

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 period from 1 January 2015 to 22 January 2016

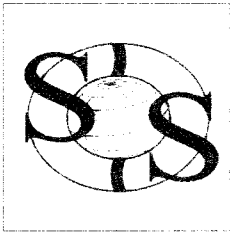
**YEREVAN
February 2016**

STRENGTHENING PUBLIC FINANCIAL MANAGEMENT PROJECT

MDPTF GRANT No. TF012529

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"SOS-AUDIT" LTD

INDEPENDENT AUDITOR'S REPORT

*On the special purpose financial statements of the
Strengthening Public Financial Management Project
for the period from 1 January 2015 to 22 January 2016*

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 period from 1 January 2015 to 22 January 2016, 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.

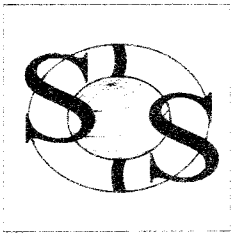
An audit involves performing procedures to obtain reasonable audit evidence about the amounts and disclosures in the special purpose financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risk of material misstatement of the special purpose financial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

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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,

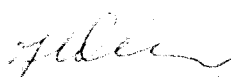
1. the special purpose financial statements present fairly in all material respects the cash receipts and payments of the Project for the period from 1 January 2015 to 22 January 2016 in accordance with IPSAS-Cash Basis and World Bank related guidelines;
2. funds have been used in accordance with the conditions of the Letter Agreement No. TF012529 dated 2 April 2013 (MDPTF Grant No. TF012529) 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;
4. The Designated account used has been maintained in accordance with the provision of the MDPTF Grant No. TF012529, 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
1 February 2016


Manvel Ghazaryan
Director


Nazik Chitchyan
Auditor

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Strengthening Public Financial Management Project
MDPTF Grant No. TF012529

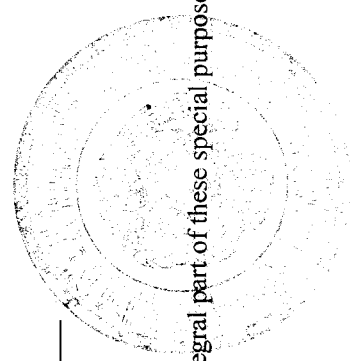
Statement of cash receipts and payments

For the period from 1 January 2015 to 22 January 2016
(Amounts are shown in US dollars)

	Actual		Planned	Variance		PAD
	Reporting period	Cumulative as at 22 Jan 2016		Reporting period	Cumulative as at 22 Jan 2016	
OPENING CASH BALANCE						
Designated Account (MDPTF Grant)	80,870.67	-				
Project Account (GOA)	127,328.80	-				
TOTAL OPENING CASH	208,199.47	-				
Sources of Funds						
MDPTF Grant No. TF012529	619,370.31	846,580.39				867,000.00
Government of RoA	4,562.74	182,501.25				180,000.00
TOTAL FUNDS	623,933.05	1,029,081.64				1,047,000.00
Foreign currency gain/(loss)						
	(1,007.30)	(22,349.12)				
Uses of funds						
7						
1. Consultant's services	781,948.18	957,555.48	871,392.70	(89,444.52)		1,047,000.00
TOTAL PROJECT EXPENDITURES	781,948.18	957,555.48	871,392.70	(89,444.52)		1,047,000.00
CLOSING CASH BALANCE						
6						
Designated Account (MDPTF Grant)	48,415.75	48,415.75				
Project Account (GOA)	761.29	761.29				
TOTAL CLOSING CASH	49,177.04	49,177.04				


Edgar Avetyan
Executive Director


Armen Shahnazaryan
Financial manager



1 February 2016

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 period from 1 January 2015 to 22 January 2016
(Amounts are shown in US dollars)

Project Activities	Actual		Planned		Variance		PAD
	Reporting period	Cumulative as at 22 Jan 2016	Reporting period	Cumulative as at 22 Jan 2016	Reporting period	Cumulative as at 22 Jan 2016	
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	781,948.18	957,555.48	871,392.70	1,047,000.00	(89,444.52)	(89,444.52)	1,047,000.00
Total Project Expenditure	781,948.18	957,555.48	871,392.70	1,047,000.00	(89,444.52)	(89,444.52)	1,047,000.00

Strengthening Public Financial Management Project
MDPTF Grant No. TF012529

Notes to the special purpose financial statements
For the period from 1 January 2015 to 22 January 2016

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.

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	180,000.00	1,047,000.00

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.

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 2014 is 1 USD =474.97 AMD.

The average exchange rate at currency market issued by the CBA as at 22 January 2016 is 1 USD =487.33 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

Withdrawal No	Withdrawal application value date	Payment categories
		1. Consultant's services
		USD
4DA	11-Mar-2015	69,129.33
5DA	22-Jun-2015	71,058.67
6DA	15-Jul-2015	136,479.87
7DA	30-Sep-2015	148,979.97
8DA	15-Dec-2015	101,584.25
Total		527,232.09

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

	MDPTF Grant No. TF012529
1. Opening balance as at 01.01.2015	80,870.67
2. Add: opening discrepancy	-
3. IBRD advance/replenishment	425,647.84
4. Less: Refund to IBRD from DA	-
5. Present outstanding amount advanced to DA	506,518.51
6. DA closing balance as at 22.01.2016	48,415.75
7. Add: Amount of eligible expenditures paid	458,102.76
8. Less: interest earned (if credited to DA)	-
9. Total advance accounted for	506,518.51
10. Closing discrepancy (5)-(9)	-

Notes to the special purpose financial statements
For the period from 1 January 2015 to 22 January 2016

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	22.01.2016 USD	31.12.2014 USD
ASSETS			
Cash	6	49,177.04	208,199.47
Prepayments		-	-
Total assets		49,177.04	208,199.47
LIABILITIES			
Payables		-	-
Total liabilities		-	-
NET ASSETS			
Cumulative income	8		
MDPTF Grant No. TF012529		846,580.39	227,210.08
Government of RoA		182,501.25	177,938.51
		1,029,081.64	405,148.59
Cumulative expenses			
Project expenses		(958,713.91)	(175,349.43)
		(958,713.91)	(175,349.43)
Foreign exchange gain/(loss)		(21,190.69)	(21,599.69)
Total net assets		49,177.04	208,199.47

6. Cash

	Account held at	Underlying Currency	22.01.2016 USD	31.12.2014 USD
Designated account (MDPTF Grant No. TF012529)	Treasury	USD	48,415.75	80,870.67
Project account (Government of RoA)	Treasury	AMD	761.29	127,328.80
Total			49,177.04	208,199.47

Strengthening Public Financial Management Project
MDPTF Grant No. TF012529

Notes to the special purpose financial statements
For the period from 1 January 2015 to 22 January 2016

7. Project Expenditures

7.1. Project expenditures financing per funds

Expenditure category	Reporting period			Cumulative As at 22 Jan 2016		
	MDPTF Grant No. TF012529	Government of RA	Total	MDPTF Grant No. TF012529	Government of RA	Total
	USD	USD	USD	USD	USD	USD
1. Consultant's services	651,825.23	130,122.95	781,948.18	798,164.64	159,390.84	957,555.48
Total	651,825.23	130,122.95	781,948.18	798,164.64	159,390.84	957,555.48

7.2. Project expenditure budget execution

Category	Cumulative Expenditures as at 22 Jan 2016	Total budget	Execution
	USD	USD	%
1. Consultant's services	957,555.48	1,047,000.00	91%

Notes to the special purpose financial statements
For the period from 1 January 2015 to 22 January 2016

8. Financing

8.1. MDPTF Grant No. TF012529

	Reporting period USD	Cumulative as at 22 Jan 2016 USD
Advances/ (advance recovery)	(101,584.25)	48,415.75
Direct payment	193,722.47	193,722.47
SOE and Summary Report	527,232.09	604,442.17
Total	619,370.31	846,580.39
Total financing budget		867,000.00
Percentage of finance provided as at 22 Jan 2016		98%

8.2. Government of RoA

	Reporting period USD	Cumulative as at 22 Jan 2016 USD
Financed	4,562.74	182,501.25
Total financing budget		180,000.00
Percentage of finance provided as at 22 Jan 2016		101%

9. Project completion

The Project was completed as at October 10, 2015 (Closing Date), and the transactions were completed as at January 22, 2016 (the Reporting Date).

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

- a. 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;
- b. No withdrawals from MDPTF Grant No. TF012529 were made after Closing date;
- 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, except for the final audit fee payable;
- e. The cash balance outstanding as at Reporting date consists:
 - Balance at Designated account at the amount of USD 48,415.75 to be refunded to WB after paying for final audit service;
 - Balance at GOA co financing account at the amount of USD 761.29 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 FFPMC AND DISBURSED BY THE WORLD BANK

For the period from 1 January 2015 to 22 January 2016

(Amounts are shown in US dollars)

Expenditure Category	Appl.	FFPMC	WB	Difference
Advance/(repayment)	8DA	.	(101,584.25)	-
			(101,584.25)	
1. Consultants' services	3DP	141,530.40	141,530.40	-
	4DA	69,129.33	69,129.33	-
	5DA	71,058.67	71,058.67	-
	6DA	136,479.87	136,479.87	-
	7DA	148,979.97	148,979.97	-
	8DA	101,584.25	101,584.25	-
	9DP	52,192.07	52,192.07	-
			720,954.56	720,954.56
Total		720,954.56	619,370.31	