

**IDF GRANT FOR STRENGTHENING TRAINING CAPACITY OF THE
SCHOOL OF ADVOCATES PROJECT**

IDF GRANT No. TF013656

**IMPLEMENTED BY JUDICIAL PROJECT IMPLEMENTATION UNIT SA
OF THE MINISTRY OF JUSTICE OF THE REPUBLIC OF ARMENIA**

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

For the period from 1 January 2016 to 10 August 2016

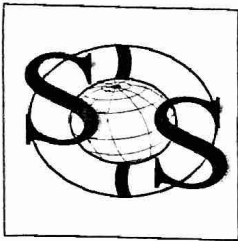
**YEREVAN
August 2016**

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SCHOOL OF ADVOCATES PROJECT**

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"SOS-AUDIT" LTD

INDEPENDENT AUDITOR'S REPORT

*On the special purpose financial statements of the "IDF Grant for Strengthening Training Capacity of the School of Advocates Project"
For the period from 1 January 2016 to 10 August 2016*

To the Management of the Judicial Project Implementation Unit (JPIU) State Agency

We have audited the accompanying special purpose financial statements of the "IDF Grant for Strengthening Training Capacity of the School of Advocates Project" (hereafter: the Project) financed by IDF Grant No. TF013656, and implemented by the JPIU, which comprise the statement of cash receipts and payments, and the statement of uses of funds by Project activity for the period from 1 January 2016 to 10 August 2016, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Special Purpose Financial Statements

The management of JPIU 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 (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

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 entity's internal control.

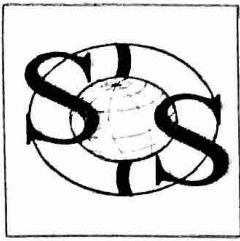
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An audit also includes the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the special purpose financial statements.

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 of the Project for the period from 1 January 2016 to 10 August 2016 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 No. TF013656 dated 7 May 2013 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 IDF Grant No. TF013656 dated 7 May 2013;
4. The Designated account used has been maintained in accordance with the provision of the Grant No. TF013656 dated 7 May 2013, and World Bank related guidelines.

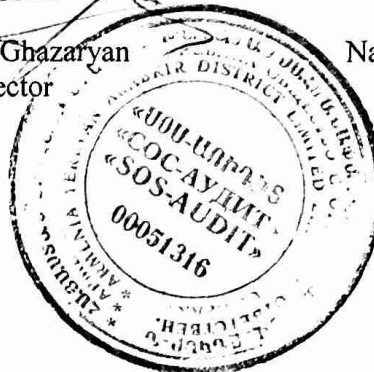
Emphasis of matters

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.

"SOS-Audit" LLC
15 August 2016


Manvel Ghazaryan
Director


Nazik Chitchyan
Auditor



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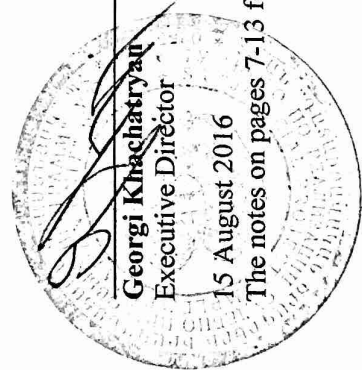
IDF Grant for Strengthening Training Capacity of the School of Advocates Project
IDF Grant No. TF013656

Statement of cash receipts and payments

For the period from 1 January 2016 to 10 August 2016

(Amounts are shown in US dollars)

	Actual		Planned		Variance		PAD
		Reporting period	Cumulative as at 10 Aug 2016	Reporting period	Cumulative as at 10 Aug 2016	Reporting period	
OPENING CASH BALANCE							
Designated Account (IDF Grant)		82,676.38	-				
Project Account (GOA)		2,284.24	-				
TOTAL OPENING CASH		84,960.62	-				
Sources of Funds							
IDF Grant No. TF013656	8.1	3,919.30	468,000.00				468,000.00
Government of RoA	8.2	15,351.51	79,193.37				93,600.00
TOTAL FUNDS		19,270.81	547,193.37				561,600.00
Foreign currency gain/(loss)		578.21	82.75				
Uses of funds	7						
1. Goods, Consultant's services, Training, annual Grant audits and Operating costs		57,536.09	413,852.89	61,282.00	417,600.00	(3,745.91)	417,600.00
2. Consultant's services, Legal Processing costs and Operating costs for the Pilot Pro-Bono Legal Aid service		34,637.24	120,786.92	57,850.00	144,000.00	(23,212.76)	144,000.00
TOTAL PROJECT EXPENDITURES		92,173.33	534,639.81	119,132.00	561,600.00	(26,958.67)	561,600.00
CLOSING CASH BALANCE	6						
Designated Account (IDF Grant)		12,206.91	12,206.91				
Project Account (GOA)		429.40	429.40				
TOTAL CLOSING CASH		12,636.31	12,636.31				



Georgi Khachatryan
 Executive Director

15 August 2016

The notes on pages 7-13 form an integral part of these special purpose project financial statements.

Marina Gevorgyan
 Financial manager

Statement of uses of funds by Project activity
For the period from 1 January 2016 to 10 August 2016
(Amounts are shown in US dollars)

Project Activities	Actual		Planned		Variance		PAD
	Reporting period	Cumulative as at 10 Aug 2016	Reporting period	Cumulative as at 10 Aug 2016	Reporting period	Cumulative as at 10 Aug 2016	
1. Introduction of new methods of training and development of a train-the-trainers program	57,536.09	330,565.32	58,170.00	331,200.00	(633.91)	(634.68)	331,200.00
2. Design of a strategy, a program and financing mechanisms for pro-bono legal aid services	34,637.24	120,786.92	57,850.00	144,000.00	(23,212.76)	(23,213.08)	144,000.00
3. Design of sustainable financial arrangements for SOA,s training and pro-bono legal aid services program	-	83,287.57	3,112.00	86,400.00	(3,112.00)	(3,112.43)	86,400.00
Total Project Expenditure	92,173.33	534,639.81	119,132.00	561,600.00	(26,958.67)	(26,960.19)	561,600.00

1. General information

1.1. The Project

The Letter Agreement No. TF013656 was concluded on 7 May 2013 between the Republic of Armenia and the International Bank for Reconstruction and Development ("IBRD" or "WB"), in according to which the WB provided a grant in an amount not to exceed 468,000 United States Dollars (USD) from the World Bank's Institutional Development Fund (IDF).

The grant is provided for the purpose of implementation of "IDF Grant for Strengthening Training Capacity of the School of Advocates Project" (the Project).

The Closing Date of the financing under IDF Grant No. TF013656 is set on 31 May 2016. 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 objectives

The objective of the Project is strengthen the capacity of the school of advocates of the Republic of Armenia, established and operating pursuant to the law on advocacy of the RA to (i) design and provide training; (ii) provide legal aid services to the most vulnerable; and (iii) develop sustainable financing arrangements to support its key activities.

The Project consists of the following parts:

- Part 1. Introduction of new methods of training and development of a train-the trainers program;
- Part 2. Design of a strategy, of a program and financing mechanisms for pro-bono legal aid services,
- Part 3. Design of sustainable financing arrangements for SOA's training and pro-bono legal aid services program.

Notes to the special purpose financial statements
For the period from 1 January 2016 to 10 August 2016

1.3. The Project Budget and Financing

The Project is being financed by the following sources:

- IDF Grant No. TF013656 – 100% exclusive of taxes,
- The Government of the Republic of Armenia (Government of RoA) - taxes.

Category	IDF Grant No. TF013656	Government of the RoA	Total
	USD	USD	USD
1. Goods, Consultant's Services, Training, annual Grant audits and Operating Costs	348,000.00	69,600.00	417,600.00
2. Consultant's Services, Legal Processing Costs and Operating Costs for the Pilot Pro-bono Legal Aid Services	120,000.00	24,000.00	144,000.00
Total	468,000.00	93,600.00	561,600.00

1.4. Project Implementation

The Project is implemented by the Judicial Project Implementation Unit (JPIU) SA of the Ministry of Justice of the Republic of Armenia.

The legal address of the JPIU SA is: 21/1 Tumanyan str., Yerevan, Republic of Armenia.

Notes to the special purpose financial statements
For the period from 1 January 2016 to 10 August 2016

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) 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 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 at 31 December 2015 is 1 USD =483.75 AMD

The average exchange rate at currency market issued by the CBA as at 10 August 2016 is 1 USD =476.25 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 1 January 2016 to 10 August 2016

3. Summary of Summary Reports and SOEs

For the period from 1 January 2016 to 10 August 2016

Withdrawal No	Withdrawal application value date	Payment categories		Total
		1. Goods, Consultant's Services, Training, annual Grant audits and Operating Costs	2. Consultant's Services, Legal Processing Costs and Operating Costs for the Pilot Pro-bono Legal Aid Services	
		USD	USD	USD
TFIII-7	12.04.2016	28,810.31	37,989.81	66,800.12
TFIII-8	09.08.2016	19,827.38	5,084.89	24,912.27
Total		48,637.69	43,074.70	91,712.39

4. Statement of Designated Account

Bank account number	900000929043
Bank	Central Treasury
Bank location	4 Tigran Mets str., 1-st floor, Yerevan, 0010 Republic of Armenia
Currency	USD

	IDF Grant No. TF013656 From 1 Jan 2016 to 10 Aug 2016
1. Opening balance	82,676.38
2. Add: opening discrepancy	-
3. IBRD advance/replenishment	3,919.30
4. Less: Refund to IBRD from DA	-
5. Present outstanding amount advanced to DA	86,595.68
6. DA closing balance	12,206.91
7. Add: Amount of eligible expenditures paid	74,388.77
8. Less: interest earned (if credited to DA)	-
9. Total advance accounted for	86,595.68
10. Closing discrepancy (5)-(9)	-

Notes to the special purpose financial statements
For the period from 1 January 2016 to 10 August 2016

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).

	note	10.08.2016 USD	01.01.2016 USD
ASSETS			
Cash	6	12,636.31	84,960.62
Prepayments		-	3,909.69
Total assets		12,636.31	88,870.31
LIABILITIES			
Payables		-	4,206.84
Total liabilities		-	4,206.84
NET ASSETS			
Cumulative income	8		
IDF Grant No. TF013656		468,000.00	464,080.70
Government of RoA		79,193.37	63,841.86
		547,193.37	527,922.56
Cumulative expenses			
Project expenses		(533,696.13)	(441,890.46)
		(533,696.13)	(441,890.46)
Foreign exchange gain/(loss)		(860.93)	(1,368.63)
Total net assets		12,636.31	84,663.47

6. Cash

	Account held at	Underlying Currency	10.08.2016 USD	01.01.2016 USD
Designated account (IDF Grant No. TF013656)	Treasury	USD	12,206.91	82,676.38
Project account (Government of RoA)	Treasury	AMD	429.40	2,284.24
Total			12,636.31	84,960.62

Notes to the special purpose financial statements
For the period from 1 January 2016 to 10 August 2016

7. Project Expenditures

7.1. Project expenditures financing per funds

Expenditure category	Reporting period			Cumulative as at 10 Aug 2016		
	IDF Grant No. TF013656	Governme nt of RA	Total	IDF Grant No. TF013656	Governme nt of RA	Total
	USD	USD	USD	USD	USD	USD
1. Goods, Consultant's Services, Training, annual Grant audits and Operating Costs	48,637.69	8,898.40	57,536.09	345,505.04	68,347.85	413,852.89
2. Consultant's Services, Legal Processing Costs and Operating Costs for the Pilot Pro-bono Legal Aid Services	25,751.08	8,886.16	34,637.24	110,288.05	10,498.87	120,786.92
Total	74,388.77	17,784.56	92,173.33	455,793.09	78,846.72	534,639.81

7.2. Project expenditure budget execution

Category	Cumulative Expenditures as at 10 Aug 2016	Total budget	Execution
	USD	USD	%
1. Goods, Consultant's Services, Training, annual Grant audits and Operating Costs.	413,852.89	417,600.00	99%
2. Consultant's Services, Legal Processing Costs and Operating Costs for the Pilot Pro-bono Legal Aid Services.	120,786.92	144,000.00	84%
Total	534,639.81	561,600.00	95%

Notes to the special purpose financial statements
For the period from 1 January 2016 to 10 August 2016

8. Financing

8.1. IDF Grant No. TF013656

	Reporting period	Cumulative as at 10 Aug 2016
	USD	USD
Advances/ (advance recovery)	(87,793.09)	12,206.91
SOE and Summary Report	91,712.39	455,793.09
Total	3,919.30	468,000.00
Total financing budget		468,000.00
Percentage of finance provided as at 10 Aug 2016		100%

8.2. Government of RoA

	Reporting period	Cumulative as at 10 Aug 2016
	USD	USD
Financed	15,351.51	79,193.37
Total financing budget		93,600.00
Percentage of finance provided as at 10 Aug 2016		85%

9. Project completion

The Project was completed as at May 31, 2016 (Closing Date), and the transactions were completed as at August 10, 2016 (the Reporting Date).

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

- No expenses 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 IDF Grant No. TF013656 were made after Closing date;
- No expenditures related to the Project were submitted to the WB after the Reporting date;
- There were no uncovered prepayments or payables outstanding to contractors related to the Project as at the Reporting Date, except for the final audit fee payable;
- The cash balance outstanding as at Reporting date consists:
 - Balance at Designated account at the amount of USD 12,206.91 to be refunded to WB after paying for final audit service;
 - Balance at GOA co financing account at the amount of USD 429.40 for paying taxes for final audit service;
- We are not aware about any pending or existing litigations against the Project.

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

For the period from 1 January 2016 to 10 August 2016

(Amounts are shown in US dollars)

Expenditure Category	Appl.	JPIU	WB	Difference
Advance	TFIII-7	-	(62,880.82)	-
	TFIII-8	-	(24,912.27)	-
		-	(87,793.09)	
1. Goods, Consultant's Services, Training, annual Grant audits and Operating Costs	TFIII-7	28,810.31	28,810.31	-
	TFIII-8	19,827.38	19,827.38	-
		48,637.69	48,637.69	
2. Consultant's Services, Legal Processing Costs and Operating Costs for the Pilot Pro-bono Legal Aid Services	TFIII-7	37,989.81	37,989.81	-
	TFIII-8	5,084.89	5,084.89	-
		43,074.70	43,074.70	
Total		91,712.39	3,919.30	