

**THE MINISTRY OF HEALTH OF UKRAINE
OBLAST HEALTH SECTOR REFORM PROJECT
PREPARATION PROJECT,**

FINANCIAL STATEMENTS

For the period from December 10, 2013
to December 09, 2015

Auditor's Report enclosed

Financial Statements

For the period from December 10, 2013 to December 09, 2015

CONTENTS:

INDEPENDENT AUDITOR'S REPORT	3
SUMMARY OF SOURCES AND USE OF FUNDS	5
SCHEDULE OF WITHDRAWALS FROM THE GRANT ACCOUNT	6
STATEMENT OF WITHDRAWALS THROUGH THE SUMMARY OF STATEMENTS OF EXPENDITURES	7
REPORT OF CASH WITHDRAWAL FROM SPECIAL ACCOUNT	8
SPECIAL ACCOUNT STATEMENT	9
STATEMENT OF FACTUAL EXPENDITURES IN NATIONAL CURRENCY	10
RECONCILIATION BETWEEN RECORDS OF PIU AND THE BANK	11
NOTES TO SPECIAL FINANCIAL STATEMENTS	12
WORLD BANK AUDIT DOCUMENTATION CHECKLIST	15



www.bdo.com.ua

BDO LLC

Tel.: +38 044 393 26 87

Fax: +38 044 393 26 91

e-mail: bdo@bdo.kiev.ua

Tel.: +38 056 370 30 43

Fax: +38 056 370 30 45

e-mail: office@bdo.com.ua

201-203, Kharkivske Road, 10th floor

Kyiv

Ukraine, 02121

4, Serova Str.

Dnipropetrovsk

Ukraine, 49000

INDEPENDENT AUDITOR'S REPORT

To the Ministry of Health of Ukraine

We have audited the accompanying financial statements related of Oblast Health Sector Reform Project Preparation Project (further in the text— Project), being financed with funds of Grant ECAPDEV No. TF 016160 for the period from December 10, 2013 to December 09, 2015. The reports include:

- Summary of sources and application of funds as at December 09, 2015;
- Summary statements of expenditures for the period from December 10, 2013 to December 09, 2015;
- Special Account Statement for the period from December 10, 2013 to December 09, 2015;
- Description of significant aspects of accounting policies and other explanatory notes.

Responsibility of the Management for Financial Statements

The management shall bear responsibility for the preparation and fair presentation of the accompanying financial statements in accordance with the World Bank regulations. This responsibility includes design, implementation and maintenance of internal control relevant to preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selection and application of appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these special 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the special 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 the management, as well as evaluating the overall presentation of the special financial statements.

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

Opinion regarding Special Financial Statements

In our opinion, Special Financial Statements present fairly, in all material aspects, the sources and usage of funds of Grant ECAPDEV No. TF 016160 concerning the Oblast Health Sector Reform Project Preparation Project for the period from December 10, 2013 to December 09, 2015 in accordance with the Bank's regulations.

External funds have been used in compliance with the requirements of the corresponding general conditions, financial agreements, and the Disbursement Letter, paying due attention to efficiency and cost-effectiveness; and have been used only for the corresponding purposes.

Conditions of the Grant Agreement ECAPDEV No. TF 016160 do not provide for the use of partners' funds.

The services have been purchased in compliance with the corresponding general conditions, financial agreements, and the Disbursement Letter.

Accounting and storing of the necessary interim documents, accounting data and accounts regarding all Project transactions, including those concerning the expenditures disclosed in the Statement of actual expenditures, are performed in a due manner. There is a clear interconnection between accounting data and the financial statements provided to the World Bank.

The prepared special financial statements comply with the requirements of generally accepted accounting principles and practices, and the instructions from the World Bank; and truly and objectively reflect the financial position of the Project as at December 09, 2015 as well as the resources and expenditures for the period from December 10, 2013 to December 09, 2015.

Opinion regarding Statements of Expenditures

In addition, with regard to the expenditures for the period from December 10, 2013 to December 09, 2015 adequate supporting documentation was maintained to confirm applications submitted to the Bank for reimbursement of the expenditures incurred, and that the expenditures stated in the withdrawal applications are to be financed in accordance with the terms and conditions of the Grant ECAPDEV No. TF 016160.

Opinion regarding Special Account Statements

In our opinion, the special financial statements on the Special account give true and fair view of financial position of the Special Account for the Grant ECAPDEV No. TF 016160, as at December 09, 2015 and for the period from December 10, 2013 till the date fixed in consistence with the World Bank regulations.

These accounts were conducted according to the provisions of the corresponding general conditions, financial agreements, and the Disbursement Letter.

Explanatory paragraph

We draw your attention to Note 1 to the Special Financial Statements indicating that the date of the Grant closure shall be July 24, 2015.

28 December 2015

"BDO" LLC

Balchenko S. O.

Managing Partner



SUMMARY OF SOURCES AND USE OF FUNDS

for the period from December 10, 2013 to December 09, 2015
in US dollars

	Actual	
	For the period	Total
Balance at the year beginning		
Special account Ukreximbank - US dollars	-	-
Current account State Treasury of Ukraine - hryvnya	-	-
Fund source:		
Grant of International Bank for Reconstruction and Development	450,676	450,676
Total financing:	450,676	450,676
Project costs:		
Category 1: Consultants' Services, Operating Costs	450,676	450,676
Total project costs:	450,676	450,676
Balance at the period end		
Special account Ukreximbank - US dollars	-	-
Current account State Treasury of Ukraine - hryvnya	-	-
	-	-

Notes on pages 12 - 14 are an integral part of these financial statements.

SCHEDULE OF WITHDRAWALS FROM THE GRANT ACCOUNT

for the period from December 10, 2013 to December 09, 2015
in US dollars

<i>Application number</i>	<i>Category</i>	<i>Date of withdrawal</i>	<i>Payment</i>		<i>USD</i>
			<i>Currency</i>	<i>equivalent</i>	<i>equivalent</i>
1	DA-A	12.05.2014	USD	80,000	80,000
2	DA-A	16.09.2014	USD	68,882	68,882
3	DA-A	10.10.2014	USD	66,429	66,429
4	DA-A	06.11.2014	USD	40,000	40,000
5	DA-A	20.02.2015	USD	36,063	36,063
6	DA-A	20.04.2015	USD	30,378	30,378
7	DA-A	08.05.2015	USD	36,719	36,719
8	DA-A	12.06.2015	USD	12,749	12,749
10	Category 1	07.07.2015	USD	49,000	49,000
9	DA-A	08.07.2015	USD	24,880	24,880
11	Category 1	28.08.2015	USD	24,895	24,895
-	refund	09.12.2015	USD	-19,240	-19,240
-	canceled	09.12.2015	USD	-79	-79
Total:					450,676

Summary schedule by categories:

Category 1 total	73,895
DA-A total	396,100
Refund to the Special Account	-19,319
Total:	450,676

Notes on pages 12 - 14 are an integral part of these financial statements.

STATEMENT OF WITHDRAWALS THROUGH THE SUMMARY OF STATEMENTS OF EXPENDITURES

for the period from December 10, 2013 to December 09, 2015

in US dollars

<i>Application number</i>	<i>Category 1</i>	<i>Total</i>
1. Applications submitted to the World Bank and reimbursed for the period from 10 December 2013 to 09 December 2015		
2	68,882	68,882
3	66,429	66,429
5	56,063	56,063
6	45,378	45,378
7	36,719	36,719
8	12,749	12,749
10	49,000	49,000
9	25,402	25,402
11	24,895	24,895
12	54,353	54,353
13	10,806	10,806
Total	450,676	450,676

2. Costs actually incurred for the period from 10 December 2013 to 09 December 2015

From the Grant's account	73,895	73,895
From special account	-	-
From current account in national currency	376,781	376,781
Total	450,676	450,676

3. Table of differences in Project costs between the World Bank records and PMT for the period from 10 December 2013 to 09 December 2015

Reimbursed according to IBRD' information	450,676	450,676
Amount of costs not provided for reimbursement as at 09 December 2015	-	-
According to the data of PMT	450,676	450,676

Notes on pages 12 - 14 are an integral part of these financial statements.

REPORT OF CASH WITHDRAWAL FROM SPECIAL ACCOUNT

for the period from December 10, 2013 to December 09, 2015

in US dollars

Acc. №25301020019240 " Ukreximbank"

Category	Date of withdrawal	Withdrawals		USD
		Currency	Equivalent amount	Equivalent amount
Sub_account	15.05.2014	USD	80,000	80,000
Sub_account	18.09.2014	USD	68,882	68,882
Sub_account	22.10.2014	USD	49,000	49,000
Sub_account	19.11.2014	USD	57,429	57,429
Sub_account	26.02.2015	USD	36,063	36,063
Sub_account	23.04.2015	USD	30,378	30,378
Sub_account	13.05.2015	USD	36,719	36,719
Sub_account	13.07.2015	USD	18,310	18,310
Total:				376,781

Summary by categories	
Category 1 total	376,781
Total:	376,781

Notes on pages 12 - 14 are an integral part of these financial statements.

SPECIAL ACCOUNT STATEMENT

for the period from December 10, 2013 to December 09, 2015
in US dollars

Deposit bank	Ukreximbank
Grant ECAPDEV No.	TF 016160
Currency	US dollars
Acc. № 25301020019240	
BALANCE AT THE PERIOD BEGINNING	-
Revenues: Funds received	396,100
Interest accrued	
TOTAL FUNDS RECEIVED	396,100
Maintenance: costs	
Transfer of funds in national currency	376,781
Direct payments from special account	-
Payment for bank services	-
TOTAL COSTS	376,781
Return to the account of the bank	19,319
Including payment for banking services	-
BALANCE AT THE PERIOD END	-

Notes on pages 12 - 14 are an integral part of these financial statements.

STATEMENT OF FACTUAL EXPENDITURES IN NATIONAL CURRENCY

for the period from December 10, 2013 to December 09, 2015
in US dollars

	----- Payment -----		USD
	Currency	Amount	Equivalent amount
Category 1: Consultants' Services, Operating Costs	UAH	6,260,442	376,781
Total expenditures of the period		6,260,442	376,781

Notes on pages 12 - 14 are an integral part of these financial statements.

RECONCILIATION BETWEEN RECORDS OF PIU AND THE BANK

for the period from December 10, 2013 to December 09, 2015
in US dollars

Amount of the Grant		470,000
Subtract:		
Project costs:		
Category 1: Consultants' Services, Operating Costs	450,676	
Total:		(450,676)
Special account Ukreximbank - US dollars	-	
Current account State Treasury of Ukraine - hryvnya	-	
Total funds available		
Total withdrawal:		(450,676)
Canceled by the World Bank as of December 09, 2015		(19,324)
Balance as at December 09, 2015		-

Notes on pages 12 - 14 are an integral part of these financial statements.

NOTES TO SPECIAL FINANCIAL STATEMENTS

for the period from December 10, 2013 to December 09, 2015
in US dollars

1. Project description

According to the Letter Agreement dated 10 December 2013, International Bank for Reconstruction and Development ("World Bank"), provided to the Government of Ukraine the Grant from the Multi Donor Programmatic Trust Fund for Europe and Central Asia Region Capacity Development (Trust Fund ECAPDEV) ("Grant") in amount of 470 000 USD. The Grant's Administrator is the Ministry of Health of Ukraine ("MHU").

The objective of the Grant is to assist the MHU and selected regions in (a) the preparation of the proposed Oblast Health Sector Reform Project ("Project"); and (b) to strengthen their implementation capacity.

The Project consists of the following parts:

Part 1: Health Reform Subproject Proposals in Selected Oblasts

- (a) Provision of technical assistance to the Selected Oblasts to design proposals for Subprojects.
- (b) Carrying out of consultations with relevant stakeholders in the Selected Oblasts, who may be involved or affected by any Subproject implementation.
- (c) Carrying out of training activities for the Selected Oblast's health departments, aimed at strengthening their project management skills, including training in the World Bank's fiduciary requirements and operational practices.

Part 2: Building Capacity of the Ministry of Health and Selected Oblasts to Plan, Implement and Coordinate Health Reforms

- (a) Strengthen the capacity of the Ministry of Health to plan and manage the implementation of the Recipient's eHealth strategy.
- (b) Provision of technical assistance to: (i) develop technical standards to integrate inter-operable information technology solutions for health initiatives; (ii) design and prepare terms of reference to improve selected central eHealth systems of the Recipient; (iii) prepare a pilot of a new payment system for hospitals, based on diagnostic related groups; and (iv) assess the communication needs of the Ministry of Health and the Selected Oblasts to support health system reforms.
- (c) Provision of technical assistance to enhance the Ministry of Health's current reform coordination mechanisms, including inter alia: (i) the reorganization of the Health Reform Steering Committee and the eHealth working group; and (ii) the provision of training on relevant aspects of health policy implementation.
- (d) Preparation of the operational manual for the proposed Oblast Health Systems Reform project, including training activities to present said manual to relevant stakeholders, (including the terms of reference for preparing the respective Subproject's environmental management plans).

Part 3: Grant Audit and Coordination

- (a) Provision of support to the Recipient to carry out of the management and administration of the Project's activities to ensure day-to-day Project management, specifically in the areas of procurement and financial management, as to enable proper coordination of the Project activities implementation.
- (b) Provision of support to the Recipient to carry out of an audit of the activities financed by the Grant.

For purposes of the implementation of the Project, the Recipient shall:

WORLD BANK AUDIT DOCUMENTATION CHECKLIST

Name of Loan/Credit:	World Bank UKRAINE
Loan/Credit #	TF 016160
Audit Report:	Year ended December 09, 2015

	Check if Included	Check if N/A
I. Audit report (Opinion):		
A. Applicable accounting standards noted	<input checked="" type="checkbox"/>	<input type="checkbox"/>
B. Applicable auditing standards noted	<input checked="" type="checkbox"/>	<input type="checkbox"/>
C. Opinion rendered on all forms of withdrawals:		
1. Statement of Expenditures	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2. Special Account	<input checked="" type="checkbox"/>	<input type="checkbox"/>
D. All sources of financing for the project are noted	<input checked="" type="checkbox"/>	<input type="checkbox"/>
II. Financial Reports:		
A. Revenue Earning Entity (all of the following are required):		
1. Balance sheet	<input type="checkbox"/>	<input checked="" type="checkbox"/>
2. Cash Flow Statement	<input type="checkbox"/>	<input checked="" type="checkbox"/>
3. Income Statement	<input type="checkbox"/>	<input checked="" type="checkbox"/>
B. Non-Revenue Earning Entity (all of the following are required):		
1. Balance sheet	<input type="checkbox"/>	<input checked="" type="checkbox"/>
2. Summary of Sources and Uses of Funds	<input checked="" type="checkbox"/>	<input type="checkbox"/>
C. If applicable (refer to Loan Agreement):		
1. Statement of Expenditure (SOE) Statement	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2. Special Account Statement	<input checked="" type="checkbox"/>	<input type="checkbox"/>
III. Notes to the Financial Statements	<input checked="" type="checkbox"/>	<input type="checkbox"/>
IV. Reconciliation between World Bank records and project records	<input checked="" type="checkbox"/>	<input type="checkbox"/>
V. Management Letter	<input checked="" type="checkbox"/>	<input type="checkbox"/>