Central Finance and Contracting Unit
Ministry of Finance and Economy of Albania

Development of Public Sector Accounting (IPSAS)

(Grant No: TF 0A3277 and TF0A5134)

Special purpose financial information for the year ended 31 December 2018

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Independent Auditor's Report

To Ministry of Finance and Economy of Republic of Albania and the Management of the Project "International Public Sector Accounting Standards"

Opinion

the accompanying special purpose financial information comprising the Statement of Sources and Uses of Funds, the Statement of Withdrawal Applications and the related notes of the Project "Development of Public Sector Accounting (IPSAS)" (further referred to as the "Project") implemented by the Central Financing and Contracting Unit in the Ministry of Finance and Economy and financed by the Multi-Donor Trust Fund TF0A3277 (Potion A) and TF0A5134 (Portion B) ("P159931" 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 2018.

In our opinion, the accompanying Special Purpose Financial Information of the Project "Development of Public Sector Accounting (IPSAS)" 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 financial statement

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 financial statement

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
25 February 2020

Kleodian Kodra

Grant Thornton Sh.p.k. NIPT K 91923007 M Tirana ALBANIA

Statement of Sources and Uses of Funds

	Note	Period from 17 May to 31 December 2018
Sources of funds:		
Multi - Donor Trust Fund: 018931 funding	4	250,000
Interest received		6
Total		**250,006**
Uses of funds:		
Consultancy services		
Incremental operating costs	5	(742)
Total		**(742)**
Differences from exchange rate		-
Surplus of receipts over disbursements	6	**249,264**
Cash at the beginning of the period		-
Cash at the end of the period	6	**249,264**

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 Development of Public Sector Accounting (IPSAS) project were authorized for issue by Central Finance and Contracting Unit 'CFCU' on 5 December 2019 and signed on its behalf by:

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

Ami Çarçani
Acting Director
Directorate for implementation of World Bank and other donors projects

Statement of Sources and Uses of Funds

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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 Development of Public Sector Accounting (IPSAS) project were authorized for issue by General Directorate for Financing and Contracting of EU, World Bank and other donors funds 'GDFC' on 5 December 2019 and signed on its behalf by:

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

Ami Çarçani
Acting Director
Directorate for implementation of World Bank and other donors projects

Statement of Withdrawal Applications

IBRD, MDTF TF 0A3277 and TF0A5134

For the period from 17 May 2018 to 31 December 2018

Withdrawal application number	Date of the withdrawal application	Goods	Consultancy Service	Training	Incremental Cost	Total
Advance to Designated Account	11/26/2018	-	-	-	-	250,000
	Total	**-**	**-**	**-**	**-**	**250,000**

Notes to the Special Purpose Financial Information

1 General

The Development of Public Sector Accounting (IPSAS) (the "Project") implemented through the General Directorate for Financing and Contracting of EU, World Bank and other donors funds (GDFC) within the Ministry of Finance of Albania was established with the objective to ***develop a road map for public sector accrual accounting implementation and to support the early stages of this reform, including building essential technical skills.***

The project aims to support accounting and financial reporting reform actions presented in the Government's PFM Reform Program 2014-2020 through a SECO financed and World Bank administered Trust Fund. The focus of the proposed project is on 2 (two) levels:

i) the strengthening of the legal, regulatory and professional development of public sector accounting and financial reporting by developing a system based on international standards, and

ii) The relative capacity building for implementation. The approach used will be that of gradual introduction of the IPSAS, in line with IT and treasury system developments, whilst developing the professional capabilities of MFE and public sector finance professionals.

IPSAS funding includes 3 (three) areas:

Area 1: Development of public sector accounting and financial reporting in line with IPSAS (Recipient Executed). This component is composed of the following activities:

Component 1.1 "Development of public accounting legal and regulatory framework"

Under this activity, the project will support the development of public sector accounting standards in accordance with IPSAS in Albania.

Component 1.2 "Implementation of international standards in line with IPSAS"

This subcomponent will support

(i) change management activities related to implementation of selected standards from IPSAS, consistent with the scope of the IPSAS implementation strategy plan;

(ii) actual implementation of the "selected" IPSAS, which should have been previously identified in the implementation strategy; and

(iii) focused training of finance officers on the application of the new standards.

Area 2: Development of MOFE Capacities and Professional Accounting Skills for Selected Public Accounting Personnel. This component is composed of the following activities:

Component 2.1 "Technical capacity building to MFE"

This activity includes:

(i) defining institutional responsibilities for public sector accounting methodology and implementation and

(ii) setting up a work plan for the units within the MOF responsible for accounting and financial reporting.

Component 2.2 "Development of professional accounting skills and a training mechanism"

This component includes the activities such as:

i) training of a selected number of financial officers to obtain an internationally recognized professional qualification certificate,

ii) ii) training of a selected number of trainers on public sector accounting and financial reporting through the train of trainers approach (ToT), and

iii) iii) establishment of a training and certification program on public sector accounting and financial reporting at a local institution to ensure the sustainability of the development of public accounting skills in the long-run.

Area 3: Project implementation support

Provision of support to the MFE and the CFCU for:

(a) Project implementation, including administration, audits, procurement, financial management, and monitoring and evaluation activities; and

(b) capacity-building activities for staff involved in Project implementation on topics directly related to Project implementation.

The responsibility for the project implementation will be with the Ministry of Finance and Economy. Project coordination and day-to-day project management will be handled by staff of the MoF and subject to oversight by the Project Steering Committee

The Project is financed by the Multi-Donor TF0A3277 (Potion A) and TF0A5134 (Portion B) ("P159931" or the "Trust Fund") from the International Bank for Reconstruction and Development ("IBRD" or the "World Bank").

Grant Agreement

The Project became effective on May 17, 2018 upon the conclusion from the GoA of internal procedure for the approval of the Grant Agreement between the Minister of Finance and Economy and the World Bank.

The Grant Amount is equivalent 1, 450,000.00 USD. The SAFE Trust Fund is the sole source of financing of this technical assistance project and it is executed by the Ministry of Finance and Economy. The recipient organization shall provide in-kind contributions for workshops, training, seminars as well as staff time spent on this project.

The project is designed for 2 years implementation period. The expected closing date is set at June 30, 2020.

On September 2019, Central Harmonization Unit (CHU) in the capacity of the beneficiary, has request to extend the IPSAS project until 31 May 2022.

1 General (continued)

The table below sets 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 Portion A of the Grant-TF0A3277 Allocated (expressed in USD)	Amount of Portion B of the Grant-TF0A5134 Allocated (expressed in USD)	Percentage of Expenditures to be Financed
1) Goods, Consulting services, Training and Incremental Operating Costs5	1,073,500	376,500	100%
Total	**1,073,500**	376,500	**100%**

As at 31 December 2018, USD 250,000 was disbursed from the Trust Fund.

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 USD. US Dollar 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.

Foreign currency transactions

Funds are received in USD and expenses paid in USD, ALL or EUR. The Project has adopted the USD 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 USD at the year-end rate of exchange. Transactions in currencies other than USD are converted to the reporting currency at the rate ruling at the date of the transaction.

As at 31 December 2018, 1 USD is equivalent to 107.82 ALL.

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. They are transferred to revenue at each year end.

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.

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 TF0A3277 (Portion A) funding

TF018931 funding for the period from 17 May 2018 to 31 December 2018 is composed as follows:

	Period from 17 May to 31 December 2018
Initial Deposit	250,000
Total	**250,000**

5 Incremental operating costs

Incremental operating costs were composed as follows:

	Period from 17 May to 31 December 2018
Bank charges	139
Publication costs	526
Postage fees	77
Total	**742**

6 Cash on hand and at banks

TF0A3277	Original Currency	Period from 17 May to 31 December 2018 Converted in USD
Cash on hand		0
Cash at Banks:		
Project Account – Credins Bank -ALL	2,377	22
Project Account – Credins Bank -USD	249,242	249,242
Total		**249,264**

7 Subsequent events

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

APPENDICES

(MDTF 0 A3277 - ALB)

Development of Public Sector Accounting (IPSAS)
Statements of Special and Project's Accounts

(Supplementary schedules to the Special purpose financial information)

Appendix 1

Supplementary Schedule of Special Account Statement

Donor	**MDTF 0A3277**
Account No.	2117 748 U
Depository Bank	Bank of Albania
Address	Sheshi "Skenderbej", No.1, Tirana
Currency	USD

	2018
Balance as at 01 January	-
Funds received:	
Replenishments	250,000
Total funds received	**250,000**
Disbursements:	
Funds transferred to the Project Account in USD	250,000
Total disbursements	**250,000**
Balance as at 31 December	-

Appendix 2

Supplementary Schedule of Current Account Statement

Donor	**MDTF 018931**
Account No.	1106053
Depository Bank	Credins Bank
Address	Rr."Ismail Qemali", Nr. 4, Tiranë
Currency	USD

	2018
Balance as at 1 January	-
Funds received:	
Transferred from the Special Account	250,000
Interest received	7
Total funds received	**250,007**
Disbursement:	
Project expenditures	603
Funds transferred to Project Account in ALL	30
Bank charges	132
Total disbursements	**765**
Balance as at 31 December	**249,242**

Appendix 3

Supplementary Schedule of Current Account Statement

Donor	**MDTF 018931**
Account No.	11060511
Depository Bank	Credins Bank
Address	Rr."Ismail Qemali", Nr. 4, Tiranë
Currency	ALL

	2018
Balance as at 1 January	-
Funds received:	
Transferred from the Special Account	3,200
Interest received	-
Total funds received	**3,200**
Disbursement:	
Project expenditures	23
Bank charges	800
Total disbursements	**823**
Balance as at 31 December	**2,377**
Balance as at 31 December (equivalent in USD)	**22**