# ARMENIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE SUPPORT PROJECT

EGPS GRANT No. TFOA6768

# IMPLEMENTED BY OFFICE THE PRIME MINISTER OF THE REPUBLIC OF ARMENIA

Special Purpose Project Financial Statements and Independent Auditor's Report

For the period from April 18, 2018, to August 18, 2021

YEREVAN September 2021

#### ARMENIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE SUPPORT PROJECT

#### EGPS GRANT No. TFOA6768

#### TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	3-4
SPECIAL PURPOSE FINANCIAL STATEMENTS for the period from April 18, 2018, to August 18, 2021:	
Statement of cash receipts and payments	5
Statement of uses of funds by Project activity	6
Notes to the special purpose financial statements	7-14
ANNEX 1. RECONCILIATION BETWEEN THE AMOUNTS SUBMITTED BY THE PROJECT AND DISBURSED BY THE WORLD BANK	D 15





#### INDEPENDENT AUDITOR'S REPORT

To the Management RA Prime Minister Office

#### Opinion

We have audited the accompanying special purpose financial statements of the "Armenia Extractive Industries Transparency Initiative Support Project" ("the Project") financed by the EGPS Grant No. TF0A6768 dated 20 March 2018 ("Letter Agreement") and implemented by the Prime Minister Office of the Republic of Armenia ("PM's Office"), which comprise the statement of cash receipts and payments, the statement of uses of funds by Project activity for the period from April 18, 2018 to August 18, 2021, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the special purpose financial statements present fairly in all material respects the cash receipts and payments of the Project for the period from April 18, 2018, to August 18, 2021 in accordance with International Public Sector Accounting Standard: Financial Reporting Under the Cash Basis of Accounting, (IPSAS-Cash Basis).

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as issued by International Auditing and Assurance Standards Board (IAASB). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Project and PM's Office in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled out other ethical requirements in accordance with 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- Cash Basis of Accounting

We draw attention to Note 2 to the financial statements, which describes those financial statements are prepared in accordance with cash basis framework, as a result, they may not be suitable for another purposes. Our opinion is not modified in respect of this matter.

#### Emphasis of matters - Project completion

Without qualifying our opinion, we draw your attention to Note 9 of these special purpose financial statements which disclosed that the Project was completed as at the reporting date.

#### Management's Responsibility for the Special Purpose Financial Statements

The PM's Office is responsible for the preparation and fair presentation of these special purpose financial statements in accordance with IPSAS-Cash Basis issued by the International Public Sector Accounting Standards Board (IPSASB), 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 special purpose financial statements that are free from material misstatements, whether due to fraud or error.

# Auditor's Responsibility for the Audit of the Special Purpose Financial Statements

Our objectives are to obtain reasonable assurance about whether the special purpose financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is high level of assurance but is not a guaranty that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements arise from fraud and 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 special purpose 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 special purpose 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the special purpose financial statements, including the disclosures, and whether the special purpose financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management 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.

# Report on Other Legal Requirements

To comply with the terms of the Letter Agreement, the PM's Office shall insure that:

- funds have been used in accordance with the conditions of the Letter Agreement concluded 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;
- supporting documents, records and accounts have been maintained to support expenditures incurred. Expenditures included in the withdrawal applications and reimbursed against are eligible for financing under the Letter Agreement; Interim Unaudited Financial Reports (IFRs) issued by Project during the Reporting period are in agreement with the underlying books of account;
- The Designated account used have been maintained in accordance with the provision of the Letter Agreement, and World Bank related guidelines;
- Goods and Services financed have been procured in accordance with the Letter Agreement and World Bank related guidelines.

In our opinion, PM's Office has complied with the above requirements during the period from April 18, 2018, to August 18, 2021.

13 September 2021 "BDO Armenia" cjsc

Vahagn Sahakyan, FCCA Managing partner Gnel Khachatryan, FCCA Engagement partner Armenia Extractive Industries Transparency Initiative Support Project Grant No. TFOA6768 Statement of cash receipts and payments For the period from April 18, 2018, to August 18, 2021 (Amounts are shown in US dollars)

				,	Actual		Planned	Variance	PAD
		Period from 18-April-2018 to 31-Dec- 2018	Year ended 31-Dec- 2019	Year ended 31- Dec-2020	Period ended 18-Aug-2021	Cumulative as at 18-Aug-2021	Cumulative as at 18-Aug-2021	Cumulative as at 18-Aug-2021	
OPENING CASH BALANCE									
Designated Account (Grant No. TFOA6768)			4,499.77	41,074.49	50,000.00				
Project Account (GOA)			+			- 4			
TOTAL OPENING CASH		- 2	4,499.77	41,074.49	50,000.00				
Sources of Funds			DESTRUCTION						
Grant No. TFOA6768	8.1	94,540.82	76,072.31	122,376.86	38,373.72	331,363.71			
Government of RoA	8.2	17,534.27	3,082.77	17,051.47	14,611.08	52,279.59			
TOTAL FUNDS	1250-50	112,075.09	79,155.08	139,428.33	52,984.80	383,643.30			
Foreign currency gain/(loss)		(8.57)	54.57	(399.87)	(48.58)	(402.45)			
Uses of funds	7								
<ol> <li>Goods, non-consulting services, consulting services, training, and operating costs under the Project</li> </ol>		107,566.75	42,634.93	130,102.95	93,348.48	373,653.11	420,000.00	(46,346.89)	420,000.00
TOTAL PROJECT EXPENDITURES		107,566.75	42,634.93	130,102.95	93,348.48	373,653.11	420,000.00	(46,346.89)	420,000.00
CLOSING CASH BALANCE	6								
Designated Account (Grant No. TFOA6768)		4,499.77	41,074.49	50,000.00	8,654.89	8,654.89			
Project Account (GOA)					932.85	932.85			
TOTAL CLOSING CASH		4,499.77	41,074.49	50,000.00	9,587.74	9,587.74			

Tsovinar Soghomonyan

First Deputy Chief of the Office of the RA Prime

Minister

13 September 2021

The notes on pages 7-14 form an integral part of these special purpose project financial statements.

Lusine Tovmasyan

Head of Extractive Industries Transparency Initiative Secretariat at the Office of the RA Prime Minister

Statement of uses of funds by Project activity
For the period from April 18, 2018, to August 18, 2021
(Amounts are shown in US dollars)

			Actual	Planned	Variance	PAD		
Project Activities	Period from 18-April-2018 to 31-Dec- 2018	Year ended 31-Dec-2019	Year ended 31- Dec-2020	Period ended 18-Aug-2021	Cumulative as at 18-Aug-2021	Cumulative as at 18-Aug-2021	Cumulative as at 18-Aug-2021	50°, MC24
Part 1: EITI Reporting and Validation	96,243.82	10,668.84	99,909.63	75,423.39	282,245.68	286,300.00	(4,054.32)	286,300.00
Part 2: Capacity Building and mainstreaming	7,071.09	531.82		7,386.10		20,600,00		20,600.00
Part 3: Communication and Outreach	1,728.16	25,791.82		8,082.39		44,400.00		44,400.00
Part 4: Beneficial Ownership Disclosure and Project Management	2,523.68	5,642.45	30,193.32	2,456.60	40,816.05	68,700.00		68,700.00
Total Project Expenditure	107,566.75	42,634.93	130,102.95	93,348.48	373,653.11	420,000.00	(46,346.89)	420,000.00

Tsovinar Soghomónyan

First Deputy Chief of the Office of the RA Prime

Minister

Lusine Tovmasyan

Head of Extractive Industries Transparency Initiative Secretariat at the Office of the RA Prime Minister

13 September 2021

The notes on pages 7-14 form an integral part of these special purpose project financial statements.

Notes to the special purpose financial statements For the period from April 18, 2018, to August 18, 2021

#### 1. General information

#### 1.1. The Project

The Letter Agreement No. TFOA6768 was concluded on 20 March 2018 between the Republic of Armenia (RoA) and the International Bank for Reconstruction and Development (IBRD), according to which IBRD provided a grant to RoA in an amount of 350,000 USD.

The Letter Agreement becomes effective on April 18, 2018.

The grant is provided for the purpose of implementation of "Armenia Extractive Industries Transparency Initiative Support Project" (the Project).

According to the Letter Agreement, the Closing Date of the Project is set on 30 April 2020. According to the letter of December 16, 2019, the WB extended the end of the Project until January 31, 2021, then, according to the letter of January 11, 2021, the end of the Project was extended until July 31, 2021.

The Grace Period for submitting withdrawal applications for the 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 assist the RoA to increase transparency and accountability of the mining sector by implementing the Extractive Industries Transparency Initiative (EITI) standard.

The Project consists of the following parts:

#### Part 1. EITI reporting and validation

Provision of consultants' services for the publication of the first two EITI report in accordance with the EITI standards, including the implementation of necessary reforms to meet all necessary requirements for rirst EITI validation.

#### Part 2. Capacity building and mainstreaming

Provision of support for capacity building activities including:

- a) participation in EITI international and regional conferences, training events and meetings,
- b) conducting training and seminars for specific parts of EITI standard, and
- c) initiating mainstreaming activities for stakeholders using web-site open data tools.

#### Part 3. Communication and outreach

Organizing a series of outreach campaigns and awareness raising events to support the implementation of the EITI standard, including confereces, board meetings, publications and internet and social media activities.

#### Part 4. Beneficial ownership disclosure and Project management

Assistingin process of disclosing mineral sector's beneficial owners through the necessory legal amendments and installation of a registration software, including provision of operating costs for Project management.

Notes to the special purpose financial statements For the period from April 18, 2018, to August 18, 2021

### 1.3. The Project Budget and Financing

The Project is being financed by the following sources:

- Grant No. TFOA6768 100% exclusive of taxes.
- The Government of the Republic of Armenia (Government of RoA) taxes.

Category	Grant No. TFOA6768	Government of the RoA	Total
	USD	USD	USD
1.Goods, non-consulting services, consulting services, training, and operating costs under the Project	350,000.00	70,000.00	420,000.00
Total	350,000.00	70,000.00	420,000.00

#### 1.4. Project Implementation

The Project was implemented by the State Institution "Foreign Financing Projects Management Center" of the Ministry of Finance of the Republic of Armenia (the "FFPMC"). According to the decree N 1425-N dated 13 December 2018 of the Government of the Republic of Armenia, the activities of the FFPMC were suspended starting from 31 March 2019. It was defined that the activities of the FFPMC will continue to be implemented by the Project Implementation Department of the Ministry of Finance of the Republic of Armenia through auxiliary professional structural subdivision.

According to the decree N 1919-N dated 26 December 2019 of the RA Government, it was defined that the activities of the Project will continue to be implemented by the Office of the Prime Minister of the Republic of Armenia (the "PM's Office").

The address of the PM's Office is: Government house 1, Yerevan 10, Republic of Armenia.

Notes to the special purpose financial statements For the period from April 18, 2018, to August 18, 2021

#### 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 (IPSAS-Cash Basis), issued by the International Public Sector Accounting Standards Board (IPSASB), and presented in accordance with Financial Management Manual for World Bank Financed Investment Operations (March 2010): RM 3 - Financial Reporting and Auditing.

The special purpose project financial statements consist of:

- Statement of cash receipts and payments,
- Statement of uses of funds by project activity,
- Summary of significant accounting policies and other explanatory notes.

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 dollar (USD). The contribution of the Government of RA and expenditures made in local currency, Armenian Dram (AMD), are translated into USD based at the exchange rate defined by the Central Bank of the Republic of Armenia (CBA) at the date of the transaction.

The effect of exchange rate changes on cash held on local currency is reported as separate line item in the statement of cash receipts and payments.

The average exchange rate at currency market issued by the CBA as of 31 December 2018 is 1 USD =483.75 AMD.

The average exchange rate at currency market issued by the CBA as of 31 December 2019 is 1 USD =479.70 AMD.

The average exchange rate at currency market issued by the CBA as of 31 December 2020 is 1 USD =522.59 AMD

The average exchange rate at currency market issued by the CBA as of 18 August 2021 is 1 USD =491.08 AMD

#### 2.4. Taxes

Taxes are paid in accordance with the tax regulations of the Republic of Armenia.

#### 2.5. Budget

Expenditure budget is created based on actual accumulated expenditures for the last period plus the updated procurement plans for the reporting period.

Notes to the special purpose financial statements For the period from April 18, 2018, to August 18, 2021

# 3. Summary of Summary Reports and SOEs

For the period from April 18, 2018, to August 18, 2021

Withdrawal No	Withdrawal	Payment categories	
	application value date	1.Goods, non-consulting services, consulting services, training, and operating costs under the Project	Total
		USD	USD
2	26-Nov-2018	44,540.82	44,540.82
3	16-Jan-2019	45,500.23	45,500.23
4	29-Mar-2019	26,021.07	26,021.07
5	22-Aug-2019	4,551.01	4,551.01
6	30-Dec-2019	8,925.51	8,925.51
7	30-Jun-2020	31,686.01	31,686.01
8	22-Oct-2020	39,776.99	39,776.99
9	29-Dec-2020	41,988.35	41,988.35
10	08-Jul-2021	23,373.72	23,373.72
12	04-Aug-2021	48,451.45	48,451.45
14	17-Aug-2021	7,893.66	7,893.66
Tol	tal	322,708.82	322,708.82

Notes to the special purpose financial statements For the period from April 18, 2018, to August 18, 2021

# 4. Statement of Designated Account

Bank account number

900000904327

Bank

Central Treasury

Bank location

1 Meliq-Adamyan str. Yerevan, Republic of Armenia 0010

Currency

USD

			Gr	ant No. TFOA676	8
	Period 18-April- 2018 to 31-Dec- 2018	Year ended 31- Dec-2019	Year ended 31-Dec- 2020	Period ended 18- Aug-2021	Total
Opening balance     Add: opening	•	4,499.77	41,074.49	50,000.00	
discrepancy 3. IBRD	2	•		15	
advance/replenishment 4. Less: Refund to IBRD	94,540.82	76,072.31	122,376.86	38,373.72	331,363.71
from DA 5. Present outstanding amount advanced to					
DA	94,540.82	80,572.08	163,451.35	88,373.72	331,363.71
DA closing balance     Add: Amount of eligible expenditures	4,499.77	41,074.49	50,000.00	8,654.89	8,654.89
paid 8. Less: interest earned	90,041.05	39,497.59	113,451.35	79,718.83	322,708.82
(if credited to DA)  9. Total advance	·				
accounted for	94,540.82	80,572.08	163,451.35	88,373.72	331,363.71
10. Closing discrepancy (5)-(9)					

Notes to the special purpose financial statements For the period from April 18, 2018, to August 18, 2021

#### 5. Statement of financial position

The Statement of financial position discloses assets, liabilities, and net assets of the Project 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).

(and not only when cash is it	note	18-Aug-2021 USD	31-Dec-2020 USD	31-Dec-2019 USD	31-Dec-2018 USD
ASSETS	9		50 000 00	44 074 40	4 400 77
Cash	6	9,587.74	50,000.00	41,074.49	4,499.77
Prepayments Total assets		9,587.74	50,000.00	41,074.49	4,499.77
LIABILITIES					
Payables			40		-
Total liabilities			-		
NET ASSETS	22				
Cumulative income	8	331,363.71	292,989.99	170,613.13	94,540.82
Grant No.TFOA6768 Government of RoA		52,279.59	37,668.51	20,617.04	17,534.27
3.51.51.51.51.51.51.51.51.51.51.51.51.51.		383,643.30	330,658.50	191,230.17	112,075.09
Cumulative expenses					
Project expenses		(373,653.11)	(280, 304.63)	(150,201.68)	(107,566.75)
		(373,653.11)	(280,304.63)	(150,201.68)	(107,566.75)
Foreign exchange gain/(loss)		(402.45)	(353.87)	46.00	(8.57)
Total net assets		9,587.74	50,000.00	41,074.49	4,499.77

#### 6. Cash

U. Casii						
	Account held at	Underl ying Curren	18-Aug- 2021	31-Dec- 2020	31-Dec- 2019	31-Dec- 2018
		cy	USD	USD	USD	USD
Designated account (Grant				S <del>- 1500'08 - 0</del> 3		
No. TFOA6768)	Treasury	USD	8,654.89	50,000.00	41,074.49	4,499.77
Project account						
(Government of RoA)	Treasury	AMD	932.85			
Total			9,587.74	50,000.00	41,074.49	4,499.77

Notes to the special purpose financial statements For the period from April 18, 2018, to August 18, 2021

### 7. Project Expenditures

# 7.1. Project expenditures financing per funds

Expenditure category	Grant No. TFOA6768	Government of RA	Total		
emerge Africa Section Co. No. 10 (2000)	USD	USD	USD		
	Period	d ended 31 Dec 20	018		
<ol> <li>Goods, non-consulting services, consulting services, training, and operating costs under the Project</li> </ol>	90,041.05	17,525.70	107,566.75		
Total	90,041.05	17,525.70	107,566.75		
	Year	ended 31 Dec 20	19		
1.Goods, non-consulting services, consulting services, training, and operating costs under the Project	39,497.59	3,137.34	42,634.93		
Total	39,497.59	3,137.34	42,634.93		
	Year ended 31 Dec 2020				
1.Goods, non-consulting services, consulting services, training, and operating costs under the Project	113,451.35	16,651.60	130,102.95		
Total	113,451.35	16,651.60	130,102.95		
	Period	ended 18 Aug 20			
Goods, non-consulting services, consulting services, training, and operating costs under the Project	79,718.83	13,629.65	93,348.48		
	79,718.83	13,629.65	93,348.48		
	Cumulat	ive as at 18 Aug 2	2021		
1.Goods, non-consulting services, consulting services, training, and operating costs under the Project	322,708.82	50,944.29	373,653.11		
Total	322,708.82	50,944.29	373,653.11		

# 7.2. Project expenditure budget execution

Category	Cumulative Expenditures as at 18 Aug 2021	Total budget	Execution
	USD	USD	%
<ol> <li>Goods, non-consulting services, consulting services, training, and operating costs under the Project</li> </ol>	373,653.11	420,000.00	89%
Total	373,653.11	420,000.00	89%

Notes to the special purpose financial statements For the period from April 18, 2018, to August 18, 2021

#### 8. Financing

#### Grant No. TFOA6768

o. i. Grant No.	TOADTOO				
	Period ended 31 Dec 2018 USD	Year ended 31 Dec 2019 USD	Year ended 31 Dec 2020 USD	Period ended 18 Aug 2021 USD	Cumulative as at 18 Aug 2021 USD
Advances/ (advance recovery)	50,000.00	(8,925.51)	8,925.51	(41,345.11)	8,654.89
SOE and Summary Report	44,540.82	84,997.82	113,451.35	79,718.83	322,708.82
Total	94,540.82	76,072.31	122,376.86	38,373.72	331,363.71
Total financing budget Percentage of finance provided as at 18 Aug 2021					350,000.00 95%
8.2. Governmen	t of RoA				
	Period ended 31 Dec 2018 USD	Year ended 31 Dec 2019 USD	Year ended 31 Dec 2020 USD	Period ended 18 Aug 2021 USD	Cumulative as at 18 Aug 2021 USD
Financed	17,534.27	3,082.77	17,051.47	14,611.08	52,279.59
Total	17,534.27	3,082.77	17,051.47	14,611.08	52,279.59

Total financing budget

Percentage of finance provided as at 18 Aug

2021

70,000.00

75%

#### Project completion

The Project was completed as of July 31, 2021 ("Closing Date"), and the transactions were completed as of August 18, 2021 ("Reporting Date").

As of the date of signing these special purpose financial statements, August 18, 2021:

- a. No expenses, except for final audit, related to the Project were incurred after the Closing Date; the payments made during the Grace period related to expenses incurred before the Closing Date;
- No withdrawals from Grant No. TFOA678 were made after Reporting date;
- No 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;
- e. The cash balance outstanding as at Reporting date consists:
  - Balance of the Designated Account with the amount of USD 8,654.89 to be refunded to WB after paying final audit service;
- Balance of the Project account (GOA co-financing) with the amount of USD 932.85 is intended to pay the co-financing amount of the audit service.
- f. We are not aware about any pending or existing litigations against the Project.

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

# Armenia Extractive Industries Transparency Initiative Support Project Grant No. TFOA6768

For the period from April 18, 2018, to August 18, 2021 In USD

Expenditure Category	Appl.	Project	WB	Difference
Advances/ (advance recovery)	1	50,000.00	50,000.00	
	6	(8,925.51)	(8,925.51)	
	8	8,925.51	8,925.51	
	12	(48,451.45)	(48,451.45)	
	13	15,000.00	15,000.00	
	14	(7,893.66)	(7,893.66)	
		8,654.89	8,654.89	
<ol> <li>Goods, non-consulting services, consulting services, training, and operating costs under the Project</li> </ol>	2	44,540.82	44,540.82	
	3	45,500.23	45,500.23	
	4	26,021.07	26,021.07	
	5	4,551.01	4,551.01	
	6	8,925.51	8,925.51	
	7	31,686.01	31,686.01	
	8	39,776.99	39,776.99	
	9	41,988.35	41,988.35	
	10	23,373.72	23,373.72	
	12	48,451.45	48,451.45	
	14	7,893.66	7,893.66	
		322,708.82	322,708.82	
Total		331,363.71	331,363.71	Ta