

Audit Report

“Strengthening Supply-chain Activities
in the Eco-tourism industry
in Suriname”

Project No (TC#): SU-M1008

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Introduction

C. Kersten & Co N.V. (CKC), the founder of the Kersten Tourism Foundation (KTF), is in process of developing an eco-resort in the Berg en Dal region of Brokopondo, Suriname. The 4-star eco-resort will be established on approximately 400 hectares of land adjacent to the Suriname River and will comprise 60 lodges as well as restaurants, fitness facilities, a swimming pool, spa, marina and general reception and office spaces. The construction of the eco-resort represents an investment of approximately US\$ 7 million and will be in keeping with national and international environmental, health, safety and social standards. The government of Suriname has given an official commitment to the Berg & Dal project that expressly prohibits any extension of existing and issuance of new concessions in the area designated for the Berg & Dal eco-resort.

CKC is currently executing the largest private sector loan to Suriname (SU-L1005) for US\$ 7 million and US\$ 4 million (IIC). CKC is a 239 year old, diversified conglomerate consisting of a holding company and 11 subsidiaries with operations in several main sectors of the Surinamese economy, namely mining, infrastructure, building and construction, real estate, health care, automotives and hospitality.

The objective of this project is to support the eco-tourism industry by promoting skills training for employment in the hospitality sector as well as entrepreneurial and small business development. This project will enable newly trained persons to become employed and create linkages between micro and small enterprises that will contribute to reducing poverty in Brokopondo and other districts.

The main activities to be executed in this project are as follows:

1. Research study to develop supply chain model for the Berg & Dal eco-resort
2. Organization of community information awareness sessions on eco-tourism development
3. Organization of skills training courses for service workers for the Berg & Dal eco-resort
4. Entrepreneurial training and support for the establishment and development of micro and small enterprise in key supply chain areas.

With regard to IDB strategy and programming, this project supports two of the three main pillars of the Country Strategy for Suriname- namely, modernization of the private sector and integration of the Interior. The project is also consistent with the priority areas “Innovative Business Relationships” and “Skills Standards” as outlined in Annex 2 of the MIP Program of Delegation of Authority (MIF/GN-62-7).

1. Audit of the Project

1.1 Introduction

This report contains both the financial statements as prepared presented by the executing agency (Kersten Tourism Foundation) and the supporting consultant of IDB and the audit report regarding these financial statements as is required by the IDB guidelines AF300.

An overview of the project was given by the project manager and the draft financial statements were presented including the files both in hardcopy and digitally regarding the project.

1.2 Audit activities and results

The auditor performed the following activities:

- Review of the materials (financial statements, invoices, procurement documentation, project deliverables, bank account statements).
- Verification of existence of all project deliverables by means of evidence (reports of workshops, presentations, reports, purchase of ICT equipment).
- Verification of evidence regarding all project expenditure (revolving fund, direct payments and expenditure regarding local funds).
- Verification of all payments on the bank account of the project (IDB revolving fund in USD and local funds in SRD).
- Verification of procurement of goods and services.
- Review of internal control system within the implementing agency and in relation to the IDB procedures.
- Discussing and solving questions during the audit with the project coordinator.

The main findings during the audit are summarized as follows:

- The project is co financed by local funds and IDB funds (revolving funds and direct payments). For both the revolving fund and the local funds two separate bank accounts have been used that were both managed by the project coordinator.
- Most payments have been done via cheques; based on the payment terms in the signed contracts. Payments in the inland were done by cash by the project coordinator. For these payments no invoices are available however receipts were made which were signed by the receiver.
- The revolving funds were periodically replenished by the IDB following a disbursement request with justification materials and deliverables.
- The available audit evidence (contracts, invoices) was partly available in hardcopy files as in softcopy.
- Regarding procurement, all consultants' services have been purchased using competitive tendering (shortlist). Mostly a written approval of IDB (no objection) was received.
- Within the Kersten Tourism Foundation no procedures and internal control measures were in place regarding the implementation of this project. The project manager had to perform all tasks related to operations and finance and administration. The IDB closely monitored and in a way co-managed this project by means of IDB procedures.

1.3 Conclusions

The main conclusions are as follow:

- Audit evidence was traceable.
- All payments were adequately substantiated.
- Procurement of goods and services were done in compliance with IDB requirements.
- As mentioned before, on behalf of the implementing agency, the project manager was solely responsible for all activities regarding this project solely. Therefore this project lacked an adequate internal control system. However the risks were mitigated through tight IDB procedures (compensating controls) with regard to the revolving fund, procurement and direct payments. Furthermore all payments with regard to this project were authorized by the treasurer of Kersten Tourism Foundation.
- Auditor's opinions according to the IDB standards can be given without qualifications. In section 5.3 the management letter is issued with an advice on future project implementation.

2 Basic financial statements

2.1 Auditors opinion (model annex F)

To: Kersten Tourism Foundation

Program: "Strengthening Supply- chain Activities in the Eco- Tourism industry in Suriname"

We have audited the accompanying Statement of Cash Received and Disbursements Made and the Statement of Cumulative Investments for Program "Strengthening Supply- chain Activities in the Eco- Tourism industry in Surinam", executed by the Kersten Tourism Foundation, and financed with funds from the Inter-American Development Bank (IDB) Loan Contract No. ATN/ME-10564-SU and local counterpart funds from the Kersten Tourism Foundation as of August 23, 2010. This statement is the responsibility of the KTF for the program. Our responsibility is to express an opinion on the accompanying statement, based on our audits.

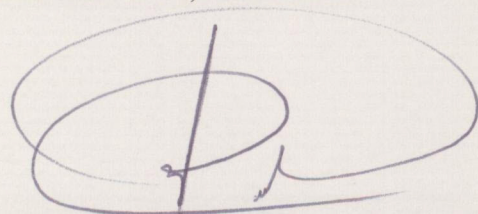
We conducted our audit in accordance with International Standards on Auditing, issued by the International Federation of Accountants (IFAC), and the Inter-American Development Bank's requirements, specifically the *Bank Policy on the Audit of Projects and Entities* (Document AF-100) and *Guidelines for the Preparation of Financial Statements and Independent Audit Requirements* (Document AF-300). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 our audit provide a reasonable basis for our opinion.

As described in Note AF300, the Statement of Cash Received and Disbursements Made and the Statement of Cumulative Investments were prepared using the cash basis of accounting, which is another comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash received and disbursements made and the cumulative investments for Program "Strengthening Supply-chain Activities in the Eco- Tourism industry in Surinam", as of August 24, 2007, through August 23, 2010, in accordance with the basis of accounting described in Note AF300 and the terms of IDB TC Contract No. ATN/ME-10564-SU.

Paramaribo, April 4, 2011

Lutchman & Co, Accountants



Drs. M.R.A. Lutchman RA

2.2 Financial statements and related notes (models annex A, B, C)

2.2.1 STATEMENT OF CASH RECEIVED AND DISBURSEMENTS MADE

Activity during the period August 24th, 2007 through August 23rd, 2010
(Expressed in US Dollars)

Activity during the period:

Cash Received	IDB approved USD	KTF USD	Total USD
Advance of Fund	24,975.00	-	24,975.00
Replenishments	74,875.00	-	74,875.00
Cash deposit	-	69,509.00	69,509.00
Total cash received	99,850.00	69,509.00	169,359.00

Cash disbursements made

	Disbursement requests	IDB USD	KTF USD	Total USD
Replenishment	2	18,557.66	-	18,557.66
Replenishment	3	14,916.47	-	14,916.47
Replenishment	4	10,651.87	-	10,651.87
Replenishment	5	21,131.20	-	21,131.20
Direct payment to Borrower	6	9,617.80	-	9,617.80
Justification	7	6,002.00	-	6,002.00
Justification	8	3,662.00	-	3,662.00
Justification	9	845.00	-	845.00
August	10	3,172.51	-	3,172.51
Cash expense			69,509.00	69,509.00
Total cash disbursed		88,556.50	69,509.00	158,065.50

Available Cash Balance

	USD
Available budget	11,809.32
Local contribution	491.00
To be financed	11,318.32
Available cash balance	11,293.00
Difference (bank costs)	24.82

STATEMENT OF CUMULATIVE INVESTMENTS FOR THE PERIOD 24th of August 2007 TO 23th of August 2010
“Strengthening Supply-chain Activities in the Eco-tourism industry in Surinam” (Expressed in US Dollars)

Investment Category	2007			2008			2009			2010			Cumulative		
	IDB USD	KTF USD	Total USD	IDB USD	KTF USD	Total USD	IDB USD	KTF USD	Total USD	IDB USD	KTF USD	Total USD	IDB USD	KTF USD	Total USD
1.1 Program Manager	-	-	-	7,700.00	-	7,700.00	11,000.00	2,200.00	13,200.00	1,300.00	-	1,300.00	20,000.00	2,200.00	22,200.00
1.2 Short term consultancy	-	6,000.00	6,000.00	4,163.84	1,216.05	5,379.89	4,800.00	-	4,800.00	10,171.40		10,171.40	19,135.24	7,216.05	26,351.29
1 Total Consultant services	-	6,000.00	6,000.00	11,683.84	1,216.05	13,079.89	15,800.00	2,200.00	18,000.00	11,471.40		11,471.40	39,135.24	9,416.05	48,551.29
2.1 Eco-tourism information Awareness	-	-	-	-	-	-	9,055.59		9,055.59	2,000.00		2,000.00	11,055.59	-	11,055.59
2.2 Skills training services	-	-	-	6,718.82	5,330.83	12,049.65	2,500.00		2,500.00	4,506.95		4,506.95	13,725.77	5,330.83	19,056.60
2.3 Micro entrepreneur training	-	-	-				19,418.95	236.72	19,655.67	5,346.13		5,346.13	24,765.08	236.72	25,001.80
2.4 Support for Micro enterprises	-	-	-				-	-	-	-		-	-	-	-
2.5 Transport and accommodation	-	-	-		35,260.74	35,260.74	-	12,260.14	12,260.14	-	142.75	142.75	-	47,663.63	47,663.63
2 Logistics and coordination	-	-	-	6,718.82	40,591.57	47,310.39	30,974.54	12,496.86	43,471.40	11,853.08	142.75	11,995.83	49,546.44	53,231.18	102,777.62
3 Resource material	-	440.70	440.70	-	851.91	851.91	-	256.08	256.08	-	-	-	-	1,548.69	1,548.69
4 Equipment	-	-		-	3,031.59	3,031.59	-	2,281.49	2,281.49	-	-	-	-	5,313.08	5,313.08
Grand total		6,440.70	6,440.70	18,582.66	45,691.12	64,273.78	46,774.54	17,234.43	64,008.97	23,324.48	142.75	23,467.23	88,681.68	69,509	158,190.68

2.2.2. NOTES TO THE FINANCIAL STATEMENT OF THE PROJECT

1. Cost and Financing

The cost of this Technical Cooperation amounts to USD 170,000 of which USD 100,000 is financed by the Bank and USD 70,000 is financed by the counterpart, which consists of:

- Consultancy services USD 9,416.05.
- Logistics and coordination USD 53,231.18.
- Resource material USD 1,548.69.
- Equipment USD 5,313.08.

The approved IDB portion consists of Consultant services USD 36,000, logistics and coordination USD 64,000.

The period of the Project execution was agreed for 20 months from the effective date of the agreement no. ATN/ME- 10564- SU after signing the contract.

2. Executing Agency and Structure

The Kersten Tourism Foundation is responsible for the project and the executing is headed by a program coordinator who is responsible for the execution and administration of the operation.

2.2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of presentation

The Statement of Cash Received and Disbursements Made has been prepared using the cash basis of accounting, recognizing revenue when cash is received and recognizing expenses when cash has been disbursed. This accounting policy is another comprehensive basis of accounting than generally accepted accounting principles, under which transactions should be recorded when they occur and not when they are paid.

2. Currency

The program's accounting records are maintained in both the Suriname dollar and the US dollar. Amounts received or disbursed in foreign currencies are translated into SRD at the rate of exchange in effect on the date of such receivable or disbursement. For the presentation of these statements all amounts stated in Suriname dollars have been translated into US dollars against the official exchange rate used by the Central Bank of Suriname (USD 1= SRD 2.71). All figures in this report are stated in US dollars.

3. Available Cash Balance

The available cash balance in the Program's bank accounts is USD 11,323.59 at 29th of October 2010. At the 19th of November 2010 a total amount of USD 11,384.84 was transferred to the IDB account.

Bank costs were financed by the interest earned for the account number.

4. Revolving Fund

According to the agreement No. ATN/ME-10564-SU a revolving fund up to an amount of USD 25,000 has been established, not exceeding an equivalent of 10% of the technical cooperation amount.

5. Local Counterparts Funds

The counterpart has committed to contribute a sum of USD 70,000. As of August 23rd of 2010 the counterpart has contributed a sum of USD 69,509, which equals 99.3% of the total committed amount. The payments of the Local counterpart have been checked by the audit at the Kersten Tourism Foundation.

6. Procurement of Goods and Services

Goods and services are being procured according to procedures prescribed or approved by the Inter American Development Bank.

8. Reconciliation between the Statement of Cash Received and Disbursements Made and the Statement of Cumulative Investments (Expressed in US Dollars)

	IDB USD	KTF USD	Total USD
Total cash received according to Statements of Cash Received and Disbursements Made	99,850.00	69,509.00	169,509.00
Less: Cash available at August 31, 2010	11,317.88	-	11,317.88
Cash used	88,532.12	69,509.00	158,191.12
Loss bank interest	(0.44)	-	(0.44)
Bank costs	150.00	-	150.00
Total investment according to Statement of Investment	88,681.68	69,509.00	158,190.68
Less:			
Payment in 2007	-	6,440.70	6,440.70
Payment in 2008	18,582.66	45,691.12	64,273.78
Payment in 2009	46,774.54	17,234.43	64,008.97
Payment in 2010	23,324.48	142.75	23,467.23
Investment paid out of cash received	88,681.68	69,509	158,190.68
Reconciliation difference	-	-	-

9. Reconciliation by Category of Investment of the Program's Records with the IDB records (Expressed in US Dollars)

IDB:LMS1 as of August 2010	Budget Approved LMS 1 IDB USD (1)	IDB Records Disbursed LMS 1 IDB USD (2)	Available Amount LMS 1 IDB USD (3)	Project Records IDB USD (4)	Difference IDB USD (2-4)
Category of Investment					
Project manager	20,000.00	20,000.00	-	20,000.00	-
Other short term consultancies	16,000.00	15,962.73	37.27	19,135.24	(3,172.51)
Consultant services	36,000.00	35,962.73	37.27	39,135.24	-
Eco tourism information	15,000.00	11,055.59	771.90	11,055.59	-
Awareness Skills training course	15,000.00	13,725.77	1,274.23	13,725.77	-
Micro entrepreneur training	9,000.00	24,765.08	234.92	24,765.08	-
Support for Micro enterprises	25,000.00	-	9,000.00	-	-
Transport and Accommodation	-	-		-	-
Logistics and coordination	64,000.00	49,546.44	11,281.05	49,546.44	-
Grand Total	100,000.00	85,509.17	11,318.32	88,681.68	(3,172.51)

The difference of USD 3,172 concerns the payment to consultancy support for this project.

3 Supplementary financial information

3.1 Auditors opinion (model Annex G)

To: Kersten Tourism Foundation

Program: "Strengthening Supply- chain Activities in the Eco- Tourism industry in Suriname"

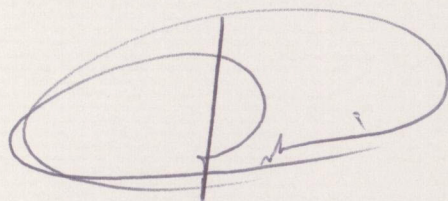
We have audited the Statement of Cash Received and Disbursements Made as of August 23, 2010 and the Statement of Cumulative Investments as of August 23, 2010, for Program (or Project) "Strengthening Supply- chain Activities in the Eco- Tourism industry in Suriname, entered into by the Republic of Suriname and the Inter-American Development Bank, executed by the Kersten Tourism Foundation, and have issued our report thereon dated August 23, 2010.

We conducted our audits 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 *Bank Policy on the Audit of Projects and Entities* (Document AF-100) and *Guidelines for the Preparation of Financial Statements and Independent Audit Requirements* (Document AF-300). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

We conducted our audit for the purpose of expressing an opinion on the Statement of Cash Received and Disbursements Made and the Statement of Cumulative Investments of Program Support for the Public Sector Investment System taken as a whole. The accompanying supplementary financial information is presented for the purpose of additional analysis and should not be considered necessary to the presentation of the basic financial statements. This information has been subjected to the audit procedures applied to the basic financial statements and, in our opinion, is fairly presented, in all material respects, when taken as a whole with the basic financial statements.

Paramaribo, April 4, 2011

Lutchman & Co, Accountants



Drs. M.R.A. Lutchman RA

3.2 Supplementary financial information

3.2.1 BUDGET VERSUS ACTUAL

A comparison between the revised budget and the actual costs of investments, of “Strengthening Supply-chain Activities in the Eco-tourism industry in Surinam”, for the period 24th of August 2007 through 23rd of August 2010 reads as follows:

Budget versus actual (Expressed in US Dollars)

Investment category	Budget			Cumulative Investments			Available budget		
	IDB	KTF	Total	IDB	KTF	Total	IDB	KTF	Total
Project manager	20,000.00	-	20,000.00	20,000.00	2,200.00	22,200.00	-	(2,200.00)	(2,200.00)
Other short term consultancies	16,000.00	8,000.00	24,000.00	19,135.24	7,216.05	26,351.29	(3,135.24)	783.95	(2,351.29)
Consultancy services	36,000.00	8,000.00	44,000.00	39,135.24	9,416.05	48,551.29	(3,135.24)	(1,416.05)	(4,551.29)
Eco tourism Information Awareness	15,000.00	-	15,000.00	11,055.59	-	11,055.59	3,944.41	-	3,944.41
Skills training course	15,000.00	5,000.00	20,000.00	13,725.77	5,330.83	19,056.60	1,274.23	(330.83)	943.40
Micro Entrepreneur Training	9,000.00	4,000.00	13,000.00	24,765.08	236.72	25,001.80	(15,765.08)	3,763.28	(12,001.80)
Support for Micro Enterprises	25,000.00	-	25,000.00	-	-	-	25,000.00	-	25,000
Transport and accommodation	-	35,000.00	35,000.00	-	47,663.63	47,663.63	-	(12,663.63)	(12,663.63)
Logistics and coordination	64,000.00	44,000.00	108,000.00	49,546.44	53,231.18	102,777.62	14,453.56	(9,231.18)	5,222.38
Resource material	-	10,000.00	10,000.00	-	1,548.69	1,548.69	-	8,451.31	8,451.31
Equipment	-	5,000.00	5,000.00	-	5,313.68	5,313.08	-	(313.08)	(313.08)
Audit	-	1,000.00	1,000.00	-	-	-	-	1,000.00	1,000.00
Evaluation	-	2,000.00	2,000.00	-	-	-	-	2,000.00	2,000.00
Grand Total	100,000.00	70,000	170,000.00	88,681.68	69,509.60	158,190.68	11,318.32	491.00	11,809.32

The following explanation goes together with previous table for the categories of investments which need to be explained:

- Project manager. A manager was hired to manage the disbursements and the investments of this project.
- Other short term consultancies. Payment to consultants working in the Ex-post Evaluation of IADB Kersten Foundation, and consultancy service of Personnel Assessment of Neighbouring Communities of Berg & Dal.
- Eco Tourism Information Awareness. Training given in Brokopondo, preparation of the hall for the training and other consumption and transportation costs for the training.
- Skills Training Course. Concern the costs for Horeca Assistant Training at Berg & Dal, inclusive hiring kitchen and halls for training.
- Micro Entrepreneur Training. Concern the costs in the training the identification Small Entrepreneurs at District Brokopondo.

3.2.2. RECONCILIATION OF REVOLVING FUND (Expressed in US Dollars)

Bank balances	11,317.88
Funds already used and justification	13,682.12
Revolving fund	25,000.00
Balance of the Revolving Fund a per LMS-1	<u>24,975.00</u>
Difference; bank costs	<u>25.00</u>

3.2.3 DISBURSEMENTS MADE DURING 2007-2010, (Expressed in US Dollars)

Date	Description	Disbursement no.	Requested	Approved	Difference
March 5, 2008	Revolving Fund	1	25,000.00	25,000.00	-
August 18, 2008	Replenishment RF	2	20,697.52	18,582.66	2,114.86
February 18, 2009	Replenishment RF	3	14,941.47	14,941.47	-
March 28, 2009	Replenishment F	4	10,676.87	10,676.87	-
October 13, 2009	Replenishment	5	21,156.20	21,156.20	-
December 17, 2009	Reimbursement	6	9,642.80	9,642.80	-
December 17, 2009	Justification RF	7	6,002.22	6,002.22	-
April 14, 2010	Justification RF	8	3,661.95	3,661.95	-
May 20, 2010	Justification RF	9	845.00	845.00	-
August 28, 2010	Justification RF	10	3,172.51	3,173	-
Total			<u>115,796.54</u>	<u>113,681.68</u>	<u>2,114.86</u>

Notes:

- Disbursements request no.1. A revolving fund equivalent to USD 25,000 was established and disbursed.
- Disbursement requests no. 2. This request includes a payment to the program manager of USD 7,700, other short term Consultancies of. M. Wittenberg, T. Jacobs, G. Schuitemaker of USD 4,163.84. Further payments were done for the Tourism Info Awareness of USD 2,114.86 and for the Skills Training services of USD 6,718.82.
- Disbursement requests no. 3. The request was done for the payment to the project manager of USD 5,500; short term consultancy to Connexxion of USD 2,000; micro Entrepreneurs Training of USD 2,827; Skills Training Courses of USD 2,500. The Bank has rejected an amount of USD 2,114.86 because the payment was already covered with disbursement requests no 2.

- Disbursement requests no. 4. This request relates to a payment to the program manager of USD 5,500; Short Term Consultancy to M. Pool of USD 2,800; Eco-Tourism Information Awareness of USD 2,376.87.
- Disbursement requests no. 5. This request was sent to the bank to fulfill the following payments; Eco-Tourism Info Awareness of USD 4,563.86; Micro Entrepreneur Training of USD 16,592.34.
- Disbursement requests no. 6. Reimbursement for the Program manager of USD 1,300.00; Short Term consultancies to I.R. Norton-Uden of USD 1,798.89 and M. Pool of USD 5,200; Eco-Tourism Info Awareness of USD 1,343.91 to the program manager.
- Disbursements requests no. 7. Justification of the revolving fund for Eco-Tourism Awareness, fee Program manager of USD 656.09; Micro Entrepreneur Training for the Back Lot of USD 5,346.13.
- Disbursements requests no. 8. Justification of the revolving fund for the Micro Entrepreneur Training of USD 3,661.95 including a payment of USD 1,781 for the Back Lot.
- Disbursements requests no. 9. Justification of the revolving fund for the Skills Training Course of USD 845.00 to “De Rode Kruis”.
- Disbursements request no. 10. Justification of the revolving fund for Other Short Term Consultancy for consultancy support of USD 3,172.51.

3.2.4 ASSETS FINANCED WITH PROJECT FUNDS

The assets for this project were financed by the counterpart Kersten Tourism Foundation. No assets were purchased with the project funds.

4 Compliance with contractual clauses (model annex I)

4.1 Contents of financial and accounting contractual clauses and status of compliance

The most important contractual clauses from a financial and accounting point of view are mentioned below.

Contractual clauses	Compliance
Procurement of works and goods shall be done in accordance with the IDB Procurement Policies (clauses 9 and 10)	Yes
The executing agency will send quarterly progress reports documenting project progress (clause 13)	Yes
The project is implemented according the revolving fund procedure (general conditions art. 3-5)	Yes
The executing agency maintains an appropriate system of internal accounting and administrative controls (general conditions art.12)	Partial *
The deliverables that the project should produce according to the project description that is part of the contract	Yes

*An internal control system for the implementation of projects was not in place within the context of the implementing agency; however all audit evidence was present.

4.2 Auditors opinion compliance with contractual clauses

To: Kersten Tourism Foundation

Program: "Strengthening Supply- chain Activities in the Eco- Tourism industry in Suriname"

We have audited the Statement of Cash Received and Disbursements Made as of August 23, 2010 and the Statement of Cumulative Investments, for Program (or Project) "Strengthening Supply- chain Activities in the Eco- Tourism industry in Suriname", entered into the Republic of Suriname and the Inter-American Development Bank, executed by the Kersten Tourism Foundation and have issued our report thereon dated August 23, 2010.


In relation to our audit, we determined compliance with the financial and accounting contractual clauses and articles within the Special Conditions and General Conditions of TC Contract No. ATN/ME-10564-SU, and compliance with the applicable provisions of the Program's Operation's Regulations, as of August 23, 2010.

We have 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 Kersten Tourism Foundation has complied with the provisions contained in the Program's Operation's 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, except for clause 13 in the agreement and article 12 in the general conditions as indicated in chapter 4.1 on compliance with financial and accounting Program values, we were not aware of any instances or acts of noncompliance that occurred or any violations on the part of the Executing Agency with respect to such financial and accounting clauses and provisions.

Paramaribo, April 4, 2011

Lutchman & Co, Accountants



Drs. M.R.A. Lutchman RA

4.3 Independent audit opinion on procurement and disbursement requests (model annex J)

To: Kersten Tourism Foundation

Program: "Strengthening Supply- chain Activities in the Eco- Tourism industry in Suriname"

We have audited the Statement of Cash Received and Disbursements Made and the Statement of Cumulative Investments as of August 23, 2010 for Program (or Project) "Strengthening Supply- chain Activities in the Eco-Tourism industry in Suriname", entered into by the Republic of Suriname and the Inter-American Development Bank, executed by the Kersten Tourism Foundation, and have issued our report thereon dated August 23, 2010. In relation to our audit, we examined the disbursement requests and the processes to procure and contract goods, works and consulting services, performed by The Kersten Tourism Foundation as of August 23, 2010. Our audit included verifying the reasonableness of such and the validity and eligibility of the expenditures submitted by means of the disbursement justifications for that period.

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 *Bank Policy on the Audit of Projects and Entities* (Document AF-100) and *Guidelines for the Preparation of Financial Statements and Independent Audit Requirements* (Document AF-300). 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 TC Contract No. ATN/ME – 10564-SU. 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 a part of the Statement of Cash Received and Disbursements Made and the Statement of Cumulative Investments 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 represented valid and eligible expenses to the Program.

Paramaribo, April 4, 2011

Lutchman & Co, Accountants



Drs. M.R.A. Lutchman RA

4.4 Findings and recommendations regarding procurement and disbursement requests (Expressed in US Dollars)

The main findings are set in the table as shown below.

Consultant(s)/ firms	Regarding	Procurement method	IDB USD	KTF USD	Total USD
H.P. Verwey-Deleij	Program Manager	Shortlist	20,000.00	2,200.00	22,200.00
C. Handigman	Flower Arrangement Training	Shortlist	2,000.00	-	2,000.00
I.Smith-Adams	Crafts Trainer	Shortlist	14,000.00	-	14,000.00
M.Wittenberg	Horeca Assistant	Shortlist	2,273.00	-	2,273.00
G.Schuitmaker-Vliet	Horeca Assistant	Shortlist	589.00	-	589.00
M.Jacobs	Horeca Assistant	Shortlist	1,302.00	-	1,302.00
Connexion Academy	Busdrivers Training	Single source	4,500.00	5,330.83	9,830.83
M.Pool (SEAS)	Workshop Awareness, Evaluation report	Shortlist	5,200.00	-	5,200.00
I.Nortan-Uden	Housekeeping Training Course	Shortlist	1,800.00	-	1,800.00
Surinam Red Cross	First Aid Training	Single Course	845.00	22.86	867.86
The Back Lot	Documentary	Single Course	7,128.00	-	7,128.00
Hotel & Tourism training centre	Horeca Assistant	Shortlist	2,680.07	-	2,680.07
M.Pool (SEAS)	1,000 Kersten Evironment Kwartet	Shortlist	1,734.32	-	1,734.32
M.Pool (SEAS)	1,000 books “Brokopondo schoon”	Shortlist	1,918.82	-	1,918.82
N.Brijobhokun-Bajnath	Financial Management Support	Based on the consultants qualifications	3,172.51	-	3,172.51
			69,142.72	7,553.69	76,696.41

With regard to the procurement process, we noted that for all goods and services that were purchased competitive tendering was used. No objection was given by the Inter-American Development Bank.

5 Internal control reports (model annex H)

5.1 Status of internal control system

Within the executing agency, no internal control system was in place regarding the implementation of this particular project. Notwithstanding the lack of an internal control system, the audit did not reveal any violation of the reliability and/or integrity (errors and irregularities) of the accounting records. Since the Bank's involvement and closely monitoring this project (all disbursement requests have been reviewed by the Bank) these procedures functioned as compensating controls.

The auditor examined all supporting documents, procurement procedures, disbursement requests and Bank payments given the lack of internal control (100% audit).

5.2 Auditors opinion internal control system

To: Kersten Tourism Foundation

Program: "Strengthening Supply- chain Activities in the Eco- Tourism industry in Suriname"

We have audited the Statement of Cash Received and Disbursements Made and the Statement of Cumulative Investments as of August 23, 2010, for Program (or Project) Strengthening Supply- chain Activities in the Eco- Tourism industry in Suriname, entered into by the Republic of Suriname and the Inter- American Development Bank, executed by the Kersten Tourism Foundation, and have issued our report thereon dated August 23, 2010.

We conducted our audits 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 *Bank Policy on the Audit of Projects and Entities* (Document AF-100) and *Guidelines for the Preparation of Financial Statements and Independent Audit Requirements* (Document Af-300). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Program's financial statements are free of material misstatements.

The management of the Kersten Tourism Foundation of Program "Strengthening Supply- chain Activities in the Eco- Tourism industry in Suriname" is responsible for establishing and maintaining a system of internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal system policies and procedures. The objectives of a system of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition; transactions are executed in accordance with management's authorization and in accordance with the terms of the contract; and transactions are recorded properly to permit the preparation of the Statement of Cash Received and Disbursements Made and the Statement of Cumulative Investments, in conformity with the basis of accounting described in Note AF300 to the 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 as of 23th of August 2010, we obtained an understanding of the system of internal control. With respect to the system of internal control, we obtained an understanding of the design of 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 our opinion on the project's financial statements and not to provide an opinion on the system of internal control. Accordingly, we do not express such an opinion.

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 Program “Strengthening Supply- chain Activities in the Eco- Tourism industry in Suriname” to record, process, summarize, and report financial data consistent with the assertions of management in the Statement of Cash Received and Disbursements Made and the Statement of Cumulative Investments.

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 errors or irregularities in amounts that would be material in relation to the project’s financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

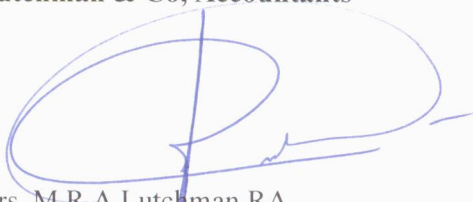
Our consideration of the system of internal control would not necessarily disclose all matters in the system of internal control that might be reportable conditions, and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

We noted the following reportable condition:

As described in paragraph 1.2 Audit activities and results the project lacked an adequate internal control system as there was no segregation of duties within the project execution unit. We also refer to paragraph 5.3 Management letter in this respect.

Paramaribo, April 4, 2011

Lutchman & Co, Accountants



Drs. M.R.A.Lutchman RA

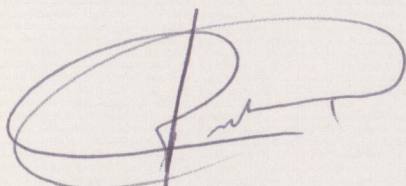
5.3 Management letter

Given the findings of this audit, the following recommendations for future project implementation are given:

- An assistant could be assigned to the project for the purpose of setting up and keeping a systematic filing system and evidence on deliverables (including participation certificates of training programs and lists of people attending workshops with signatures).
- It is recommended that a system, of internal control measures for project implementation, is created within the Kersten Tourism Foundation. An independent unit processing invoices, doing payments and maintaining financial records of projects (creating segregation of duties between project management and managing financial flows) will be a first step, together with a project implementation manual documenting procedures and internal control measures regarding implementation of projects (to be financed from own budgets or external donors).

Paramaribo, April 4, 2011

Lutchman & Co, Accountants



Drs. M.R.A. Lutchman RA