

AUDITED PROJECT FINANCIAL STATEMENTS

Project N°: 2000001472

IFAD Loan N°: 2000001704

IFAD Grant N°: 2000001705

Period covered: 01/01/2019 – 31/12/2019

Hinterland Environmentally Sustainable Agricultural Development Project (Hinterland Project)

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2 July 2020

REPORT OF THE AUDITOR GENERAL
ON THE STATEMENTS OF EXPENDITURE FOR THE
HINTERLAND ENVIRONMENTALLY SUSTAINABLE
AGRICULTURAL DEVELOPMENT PROJECT
(HESAD) IFAD/GOG LOAN № 2000001704 AND GRANT 2000001705
FOR THE YEAR ENDED 31 DECEMBER 2019

Opinion

I have audited the financial statements of the Hinterland Environmentally Sustainable Agricultural Development (HESAD) Project Loan № 2000001704 and Grant № 2000001705, which comprise the statement of expenditure, for the year ended 31 December 2019, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements of the Hinterland Environmentally Sustainable Agricultural Development Project for the year ended 31 December 2019 have been prepared in all material respects, in accordance with the Financing Agreement Loan № 2000001704 and Grant № 2000001705 dated 21 March 2017, between the Cooperative Republic of Guyana and the International Fund for Agricultural Development.

Basis of Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs) issued by the International Federation of Accountants (IFAC), the International Standards of Supreme Audit Institutions (ISSAIs) and the Audit Act 2004. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Project in accordance with the ethical requirements that are relevant to my audit of the financial statements in Guyana, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (IPSAS), 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 for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of my audit in accordance with ISAs and ISSAIs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MINISTRY OF AGRICULTURE
AGRICULTURE SECTOR DEVELOPMENT UNIT
HINTERLAND ENVIRONMENTALLY SUSTAINABLE AGRICULTURAL DEVELOPMENT
LOAN NO. 2000001704 & GRANT NO. 2000001705

STATEMENT OF EXPENDITURE
FOR THE YEAR 1 JANUARY TO 31 DECEMBER 2019

Description		Actual US\$	Planned US\$	Variance %
Sources of funds				
	IFAD Loan	117,168.03		
	IFAD Grant	38,573		
	GOG	63,928.43		
	Other donor			
	Total sources of funds	219,669.08		
Uses of funds				
	By components			
	C1: Strengthening of C&PG Invest			
A:	Vehicles	0	60,000.00	
B:	Equipment	2,377.94	5,179.00	
C:	Training	0	0	
D:	Consultancy Services	0	326,000.00	
F:	Salaries	11,182.50	18,892.50	
G:	Operating Expenses	3,519.24	25,300.00	
	Subtotal	17,079.68	435,371.50	
	C:2 Implementation of Invest Plans			
A:	Vehicles	0	0	
B:	Equipment	0	0	
C:	Training	0	0	
D:	Consultancy Services	0	377,608.00	
E:	Grants (Sub-Project)	0	0	
F:	Salaries	0	0	
G:	Operating Expenses	0	0	
	Subtotal	0	377,608.00	
	C:3 Project Management & Coordination			
A:	Vehicles	0	0	
B:	Equipment	0	0	
C:	Training	0	6,000.00	
D:	Consultancy Services	69,259.99	140,000.00	
F:	Salaries	37,077.87	43,591.70	
G:	Operating Expenses	28,547.31	62,953.23	
	Subtotal	134,885.17	252,544.93	

MINISTRY OF AGRICULTURE
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HINTERLAND ENVIRONMENTALLY SUSTAINABLE AGRICULTURAL DEVELOPMENT
LOAN NO. 2000001704 & GRANT NO. 2000001705

STATEMENT OF EXPENDITURE
FOR THE YEAR 1 JANUARY TO 31 DECEMBER 2019

Description		Actual US\$	Planned US\$	Variance %
Total uses of funds		151,964.85	1,065,524.43	
	By Categories			
	• Category I - Vehicles and equipment	2,377.94	65,179.00	
	• Category II - Training	0	6,000.00	
	• Category III - Consultancy Services	69,259.99	843,608.00	
	• Category IV - Grants(for Sub-Projects)	0	0	
	• Category V - Salaries & Operating exp.	80,326.92	150,737.43	
Total uses of funds		151,964.85	1,065,524.43	14%

We hereby certify that the receipts from IFAD have been expended for eligible expenditures for the proper execution of the project, in accordance with the terms and conditions of the agreement dated 21 March, 2017.

The accompanying notes are an integral part of the financial statements.

**GOVERNMENT OF GUYANA
MINISTRY OF AGRICULTURE - ASDU
HINTERLAND ENVIRONMENTALLY SUSTAINABLE AGRICULTURAL
DEVELOPMENT PROJECT
LOAN No. 2000001704 and GRANT NO. 2000001705
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR 1 JANUARY TO 31 DECEMBER 2019**

1. Description of the Project

The Hinterland Environmentally Sustainable Agricultural Development Project (HESADP) is an agreement between the Government of Co-operative Republic of Guyana (the Borrower/Recipient) and the International Fund for Agricultural Development (Fund or IFAD). The agreement was signed on the 21st March 2017 for a period of 6 years. The estimated cost of the project is Ten million, eight hundred and ninety thousand United States dollars. (USD10, 890,000.)

The Recipient of the funds under the HESADP is the Ministry of Finance. The Project is implemented by the Agriculture Sector Development Unit (ASDU) of the Ministry of Agriculture.

Main Objective

The Developmental Objective of the Project is “Improved livelihood resilience through income generation, access to assets, improved nutrition and adaptation to climate variability”. Livelihood resilience will be strengthened by increasing income-generating opportunities; improving access to public goods, knowledge and technologies; and enhancing food security and nutrition. In order to achieve the project objectives and outcomes, the project has three components:

The Project Financing Plan consists of the following components:

COMPONENT	LOAN	GRANT	CROG
1: Strengthening of Community and producer groups investment planning	2,150,000	247,000	640,000
2: Implementation of Investment plans	4,755,000	0	1,140,000
3: Project and knowledge management and coordination	1,055,000	253,000	650,000
Total	7,960,000	500,000	2,430,000

Financing of Expenditure Categories:

- **Government of Guyana.** It will finance the taxes of all investment and recurrent cost of the project, 50% of project salaries, and 50% of specific consultancy services.
- **IFAD Loan/Grant.** It will finance eligible expenditures of Categories: Vehicles, Equipment; Training; Consultancy Services; Grants (for sub-projects); Salaries; and Operating expenses.
- **Project Beneficiaries.** This contribution will be co-finance the Grants(sub-projects) category. This contribution will be mainly in-kind, and or smaller amounts in money.

2. Key Accounting Principals

Basis of Presentation

The Financial Statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting which recognizes revenue when the cash is received and expenses when the cash has been disbursed by the project.

Currency

The Project's accounting records are maintained in both United States Dollars (US\$) and Guyana Dollars (G\$), with US\$ being the presentation currency. Local currency transactions during the year are translated at the Bank of Guyana exchange rate on the date of payment. The average rate of exchange as at December 31, 2019 was 208.50 to US\$1.00.

3. Available Cash Balances

The available cash balance as at 31 December 2019 in the Project's bank accounts held at Bank of Guyana was US\$1,055,995.42. The difference between the bank balances and the Sources and uses of Funds amounts to US\$17,122.22 which represented unpresented cheques as at 31 December 2019.

	01.01.2019 US\$	31.12.2019 US\$
Crown Agents Bank Account No. [REDACTED]	783,093.00	688,833.65
Bank of Guyana Account No. [REDACTED]	241,389.01	367,161.77
TOTAL	1,024,482.01	1,055,995.42

4. Sources and Use of Funds

The Sources and Use of Funds statement shows a detailed breakdown of funds received and expended for the year under review.

The difference between funds received and disbursements made represents the available cash balances as at 31 December, 2019 (**Appendix 2**)

5. Local Counterpart Funds

The Borrower/Recipient shall provide counterpart financing for the project in an amount equivalent to USD2, 430,000 in cash and kind for 50% of all salaries and the covering of all taxes and duties. During the year under review the Government of Guyana contributed the sum of US\$63,928.43

6. Disbursement

- i. During the year under review, expenditure justified and reimbursed by IFAD to the Designated Account amounts to US\$155,740.65 of which US\$117,168.03(Loan) and US\$38,572.62(Grant).
- ii. As at 31 December 2019, the amount pending justification to the IFAD amounts to US\$80,942.07 which represented expenditure incurred pending Disbursement requests to be processed.

7. Budget (AWPB)

The budget is developed on the same accounting basis (cash basis), for the reporting period ending 31 December 2019 as shown in the financial statements.

The projections for the period under review was One million and sixty five thousand, five hundred twenty four United States dollars and forty three cents (US\$1,065,524.43.) equivalent to two hundred twenty two million, one hundred sixty one thousand, eight hundred forty four Guyana dollars (G\$222,161,844).

The Project achieved 14% of the AWPB Target as shown in the financial statements.

8. Procurement of Goods, Works and Services

As provided in the Section 7.05 of the General Conditions, procurement of goods, works and services shall be carried out in accordance with the Borrower/Recipient's procurement regulations being the Central Tender Board of the Government of Guyana and to the extent such are consistent with the IFAD project procurement Guidelines.

During the year under review contracts were signed with the following Consultant:

Name of Consultant

Description of Contract

Conducting of Detailed Baseline survey in Region 9

Procurement of one 4 X 4 double cap Pick up

Procurement of one All – Terrain Vehicle

9. Prior period adjustments

The expenditure of US\$10,473.16 reported previously in 2018 under Consultancy Services; MOA- M&E platform and Database has been adjusted under Equipment; Computer and Accessories during this reporting year.

10. Key Management Personnel

The overall responsibility for the implementation of the project lies with the Permanent Secretary, coordinated by the Director, Project Manager, accounting, procurement, monitoring & evaluation and other key management personnel of the ASDU are used. The following officers were a part of the key management personnel during the year under review;

- Project Manager with effect of 1 April 2019 – 9 Months
- Procurement Officer with effect 14 October 2019 – 2.5 Months
- Regional Coordinator - Region 9 with effect 3 June 2019 – 6 Months
- Field Facilitator - Region 9 with effect with 3 June 2019 – 6 Months
- Procurement Officer – Employment ended on 28 February 2019