

**STRENGTHENING PUBLIC FINANCIAL MANAGEMENT PROJECT**

**MDPTF GRANT No. TF012529**

**IMPLEMENTED BY FOREIGN FINANCING PROJECTS MANAGEMENT CENTER  
OF THE MINISTRY OF FINANCE OF THE REPUBLIC OF ARMENIA**

**Special Purpose Project Financial Statements  
and  
Independent Auditor's Report**

**For the years ended 31 December 2013 and 31 December 2014**

**YEREVAN**  
**June 2015**

# STRENGTHENING PUBLIC FINANCIAL MANAGEMENT PROJECT

MDPTF GRANT No. TF012529

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"SOS-AUDIT" LTD

## INDEPENDENT AUDITOR'S REPORT N 63

*On the special purpose financial statements of the  
Strengthening Public Financial Management Project  
for the years ended 31 December 2013 and 31 December 2014*

To the Management of the Foreign Financing Projects Management Center (FFPMC)

We have audited the accompanying special purpose financial statements of the "Strengthening Public Financial Management Project" (hereafter: the Project) financed by MDPTF Grant No. TF012529, and implemented by the FFPMC, which comprise the statement of cash receipts and payments, and the statement of uses of funds by Project activity for the years ended 31 December 2013 and 31 December 2014, and a summary of significant accounting policies and other explanatory notes.

### *Management's Responsibility for the Special Purpose Financial Statements*

The management of FFPMC is responsible for the preparation and fair presentation of these special purpose financial statements in accordance with International Public Sector Accounting Standard: *Financial Reporting Under the Cash Basis of Accounting*, (IPSAS-Cash Basis) issued by the International Public Sector Accounting Standards Board (IPSASB) within the International Federation of Accountants (IFAC), and Financial Management Manual for World Bank Financed Investment Operations (WB Guidelines), and for such internal control as management determines is necessary to enable the preparation of special purpose financial statements that are free from material misstatements, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these special purpose financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISAs) as issued by International Auditing and Assurance Standards Board (IAASB) within the IFAC. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the special purpose financial statements are free from material misstatement.

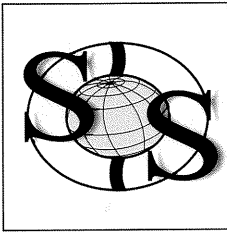
An audit involves performing procedures to obtain reasonable audit evidence about the amounts and disclosures in the special purpose financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risk of material misstatement of the special purpose financial statements, whether due to fraud or error. In making those assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the special purpose financial statement 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 entity's internal control.

Քրոու Հորվաթ Բիզնես Ալյանսի Ասոցիացված Անդամ

ՀՀ, ք. Երևան 0037, Ա.Տիգրանյան 38/55; Հեռ.՝ (+37410) 20 11 51; Ֆաքս՝ (+37410) 20 11 50; www.sosaudit.am; Էլ-փոստ՝ info@sosaudit.am

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An audit also includes the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the special purpose financial statements.

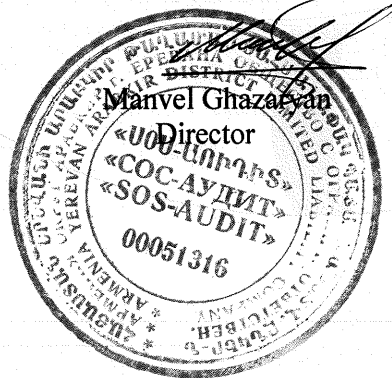
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.


### Opinion

In our opinion,

1. the special purpose financial statements present fairly in all material respects the cash receipts and payments of the Project for the years ended 31 December 2013 and 31 December 2014 in accordance with IPSAS-Cash Basis and World Bank related guidelines;
2. funds have been used in accordance with the conditions of the Grant Agreement No. TF012529 dated 2 April 2013 between the International Bank for Reconstruction and Development (IBRD) and the Republic of Armenia, and World Bank related guidelines, with due attention to economy and efficiency, and only for the purposes for which the financing was provided;
3. supporting documents, records and accounts have been maintained to support claims for reimbursement of expenditures incurred. Expenditures included in the withdrawal applications and reimbursed against are eligible for financing under the MDPTF Grant No. TF012529 dated 2 April 2013;
4. The Designated account used has been maintained in accordance with the provision of the MDPTF Grant No. TF012529 dated 2 April 2013, and World Bank related guidelines.

"SOS-Audit" LLC  
22 June 2015



  
Nazik Chitchyan  
Auditor

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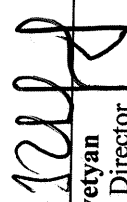
38/55 A.Tigranyan, 0037 Yerevan, RA; Tel.: (+37410) 20 11 51; Fax: (+37410) 20 11 50; [www.sosaudit.am](http://www.sosaudit.am); E-mail: [info@sosaudit.am](mailto:info@sosaudit.am)

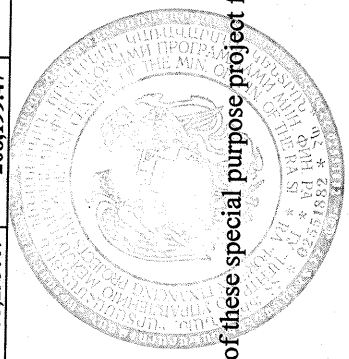
**Strengthening Public Financial Management Project**  
**MDPTF Grant No. TF012529**

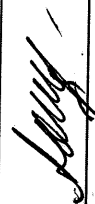
**Statement of cash receipts and payments**

For the years ended 31 December 2013 and 31 December 2014  
*(Amounts are shown in US dollars)*

	Actual		Planned		Variance		PAD
	Year ended 31 Dec 2013	Year ended 31 Dec 2014	Year ended 31 Dec 2013	Year ended 31 Dec 2014	Year ended 31 Dec 2013	Year ended 31 Dec 2014	
	Cumulative as at 31 Dec 2013	Cumulative as at 31 Dec 2014	Cumulative as at 31 Dec 2013	Cumulative as at 31 Dec 2014	Cumulative as at 31 Dec 2013	Cumulative as at 31 Dec 2014	
<b>OPENING CASH BALANCE</b>							
Designated Account (MDPTF Grant)	-	-	-	-			
Project Account (GOA)	-	36,564.93	-	-			
<b>TOTAL OPENING CASH</b>	-	<b>36,564.93</b>	-	-			
<b>Sources of Funds</b>							
MDPTF Grant No. TF012529	8.1	227,210.08		227,210.08			867,000.00
Government of RoA	8.2	36,597.42	141,341.09	177,938.51			396,000.00
<b>TOTAL FUNDS</b>		<b>36,597.42</b>	<b>368,551.17</b>	<b>405,148.59</b>			<b>1,263,000.00</b>
Foreign currency gain/(loss)		(32.49)	(21,309.33)	(21,341.82)			
<b>Uses of funds</b>							
7							
1. Consultant's services			175,607.30	175,607.30			
<b>TOTAL PROJECT EXPENDITURES</b>			<b>175,607.30</b>	<b>175,607.30</b>	697,294.57	(521,687.27)	1,263,000.00
<b>CLOSING CASH BALANCE</b>					697,294.57	(521,687.27)	<b>1,263,000.00</b>
6							
Designated Account (MDPTF Grant)			80,870.67	80,870.67			
Project Account (GOA)		36,564.93	127,328.80	127,328.80			
<b>TOTAL CLOSING CASH</b>		<b>36,564.93</b>	<b>208,199.47</b>	<b>208,199.47</b>			

  
**Edgar Avetyan**  
 Executive Director



  
**Armen Shahnazaryan**  
 Financial manager

22 June 2015

The notes on pages 7-12 form an integral part of these special purpose project financial statements.

**Strengthening Public Financial Management Project**  
**MDPTF Grant No. TF012529**

**Statement of uses of funds by Project activity**

For the years ended 31 December 2013 and 31 December 2014  
 (Amounts are shown in US dollars)

Project Activities	Actual		Planned			Variance		PAD
	Year ended 31 Dec 2013	Year ended 31 Dec 2014	Year ended 31 Dec 2013	Year ended 31 Dec 2014	Cumulative as at 31 Dec 2014	Year ended 31 Dec 2013	Year ended 31 Dec 2014	
Deepening Policy Based Budgeting and Strengthening Public Investment Management System in Armenia, Software application for E-procurement, Business Process Review and Technical and Functional Specifications for GFMS	-	175,607.30	-	697,294.57	697,294.57	-	(521,687.27)	1,263,000.0
<b>Total Project Expenditure</b>	-	<b>175,607.30</b>	-	<b>697,294.57</b>	<b>697,294.57</b>	-	<b>(521,687.27)</b>	<b>1,263,000.0</b>

## 1. General information

### 1.1. The Project

The Letter Agreement No. TF012529 was concluded on 2 April 2013 between the Republic of Armenia and the International Bank for Reconstruction and Development (IBRD), according to which IBRD, acting as administrator of grant funds under the Multi Donor Programmatic Trust Fund (MDPTF), provided a grant at the amount of 867,000 United States Dollars (USD).

The grant is provided for the purpose of implementation of Strengthening Public Financial Management Project (the Project).

The Closing Date of the financing under MDPTF Grant No. TF012529 is set on 10 October 2015. The Grace Period for submitting withdrawal applications for the expenditures incurred before the Closing date is four months following the Closing date.

Contribution from Government of Armenia at the amount of USD 36,597.42 is the only transaction under the Project in 2013.

### 1.2. The Project objectives

The objective of the Project is to support improved management of public expenditures.

The Project consists of the following parts:

- Part A. Deepening policy based budgeting,
- Part B. Strengthening public investment management,
- Part C. Improved information technology and governance,
- Part D. Business process review,
- Part E. Development of technical specification for GFMIS.

### 1.3. The Project Budget and Financing

The Project is being financed by the following sources:

- MDPTF Grant No. TF012529 – 100% exclusive of taxes,
- The Government of the Republic of Armenia (Government of RoA) - taxes.

Category	MDPTF Grant No. TF012529	Government of the RoA	Total
	USD	USD	USD
1. Consultant's services	867,000.00	396,000.00	1,263,000.00

### 1.4. Project Implementation

The Project is implemented by the Foreign Financing Projects Management Center of the Ministry of Finance of the Republic of Armenia (FFPMC).

The address of the FFPMC is: 4 Tigran Mets str., 3-rd floor, Yerevan, Republic of Armenia.

**Notes to the special purpose financial statements**

For the years ended 31 December 2013 and 31 December 2014

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**2. Summary of significant accounting policies**

**2.1. Preparation and presentation of financial statements**

The special purpose financial statements are prepared in accordance with the International Public Sector Accounting Standard: *Financial Reporting Under the Cash Basis of Accounting* (IPSAS-Cash Basis), issued by the International Public Sector Accounting Standards Board (IPSASB) within the International Federation of Accountants (IFAC), and presented in accordance with Financial Management Manual for World Bank Financed Investment Operations (March 2010): RM 3 – Financial Reporting and Auditing.

The principal accounting policies applied in the preparation of these special purpose financial statements are set out below. These policies have been consistently applied to all the periods presented.

**2.2 Cash basis of accounting**

Project financing is recognised as a source of project funds when the cash is received. Project expenditures are recognised as a use of project funds when the payments are made.

**2.3 Reporting currency**

The reporting currency of these special purpose financial statements is United States dollar (USD). The contribution of the Government of RA and expenditures made in local currency, Armenian Dram (AMD), are translated into USD based at the exchange rate defined by the Central Bank of the Republic of Armenia (CBA) at the date of the transaction. The effect of exchange rate changes on cash held on local currency is reported as separate line item in the statement of cash receipts and payments.

The average exchange rate at currency market issued by the CBA as at 31 December 2013 is 1 USD =405.64 AMD

The average exchange rate at currency market issued by the CBA as at 31 December 2014 is 1 USD =474.97 AMD.

**2.4. Taxes**

Taxes are paid in accordance with the tax regulations of the Republic of Armenia.

**2.5. Budget**

Expenditure budget is created based on actual accumulated expenditures for the last period plus the updated procurement plans for the reporting period.



### 3. Summary of Summary Reports and SOEs

For the year ended 31 December 2014

Withdrawal No	Withdrawal application value date	Payment categories
		1. Consultant's services
		USD
2DA	09-Sep-2014	77,210.08
<b>Total</b>		<b>77,210.08</b>

### 4. Statement of Designated Account

Bank account number 900000903535  
 Bank Central Treasury  
 Bank location 4 Tigran Mets str., 1-st floor, Yerevan, 0010  
 Republic of Armenia  
 Currency USD

	<b>MDPTF Grant No. TF012529 Year ended 31 Dec 2014</b>
1. Opening balance as at 01.01.2014	-
2. Add: opening discrepancy	-
3. IBRD advance/replenishment	227,210.08
4. Less: Refund to IBRD from DA	-
<b>5. Present outstanding amount advanced to DA</b>	<b>227,210.08</b>
6. DA closing balance as at 31.12.2014	80,870.67
7. Add: Amount of eligible expenditures paid	146,339.41
8. Less: interest earned (if credited to DA)	-
<b>9. Total advance accounted for</b>	<b>227,210.08</b>
10. Closing discrepancy (5)-(9)	-

## 5. Statement of financial position

The Statement of financial position discloses assets, liabilities and net assets of the Project as at reporting date. It is prepared in accrual basis that is transactions are recognized when they occur (and not only when cash is received or paid).

	note	31.12.2014 USD	31.12.2013 USD
<b>ASSETS</b>			
Cash			
Prepayments	6	208,199.47	36,564.93
		-	-
<b>Total assets</b>		<b>208,199.47</b>	<b>36,564.93</b>
<b>LIABILITIES</b>			
Payables		-	-
<b>Total liabilities</b>		<b>-</b>	<b>-</b>
<b>NET ASSETS</b>			
<b>Cumulative income</b>	8		
MDPTF Grant No. TF012529		227,210.08	36,597.42
Government of RoA		177,938.51	-
		<b>405,148.59</b>	<b>36,597.42</b>
<b>Cumulative expenses</b>			
Project expenses		(175,349.43)	-
		<b>(175,349.43)</b>	<b>-</b>
Foreign exchange difference		(21,599.69)	(32.49)
<b>Total net assets</b>		<b>208,199.47</b>	<b>36,564.93</b>

## 6. Cash

	Account held at	Underlying Currency	31.12.2014 USD	31.12.2013 USD
Designated account (MDPTF Grant No. TF012529)	Treasury	USD	80,870.67	-
Project account (Government of RoA)	Treasury	AMD	127,328.80	36,564.93
<b>Total</b>			<b>208,199.47</b>	<b>36,564.93</b>

**Strengthening Public Financial Management Project**  
**MDPTF Grant No. TF012529**

**Notes to the special purpose financial statements**  
 For the years ended 31 December 2013 and 31 December 2014

**7. Project Expenditures**

**7.1. Project expenditures financing per funds**

Expenditure category	Year ended 31 Dec 2013			Year ended 31 Dec 2014			Cumulative As at 31 Dec 2014		
	MDP TF Grant No. TF012529	Government of RA	Total	MDPTF Grant No. TF012529	Government of RA	Total	MDPTF Grant No. TF012529	Government of RA	Total
	USD	USD	USD	USD	USD	USD	USD	USD	USD
1. Consultant's services	-	-	-	146,339.41	29,267.89	175,607.30	146,339.41	29,267.89	175,607.30
<b>Total</b>	-	-	-	<b>146,339.41</b>	<b>29,267.89</b>	<b>175,607.30</b>	<b>146,339.41</b>	<b>29,267.89</b>	<b>175,607.30</b>

**7.2. Project expenditure budget execution**

Category	Cumulative Expenditures as at 31 Dec 2014		Total budget		Execution %
	USD	USD	USD	USD	
1. Consultant's services	175,607.30	175,607.30	1,263,000.00	1,263,000.00	14

Notes to the special purpose financial statements  
For the years ended 31 December 2013 and 31 December 2014

## 8. Financing

### 8.1. MDPTF Grant No. TF012529

	Year ended 31 Dec 2013	Year ended 31 Dec 2014	Cumulative as at 31 Dec 2014
	USD	USD	USD
Advances/ (advance recovery)	-	150,000.00	150,000.00
SOE and Summary Report	-	77,210.08	77,210.08
<b>Total</b>	-	<b>227,210.08</b>	<b>227,210.08</b>
Total financing budget			<b>867,000.00</b>
Percentage of finance provided as at 31 Dec 2014			<b>26%</b>

### 8.2. Government of RoA

	Year ended 31 Dec 2013	Year ended 31 Dec 2014	Cumulative as at 31 Dec 2014
	USD	USD	USD
Financed	36,597.42	141,341.09	177,938.51
Total financing budget			<b>396,000.00</b>
Percentage of finance provided as at 31 Dec 2014			<b>45%</b>

## 9. Event after the reporting date

The application 4 DA at the total amount of 69,129.33 USD, that includes expenditures relating to the reporting period (from 2 September 2014 to 31 December 2014) was submitted to WB on 10 March 2015 and approved on 11 March 2015.

**ANNEX 1. RECONCILIATION BETWEEN THE AMOUNTS SUBMITTED BY THE FFPMC AND  
DISBURSED BY THE WORLD BANK**

For the years ended 31 December 2013 and 31 December 2014

*(Amounts are shown in US dollars)*

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<b>Expenditure Category</b>	<b>Appl.</b>	<b>FFPMC</b>	<b>WB</b>	<b>Difference</b>
Advance	1A	150,000.00	150,000.00	-
		<b>150,000.00</b>	<b>150,000.00</b>	
1. Consultants' services	2DA	77,210.08	77,210.08	-
		<b>77,210.08</b>	<b>77,210.08</b>	
<b>Total</b>		<b>227,210.08</b>	<b>227,210.08</b>	