

**PROJECT MANAGEMENT UNIT
“TAJIKISTAN MUNICIPAL
INFRASTRUCTURE DEVELOPMENT
PROJECT”**

**Preparation of the Communal Services
Development Fund Project
(Grant No. TF 015835)**

Special Purpose Financial Statements and
Independent Auditor’s Report of
“Preparation of the Communal Services
Development Fund Project” for the period
September 11, 2013 to December 15, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Management of Project Management Unit "Tajikistan Municipal Infrastructure Development Project"
Preparation of the Communal Services Development Fund Project (Grant No. TF 015835)

We have audited the accompanying Special Purpose Financial Statement of Preparation of the Communal Services Development Fund Project ("Project") including Balance sheet as at December 15, 2015, Summary of sources of funds, Statement of Expenditures, Statement of Disbursements, Special account reconciliation statement for the period September 11, 2013 to December 15, 2015 and other explanatory notes of the Project (hereinafter collectively referred to as "the Project Financial Statements") financed under Financing Agreement: Grant No. TF 015835 dated September 11, 2013 and Disbursement Letter dated September 11, 2013 (hereinafter "the Financing Agreement"). The Project Financial Statements have been prepared by management of Project using the Cash Basis International Public Sector Accounting Standard, Financial Reporting under the Cash Basis of Accounting ("IPSAS - Cash Basis"), and the Guidelines on Annual Financial Reporting and Auditing for World Bank - Financed Activities issued by the World Bank's Financial Management Sector Board ("the WB Guidelines").

Management's Responsibility for the Project Financial Statements

Management is responsible for the preparation of these Project Financial Statements in accordance with IPSAS - Cash Basis and requirements of WB Guidelines and for such internal control as management determines is necessary to enable the preparation of the Project Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Project 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 Project Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Project Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the Project 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 Project 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 financial information for the period September 11, 2013 to December 15, 2015 and cash balance as at December 15, 2015 given in Project Financial Statements is prepared, in all material respects, in accordance with IPSAS-Cash Basis and the WB Guidelines.

Basis of Accounting and Restriction on Distribution

Without modifying our opinion, we draw your attention to Note-2 to the Project Financial Statements, which describe the basis of accounting. The Project Financial Statements are prepared to assist Management of Project to comply with the requirements of the Financing Agreement. As a result, the Project Financial Statements may not be suitable for another purpose. Our report is intended solely for use by the Management of the Project, Project Management Unit "Tajikistan Municipal Infrastructure Development Project" and World Bank and should not be distributed to or used by parties other than specified parties.



Bakhtiyor Rustamov, Audit Partner



License №000427 dated 20/07/2011 issued by the Ministry of Finance of Republic of Tajikistan

Qualification certificate of auditor №000494 dated 20/12/2011 issued by Ministry of Finance of Republic of Tajikistan

Dushanbe:



30 DEC 2015

PROJECT MANAGEMENT UNIT "TAJIKISTAN MUNICIPAL INFRASTRUCTURE DEVELOPMENT PROJECT"

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE PERIOD SEPTEMBER 11, 2013 TO DECEMBER 15, 2014

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditor's report, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the Special Purpose Financial Statement of Preparation of the Communal Services Development Fund Project ("Project") including Balance sheet as at December 15, 2015, Summary of sources of funds, Statement of Expenditures, Statement of Disbursements, Special account reconciliation statement for the period September 11, 2013 to December 15, 2015 and other explanatory notes of the Project (hereinafter collectively referred to as "the Project Financial Statements") financed under Financing Agreement: Grant No. TF 015835 dated September 11, 2013 and Disbursement Letter dated September 11, 2013 (hereinafter "the Financing Agreement").

Management is responsible for the preparation of the Project Financial Statements that present fairly in all material respects, the financial information for period September 11, 2013 to December 15, 2015 and cash balance as at December 15, 2015 given in Project Financial Statements in accordance with the International Public Sector Accounting Standard "Financial Reporting under the Cash Basis of Accounting" ("IPSAS - Cash Basis") and the World Bank's Financial Management Sector Board's "Guidelines: Annual Financial Reporting and Auditing for World Bank Financed Activities" ("the WB Guidelines").

In preparing the Project Financial Statements, management is responsible for:

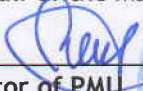
- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent; and
- Stating whether requirements of the Financing Agreement have been followed, subject to any material departures disclosed and explained in the Project Financial Statements.
- Providing additional disclosures when compliance with the specific requirements of the Financing Agreement are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Project Balance sheet as at December 15, 2015, Summary of source of funds, Statement of Expenditures, Statement of Disbursements and Special account reconciliation statements for period from September 11, 2013 to December 15, 2015.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Project;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the Project Financial Statements, and which enable them to ensure that the Project Financial Statements comply with IPSAS - Cash Basis and the WB Guidelines;
- Maintaining statutory accounting records in compliance with legislation and IPSAS - Cash Basis and the WB Guidelines;
- Taking such steps as are reasonably available to them to safeguard the assets of the Project; and
- Detecting and preventing fraud and other irregularities.

The Project Financial Statements for period September 11, 2013 to December 15, 2015 were authorized for issue on December 30, 2015

On behalf of the Management



Director of PMU
Sattorzoda Jamshed



Chief accountant
Amonov Habibullo



Project Management Unit "Tajikistan Municipal Infrastructure Development Project"
 Preparation of the Communal Services Development Fund Project
 Grant No. TF 015835

Balance Sheet
 As at December 15, 2015

	15.12.2015	31.12.2014
	USD	USD
ASSETS		
Cash and cash equivalents in special account of Grant IDA- USD	35	-
TOTAL ASSETS	35	-
ACCUMULATED FUNDS AND LIABILITIES		
Accumulated Project expenditures (consulting services)	(447,827)	-
Financing from IDA - Grant	447,671	-
Others	190	-
TOTAL ACCUMULATED FUNDS AND LIABILITIES	35	-

On behalf of the Management

Director of PMU
 Sattorzoda Jamshed



Chief accountant
 Amonov Habibullo

Project Management Unit "Tajikistan Municipal Infrastructure Development Project"
 Preparation of the Communal Services Development Fund Project
 Grant No. TF 015835

Statement of Sources of Funds
 For the period September 11, 2013 to December 15, 2015

	USD	
Special account of Grant IDA (USD)	-	
<i>Cash and Cash equivalent available as at September 11, 2013</i>	-	
	Current Period (September 11, 2013 to December 15, 2015) USD	From beginning of Project till December 15, 2015 USD
Replenishment	-	-
Reimbursements	-	-
Direct payments	347,671	347,671
Initial deposit	100,000	100,000
Grant IDA	447,671	447,671
Other non operating income	190	190
TOTAL SOURCE OF FINANCING RECEIVED	447,862	447,862
TOTAL FUNDS AVAILABLE	447,862	

On behalf of the Management

Director of PMU
 Sattorzoda Jamshed



Chief accountant
 Amonov Habibullo

Project Management Unit "Tajikistan Municipal Infrastructure Development Project"
 Preparation of the Communal Services Development Fund Project
 Grant No. TF 015835G

Statement of Expenditures (SOE)
 For the period September 11, 2013 to December 15, 2015

Name of Component	ACTUAL		UNAUDITED BUDGET		UNAUDITED VARIANCE	
	Expenditures for the period September 11, 2013 to December 15, 2015	Cumulative from the beginning of Project till December 15, 2015	Expenditures for the period September 11, 2013 to December 15, 2015	Cumulative from the beginning of Project till December 15, 2015	Expenditures for the period September 11, 2013 to December 15, 2015	Cumulative from the beginning of Project till December 15, 2015
	USD	USD	USD	USD	USD	USD
Consultant's Services (including audit) and training	494,828	434,828	450,000	450,000	15,172	15,172
Incurred, but not paid expenditures (escrow account)	13,000	13,000	-	-	-	-
TOTAL	447,827	447,827	450,000	450,000	15,172	15,172

On behalf of the Management


 Director of PMU
 Sattorzoda Jamshed




 Chief accountant
 Amonov Habibullo

Project Management Unit "Tajikistan Municipal Infrastructure Development Project"
 Preparation of the Communal Services Development Fund Project
 Grant No. TF 015835

Statement of Disbursements
 For the period September 11, 2013 to December 15, 2015

	Approved cost of separate actions/ Contract cost	Cumulative disbursement as at September 11, 2015	Disbursed during the period September 11, 2013 to December 15, 2015	Cumulative Disbursements from the beginning of Project
	USD	USD	USD	SDR
GRANT No. H618 KG	450,000	-	447,671	447,671
Total disbursements	450,000	-	447,671	447,671
Others	-	-	190	190
TOTAL	450,000	-	447,862	447,862

On behalf of the Management

Director of PMU
 Sattorzoda Jamshed



Chief accountant
 Amonov Habibullo

Project Management Unit "Tajikistan Municipal Infrastructure Development Project"
 Preparation of the Communal Services Development Fund Project
 Grant No. TF 015835

Special account reconciliation Statement
 As at December 15, 2015

Bank account: 20206 840 116906 000423
 Special account opened with: OJSC «Orienbank» Dushanbe
 Address: Tajikistan, Dushanbe, Rudaki avenue 95/1
 Grant agreement: Financing Agreement on Grant #TF015385
 Currency: USD

1.	Amount advanced by World Bank			Доллар США	100,000
2.	Less: total amount recovered by World Bank				-
3.	EQUALS PRESENT OUTSTANDING AMOUNT				<u>100,000</u>
4.	Amount in Special Account as at December 15, 2015				-
5.	Plus: eligible expenditures incurred during September 11, 2013 to December 15, 2015				100,155
6.	Plus: amounts claimed in previous applications not yet credited as at date December 15, 2015				
	<u>WA #</u>	<u>Date</u>	<u>Amount</u>		
7.	EQUALS TOTAL ADVANCE ACCOUNTED FOR				<u>100,155</u>
	Explanation of any discrepancy between totals appearing on Lines 3 and 7 above				(155.37)
	(Gain)/lost from fluctuation in exchange Amount to be reimbursed			(190)	-
	(iii) Cash and Project Bank Account Balances:				
			TJS	Equivalent USD	
	PA Cash		-	-	
	PA Bank		239.33	35.03	
				35.03	(155.37)

1USD = TJS 6.8327

Date: December 15, 2015

On behalf of the Management

Director of PMU
 Sattorzoda Jamshed



(Signature)

Chief accountant
 Amonov Habibullo

**Project Management Unit “Tajikistan Municipal Infrastructure Development Project”
Preparation of the Communal Services Development Fund Project
Grant No. TF 015835**

**Notes to the Project Financial Statements
For the period September 11, 2013 to December 15, 2015**

1. DESCRIPTION OF THE PROJECT

The Preparation of the Communal Services Development Fund Project (“the Project”) has started its activity in 2013 based on Financing Agreement of IDA: Grant No. TF015835 dated September 11, 2013 between the Republic of Tajikistan and the International Development Association (“the Agreements”). However the first disbursement from World Bank has been done on March 2015.

The objective of the Project is to conduct preparation activities and studies for the proposed Communal Services Development Fund Project.

Project consists of following parts:

Part I: Detailed Design of Communal Services Development Fund

Developing a detailed design for the proposed CSDF Project through the provision of consultants’ services, including:

- (a) Developing the institutional structure of CSDF;
- (b) Developing the CSDF charter, and
- (c) Developing sustainable business processes including (i) framework for funding windows; (ii) eligibility criteria for sub-projects and participating municipalities or utilities; (iii) terms of reference to acquire a viable financial management system; and (iv) monitoring system, including procedures for sub-projects identification, supervision, and reporting.

Part II: Development of Operational Manual and Identification of Sub-projects

Preparing the Operational Manual and ESSF for the proposed CSDF Project and identifying target beneficiaries and pipelines of sub-projects through the provision of consultants’ services.

Part III: Capacity Building and Stakeholder Consultations

Training and capacity building activities and carrying out workshops and stakeholder consultations through the provision of consultants’ services and training to enhance the readiness of government counterpart agencies, participating municipal and utilities.

Part IV: Grant Audit

Carrying out the Grant audit

Estimated budget of activities is equal to USD 450,000.

The Project was extended two times according to signed Addendums.

Implementing agency

The Project is directly implemented by the Project Management Unit “Tajikistan Municipal Infrastructure Development Project” (PMU).

PMU is mostly responsible for consolidation and preparation of Project Financial Statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of accounting

The Special Purpose Financial Statements are prepared by the management of Project on cash basis of accounting and in accordance with Cash Basis International Public Sector Accounting Standard, Financial Reporting under the Cash Basis of Accounting and the Guidelines on Annual Financial Reporting and Auditing for World Bank - Financed Activities issued by the World Bank's Financial Management Sector Board.

According to cash basis of accounting, revenue is recognized when received rather than when earned, and expenses are recognized when paid rather than when incurred.

2.2 Presentational and Functional currency

The presentation and functional currency of Project is US dollars (USD).

2.3 Transactions in the Foreign Currency

The Project Financial Statements are presented in USD. Expenditures incurred in Tajik Somoni were converted into presentational currency using the exchange rate issued by National Bank of Tajikistan on the date of each transaction.

The opening and closing cash balances denominated in other currencies were converted into USD by using rate of National Bank of Tajikistan at September 11, 2013 and December 15, 2015 respectively.

3. BUDGET OF PROJECT

The budget for the period September 11, 2013 to December 15, 2015 and cumulatively from beginning of Project till December 15, 2015 is given in below table:

	UNAUDITED BUDGET	
	For the period July 1, 2013 to February 25, 2014	Cumulatively from beginning of Project
	USD	USD
Consultant's services (including audit) and training	450,000	450,000
Total budget amount	450,000	450,000

Notes to the Project Financial Statements
 For the period September 11, 2013 to December 15, 2015

4. PROJECT FUNDING

FUNDING:	For the period September 11, 2013 to December 15, 2015	Accumulated from beginning of Project to December 15, 2015
	USD	USD
IDA: Grant #TF 015835	447,671	447,671
Other non operating income	190	190
Total funding:	447,862	447,862

Financing from IDA

The Project Financial Statements reflect all payments of the IDA Grant funds within the framework of the Project implementation, including direct payments, reimbursements of incurred expenditures and replenishment of special accounts.

Disbursement procedures consist of four major types, described briefly as the:

- Direct payment procedure where the IDA, at the borrower's request, pays to designated beneficiary;
- Reimbursement procedure where the IDA pays from the loan account to the borrower's account for eligible expenditures which have been incurred and paid for by the project out of its budget allocation or its own resources or for those expenditures, which are eligible on base of retroactive financing;
- Replenishment procedure where the IDA deposits funds to special accounts upon submission of request and statement of expenditures contract details for eligible expenditures incurred already or to be incurred.
- Advance (or Initial Deposits) where the IDA provides funds to special accounts upon submission of request for further Project expenditures.

5. WITHDRAWAL APPLICATION SCHEDULE

During the period September 11, 2013 to December 15, 2015, following withdrawal applications were prepared and submitted to World Bank for disbursements:

GRANT No. TF 015835 (in USD)

WD Number	Date of submission	Date of approval	Consultant's services (including audit) and training	Total requested amount (USD)	Actual received/ disbursed	Difference	Disbursement Procedure
WA #01	03.03.2013	13.03.2013	100,000	100,000	100,000	-	Advance
WA #02A	18.03.2013	19.03.2013	179,798	179,798	179,798	-	Direct
WA #03	12.12.2013	30.12.2013	142,915	142,915	142,915	-	Direct
WA #04	12.12.2013	30.12.2013	24,959	24,959	24,959	-	Direct
TOTAL GRANT #TF015835 (in USD)			447,671	447,671	447,671	-	

6. FIXED ASSETS

During the reporting period Management of the Project did not purchase and use any fixed assets for the Project.

7. INCURRED, BUT NOT PAID EXPENDITURE (ESCROW ACCOUNT)

The incurred, but not paid and included to Withdrawal Application # 05 expenditures amounting to USD 13,000 have been included in accompanied Project Financial Statements, and deposited on escrow account for the purposes of payments to financial audit of the Project.

8. SUBSEQUENCE EVENTS


No events occurred which could affect either implementation of Project or Financial Statements of Project.

The fee for audit of Special Purpose Financial Statements of the Project amounting to USD 13,000 in tajik somoni equivalent has been paid on December 30, 2015.

9. GENERAL


Figures have been rounded off to the nearest USD.

On behalf of the Management



Director of PMU
Sattorzoda Jamshed





Chief accountant
Amonov Habibullo