

**IDF GRANT FOR STRENGTHENING CAPACITY OF REGULATORY REFORM UNIT
OF THE ARMENIAN GOVERNMENT PROJECT**

IDF GRANT No.TF011972

**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 period from 2 October 2012 to 22 October 2015

**YEREVAN
November 2015**

**IDF GRANT FOR STRENGTHENING CAPACITY OF REGULATORY REFORM UNIT OF
THE ARMENIAN GOVERNMENT PROJECT**

IDF GRANT No.TF011972

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"SOS-AUDIT" LTD

INDEPENDENT AUDITOR'S REPORT N 98

*On the special purpose financial statements of the
"IDF Grant for Strengthening Capacity of Regulatory Reform Unit of the Armenian
Government Project"
for the period from 2 October 2012 to 22 October 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 Strengthening Capacity of Regulatory Reform Unit of the Armenian Government Project" (hereafter: the Project) financed by IDF Grant No. TF011972, 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 2 October 2012 to 22 October 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.

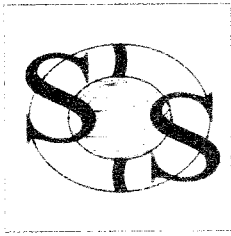
An audit involves performing procedures to obtain reasonable audit evidence about the amounts and disclosures in the special purpose financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risk of material misstatement of the special purpose financial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

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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,

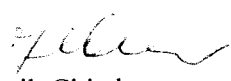
1. the special purpose financial statements present fairly in all material respects the cash receipts and payments of the Project for the period from 2 October 2012 to 22 October 2015 in accordance with IPSAS-Cash Basis and World Bank related guidelines;
2. funds have been used in accordance with the conditions of the Letter Agreement No. TF011972 dated 27 July 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. TF011972 dated 27 July 2012;
4. The Designated account used has been maintained in accordance with the provision of the IDF Grant No. TF011972 dated 27 July 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
30 November 2015


Manvel Ghazaryan
Director


Nazik Chitchyan
Auditor

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IDF Grant for Strengthening Capacity of Regulatory Reform Unit of the Armenian Government Project
IDF Grant No. TF011972

Statement of cash receipts and payments

For the period from 2 October 2012 to 22 October 2015
(Amounts are shown in US dollars)

	Actual		Planned		Variance		PAD
	Reporting period	Cumulative as at 22 Oct 2015	Reporting period	Cumulative as at 22 Oct 2015	Reporting period	Cumulative as at 22 Oct 2015	
TOTAL OPENING CASH	-	-					
Sources of Funds							
IDF Grant No. TF011972	8.1	479,176.17	484,000.00	484,000.00	(4,823.83)	(4,823.83)	484,000.00
Government of RoA	8.2	168,693.30	160,000.00	160,000.00	8,693.30	8,693.30	160,000.00
TOTAL FUNDS		647,869.47	644,000.00	644,000.00	3,869.47	3,869.47	644,000.00
Foreign currency gain/(loss)		(7,448.40)					
Uses of funds							
1. Consultant's services Training and Operating costs	7	632,092.49	644,000.00	644,000.00	(11,907.51)	(11,907.51)	644,000.00
TOTAL PROJECT EXPENDITURES		632,092.49	644,000.00	644,000.00	(11,907.51)	(11,907.51)	644,000.00
CLOSING CASH BALANCE							
Designated Account (IDF Grant)	6	7,293.63					
Project Account (Government of RoA)		1,034.95					
TOTAL CLOSING CASH		8,328.58					


Edgar Avetyan
Executive Director


Armen Shahnazaryan
Financial manager

30 November 2015

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

IDF Grant for Strengthening Capacity of Regulatory Reform Unit of the Armenian Government Project
 IDF Grant No. TF011972

Statement of uses of funds by Project activity
 For the period from 2 October 2012 to 22 October 2015
(Amounts are shown in US dollars)

	Actual		Planned		Variance		PAD
	Reporting period	Cumulative as at 22 Oct 2015	Reporting period	Cumulative as at 22 Oct 2015	Reporting period	Cumulative as at 22 Oct 2015	
Part A: Strengthening the Capacity of the Regulatory Reform Unit (RRU)	295,412.14	295,412.14	295,200.00	295,200.00	212.14	212.14	295,200.00
Part B: Developing and Introduction of a Monitoring and Evaluation System (MES)	336,680.35	336,680.35	348,800.00	348,800.00	(12,119.65)	(12,119.65)	348,800.00
Total Project Expenditure	632,092.49	632,092.49	644,000.00	644,000.00	(11,907.51)	(11,907.51)	644,000.00

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

IDF Grant for Strengthening Capacity of Regulatory Reform Unit of the Armenian Government Project
IDF Grant No. TF011972

Notes to the special purpose financial statements
For the period from 2 October 2012 to 22 October 2015

1. General information

1.1. The Project

The Letter Agreement No.TF011972 was concluded on 27 July 2012 between the Republic of Armenia and the International Bank for Reconstruction and Development (IBRD), according to which IBRD provided IDF Grant No.TF011972 in an amount not to exceed 484,000 United States Dollars (USD).

The grant is provided for the purpose of implementation of “IDF Grant for Strengthening Capacity of Regulatory Reform Unit of the Armenian Government Project” (the Project).

Financial transactions under the Project commenced since August 2013.

The Closing Date of the financing under IDF Grant No. TF011972 is set on 2 October 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 build capacity at the regulatory reform unit of the Government of Armenia who is responsible for the implementation of the regulatory guillotine exercise through inventory and revision of those legal norms that affect operation of businesses and citizens, and elimination or simplification of those that are redundant or excessive.

The Project consists of the following parts:

- Part A. Strengthening the Capacity of the Regulatory Reform Unit (RRU),
- Part B. Developing and Introduction of a Monitoring and Evaluation System (MES).

1.3. The Project Budget and Financing

The Project is being financed by the following sources:

- IDF Grant No. TF011972 – 100% exclusive of taxes
- The Government of the Republic of Armenia (Government of RoA) - taxes.

Category	IDF Grant No. TF011972	Government of the RA	Total
	USD	USD	USD
1. Consultant's services Training and Operating costs	484,000.00	160,000.00	644,000.00

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.

Notes to the special purpose financial statements
For the period from 2 October 2012 to 22 October 2015

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 22 October 2015 is 1 USD =470.07 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 2 October 2012 to 22 October 2015

3. Summary of Summary Reports and SOEs

For the period from 2 October 2012 to 22 October 2015

Withdrawal No	Withdrawal application value date	Payment categories
		1. Consultant's services, Training and Operating costs
		USD
2DA	18-Feb-2014	47,672.60
3DA	11-Sep-2014	49,245.00
5DA	11-Mar-2015	40,663.97
6DA	15-Jul-2015	43,341.20
7DA	15-Sep-2015	99,763.40
8DA	08-Oct-2015	92,706.37
Total		373,392.54

4. Statement of Designated Account

Bank account number 900000903519
 Bank Central Treasury
 Bank location 4 Tigran Mets str., 1-st floor, Yerevan, 0010
 Republic of Armenia
 Currency USD

	IDF Grant No. TF011972
1. Opening balance as at 02.10.2012	-
2. Add: opening discrepancy	-
3. IBRD advance/replenishment	380,686.17
4. Less: Refund to IBRD from DA	-
5. Present outstanding amount advanced to DA	380,686.17
6. DA closing balance as at 22.10.2015	7,293.63
7. Add: Amount of eligible expenditures paid	373,392.54
8. Less: interest earned (if credited to DA)	-
9. Total advance accounted for	380,686.17
10. Closing discrepancy (5)-(9)	-

IDF Grant for Strengthening Capacity of Regulatory Reform Unit of the Armenian Government Project
IDF Grant No. TF011972

Notes to the special purpose financial statements
For the period from 2 October 2012 to 22 October 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	22.10.2015 USD
ASSETS		
Cash	6	8,328.58
Prepayments		-
Total assets		8,328.58
LIABILITIES		
Payables		-
Total liabilities		-
NET ASSETS		
Cumulative income		
IDF Grant No. TF011972		479,176.17
Government of RoA		168,693.30
		647,869.47
Cumulative expenses		
Project expenses		(632,624.36)
		(632,624.36)
Foreign exchange loss		(6,916.53)
Total net assets		8,328.58

6. Cash

	Account held at	Underlying Currency	22.10.2015 USD
Designated account (IDF Grant No. TF011972)	Treasury	USD	7,293.63
Project account (Government of RoA)	Treasury	AMD	1,034.95
Total			8,328.58

7. Project Expenditures

7.1. Project expenditures financing per funds

Expenditure category	Reporting period			Cumulative As at 22 Oct 2015		
	IDF Grant No. TF011972	Government of RA	Total	IDF Grant No. TF011972	Government of RA	Total
	USD	USD	USD	USD	USD	USD
1. Consultant's services Training and Operating costs	471,882.54	160,209.95	632,092.49	471,882.54	160,209.95	632,092.49

Notes to the special purpose financial statements
 For the period from 2 October 2012 to 22 October 2015

7.2. Project expenditure budget execution

Category	Cumulative Expenditures as at 22 Oct 2015	Total budget	Execution
	USD	USD	%
1. Consultant's services Training and Operating costs	632,092.49	644,000.00	98%

8. Financing

8.1. IDF Grant No. TF011972

	Reporting period USD	Cumulative as at 22 Oct 2015 USD
Advances/ (advance recovery)	7,293.63	7,293.63
SOE and Summary Report	373,392.54	373,392.54
Direct Payment	98,490.00	98,490.00
Total	479,176.17	479,176.17
Total financing budget		484,000.00
Percentage of finance provided as at 22 Oct 2015		99%

8.2. Government of RoA

	Reporting period USD	Cumulative as at 22 Oct 2015 USD
Financed	168,693.30	168,693.30
Total financing budget		160,000.00
Percentage of finance provided as at 22 Oct 2015		105%

9. Project completion

The Project was completed as at October 2, 2015 (Closing Date), and the transactions were completed as at October 22, 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. TF011972 were made after Closing date;
- No expenditures related to the Project were submitted to the WB after the Reporting date;
- There were no uncovered prepayments or payables outstanding to contractors related to the Project as at the Reporting Date;

**IDF Grant for Strengthening Capacity of Regulatory Reform Unit of the Armenian Government
Project
IDF Grant No. TF011972**

Notes to the special purpose financial statements
For the period from 2 October 2012 to 22 October 2015

- e. The cash balance outstanding as at Reporting date consists:
 - Balance at Designated account at the amount of USD 7,293.63 to be refunded to WB after paying for final audit service, and
 - Balance at Local currency account at the amount of USD 1,034.95 for paying taxes for final audit service;
- f. We are not aware about any pending or existing litigations against the Project.

IDF Grant for Strengthening Capacity of Regulatory Reform Unit of the Armenian Government
 Project
 IDF Grant No. TF011972

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

For the period from 2 October 2012 to 22 October 2015

(Amounts are shown in US dollars)

Expenditure Category	Appl.	FFPMC	WB	Difference
Advance	1 A	100,000.00	100,000.00	-
	8 DA		(92,706.37)	
		100,000.00	7,293.63	
1. Consultant's services Training and Operating costs	2 DA	47,672.60	47,672.60	-
	3 DA	49,245.00	49,245.00	-
	4 DP	98,490.00	98,490.00	-
	5 DA	40,663.97	40,663.97	-
	6 DA	43,341.20	43,341.20	-
	7 DA	99,763.40	99,763.40	-
	8 DA	92,706.37	92,706.37	-
		471,882.54	471,882.54	
Total		571,882.54	479,176.17	