

General Directorate for Financing and
Contracting of EU, WB and other donors' funds

Second Multi-Donor Trust Fund for Capacity Building
Support to the Implementation of the Integrated
Planning System (IPS 2)

(Grant No: MDTF 013972)

Special purpose financial information for the year ended
31 December 2019

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Independent Auditor's Report

To Ministry of Finance and Economy of Republic of Albania and the Management of the Project
“Second Multi-Donor Trust Fund for Capacity Building Support to the Implementation of the
Integrated Planning System (IPS 2)”

Opinion

We have audited the accompanying special purpose financial information comprising the statement of sources and uses of funds, statement of withdrawal applications and the related notes of the Project “Second Multi-Donor Trust Fund for Capacity Building Support to the Implementation of the Integrated Planning System (IPS 2)” (further referred to as the “Project”) implemented by the General Directorate for Financing and Contracting of EU, WB and other donors’ funds within the Ministry of Finance and Economy and financed by the Multi-Donor Trust Fund 013972 (“MDTF 013972” or the “Trust Fund”) from the International Bank for Reconstruction and Development (“IBRD” or the “World Bank”) for the period from 1 January to 31 December 2019. The special purpose financial information has been prepared by the management of the Project in accordance with policies described in notes 2 and 3 of the special purpose financial information.

In our opinion, the special purpose financial information of the Project “Second Multi-Donor Trust Fund for Capacity Building Support to the Implementation of the Integrated Planning System (IPS 2)” is prepared, in all material respects, in accordance with the cash receipts and disbursement basis of accounting as set out in notes 2 and 3 to the special purpose financial information.

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 Auditor's Responsibilities for the audit of the special purpose financial information section of our report. We are independent of the entity in accordance with the 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 special purpose financial information in Albania, and we have fulfilled our other ethical responsibilities in accordance with 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 Distribution

We draw attention to notes 2 and 3 to the special purpose financial information, which describe the basis of accounting. The special purpose financial information is prepared to provide information to Project's donors and lenders, and to Ministry of Finance and Economy of Republic of Albania and the management of the Project. As a result, the statement may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Our report is intended solely for the information and use of the Project's management, the donors and lenders, and the Ministry of Finance and Economy of Republic of Albania and it should not be further distributed without our prior written consent.

Responsibilities of Management and Those Charged with Governance for the Special Purpose Financial Information

Management is responsible for preparation and fair presentation of the special purpose financial information in accordance with the basis of accounting described in notes 2 and 3; this includes determining that the cash receipts and disbursements basis of accounting is an acceptable basis for the preparation of the special purpose financial information in the circumstances, and for such internal control as management determines is necessary to enable the preparation of a special purpose financial information that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Audit of the Special Purpose Financial Information

Our objectives are to obtain reasonable assurance about whether the special purpose financial information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 this special purpose financial information.

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

- Identify and assess the risks of material misstatement of the special purpose financial information, 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 entity's internal control.
- Conclude 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 the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the special purpose financial information 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 auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.,
- Evaluate the overall presentation, structure and content of the special purpose financial information, including the disclosures, and whether the special purpose financial information represents the underlying transactions and events in a manner that achieves fair presentation.

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.

Grant Thornton sh.p.k.

Tirana, Albania
05 March 2021

Kledion Kooli, Prof
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K 01523001
Tirana
Albania

Second Multi-Donor Trust Fund for Capacity Building Support to the Implementation of the Integrated Planning System (IPS 2)

For the period from 1 January to 31 December 2019

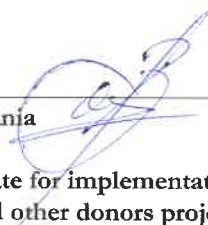
(amounts are expressed in EUR unless otherwise stated)

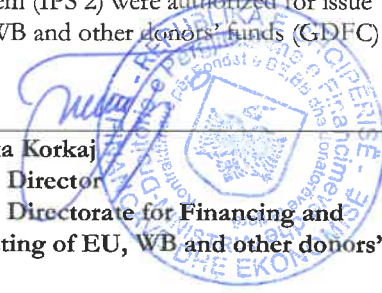
Statement of Sources and Uses of Funds

| | Note | Period from 1 January to December 2019 | Period from 1 January to December 2018 | Cumulative From 27 March 2013 to 31 December 2019(unaudited) |
|---|----------|--|--|---|
| Sources of funds: | | | | |
| Multi - Donor Trust Fund: 013972 funding | 4 | 1,155,068 | 414,456 | 3,692,006 |
| Interest received | | - | - | 285 |
| Excess amount paid from MoFE for AFMIS | | | | |
| VAT | | - | 27 | 27 |
| Total | | 1,155,068 | 414,483 | 3,692,318 |
| Uses of funds: | | | | |
| Goods | 5 | (1,062,432) | (234,856) | (1,978,439) |
| Consultancy services | 6 | (137,565) | (128,938) | (1,409,804) |
| Training | 7 | (7,934) | (5,733) | (176,517) |
| Incremental operating costs | 8 | (2,220) | (2,107) | (15,665) |
| Total | | (1,210,151) | (371,634) | (3,580,425) |
| (Deficit)/Surplus of receipts over disbursements | | | | |
| | | (55,084) | 42,849 | 111,897 |
| Differences from exchange rate | | (2) | 3 | (2) |
| Cash at the beginning of the period | 9 | 166,981 | 124,129 | - |
| Cash at the end of the period | 9 | 111,895 | 166,981 | 111,895 |

The Statement of Sources and Uses of Funds is to be read in conjunction with the notes set out on pages 3 to 7 and form an integral part of the special purpose financial information.

The special purpose financial information of Second Multi-Donor Trust Fund for Capacity Building Support to the Implementation of the Integrated Planning System (IPS 2) were authorized for issue by General Directorate for Financing and Contracting of EU, WB and other donors' funds (GDFC) on 21 November 2020 and signed on its behalf by:


Blerian Anja
 Director
 Directorate for implementation of World
 Bank and other donors project
 General Directorate for Financing and
 Contracting of EU, WB and other donors'
 projects


Veronika Korkaj
 General Director
 General Directorate for Financing and
 Contracting of EU, WB and other donors'
 projects

Second Multi-Donor Trust Fund for Capacity Building Support to the Implementation of the Integrated Planning System (IPS 2)

For the period from 1 January to 31 December 2019

(amounts are expressed in EUR unless otherwise stated)

Statement of Withdrawal Applications

IBRD Trust Fund MDTF 013972

for the period from 01 January 2019 to 31 December 2019

| Withdrawal application number | Date of the withdrawal application | Consultancy | | | Incremental | Total |
|-------------------------------|------------------------------------|------------------|----------------|--------------|--------------|------------------|
| | | Goods | Service | Training | Cost | |
| Direct payment | 30.01.2019 | 608,461 | - | - | - | 608,461 |
| Direct payment | 05.06.2019 | 187,488 | - | - | - | 187,488 |
| Direct payment | 12.11.2019 | 250,483 | - | - | - | 250,483 |
| WA - 24 | 27.11.2019 | - | 103,717 | 1,950 | 2,969 | 108,636 |
| | Total | 1,046,432 | 103,717 | 1,950 | 2,969 | 1,155,068 |

for the period from 01 January 2018 to 31 December 2018

| Withdrawal application number | Date of the withdrawal application | Consultancy | | | Incremental | Total |
|-------------------------------|------------------------------------|----------------|----------------|--------------|--------------|----------------|
| | | Goods | Service | Training | Cost | |
| WA - 17 | 21/02/2017 | 30,953 | 87,674 | 9,229 | 2,312 | 130,168 |
| Direct payment | 10/02/2017 | 183,336 | - | - | - | 183,336 |
| WA - 19 | 22/05/2017 | 80,883 | 19,575 | - | 494 | 100,952 |
| | Total | 295,172 | 107,249 | 9,229 | 2,806 | 414,456 |

Notes to the Special Purpose Financial Information

1 General Information

The Second Multi-Donor Trust Fund for Capacity Building Support to the Implementation of the Integrated Planning System (IPS 2) (the “Project”) managed through the General Directorate for Financing and Contracting of EU, WB and other donors’ projects (GDFC) within the Ministry of Finance and Economy of Albania was established with the objective to strengthen the implementation of the Integrated Planning System, by creating the conditions for introducing a performance orientation in the policy planning and budgetary processes and by improving the institution capacity to monitor results at the strategy and program levels.

The Project consists of the following parts:

Part One:

Public Financial Management (PFM) including management of donor funds: This component finances technical assistance and training for strengthening PFM performance, primarily targeting weaknesses identified by the Public Expenditure and Financial Assessment (PEFA) in the 2011 assessment. The activities are envisaged and rated in terms of priority based on their contribution to the achievement of the Project Development Objective in order to ensure its attainability under different funding scenarios.

Part Two:

Policy Coordination and Aid Management: This component finances technical assistance and training for policy planning, coordination, and monitoring and evaluation of the Integrated Planning System (IPS) in the central government.

Part Three:

Developing IPS Management Information Systems: This component finances investment in the development of the Albania Financial Management Information System, and technical assistance for its preparation and implementation. The design and implementation of the External Assistance Management Information System and Integrated Planning Information System are also included in this component.

Part Four:

Project Management: This component supports General Directorate for Financing and Contracting of EU, WB and other donors’ projects (GDFC) to strengthen its capacity for improved project implementation, focusing on procurement, financial management and monitoring. This component also includes necessary incremental operating costs related to project management, including the overall management and coordination, and project-related fiduciary activities (procurement and financial management).

The GDFC within the Ministry of Finance and Economy is responsible for the day-to-day Project management and coordination.

Second Multi-Donor Trust Fund for Capacity Building Support to the Implementation of the Integrated Planning System (IPS 2)

For the period from 1 January to 31 December 2019

(amounts are expressed in EUR unless otherwise stated)

1 General Information (continued)

The Project is financed by the Multi-Donor Trust Fund 013972 (“MDTF 013972” or the “Trust Fund”) from the International Bank for Reconstruction and Development (“IBRD” or the “World Bank”).

According to the Grant Agreement No.TF013972 dated 27 March 2013, between the Government of Albania (“GoA or the Recipient”) and IBRD as the administrator of grant funds provided under the Capacity Building Support to Implement the Integrated Planning system (CBSI), GoA was entitled to receive an amount up to EUR 2,714,297 to finance the Project’s activities.

According to the Amendment No.1 to the Grant Agreement dated on 7 October 2015, between the Government of Albania (“GoA” or the “Recipient”) and IBRD as administrator of grant funds provided under the Capacity Building Support to Implement the Integrated Planning system (CBSI), GoA will receive an amount up to EUR 3,815,107 to finance the Project’s activities.

According to the Amendment No.2 to the Grant Agreement dated on 24 August 2016, between the Government of Albania (“GoA” or the “Recipient”) and IBRD as administrator of grant funds provided under the Capacity Building Support to Implement the Integrated Planning system (CBSI), the closing date was 30 June 2020 and the amount that GoA will receive is EUR 3,815,107 to finance the Project’s activities.

According to the Addendum of the Grant Agreement dated 27 June 2019, between the Government of Albania (“GoA or the Recipient”) and IBRD as the administrator of grant funds provided under the Project, the closing date of the project was set on 30 June 2020.

The table below sets forth the items to be financed out of the proceeds of the Trust Fund, the allocation of the amounts of the Trust Fund and the percentage of expenditures to be financed:

| Categories | Amount of the Grant allocated (Euro) | % of expenditures to be financed (inclusive Taxes) |
|--|---|---|
| Goods, Consultancy Services, Training and Workshops, Incremental Operating Costs | 3,815,107 | 100% |
| Total | 3,815,107 | 100% |

During the year ended 31 December 2019, EUR 1,155,068 was disbursed from the Trust Fund (31 December 2018: EUR 414,456).

The Project covers four activities, namely Public Financial Management, Improving Policy Coordination and Aid Management, IPS Management Information System and Project Management.

2 Basis of preparation

The special purpose financial information has been prepared in accordance with the accounting policies in note 3, under the Cash Basis of Accounting.

The special purpose financial information is presented in EUR. Euro is also functional currency of the Project being the currency in which funds are received and most of expenses are settled.

The special purpose financial information comprise the Statement of Sources and Uses of Funds, the Statement of Withdrawal Applications (and related expenditure) used as the basis for the submission of withdrawal applications and a summary of significant accounting policies and other explanatory notes.

As supplementary schedules to the special purpose financial information are presented the Statements of Special and Project's Accounts associated with the Project. Supplementary scheduled are not part of these special purpose financial information and are unaudited.

3 Summary of significant accounting policies

A summary of significant accounting policies underlying the preparation of the Project's special purpose financial information is presented below.

3.1 Foreign currency transactions

Funds are received in EUR and expenses paid in EUR, ALL or USD. The Project has adopted the EUR as its reporting currency for consistency with the reporting needs of its main donor, the World Bank.

Cash and bank balances in other currencies are converted into EUR at the year-end rate of exchange. Transactions in currencies other than EUR are converted to the reporting currency at the rate ruling at the date of the transaction.

As at 31 December 2019, 1 Euro is equivalent to 121.77 ALL (31 December 2018, 1 Euro is equivalent to 123.42 ALL).

3.2 Cash

Cash comprises cash on hand, demand deposits and cash equivalents. Demand deposits and cash equivalents comprise balances with banks and investments in short term money market instruments. Amounts appropriated to the Entity are deposited in the Entity's bank account and are controlled by the Entity. Receipts from exchange transactions are deposited in trading fund accounts controlled by the Entity.

Second Multi-Donor Trust Fund for Capacity Building Support to the Implementation of the Integrated Planning System (IPS 2)

For the period from 1 January to 31 December 2019

(amounts are expressed in EUR unless otherwise stated)

3. Summary of significant accounting policies (continued)

3.3 Recognition of income and expenses

Income is recognized when received rather than when earned, and expenses are recognized when paid rather than when incurred. Accordingly, direct payments of the Project's expenses, which are made from the proceeds of the trust fund, are recognized as sources and uses of funds at the time the payment is made. The Statement of Withdrawal Applications presents only applications submitted during the year and only expenses settled through such applications. Expenses presented in the notes to the financial statements include all expenses settled during the year in spite of the supporting withdrawal application period.

3.4 Taxation

The project is exempt from income tax. The Project is liable for withholding tax and is not exempt from Value Added Tax ("VAT") based on the Agreement.

4 MDTF- Donor Trust Fund: 013972 funding

| | Period from 1 January to 31 December 2019 | Period from 1 January to 31 December 2018 |
|-----------------|--|--|
| Replenishments | 108,635 | 231,120 |
| Direct Payments | 1,046,433 | 183,336 |
| Total | 1,155,068 | 414,456 |

Replenishments represent funds disbursed by the Trust Fund to the Special Account based on the withdrawal applications prepared by the Project.

Direct payments represent amounts paid directly by the Trust Fund based on contracts between the Project and contractors.

5 Goods

| | Period from 1 January to 31 December 2019 | Period from 1 January to 31 December 2018 |
|-----------------------|--|--|
| Hardware and software | 1,062,432 | 234,856 |
| Total | 1,062,432 | 234,856 |

Goods (prepayments) is composed of 10 % tranche paid on signature of the contract between the Ministry of Finance of the Government of Albania and Joint Venture of Infosoft System Sh.p.k and Intech +Sh.p.k, dated on 26 April 2017, for the Supply and Installation of Albanian Financial Management Information System (AFMIS) Lot 1 and 10 % tranche paid on signature of the contract between Ministry of Finance of the Government of Albania and Joint Venture of Synergy and Ikub Info sh.p.k, dated on 22 August 2017, for the Supply and Installation of an Integrated Planning System Information System (IPSIS) Lot 2.

Hardware and software relate to the completion of the "Supply, Installation and Commissioning of the Computing Hardware components in DC and DR" milestones (2.0 (20%), 4.0 (15%), 5.0 (20%), 6.0 (50%) and 7.0 (50%)).

Second Multi-Donor Trust Fund for Capacity Building Support to the Implementation of the Integrated Planning System (IPS 2)

For the period from 1 January to 31 December 2019

(amounts are expressed in EUR unless otherwise stated)

6 Consultancy services

Consultants' services were as follows:

| | Period from 1 January to 31 December 2019 | Period from 1 January to 31 December 2018 |
|-----------------------------------|--|--|
| IPS Management Information System | 137,565 | 128,938 |
| Total | 137,565 | 128,938 |

7 Training

| | Period from 1 January to 31 December 2019 | Period from 1 January to 31 December 2018 |
|--------------------|--|--|
| Project Management | 7,934 | 5,733 |
| Total | 7,934 | 5,733 |

8 Incremental operating costs

Incremental operating costs were composed as follows:

| | Period from 1 January to 31 December 2019 | Period from 1 January to 31 December 2018 |
|-------------------|--|--|
| Bank charges | - | 713 |
| Publication costs | 1,091 | 1,001 |
| Postage fees | 1,012 | 149 |
| Office supplies | - | 195 |
| Other | 117 | 49 |
| Total | 2,220 | 2,107 |

9 Cash at the end of the period

| MDTF 013972 | Period from 1 January to 31 December 2019 | Period from 1 January to 31 December 2018 |
|-----------------------|--|--|
| Cash on hand | 50 | 98 |
| Cash at Banks: | 111,845 | 166,883 |
| Project Account – BKT | 111,845 | 166,883 |
| Total | 111,895 | 166,981 |

Second Multi-Donor Trust Fund for Capacity Building Support to the Implementation of the Integrated Planning System (IPS 2)

For the period from 1 January to 31 December 2019

(amounts are expressed in EUR unless otherwise stated)

10 Contingency and commitments

The Department of Public Administration has been sued to court by "ikubINFO" sh.p.k for an amount of Euro 47,878.40, as claim for a non-fulfilled obligation related to contract no. AL-IPS2-P129332-SSS-CS-14.03.06, dated 15.08.2014, between the Department of Public Administration and the company "ikubINFO" shpk, with the purpose "Adapting and activating the module and the HRMIS interface and the extension of the system all public institutions"

On this issue, the Administrative Court of the first instance suspended the case by way of decision no. 4233, date. 02.03.2021.

The plaintiff filed an appeal against the decision. The appeal has not yet been processed.

11 Subsequent events

On 27/06/2019 the Bank (IBRD) has informed the MoF that they concur with MoF's request (dates 09.04.2019) and they agreed to amend the Loan Agreement no TF013972 and TF0A8666 to extend the Closing Date of the Project as of June 30, 2020.

There are no other significant events that would require either adjustments or additional disclosures in the special purpose financial information.

APPENDICES (unaudited)

(MDTF 013972 - ALB)

Second Multi-Donor Trust Fund for Capacity Building
Support to the Implementation of the Integrated
Planning System (IPS 2)
Statements of Special and Project's Accounts

(Supplementary schedules to the Special purpose
financial information)

Second Multi-Donor Trust Fund for Capacity Building Support to the Implementation of the Integrated Planning System (IPS 2)

For the period from 1 January to 31 December 2018

(amounts are expressed in EUR unless otherwise stated)

Appendix 1

Supplementary Schedule of Special Account Statement

| | | |
|----------------------------------|-----------------------------------|----------------|
| Donor | MDTF 013972 | |
| Account No. | 2117543E | |
| Depository Bank | Bank of Albania | |
| Address | Sheshi "Skenderbej", No.1, Tirana | |
| Currency | EUR | |
| | 2019 | 2018 |
| Balance as at 01 January | - | - |
| Funds received: | | |
| Initial Deposit | - | - |
| Replenishments from Trust Fund | 108,635 | 231,121 |
| Total funds received | 108,635 | 231,121 |
| Disbursements: | | |
| Funds transferred to the Project | | |
| Account in EUR | 108,535 | 230,871 |
| Bank charges | 100 | 250 |
| Total disbursements | 108,635 | 231,121 |
| Balance as at 31 December | - | - |

Second Multi-Donor Trust Fund for Capacity Building Support to the Implementation of the Integrated Planning System (IPS 2)

For the period from 1 January to 31 December 2019

(amounts are expressed in EUR unless otherwise stated)

Appendix 2

Supplementary Schedule of Current Account Statement

| | | |
|--------------------------------------|-------------------------------------|----------------|
| Donor | MDTF 013972 | |
| Account No. | 515678596CLTJCFEURA1 | |
| Depository Bank | BKT | |
| Address | Rr."Deshmoret e 4 Shkurtit", Tirane | |
| Currency | EUR | |
| | 2019 | 2018 |
| Balance as at 1 January | 166,883 | 124,101 |
| Funds received: | | |
| Transferred from the Special Account | 108,535 | 230,871 |
| VAT for AFMIS from MoFE | - | 35,185 |
| Interest received | - | - |
| Total funds received | 108,535 | 266,056 |
| Disbursement: | | |
| Project expenditures | 162,532 | 221,432 |
| Transferred to MDTF cash on hand in | | |
| Euro | 50 | 1,090 |
| Bank charges | 991 | 752 |
| Total disbursements | 163,573 | 223,274 |
| Balance as at 31 December | 111,845 | 166,883 |