

**MINISTRY OF AGRICULTURE, ANIMAL HUSBANDRY AND FISHERIES
(LVV)
"AGRICULTURAL COMPETITIVENESS PROJECT SURINAME"
IDB Agreement LOAN NO: 4097/OC-SU – L1020**

**MANAGEMENT LETTER REGARDING THE AUDIT FOR
THE YEAR ENDED DECEMBER 31, 2021**

Ministry of Agriculture, Animal Husbandry and Fisheries (LVV)
Agricultural Competitiveness Project Suriname-IDB loan no.: 4097/OC-SU – L1020

MANAGEMENT LETTER POINTS FOR THE YEAR ENDED DECEMBER 31, 2021

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To the Ministry of Agriculture, Animal Husbandry and Fisheries (LVV)
Agricultural Competitiveness Project Suriname
Letitia Vriesdelaan 8-10
Paramaribo

March 11, 2022

AUD/R2022.027

Management letter for the year-ended December 31, 2021

Dear Sir/Madam,

In connection with our audit of the financial statements of the Agricultural Competitiveness Project Suriname for the year ended December 31, 2021, we have made an evaluation of the Program's system of internal control and instances of non-compliance with the terms of the financial agreement(s) and to the extent that we considered necessary, in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

The accompanying observations and recommendations during the year-end audit per December 31, 2021, primarily concern those aspects of the administrative and operational systems and procedures, which are relevant to the audit of the financial statements.

The observations and recommendations are limited to those aspects for which improvements can be possibly realized. It is not our intention to discuss the existing positive aspects of the Project. These are intended solely for the information and use of the Ministry of Agriculture, Animal Husbandry and Fisheries (LVV), Agricultural Competitiveness Project Suriname and the Inter-American Development Bank and should not be used for other purposes.

Finally, we wish to take this opportunity to thank you and your employees for the cooperation we have received during the review and the formulation of these recommendations.

Should you have any questions regarding this management letter, please do not hesitate to contact us.

Sincerely yours,
Tjong A Hung Accountants N.V.



M.S.A. Tjong A Hung CA MSc RA
Partner

Ministry of Agriculture, Animal Husbandry and Fisheries (LVV)
Agricultural Competitiveness Project Suriname-IDB loan no.: 4097/OC-SU – L1020

SUMMARY OF OUTSTANDING RECOMMENDATIONS AND LEGEND OF PRIORITY LEVEL

In the chart below is a summary of the number of outstanding recommendations by December 31, 2021. The recommendations are broken down by priority.

	High	Medium	Low	Total
Recommendations previous period	11	1	1	13
Changes in priority level during interim 2021	-3	2	1	-
Recommendations resolved during interim 2021	-4	-1	-1	-6
	<u>4</u>	<u>2</u>	<u>1</u>	<u>7</u>
Recommendations interim 2021	4	2	1	7
Changes in priority level during YE	-1	1	-	-
Recommendations resolved during YE 2021	-1	-2	-1	-4
	<u>2</u>	<u>1</u>	<u>-</u>	<u>3</u>
Recommendations current period	-	-	-	-
Total recommendations by December 31, 2021	<u>2</u>	<u>1</u>	<u>-</u>	<u>3</u>

LEGEND OF PRIORITY LEVEL

The recommendations have also been classified by priority, using the following classification:

- 'High'** Significant points of attention with a high risk and potentially high impact on reporting, compliance and/or operational performance.
- 'Medium'** Significant points of attention with a medium risk and potentially medium impact on reporting, compliance and/or operational performance.
- 'Low'** Points of attention with a low risk and a potentially low impact on reporting, compliance and/or operational performance.

The classification of priority is based on our audit findings and is meant as an indication, based on our professional judgment for the ranking to implement our recommendations. The final classification of priority is however a responsibility of management.

Ministry of Agriculture, Animal Husbandry and Fisheries (LWV)
Agricultural Competitiveness Project Suriname-IDB loan no.: 4097/OC-SU – L1020

MANAGEMENT LETTER POINTS PRIOR PERIOD

1.	CONFLICT OF INTEREST	AUDITOR'S REMARKS AT DECEMBER 31, 2021	CLIENT'S REMARKS AT DECEMBER 31, 2021
Priority level:	Observation previous years	Recommendation	
Low	<p>Based on the findings of the earlier audits we noted that no internal control actions were taken within the procurement process to mitigate the risk of conflict of interest. So, the internal control department of the Ministry of Agriculture, Husbandry and Fisheries (MAHF) than refused to conduct any audits regarding the IDB Project and was not involved in the procurement process. For our samples for the testing of the procurement method goods and services we noted that no Chamber of Commerce extracts were requested for the bidders as recommended.</p> <p>Given the facts that the PEU does not take account to the recommendations there is a possibility of the risk of conflict of interest within the quotation process.</p>	<p>We recommend mitigating this risk within the quotation process of procurement by considering an internal control to identify the ultimate beneficial owner and management based for example on a Chamber of Commerce extract for those firms who are considered requested quotations.</p> <p>Firms in which employees of Ministry of LVV or persons within the PEU have a certain amount of interest in, should be reported to the IDB.</p> <p>Furthermore, we recommend that the Internal Control department as mentioned in the POM be involved in the procurement processes and on a periodic basis perform audits within the SU-L1020 program.</p>	No further comments.
Risk		Follow-up interim 2021	
		<p>During the interim audit we noted that the PEU has established an internal procurement management system where criteria for the evaluation and selection of bids is set out. Based on the threshold of the value of the contract at least three specialists in the sector, including representatives from LVV and other organizations, are required to do the evaluation of bids. Furthermore, we noted that in all bidding documents to firms a request for an extract from the Chamber of Commerce is included and received accordingly accompanied with other bid documents.</p> <p>Additionally, a change in the revised POM was made where the involvement of the internal audit department of LVV is not mandatory.</p>	

1.	CONFLICT OF INTEREST (CONTINUED)	AUDITOR'S REMARKS AT DECEMBER 31, 2021	CLIENT'S REMARKS AT DECEMBER 31, 2021
<p>Priority level: Low</p>		<p>Follow-up interim 2021 (continued)</p> <p>Given that there is improvement made in the internal procurement management system and there are controls in place to mitigate the risk of conflict of interest, we adjust the priority level of this issue to low.</p> <p>During the year end audit, we will do an assessment regarding the effectiveness of the implemented controls for the procurement process and based on the overall findings.</p> <p>Follow-up 2021</p> <p>During the year-end audit we noted no irregularities regarding the issue. As a result, this issue has been resolved.</p>	

2.	ALLOCATION OF SERVICE VEHICLES	AUDITOR'S REMARKS AT DECEMBER 31, 2021	CLIENT'S REMARKS AT DECEMBER 31, 2021
<p>Priority Level: High</p>	<p>Observation audit 2019</p> <p>During the audit in 2019 we noted the following:</p> <ul style="list-style-type: none"> - LWV received a non-objection for the re-allocation of the vehicle from the Media Unit to the Permanent Secretary. This non-objection is provided under the condition that another vehicle is made available for the Media Unit. - On October 15, 2019 the second tranche of 3 vehicles (1 pick-up and 2 SUV's) have been delivered by Fernandes Auto Handel N.V. - Only 1 of these 3 vehicles has been assigned to one of the designated project units (Open Fields). - The 2 other vehicles (Pickup and SUV) which were originally purchased for the Rice and Citrus Unit, are assigned to the Minor Fruits- OD LOAV unit and the Permanent Secretary. Furthermore, we have not observed nor received any non-objection from the IDB for the re-allocation of these vehicles from the PEU. <p>Risk</p> <p>Not properly documenting the destination of purchased transportation for the project, may lead to improper use outside the purposes of the project. The unjustified allocation of these goods to a purpose other than that, for which it was purchased, increases the risk of not receiving financing for future purchases for the benefit of the project. This jeopardizes the course and ultimately the continuity of the project (General conditions article: 6.01-A and 6.05).</p>	<p>Recommendation</p> <p>We recommend mitigating this risk within the process of procurement by properly documenting the allocation of service vehicles purchased for the project and to also take in account the articles 6.05 Use of Goods and 6.01 Financial management systems and Internal Control of the Loan contract.</p> <p>Furthermore, we recommend preparing a maintenance plan for the vehicles purchased.</p> <p>Follow-up 2020</p> <p>During the audit 2020 we noted that the Internal Control department of the Ministry of Agriculture, Animal Husbandry and Fisheries was ordered to conduct onsite inspections on the existence of the fixed assets which have been purchased with the funds of the SU-L1020 IDB Project.</p> <p>Based on the findings of the Internal Control department we decided to conduct a physical inventory on the fixed assets during the audit 2020.</p> <p>On February 25, 2021, we have conducted the physical inventory on the fixed assets. Based on the revised fixed asset list we have made a sample of 75 items which can be further subdivided into 8 vehicles and 67 other fixed assets.</p>	<p>No further comments.</p>

2.	ALLOCATION OF SERVICE VEHICLES (CONTINUED)	AUDITOR'S REMARKS AT DECEMBER 31, 2021	CLIENT'S REMARKS AT DECEMBER 31, 2021
<p>Priority level: High</p>		<p>Follow-up 2020 (continued)</p> <p>Regarding the service vehicles we noted the following:</p> <p>1. Reg# SU-L1020-0174 Volkswagen Amarok Comfortline D-2487 is located at the garage of the Permanent secretary. This vehicle was initially purchased for the field activities of the Modern Media Unit, but the IDB has granted a no-objection on July 2019 for the re-allocation of this service vehicle to the PS. During the physical inventory we noted that the vehicle now has a private license plate (51-19 JV) instead of a government license plate. On our question why the licensed plate is changed we did not receive any response from the former Interim PM and the secretary of the Management of the Ministry. We have also been unable to determine the purposes for which the vehicle is being used.</p> <p>2. Reg# SU-L1020-0430 Volkswagen Transporter D-2489 was initially purchased for the activities of the Citrus Innovation Project, but due to the re-allocation of the vehicle intended for the Media unit to the PS, the vehicle that was purchased for the Citrus project was given to the modern media unit which is under management of the PS. We did not note any request for re-allocation and no-objections granted by the bank regarding this specific re-allocation. During our physical inventory the asset was not in the garage due to fieldwork activities. At our 2nd inspection the vehicle has once again fieldwork activities. The deputy director of Agriculture Mr. Jason Bakker has confirmed the existence of the vehicle through email on March 1, 2021. Based on the above, we have not been able to assess the existence and the lawful use of the vehicle.</p>	

2.	ALLOCATION OF SERVICE VEHICLES (CONTINUED)	AUDITOR'S REMARKS AT DECEMBER 31, 2021	CLIENT'S REMARKS AT DECEMBER 31, 2021
<p>Priority level: High</p>		<p>Follow-up 2020 (continued)</p> <p>3. Reg # SU-L1020-0429 Volkswagen Amarok D-2491 was initially purchased for the Rice Innovation Project, ADRON, but is now used by the Minor Fruits Innovation Project and is under supervision of the department ODLAOV. We did not note any request for re-allocation and no-objections granted by the bank regarding this specific re-allocation. Based on the above, we have not been able to assess if the lawful use of the vehicle is according to the objectives of the loan.</p> <p>Regarding the condition of the vehicles, we can state that all vehicles that we have seen during the physical inventory are in good condition.</p> <p>Based on the abovementioned findings, this issue is not resolved.</p> <p>Follow-up interim 2021</p> <p>During the interim audit we noted that the PEU held physical testing and reported the findings to the PS. We compared our findings of the physical testing in 2020 with the physical testing of the PEU. Based on the findings of the PEU we can conclude that the issues regarding the fixed assets vehicles with fixed assets registration number SU-L1020-0429 and SU-L1020-0430 are not settled. We did not receive any non-objections for the re-allocation of the use of the vehicles by the IDB. Therefore, this issue is not resolved.</p> <p>Follow-up 2021</p> <p>During the Year-end we noted no change regarding this issue. We did not receive any non-objections for the reallocation of the use of the vehicles by the IDB. The issue has been discussed by the PEU with the PS and is on the agenda for discussion in the coming period. Therefore, this issue has not been resolved.</p>	

9. ALLOCATION OF OTHER FIXED ASSETS	AUDITOR'S REMARKS AT DECEMBER 31, 2021	CLIENT'S REMARKS AT DECEMBER 31, 2021
<p>Priority level: Medium</p> <p>Observation audit 2019</p> <p>During our testing of the allocation of the fixed assets we noted that the equipment and supplies are not managed and used by the institutions for which they are initially purchased. For these reallocations, the Ministry did not receive Non-objections from the IDB. On further inspection of the fixed assets procedure, we noted the following:</p> <ul style="list-style-type: none"> - Equipment and supplies, such as stainless-steel boning hooks and knives, which are purchased for "Vis Keurings Instituut" (VKI) (procurement ID 1.3.6.8. Provisions of equipment & supplies for LVV, VKI, Inspection), are under supervision of the Units ODVEE and Food Safety. - Equipment and supplies for the upgrade of the GC/MS and HPLC system (procurement ID 1.3.7.9 Provisions of equipment & supplies for residue laboratory), which are purchased for the Residue Laboratory, are under supervision of the VKI unit. - Three (3) PC Lenovo Think Centre M&10s, which are purchased for the Residue Laboratory, are temporary under supervision of the VKI unit. <p>Risk</p> <p>Not properly documenting the destination of purchased fixed assets: equipment and supplies for the project, may lead to improper use outside the purposes of the project. The unjustified allocation of these goods to a purpose other than that, for which it was purchased, increases the risk of not receiving financing for future purchases for the benefit of the project. This jeopardizes the course and ultimately the continuity of the project.</p>	<p>Recommendation</p> <p>We recommend mitigating this risk within the process of procurement by properly documenting the allocation of the fixed assets purchased for the project and to also take in account the articles 6.05 Use of Goods and 6.01 Financial management systems and Internal Control of the Loan contract.</p> <p>Follow-up 2020</p> <p>Based on the former findings of the Internal Control department we decided to conduct a physical inventory on the fixed assets during the audit 2020. On February 25, 2021 we have conducted the physical inventory on the fixed assets. Based on the revised fixed asset list we have made a sample of 75 items which can be further subdivided into 8 vehicles and 67 other fixed assets.</p> <p>From the 67 items concerning the other fixed assets we have selected in our sample; we have observed 51 (76,1%) items during our physical inventory. The other 16 (23,9%) items we did not observe during the inventory. See below a summarized overview of the fixed assets we did not find during the inventory.</p> <ul style="list-style-type: none"> • Reg# SU-L1020-0199 Canon Camera with a purchase price of US\$ 1,582. The employees of the media unit are not familiar with this item and did not know where it is. 	<p>No further comments.</p>

3.	ALLOCATION OF OTHER FIXED ASSETS (CONTINUED)	AUDITOR'S REMARKS AT DECEMBER 31, 2021	CLIENT'S REMARKS AT DECEMBER 31, 2021
<p>Priority level: Medium</p>		<p>Follow-up 2020 (continued)</p> <ul style="list-style-type: none"> Several laptops and PCs with Reg# SU-L1020-0274, SU-L1020-0448, SU-L1020-0273, SU-L1020-0278, SU-L1020-0473 with a total purchase price of US\$ 5,748. The employees of the media unit are not familiar with these items and cannot indicate where these items are. During the physical inventory we noted some laptops and PC's but given that the descriptions in the fixed assets list did not match, the items do not have registration numbers, and the employees were not familiar with the items purchased from the IDB funds, we could not determine with any certainty that these were the items listed in the fixed asset list of the SU-L1020 program. Reg# SU-L1020-0468 Laser Printer with a purchase price of US\$ 552. The employees of the media unit were not familiar with this item and did not know where it was. Reg # SU-L1020-0443 York 18,000 BTU split unit Air conditioner with a purchase price of US\$ 800. The office of Mr. Ford was locked, and the employees did not have a key. <p>PEU-Office Reg# SU-L1020-0070 HP Envy 15.6.3" touchscreen laptop with a purchased price of US\$ 998. The former interim manager of the PEU has indicated that this laptop has been transferred to Ms. R. Polar-Nidda and is not part of the PEU. However, we have not noticed any transfer documents regarding this laptop.</p>	

3.	ALLOCATION OF OTHER FIXED ASSETS (CONTINUED)	AUDITOR'S REMARKS AT DECEMBER 31, 2021	CLIENT'S REMARKS AT DECEMBER 31, 2021
<p>Priority level: Medium</p>		<p>PEU-Office (continued)</p> <p>Furthermore, we noted that items such as Urine containers (SU-L1020-0382), stainless steel stacking knives (SU-L1020-0383), thermometer for oven and meat (SU-L1020-0396 and SU-L1020-0397), which are purchased in 2019 for the meat inspection training of the Animal Husbandry department with a value of US\$ 7,155 are not used until the day of our physical inventory.</p> <p>Regarding the condition of the other fixed assets we have observed, we can state that item SU-L1020-0066 HP Envy touch screen laptop and SU-L1020-0335 Brush cutter are broken. The other items are in good condition.</p> <p>The second part of our physical inventory involves testing the lawful use and management of the fixed assets by various departments. For this purpose, using the original procurement documents, we ascertained for what purpose the fixed assets had initially been purchased and if the use by such department could be considered legitimate.</p> <p>The review of the lawful use has not taken place effectively and efficiently, given that the PEU does not have all relevant procurement documents regarding our sample. From our sample of 67 items, we could only verify that the lawful use of 26 (31,3%) items was correct, meaning that we have been unable to verify the lawful use of 46 (68,7%) items.</p> <p>Based on the above-mentioned findings, we were unable to express a conclusion regarding the existence and the lawful use of the other fixed assets.</p> <p>Therefore, this issue is not resolved.</p>	

3.	ALLOCATION OF OTHER FIXED ASSETS (CONTINUED)	AUDITOR'S REMARKS AT DECEMBER 31, 2021	CLIENT'S REMARKS AT DECEMBER 31, 2021
<p>Priority level: Medium</p>		<p>Follow-up interim 2021</p> <p>During the testing of our sample for the interim audit 2021, we noted that all documents regarding the sample are in place and that the lawful use and allocation of the assets by the departments are according to the initial purpose of the of the assets.</p> <p>Following the findings of the physical inspection carried out by TAH in 2020, the IICA carried out an integral physical inventory of the fixed assets which were purchased by the PEU. After evaluating the report regarding the integral inventory carried out by the PEU, based on the inventory approach we can conclude that we can rely on the report and therefore we will not perform a physical inspection in 2021.</p> <p>During the physical inventory, which was carried out in 2020, we did not observe 16 of the 67 items concerning the other fixed assets. Out of 16 items which we did not observe during the physical inspection, the PEU observed 14 items of which 3 items (PPE) are fully supplied and 1 item (brush cutter) is damaged. Given the fact that during the integral inventory, the PEU did manage to locate 14 of the 16 items therefore, we decided to lower the risk from high to medium. See below a summary of the fixed assets which were not found by both TAH and PEU during the inventory:</p> <ul style="list-style-type: none"> • Reg # SU L1020-0263 Canon EOS 80D DSLR CAMERA Bundle with the purchase price of \$ 1,582. • Reg # SU L1020-0173 HP Pavilion Laptop with the purchase price of \$ 904. <p>Based on the abovementioned findings this issue is not yet resolved.</p> <p>Follow-up YE 2021</p> <p>During the year-end audit 2021, we noted no change regarding this issue. We have not been able to establish that the 2 inventory items has been found. Therefore, this issue has not been resolved.</p>	

4.	IMPROVEMENT REALIZATION PROCUREMENT PLANNING AND LOAN PROGRESS	AUDITOR'S REMARKS AT DECEMBER 31, 2021	CLIENT'S REMARKS AT DECEMBER 31, 2021
<p>Priority level: High</p>	<p>Observation previous years</p> <p>During the audit of the fiscal years 2019 and 2020 we noted that most of the procurement processes set out in the annual operating plan and the procurement plan, are not executed as planned. The reasons for the delay in execution of the planned activities were:</p> <ul style="list-style-type: none"> - Termination of contracts with key experts. During the fiscal year 2019 there were several changes made in the management of the ministry and the key experts of the PEU. As of September 14, 2020, the PEU is managed by the Inter-American Institute for Corporation on Agriculture (IICA). - The COVID-19 pandemic as of March 2020. This resulted in the intention to change the procurement activities where the procurement method initially would be International Competitive Bidding (ICB) to National Competitive Bidding (NCB). - Changed policy insights by the management of the Ministry, IICA and the technical coordinators. - The fluctuating exchange rates and the economic situation in Suriname. As a result, suppliers were no longer able to deliver goods against the agreed fee. As of December 31, 2020, the disputes with the suppliers SOS Handelmij and G. Malhoe are not resolved. Based on the received information of the PEU they already discussed this matter with the Ministry of Finance and are in communication with the Executing Agency to reach a settlement. - the obligations established in the loan agreement to cover the actual costs (General conditions 	<p>Recommendation</p> <p>In order to mitigate the risks, we recommend to periodically execute monitoring on the planning as stated in the procurement plan. Furthermore, we recommend that all the underlying documents are properly archived as set out in the loan agreements.</p> <p>We also recommend in order to mitigate the risks to consider the articles: 6.01- B&C, 8.01 and 8.02.</p> <p>We also recommend communicating the loan progress with the EA, Ministry of Finance and the IDB in order to reach an adjusted approach for the implementation and realization of the setout goals. Please consider the articles: 3.02 a-g of the general conditions.</p> <p>Regarding to the intension of changing the procurement methods from ICB to NCB, we recommend reviewing the Procurement policies if NCB is applicable for those intended activities.</p> <p>Regarding to the exchange rate issues, we recommend contacting the contractors SOS Handelmij and Malhoe in order to reach a compromise with the contractors.</p> <p>Follow-up interim 2021</p> <p>Following up the previous years observations, the two disputes with the suppliers SOS Handelmij and G. Malhoe, the PEU has requested No-Objection for the termination of the signed contracts with the above-mentioned suppliers. The Bank has granted its No-Objection and supplier G. Malhoe has already done a redeposit in SRD to the project which due to the unification of the exchange rate resulted in exchange loss for the program. The redeposit of SOS Handelmij is still pending and the PEU is in contact with both the supplier and the bank for a smooth settlement.</p>	<p>No further comments.</p>

4.	IMPROVEMENT REALIZATION PROCUREMENT PLANNING AND LOAN PROGRESS (CONTINUED)	AUDITOR'S REMARKS AT DECEMBER 31, 2021	CLIENT'S REMARKS AT DECEMBER 31, 2021
<p>Priority level: High</p>	<p>Observation previous years (continued)</p> <p>During the audit 2020 we noted that no advance of funds (AOF) was made until December 31, 2020 and until then only US\$ 2,150,000 (12%) has been received of which US\$ 1,582,568 is disbursed per balance date.</p> <p>We also noted that of the available cash balance as of December 31, 2019 of US\$ 1,196,261, only US\$ 629,769 (52.6%) has been spent until December 31, 2020. To receive an AOF, 80% of the previous AOF must be justified to IDB.</p> <p>In our further analysis of the planned procurement activities in 2020, we made an analysis between the PP 2020 and PP 2021.</p> <p>In this regard, we observed that a substantial part of the activities as included in the PP 2020 have been taken over in the PP 2021.</p> <p>Based on the status of the Procurement activities 2021, we have determined that the planned activities in which we noticed that none of the activities are in a final evaluation or contract awarding has taken place yet.</p> <p>The original disbursement period of the loan is 5 years and as of December 31, 2020, 3.5 years of the disbursement period has already passed, where only 12% of the loan amount of US\$ 17,500,000 has been received. Therefore, there is a risk not achieving the realization of the objectives.</p>	<p>Follow-up interim 2021(continued)</p> <p>During the interim audit 2021 we noted that no advance of Fund (AOF) was made. As of September 30, 2021 US\$ 2,150,000 (12%) is disbursed.</p> <p>We also noted that until September 30, 2021, an amount of US\$ 951,132 has been justified to the IDB. This is 95% of the last received advance on December 6, 2019.</p> <p>Based on the above, 80% of the last advance is justified to the IDB and the program is eligible for an AOF.</p> <p>Furthermore, we noted that most of the planned activities set out in the approved Annual Operating Plan 2021 and the Procurement Plan SEPA, are not executed as planned.</p> <p>In general, the COVID-19 pandemic and the lockdown measures imposed by the Government of Suriname, the financial situation in Suriname and its negative impact on the exchange rate, delays in payment towards suppliers changed policies insights and the delayed response of the EA are the reason for the delay in the execution of the planned activities.</p> <p>These changes in policy insight reflected in that the EA postponed the initial activities to a later period or in other cases terminated those planned activities given that these will not contribute to the projects objectives based on the changed policy insights.</p>	

4.	IMPROVEMENT REALIZATION PROCUREMENT PLANNING AND LOAN PROGRESS (CONTINUED)	AUDITOR'S REMARKS AT DECEMBER 31, 2021	CLIENT'S REMARKS AT DECEMBER 31, 2021
Priority Risk level: High	<p>The risks of not executing the procurement processes and the loan progress as planned are as follows:</p> <ul style="list-style-type: none"> - That the realization of the objective of this project can be in jeopardy when it turns out that the Borrower or Executing Agency cannot fulfill the obligations established in the loan agreement to cover the actual costs (General conditions Article 8.01). <p>That in extreme cases the financing of this project can be terminated as a result of non-compliance to the terms in the loan agreement. According to the general conditions article 8.02 in case of early termination and cancellation of undisbursed balances, LVV will still have to pay off the loan and all other charged costs such as credit and interest fee.</p> <ul style="list-style-type: none"> - The project risks in compliance for not preserving the project records correctly. The general conditions of the loan agreement state that the executing agency shall preserve the original records of the project for a minimum period of 3 years after the expiration date of the original disbursement period of any extension thereof (General conditions Article 6.01 B&C). 	<p>Follow-up interim 2021(continued)</p> <p>Also, the delayed response of the EA has impacted the execution of project activities. To start the procurement process the PEU needs the technical support and relevant technical documentations and specifications from the EA. The limited technical capacity of the EA has significantly impacted the efficient execution of the planned goals.</p> <p>In summary, based on the status of the procurement activities 2021, there is a substantial delay in the execution of the project. Given that the original disbursement period of the loan is five years, and the last disbursement date is set on June 2022 and only 12% of the loan amount has been disbursed, it is not possible to achieve the set-out objectives within the disbursement period.</p> <p>We recommend that the PEU together with the EA, the Bank and all other stakeholders reflect the loan progress in detail, make amendments in the initial planning and execution of the program and request a loan extension.</p> <p>Based on the above-mentioned facts, this issue is not resolved.</p> <p>YE 2021</p> <p>During the year-end audit, we noted that LVV received an advance of fund(disbursement) which was approved on December 2, 2021, in the amount of USD 1,250,000.00. As of December 31, 2021, USD 3,400,000.00 (19% of the total loan) is disbursed. The last disbursement is initially planned for June 2022. Looking at the time availability, it is not possible to achieve the scheduled targets within the disbursement period. Therefore, this issue has not been resolved.</p>	

5.	QUALITY SUBMISSION OF THE REQUESTED DOCUMENTS	AUDITOR'S REMARKS AT DECEMBER 31, 2021	CLIENT'S REMARKS AT DECEMBER 31, 2021
<p>Priority level:</p> <p>Medium</p>	<p>Observation</p> <p>During our audit we noted that the quality of the submission of the PBC documents was not sufficient and resulted in a delay in the interim audit. During the review of the submitted documents, we noted that not all documents were submitted and documents such as the cashflow statement, variance analyses, fixed asset list, Financial Plan, Procurement plan and AOP were submitted which were not complete.</p> <p>Based on the insufficiencies noticed in the initial submission on November 12, 2020, we sent out an outstanding list with our remarks.</p> <p>During our onsite visits at the office of the PEU we noted that the archiving and record keeping of the source's documents is ineffective and insufficient. For our sample testing we received the file records and we had to go through all records to find our sample. Based on the requested selection it is the responsibility of the PEU to deliver the requested information conform clause 6.2 of the contract with the auditor.</p> <p>Risk</p> <p>The risk involved in not submitting quality documents as requested in the PBC list, is that the deadline, as agreed on the signed timesheet, can be delayed and moreover not meeting the requirements of the IDB which will jeopardize the continuity of the Project.</p>	<p>Recommendation</p> <p>We recommend improving the quality of the submitted documents by monitoring the content of the files and checking these with that requested in the PBC list. For the year-end audit we recommend that the PEU prepares an audit file (digital) based on the PBC list, in which all requested documents are stored and made available to us.</p> <p>Follow-up 2020</p> <p>During the year-end audit we noted that improvements are made in the submission of qualitative documents. During the audit we received merely all documents regarding our sample digitally.</p> <p>Improvement in quality and consistency is still needed in the following:</p> <ul style="list-style-type: none"> - The preparation of the financial statement and disclosures; - The preparation of the procurement plan and AOP; - The preparation of the fixed asset list. <p>Therefore, this issue is not resolved.</p> <p>Follow-up interim 2021</p> <p>During the interim audit we noted that there are improvements made in the submission of the PBC. We have received all requested documents digitally and there were minor inconsistencies in the submission. Further we noted that the fixed assets list is revised. Given the improvements of the fixed assets register and the quality submission of the requested documents, we adjusted the priority level to medium.</p>	<p>No further comments.</p>

5.	QUALITY SUBMISSION OF THE REQUESTED DOCUMENTS (CONTINUED)	AUDITOR'S REMARKS AT DECEMBER 31, 2021	CLIENT'S REMARKS AT DECEMBER 31, 2021
Priority level: Medium		<p>Follow-up interim 2021 (continued)</p> <p>During the year-end we will review the improvements in the quality and consistency made in the preparation of the financial statement and AOP.</p> <p>Follow-up 2021</p> <p>During the YE audit, we have noted a lot of improvements regarding the submission of the PBC. All requested documents regarding the year-end audit 2021, we have received digitally. We also noted improvements in the quality of the financial statement as well as the AOP. As a result, this issue has been resolved.</p>	

6.	FIXED ASSET DOCUMENTATION AND RECORDING	AUDITOR'S REMARKS AT DECEMBER 31, 2021	CLIENT'S REMARKS AT DECEMBER 31, 2021
Priority level: Medium	<p>Observation</p> <p>During our interim audit we noted that the fixed asset list is not accurate and reliable. For example, we noted that the amount of the fixed assets purchased were in Surinamese dollars, but in the fixed asset list they were recorded in US\$. Furthermore, we noted that locations of the fixed assets are not updated in the Fixed assets list. The Internal Control department of the Ministry of LW also stated in their report that the reliability of the fixed asset list is at risk.</p> <p>Based on the abovementioned facts we could not conduct physical inventories to establish the existence of the assets.</p> <p>Risk</p> <p>Not properly documenting purchased fixed assets, may lead to improper use outside the purposes of the project. This increases the risk of not receiving financing for future purchases for the benefit of the project and jeopardizes the course and ultimately the continuity of the project.</p>	<p>Recommendation</p> <p>We recommend improving the recording of the fixed asset by updating the fixed asset list, with the right amounts of purchase, the right descriptions and serial numbers and the current locations of the fixed assets.</p> <p>Furthermore, we recommend to periodically do physical inventories of the fixed assets and also take in account the articles 6.05 Use of Goods and 6.01 Financial management systems and Internal Control of the Loan contract.</p> <p>We also recommend to evaluate the lawful use of the fixed assets by the various departments and evaluate if the use of the assets contribute to the achievements of program's objective.</p> <p>Follow-up 2020</p> <p>During the year end audit, we received a revised fixed assets list based on that information we executed a physical inventory on the fixed assets. During the execution of the physical inventory, we noted the following issues regarding the recording and documentation of the fixed assets:</p> <ul style="list-style-type: none"> • The product descriptions as included in the fixed asset list do not match the actual product descriptions on the fixed assets. • For example, we have observed that the BTU and serial numbering of the air conditioners do not match. See reg# SU-L1020-0479 and SU-L1020-0475. • We also noted that the serial number of the following items did not match with the fixed asset list: Reg# SU-L1020-0472 and SU-L1020-0254. 	<p>No further comments.</p>

6.	FIXED ASSET DOCUMENTATION AND RECORDING (CONTINUED)	AUDITOR'S REMARKS AT DECEMBER 31, 2021	CLIENT'S REMARKS AT DECEMBER 31, 2021
		<p>Follow-up 2020 (continued)</p> <ul style="list-style-type: none"> Not all fixed assets have a fixed asset registration number of the PEU. Of the fixed assets which we were able to observe during our physical inventory, the following items do not have a registration number: SU-L1020-0383, SU-L1020-0161, SU-L1020-0478, SU-L1020-0396, SU-L1020-0536, SU-L1020-0162, SU-L1020-0532, SU-L1020-0543 and SU-L1020-0544. <p>Given the abovementioned findings regarding the fixed assets management we conclude that improvement needs to be made. Therefore this issue is not resolved.</p> <p>Follow-up interim 2021</p> <p>During the interim audit we noted that improvements are made in the fixed asset management system. During 2021 the PEU held a physical testing and reported all findings to the PS in an inventory report where the inventory approach has been documented clearly. Based on the findings, a follow up action plan is made and discussed with the PS. The executions of the planned actions are in process.</p> <p>Further we noted that the fixed assets register has been updated based on the issues identified in the audit 2020 audit and the errors observed by the PEU during the physical testing. The serial numbers, registration numbers and Quickbooks numbers of the expenditure are updated in the fixed assets register.</p> <p>During the year-end audit we will review the improvements regarding the fixed assets again.</p> <p>Follow-up 2021</p> <p>During the year-end audit we noted the improvements of the fixed assets recording. As a result, this issue has been resolved.</p>	

7.	MANAGEMENT IICA	AUDITOR'S REMARKS AT DECEMBER 31, 2021	CLIENT'S REMARKS AT DECEMBER 31, 2021
Priority level: Medium	<p>Observations</p> <p>As of September 14, 2020, the PEU is managed by the Inter-American Institute for Corporation on Agriculture (IICA). The contract with IICA was signed in April 2020. Since IICA did not receive the 50% payment of the fee as agreed according to contract they did not start immediately, which resulted in a delay in the execution of the program.</p> <p>Since the transition of the management of the SU-L1020 program during the period of performing our interim audit we did not note that changes have been made in the overall management, monitoring and evaluation of the program. this conclusion is based on the following findings:</p> <ul style="list-style-type: none"> - Even though the PBC had been communicated and discussed with the current IICA management one month before the start of the interim audit, we observed that the quality of the submission of the PBC was not sufficient (See ML # 11). - During the interim audit we noted several insufficiencies which were discussed with the financial specialist and until now we have not received any updates. e.g.: differences within the cash and cash equivalents refer to ML # 12, insufficient variance analyses refer to ML # 9 and update fixed asset list refer to ML # 14. <p>Our expectations were that an overall review and evaluation of the program would take place by the IICA based on the received documents from former PEU and the requested information by the auditor during the period of our audit, which was not the case. This would then be the base for the new management by IICA.</p>	<p>Recommendation</p> <p>We recommend reviewing the overall SU-L1020 program and make a realistic action plan based on the developments in 2020 going forward and discuss the further execution of the project with the bank.</p> <p>We also recommend improving the monitoring and evaluation of the program and improve the financial management, therefore taking into account the responsibilities set out in the POM and the Guidelines of the IDB.</p> <p>Follow-up 2020</p> <p>In order to assess any improvements in the new PEU's monitoring and evaluation of the SU-L1020 IDB program, we have held meetings, reviewed the minutes, management reports, procurement plan and performed procedures regarding the subsequent events. Based on the minutes we have noted that the PEU is working on the execution of the SU-L1020 program, but the output is not yet visible in a change management plan, in the last 3 months of 2020 as well as in the first 3,5 months of 2021.</p> <p>We have noted that the external challenges due to the COVID-19 pandemic in the operational execution of the project.</p> <p>Given that the SU-L1020 program is scheduled to end in June 2022 and until December 2020 only 12% of the US\$ 17,500,000 is disbursed, and for the period January – April 2021 US\$ 54,452 has been disbursed, it is not realistic that the objectives of the program will be met within the remaining years ending per June 2022.</p>	<p>No further comments.</p>

7.	MANAGEMENT IICA (CONTINUED)	AUDITOR'S REMARKS AT DECEMBER 31, 2021	CLIENT'S REMARKS AT DECEMBER 31, 2021
<p>Priority level: High</p>	<p>Risk The realization of the objective of this project can be at risk when it turns out that the Borrower or Executing Agency cannot fulfill the obligations established in the loan agreement (General conditions Article 8.01).</p>	<p>Follow-up 2020 (continued) Based on the procedures performed regarding the subsequent events we noted the following:</p> <ul style="list-style-type: none"> - the Pluri-annual Execution Plan (PEP) was updated but not in line with the expected expenditures in the AOP 2021; - in the Financial Plan 2021 an amount of US\$ 1,750,000 is forecasted for 2021 to be requested as AOF; - the AOP 2021 expected expenditures are not in line with the Financial Plan 2021. <p>Based on the forecasted figures for the period 2021-2022 (see PEP) the PEU indicated that they will achieve the objectives of the program within the 5 years (2017-2022). Based on the actual execution and the forecast of 2021 this is not feasible that the objectives will be met, as only 22% will be met at the end of 2021.</p> <p>Based on the abovementioned, the project monitoring and evaluation is still a challenge for the PEU.</p> <p>Therefore, this issue is not resolved.</p> <p>Follow-up interim 2021 During the interim audit we noted improvements have been made in the Institutionalization of the PEU. The PEU managed by the IICA has made organizational changes within the management of the PEU where the POM has been revised and internal controls have been implemented to mitigate risks effectively.</p> <p>Further the PEU has indicated that based on the fact that the last disbursement date is June 2022, they are brainstorming with the Bank and the EA about a loan extension.</p>	

7.	MANAGEMENT IICA (CONTINUED)	AUDITOR'S REMARKS AT DECEMBER 31, 2021	CLIENT'S REMARKS AT DECEMBER 31, 2021
Priority level: High		<p>Follow-up interim 2021 (continued)</p> <p>During the year end audit 2021 we will review the progress of the loan extension along with the review of the required reports for the year 2022.</p> <p>Follow-up 2021</p> <p>During the year-end audit we analyzed the subsequent events and have not observe any significant issues. Although the last disbursement was initially planned for June 2022, the PEU and de EA are in discussion with the bank regarding a loan extension. We have seen improvements in the monitoring and evaluation of the program and improvements the financial management of the PEU: IICA. Therefore this issue has been resolved.</p>	