AUDIT DEPARTMENT

Audit Report No. 4 of 2015

Report of the Director of Audit, Grenada on the Financial Statements of the

Grenada Cultural Foundation

For the year ended 31 December 2012

Isha Abraham
Director of Audit (Ag.)
Audit Report No. 4 of 2015
Ref. No.: (20) in SB/28

Dr. The Right Hon. Keith Mitchell
Minister for Finance and Energy
Ministry of Finance and Energy
Financial Complex
Carenage
ST. GEORGE’S

Dear Sir

In accordance with Section 82 (4) of the Grenada Constitution Order and the Audit Act CAP 22A of the Laws of Grenada, I hereby submit my Report on the accounts of the Grenada Cultural Foundation for the year ended 31 December 2012. This Report is for laying before the House of Representatives.

Section 82 (4) of the Constitution stipulates that every Report made by the Director of Audit, shall be laid before the House of Representatives not later than seven days after the House first meets, after your receipt of the Report.

Yours respectfully

Isha Abraham
Director of Audit (Ag.)
Acknowledgements

Thanks to the staff at the Grenada Cultural Foundation for their courtesy and co-operation during the audit and to the Government Printer for his assistance in publishing this Report.

Thanks also to the staff at the Audit Department for their continued commitment and dedication in fulfilling the mandate of the Department.
DIRECTOR OF AUDIT REPORT

I have audited the accompanying financial statements of the Grenada Cultural Foundation, which comprise the balance sheet as at 31 December, 2012 and the income and expenditure statement for the year then ended 31 December, 2012 and other explanatory notes. The financial statements have been prepared by management based on Section 81 of the Public Finance Management Act CAP 262B of the Laws of Grenada.

Management’s Responsibility for the Financial Statements

The management of the Grenada Cultural Foundation is responsible for the preparation and submission of the financial statements in accordance with Section 81 of the Public Finance Management Act Cap 262B of the Laws of Grenada and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

It is my responsibility to express an independent opinion on these financial statements based on my audit. I conducted the audit guided by the International Standards of Supreme Audit Institutions (ISSAIs) issued by the International Organisation of Supreme Audit Institutions (INTOSAI). Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. 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 of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.
Opinion

In my opinion, the financial statements presents fairly, in all material respects the financial position of the Grenada Cultural Foundation as at December 31, 2012, and its financial performance in accordance with Section 81 of the Public Finance Management Act, CAP 262B of the Laws of Grenada.

[Signature]

Isha Abraham
DIRECTOR OF AUDIT (Ag.)

Audit Department
Grenada

23 February, 2015
GRENADA CULTURAL FOUNDATION
BALANCE SHEET FOR YEAR ENDING
31ST DECEMBER, 2012

ASSETS

<table>
<thead>
<tr>
<th>Non-Current Assets</th>
<th>Note</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Property, plant and equipment</td>
<td>3</td>
<td>$5,478</td>
</tr>
<tr>
<td>Investments</td>
<td>4</td>
<td>70703</td>
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<table>
<thead>
<tr>
<th>Current Assets</th>
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<tbody>
<tr>
<td>Interest Income Receivable</td>
<td>5</td>
<td>5560</td>
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<tr>
<td>Security Deposit</td>
<td>6</td>
<td>3300</td>
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<tr>
<td>Cash and cash equivalents</td>
<td>7</td>
<td>$44,569</td>
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TOTAL ASSETS $129,610

FINANCED BY:

<table>
<thead>
<tr>
<th>Government of Grenada</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$129,610</td>
</tr>
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</table>

Approved by Director

Approved by Director
GRENADA CULTURAL FOUNDATION
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED 31 DECEMBER, 2012

<table>
<thead>
<tr>
<th>Income</th>
<th>Notes</th>
<th>2012</th>
<th>S</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Subvention</td>
<td></td>
<td>300,000</td>
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</tr>
<tr>
<td>National Celebrations Committee</td>
<td></td>
<td>10,000</td>
<td></td>
</tr>
<tr>
<td>Sponsorship</td>
<td>8</td>
<td>4,000</td>
<td></td>
</tr>
<tr>
<td>GCF Drum Sales Program</td>
<td>9</td>
<td>450</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>10,208</td>
<td></td>
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</table>

**Total Revenue**
324,658

<table>
<thead>
<tr>
<th>Expenditure</th>
<th></th>
<th>2012</th>
<th>S</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td></td>
<td>136,980</td>
<td></td>
</tr>
<tr>
<td>Board Fees</td>
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<td>24,800</td>
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<tr>
<td>Office Rent</td>
<td></td>
<td>45,540</td>
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</tr>
<tr>
<td>National Insurance Contributions</td>
<td></td>
<td>21,453</td>
<td></td>
</tr>
<tr>
<td>Depreciation expense</td>
<td></td>
<td>1,369</td>
<td></td>
</tr>
<tr>
<td>Telephone</td>
<td></td>
<td>15,028</td>
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<tr>
<td>Domestic Supplies</td>
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<td>1,183</td>
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<tr>
<td>Petty Cash</td>
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<td>2,426</td>
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<tr>
<td>IT Support/Expenses</td>
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<td>3,402</td>
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<tr>
<td>Office Supplies &amp; Expenses</td>
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<td>1,716</td>
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<tr>
<td>Travel Expenses</td>
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<td>17,760</td>
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<tr>
<td>Project Contribution</td>
<td></td>
<td>23,256</td>
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<tr>
<td>Advertising</td>
<td></td>
<td>1,056</td>
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</tr>
<tr>
<td>Miscellaneous</td>
<td>10</td>
<td>3,139</td>
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</tbody>
</table>

**Total Expenditure**
299,108

**Excess of Revenue over Expenditure for the year**
25,550

**Surplus of Revenue over Expenditure b/f 1st Jan, 2012**
36,398

**Surplus of Revenue over Expenditure c/f**
61,948
1. General Information

The Grenada Cultural Foundation is a Statutory Body established by CAP 128E Grenada Cultural Foundation Act of the Laws of Grenada. Its mission is to ensure the indigenous and other aspects of the culture of Grenada, Carriacou and Petite Martinique are developed, promoted and maintained.

2. Basis of Preparation and Accounting Policies.

These financial statements are prepared in order to fulfill the requirements of Section 81 of the Public Finance Management Act CAP 262B of the Laws of Grenada.

All transactions are recorded, and the financial statements prepared, using the accrual basis of accounting in accordance with generally accepted accounting principles.

Fixed Assets procured are recorded at their acquisition cost at the date of purchase. No depreciation is recorded for Non Current Assets.

Fixed assets are recorded at their acquisition cost at date of purchase. Depreciation is charged at the following rates:

- Furniture and Fittings: 10%
- Computers: 20%
- Photocopier: 20%
3. Property, Plant and Equipment

<table>
<thead>
<tr>
<th></th>
<th>Furniture and Fittings</th>
<th>Computers</th>
<th>Photocopier</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10%</td>
<td>20%</td>
<td>20%</td>
<td>$</td>
</tr>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Cost</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Balance 01/01/2012</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cost/Valuation</td>
<td>3,036</td>
<td>5,659</td>
<td>0 8,695</td>
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<tr>
<td></td>
<td>Accum. Depreciation</td>
<td>3,035</td>
<td>5,658</td>
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<tr>
<td></td>
<td>Net Book Value</td>
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<td>1</td>
<td>0 2</td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31/12/2012</th>
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<tbody>
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<td></td>
<td>Opening Book Value</td>
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<td>1</td>
<td>0 2</td>
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<tr>
<td></td>
<td>Additions for the year</td>
<td>0</td>
<td>0</td>
<td>6,845 6,845</td>
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<tr>
<td></td>
<td>Disposal during the year</td>
<td>0</td>
<td>0</td>
<td>0 0</td>
</tr>
<tr>
<td></td>
<td>Depreciation charge for the year</td>
<td>0</td>
<td>0</td>
<td>1,369</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1</td>
<td>1</td>
<td>5,476 5,478</td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>Balance at 31/12/2012</th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost/Valuation</td>
<td>1</td>
<td>1</td>
<td>6,845 6,847</td>
</tr>
<tr>
<td></td>
<td>Accumulated Depreciation</td>
<td>0</td>
<td>0</td>
<td>1,369 1,369</td>
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<tr>
<td></td>
<td>Net book value</td>
<td>1</td>
<td>1</td>
<td>5,476 5,478</td>
</tr>
</tbody>
</table>

4. Investments
- Fixed Deposit in Public Service Credit Union $50,702.56
- Fixed Deposit in British American Insurance $20,000.00

Total Investment $70,703.00

5. Interest accrued on PSCCU Fixed Deposit $5,560.05

6. Security Deposit held at GNSA as per rent agreement $3,300.00

7. Cash at Bank
- Grenada Co-operative Bank $44,568.65
8. Sponsorship

Lotto Independence Calypso Sponsorship $3,000.00
Republic Bank Short Stories Sponsorship $500.00
SGU Short Stories Sponsorship $500.00

Total Sponsorship $4,000.00

9. Other

Interest on PSCCU Fixed Deposit $5,560.05
Reimbursement from UNESCO for Traditional Mas program $2,922.90
Reimbursement from UNESCO for Traditional Mas program $1,125.00
Carriacou Carnival Committee for Judges $500.00
NCC Vending Fee for Event on the Carenage $100.00

Total Other $10,207.95

10. Miscellaneous

Bank Charges $344.00
Other $2,794.78

Total Miscellaneous $3,138.78

Note: Interest accrued to GCF as at 31/12/2012 = $5,560.05 re: Fixed Deposit with Public Service Credit Union with Maturity date 19/03/14
APPENDIX

SIGNIFICANT AUDIT FINDINGS AND WEAKNESSES IN INTERNAL CONTROLS

The Grenada Cultural Foundation (GCF) does not have adequate procedures in place to promote operational efficiency as well as to safeguard assets and prevent or detect fraud and errors. For example:

During the period 1 January to 31 December 2012, organisational performance of the GCF was not assessed.

(a) There was no mechanism in place to appraise the performance of the staff.

(b) There was no written policy governing the authorisation of expenditure.

(c) There was inadequate monitoring and supervision of tasks as it relates to the initiating and finalising of transactions as well as the preparation of reconciliation statements. Additionally, there was no segregation of duties.

Implications

• There is a possibility that operational deficiencies would persist rather than be identified and addressed in a timely manner thus preventing the Foundation from effectively achieving its goals and objectives.

• The fact that there was no documented evidence that the strengths and weaknesses of employees were being assessed, may result in their performance remaining at a level, which will prevent the entity from achieving its planned goals and objectives in an efficient, effective and economical manner.

• The likelihood of material misstatement remaining undetected and therefore uncorrected is high and may impact adversely the accuracy of the financial statements.

Recommendation

• Management should carry out an assessment with a view to strengthening the internal controls.

• There were no written policies and procedures to account for receipt of government subvention, sponsorship, donations, sales, refunds, external funding nor the payment and reimbursement of expenses.
Implication

- This may lead to revenue and expenditure not being properly accounted for. It may also create opportunities for irregular activities to take place.

COMPLIANCE

1. A business plan was not prepared for the accounting period. (Section 79 & 80 of The Public Finance Management Act, CAP 262B refers).

Implication

- This may result in objectives not being achieved.

Recommendation

- Relevant laws and regulations should be complied with.

RECEIPTS

1. Controls over receipts are not adequate. Monies received are not properly accounted for; receipts used are generic and not pre-numbered.

Recommendation

- Controls over receipts should be strengthened.

- All monies received should be properly accounted for in a timely manner to ensure proper accountability and to prevent irregular activities.

EXPENDITURE

1. In some instances payments were not authorised. Further there were also instances where the signatures of “Approved by” and “Received” on the payment vouchers were identical.

2. There was no evidence to indicate that persons collecting monies on behalf of others were authorised to do so.

3. Bank statements are used to record transactions on the spreadsheet. The spreadsheet does not reflect the date on which cheques are issued. Consequently, the spreadsheet does not truly reflect the actual expenses for the accounting period.
Implication

- These issues suggest weaknesses in controls which may materially impact the operations of the Foundation. It may also create avenues for irregularities resulting in losses, misuse of resources and reduced credibility.

Recommendation

- All payments should be supported by relevant documents such as invoices, receipts, and claim forms. These documents should be properly filed.

- A cashbook should be maintained to record all relevant transactions as they occur.

- Bank reconciliation statements should be prepared monthly.

- Monies expended on projects at the GCF should be used for the purpose intended and monitored to ensure the efficient, effective and economical use of resources.

GENERAL FINDINGS

1. The signature of the landlord or his/her representative and their common seal was not seen on the copy of the agreement made available to audit.

2. An up-to-date lease agreement between the Grenada National Stadium Authority and the Grenada Cultural Foundation was not presented for audit. The agreement seen took effect from 1 May 2010 to hold the demise premises for a term of one year.

3. The GCF does not maintain adequate books of account in order to ascertain the true value of its assets, liabilities and equity at any given time.

Implication

- Inaccuracies and lack of authenticity as it pertains to accounting information presented for audit.

Recommendation

- A valid lease agreement should be in place.

- Adequate books of accounts should be maintained to ensure proper accountability.

- All transactions should be accounted for and be transparent.

- The Board should strengthen the internal controls necessary for operational efficiency.