

UE "BELLESEXPORT"
Management Letter (Report)
on the results of the audit of the financial statements
related to the implementation of the
"Belarusian Forestry Development Project"
for the period from 1 January 2021 till 31 December 2021

The project is financed
under loan No. 8474-BY dated 2 April 2015
granted by the International Bank for
Reconstruction and Development

December 2021

CONTENTS:

MANAGEMENT'S STATEMENT OF RESPONSIBILITY FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS ON THE "BELARUSIAN FORESTRY DEVELOPMENT PROJECT" FOR THE PERIOD FROM 1 JANUARY 2021 TILL 31 DECEMBER 2021 5

1. INFORMATION ABOUT THE AUDITOR 6

2. INFORMATION ABOUT THE AUDITEE 7

3. INFORMATION ABOUT THE PROJECT AND AGREEMENT 8

4. PROCEDURES PERFORMED AND ACTUAL FINDINGS10

4.1. GENERAL PROCEDURES.....11

4.1.1. Terms of implementation of the Project.....11

4.1.2. Accounting regulations, compliance of the financial statements to the accounting system and accounting records of the Executive organization.....11

4.1.3. Use and maintenance of special accounts13

4.1.4. Internal Control System.....14

5. GENERAL CONCLUSIONS.....17

Mr. Demyanik Leonid
Director of UE "BellesExport",

Ministry of Forestry of the Republic of Belarus

Skryganov St., 6, office 403
Minsk, 220073
Republic of Belarus

Ref. number: 04-03/106
Date: 23 December 2021

In accordance with the Terms of Reference dated 23 March 2021 to the Contract dated 23 March 2021 № BFDP/SSS/16/37-4-61/21, we provide our Report of Factual Findings of the audit of the Financial statements of the Export and production republican unitary enterprise "BellesExport" (hereinafter – UE "BellesExport") financed by the International Bank for Reconstruction and Development (hereinafter – "IBRD") under Loan Agreement No. 8474-BY dated 2 April 2015 for the period from 1 January 2021 till 31 December 2021 (hereinafter – the "Report"). According to your request we carried out certain procedures in relation to Financial statements connected with the implementation of the "Belarusian Forestry Development Project" (hereinafter – the "Project").

Objective

The objective of our engagement was the confirmation of financial statements, which include the implementation of the established agreed-upon procedures in relation to the financial statements for the period from 1 January 2021 till 31 December 2021 within the implementation of the Project financed by IBRD and implemented by the Unitary Enterprise "BellesExport" within the Loan Agreement concluded between the Republic of Belarus and the International Bank for Reconstruction and Development dated 2 April 2015 № 8474-BY (hereinafter – "Loan Agreement").

Standards and Ethics

Our engagement was undertaken in accordance with:

- ▶ International Standard on Related Services ("ISRS") 4400 Engagements to perform Agreed-upon Procedures regarding Financial Information as promulgated by the International Federation of Accountants ("IFAC");
- ▶ the Code of Ethics for Professional Accountants issued by the IFAC. Although ISRS 4400 provides that independence is not a requirement for agreed-upon procedures engagements, the Contracting Authority requires that the auditor also complies with the independence requirements of the Code of Ethics for Professional Accountants.

While performing the specified agreed-upon procedures related to financial statements, we were guided by other International Audit Standards specified in Terms of Reference.

Procedures performed

As requested, we have only performed the procedures listed in the Terms of Reference to this engagement.

These procedures have been determined solely by the Audit Contract dated 23 March 2021 № BFDP/SSS/16/37-4-61/21, signed between BDO and the Ministry of Forestry of the Republic of Belarus and the Export and production republican unitary enterprise “BellesExport” for the purpose to meet the requirements of the Terms of Reference.

Agreed-upon procedures were carried out to confirm the financial statements associated with the implementation of the Project within the Loan Agreement for the period from 1 January 2021 till 31 December 2021, as well as to issue a professional opinion on the financial position of the Project for the period from 1 January 2021 to 31 December 2021 and on income and expenses for the period under review.

During the audit of the financial statements associated with the implementation of the Project within the Loan Agreement, we followed the requirements “The guidelines to annual financial statements and audit concerning the activity financed by the World Bank” with regard to the audit procedures, audit sampling and preparation of the audit report and the report on the audit results.

Sources of Information

The Report sets out information provided to us by you in response to specific questions or as obtained and extracted from your accounts and records.

Factual expenditure (payments)

The total expenditure (payments) for the period from 1 January 2021 till 31 December 2021 which is the subject to verification amounts to 381,560.75 US dollars;

The total expenditure (payments) from the commencement date of implementation of the Project for the period from 31 July 2015 till 31 December 2021 amounts to 40,713,928.86 US dollars;

The Expenditure (payments) Coverage Ratio for 2021 is 100%. This ratio represents the total amount of expenditure (payments) verified by us expressed as a percentage of the total expenditure (payments) which has been subject of this expenditure (payments) verification. We report the details of our factual findings which result from the procedures that we performed in the Terms of Reference.

Use of this Report

This Report is solely for the purpose set forth in the bellow objective.

This Report is prepared solely for confidential use by UE “BellesExport”, Ministry of Forestry of the Republic of Belarus and for the purpose of submission to the International Bank for Reconstruction and Development. This report may not be used by you for any other purpose or distributed to any other parties.

This Report relates only to the Financial statements connected with the implementation of the Project within the Loan Agreement, which was implemented for the period from 1 January 2021 till 31 December 2021 and does not extend to any of your other financial statements.

We look forward to discussing our Report with you and would be pleased to provide any further information or assistance which may be required.

MANAGEMENT'S STATEMENT OF RESPONSIBILITY FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS ON THE "BELARUSIAN FORESTRY DEVELOPMENT PROJECT" FOR THE PERIOD FROM 1 JANUARY 2021 TILL 31 DECEMBER 2021

The following statement, which should be considered in conjunction with the description of independent Auditors' responsibility contained in the independent Auditors' report, has been prepared for the purpose of allocation of responsibilities of Auditors and Management in relation to the Financial Statements of the UE "BellesExport" on the "Belarusian Forestry Development Project" under the Loan Agreement No. 8474-BY dated 2 April 2015 for the period from 1 January 2021 till 31 December 2021.

The UE "BellesExport" Management is responsible for the preparation of the Financial Statements that present fairly, in all material aspects, information on the cash receipts and payments taking place from 1 January 2021 till 31 December 2021 and related to the implementation of the "Belarusian Forestry Development Project" under the Loan Agreement No. 8474-BY dated 2 April 2015 from 1 January 2021 till 31 December 2021 according to the guideline of the International Bank for Reconstruction and Development.

When preparing the Financial Statements the UE "BellesExport" Management is responsible for:

- ▶ selecting the appropriate accounting principles and their consequent application; applying reasonable estimates and calculations;
- ▶ conforming to the requirements of the International Bank for Reconstruction and Development and disclosing all significant deviations in comments to the Financial Statements.

The Management is also responsible for:

- ▶ developing, implementing and maintaining the sustainable internal control system in the UE "BellesExport";
- ▶ maintaining proper accounting records, at any time allowing to prepare information on the cash receipts and payments of the UE "BellesExport" related to the "Belarusian Forestry Development Project" from 1 January 2021 till 31 December 2021 and to ensure compliance of the Financial Statements with the requirements of the International Bank for Reconstruction and Development;
- ▶ maintaining accounting records in accordance with the legislation of the Republic of Belarus and rules and procedures developed and approved by the UE "BellesExport" for the purpose of compliance with the requirements of the International Bank for Reconstruction and Development;
- ▶ identification and preventing fraud and other infringements.

This Financial Statements for the period from 1 January 2021 till 31 December 2021 was authorized by the Management of the UE "BellesExport" on 23 December 2021.

On behalf of the Management of the UE "BellesExport":

Director  *L. Gemyanik*

23 December 2021

1. INFORMATION ABOUT THE AUDITOR

Audit organization	Limited liability company "BDO"
Legal address	220002, Minsk, Pobediteley ave., 103, floor 8, office 7
Certificate of state registration of a legal entity	Issued by Minsk municipal executive committee № 0087747 on 15 November 2013
Tax identification number	190241132
General classifier of enterprises and organizations	37551798
Director	Shkodin Alexander

The following specialists were engaged in the audit:

No.	Position of the specialist in the group	Full name	Qualification audit certificate
1	Engagement Partner. Deputy Director for Consulting and Other Professional Services	Kovalenko Ivan	№ 0002117 dated 27 June 2013, reg. № 1938
2	Head of the audit group. Audit Manager	Zhiznevskaya Ekaterina	№ 0002418 dated 13 December 2017, reg. № 2159
3	Quality Assurance Partner, Deputy Director for Audit	Misuk Andrey	№ 0002095 dated 27 December 2012, reg. №. 1918
4	Lead auditor	Marchenko Olga	№ 0001934 dated 18 March 2011, reg. № 1783
5	Senior Assistant Auditor	Volchuk Victoriya	-
6	Assistant Auditor	Grigorkevich Anastasia	-

2. INFORMATION ABOUT THE AUDITEE

Audited entity	Export and production republican unitary enterprise "BellesExport" of the Ministry of Forestry of the Republic of Belarus (abbreviated name – UE "BellesExport")
Legal address	220073, Minsk, Skryganov Str., 6, office 403
Certificate of state registration	Registered by Minsk municipal executive committee under registration number 0034067 of 13 September 2000
Founding documents are registered	by the Minsk City Executive Committee in the Uniform State Register of Legal entities and Individual Entrepreneurs under № 100994804, resolution of 24 August 2000 № 955
Registered with the Ministry of Taxes and Assessments Inspection	Frunzensky district of Minsk
Tax identification number	100994804
BIC	BPSBBY2X
Tel/Fax	+375 17 259-17-06
Official page in the global computer network Internet	www.bellesexport.by
Director	Leonid Demyanik
Chief accountant	Alla Kosovets

UE "BellesExport" was established by the order of the Ministry of Forestry of the Republic of Belarus dated 19 July 1995 № 71 and according to the Resolution of the Council of Ministers dated 1 December 1998 № 1846 UE "BellesExport" was among special exporters of a forest product.

3. INFORMATION ABOUT THE PROJECT AND AGREEMENT

The legal status and implementation of the Project as of 31 December 2021 are specified and regulated by the following documents:

- ▶ The Law of the Republic of Belarus dated 15 July 2015 No. 299-Z – ratification of the Loan Agreement between the Republic of Belarus and the International Bank for Reconstruction and Development (accepted by the House of Representatives on 30 June 2015);
- ▶ Decree of the President of the Republic of Belarus dated 2 August 2018 No. 303 "On approval of an international treaty".
- ▶ The Loan agreement between the Republic of Belarus and the International Bank for Reconstruction and Development dated 2 April 2015 No. 8474-BY which amounts to 40.7140 million US dollars;
- ▶ The Executive Order of the President of Republic of Belarus dated 6 October 2015 No. 171RP "On implementation of the project" (as amended and supplemented in accordance with the Order of the President of Republic of Belarus dated 13 October 2016 No. 178RP, dated 2 October 2018 No. 200RP). This order defines tax preferences when carrying out the construction works financed by means of a loan for implementation of the "Belarusian Forestry Development Project".
- ▶ The Resolution of the Council of Ministers of the Republic of Belarus dated 4 May 2009 No. 572 "On approval of the list of foreign state loans and foreign loans financed under the guarantees of the Government of the Republic of Belarus, investment projects and intended for the implementation of such technological equipment projects and spare parts to it when imported into the territory of the Republic of Belarus are exempt from customs duties and value added tax" (with amendments and additions dated 26 August 2016 No. 682) for exemption from customs duties and VAT on the import of technological equipment under contracts with Vimek AB.
- ▶ Order of the Ministry of Forestry of the Republic of Belarus dated 25 March 2019 No. 94 "On approval of distribution". This Order defines the distribution for repayment of the main debt and interest in part 1 of the subcomponent "Development of improved forest nurseries for afforestation and reforestation. Purchase of equipment for growing planting material with a closed root system". Order dated 4 June 2020 No. 108 "On amendments to the order of the Ministry of Forestry of the Republic of Belarus dated 25 March 2019 No. 94".
- ▶ Order of the Ministry of Forestry of the Republic of Belarus dated 16 January 2019 No. 14 "On approval of the Regulation on the procedure for receipt and repayment of loans), agreed by the Ministry of Finance of the Republic of Belarus of 27 February 2019 No. 9-1-2 / 786.
- ▶ Order of UE "BellesExport" dated 06 March 2019 No. 33 "On approval of the Regulation on the accounting procedure for loans and grant", agreed by the Ministry of Forestry of the Republic of Belarus of 22 March 2019.
- ▶ Agreement on order of usage of loan agreement funded by the International Bank for Reconstruction and Development ("Belarusian Forestry Development Project") dated 17 September 2015 No. 12-2-15/242P. The agreement is concluded between the Ministry of Finance of the Republic of Belarus, the Ministry of Forestry of the Republic of Belarus and UE "BellesExport".
- ▶ The Operational Manual for the "Belarusian Forestry Development Project", approved by UE "BellesExport" and agreed upon by the Ministry of Forestry of the Republic of Belarus dated 29 July 2015.

The recipient of the loan under the Project is the Republic of Belarus (hereinafter – "Recipient"). The implementation of the Project is carried out by the Ministry of Forestry of the Republic of Belarus and implemented by UE "BellesExport" (hereinafter – "Executive organization").

The total budget of the Project amounts to 40,714,000 US dollars;

The Loan Agreement comes into force no later than in one hundred twenty days from the date of signing of the present Agreement, and according to additional terms by which it is determined that the Loan Agreement is issued and signed on behalf of the Recipient properly, it is authorized or ratified by all necessary state procedures.

According to the Loan Agreement the repayment of the loan begins since 15 October 2020, the date of final repayment of the loan is on 15 October 2029.

In accordance with the Law of the Republic of Belarus dated 15 July 2015 No. 299-Z "On ratification of the Loan Agreement between the Republic of Belarus and the International Bank for Reconstruction and Development" (accepted by the House of Representatives of the Republic of Belarus and approved by the Council of the Republic on 30 June 2015), the commencement date of implementation of the Project is considered 31 July 2015.

The date of receipt of the first tranche on the loan is on 07 June 2016.

The project is implemented by rules and procedures of the International Bank for Reconstruction and Development.

4. PROCEDURES PERFORMED AND ACTUAL FINDINGS

We have performed the specific procedures listed in the Terms of Reference. These procedures include:

1. Procedures of confirmation compliance of use of external funds to General Conditions of Loan Agreements and appropriate financial agreement with regard to economy and efficiency and only for the purposes the funding was provided;
2. Procedures of confirmation compliance of procurements order of financed goods and services to General Conditions of Loan Agreements and appropriate financial agreement including Special Provisions of Procurement Guidelines;
3. Procedures of confirmation compliance of the accounting order (correctness of accounting and financial accounting), including the procedures of conformity assessment of costs (procurement plan) to the Budget and Analytical Review, as well as procedures for verifying the set expenditure side;
4. Procedures of confirmation compliance of use and maintenance of special accounts in accordance with provisions of appropriate General Conditions of Loan Agreements and appropriate financial agreement and letter of deposit;
5. Procedures for the confirmation of availability, adequacy and effectiveness of the internal control system.

We have paid special attention to the following:

- ▶ the statements are prepared in accordance with the provisions of the relevant financial agreement;
- ▶ the funds were spent in full and strictly in accordance with the Project objectives;
- ▶ summary reports can be used as justification for the relevant withdrawal requests;
- ▶ the necessary information and explanations for the audit were obtained;
- ▶ the necessary documents and accounts for conducting the audit have been saved.

We have applied the rules for selection of expenditure and the principles and criteria for verification coverage as set out in terms of reference, as well as the regulations of the International Bank for Reconstruction and Development on the implementation of costs verification for the Project funded by International Bank for Reconstruction and Development.

Selection of costs for verification

The cost was a major factor used by us to select cost items or cost items' categories for verification. We audited 100% coverage of costs to ensure the appropriate coverage of expenditures.

We performed verification of expenses to report all exceptions revealed during verifications procedures. Exceptions are all deviations, revealed during verification procedures.

In section 4.1 of this Report we provide the information about the actual results of the prescribed procedures.

4.1. GENERAL PROCEDURES

4.1.1. Terms of implementation of the Project

We have reviewed the terms of the implementation of the Project in accordance with the requirements of terms of reference.

The Auditors reviewed the Loan Agreement, containing the description of the Project, Project implementation mechanism and "Additional terms for goods, works and non-consulting services procurement by contracts funded by the World Bank using the procedure of National Competitive Procurement (Bidding)", obligatory for fulfilment as per Loan Agreement.

While performing the agreed-upon procedures we reviewed the contracts and agreements concluded by the Executive organization in order to perform the Project for compliance of the goods, works and non-consulting services procurement through World Bank funded contracts to the procedure of National Competitive Procurement such as tender documents, provided commercial proposals and assuming reports for choice of organization for conclusion of contracts and agreements for performing works and services, and the compliance of the contracts and agreements to the requirements of the International Bank for Reconstruction and Development and Belarusian legislation.

During the period from 1 January 2021 till 31 December 2021 no violations of Procurements order were revealed. The contracts and engagements were signed after the procurement procedure and agreement of the International Bank for Reconstruction and Development and Belarusian legislation.

All the contracts are concluded on tripartite and multilateral base. The agreements on the supply of equipment and construction of the forest-seed complexes specify that the Buyers (Customers) are State Forestry Enterprises of the Republic of Belarus and the Republican Forest Selection and Seed Center.

In 2021 changes were made to the procurement plan with the redistribution of funds by components and subcomponents, and the amount of funding was not changed.

4.1.2. Accounting regulations, compliance of the financial statements to the accounting system and accounting records of the Executive organization

We reviewed compliance of activity of the Executive organization to the accounting regulations, settled by Belarusian legislation and the International Bank for Reconstruction and Development regulations and policies in order to:

- ▶ Estimate the ability of effective expenditure control (payments), specified in financial statements;
- ▶ Report important exceptions and limitations due to accounting regulation requirements, registration and documentation so that the Executive organization could perform arrangements to correct and improve within its further activity.

We reviewed the Provisions, agreements and other documentation regulating the order of receiving, use, repayment and reflecting in accounting record of the loan, compared the financial statements data to the accounting data and documentation of the Executive organization of the Project, and also reviewed the accuracy of exchange rate use while converting the currency with regard to current legislation and exchange rates applied by the Executive organization due to internal policies and regulations.

The Executive organisation concluded and approved:

- ▶ With Ministry of Finances of the Republic of Belarus and the Ministry of Forestry of the Republic of Belarus "The Agreement on order of usage of loan agreement funded by the International Bank for Reconstruction and Development ("Belarusian Forestry Development Project")" dated 17 September 2015 № 12-2-15/242P, which specified the way how to use and repay the loan, interest and other payments related to loan, responsibility for proper performance of obligations to the International Bank for Reconstruction and Development;
- ▶ Operational Manual for the "Belarusian Forestry Development Project", approved by UE "BellesExport" and agreed upon by the Ministry of Forestry of the Republic of Belarus dated 29 July 2015;
- ▶ Regulations on order of receiving, repayment of loan and grant of the International Bank for Reconstruction and Development on the "Belarusian Forestry Development Project" (Loan number 8474-BY and 8821-BY, Grant number TFOA1173), approved by the Order of the Ministry of Forestry of the Republic of Belarus dated 16 January 2019 № 14, agreed by the Ministry of Finance of the Republic of Belarus of 27 February 2019 No. 9-1-2/786;
- ▶ Regulations on order of reflecting in accounting records of loan, additional loan and grant of the International Bank for Reconstruction and Development on the "Belarusian Forestry Development Project" within UE "BellesExport", approved by the UE "BellesExport" director's order dated 3 March 2019 No. 33 and agreed upon by the Ministry of Forestry of the Republic of Belarus dated 22 March 2019, which apply to economic operations reflected in the accounting from 1 January 2019.

The Executive organization within implementation the Project we revealed that the Executive organization with regard to accounting maintenance uses the software "1-C Entity", which complies with current legislation and opens individual accounts to reflect the loan.

Currency payments are made from currency account. In order to finance the expenditure in national currency, the funds are transferred by the Executive organization to the account opened in Belarusian rubles. Financial result which arises from the translation of foreign currency into Belarusian rubles is recognized in the accounting of the Executive Organization and has not impact on the financial statements of the Project.

While performing the specified agreed-upon procedures we controlled fulfilment of requirements with regard to correspondence of information in the provided financial statements to the accounting records and documentation of Parties on the Project and main financial statements, other settlement documents and other supplementary documents, confirming the validity of reflection of executed operations in the accounting records and financial statements.

In the accounting records system of the Executive organization allows for receiving the executive summary within individual sub-accounts – analytical statement for the account. Also, there is an analytical statement for expenditure (payments) with regard to demands and obligations, budget components (procurement plan) and etc.

In accordance with legislation of the Republic of Belarus payments between the legal entities in Belarus are made in Belarusian rubles. The currency operations are reflected in currency of agreement/payment in accounting records.

While reviewing the accounting records, financial statements of the Executive organization with regard to the way of the application of the exchange rate we revealed no deviations.

4.1.3. Use and maintenance of special accounts

While performing the specified agreed-upon procedures of use and maintenance of special and other accounts opened by the Executive organization in order to implement the Project we audited:

- ▶ compliance of expenditure to the components mentioned in the procurement plan, financing of which is made within the Project, especially the expenditure was during the Project implementation and the expenditure is necessary to bring the Project to life, which is Subject of the Loan Agreement. The expenditure gives way to identification and control;
- ▶ legitimacy and correctness of preparation of payment documents by the Executive organization, such as drawdown, banking extracts; documents, confirming trade payables (goods, works, services); documents, confirming sale and conversion of foreign currency for payments to legal entities - residents of the Republic of Belarus and payments to non-residents in currency, which differs from US dollars, and other documents;
- ▶ legitimacy and correctness of preparation of documents, confirming supply of goods and materials, providing services such as consignment note, operation commencement act and other, which are approved by tender documentation.

UE "BellesExport" for implementation of the Project in accordance with the requirements of the International Bank for Reconstruction and Development for reflection of receiving of loan funds as of 31 December 2021 the following accounts in JSC "Belinvestbank" were opened (IBAN international account structure):

- ▶ Special account in US dollars to reflect the loan – BY33BLBB362000100994804001002;
- ▶ Special account in BYN to reflect the loan – BY60BLBB36200100994804001001.

Receiving and use of funds within the Loan Agreement (№ 8474-BY) for the term from 1 January 2021 till 31 December 2021 and auto-incremental funds from the commencement date of implementation of the Project from 31 July 2015 till 31 December 2021 is presented in the table:

Item	Amount (US dollars) 2021	Amount (US dollars) for the period from 31 July 2015 till 31 December 2020	Amount (US dollars) for the period from 31 July 2015 till 31 December 2021
Balance as at the beginning of the period	1,668.83	0.00	0.00
Funds received during the period	379,963.06	40,334,036.94	40,714,000.00
Expenditure carried during the period	381,560.75	40,332,368.11	40,713,928.86
Transfer (of) the balance of unused loan funds to the World bank	71.14	n/a	71.14
Balance as at the end of the period	0.00	1,668.83	0.00

We have noted that in general according to the supply contracts for valuable assets (equipment, facility and etc.) and according to the contracts for rendering services concluded within the implementation of the Project the advance payment is provided which is transferred to suppliers according to the contracts with bank guarantees and based on the invoices. The final settlement with the suppliers is carried out after the material values and services rendered and registered.

The executing organization provides supporting documents to the International Bank for Reconstruction and Development in the report for each 4,000,000 US dollars for a loan. The main supporting documents on the delivered equipment are the consignment notes and delivery notes, acts of commissioning and other documents provided by the recipients (subordinate organizations of the Ministry of Forestry of the Republic of Belarus) of this equipment and facility to the Executive organization according to the concluded contracts and document control within the implementation of the Project.

Under the Project, specifically the construction (modernization, reconstruction) of forest-seed complexes, enabling documents (entitlements) approved by the legislation of the Republic of Belarus for construction work have been obtained.

The contracts concluded with construction organizations (hereinafter referred to as Contractors) determine that settlements with Contractors for services rendered are carried out at the amount decreased by 5% of the contract price that will be transferred to the Contractor upon completion of construction works, at the same time, after signing the commissioning certificate, 2.5% of the contract price will be transferred, and another 2.5% of the contract price will be transferred upon expiration of the warranty period or in its course when the Contractor provides a bank guarantee. These amounts may be sent by the Contractor during the warranty period only for the elimination of works of inadequate quality.

4.1.4. Internal Control System

In planning and performing the agreed-upon procedures on the "Belarusian Forestry Development Project", we performed the evaluation of the effectiveness of the UE "BellesExport" internal control system solely for the purpose of determining the scope of works required to perform the agreed-upon procedures in accordance with the terms of reference.

The work performed during the effectiveness evaluation does not imply full and general audit of the accounting and internal control systems of the UE "BellesExport" for the purpose of identification of all possible deficiencies.

The shared liability for implementation of the Project is imposed on the Ministry of Forestry of the Republic of Belarus which by the UE "BellesExport" provides for the entire duration of the implementation of the Project functioning and keeping of the Group on project management, presented by the "Project management unit" UE "BellesExport" (hereinafter – "PMU") according to the requirements of the International Bank for Reconstruction and Development.

The management of UE "BellesExport" is liable for compliance with the purposes of the Project and to the terms of the Loan Agreement, accounting and internal control.

UE "BellesExport" provides maintaining the separate accounting of means of the Loan from other financial support.

UE "BellesExport" is guided by requirements to the internal control which are defined by the legislation of the Republic of Belarus, and also by the documents, regulating work of PMU, of Accounting and Reporting Department and other structural divisions of the UE "BellesExport". Work of the specified divisions of UE "BellesExport" is carried out according to:

- ▶ delegation structural divisions and workers with specific authority and liability (duty regulations and regulations on departments);
- ▶ the Operational Manual for the "Belarusian Forestry Development Project", approved by UE "BellesExport" and coordinated by the Ministry of Forestry of the Republic of Belarus on 29 July 2015, drafted on the basis of requirements and procedures of the International Bank for Reconstruction and Development;
- ▶ other procedures of the Internal Control System.

Components of the Internal control system of UE "BellesExport" are:

- ▶ regular verification of accounting data with the Client Connection portal. Information of the Client Connection website is in real time used for obtaining the following data:
 - monthly reports of payments;
 - condition of applications for withdrawal of funds;
 - information on debt servicing.
- ▶ verification with bank statements within the Project;
- ▶ regular verification of statements of expenditure and the registered payments.

Mechanisms of internal control, which are based on the principle of double/threefold, check operate on all stages of implementation of the Project in UE "BellesExport" (planning, budgeting, drafting documentation for tenders, contracts award, expenditure, etc.). At each stage of such check the fact of correctness of drafting the documents is signed by the responsible employee of UE "BellesExport".

The Lead Economist of the PMU is responsible for reconciling the movement of funds in the accounts to account for the loan funds. The Head of the PMU is responsible for reviewing and approving regular reports and the balance sheet of expenditure using the expenditure statement, and for re-checking the movement of the loan funds. The PMU, together with the Accounting and Reporting Department, is responsible for preparing financial statements for audit purposes.

Transfer of loan funds were carried out in currencies of the loan into the special account in US dollars for transfer and receiving loan funds, opened in JSC "Belinvestbank" according to the executive order of the President of the Republic of Belarus dated 6 October 2015 No. 171RP (as amended on 13 October 2016 No. 178 RP and dated 2 October 2018 No. 200 RP), on the basis of applications for withdrawal of funds (advance payments and final settlement on the delivered goods, the rendered services). After withdrawal of the sum limited by the Letter on an order of an expenditure of funds (up to 4,000,000 US dollars of the loan), PMU provides to the International Bank for Reconstruction and Development (treasury) the report and the accompanying documents confirming the right for withdrawal of the sums according to applications and the fact that the sum withdrawn from the account of the loan is used for the means stipulated in the Loan Agreement.

According to the provided by the International Bank for Reconstruction and Development's certified signature samples of each person all the authorized persons of UE "BellesExport" have signed all applications.

Translation from the original into English

The payments to suppliers of goods, works, services are carried out with monitoring procedure on a multilevel basis - the chief officer of PMU, the economist, the chief accountant, the Deputy Director - Head of the Branch Office of UE "BellesExport".

Monitoring of the proper and effective use of funds of the loan, following the approved Procurement Plan, order of accumulation of the funds allocated for repayment of the loan and timely repayment of the next payments on the loan is carried out within the competence by the Ministry of Forestry of the Republic of Belarus, the Ministry of Finance of the Republic of Belarus, the Ministry of Economics of the Republic of Belarus and other supervisory authorities.

5. GENERAL CONCLUSIONS

We have conducted audit on the "Belarusian Forestry Development Project" in accordance with the terms of audit reference, International Standards on Auditing, requirements of the Law of the Republic of Belarus of 12 July 2013 No. 56-Z "On audit activity" and the National Standards on Auditing Activities approved by the Ministry of Finance of the Republic of Belarus. We are independent of the UE "BellesExport" 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 requirements of this Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion the financial statements of the "Belarusian Forestry Development Project" contain accurate information on the financial position of the project financed by the International Bank for Reconstruction and Development under the Loan Agreement No. 8474-BY dated 2 April 2015, cash receipts and payments that occurred for the period from 1 January 2021 till 31 December 2021 under the relevant supervision of the International Bank for Reconstruction and Development.

In the result of the agreed-upon procedures nothing came to our attention that could be a reason to believe that:

- ▶ the internal control system is poorly and insufficiently organized;
- ▶ the Project implementation does not correspond to the project objectives and contract provisions;
- ▶ business is misconducted and the use of financial resources is ineffective.

Engagement Partner.
Deputy Director for Consulting and
Other Professional Services



Ivan Kovalenko
(auditor's qualification certificate
№ 0002117 dated 27 June 2013,
reg. № 1938)

Head of the Audit group.
Audit Manager

Ekaterina Zhiznevskaya
(auditor's qualification certificate
№ 0002418 dated 13 December 2017,
reg. № 2159)

Report received on 23 December 2021

Position, Full Name

Director L. Demyanik

Signature