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“NIISLEL-AUDIT” LLC

Certified audit, appraisal and accounting
consultancy company

Date: 2016.03.25

INDEPENDENT AUDITOR’S REPORT

To: Management of the Implementation of Extractive Industries
Transparency Initiative in Mongolia Project

CC: Mongolia EITI Secretariat

We have audited financial reports consisted of financial monitoring reports, Designated Account report, sources and uses of funds report, significant accounting policy and other comments and notes of the Implementation of EITI in Mongolia Project ("the Project") for the period from 17 February 2015 through 20 February 2016, as set out on page 6, pursuant to the Letter of Agreement between Multi-Donor Trust Fund Grant No.TF017684, the Government of Mongolia ("the GOM") and International Development Association ("the IDA").

The responsibility of the Management of Mongolia EITI related to the financial reports

This is the responsibility of the Management of Mongolia EITI Secretariat for preparing financial statements and reports according to international financial standards. This responsibility also includes preparing free of frauds and material misstatement report by choosing appropriate financial method suitable for each situation.

The responsibility of the Auditor

Our responsibility is to express an independent opinion on financial reports statement based on our audit. We conducted our audit in accordance with International Financial Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the Designated Account Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in Designated Account Statement. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall statement presentation. We believe our audit provides a reasonable basis for our opinion.

As shown on Note 2(a). The management prepares financial statements on the basis of cash deposits and withdrawals which accepts all funds when it has received and all expenses when payments had been paid.

The Conclusion

In our opinion, the receipts were properly accounted for and withdrawals were made for the purpose intended in the Letter of Agreement. The designated account statement presents fairly, in all material respect, the ending balances as of 20 February 2016 and the account activity during the period from 17 February 2015 through 20 February 2016 on the basis of accounting described in Note 2(a).

Yours Sincerely,


T.SUGARSUREN

“NIISLEL AUDIT” LLC
Ulaanbaatar, Mongolia



“NIISLEL-AUDIT” LLC

Certified audit, appraisal and accounting
consultancy company

Date: 2016. 03. 25

INDEPENDENT AUDITOR’S REPORT

To: Management of the Implementation of Extractive Industries
Transparency Initiative in Mongolia Project

CC: Mongolia EITI Secretariat

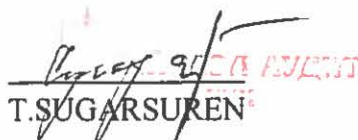
We have audited the accompanying Designated Account Statement of the Implementation of EITI in Mongolia Project ("the Project") for the period from 17 February 2015 through 20 February 2016, as set out on page 6, pursuant to the Letter of Agreement between Multi-Donor Trust Fund Grant No.TF017684, the Government of Mongolia ("the GOM") and International Development Association ("the IDA"). This statement is the responsibility of the Management of Mongolia EITI Secretariat. Our responsibility is to express an opinion on Designated Account statement based on our audit.

We conducted our audit in accordance with International Standards on Auditing and World Bank Disbursement Guidelines for Projects. Those standards and World Bank guidelines require that we plan and perform the audit to obtain reasonable assurance that the Designated Account Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in Designated Account Statement. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall statement presentation. We believe our audit provides a reasonable basis for our opinion.

The Designated Account statement was prepared on the basis of cash deposits and withdrawals with purpose of complying with the above-mentioned Letter of Agreement.

In our opinion, the receipts were properly accounted for and withdrawals were made for the purpose intended in the Letter of Agreement. The designated account statement presents fairly, in all material respect, the ending balances as of 20 February 2016 and the account activity during the period from 17 February 2015 to 20 February 2016 on the basis of accounting described in the preceding paragraph.

Yours Sincerely,


T.SUGARSUREN

“NIISLEL AUDIT” LLC
Ulaanbaatar, Mongolia



“NIISLEL-AUDIT” LLC

Certified audit, appraisal and accounting
consultancy company

Date: 2016.03.25.

INDEPENDENT AUDITOR’S REPORT

To: Management of the Implementation of Extractive Industries
Transparency Initiative in Mongolia (Post-Compliance Phase I) Project

CC: Mongolia EITI Secretariat

In addition to our audit of the project financial monitoring reports, we have audited the statements of expenditures submitted to the IDA during the period from 17 February 2015 through 20 February 2016 in support of applications for replenishment and direct payments under the Letter of Agreement for Multi-Donor Trust Fund Grant No. TF017684

The management of the Mongolia EITISecretariat is responsible for the preparation of the statements of expenditures. Our responsibility is to express an opinion on the statements of expenditures, on the basis of our audit.

An audit also includes an assessment of the accounting principles used and significant estimates made by management as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statements of expenditures submitted together with the internal controls and procedures involved in their preparation can be relied upon to support the applications for grant disbursements for the period from 17 February 2015 through 20 February 2016.

Yours Sincerely,


T.SUGARSUREN

“NIISLEL AUDIT” LLC
Ulaanbaatar, Mongolia

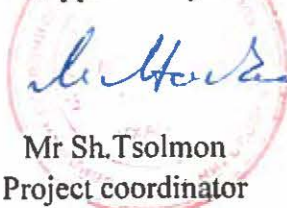
THE GOVERNMENT OF MONGOLIA
INTERNATIONAL DEVELOPMENT ASSOCIATION
MULTI-DONOR TRUST FUND GRANT No TF-017684

The Implementation of EITI in Mongolia (Post compliance II) Project

BALANCE SHEET AS OF 20 FEBRUARY 2016

	Notes	2016.02.20 /USD/
ASSETS		
Cash and cash equivalents	5	49,232.73
Cumulative project expenditures	6	232,487.98
Bank charges		165.80
Foreign Exchange loss		172.69
TOTAL ASSETS		282,059.20
FUNDS		
Multi-donor funds	7	280,000.00
Interests earned	8	2,059.20
Other receipts		
TOTAL FUNDS		282,059.20

Approved by:


Sh. Tsolmon
Mr Sh. Tsolmon
Project coordinator

Prepared by:

A. Otgontungalag
Ms A. Otgontungalag
Project financial officer



THE GOVERNMENT OF MONGOLIA
INTERNATIONAL DEVELOPMENT ASSOCIATION
MULTI-DONOR TRUST FUND GRANT No TF-017684

The Implementation of EITI in Mongolia (Post compliance II) Project

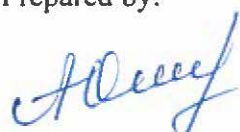
STATEMENT OF SOURCES AND USES OF FUNDS

	Notes	2016.02.20 /USD/
Sources of funds		
Multi-donor funds	7	280,000.00
Interests earned	8	2,059.20
Other receipts		-
TOTAL SOURCES OF FUNDS		282,059.20
USE OF FUNDS		
Consultancy services	6 (a)	79,534.02
Non consulting services	6 (b)	37,516.62
Training and promotoin	6 (c)	71,765.26
Operating cost	6 (d)	38,089.44
Goods - office equipments	6 (e)	5,921.13
TOTAL USES OF FUNDS		232,826.47
EXCESS OF SOURCES OVER USES OF FUNDS		49,232.73
<i>Designated account</i>		45,593.97
<i>Operating account</i>		3,638.76
<i>Petty cash</i>		-

Approved by:


Mr. Sh. Tsolmon
Project coordinator

Prepared by:


Ms A. Otgontungalag
Project financial officer

NISLEL-AUDIT Co., Ltd
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THE GOVERNMENT OF MONGOLIA
INTERNATIONAL DEVELOPMENT ASSOCIATION
MULTI-DONOR TRUST FUND GRANT No TF-017684

The Implementation of EITI in Mongolia (Post compliance II) Project

SUMMARY OF WITHDRAWAL APPLICATIONS


Number of WA	Claimed date	Credited date	Amount in USD
Withdrawal Application No. 1*	2015.02.16	2015.02.17	110,000.00
Withdrawal Application No. 2**	2015.06.25	2015.07.10	74,802.61
Withdrawal Application No. 3**	2015.12.04	2015.12.18	95,197.39
20-Feb-16			280,000.00

* Withdrawal Application No. 1 represents the advance to designated account.

** Withdrawal Application No. from 2-3 were for replenishments of the designated account submitted to the IDA.

Approved by:

Mr. Sh. Tzolmon
Project coordinator

Prepared by:

Ms A. Otgontungalag
Project financial officer



THE GOVERNMENT OF MONGOLIA
INTERNATIONAL DEVELOPMENT ASSOCIATION
MULTI-DONOR TRUST FUND GRANT No TF-017684

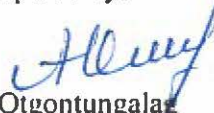
The Implementation of EITI in Mongolia (Post compliance II) Project

DESIGNATED ACCOUNT STATEMENT

	Notes	2016.02.20 /USD/
ACCOUNT ACTIVITIES		
Beginning balance		
Add:		
First advance from IDA	7	110,000.00
Total replenishments from IDA	7	170,000.00
Total net interest earned on DA	8	1,750.67
Other receipts		-
Deduct:		
Eligible expenditures		(47,237.37)
Withdrawal to operating account		(188,758.63)
Bank charges		(160.70)
Ending balance		45,593.97

Approved by:

Mr Sh.Tsolmon
Project coordinator

Prepared by:

Ms A.Otgontungalag
Project financial officer



The Implementation of EITI in Mongolia (Post Compliance II)

NOTES TO THE FINANCIAL MONITORING REPORTS

1. Description of the Project

Mongolian Government has decided to implement EITI in 2006 by the decree No1 in January 2006 pursuant to the initiative by Mr. Tony Blair, the prime minister of Great Britain back then during the World Summit on Sustainable Development in Johannesburg, South Africa.

According to the clause 48.10 on Natural Resources Law the Possessor of the Special License for exploration and production is responsible to submit the tax reports, other payments and royalty reports by the end of first quarter of next year along with amounts of production produced. The Government of Mongolia has joined the clause officially in October 2007.

The Letter of Agreement for Multi-Donor Trust Fund Grant for implementation of Extractive Industries Transparency Initiative ("EITI") in Mongolia was signed by and between the Ministry of Finance, acting as representative of the Government of Mongolia and International Development Association ("World Bank"), acting as administrator of grant provided by Multi-Donor Trust Fund on 01 October 2014.

The objective of the Project is to support Mongolia to widen and deepen the Extractive Industries Transparency Initiative and anchor financially and institutionally in its post-compliance phase with National EITI Council's Five-Year strategy.

The Project consists of the following parts:

- (a) Building of Stakeholder Capacity to Engage.
 - (i) Pre-2010 report training or reporting entities.
 - (ii) Training on EITI for civil society and media organizations.
 - (iii) Training on EITI and transparency legislation for all stakeholders.
 - (iv) Organization of national and sub-national EITI conferences.
- (b) Strengthening of the Mongolia EITI Secretariat Communications and Knowledge Base
 - (i) Selection and engagement of a communications specialist for the Mongolia EITI Secretariat.
 - (ii) Carrying out of communications activities through a variety of media.
 - (iii) Study tours for the Mongolia EITI Secretariat
- (c) Provision of Operational Support to the EITI Secretariat.

Provision of office equipment and stationery, EITI staff support, audit support and other operating costs necessary for EITI implementation



The Implementation of EITI in Mongolia (Post Compliance II)

NOTES TO THE FINANCIAL MONITORING REPORTS (CONTINUED)

In accordance with the letter of Agreement signed on 01 October 2014 for Multi-Donor Trust Fund Grant No. TF017684, the Project is funded by a grant in the amount of USD280000 provided by Multi-Donor Trust Fund through IDA/World Bank.

2. Summary of Significant Accounting Policies

The following significant accounting policies have been adopted by the Project in the preparation of these statements:

(a) Basis of Preparation

The financial statements, expressed in United States Dollars ("USO"), have been prepared on a cash receipts and payments basis of accounting. On this basis, receipts are recognized when received or direct payment to creditors are made rather than when earned and disbursements are recognized when paid rather than when incurred.

(b) Foreign currency translation

The project financial statements are stated in USO. Transactions in currencies other than USO during the year have been translated into USO at FIFO rates ruling at the transaction dates. Exchange differences arising there from are taken up in the Statement of Sources and Uses of Funds.

The statement of designated account is presented in United States dollars ("USO"). The amounts in USO are the actual amounts debited or credited to the Designated Account.

The summary of statements of expenditure is also presented in USO. The amounts in USO are the actual amounts applied for replenishment from the IDA (Multi-Donor Trust Fund).

(c) Sources of funds

The funds received are recognized as source of funds when received at the Designated Account plus the inter-bank charges deducted from the remittance.

Based on reconciliation of designated account and actual expenditures, the Withdrawal Applications are prepared and submitted to the IDA for reimbursement of eligible expenditures that may be financed out of the proceeds Grant and allocations of the amounts of the Grant to categories of expenditures are as follows:

(d) Uses of funds

The expenditures eligible for the Project are recognized as use of funds when actual disbursements are made for project activities.



The Implementation of EITI in Mongolia (Post Compliance II)

NOTES TO THE FINANCIAL MONITORING REPORTS (CONTINUED)

3. Designated Account and other accounts

In accordance with Standard Conditions for Grants made by the World Bank and under the provision of Grant Agreement, the Project should open and maintain a United States Dollar Designated Account. This account is used for eligible expenditures in accordance with the Grant Agreement and is replenished from time to time from the Grant Account. The Mongolia EITI Secretariat opened and maintains the Designated Account for the Project at the State Bank of Mongolia.

The Mongolia EITI Secretariat also maintains the operating account in MNT at the State Bank of Mongolia. The account is used for minor expenditures and replenishment to petty cash.

4. Procurement of goods and consultants

The goods and consultants' services required for the Project and to be financed out of the proceeds of the Grant are procured in accordance with Section I of the "Guidelines: Procurement of Goods, Works and consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 and Section I and IV of the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011.

The all procurements should be carried out in elaboration with procurement plan prepared and updated by the project management (the Mongolia EITI Secretariat)

5. Project cash and cash equivalents

	<u>2016.02.20</u> <u>/USD/</u>
Petty cash	-
Cash at operating account	3,385.83
Cash at Designated	43,843.30

47,229.13 EL-AUDIT Co.,Ltd
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The Implementation of EITI in Mongolia (Post Compliance II)

NOTES TO THE FINANCIAL MONITORING REPORTS (CONTINUED)

6. Project Cumulative Expenditures

		<u>2016.02.20</u> <u>/USD/</u>
Consultancy services	(a)	79,534.02
Non consulting services	(b)	37,516.62
Training	(c)	71,765.26
Incremental operating cost	(d)	38,033.34
Goods • office equipment	(e)	5,921.13
		<u>232,770.87</u>

The amounts above represent the actual expenditures eligible for the Project and are based on actual payments made during the period from 17 February 2015 through 20 February 2016. The breakdown of each category of expenditures can be shown as follows:

(a) Consultancy services

	<u>2016.02.20</u> <u>/USD/</u>
Salary for project staff	76,637.48
Translation service	2,896.54
Project audit	-
	<u>79,534.02</u>

(b) Non consulting services

	<u>2016.02.20</u> <u>/USD/</u>
Printing EITI reports and other promotional materials	19,609.53
Transparency matter live discussion through TV	17,907.09
	<u>37,516.62</u>



The Implementation of EITI in Mongolia (Post Compliance II)

NOTES TO THE FINANCIAL MONITORING REPORTS (CONTINUED)

(c) Training and Promotion

	<u>2016.02.20</u> <u>/USD/</u>
Transparency matter on –reporting for companies and government organization	7,355.52
Training on EITI and transparency legislation for all stakeholders	9,735.51
Training on civil society and media organizations	8,907.63
EITI national conference ‘Transparency Award’	17,270.32
EITI sub national Conference	19,958.07
Soum roadshow	5,158.75
Study four for EITI Mongolia	3,379.46
	<u>71,765.26</u>

(d) Incremental operating cost

	<u>2016.02.20</u> <u>/USD/</u>
Office rent	13,309.01
Utilities/tell/internet/service fees	627.07
Media channels and social network	4,197.41
Postal expenses	241.96
Articles and interviews through daily newspapers, websites and radio channels	8,165.24
Expense of WG’s	5,897.25
Office expenditures	5,189.48
Printer and copier cartridge	123.53
Other	338.49
	<u>38,099.44</u>

The Implementation of EITI in Mongolia (Post Compliance II)

NOTES TO THE FINANCIAL MONITORING REPORTS (CONTINUED)

(e) Goods – Office equipments

	<u>2016.02.20</u> <u>/USD/</u>
Equipments	5,921.13
	<u>5,921.13</u>

7. Multi – Donor funds

	<u>2016.02.20</u> <u>/USD/</u>
TF advances	110,000.00
TF replenishments	170,000.00
	<u>280,000.00</u>

8. Interests earned


There were no expenses related to the project operation during the period of 31 December 2015 to 20 February 2016, however was only the interest income for the special and current account balance from the State Bank.

APPROVED BY:



Sh. TSOLMON
Project coordinator

PREPARED BY:



A. OTGONTUNGALAG
Project financial officer