

AUDITED PROJECT FINANCIAL STATEMENTS

Project N° 1000004460 (IGPC- 2000003548)

RPSF Grant: C-AF-1-LB

Period covered 01 January 2021 – 31 March 2022

RURAL POOR STIMULUS FACILITY (RPSF)

Prepared by Moore Stephens Tabbal – Lebanon

Received on 30th June 2022

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REPUBLIC OF LEBANON
MINISTRY OF AGRICULTURE

AUDIT REPORT OF THE PROJECT
“RURAL POOR STIMULUS FACILITY (RPSF)”

FOR THE YEAR FROM 1 JANUARY 2021 TO 31 MARCH 2022

Entity subject to Audit:	The Ministry of Agriculture
Country:	Lebanon
Project subject to audit:	RURAL POOR STIMULUS FACILITY (RPSF)
Grant No:	C-AF-1-LB
Lender:	International Fund for Agricultural Development (The IFAD)
Auditor:	Moore Stephens Tabbal – Lebanon
Year subject to audit:	1 January 2021 to 31 March 2022

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Independent Auditor's Report – Financial Audit

The Minister of Agriculture
Ministry of Agriculture
Henry Chehab Barrack,
Bir Hassan District,
Beirut – Lebanon

Dear Minister,

Opinion

We have audited the Project Financial Statements (PFS) for the project “Rural Poor Stimulus Facility (RPSF)” (the Project) – component 5 of IFAD Grant No. C-AF-1-LB for the period from 1 January 2021 to 31 March 2022 as set out on pages 6 to 11. The Project Financial Statements comprise the following for the period ended 31 March 2022:

- Sources and use of funds by component
- Yearly and cumulative sources and uses of funds by category;
- Statement of cash receipt and payments;
- Statement of reconciliation of the Special/Programme Accounts;
- Statement of comparison between actual expenditures and budget estimates;
- Statement of expenditures/Withdrawal Application statement by financing source and distribution method;
- Notes to the Project Financial Statements.

In our opinion, the accompanying Project Financial Statements present fairly, in all material respects, the funds received and expenditure incurred by the Project for the period ended 31 March 2022 in accordance with International Public Sector Accounting Standards (IPSAS).

In addition:

- The use of the Special/Programme Account including the activities associated with the Project was in all material respects in compliance with the Disbursement and Procurement Guidelines of IFAD.
- The procedures used by the Project for preparing the Project Financial Statements are adequate, withdrawals related to expenditures were used for the purposes intended under the agreement and adequate supporting documents are available.



Independent Auditor's Report – Financial Audit (Continued)

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs), specifically ISA 800/805. Our responsibilities under those standards are further described in the '*Auditors' Responsibilities for the Audit of the Project Financial Statements*' section of our report. We are independent of the projects in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient to provide a basis for our opinion.

Responsibilities of the Project Coordination Unit and Those Charged with Governance for the Project Financial Statements

The Project Coordination Unit within the Ministry of Agriculture is responsible for the preparation of the Project Financial Statements and other financial records for the Project in accordance with the Financing Agreement and for such internal control as Management determines is necessary to enable the preparation of the PFS to be free from material misstatement, whether due to fraud or error. The Project Financial Statements have been prepared using the cash basis of accounting in accordance with the International Public Sector Accounting Standards (IPSASs).

Those charged with governance are responsible for overseeing the Project's financial reporting process.

Our objectives are to obtain reasonable assurance about whether the Project 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Project 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 our 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 Coordination Unit's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of related disclosures made by Management.
- Evaluate the overall presentation, structure and content of the Project Financial Statements, including the disclosures, and whether the PFSs represent the underlying transactions and events in a manner that achieves fair presentation.



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Independent Auditor's Report – Financial Audit (Continued)

Auditor's responsibilities for the audit of the Project Financial Statements (Continued)

We communicate with the Management of the Project regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Aziz Tabbal
Managing Partner
Moore Stephens Tabbal

Victoria Tower Building
Corniche du Fleuve
Beirut, Lebanon

24 June 2022

MOORE STEPHENS TABBAL
Certified Public Accountants

Project Name: RPSF

Lead Project Agency: Ministry of Agriculture

Reporting period: 1 January 2021 - 31 March 2022

Report 1: Sources and Use of Funds by Component (all financiers)			
	Current Period 1/1/2021 --> 31/3/2022	Previous period: -	Cumulative --> 31/3/2022
	USD	USD	USD
Sources of Funds (income)			
IFAD Grant (Direct payment)	201,492.00	-	201,492.00
Total	201,492.00	-	201,492.00
Use of Funds (expenditures) by Project Component			
5-RPSF-Support poor and vulnerable greenhouses producers (direct payment)	201,492.00	-	201,492.00
Total expenditures	201,492.00	-	201,492.00
Use of Funds (expenditures) by Project Category			
Goods	201,492.00		201,492.00
Technical Assistance	-		
Project management	-		
Total expenditures	201,492.00	-	201,492.00
Income less Expenditures	-	-	-

Project Name: RPSF

Lead Project Agency: Ministry of Agriculture

Reporting period: 1 January 2021 - 31 March 2022

Report 2: Summary of Expenditures by Grant Categories and By Financiers					
Category	Description of category	Financing Source (USD)			
		IFAD Grant			
		Category allocation as per financing agreement (USD)	Cumulative (USD)	Reporting period (USD)	Cash forecast for Next reporting period (USD)
I	Goods	225,000.00	201,492.00	201,492.00	22,388.00
II	Technical Assistance	9,000.00	-	-	9,000.00
V	Project management	13,000.00	-	-	13,000.00
	Unallocated	-	-	-	-
Total		247,000.00	201,492.00	201,492.00	44,388.00

Project Name: RPSF							
Lead Project Agency: Ministry of Agriculture							
Reporting period: 1 January 2021 - 31 March 2022							
Report 3: Statement of Comparison of Budget and Actual Amounts							
IFAD Grant							
Component		Reporting period (USD)			Cumulative (USD)		
		Planned (AWPB)	Actual	%	Planned (Design report)	Actual	%
Component 5	RPSF	201,492.00	201,492.00	100.00%	201,492.00	201,492.00	100.00%
Total		201,492.00	201,492.00	100%	201,492.00	201,492.00	100%
* The financial statements are prepared in accordance with IPSAS cash basis.							


Project Name: RPSF

Lead Project Agency: Ministry of Agriculture

Reporting period: 1 January 2021 - 31 March 2022

Report 4: IFAD Designated Account Reconciliation Statement (imprest account)

Designated Account No. [REDACTED]
Bank Name: [REDACTED]

1. Total Advanced by IFAD (Cumulative amount if revolving funds)	-	USD
2. Less total amount recovered by IFAD	-	USD
3. Equals present outstanding amount advanced to the designated account (line 1 less line 2)	-	USD
<hr/>		
4. Balance of designated account per attached bank statements as of 31 December 2021	-	USD
5. Plus balance of the project account(s) (listed separately)	-	USD
Plus balance of sub accounts (listed separately)		USD
Plus balance of Cash in Hand		USD
Total of Bank Balances (designated A/C, PA, SUB accounts & cash in hand balance) (line 4+line 5)	-	USD
6. Plus total amount claimed in this WA no. 3	45,580.00	USD
7. Plus pending WA for submission	-	USD
8. Plus amounts claimed in previous applications	-	USD
<hr/>		
<u>Application No.</u> <u>Date</u> <u>USD</u> <u>Amount</u>		
<hr/>		
9. Minus Interest earned (to be completed. If zero, please enter zero)		USD
10. Total Advance accounted for (line 5 through line 9)	45,580.00	USD
11. Explanation of any difference between the totals appearing in Lines 3 and 10	(45,580.00)	USD
Amount not yet credited to the RPSF bank account		
e.g. Non eligible amount to be refunded to the designated account		USD
e.g. calculation errors in application of percentage financing		USD
e.g. counterpart financial resources to be reimbursed		USD
e.g. cheques not yet cleared/presented to Bank		USD
12 DATE	15-06-22	
SIGNATURE 		
Name in full		Nakhoul JABBOUR
Title in Full		Financial Officer

Project Name: RPSF

Lead Project Agency: Ministry of Agriculture

Reporting period: 1 January 2021 - 31 March 2022

Report 5: Statement Of Expenditures/ Withdrawal Application Statement by financing source and Disbursement Method			
WA submitted to IFAD during the reporting period - IFAD grant			
	WA 2		
Disbursement Method			
DA replenishments			
Direct payment commitments/letter of credit	\$ 201,492.00		
Reimbursements			
Total			
Rejected from IFAD			
Net Reimbursed			
Total	\$ 201,492.00		
WA pending submission to IFAD - IFAD Grant			
	WA no. aa (Currency of the PFS)	WA no. aa (Currency of the PFS)	WA no. aa (Currency of the PFS)
			Total (USD)
Disbursement method			
DA replenishments			-
Direct payment special commitments/letter of	None		-
Reimbursements			-
Total	-	-	-

Project Name: RPSF

Lead Project Agency: Ministry of Agriculture

Reporting period: 1 January 2021 - 31 March 2022

Report 7: STATEMENT OF RECEIPT AND PAYMENTS (BY CATEGORY OF EXPENDITURES)			
	1 / 1 / 21 -- > 31 / 3 / 22	Previous: -	Cumulative to date
	USD	USD	USD
1 - Initial cash balance / or cash balance brought forward	-	-	-
FINANCING:			
- IFAD funds received:			
- Initial deposit	-	-	-
- Replenishment of the Designated account	-	-	-
- IFAD Direct Payments	-	-	-
- Funds received by the government - if any	-	-	-
- Funds received by other donors - if any	-	-	-
- Return amount to IFAD through MOF	-	-	-
2 - TOTAL FINANCING	-	-	-
PROJECT EXPENDITURES (BY CATEGORY OF EXPENDITURES)			
Category	<i>IFAD Grant (separate analysis if different sources of IFAD's funding)</i>		
1	Goods	-	-
2	Technical Assistance	-	-
3	Project management	-	-
		-	-
		-	-
	<i>Subtotal IFAD Grant</i>	-	-
	<i>Government Funds</i>		
1	Goods	-	-
2	Technical Assistance	-	-
3	Project management	-	-
4		-	-
5		-	-
	<i>Subtotal Government Funds</i>	-	-
3 - TOTAL PROJECT EXPENDITURES	-	-	-
Closing balance (1 + 2 - 3)	-	-	-

1. GENERAL INFORMATION

1.1 BACKGROUND

The audit of the financial statements of the Project “Rural Poor Stimulus Facility (RPSF)” for the period from 1 January 2021 to 31 March 2022 was foreseen in accordance to Section II.10 of the Financing Agreement No. C-AF-1-LB. The main objective of the Project is to improve the resilience of rural livelihoods in the context of the COVID-19 crisis by ensuring timely access to inputs, information, markets and liquidity. A more detailed description of the objectives of the Project is under section 1.3 ‘Components of the Project’ below.

The initial Financing Agreement was signed between the International Fund for Agricultural Development (IFAD) and the Ministry of Agriculture on 14 November 2013 for the Project “Climate Smart Agriculture: Enhancing Adaptive Capacity of the Rural Development Communities in Lebanon (AgriCAL)”. Subsequently on 20 October 2020, the IFAD accepts the government’s request for an additional fund under the “Rural Poor Stimulus Facility (RPSF)”. The additional fund is considered as Component 5 under the Grant Contract No. C-AF-1-LB. The amount budgeted for RPSF is USD 247,072. Decree No. 8127 was issued on 25 August 2021 approving the additional fund. The completion date of the Project RPSF was initially 31 December 2021. An extension to the completion date was approved by IFAD to be 31 March 2022 and the closing date on 30 September 2022.

The audit covers the period from 1 January 2021 to 31 March 2022.

1.2 SOURCES OF FUND

The Project is funded by the International Fund for Agricultural Development (the IFAD).

1.3 COMPONENTS OF THE PROJECT

The activities for which the Project Grant is given consist of the following components:

Component 5: Supporting poor and vulnerable greenhouses producers

The activities planned were as follows:

- A rapid gender-sensitive poverty and livelihood analysis;
- A rapid assessment to confirm the need for agriculture inputs (plastic sheets);
- Purchase and distribution of polyethylene film for greenhouses (plastic sheets).

The grant aims at serving 500 smallholder farms (greenhouse farmers). Assuming 5 persons per household, the total number of people reached will be around 2,500 persons amongst whom are 29% women and 30% youth.

The distribution of the plastic sheets was done through the Ministry of Agriculture’s centers which are spread throughout Lebanon.

2. SUMMARY OF ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The accounts are prepared on the basis of historical cash basis International Public Sector Accounting Standards (IPSAS) Financial Reporting Under Cash Basis.

The accounting policies have been applied consistently throughout the year.

“RURAL POOR STIMULUS FACILITY (RPSF)”
Notes to the Project Financial Statements
For the period from 1 January 2021 to 31 March 2022

2.2 REPORTING ENTITY

The Project Financial Statements are for the Ministry of Agriculture in Lebanon.

2.3 REPORTING CURRENCY

The reporting currency is the US Dollars. The Project specific bank account is included with the designated bank account of AgriCAL Project, and is maintained and reported in US Dollars. Expenses for the year were incurred and disbursed in US Dollars.

2.4 FINANCIAL PERIOD

The Project Financial Statements is for the period from 1 January 2021 to 31 March 2022. It is to be noted that some payments are being disbursed after 31 March 2022 in relation to incurred expenditure for the Project.

3. RECEIPTS

The bank account designated for the Project AgriCAL at the Central Bank was also designated to be the bank account to be used for RPSF Project.

As per the national regulatory requirements for ministries receiving funds, the amounts should be deposited with the Ministry of Finance, who in turn, releases the funds to the relevant ministries or project units. Withdrawal application no. 1 was not executed. The Project submitted withdrawal application no. 2 on 16 December 2021, which was a direct payment to the supplier. The Project also submitted withdrawal application no. 3 on 6 February 2022 for the amount of USD 45,508. The funds requested under WA 3 have not been received at 31 March 2022.

4. PAYMENTS

Payments disbursed were for expenditure incurred for the RPSF Project. Only one payment was disbursed for the period from 1 January 2021 to 31 March 2022. The payment was a direct payment from the IFAD to the plastic sheets' supplier, amounting to USD 201,492. No other payment was done during the period under audit.

No fixed assets were purchased during the period.

5. DESIGNATED BANK ACCOUNT

	31 December 2021
	USD
Designated account no. 70036-157-5 (MoA)	109,731.56

The above balance represents the balance for AgriCAL Project. No funds were received from the IFAD for RPSF Project, and no disbursements were performed during the period under audit.