

**PHRD Grant No. TF014855**

**IMPLEMENTED BY  
MOLDOVA SOCIAL INVESTMENT FUND**

**SPECIAL PURPOSE FINANCIAL STATEMENTS**

**AND**

**INDEPENDENT AUDITOR'S REPORT**

**For the period from 1 October 2014 to 31 December 2015**

**CHISINAU  
March 2016**

# CONTENT

	Page
INDEPENDENT AUDITOR'S REPORT.....	3
STATEMENT OF SOURCES AND USES OF FUNDS.....	5
STATEMENT OF EXPENDITURE BY PROJECT ACTIVITY.....	6
STATEMENT OF SOES .....	7
STATEMENT OF DESIGNATED ACCOUNT.....	8
NOTES TO THE PROJECT SPECIAL PURPOSE FINANCIAL STATEMENTS .....	9



"ՍՕՍ-ԱՈՒԴԻՏ" ՍՊԸ

"SOS-AUDIT" LTD

---

## INDEPENDENT AUDITOR'S REPORT

*On the special purpose financial statements of  
"PHRD Technical Assistance for the Integration of Children with Disabilities  
into Mainstream Schools" Project  
for the period from 1 October 2014 to 31 December 2015  
financed by PHRD Grant No. TF014855*

To the Management of the Moldova Social Investment Fund

We have audited the accompanying special purpose financial statements of "PHRD Technical Assistance for the Integration of Children with Disabilities into Mainstream Schools" project (the Project) financed by PHRD Grant No. TF014855, and implemented by Moldova Social Investment Fund (the MSIF), which comprise the statement of sources and uses of funds, the statement of expenditure by project activity, the statement of SOEs, the statement of designated account for the period from 1 October 2014 to 31 December 2015 and a summary of significant accounting policies and other explanatory notes.

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

The management of the MSIF 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, 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 Project's internal control.



"ՍՕՍ-ԱՈՒԴԻՏ" ՍՊԸ  
"SOS-AUDIT" LTD

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 sources and uses of funds for the period from 1 October 2014 to 31 December 2015 in accordance with the IPSAS-Cash Basis;
2. expenditures have been incurred, funds have been maintained and goods and services financed have been procured in all material respects in accordance with the Letter Agreement PHRD Grant No. TF014855 dated 6 August 2013 signed between the Republic of Moldova and International Development Association (IDA);
3. adequate supporting documentation has been maintained to support claims for reimbursement of expenditures incurred. The expenditures included in the withdrawal applications and reimbursed against in are eligible for financing under the PHRD Grant No. TF014855;
4. the Designated account used has been maintained in accordance with the provision of the PHRD Grant No. TF014855.

*Emphasis of matters*

Without qualifying our opinion, we draw your attention to Note 6 of these special purpose financial statements disclosing significant delay of the Project implementation and the measures taken by the management of the MSIF.

"SOS-Audit" LLC  
10 March 2016

  
Manvel Ghazaryan  
Director

  
Gnel Khachatryan, FCCA  
Auditor



ՀՀ, ք. Երևան 0037, Ա. Տիգրանյան 38/55; Դեռ.՝ (+37410) 201151; Ֆաքս՝ (+37410) 201150  
Էլ-փոստ՝ sosaudit@web.am, sosaudit@yandex.ru «Յու.Սի.Բանկ» ՓԲԸ; հ/հ 241061006276

38/55 A. Tigranyan, 0037 Yerevan, RA; Tel.: (+37410) 201151; Fax: (+37410) 201150  
E-mail: sosaudit@web.am, sosaudit@yandex.ru "Unibank" CJSC; CA 241061006276

## STATEMENT OF SOURCES AND USES OF FUNDS

“PHRD Technical Assistance for the Integration of Children with Disabilities into Mainstream Schools” Project  
 Financed by PHRD Grant No. TF014855  
 For the period from 1 October 2014 to 31 December 2015  
 Amounts are in USD

	Note	Actual		Budget		Variance	
		Reporting period	Cumulative as at 31.12.2015	Reporting period	Cumulative as at 31.12.2015	Reporting period	Cumulative as at 31.12.2015
<b>TOTAL OPENING CASH</b>		-	-	-	-	-	-
<b>Sources of Funds</b>							
PHRD Grant No. TF014855	5	554,511	554,511				
<b>TOTAL FUNDS</b>		<b>554,511</b>	<b>554,511</b>				
<b>Project Expenditures</b>							
(1) Goods, consultants' services, Training and Operating Costs under Part 1 and Part 3 of the Project	6	304,512	304,512	308,820	308,820	4,308	4,308
(2) Goods, consultants' services, Training and Operating Costs under Part 2 of the Project		-	-	-	-	-	-
<b>TOTAL PROJECT EXPENDITURES</b>		<b>304,512</b>	<b>304,512</b>	<b>308,820</b>	<b>308,820</b>	<b>4,308</b>	<b>4,308</b>
<b>Foreign currency gain/(loss)</b>		<b>(13)</b>	<b>(13)</b>				
<b>TOTAL CLOSING CASH</b>	4	<b>249,986</b>	<b>249,986</b>				

The project special purpose financial statements were approved by the management of the Moldova Social Investment Fund on 10 March 2016 and signed on its behalf. The accompanying notes form an integral part of these project special purpose financial statements.



*[Signature]*  
**Ludmila Nita**  
 MSIF Financial Director

## STATEMENT OF EXPENDITURE BY PROJECT ACTIVITY

"PHRD Technical Assistance for the Integration of Children with Disabilities into Mainstream Schools" Project  
 Financed by PHRD Grant No. TF014855  
 For the period from 1 October 2014 to 31 December 2015  
 Amounts are in USD

Components	Actual		Planned		Variance	
	Reporting period	Cumulative as at 31.12.2015	Reporting period	Cumulative as at 31.12.2015	Reporting period	Cumulative as at 31.12.2015
<b>Part 1. District-Level Planning</b>						
a. Trainings	279,292	279,292	-	-	-	-
b. Consulting services	279,292	279,292	283,600	283,600	4,308	4,308
			<b>283,600</b>	<b>283,600</b>	<b>4,308</b>	<b>4,308</b>
<b>Part 2. Demonstration Pilot Sub-project</b>						
a. Civil works	-	-	-	-	-	-
b. Design	-	-	-	-	-	-
			-	-	-	-
<b>Part 3. Project Management, Monitoring and Evaluation, and Dissemination</b>						
a. Expenditure verifications	-	-	-	-	-	-
b. Evaluation costs	-	-	-	-	-	-
c. Baseline study	25,220	25,220	25,220	25,220	-	-
d. Training	-	-	-	-	-	-
	<b>25,220</b>	<b>25,220</b>	<b>25,220</b>	<b>25,220</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>	<b>304,512</b>	<b>304,512</b>	<b>308,820</b>	<b>308,820</b>	<b>4,308</b>	<b>4,308</b>

The project special purpose financial statements were approved by the management of the Moldova Social Investment Fund on 10 March 2016 and signed on its behalf. The accompanying notes form an integral part of these project special purpose financial statements.



**Ludmila Nita**  
 MSIF Financial Director

## STATEMENT OF SOEs

*"PHRD Technical Assistance for the Integration of Children with Disabilities into Mainstream Schools" Project  
Financed by PHRD Grant No. TF014855  
For the period from 1 October 2014 to 31 December 2015  
In USD*

App. #	Value date	Expenditure category		Total
		Goods, consultants' services, Training and Operating Costs under Part 1 and Part 3 of the Project	Goods, consultants' services, Training and Operating Costs under Part 2 of the Project	
		1	2	
MF2	23-Feb-2015	59,401.50	-	<b>59,401.50</b>
MF3	10-Apr-2015	71,281.80	-	<b>71,281.80</b>
MF4	20-Aug-2015	75,013.10	-	<b>75,013.10</b>
5	14-Dec-2015	48,980.00	-	<b>48,980.00</b>
6	22-Dec-2015	49,834.75	-	<b>49,834.75</b>
<b>Total</b>		<b>304,511.15</b>	-	<b>304,511.15</b>

*The project special purpose financial statements were approved by the management of the Moldova Social Investment Fund on 10 March 2016 and signed on its behalf. The accompanying notes form an integral part of these project special purpose financial statements.*



**Mircea Esanu**  
MSIF Executive Director

**Ludmila Nita**  
MSIF Financial Director

## STATEMENT OF DESIGNATED ACCOUNT

*"PHRD Technical Assistance for the Integration of Children with Disabilities into Mainstream Schools" Project  
Under the Moldova Social Investment Fund Project  
Financed by PHRD Grant No. TF014855  
For the period from 1 October 2014 to 31 December 2015*

Account No.	MD83NB000000003261884029
Currency	USD*
Depository Bank	National Bank of Moldova 1 Grigore Vieru Avenue, Chisinau, Moldova
Address	

### Reporting period

USD

<b>1. Opening balance as at 01.10.2014</b>	-
2. Add: opening discrepancy	-
3. IDA advance/replenishment	554,511
4. Less: Refund to IDA from DA	-
<b>5. Present outstanding amount advanced to DA</b>	<b>554,511</b>
6. DA closing balance as at 31.12.2015	249,986
7. Add: Amount of eligible expenditures paid	304,512
8. Less: interest earned (if credited to DA)	-
<b>9. Total advance accounted for</b>	<b>554,498</b>
10. Closing discrepancy (5)-(9)**	13

(\*) Payments in MDL is performed through local currency account No. 268129102024901 at the State Treasure (C. Tanase Street 7, Chisinau, Moldova).

(\*\*) FX loss.

*The project special purpose financial statements were approved by the management of the Moldova Social Investment Fund on 10 March 2016 and signed on its behalf. The accompanying notes form an integral part of these project special purpose financial statements.*

  
**Mircea Esanu**  
MSIF Executive Director

  
**Ludmila Nita**  
MSIF Financial Director

## NOTES TO THE PROJECT SPECIAL PURPOSE FINANCIAL STATEMENTS

*“PHRD Technical Assistance for the Integration of Children with Disabilities into Mainstream Schools” Project  
Financed by PHRD Grant No. TF014855  
For the period from 1 October 2014 to 31 December 2015*

### 1. General information

#### 1.1. The Financing and Project Agreement

According to the Letter Agreement dated 6 August 2013 between the Republic of Moldova and International Development Association (the IDA), the IDA, acting as administrator of grant funds provided by Japan under the Policy and Human Resources Development (PHRD), provided PHRD Grant No. TF014855 in the amount of 2,860,000 USD (United States dollars) to the Republic of Moldova.

The grant was provided for implementation of “PHRD Technical Assistance for the Integration of Children with Disabilities into Mainstream Schools” project (hereinafter Project).

The closing date for grant disbursement is set 30 July 2016. Currently MSIF requested WB to extend the Closing date till 31 January 2018.

The Grace Period for submitting withdrawal application for expenditures incurred before the Closing date is four months following the Closing date.

#### 1.2. The Project objective

The objective of the Project is to demonstrate through pilot activities that local governments can successfully apply national policies that promote integration of children with disabilities into the mainstream education system (NPDIE).

The project consists of the following parts:

##### Part 1: District-Level Planning

- (a) Carrying out and information campaign of NPDIE;
- (b) Preparing plans for the implementation of the NPDIE;
- (c) Preparing list of criteria for selecting Beneficiaries.

##### Part 2: Demonstration Pilot Sub-projects

Carrying out Pilot Sub-projects, aimed at integrating children with disabilities into mainstream schools.

##### Part 3: Project Management, Monitoring and Evaluation, and Dissemination.

#### 1.3. The Budget

The Project is 100% financed by PHRD Grant No. TF014855 inclusive of taxes.

#	Category	PHRD Grant No. TF014855	Total
1	(1) Goods, consultants' services, Training and Operating Costs under Part 1 and Part 3 of the Project	690,000	690,000
2	(2) Goods, consultants' services, Training and Operating Costs under Part 2 of the Project	2,170,000	2,170,000
		<b>2,860,000</b>	<b>2,860,000</b>

## **1.4. Project Implementation**

The Project is implemented by Moldova Social Investment Fund (MSIF), established by a Decree of the Government of Moldova, as an autonomous public institution.

The address of the registered office of the Project is 124, Stefan cel Mare str., Chisinau, Republic of Moldova.

## **2. Accounting policy**

### **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 Management policy is to prepare and present special purpose financial statements under the cash basis of accounting, which recognizes transactions and events only when cash (including cash equivalents) are received or paid by the entity.

Financial Statements prepared under the cash basis provide readers with information about the sources of cash raised during the period, the purpose for which cash was used and the cash balances at the reporting date.

The project special purpose financial statements consist of:

- Statement of sources and uses of funds,
- Statement of expenditure by project activity,
- Statement of SOEs,
- Statement of Designated accounts,
- Significant accounting policies and other explanatory notes.

Reporting currency of special purpose financial statements is United States dollars (USD).

### **2.2 Foreign currency transactions**

Project accounts are maintained and transactions are made in USD and Moldavian Leu (MDL). Transactions denominated in local currency are translated into USD as follows:

- Payments in MDL are translated into USD at the conversion rate determined by the National Bank of Moldova (BNM).
- As at reporting date, cash balances denominated in MDL are translated into USD at the exchange rate established by BNM at that date.
- Transaction and translation exchange rate differences (gain/loss) are reflected in the Project Sources and Uses of Funds.

The exchange rate established by BNM as at 31 December 2015 is USD 1 = 19.6585 MDL. The average exchange rate established by BNM for the period from 1 October 2014 to 31 December 2015 is USD 1 = 18.0516 MDL.

### **2.3 Taxes**

According to tax code of the Republic of Moldova, all the goods and services designed for the implementation of MSIF sub-projects are to be delivered/rendered with application of zero VAT.

### **2.4 Accounting System**

MSIF has adequate written statements and explanations of its accounting policies and procedures such as:

- Chart of accounts,
- Specification of accounting records,
- Accounting procedures and the required supporting documents,
- Assignment of responsibilities and delegation of authority,
- Documentation and approval requirements for recording transactions and making journal entries.

### **2.5 Internal Control System**

MSIF internal control system is able to ensure that financial records are reliable and complete. In particular, the internal control system ensures proper recording and safeguarding of assets and resources, adherence to financial management policies and orderly and efficient conduct of operations.

### 3. Statement of Financial Position

The Statement of Financial Position discloses assets, liabilities and net assets of the Projects 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 Dec 2015 USD
<b>ASSETS</b>		
Cash	4	249,986
Advances to contractors		-
<b>Total assets</b>		<b>249,986</b>
<b>LIABILITIES</b>		
Payables to contractors		-
<b>Total liabilities</b>		<b>-</b>
<b>NET ASSETS</b>		
<b>Cumulative income</b>		
PHRD Grant No. TF014855	5	554,511
		<b>554,511</b>
<b>Cumulative expenses</b>		
Project expenses	6	304,512
		<b>304,512</b>
Foreign exchange gain/(loss)		<b>(13)</b>
<b>Total net assets</b>		<b>249,985</b>

### 4. Cash

	Account held at	Underlying Currency	31 Dec 2015 USD
<b>PHRD Grant No. TF014855</b>			
Designated Account	National Bank of Moldova	USD	249,981
Local Account	State Treasure of Moldova	MDL	5
			<b>249,986</b>

## 5. Project Financing

### 5.1. PHRD Grant No. TF014855

Financing was provided through the following disbursement methods:

	<b>For the period 01.10.2014- 31.12.2015</b>	<b>Cumulative as at 31 Dec 2015</b>
	<b>USD</b>	<b>USD</b>
Advance	250,000.00	250,000.00
Statement of Expenditures (SOEs)	304,511.15	304,511.15
<b>Total</b>	<b>554,511.15</b>	<b>554,511.15</b>
<b>Total budget</b>		<b>2,860,000</b>
<b>Percentage of finance provided as at 31 Dec 2015</b>		<b>19%</b>

## 6. Project Expenditure Budget Execution

<b>Category</b>	<b>Cumulative Expenditures as at 31 Dec 2015</b>	<b>Total budget</b>	<b>Execution</b>
	<b>USD</b>	<b>USD</b>	<b>%</b>
(1) Goods, consultants' services, Training and Operating Costs under Part 1 and Part 3 of the Project	304,512	690,000	44%
(2) Goods, consultants' services, Training and Operating Costs under Part 2 of the Project	-	2,170,000	-
<b>Total</b>	<b>304,512</b>	<b>2,860,000</b>	<b>11%</b>

Though the grant was signed on Aug 2013 (Note 1.1.), it became effective only on Feb 2014. Then the management of MSIF was changed and the Project commenced in summer 2014. However, the reform in education sector took place and MSIF had to wait for the decision on the hub-schools that in future won't be closed and where the investment would be sustainable, as well as there was need to coordinate with WB's other multi-million project related to reconstruction of schools.

Currently, MSIF is in the process of development of the ToRs for technical drawings, after a technical evaluation which is commonly done with the Ministry of Education and the procurement of civil works shall start in the March 2016.

As the Project closing date is set at 30 July 2016, the MSIF requested WB to extend the project deadline with 18 months: until January 2018, with letter dated 22 Feb 2016.

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

*“PHRD Technical Assistance for the Integration of Children with Disabilities into Mainstream Schools” Project*

For the period from 1 October 2014 to 31 December 2015

*(Amounts are shown in US dollars)*

**PHRD Grant No. TF014855**

<b>Expenditure Category</b>	<b>Appl.</b>	<b>MSIF</b>	<b>WB</b>	<b>Difference</b>
Advance(recovery)	MF1		250,000.00	
			<b>- 250,000.00</b>	
(1) Goods, consultants' services, Training and Operating Costs under Part 1 and Part 3 of the Project	MF2	59,401.50	59,401.50	-
	MF3	71,281.80	71,281.80	-
	MF4	75,013.10	75,013.10	-
	5	48,980.00	48,980.00	-
	6	49,834.75	49,834.75	-
			<b>304,511.15</b>	<b>304,511.15</b>
(2) Goods, consultants' services, Training and Operating Costs under Part 2 of the Project	MF4	17,654.00	-	(17,654)*
		<b>17,654.00</b>	-	
<b>Total</b>		<b>322,165.15</b>	<b>554,511.15</b>	

(\*) The expenditures were submitted under the wrong category in withdrawal application No. MF4; then they were included in withdrawal application No.5 and approved by the WB.