

**Ministry of Environment, Republic of Lebanon
PCB Management in the Power Sector – Project # P122540**

**Report and financial information
for the period from inception 30 March 2015 to 31 December 2015**

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**Independent auditor's report
to the Ministry of Environment, Republic of Lebanon**

Report on the financial information

We have audited the accompanying financial information of the PCB Management in the Power Sector ("the Project") which comprises: (i) Statement of cash receipts and payments by category; (ii) Statement of cash payments classifying the uses of funds for the period from inception 30 March 2015 to 31 December 2015; (iii) Statement of movements in the Designated Account; and (iv) the notes to the financial information. The financial information has been prepared by the Project Management Unit ("PMU") in accordance with the accounting policies described in note 2 of the financial information, as approved by the World Bank, and as required by the terms of the Financial Management Procedures Manual of the Project, dated July 2015.

The PMU's responsibility for the financial information

The PMU is responsible for the preparation of this financial information in accordance with the accounting policies described in note 2 to the financial information. This includes determining that the basis of accounting set out in note 2 is an acceptable basis for the preparation of the statement in the circumstances, and for such internal control as the PMU determines is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on this financial information 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 information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial information. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial information in order to design audit procedures that are appropriate in the circumstances. 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 information.

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

**Independent auditor's report (continued)
to the Ministry of Environment, Republic of Lebanon**

Opinion

In our opinion, the financial information for the Project for the period from inception 30 March 2015 to 31 December 2015 presenting the sources and uses of funds, the expenditures by grant component and the movement in the Designated Account, is prepared, in all material respects, in accordance with the accounting policies described in note 2 to the financial information.

Basis of accounting and restriction on distribution and use

Without modifying our opinion, we draw attention to note 2 to the financial information, which describes the basis of accounting. The financial information is prepared to enable the PMU to meet its reporting obligations to the World Bank under the terms of the Grant Agreement No. TF-018030. As a result, the financial information may not be suitable for another purpose. Our report is intended solely for the Ministry of Environment, Republic of Lebanon and the World Bank and should not be distributed to or used by parties other than the Ministry of Environment, Republic of Lebanon and the World Bank.



Beirut, Lebanon
27 June 2016

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**Statement of cash receipts and payments by category
for the period from inception 30 March 2015 to 31 December 2015**

| | Note | US\$ |
|---|------|----------------------|
| Sources of funds | | |
| IBRD grant funds | 5 | <u>130,400</u> |
| Uses of funds by project component | | |
| Capacity building and project management | 4 | <u>71,508</u> |
| Surplus | | <u><u>58,892</u></u> |

The notes on pages 6 to 8 are an integral part of this financial information.

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Statement of cash payments classifying the uses of funds
for the period from inception 30 March 2015 to 31 December 2015

| | Note | US\$ |
|---|------|----------------------|
| Capacity building and project management | | |
| Consultants' services | 4 | 48,000 |
| Equipment | 4 | 10,560 |
| Operating cost | | 10,173 |
| Training | 4 | 2,775 |
| Total expenditures by project component | | <u>71,508</u> |
| and sub-components | | <u><u>71,508</u></u> |

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**Statement of movements in the Designated Account
for the period from inception 30 March 2015 to 31 December 2015**

| | US\$ |
|--|----------------------|
| Designated Account balance at beginning of period | - |
| Add: | |
| IBRD grant funds | 130,400 |
| Less: | |
| Uses of funds | <u>(71,508)</u> |
| Designated Account balance at end of period | <u><u>58,892</u></u> |

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**Notes to the financial information
for the period from inception 30 March 2015 to 31 December 2015**

1 Project background

The Government of Lebanon became party to the Stockholm Convention on 3 January 2003. For the planning of appropriate action in the field of controlling POPs substances and releases as well as fulfilling the reporting requirements of the Convention, Lebanon submitted its National Implementation Plan (NIP) on POPs in 2006. According to the NIP, Lebanon's top priorities in POPs management are: (i) awareness raising; (ii) institutional and regulatory strengthening; (iii) PCB management; and (iv) management of emissions of dioxins and furans.

The Lebanese Republic has obtained from the International Bank for Reconstruction and Development "IBRD" of the World Bank a grant of US\$ 2.5 million to finance the implementation of the PCB Management in the Power Sector Project.

The project's effective date was 30 March 2015 and its closing date is 30 June 2020.

The objective of this Project is to dispose of high risk PCBs and improve the inventory management of transformers in the power sector in an environmentally sound manner.

Given the risk of high content PCB equipment and the priorities set by the Stockholm Convention to eliminate PCB from Lebanon by 2025, this project will take action to:

- (i) conduct a country-wide inventory of the PCB contaminated transformers in the power sector in Lebanon, which will update the findings of a previously conducted survey in 2010;
- (ii) dispose of all the high content PCB equipment and OCB contaminated oil; and
- (iii) provide capacity building to stakeholders for an improved PCB management in the future.

The Project Management Unit (PMU) within the Ministry of Environment is responsible for overall coordination and implementation of the Project.

2 Principal accounting policies and basis of preparation

The Project Management Unit ("PMU") prepares the financial information of the PCB Management in the Power Sector ("the Project").

The Project's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the PMU classifies the Project's uses of funds for accounting and reporting purposes under the following components:

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**Notes to the financial information
for the period from inception 30 March 2015 to 31 December 2015
(continued)**

2 Principal accounting policies and basis of preparation (continued)

Component 1 – Inventory of PCB contaminated transformers (US\$ 0.79 million):
This component supports a countrywide inventory of the PCB contaminated transformers in the power sector in Lebanon including: (i) desk review to identify the number of transformers potentially contaminated, (ii) sampling and (iii) on-site and laboratory testing of PCB.

Component 2 – Disposal of high-content PCB equipment and contaminated oil (US\$ 1.1 million):
This component supports the disposal of PCB equipment and contaminated oil, including associated capacitors.

Component 3 – Capacity building and project management: (US\$ 0.65 million):
This component supports project management and coordination activities including (i) the establishment and staffing of a Project Management Unit (PMU), (ii) training staff at the Ministry of Environment and other relevant institutions and (iii) building the capacity of technical staff in reviewing, sampling, testing and labelling of PCB contaminated oil.

The Project's expenditures are reflected in the unaudited Interim Financial Reports (IFRs) presented to the World Bank office in Beirut on a quarterly basis.

During the period from inception 30 March 2015 to 31 December 2015, total cash receipts received from the World Bank amounted to US\$ 130,400 and disbursements made amounted to US\$ 71,508.

The significant accounting policies adopted by the PMU in the preparation of the financial information are as follows:

Basis of preparation

The financial information has been prepared in accordance with the cash receipts and disbursements basis of accounting.

Sources of Funds

Funds received are recognised when cash is received.

Use of Funds

Uses of funds, expenses and other disbursements are recognised when cash is disbursed. Eligible expenditures under the Grant Agreement are used, accounted for and classified in accordance with the conditions of the Grant Agreement and applicable laws and regulations of the PMU's financial activities.

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**Notes to the financial information
for the period from inception 30 March 2015 to 31 December 2015
(continued)**

3 Project expenditures by project component

| | Note | US\$ |
|--|------|---------------|
| Capacity Building and Project Management | 4 | <u>71,508</u> |

4 Capacity Building and Project Management

| | |
|---------------------|---------------|
| Consulting services | 48,000 |
| Goods | 10,560 |
| Operating cost | 10,173 |
| Training | 2,775 |
| | <u>71,508</u> |

5 IBRD grant funds received

The below table lists the IBRD grant funds received in the Designated Account for the period from inception 30 March 2015 to 31 December 2015.

| Receipt date | US\$ |
|-------------------------------|----------------|
| 2 July 2015 | <u>130,400</u> |
| Total IBRD grant funds | <u>130,400</u> |

6 Balance of the Designated Account

The table below shows the movement in the Designated Account from inception 30 March 2015 to 31 December 2015:

| | US\$ | | Balance |
|---|----------------|---------------|---------------|
| | Debit | Credit | |
| At 30 March 2015 | | - | |
| 31 July 2015 | 130,400 | 18,000 | 112,400 |
| 31 August 2015 | - | 8,639 | 103,761 |
| 30 September 2015 | - | 16,924 | 86,837 |
| 31 October 2015 | - | 10,217 | 76,620 |
| 30 November 2015 | - | 6,200 | 70,420 |
| 31 December 2015 | - | 11,528 | 58,892 |
| Designated Account at 31 December 2015 | <u>130,400</u> | <u>71,508</u> | <u>58,892</u> |

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Appendix A

List of signed contracts

| Project component | Nature | Contract no. | Amount committed | Amount paid |
|--|---------------------|---------------------|-------------------------|--------------------|
| Capacity building and project management | Goods | SH001 | \$ 3,528 | \$ 3,528 |
| Capacity building and project management | Goods | SH002 | \$ 3,600 | \$ 3,600 |
| Capacity building and project management | Goods | SH003 | \$ 1,880 | \$ 1,880 |
| Capacity building and project management | Goods | SH004 | \$ 511 | - |
| Capacity building and project management | Goods | SH005 | \$ 1,552 | \$ 1,552 |
| Capacity building and project management | Goods | SH006 | \$ 12,222 | - |
| Capacity building and project management | Consulting services | FC001 | \$ 17,900 | - |
| Capacity building and project management | Consulting services | IC001 | \$ 243,000 | \$ 36,000 |
| Capacity building and project management | Consulting services | IC002 | \$ 75,600 | \$ 12,000 |
| Capacity building and project management | Consulting services | IC003 | \$ 17,000 | - |