

**GOVERNANCE e-TRANSFORMATION PROJECT**

**FINANCIAL STATEMENTS**

**ADVANCE AGREEMENT Q-729**

**FOR THE 12 MONTHS PERIOD ENDED  
OCTOBER 31, 2011**

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## INDEPENDENT AUDITOR'S REPORT

To the Management of  
Governance e-Transformation Project ("GeT")  
Chisinau, Republic of Moldova

1. We have audited the accompanying financial statements of the Governance e-Transformation Project (the "Project"), which comprise the balance sheet at October 31, 2011, summary of sources and uses of funds and the statement of designated account for the 12 months period then ended, and a summary of significant accounting policies and other explanatory notes.
2. These financial statements have been prepared by management of the Project on a basis of cash accounting according to which income and expenditures are recognized when cash is actually received or paid out rather than incurred. The 12 months period ended October 31, 2011 is the first year of operations, therefore there are no comparatives.

### *Management's Responsibility for the Financial Statements*

3. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the World Bank ("WB") advance agreement Q-729 signed between the Republic of Moldova and the WB on July 20, 2010, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

4. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

6. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

7. In our opinion, the financial statements of the Governance e-Transformation Project, referred to in the opening paragraph, present fairly, in all material respects, the funds received and disbursements made for the 12 months period ended October 31, 2011, in accordance with the cash receipts and disbursements basis and requirements of the financing agreements referred to in the opening paragraph.
8. In addition, our tests indicate based on sample selected that adequate documentation has been maintained to support (a) the expenditures incurred during the 12 months period ended October 31, 2011; and (b) that such expenditures are eligible for financing under the applicable financing agreements referred to in the opening paragraph.

*Deloitte & Touche S.R.L.*

Deloitte & Touche S.R.L.  
Chisinau, Moldova  
June 18, 2012




**GOVERNANCE e-TRANSFORMATION PROJECT**  
**BALANCE SHEET WB ADVANCE AGREEMENT Q-729**

**AS OF OCTOBER 31, 2011**  
**(all amounts are stated in USD unless otherwise mentioned)**

	<u>Notes</u>	<u>October 31, 2011</u>
<b>ASSETS</b>		
<b>Cash and cash equivalents</b>		
Q-729 Undisbursed balance		1,474,251
Q-729 USD Designated Bank Account		10,300
Q-729 MDL Transitory account		<u>-</u>
<b>TOTAL CASH AND CASH EQUIVALENTS</b>		<b>1,484,551</b>
Cumulative project expenditures Advance Agreement, Q-729		<u>515,449</u>
<b>TOTAL CUMULATIVE PROJECT EXPENDITURES</b>	<b>5</b>	<b>515,449</b>
<b>TOTAL ASSETS</b>		<b>2,000,000</b>
<b>FUNDS AND LIABILITIES</b>		
<b>Funding</b>		
Advance Agreement, Q-729		<u>2,000,000</u>
<b>TOTAL FUNDING</b>		<b>2,000,000</b>
<b>TOTAL FUNDS AND LIABILITIES</b>		<b>2,000,000</b>

The financial statements and accompanying notes on pages 1 to 8 were signed and approved on behalf of the Project's management on June 11, 2012 by:

  
\_\_\_\_\_  
Oxana Casu  
Project manager


  
\_\_\_\_\_  
Olga Kuzmina  
Financial Management Specialist

**GOVERNANCE e-TRANSFORMATION PROJECT  
SUMMARY OF SOURCES AND USES OF FUNDS  
WB ADVANCE AGREEMENT Q-729**

**FOR THE 12 MONTHS PERIOD ENDED OCTOBER 31, 2011**  
(all amounts are stated in USD unless otherwise mentioned)

	<u>Notes</u>	<u>12 months period to October 31, 2011</u>
<b>OPENING CASH BALANCES</b>		
Q-729 Designated Account		-
<b>TOTAL OPENING CASH BALANCES</b>		-
 <b>ADD: SOURCES OF FUNDS</b>		
Q-729 direct payment		97,744
Q-729 transfers to Designated Account		427,763
Exchange rate gains		242
<b>Total Funds</b>	<b>3</b>	<b>525,749</b>
 <b>TOTAL SOURCES</b>		<b>525,749</b>
 <b>Uses of World Bank Funds by Categories</b>		
Support for e-Governance and Enabling Environment		513,653
Shared Infrastructure and e-Services		1,796
<b>Total Q-729</b>	<b>5</b>	<b>515,449</b>
 <b>TOTAL USES OF FUNDS</b>	<b>5</b>	<b>515,449</b>
 <b>CLOSING CASH BALANCES / OCTOBER 31, 2011</b>		
Q-729 Designated Account		10,300

The financial statements and accompanying notes on pages 1 to 8 were signed and approved on behalf of the Project's management on June 11, 2012 by:

  
\_\_\_\_\_  
Oxana Casu  
Project Manager

  
\_\_\_\_\_  
Olga Kuzmina  
Financial Management Specialist

**GOVERNANCE e-TRANSFORMATION PROJECT**

**DESIGNATED ACCOUNT STATEMENT**


**WB ADVANCE AGREEMENT Q-729**

**FOR THE 12 MONTHS PERIOD ENDED OCTOBER 31, 2011**  
**(all amounts are stated in USD unless otherwise mentioned)**

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<b>Q-729</b>	<b>Notes</b>	<b>12 months period to October 31, 2011</b>
<b>Opening balance, November 1, 2010</b>		<b>-</b>
<i>Including MDL account</i>		<b>-</b>
Add:		
Sources of funds		428,005
Deduct:		
Uses of funds	<b>4</b>	<b>417,705</b>
<b>Closing balance, October 31, 2011</b>		<b>10,300</b>
<i>Including MDL account</i>		<b>-</b>

The financial statements and accompanying notes on pages 1 to 8 were signed and approved on behalf of the Project's management on June 11, 2012 by:

  
\_\_\_\_\_  
Oxana Casu  
Project manager

  
\_\_\_\_\_  
Olga Kuzmina  
Financial Management Specialist



**GOVERNANCE e-TRANSFORMATION PROJECT**  
**NOTES TO THE PROJECT FINANCIAL STATEMENTS**  
**WB ADVANCE AGREEMENT Q-729**

**FOR THE 12 MONTHS PERIOD ENDED OCTOBER 31, 2011**  
**(all amounts are stated in USD unless otherwise mentioned)**

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**1. GENERAL INFORMATION**

The Governance eTransformation (GeT) project is designed to increase efficiency and quality of a selected range of public services to citizens and businesses and improve management of Information and Communication Technology (ICT) in the public sector.

With the exception of a few services, today citizens and businesses in Moldova have to obtain government services the traditional way: waiting in line to obtain multiple documents from different sources to satisfy the requirements of a specific transaction and repeating the process again and again. This way of interacting with the government costs people time and money, causes dissatisfaction, creates opportunities for corruption, and increases costs to the Government.

The GeT project is aimed to benefit all users of Government services in Moldova. It has two main components:

**Component 1: e-Leadership Capacity and Enabling Environment (\$8 million)**

This component will provide support to the E-Government Center that was recently established to drive Government-wide e-Transformation agenda. Support will also be provided for e-leadership training and civil servants capacity building; strategic communications and partnerships; development of policy, technical, legal and regulatory frameworks; and project management.

**Component 2: Shared Infrastructure and e-Services Development (\$15 million)**

This component will provide funding for: (a) establishing and implementing the M-Cloud (Government Cloud Computing Infrastructure); and (b) developing a selected number of e-Government services and shared applications to be delivered through multiple channels, including government portals and mobile phones.

In August 2010 the Moldovan Government created e-Governance Center (eGC) under the State Chancellery to manage the e-Transformation agenda. The Center will implement the World Bank-funded GeT project on behalf of the State Chancellery.

**Project Preparation Advance No. Q-729**

Before implementation of the project, International Development Agency ("World Bank"), extended to the eGC an advance out of World Bank's Projects Preparation Facility in amount not to exceed two million Dollars (\$2,000,000) ("Advance") on the terms and conditions set forth or referred to in the agreement Q-729. The objective of the Activities is to facilitate the preparation and pilot implementation of most urgent activities under a proposed Governance e-Transformation project, in support of which eGC has requested World Bank's financial assistance.

The Project has been established on July 20, 2010 together with Advance Agreement (Q-729) signing, but effectively funds were received in November, 2010. No transactions were performed between the Project establishment date and November 1, 2010. These financial statements are for the period November 1, 2010 – October 31, 2011 and are the first financial statements of the Project.



**GOVERNANCE e-TRANSFORMATION PROJECT**  
**NOTES TO THE PROJECT FINANCIAL STATEMENTS**  
**WB ADVANCE AGREEMENT Q-729**

**FOR THE 12 MONTHS PERIOD ENDED OCTOBER 31, 2011**  
**(all amounts are stated in USD unless otherwise mentioned)**

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**2. ACCOUNTING POLICIES**

**Basis of accounting**

The Project Financial Statements have been prepared in accordance with generally accepted accounting principle and practices and relevant World Bank guidelines.

The cash basis of accounting was used in the preparation of these Project Financial Statements since the recording of cash receipts and payments is the primary interest. Under the cash basis system income (or expenditure) is recognized when cash is received (or paid) irrespective of when goods or services are received. The amounts are expressed in USD and financial statements are prepared for the 12 months period ended October 31, 2011.

**Foreign expenditures**

Foreign expenditures means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower.

**Local expenditures**

Local expenditures mean any expenditure in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

**Consultants' Services**

Consultants' services includes a wide variety of private and public entities, including consulting firms, management firms, procurement agents, auditors, research institutions, individuals and other entities which provide services to the Governance eTransformation Project.

**Goods**

Goods include includes procurement of equipment to Governance eTransformation Project for day to day activity.

**Operating Costs**

Incremental operating costs means the incremental expenses incurred by the State Chancellery, the Ministry of Information Technology and Communication and PIU on account of the Project implementation, including transportation costs, car rental and fuel costs, cost of office rental and maintenance, moving expenses, equipment maintenance and repair, translation, communication and advertising, printing and publications, materials and supplies, bank charges, local travel cost ( including lodging and diems) and any other expenditures that may be agreed by the Association.

**Training**

Training means expenses incurred for training e-Leaders, chief information officers and civil servants of various public institutions in the areas of e-government and e-transformation and Training for PIU agreed by the Association.

**Foreign currency**

Transactions denominated in currencies other than USD are translated into USD equivalents by applying the official exchange rate of National Bank of Republic of Moldova as at the date of conversion.

**Designated Account**

The Designated Account (DA) is the account through which the replenishments are drawn. All payments for eligible expenses are made from DA using the transitory MDL account for local payments and directly from DA for international payments.

**GOVERNANCE e-TRANSFORMATION PROJECT**  
**NOTES TO THE PROJECT FINANCIAL STATEMENTS**  
**WB ADVANCE AGREEMENT Q-729**

**FOR THE 12 MONTHS PERIOD ENDED OCTOBER 31, 2011**  
**(all amounts are stated in USD unless otherwise mentioned)**

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**3. WITHDRAWAL SCHEDULE**

<b>W/D Number</b>	<b>12 months period to October 31, 2011</b>
Application 1	200,000
Application 2	6,782
Application 3	66,874
Application 5	28,669
Application 6	50,593
Application 7	14,413
Application 8	9,675
Application 9	64,026
Application 10	30,420
Application 11	54,055
<b>TOTAL RECEIPTS</b>	<b>525,507</b>
Foreign exchange differences	242
<b>TOTAL SOURCES</b>	<b>525,749</b>

**GOVERNANCE e-TRANSFORMATION PROJECT**  
**NOTES TO THE PROJECT FINANCIAL STATEMENTS**  
**WB ADVANCE AGREEMENT Q-729**

**FOR THE 12 MONTHS PERIOD ENDED OCTOBER 31, 2011**  
**(all amounts are stated in USD unless otherwise mentioned)**

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**4. SOE SCHEDULE**

<b>W/D Number</b>	<b>12 months period to October 31, 2011</b>
Application 4	28,669
Application 6	75,593
Application 9	98,026
Application 10	45,420
Application 11	80,054
Application 12	89,628
Application 15 *	<u>315</u>
<b>TOTAL USES OF FUNDS</b>	<b><u>417,705</u></b>

\* The Application for Withdrawal DA15 in amount of USD 315 has been processed by the WB on 01.11.11. Please see Note 5.



**GOVERNANCE e-TRANSFORMATION PROJECT**  
**NOTES TO THE PROJECT FINANCIAL STATEMENTS**  
**WB ADVANCE AGREEMENT Q-729**

**FOR THE 12 MONTHS PERIOD ENDED OCTOBER 31, 2011**  
(all amounts are stated in USD unless otherwise mentioned)

**5. EXPENDITURE DETAIL – BY PROJECT ACTIVITY**

	Current fiscal year (10 months period to October 31, 2011)	12 months period to October 31, 2011
<b>1. Support for e-Governance and Enabling Environment</b>		
1.1: Setup and initial operation of e-Governance Center	302,783	330,213
1.2: Enabling framework	85,381	85,381
1.2.3: Consultant for e-Governance/eTransformation	83,331	83,331
1.2.4: Consultants for Legal/Technical Framework Development	2,050	2,050
<b>Total Support for e-Governance and Enabling Environment</b>	<b>388,164</b>	<b>415,594</b>
<b>2. Shared Infrastructure and e-Services</b>		
2.2 e-Services Development	1,796	1,796
2.2.1: E-services Technical Design and Requirement	1,796	1,796
<b>Total Shared Infrastructure and e-Services</b>	<b>1,796</b>	<b>1,796</b>
<b>Total Expenditures by project activities</b>	<b>389,960</b>	<b>417,390</b>

Note: the Application for Withdrawal DA15 in amount of USD 314.57 covering the period 17.10.11 - 31.10.11 is not included in this statement because it has been processed by the WB on 01.11.11, and included in the main credit (See Note 4).

Note: the amount of MDL 2 340,00 under the Treasury Payment Order Nr.5 dated 24.10.11 was not included in this statement because this payment does not refer to the PPA account.

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