/REG)  
FUND ACCOUNTABILITY STATEMENT  
FOR 19 MONTHS ENDED OCTOBER 31, 2001 (USD)**

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	<b>Actual Receipts &amp; Disbursements</b>	<b>Budget</b>	<b>Budget (Revised)</b>	<b>Under/(Over) Expended Budget As Revised</b>
		1.15	.9850	
<b>RECEIPTS (Note 1)</b>				
EDF Contribution	<u>1,038,097</u>	<u>1,310,935</u>	<u>1,122,870</u>	84,773
<b>TOTAL RECEIPTS</b>	<u>1,038,097</u>	<u>1,310,935</u>	<u>1,122,870</u>	
<b>DISBURSEMENTS (Note 1)</b>				
Activity 100 – ICRAFD Management/ Support	221,090	463,845	231,311	10,221
Activity 200 – Inception	18,565	-	25,000	6,435
Activity 300 – Fisheries Data Management	238,381	445,075	267,301	28,920
Activity 400 – Fisheries Resource Assessment	113,901	-	209,874	95,973
Activity 500 – Fisheries Resource Assessment	<u>330,404</u>	<u>402,015</u>	<u>389,384</u>	<u>58,980</u>
		<u>1,310,935</u>	<u>1,122,870</u>	<u>200,529</u>
<b>TOTAL DISBURSEMENTS</b>	<u>922,341</u>			
<b>UNDISBURSED FUNDS</b>	<u>115,756</u>			
Opening Fund Balance	-			
Receipts over disbursement	115,756			
Advances for project activities	(73,929)			
Accounts payable	6,892			
Correcting entries passed in November	<u>8,697</u>			
Ending Fund Balance	<u>57,416</u>			



Project Director

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Project Administrator



**IMPLEMENTATION OF THE FISHERIES COMPONENT OF THE INTEGRATED  
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NOTES ON FUND ACCOUNTABILITY STATEMENT  
FOR 19 MONTHS ENDED OCTOBER 31, 2001 (USD)**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared in United States Dollars (USD) under the historical cost convention and conform with International Financial Reporting Standards appropriate to the activity in which the project operates.

The Project'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) A "cash basis" (which is a comprehensive basis of accounting other than with International Financial Reporting Standards of accounting is used in preparation of the financial statements. This cash received from the EDF is recognized when effectively deposited in the Project's bank account. Disbursements are recognized when they are paid.
- (b) All costs related to the Project activities are classified, where appropriate, according to the work programme budget for the period as revised.
- (c) No depreciation is charged on fixed assets acquired from Project funds.
- (d) The EDF Fund Accountability Statement reflects receipts and disbursement relating to ICRAFD fund from all sources.
- (e) EDF funds are deposited in United States Dollars directly into the Project's bank account at the prevailing exchange rate on the date of deposits. Gains or loses on foreign exchange transactions are not recognized in the financial reports.

**2. BANK BALANCE**

A reconciliation of the bank balance as of October 31, 2001 follows:

EDF bank statement balance as of October 31, 2001	\$66,802
Add: Deposit in transit	253
Less: Outstanding cheques	(6,622)
Adjustments to be made by bank	<u>(53)</u>
Bank balance as of October 31, 2001	60,380
Correcting entry made in November	200
Deposits recorded in general ledger in November 2001	<u>(3,164)</u>
Bank balance in general ledger as of October 31, 2001	<u>\$57,416</u>

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NOTES ON FUND ACCOUNTABILITY STATEMENT  
FOR 19 MONTHS ENDED OCTOBER 31, 2001 (USD) (CONTINUED)**

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**3. OBLIGATIONS AND COMMITMENTS**

The following expenses have been incurred (signed contractual agreements) but not paid as of October 31, 2001:

Commitments to general suppliers	\$ 4,866
Commitments to scholars	1,348
Technical support to WBS 410 activities	1,057
Earned gratuity as at Oct 31, 2001	21,955
Project's workshop in progress	25,922
Commitments to consultants	<u>34,023</u>
Total Commitments as at October 31, 2001	<u>\$89,171</u>

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**NOTES ON FUND ACCOUNTABILITY STATEMENT**

**FOR 19 MONTHS ENDED OCTOBER 31, 2001 (USD) (CONTINUED)**

**4. WORK PROGRAMME DISBURSEMENT REPORT**

ACTIVITY NO.	ACTIVITIES	Approved WP Budget EDF	Cumulative WP Expenditure TOTAL	Cumulative WP Expenditure TOTAL
<b>100</b>	<b><i>ICRAFD Management/Support</i></b>	<b>\$ 231,311</b>	<b>\$221,090</b>	<b>\$ 10,221</b>
111	General Administration - Belize	93,889	96,311	(2,422)
112	Procurement - CFU	55,000	48,659	6,341
114	Emoluments ( Mgmt Input)	52,422	48,465	3,957
141	Programme Coordination and Auditing	30,000	27,655	2,345
<b>200</b>	<b><i>Inception</i></b>	<b>\$ 25,000</b>	<b>\$ 18,565</b>	<b>\$ 6,435</b>
<b>300</b>	<b><i>Fisheries Data Mgmt System</i></b>	<b>\$ 267,301</b>	<b>\$238,381</b>	<b>\$ 28,920</b>
301	Personnel Emolument (Technical Input)	85,129	96,962	(11,833)
310/310.1/ 320.1	Review and Refinement of the Data Collection Systems	23,000	18,777	4,223
310.2	Enhance Data Collection Plans to Cover the Major Fisheries		37	(37)
310.3	Train Fisheries Staff in Data Collection	9,850	8,019	1,831
310.4/314.1	Database Software / Upgrading of TIP & LRS	20,000	6,746	13,254
310.5/320.4	Train of Staff in Data Entry, Analysis and Reporting (TIP & LRS)	197	270	(73)
320.2	Enhance LRS		91	(91)
310.6/320.3	Provide Resources for Implementation (Computer & Data Coll Equip.)	22,618	12,795	9,823
310.7/320.6	Preparation and Dissemination of Articles and Technical Reports	197	197	(0)
310.8/320.7	Monitoring and Provision of Technical Assistance	1,310	-	1,310
310.9	National Fisheries Survey	5,000	73	4,927
330	Multidisciplinary Surveys	100,000	94,414	5,586



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**NOTES ON FUND ACCOUNTABILITY STATEMENT**

**FOR 19 MONTHS ENDED OCTOBER 31, 2001 (USD) (CONTINUED)**

**4. WORK PROGRAMME DISBURSEMENT REPORT (continued)**

<b>400</b>	<b><i>Fisheries Resource Assessment</i></b>	<b>\$ 209,874</b>	<b>\$113,901</b>	<b>\$ 95,973</b>
401	Personnel Emolument (Technical Input)	136,039	95,207	40,832
400.4	Monitoring and Provision of Technical Assistance	1,500	73	1,427
410.1	Review and Analysis of Historical Data/Bibliographic Study	4,353	2,031	2,322
410.2/412	Assessment of Pelagic Fisheries & Reef Fishes/Enhance Sampling Program	2,500	332	2,168
410.3	Assessment of Reef Fisheries/Sampling Program for Sport Fishery	5,000	-	5,000
410.4	Studies of Spawning Aggregations	5,000	-	5,000
413.2	Enhancement of the IMA Fish Ageing Laboratory	1,650	405	1,245
414.1	Working Group on Large Pelagics/ Participation in ICCAT Activities		3,776	(3,776)
414.4	Dispersal and Mortality of Reef Fishes & Habitat Mapping	3,000	-	3,000
424.4	Observer Programme	4,756	1,976	2,780
426.4	Systems Monitoring for Stock Assessment	1,088	2,616	(1,528)
426.5	Selectivity Studies	4,000	534	3,466
426.6	Shrimp Fishery Assessment	1,000	-	1,000
430.1	Assessment of Conch Fishery	16,453	2,819	13,634
430.2	Assessment of Lobster Fishery	12,035	1,910	10,125
430.3	Baseline Survey of Marine Reserves	2,000	37	1,963
438.1	Lobster Working Group	4,500	847	3,653
438.2	Conch Working Group	5,000	1,339	3,661



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**NOTES ON FUND ACCOUNTABILITY STATEMENT**

**FOR 19 MONTHS ENDED OCTOBER 31, 2001 (USD) (CONTINUED)**

**4. WORK PROGRAMME DISBURSEMENT REPORT (continued)**

<b>500</b>	<b><i>Fisheries Resource Management</i></b>	<b>\$ 389,384</b>	<b>\$330,404</b>	<b>\$ 58,980</b>
501	Personnel Emolument (Technical Input)	90,906	93,152	(2,246)
511.1	Prep. of Comprehensive National Fisheries and Aqua-culture Policy	6,382	2,443	3,939
512.1	Strategic Review and Upgrading Organizational Structure of Fisheries Dept	30,000	21,500	8,500
512.2	Bi-national Fisheries Committees		73	(73)
512.3	Provide Technical Assistance & Monitoring	2,500	183	2,317
512.4	Development of Mechanism for Conflict Resolution	2,000	73	1,927
512.5	Study of Impact of Globalism on Fisheries of Suriname/Guyana		110	(110)
520.1	Development of the CRFM	32,000	27,013	4,987
330/532	National Fisheries Workshop	15,000	17,447	(2,447)
533.1	Community Mobilization & Organization Formation	6,000	420	5,580
533.2	Educational Equipment and Materials Procurement	15,000	7,243	7,757
533.3	Mobilization/Training in Organization Mgmt	3,767	2,067	1,700
534	Fisheries Field Officers Institutional Strengthening Workshop		1,817	(1,817)
535	National Dialogue Group	3,000	7,536	(4,536)
540.1	Long Term Training and Scholarships	96,000	95,193	807
540.2	Short Term Training and Attachments	60,000	48,358	11,642
550.1	Publication of Technical Reports	1,329	438	891
550.2	Documentation Centre Operation	4,842	5,339	(497)
560	Regional Strategy for Improved Post-harvest, Processing and Marketing	13,158	-	13,158
570.1	Development of Pelagic Fishes	3,500	-	3,500
570.2	Aqua-culture Development	4,000	-	4,000
	<b>Total</b>	<b>\$1,122,870</b>	<b>\$922,341</b>	<b>\$200,529</b>

**IMPLEMENTATION OF THE FISHERIES COMPONENT OF THE INTEGRATED  
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PROGRAMME (ICRAFD);  
EDF VII (Reg.7606, Agreement No. 5475/REG)  
SUMMARY OF COMPLIANCE WITH CONTRACTUAL AGREEMENT  
FOR 19 MONTHS ENDED OCTOBER 31, 2001**

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**ICRAFD – WORK PROGRAMME**

<b><u>Section</u></b>		<b><u>Compliance Status</u></b>
1	<u>Introduction</u>	General Descriptions Remain unchanged
2	<u>Background</u>	
2.1	Project Objectives	General Descriptions Remain unchanged
2.2	Project Purposes	
2.4	Cost Estimate For the initial period of 18 months, the total cost of the project is estimated at USD 1,122,870, equivalent EURO 1,139,944.	Revised budget maintains fund commitments.
3	<u>Activities and Outputs</u>	
3.1	Management Support	Administrative office established in Belize, National Fisheries Advisory groups established
3.2	Information Management System	Proven system for collecting and managing data established
3.3	Policy Formulation	Planning seminars held in Suriname, Dominican Republic, Haiti and Bahamas Draft legal instrument for establishment of Regional Fisheries Mechanism prepared for consideration of the region's Attorneys General
3.4	Community Involvement/Education	Baseline surveys completed in Suriname, Dominican Republic, and the Bahamas
3.5	Training	Eight students have been awarded scholarships to obtain MSc. Degrees in related fields
3.6	Post harvest handling	Terms of reference and legal documents completed Consultants are in the field

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SUMMARY OF COMPLIANCE WITH CONTRACTUAL AGREEMENT  
FOR 19 MONTHS ENDED OCTOBER 31, 2001 (CONTINUED)**

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**ICRAFD – WORK PROGRAMME (continued)**

4	<u>Implementation Arrangements</u>	
4.1	General	CFU is the executing agency
4.2	Means	All required personnel and consultants were hired
5	<u>Project Administration</u>	
5.1	Management	General Descriptions Remain unchanged
5.2	Project Sub-Contracts	N/A
5.3	Procurement Procedures and Operation of Imprest Account	A Scotia Bank account was opened and procurement procedures are being followed
5.4	Disbursement of Funds	Procedures are being followed
5.5	Reporting	Progress reports were done quarterly
5.6	Audit of Accounts	Final Audit has been completed by Deloitte & Touche
5.7	Monitoring	CFU received Report from Technical Audit done in Sept 2001



December 14, 2001

Mr. Hugh Saul  
Project Director  
CARICOM Fisheries Unit  
Implementation of the Fisheries Component of the  
Integrated Caribbean Regional Agriculture and  
Fisheries Development (ICRAFD) Programme  
Princess Margaret Drive  
Belize City,  
BELIZE

Dear Mr. Saul,

We have recently completed our audit of the Fund Accountability Statement of Implementation of the Fisheries Component of the Integrated Caribbean Regional Agriculture and Fisheries Development (ICRAFD) Programme for the nineteen (19) months ended October 31, 2001. During the course of our audit we examined the principal controls which the project has established to enable it to ensure, as far as possible, the accuracy and reliability of its records and safeguard its assets. We are writing to draw your attention to some important weaknesses which came to our attention and to suggest ways in which the system can be improved.

Kindly note, however, that the examination we carried out cannot be relied upon to disclose every weakness and as a result this does not necessarily mean that there are no other shortcomings which may exist in the system.

**MIP Accounting Software**

**Observation**

We noted through a comparison between the Expenditure accounts on the trial balance and the Cumulative Expenditure on the Work Programme Budget Reconciliation contained a difference of USD\$8,697.00. This difference was addressed in November 2001 and the October Work Programme Budget Reconciliation reflected the correction.

**Implication**

Further investigation led to the discovery of a few inputting errors which resulted in double counting of expenditures in the Work Programme Budget Reconciliation.



### **Recommendation**

We recommend that some level of compensating controls be put in place to avoid future inputting and processing errors. In addressing the inputting aspect, the first preference would be if the MIP accounting system could be programmed not to accept WBS codes for balance sheet accounts. A second option would be the human monitoring control. This person should be familiar with the Chart of Accounts to identify any potential inputting/recording error via approval of vouchers which may possibly contain balance sheet account and WBS accounts. We noted that the human compensating control was in place to mitigate the inputting error. In addressing the processing errors, if the errors are not detected at the inputting stage, then at the processing stage the accounting software could be programmed to not post the entries to the general ledger if they consist of a combined balance account number and WBS codes.

### **Response**

Management is aware of the system's shortcoming in allowing input errors. Notably however, we have consistently ensured that these errors, if any, are corrected in the final reconciliations of our monthly financial reports as indicated to you from the accounting entries passed in the preceding month.

### **General Comments**

#### **Inter-fund Balances**

We noted that there were various transfers received in the ICRAFD bank account from other funds being managed by CFU. Further inquiry led to the discovery that these deposits were reimbursements of operating transfers relating to activities which are jointly funded. We also noted that the ICRAFD fund did a monthly reconciliation for all operating transfers to closely monitor the repayment of these funds.

### **Observation**


#### **Accounting Records**

We must commend the organization for the availability of supporting documentation for the ICRAFD Fund's expenditures. May we recommend a procedure that will further improve your payment of expenditures process. A transaction summary sheet may be utilized for the payment of numerous invoices which are charged to different Funds and expenditure accounts. This will aid in clarifying which invoices or partial invoices relate to which particular fund and expenditure account.

We greatly appreciate the opportunity to serve as your auditors. We are also interested in the project on a whole and would like to continue working closely with you in ensuring that you get the financial information you expect and deserve.

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

Sincerely,

  
Deloitte & Touche