
**SUPPORT TO PREPARATION OF GOVERNMENT SERVICES IN THE
REPUBLIC OF MOLDOVA PROJECT**

ECAPDEV GRANT NO. TF0A2299

PROJECT FINANCIAL STATEMENTS

For the period from June 9th 2016 to February 13th 2018

SUPPORT TO PREPARATION OF GOVERNMENT SERVICES IN THE REPUBLIC OF MOLDOVA
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CONTENTS:

Independent Auditors' Report	
Balance Sheet	1
Summary of Sources and Uses of Funds	2
Designated Account Statement	3
Notes to Project Financial Statements	4-7





KPMG Moldova S.R.L.
171/1 Stefan cel Mare Bd.
8th floor, MD-2004
Chisinau
Republic of Moldova

Tel: +373 (22) 580 580
Fax: +373 (22) 540 499
www.kpmg.md

Independent Auditors' Report

To the Management of "Support to Preparation of Government Services in the Republic of Moldova" Project

Opinion

We have audited the Project Financial Statements of "Support to Preparation of Government Services in the Republic of Moldova" Project – ECAPDEV Grant No. TF0A2299 ("the Project"), which comprise the Balance sheet as at 13 February 2018, the Summary of Sources and Uses of Funds and the Designated Account Statement for the period from 9 June 2016 to 13 February 2018 and notes, comprising significant accounting policies and other explanatory information (together referred to as "the Project Financial Statements").

In our opinion, the accompanying Project Financial Statements are prepared, in all material respects, in accordance with the cash receipts and disbursements basis of accounting described in Note 2 to the Project Financial Statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Project Financial Statements* section of our report. We are independent of the Project in accordance with *International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants ("IESBA Code")* together with the ethical requirements that are relevant to our audit of the Project Financial Statements in Republic of Moldova and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Emphasis of Matter - Basis of Accounting and Restriction on Use

We draw attention to Note 2 to the Project Financial Statements, which describes the basis of accounting. The Project Financial Statements are prepared solely for the purpose of complying with the terms of the ECAPDEV Grant Agreement No. TF0A2299 signed between the Government of Republic of Moldova and International Bank for Reconstruction and Development and International Development Association ("IBRD" and "IDA") on 17 May 2016. As a result, the Project Financial Statements may not be suitable for another purpose.

Our report is intended solely for the Management of "Support to Preparation of Government Services in the Republic of Moldova" Project. Our report should not be used by other parties other than the Management of "Support to Preparation of Government Services in the Republic of Moldova" Project. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those charged with Governance for the Project Financial Statements

Management is responsible for the preparation of the Project Financial Statements in accordance with the cash receipts and disbursements basis of accounting described in Note 2 to the Project Financial Statements, for the acceptability of the basis of accounting and for such internal control as management determines is necessary to enable the preparation of Project Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Project Financial Statements, management is responsible for assessing the relevance of the going concern basis of accounting, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Project or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Project's financial reporting process.

Auditors' Responsibilities for the Audit of the Project Financial Statements

Our objectives are to obtain reasonable assurance about whether the Project Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Project Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Project Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit 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 Project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude, as applicable, on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Project Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Project to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other matter

Our audit work has been undertaken so that we might state to the Management of "Support to Preparation of Government Services in the Republic of Moldova" Project those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Management of "Support to Preparation of Government Services in the Republic of Moldova" Project for our audit work, for this report, or for the opinion we have formed.

KPMG Moldova S.R.L.
Chisinau, Republic of Moldova
30 March 2018

SUPPORT TO PREPARATION OF GOVERNMENT SERVICES IN THE REPUBLIC OF MOLDOVA
PROJECT ECAPDEV Grant No. TF0A2299
PROJECT FINANCIAL STATEMENTS
For the period from June 9th 2016 to February 13th 2018

1 Balance Sheet

	<u>Period ended</u> <u>February 13th 2018</u>
	<u>USD</u>
ASSETS	
Cash and cash equivalents	
Cash under Grant No. TF0A2299	26,153
Cash under Own funds	-
	<u>26,153</u>
Undisbursed funds	
Grant No. TF0A2299 Undisbursed balance	-
TOTAL UNDISBURSED FUNDS	-
TOTAL CASH AND CASH EQUIVALENTS	<u>26,153</u>
Cumulative project expenditures	
Grant No. TF0A2299	220,847
TOTAL CUMULATIVE PROJECT EXPENSES	<u>220,847</u>
TOTAL ASSETS	<u>247,000</u>
Funding	
Grant No. TF0A2299	247,000
TOTAL FUNDING	<u>247,000</u>
TOTAL FUNDS AND LIABILITIES	<u>247,000</u>

The financial statements and accompanying notes on pages 4 to 7 were signed and approved on behalf of the Project's management on March 28th 2018 by:

Mr. Eugeniu Ursu
Executive Director

Ms. Oxana Niculai
Project Accountant



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2 Summary of Sources and Uses of Funds

	Period ended February 13th 2018
	USD
OPENING CASH BALANCES	
Designated Account	-
Current/Transit Account	-
TOTAL OPENING CASH BALANCES	-
FINANCING	
GRANT ECAPDEV TF0A2299 funds received	247,000
Total Financing	247,000
EXPENDITURES	
1. Consultants' Services ECAPDEV	207,283
2. Operating Costs ECAPDEV	5,476
3. Training ECAPDEV	8,088
Total Expenditures	220,847
CLOSING CASH BALANCES	
Designated Account	26,153
Current/Transit Account	0
TOTAL CLOSING CASH BALANCES	26,153

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Executive Director

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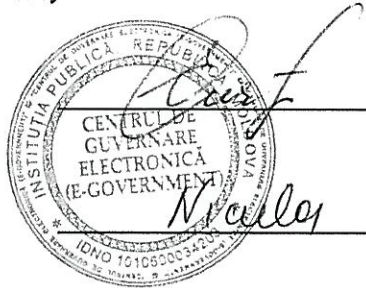
3 Designated Account Statement

	Period ended February 13th 2018
	USD
<i>Grant No. TF0A2299</i>	
Opening balance, June 9th 2016	-
Add:	
Sources of funds	247,000
Less:	
Uses of funds	220,847
Exchange Rate Differences	0
Closing balance, February 13th 2018	26,153

The financial statements and accompanying notes on pages 4 to 7 were signed and approved on behalf of the Project's management on March 28th 2018 by:

Mr. Eugeniu Ursu
Executive Director

Ms. Oxana Niculai
Project Accountant



Notes to the Project Financial statements

1. GENERAL INFORMATION

From 2006 to 2013, Moldova modernized its civil service legislation and administrative processes under the Central Public Administration Reform (CPAR), supported by the Bank's administered CPAR MDTF. However, additional efforts are needed to transform Moldova public administration and bring it closer to the EU standards as planned under the action plan for implementation of the Association Agreement with the EU, signed in 2014.

Governance is identified as a cross-cutting issue and interventions are planned to improve the business enabling environment, enhance public administration reform and quality of public service delivery. The Government has requested the World Bank's assistance for a PAR operation, planned for delivery commencing in FY17 to 2021 (Modernization of Government Services Project – MGSP).

In order to facilitate preparation activities for an effective project implementation, a grant has been made available to Government of Moldova to support, among other things, consultations and technical design for public services modernization reform, including preparation of bidding documents for e services component of the project under preparation.

The Project consists of the following parts:

Part 1: Analytical work to inform IDA Project design

Provision of support for the technical design of a modern service delivery mechanism to ensure delivery by the Recipient of high-quality, prompt, affordable, transparent and cost-efficient public administrative services through, inter alia:

- (a) development of the concept for the Public Services Modernization Reform 2017-2021;
- (b) development of an action plan including estimated costs, and relevant methodologies to support implementation of the Public Services Modernization Reform 2017-2021, and recommendations on rationalizing the list of the Recipient's services;
- (c) carrying out an assessment of the Recipient's institutional and operational capacity for the implementation of the action plan for the Public Services Modernization Reform 2017-2021 and development of a training plan accordingly;
- (d) development of the terms of reference for a feasibility study, and development of a strategic action plan including estimated costs for implementing the IDA Project activities on enhancing citizens' access to the Recipient's services at the local level;
- (e) carrying out an assessment of the: (i) effectiveness of the Recipient's human resources management procedures and processes used in government agencies and by providers of government services, that have been selected for reengineering and automation under the IDA Project; and (ii) number of staff involved in the delivery of these government services; and
- (f) preparation of a strategic action plan, including estimated costs, for implementing the IDA Project activities on aligning human resources to a new model of government services delivery.

Part 2: Preparation for effective IDA Project implementation

Provision of support for, inter alia:

- a) carrying out the procurement, financial management and contract administration under the Project;
- b) preparation of the bidding documents and terms of reference for the purchase of digital infrastructure, call center and Enabling E-services; and
- c) developing an operations manual and studies necessary to comply with the World Bank's requirements for the preparation of the IDA Project.

Part 3: Financial audit

Provision of support for the preparation of the financial audit of the Project



Notes to the Project Financial statements (continued)

1. GENERAL INFORMATION (CONTINUED)

PROJECT FUNDING

Grant Agreement ECAPDEV No. TF0A2299

Grant agreement ECAPDEV No. TF0A2299 was signed between the Republic of Moldova and International Bank for Reconstruction and Development and the International Development Association on May 17th 2016, in amount of USD 247,000. The Grant was received in order to achieve the objective of the Project: to assist the Recipient to ensure high quality and timely preparation of the future IDA Project, specified in the above mentioned components.

2. BASIS OF ACCOUNTING

These Project Financial Statements are prepared solely for the purpose of complying with the terms of the Grant Agreement ECAPDEV Grant No. TF0A2299, signed between the Republic of Moldova and International Bank for Reconstruction and Development (“IBRD”) and the International Development Association (“IDA”). As a result, Project Financial Statements may not be suitable for another purpose.

The Project Financial Statements have been prepared in accordance with the basis of preparation and significant accounting policies described below.

(a) Basis of preparation

The Project Financial Statements have been prepared in accordance with the cash receipts and disbursements basis of accounting. On this basis, sources of funds are recognized when received rather than when earned and funds used are recognized when paid rather than when incurred. For presentation purposes the balance sheet also includes the “Undisbursed funding balance”, “Cumulative project expenditures”, and “Total funding”.

The amounts are expressed in USD and are prepared for the period from June 9th 2016 to February 13th 2018.

(b) Functional and presentation currency

The Project’s functional and presentation currency is the United States Dollars (USD).

The transactions performed in other currencies are converted and reported in USD using the official exchange rate of National Bank of Moldova on the date of payment.

(c) Designated Account (DA)

The Designated Account, opened by the State Treasury in the National Bank of Moldova, is the account through which the replenishments are drawn. All payments for eligible expenses are made from this DA and if the payment is in local currency it is made through transitory account.

(d) Transitory accounts

The transitory accounts are held at State Treasury for the converted amount in MDL, since the payments within the country can be done only in the local currency (MDL).

(e) Sources of funds

The sources of funds are the amounts transferred by the International Development Association and International Bank for Reconstruction and Development to the Designated Account of the Project.

(f) Uses of funds

The uses of funds are the amounts spent for covering eligible expenditures for the needs of the Project.

(g) Cash and cash equivalents for the presentation in the balance-sheet statement

Total cash and cash equivalents for the presentation of the balance-sheet statement comprises – cash and cash equivalents in banks and total undisbursed funds under the available funding lines – Grant ECAPDEV Grant No. TF0A2299.



Notes to the Project Financial statements (continued)

3. WITHDRAWAL SCHEDULE

<i>Grant No. TF0A2299</i>	Application amount USD	Amount disbursed USD	USD
Grant Amount			247,000
Application No. 131	125,000	125,000	
Application No. 150	82,949	82,949	
Application No. 152	39,051	39,051	
Total disbursed during June 9th 2016 – February 13th 2018 period			(247,000)
Total cumulative disbursed as at February 13th 2018			(247,000)

4. SOE SCHEDULE

<i>World Bank Number of the SOE</i>	Period June 9 th 2016 - February 13 th 2018 USD
<i>Grant TF0A2299</i>	
DA150	82,949
DA152	73,836
DA153	5,305
<i>DA154 reported to WB on February 14th 2018</i>	6,225
<i>DA155 reported to WB on March 27th 2018</i>	52,532
Exchange rate differences	(0)
Total uses of funds	220,847



Notes to the Project Financial statements (continued)

5. EXPENDITURE DETAIL BY PROJECT ACTIVITY

	Period June 9 th 2016 - February 13 th 2018
	USD
<i>GRANT ECAPDEV TF0A2299</i>	
1. Consultants' Services	
1.1 Core Team	6,067
1.2 Technical design for the modernized service delivery mechanism	28,238
1.3 Technical design for the project component on aligning human resources for new model of services del	43,215
1.4 Implementation and administration project preparation grant	17,299
1.5 Ensuring readiness for implementation of the project "Strengthening Public Sector Management in the	112,464
Total Consultants' services	207,283
2. Operating Costs	
2.1 Technical design for the modernized service delivery mechanism	5,476
Total Operating Costs	5,476
3. Training	
3.1 Technical design for the modernized service delivery mechanism	8,088
Total Training Costs	8,088
Exchange rate differences	(0)
Total GRANT ECAPDEV TF0A2299 Expenditures by project activity	220,847

6. SUBSEQUENT EVENTS

During the period February 13th 2018 and until the date these Project Financial Statements have been authorised for issue no payments have been made.

On 14th of February 2018 and on 27th of March 2018, were reported to World Bank the DA154 and DA155 Summaries of Expenditures (SOEs) amounting USD 6,225 and USD 52,532, respectively. These SOE are included in the note 4. SOE Schedule.

Total audit fees of equivalent of EUR 2,896 will be paid subsequent to the approval of the Project financial statements and are not included in the above listed expenditures. After the payment, the balance of unused funds amounting approximately USD 22,560 will be reimbursed to World Bank.

