

IDF GRANT FOR PUBLIC SECTOR AUDITING CAPACITY BUILDING PROJECT

IDF GRANT No.TF011901

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

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

For the period from 9 November 2012 to 17 December 2015

**YEREVAN
December 2015**

IDF GRANT FOR PUBLIC SECTOR AUDITING CAPACITY BUILDING PROJECT

IDF GRANT No.TF011901

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"SOS-AUDIT" LTD

INDEPENDENT AUDITOR'S REPORT N 102

*On the special purpose financial statements of the
"IDF Grant for Public Sector Auditing Capacity Building Project"
for the period from 9 November 2012 to 17 December 2015*

To the Management of the Foreign Financing Projects Management Center

We have audited the accompanying special purpose financial statements of the "IDF Grant for Public Sector Auditing Capacity Building Project" (hereafter: the Project) financed by IDF Grant No. TF011901, and implemented by the Foreign Financing Projects Management Center (FFPMC), which comprise the statement of cash receipts and payments, and the statement of uses of funds by Project activity for the period from 9 November 2012 to 17 December 2015, 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.

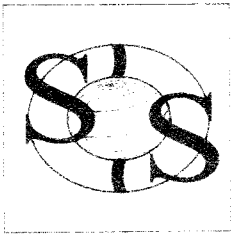
An audit involves performing procedures to obtain reasonable audit evidence about the amounts and disclosures in the special purpose financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risk of material misstatement of the special purpose financial 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.

Զրոյս Զորվաթ Քիզնես Ալլամսի Ասոցիացված Անդամ

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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 period from 9 November 2012 to 17 December 2015 in accordance with IPSAS-Cash Basis and World Bank related guidelines;
2. funds have been used in accordance with the conditions of the Letter Agreement No. TF011901 dated 18 September 2012 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 IDF Grant No. TF011901 dated 18 September 2012;
4. The Designated account used has been maintained in accordance with the provision of the IDF Grant No. TF011901 dated 18 September 2012, and World Bank related guidelines.

Emphasis of matters

Without qualifying our opinion we draw your attention to Note 9 of these special purpose financial statements which disclosed that the Project was completed as at the reporting date.

"SOS-Audit" LLC
29 December 2015


Manvel Ghazaryan
Director


Nazik Chitchyan
Auditor

Զրոյն Զորվար Քիզմես Ալյանսի Ասոցիացված Անդամ

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IDF Grant for Public Sector Auditing Capacity Building Project
IDF Grant No. TF011901

Statement of cash receipts and payments

For the period from 9 November 2012 to 17 December 2015
(Amounts are shown in US dollars)

	Actual		Planned		Variance		PAD
	Reporting period	Cumulative as at 17 Dec 2015	Reporting period	Cumulative as at 17 Dec 2015	Reporting period	Cumulative as at 17 Dec 2015	
TOTAL OPENING CASH	-	-					
Sources of Funds							
IDF Grant No. TF011901	478,000.00	478,000.00	478,000.00	478,000.00	-	-	478,000.00
Government of RoA	184,427.25	184,427.25	182,000.00	182,000.00	2,427.25	2,427.25	182,000.00
TOTAL FUNDS	662,427.25	662,427.25	660,000.00	660,000.00	2,427.25	2,427.25	660,000.00
Foreign currency gain/(loss)	(3,688.22)	(3,688.22)					
Uses of funds							
1. Goods	11,651.48	11,651.48	12,000.00	12,000.00	(348.52)	(348.52)	12,000.00
2. Consultant's services including audit services and training	641,298.95	641,298.95	648,000.00	648,000.00	(6,701.05)	(6,701.05)	648,000.00
TOTAL PROJECT EXPENDITURES	652,950.43	652,950.43	660,000.00	660,000.00	(7,049.57)	(7,049.57)	660,000.00
CLOSING CASH BALANCE							
Designated Account (IDF Grant)	5,031.64	5,031.64					
Project Account (Government of RoA)	756.96	756.96					
TOTAL CLOSING CASH	5,788.60	5,788.60					


Edgar Avetyan
Executive Director


Armen Shahmazaryan
Financial manager

29 December 2015

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

IDF Grant for Public Sector Auditing Capacity Building Project
 IDF Grant No. TF011901

Statement of uses of funds by Project activity

For the period from 9 November 2012 to 17 December 2015
 (Amounts are shown in US dollars)

	Actual		Planned		Variance		PAD
	Reporting period	Cumulative as at 17 Dec 2015	Reporting period	Cumulative as at 17 Dec 2015	Reporting period	Cumulative as at 17 Dec 2015	
Part A: Capacity Assessment and Strategy Development	628,867.37	628,867.37	629,950.00	629,950.00	(1,082.63)	(1,082.63)	629,950.00
Part B: Development of Appropriate Audit Standards and Methods	24,083.06	24,083.06	24,650.00	24,650.00	(566.94)	(566.94)	24,650.00
Part C: Project Audit	-	-	5,400.00	5,400.00	(5,400.00)	(5,400.00)	5,400.00
Total Project Expenditure	652,950.43	652,950.43	660,000.00	660,000.00	(7,049.57)	(7,049.57)	660,000.00

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

Notes to the special purpose financial statements

For the period from 9 November 2012 to 17 December 2015

1. General information

1.1. The Project

The Letter Agreement No.TF011901 was concluded on 18 September 2012 between the Republic of Armenia and the International Bank for Reconstruction and Development (IBRD), according to which IBRD provided IDF Grant No.TF011901 in an amount not to exceed 478,000 United States Dollars (USD).

The grant is provided for the purpose of implementation of “IDF Grant for Public Sector Auditing Capacity Project” (the Project).

Financial transactions under the Project commenced since August 2013.

The Closing Date of the financing under IDF Grant No. TF011901 is set on 9 November 2015. The Grace Period for submitting withdrawal applications for the expenditures incurred before the Closing date is four months following the Closing date.

1.2. The Project objectives

The objectives of the Project is to support the adoption of a capacity building strategy and action plan by the Republic of Armenia public sector external audit and the development and use of standardized audit methods.

The Project consists of the following parts:

- Part A. Capacity Assessment and Strategy Development,
- Part B. Development of Appropriate Audit Standards and Methods,
- Part C. Project Audit.

1.3. The Project Budget and Financing

The Project is being financed by the following sources:

- IDF Grant No. TF011901 – 100% exclusive of taxes
- The Government of the Republic of Armenia (Government of RoA) - taxes.

Category	IDF Grant No. TF011901	Government of the RA	Total
	USD	USD	USD
1. Goods	10,000	2,000	12,000
2. Consultant’s services including audit services and training	468,000	180,000	648,000
Total	478,000	182,000	660,000

1.4. Project Implementation

The Project is implemented by the Foreign Financing Projects Management Center (FFPMC).

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

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 dollars (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 17 December 2015 is 1 USD =482.85 AMD.

2.4. Taxes

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

Notes to the special purpose financial statements

For the period from 9 November 2012 to 17 December 2015

3. Summary of Summary Reports and SOEs

For the period from 9 November 2012 to 17 December 2015

Withdrawal No	Withdrawal application value date	Payment categories		
		1. Goods	2. Consultant's services including audit services and training	Total
		USD	USD	USD
2DA	09-Sep-2014	-	99,429.57	99,429.57
4DA	26-Feb-2015	-	55,490.58	55,490.58
6DA	29-Jul-2015	-	50,138.37	50,138.37
7DA	25-Nov-2015	9,709.57	64,485.07	74,194.64
Total		9,709.57	269,543.59	279,253.16

4. Statement of Designated Account

Bank account number	900000903477
Bank	Central Treasury
Bank location	4 Tigran Mets str., 1-st floor, Yerevan, 0010 Republic of Armenia
Currency	USD

	IDF Grant No. TF011901
1. Opening balance as at 09.11.2012	-
2. Add: opening discrepancy	-
3. IBRD advance/replenishment	384,284.80
4. Less: Refund to IBRD from DA	(100,000.00)
5. Present outstanding amount advanced to DA	284,284.80
6. DA closing balance as at 17.12.2015	5,031.64
7. Add: Amount of eligible expenditures paid	279,253.16
8. Less: interest earned (if credited to DA)	-
9. Total advance accounted for	284,284.80
10. Closing discrepancy (5)-(9)	-

IDF Grant for Public Sector Auditing Capacity Building Project
IDF Grant No. TF011901

Notes to the special purpose financial statements

For the period from 9 November 2012 to 17 December 2015

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	17.12.2015 USD
ASSETS		
Cash	6	5,788.60
Prepayments		-
Total assets		5,788.60
LIABILITIES		
Payables		-
Total liabilities		-
NET ASSETS		
Cumulative income		
IDF Grant No. TF011901		478,000.00
Government of RoA		184,427.25
		662,427.25
Cumulative expenses		
Project expenses		(654,443.55)
		(654,443.55)
Foreign exchange loss		(2,195.10)
		(2,195.10)
Total net assets		5,788.60

6. Cash

	Account held at	Underlying Currency	17.12.2015 USD
Designated account (IDF Grant No. TF011901)	Treasury	USD	5,031.64
Project account (Government of RoA)	Treasury	AMD	756.96
Total			5,788.60

7. Project Expenditures

7.1. Project expenditures financing per funds

Expenditure category	Reporting period			Cumulative As at 17 Dec 2015		
	IDF Grant No. TF011901	Government of RA	Total	IDF Grant No. TF011901	Government of RA	Total
	USD	USD	USD	USD	USD	USD
1. Goods	9,709.57	1,941.91	11,651.48	9,709.57	1,941.91	11,651.48
2. Consultant's services including audit services and training	463,258.79	178,040.16	641,298.95	463,258.79	178,040.16	641,298.95
	472,968.36	179,982.07	652,950.43	472,968.36	179,982.07	652,950.43

Notes to the special purpose financial statements

For the period from 9 November 2012 to 17 December 2015

7.2. Project expenditure budget execution

Category	Cumulative Expenditures as at 17 Dec 2015	Total budget	Execution
	USD	USD	%
1. Goods	11,651.48	12,000.00	97%
2. Consultant's services including audit services and training	641,298.95	648,000.00	99%
Total	652,950.43	660,000.00	99%

8. Financing

8.1. IDF Grant No. TF011901

	Reporting period USD	Cumulative as at 17 Dec 2015 USD
Advances/ (advance recovery)	5,031.64	5,031.64
SOE and Summary Report	279,253.16	279,253.16
Direct Payment	193,715.20	193,715.20
Total	478,000.00	478,000.00
Total financing budget		478,000.00
Percentage of finance provided as at 17 Dec 2015		100%

8.2. Government of RoA

	Reporting period USD	Cumulative as at 17 Dec 2015 USD
Financed	184,427.25	184,427.25
Total financing budget		182,000.00
Percentage of finance provided as at 17 Dec 2015		101%

9. Project completion

The Project was completed as at November 9, 2015 (Closing Date), and the transactions were completed as at December 17, 2015 (the Reporting Date).

As at the date of signing these special purpose financial statements:

- No expenses related to the Project were incurred after the Closing Date; the payments made during the Grace period related to expenses incurred before the Closing Date;
- No withdrawals from IDF Grant No. TF011901 were made after Closing date;

Notes to the special purpose financial statements

For the period from 9 November 2012 to 17 December 2015

- c. No expenditures related to the Project were submitted to the WB after the Reporting date;
- d. There were no uncovered prepayments or payables outstanding to contractors related to the Project as at the Reporting Date;
- e. The cash balance outstanding as at Reporting date consists:
 - Balance at Designated account at the amount of USD 3,031.64 to be refunded to WB after paying for final audit service, and
 - Balance at Local currency account at the amount of USD 756.96 for paying taxes for final audit service;
- f. We are not aware about any pending or existing litigations against the Project.

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

For the period from 9 November 2012 to 17 December 2015

(Amounts are shown in US dollars)

Expenditure Category	Appl.	FPPMC	WB	Difference
Advance (repayment)	1A	100,000.00*	100,000.00	
	Refund		(100,000.00)	
	2A	100,000.00	100,000.00	
	6DA		(20,773.72)	
	7DA		(74,194.64)	
			200,000.00	5,031.64
1.Goods	7DA	9,709.57	9,709.57	-
		9,709.57	9,709.57	
2. Consultants' Services including audit and Training	2DA	99,429.57	99,429.57	-
	3DP	108,964.80	108,964.80	-
	4DA	55,490.58	55,490.58	-
	5DP	84,750.40	84,750.40	-
	6DA	50,138.37	50,138.37	-
	7DA	64,485.07	64,485.07	-
			463,258.79	463,258.79
Total		672,968.36	478,000.00	