

**HARMONIZATION OF NATIONAL ACTION PLAN TO COMBAT
DESERTIFICATION IN ARMENIA AND PREPARATION
OF NATIONAL REPORT PROJECT**

GEF GRANT No. TF013195

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

For the period from 14 March 2013 to 12 December 2014

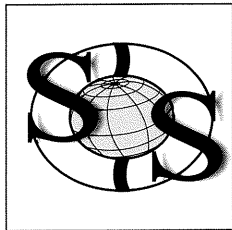
**YEREVAN
December 2014**

**HARMONIZATION OF NATIONAL ACTION PLAN TO COMBAT
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GEF GRANT No. TF013195

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"SOS-AUDIT" LTD

INDEPENDENT AUDITOR'S REPORT N 76

On the special purpose financial statements of the Harmonization of National Action Plan to Combat Desertification in Armenia and Preparation of National Report Project for the period from 14 March 2013 to 12 December 2014

To the Management of the Environmental Project Implementation Unit, State Institution under the Ministry of Nature Protection of the Republic of Armenia (hereafter: the EPIU SI)

We have audited the accompanying special purpose financial statements of the "Harmonization of National Action Plan to Combat Desertification in Armenia and Preparation of National Report Project" (hereafter: the Project) financed under GEF Grant No. TF013195, which comprise the statement of cash receipts and payments for the period from 14 March 2013 to 12 December 2014, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Special Purpose Financial Statements

The management of EPIU SI 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) as issued by the International Public Sector Accounting Standards Board (IPSASB) of 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 the 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 as issued by International Auditing and Assurance Standards Board of 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.

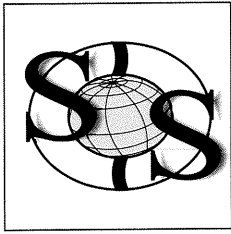
An audit involves performing procedures to obtain reasonable audit evidence about the amounts and disclosures in the special purpose financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risk of material misstatement of the special purpose financial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

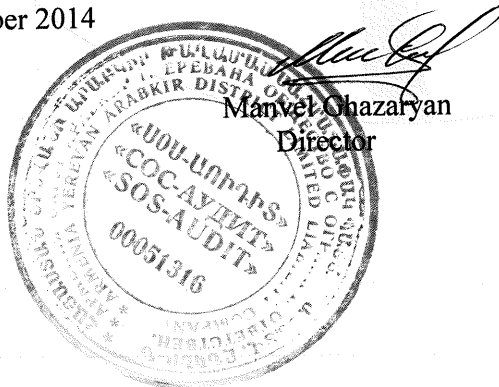
In our opinion,

1. the special purpose financial statements present fairly in all material respects the cash receipts and payments for the period from 14 March 2013 to 12 December 2014 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 GEF Grant No. TF013195 dated 15 November 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 GEF Grant No. TF013195 dated 15 November 2012;
4. The Designated account used has been maintained in accordance with the provision of the GEF Grant No. TF013195 dated 15 November 2012, and World Bank related guidelines.


Emphasis of matters

Without qualifying our opinion we draw your attention to Note 8 of these special purpose financial statements which disclosed that the Project was completed as at the reporting date.

SOS-Audit LLC
15 December 2014



Manvel Ohazaryan
Director


Nazik Chitchyan
Auditor

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Harmonization of National Action Plan to Combat Desertification in Armenia and Preparation of National Report Project
 GEF Grant No. TF013195

Statement of cash receipts and payments

For the period from 14 March 2013 to 12 December 2014
 (Amounts are shown in US dollars)

	Actual		Budget		Variance For the period from 14 March 2013 to 12 Dec 2014 Cumulative
	For the period from 14 March 2013 to 12 Dec 2014		For the period from 14 March 2013 to 12 Dec 2014		
	2013	2014	Cumulative	Cumulative	
TOTAL OPENING CASH	-	86,072.91	-	-	-
Sources of Funds					
GEF Grant No. TF013195	7	90,000.00	59,553.42	149,553.42	(446.58)
TOTAL FINANCING SOURCES		90,000.00	59,553.42	149,553.42	(446.58)
Foreign currency loss		(258.66)	(258.66)		
Project Expenditures	6				
(1) Goods, Consultants' services, Meetings, Trainings and Workshops, and Operating costs		3,927.09	143,105.40	147,032.49	(2,967.51)
TOTAL PROJECT EXPENDITURES		3,927.09	143,105.40	147,032.49	(2,967.51)
TOTAL CLOSING CASH		86,072.91	2,262.27	2,262.27	

TOTAL CLOSING CASH

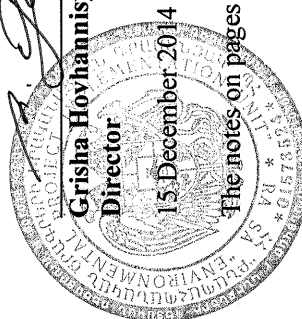
86,072.91 2,262.27 2,262.27



Grisha Hovhannisyan
 Director



Hakob Hakobyan
 Chief Accountant



The notes on pages 6-10 form an integral part of these special purpose project financial statements.

Notes to the special purpose financial statements
For the period from 14 March 2013 to 12 December 2014

1. General information

1.1. The Project

The Letter Agreement GEF Grant No. TF013195 was concluded on 15 March 2012 between the Republic of Armenia and the International Bank for Reconstruction and Development (IBRD), according to which IBRD as provided a grant from the Reports to Conventions window of the Global Environment Facility (GEF) in the amount not exceed 150,000 United States dollars (USD).

The Grant is provided for the implementation of “Harmonization of National Action Plan to Combat Desertification in Armenia and Preparation of National Report Project” (the Project).

The Closing Date of the Project was set on 30 September 2014. The Grace Period for submitting 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 assist the Republic of Armenia in:

- (i) Aligning its National Action Program (“NAP”) with the United Nations Convention to Combat Desertification (“UNCCD”) 10-Year Strategy; and
- (ii) Complying with UNCCD reporting and reviewing requirements.

The Project goals are:

- (i) conducting NAP review, assessment and awareness raising for NAP alignment;
- (ii) strengthening human and scientific capacity for NAP alignment;
- (iii) establishing and strengthening the policy and institutional framework for NAP alignment and implementation, and establishing the finance and technology framework for NAP implementation;
- (iv) strengthening human and scientific capacity for implementation of indicator based monitoring and assessment;
- (v) preparing the report for the 5th (2012) UNCCD reporting and review processes; and
- (vi) enhancing national ownership of the reporting process, and harmonizing the indicator data and knowledge bases of GEF, Convention of Biodiversity, Multilateral Environment Agreements Information and Knowledge Management (“MEA IKM”) and other databases relevant to land degradation.

1.3. The Project Budget and Financing

The Project budget is USD 150,000 which is 100% financed by GEF Grant No. TF013195.

1.4. Project Implementation

The Project is executed by the Environmental Project Implementation Unit, State Institution under the Ministry of Nature Protection of the Republic of Armenia (hereafter: the EPIU SI).
The EPIU address is: street Armenakyan 129, Yerevan, Republic of Armenia.

Notes to the special purpose financial statements
For the period from 14 March 2013 to 12 December 2014

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*, by the International Public Sector Accounting Standards Board (IPSASB) of 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). Project accounts are maintained and transactions are made in USD and Armenian Drams (AMD). Transactions denominated in local currency are translated into USD as follows:

- Payments to contractors and suppliers expressed in AMD are presented in USD at the exchange rates defined by the CBA at the date of payment.

The exchange rate defined by the CBA is as follows:

31 December 2013: USD 1 = 405.64 AMD,
12 December 2014: USD 1 = 462.81 AMD.

2.4. Taxes

Taxes applicable under the tax regulations of the Republic of Armenia from the payments made.

Notes to the special purpose financial statements
 For the period from 14 March 2013 to 12 December 2014

3. Summary of Summary Reports and SOEs

Withdrawal No	Withdrawal application value date	Payment categories	Total
		(1) Goods, Consultants' services, Meetings, Trainings and Workshops, and Operating costs	
2	24.06.2014	72,708.71	72,708.71
3	14.11.2014	76,844.85	76,844.85
Total		149,553.56	149,553.56

4. Statement of Designated Account

Bank account number	900000927013
Bank	Central Treasury
Bank location	1 Meliq Adamyan Street, Yerevan, 0010 Republic of Armenia
Currency	USD

	GEF Grant No. TF013195
	14.03.2013-12.12.2014
1. Opening balance as at 14.03.2013	-
2. Add: opening discrepancy	-
3. WB advance/replenishment	150,000.00
4. Less: Refund to WB from DA	(446.58)
5. Present outstanding amount advanced to DA	149,553.42
6. DA closing balance as at 12.12.2014	-
7. Add: Amount of eligible expenditures paid	147,032.49
8. Less: interest earned (if credited to DA)	-
9. Total advance accounted for	147,032.49
10. Closing discrepancy (5)-(9)*	2,520.93
(*) Discrepancy is following.	
Balance escrow account (Note 5)	2,262.27
Exchange difference (Note 5)	258.66
	2,520.93

Notes to the special purpose financial statements
For the period from 14 March 2013 to 12 December 2014

5. Statement of Financial Position

The Statements 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).

	12 Dec 2014
	USD
ASSETS	
Cash (Escrow account*)	2,262.27
Prepayments	-
Total assets	2,262.27
LIABILITIES	
Payables	-
Total liabilities	-
NET ASSETS	
Cumulative income	
GEF Grant No. TF013195	149,553.44
	149,553.44
Cumulative expenses	
Project expenses	(147,032.49)
	(147,032.49)
Foreign Exchange Difference*	(258.66)
Total net assets	2,262.27

(*) Escrow account in AMD is opened for final audit payment. The FX loss resulted from translation of the balance at the escrow account as at reporting date.

6. Expenditure budget execution

Category	Cumulative Expenditures as at 12 Dec 2014	Total budget	Execution
	USD	USD	%
(1) Goods, Consultants' services, Meetings, Trainings and Workshops, and Operating costs	147,032.49	150,000.00	98%
Total	147,032.49	150,000.00	98%

7. Financing GEF Grant No. TF013195

USD

	Reporting period 14.03.2013-12.12.2014		
	2013	2014	Cumulative
Advances/ (advance recovery)	90,000.00	(90,000.00)	-
SOE and Summary Report	-	149,553.42	149,553.42
Total	90,000.00	59,553.42	149,553.42

Notes to the special purpose financial statements
For the period from 14 March 2013 to 12 December 2014

8. Project completion

The Project was completed as at 30 September 2014 (Closing Date), and the transactions were completed as at 12 December 2014 (the Reporting Date).

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

- a. No expenditures related to the Project were incurred after the Closing Date;
- b. No other withdrawals from GEF Grant No. TF013195 account were made after Closing date;
- c. No other 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. There was no outstanding cash balance as at Reporting Date, except for escrow account for final audit service (Note 5);
- f. We are not aware about any pending or existing litigations against the Project.

Harmonization of National Action Plan to Combat Desertification in Armenia and Preparation of National Report Project
GEF Grant No. TF013195

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

For the period from 14 March 2013 to 12 December 2014

(Amounts are shown in US dollars)

Expenditure Category	Appl.	PIU	WB	Difference
Advance (recovery)	1	90,000.00	90,000.00	
	2	(12,708.71)	(12,708.71)	
	3	(76,844.85)	(76,844.85)	
	Refund	(446.58)	(446.44)	(0.14)
		-	(0.14)	0.14
		(0.14)	(0.14)	-
1. Goods, Consultants' services, Meetings, Trainings and Workshops, and Operating costs	2	72,708.71	72,708.71	-
	3	76,844.85	76,844.85	-
		149,553.56	149,553.56	
Total		149,553.42	149,553.42	