

IDA GRANT NO. TF017415

PREPARATION OF THE TAX ADMINISTRATION MODERNIZATION PROJECT

GRANT FINANCIAL STATEMENTS

For the period from April 14, 2015 to August 08, 2016

PREPARATION OF THE TAX ADMINISTRATION MODERNIZATION PROJECT IDA
GRANT NO. TF017415

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For the period from April 14, 2015 to August 08, 2016

All amounts in USD, unless stated otherwise

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Independent Auditors' Report

To: The Management of the Preparation of the Tax Administration Modernization Project

We have audited the accompanying Grant Financial Statements of the "Preparation for the Tax Administration Modernization" Project - Grant no. TF017415 awarded by the International Development Association ("IDA") (further referred to as "the Project") for the period from 14 April 2015 to 8 August 2016, which comprise the Balance sheet as at 8 August 2016, the Summary of Sources and Uses of Funds and the Designated Account Statement for the period from 14 April 2015 to 8 August 2016 and explanatory notes, comprising a summary of significant accounting policies and other explanatory information (together referred to as "the Grant Financial Statements"). The Grant Financial Statements have been prepared by the management using the cash receipts and disbursements basis of accounting and accounting policies as described in Note 2 to the Grant Financial Statements.

Management's Responsibility for the Grant Financial Statements

Management is responsible for the preparation of these Grant Financial Statements in accordance with the cash receipts and disbursements basis of accounting and accounting policies as described in Note 2 to the Grant Financial Statements, for determining the acceptability of the basis of accounting, and for such internal control as management determines is necessary to enable the preparation of the Grant Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the Grant 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 about whether the Grant Financial Statements are free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Grant Financial Statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the Grant Financial Statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Project's preparation of the Grant 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 Project's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by management, as well as evaluating the overall presentation of the Grant Financial Statements.

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

Opinion

In our opinion the Grant Financial Statements as at 8 August 2016 and for the period from 14 April 2015 to 8 August 2016, have been prepared, in all material respects, in accordance with the cash receipts and disbursements basis of accounting and accounting policies as described in Note 2 to Grant Financial Statements.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 2 to the Grant Financial Statements as at 8 August 2016 and for period from 14 April 2015 to 8 August 2016 which describes the basis of accounting. These Grant Financial Statements are prepared solely for the purpose of complying with the terms of the Grant Agreement no TF017415 signed between the Government of Republic of Moldova and International Development Association ("IDA") on 10 July 2014 and ratified by Republic of Moldova on 14 April 2015. As a result, the Grant Financial Statements may not be suitable for another purpose.

Other matter

Our report is intended solely for the Management of the Preparation of the Tax Administration Modernization Project and the International Development Association as a body. Our audit work has been undertaken so that we might state to the management of the Preparation of the Tax Administration Modernization Project those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Preparation of the Tax Administration Modernization Project, for our audit work, for this report, or for the opinion we have formed.

KPMG moldova SRL

KPMG Moldova S.R.L.

22 August 2016

Chisinau, Republic of Moldova

Ref.: 16024

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BALANCE SHEET

	August 08, 2016
	USD
ASSETS	
Cash and cash equivalents	
Cash under grant TF017415 in transitory account	3,242
Cash under grant TF017415 in designated account	-
	3,242
TOTAL CASH AND CASH EQUIVALENTS	3,242
Cumulative project expenditures	
Grant TF017415	269,788
TOTAL CUMULATIVE PROJECT EXPENSES	269,788
TOTAL ASSETS	273,030
Funding	
Grant funding TF017415	300,000
Unused funds	(26,970)
TOTAL FUNDING	273,030

The Grant financial statements and accompanying notes on pages 4 to 7 were signed and approved on behalf of the Project's management on 12 August 2016 by:

Authorised by:

Mr. Serghei Pușcuta
 Coordinating Chief of the Project
 Chief of the Main State Tax Inspectorate



Ms. Mariana Țurcan
 Head of the Financial and Economic Department
 of the Main State Tax Inspectorate

Prepared by:

Mr. Dorin Corcimaru
 MSTI Project Management Consultant



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SUMMARY OF SOURCES AND USES OF FUNDS

	From April, 14 2015 to August 08 ,2016 USD
OPENING CASH BALANCES	
TF017415 IDA Designated Account	-
TOTAL OPENING CASH BALANCES	-
ADD: SOURCES OF FUNDS	
Grant TF017415	
Designated Account	75,362
Direct Payments	197,668
Total Grant TF017415 funds	273,030
TOTAL SOURCES OF FUNDS	273,030
LESS: USES OF FUNDS	
Consulting services and incremental operating costs	269,761
	269,761
Foreign exchange differences	27
TOTAL USES OF FUNDS	269,788
CLOSING CASH BALANCES	
TF017415 IDA Designated Account	-
TF017415 IDA transitory account	3,242
TOTAL CLOSING CASH BALANCES	3,242

The Grant financial statements and accompanying notes on pages 4 to 7 were signed and approved on behalf of the Project's management on 12 August 2016 by:

Authorised by:

Mr. Serghei Pușcuța
 Coordinating Chief of the Project
 Chief of the Main State Tax Inspectorate

Ms. Mariana Țurcan
 Head of the Financial and Economic Department
 of the Main State Tax Inspectorate

Prepared by:

Mr. Dorin Corcimaru
 MSTI Project Management Consultant



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**PREPARATION OF THE TAX ADMINISTRATION MODERNIZATION PROJECT IDA
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Designated Account Statement

Bank Accounts MD39NBPABJ132121B02314 (USD) , Related to Grant IDA GRANT NO. TF017415
 Depository Bank Moldovan State Treasury, National Bank of Moldova, S
 Address 1, Grigore Vieru blvd, Chisinau, R. Moldova

	From April, 14 2015 to August 08 ,2016
	USD
Opening balance, July 10, 2014	-
Add:	
Sources of funds	75,362
Less:	
Transfers to transitory accounts	75,362
Exchange gains/losses on cash balance	-
Closing balance, August 08, 2016	-

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Authorised by:

Mr. Serghei Pușcuța
 Coordinating Chief of the Project
 Chief of the Main State Tax Inspectorate



[Handwritten signature of Mr. Serghei Pușcuța]

Ms. Mariana Țurcan
 Head of the Financial and Economic Department
 of the Main State Tax Inspectorate

[Handwritten signature of Ms. Mariana Țurcan]

Prepared by:

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**PREPARATION OF THE TAX ADMINISTRATION MODERNIZATION PROJECT IDA
GRANT NO. TF017415**

GRANT FINANCIAL STATEMENTS

For the period from April 14, 2015 to August 08, 2016

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NOTES TO THE GRANT FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Grant agreement TF017415 (further referred as the "Grant") was awarded by the International Development Association (IDA) to the Republic Moldova under the Multi-donor Programmatic Trust Fund for Europe and Central Asia Region Capacity Development for the "Preparation of the Tax Administration Modernization Project" (further referred as the "Project"). The total amount of the Grant is of USD 300,000.

The Recipient of the Grant is the Moldovan Main State Tax Authority, acting as the Beneficiary and the Project implementing unit of the Grant.

The Grant agreement was authorized by the Prime Minister of Republic of Moldova on July 10, 2014 and was ratified by the President of Republic of Moldova in accordance with the President Decree No. 149 dated April 14, 2015.

Initially, in accordance with the Grant agreement, the Grant implementation period and validity was set to April 30, 2015 ("Closing Date"). The Closing date was further extended to April 30, 2016 in accordance with the letter for Declaration of Effectiveness and Extension of Closing Date, dated April 30th, 2015.

The objective of the Grant for the Preparation of the Tax Administration Modernization Project is to finance the development of the concept design, technical specifications and business process mapping for the implementation of an integrated information system for the Tax Administration Modernization Project. The Project consists of the following parts:

- (a) Conducting an assessment of STI's current business processes and gap analysis for developing a concept design for the new integrated tax system, including:
 - i. a review of existing legislation governing the stages of the tax administration processes at the central and local level;
 - ii. institutional, functional, organizational arrangements and information flows, taking into account the functions that will support the implementation of the integrated system;
 - iii. a gap analysis identifying the differences between the existing procedures and the baseline practice, and changes required before the implementation of the integrated tax system;
 - iv. an action plan for implementing the required changes (legislative, organizational, functional, procedural and information flow arrangements); and
 - v. the preparation of the concept design to include the conceptual model of an integrated tax management system including the functional coverage of the system.
- (b) Developing the system design and technical specifications, including:
 - i. the preparation of detailed functional and technical specifications for the integrated tax management system as well as the necessary central server systems;
 - ii. the design of the communication infrastructure for a countrywide integrated tax system;
 - iii. the identification of necessary network equipment for the connectivity of central systems and territorial offices;
 - iv. the identification of hardware and standard software solutions for effective integration of the central system and territorial offices;
 - v. the technical specifications of necessary engineering support systems for the establishment of proper physical environment for system users and for operation of technical equipment; and
 - vi. a plan for the implementation of the integrated tax management system.



GRANT FINANCIAL STATEMENTS

For the period from April 14, 2015 to August 08, 2016

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NOTES TO THE GRANT FINANCIAL STATEMENTS

2. BASIS OF ACCOUNTING

These Grant Financial Statements are prepared solely for the purpose of complying with the terms of the Financing Grant Agreement TF017415 signed between the Republic of Moldova and International Development Association (“IDA”) on 10 July 2014 and ratified by Republic of Moldova on 14 April 2015. As a result, Grant Financial Statements may not be suitable for another purpose.

The Grant Financial Statements have been prepared in accordance with the basis of preparation and significant accounting policies described below.

(a) Basis of preparation

The Grant Financial Statements have been prepared in accordance with the cash receipts and disbursements basis of accounting. On this basis sources of funds are recognized when received rather than when earned and funds used are recognized when paid rather than when incurred.

The amounts are expressed in USD and are prepared for the period from April 14, 2015 to August 08, 2016.

(b) Functional and presentation currency

The Grant’s functional and presentation currency is the United States Dollars (USD). The transactions performed in other currencies are converted and reported in USD using the official exchange rate of National Bank of Moldova on the date of payment.

(c) Designated Account (DA)

The Designated Account, opened by the State Treasury in the National Bank of Moldova, is the account to which all replenishments are drawn from IDA. The Designated account is in USD. All payments in USD for eligible expenses are made from this designated account. If the payments are made to Republic of Moldova residents, then the payments are made through transitory accounts (conversion from USD to Moldovan Leu at National Bank of Moldova rate).

(d) Transitory accounts

The transitory account is held at State Treasury for the payments made in MDL from Grant funding, since the payments within Republic of Moldova can be done only in the local currency (MDL). The Grant has a dedicated transitory account used only for the payments under the Grant.

(e) Sources of funds

The sources of funds are the amounts transferred by the International Development Association to the Designated Account of the Project.

(f) Uses of funds

The uses of funds are the amounts spent for covering eligible expenditures for the needs of the Project.

(g) Cash and cash equivalents

Total cash and cash equivalents comprises the cash balances in designated and transitory accounts under the available funding line – Grant no. TF017415.



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NOTES TO THE GRANT FINANCIAL STATEMENTS

3. WITHDRAWAL SCHEDULE

	Category	Application amount USD	Amount disbursed USD
Application No. 1	Transfer to DA	50,000	50,000
Application No. 2	Direct payment	2,368	2,368
Application No. 3	Transfer to DA	20,000	20,000
Application No. 4	Direct payment	43,400	43,400
Application No. 5	Direct payment	43,400	43,400
Application No. 6	Direct payment	108,500	108,500
Application No. 7	Transfer to DA	5,362	5,362
Total disbursed until August 08, 2016			273,030

4. SOE SCHEDULE

World Bank Number of the SOE	Cumulative for the period April 14, 2015 to August 08, 2016 USD
001 – Transfer to designated account	50,000
2 – Direct payment	2,368
003 – Transfer to designated account	20,000
4 – Direct payment	43,400
5 – Direct payment	43,400
6 – Direct payment	108,500
007 – Transfer to designated account	5,362
Total uses of funds	273,030
Total	273,030



NOTES TO THE GRANT FINANCIAL STATEMENTS

5. EXPENDITURE DETAIL BY PROJECT ACTIVITY

	Cumulative for the period April 14, 2015 to August 08, 2016 USD
1. Consulting services & incremental operating costs	
1.1 Consulting Services: Review and revision of all main Business Processes (BPs and preparation of system requirements.	217,000
1.2 Project Management Consulting Services	35,766
1.3 Enterprise Architect Licenses	2,368
1.4 Travel and accommodation expenses for the study tour	3,259
1.5 Per diem allowances for the study tour	710
1.6 Translation services, study tour	666
1.7 Office equipment procurement	9,992
Total Consulting services & incremental operating costs	269,761
Total Grant expenditures by project activity	269,761

Total audit fees of equivalent of EUR 2,940 will be paid subsequent to the approval of the Grant financial statements and are not included in the above listed expenditures. The funds allocated for the payment of the audit fees have been converted and transferred to the MDL transitory account.

Authorised by:

Mr. Serghei Pușcuța
 Coordinating Chief of the Project
 Chief of the Main State Tax Inspectorate



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