

Report on the Republika Srpska part of the Project
Financial Statements of the

EMPLOYMENT SUPPORT PROJECT

of the Ministry of Finance and Treasury of Bosnia and
Herzegovina
Financed by:

- IBRD Loan No. 8687 – BA

-

For the year ended 31 December 2019

EMPLOYMENT SUPPORT PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina

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EMPLOYMENT SUPPORT PROJECT

of the Ministry of Finance and Treasury of Bosnia and Herzegovina

1. Introduction

1.1 Objectives of the Project

The objective of the Project is to increase formal private sector employment among targeted groups of registered job seekers in the Republika Srpska, through next steps: increasing job placement through Active labour market program, increase number of redesigned Active labour market program's to improve job placements, increasing job placement through intermediation and improving management systems and monitoring.

1.2 Components and activities of the Project

The Project consists of the following parts:

Part B.1 Support for Employment Promotion

1. Implementation of the RS's Active Labour Market Programs, including inter alia by providing on the job training, developing business skills and providing grants to eligible unemployed persons for Self-Employment.
2. Implementation of a range of intermediation measures to promote employment including by providing:
 - services for job seekers by improving in-take registration processes, offering counselling services, developing Individual Action Plans and monitoring progress on placement of jobseekers; and
 - services for employers by promoting better outreach and communication and providing human resources and automated services.

Part B.2 Support for Management systems; Monitoring and Communications

Strengthening the capacity of the RS PES to monitor the ALMPs and employment services by:

- a) upgrading its information technology system to carry out a range of services including: (i) enabling data exchange amongst employment bureaus and other institutions; (ii) offering online services; (iii) monitoring online services offered to job seekers and employers; (iv) monitoring branch/local offices' performance; and (v) monitoring and disseminating labor market trends; and
- b) preparing and implementing an effective communication strategy targeting jobseekers, employers and policy-makers.

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1. Introduction (continued)

1.3 Financing of the Project

The State of Bosnia and Herzegovina ("B&H") is the recipient of trust funds made available by International Bank for Reconstruction and Development, in the form of a Loan No. 8687 - BA amounting to the equivalent of EUR 50,000,000.

Under the terms of a subsidiary finance agreement, funds of the equivalent of EUR 21,000,000 have been lent to RS.

The following table specifies categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each category.

Category	Amount of the Loan allocated (in EUR)	% of expenditure to be financed
4 Eligible Expenditure Programs under Parts B.1(1) and B.1(2) of the Project	20,000,000	100% of expenditures that are covered under Section IV.B.7 (a) of Loan Agreement Schedule 2 and 50% for others
5 Goods, non-consulting services, consultants' services, Training, and Incremental Operating Costs for Part B.2 of the Project	500,000	100%
6 Unallocated under Part B of the Project	447,500	100%
7 Front – end fee	52,500	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
8 Interest Rate Cap or Interest Rate Collar premium		Amount due pursuant to Section 2.08(c) of Loan Agreement
Subtotal	21,000,000	

Planned closing date of the Project is 1 October 2021.

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2. Independent Auditor's Report

To the State of Bosnia and Herzegovina,
Ministry of Finance and Treasury
Attn. of Minister of Finance and Treasury H.E. Mr. Vjekoslav Bevanda

Report on the Project Financial Statements

Opinion

We have audited the accompanying project financial statements of the Republika Srpska part of the Employment Support Project (the "Project"), which comprise of Summary of sources and uses of funds, Balance sheet, Designated account, Statement of loan and grant withdrawals as of and for the year ended 31 December 2019, and a summary of significant accounting policies and other explanatory notes for the year then ended, financed under IBRD Loan No. 8687 - BA.

In our opinion, the accompanying project financial statements present fairly, in all material aspects, the financial position of the Project as of 31 December 2019, and of the funds received and disbursed during the year then ended, in accordance with the cash basis of accounting based on International Public Sector Accounting Standard ("IPSAS"), as described in Note 4.1.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and "Guidelines: Annual Financial Reporting and Auditing for World Bank – Financed Activities" issued by FMSB. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Ministry of Finance and Treasury in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Project Financial Statements

The management of project coordination unit is responsible for the preparation of these project financial statements in accordance with the cash basis of accounting based on IPSAS, as described in Note 4.1., and for such internal control as management determines is necessary to enable the preparation of project financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Project or to cease operations or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the financial reporting process.

Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the project financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the project financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Project to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the project financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other requirements

In addition, with respect to the Statement of Expenditure, adequate supporting documentation has been maintained to support claims to the World Bank for reimbursements of expenditure incurred; and all expenditure included in withdrawal applications and reimbursed against are eligible for financing under the project.

Signed on behalf of Baker Tilly Re Opinion d.o.o. Sarajevo

Nihad Fejzić, Director and Certified auditor

Sarajevo, Bosnia and Herzegovina

14 May 2020



Ezita Imamović, Certified Auditor

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Project financial statements for the year ended 31 December 2019

(all amounts in EUR, unless otherwise stated)

3. Project financial statements for the year 2019

3.1 Summary of sources and uses of funds under the Loan No. 8687 - BA

	Ref.	Actual 2019	Cumulative 2019	Cumulative 2018	Cumulative budget	Cumulative variance
FINANCING						
<i>Loan No. 8687 - BA</i>					21,000,000	
Direct payments		-	52,500	52,500		
Reimbursement		2,054,107	5,520,107	3,466,000		
TOTAL FINANCING *	3.2	2,054,107	5,572,607	3,518,500	21,000,000	15,427,393*
PROJECT EXPENDITURE						
<i>By Category</i>						
Eligible expenditure program		2,049,107	5,515,107	3,466,000	20,000,000	14,484,893
Goods, non-consulting services, consultants' services, Training, and Incremental Operating Costs for Part B.2 of the Project		628	628	-	500,000	499,372
Unallocated under Part B of the Project		-	-	-	447,500	447,500
Front - end fee		-	52,500	52,500	52,500	-
TOTAL EXPENDITURE	3.2	2,049,735	5,568,235	3,518,500	21,000,000	15,431,765
PROJECT EXPENDITURE						
Increasing job placement through Active Labor Market Programs		1,549,107	5,015,107	3,466,000	14,000,000	8,984,893
Improving design of ALMPs to increase job placement		500,000	500,000	-	2,000,000	1,500,000
Increasing job placement through intermediation		-	-	-	2,500,000	2,500,000
Improving Management Goods, non-consulting services, consultants' services, Training, and Incremental Operating Costs		628	628	-	500,000	499,372
Unallocated		-	-	-	447,500	447,500
Front – end fee		-	52,500	52,500	52,500	-
TOTAL EXPENDITURE	3.2	2,049,735	5,568,235	3,518,500	21,000,000	15,431,765

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3. Project financial statements for the year 2019 (continued)

3.2 Balance sheet as of 31 December 2019 showing accumulated funds of the Project and bank balances concerning World Bank funding


	Ref.	31 December 2019	31 December 2018
ASSETS			
Project expenditure under Loan No. 8687 –			
BA		5,568,235	3,518,500
Designated account *		4,372	-
Total assets		5,572,607	3,518,500
LIABILITIES			
IBRD Loan No. 8687 - BA		5,572,607	3,518,500
Total liabilities		5,572,607	3,518,500

* Designated account relates only for payments goods, non-consulting services, consultants' services, training and incremental operating costs. Payments for eligible expenditure program were made from the budget account.

By insight into IBRD's Historic Transaction Report, the amount of undisbursed balance is adjusted with the amount presented in Project financial statements for the 2019 year.

Signed and authorised by:


Cedo Kovačević


Gordana Latinović

Pale, 14 May 2020

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(all amounts in EUR, unless otherwise stated)

4. Notes to the project financial statements

4.1 Basis of preparation and accounting records

These project financial statements have been prepared in accordance with the International Public Sector Accounting Standard: "Financial Reporting under the Cash Basis of Accounting" issued by the Public Sector Committee of the International Federation of Accountants, and incorporate the accounting policies below, which have been consistently followed in all material respects and comply with the "Guidelines: Annual Financial Reporting and Auditing for World Bank – Financed Activities", issued by the Financial Management Sector Board.

4.2 Accounting policies

The Project's fiscal year is 1 January to 31 December for the recording of all transactions.

Cash basis of accounting

All receipts and expenses under IBRD Loan are recorded on actual receipt and payment basis of accounting as per approved categories.

Project expenditure is stated at original cost on the balance sheet.

Direct payments

Direct payments concern the amounts paid directly from the credit account of the World Bank.

Statement of Expenditure (SoE)

Statements of Expenditure are used to state the expenditure under IBRD Loan during a certain period. These statements are sent to the World Bank's disbursement specialist who authorises the payment of the expenditure through the Designated account.

Currency conversions

The reporting currency is EUR. Sources and use of funds (payments to suppliers and contractors) in currencies other than EUR have been converted to EUR using the currency rate at the moment of the transaction.

Bank balances, recorded on the balance sheet at year-end, have been converted at year-end rate.

Designated account

This is the total amount of the withdrawals from the Credit account for the Project. The Credit account is in EUR.

Interest on Designated account

Interest earned on the Designated account belongs to the Borrower.

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(all amounts in EUR, unless otherwise stated)

APPENDIX A

DESIGNATED ACCOUNT STATEMENT

Account owned by: Ministry of Finance and Treasury of Bosnia and Herzegovina

Account No.: 393387304805267381

Depository Bank: UniCredit banka d.d.

Related Credit: Loan No. 8687 – BA

Currency: EUR

	EUR
Opening balance 1 January 2019	-
Add:	
World Bank replenishments	5,000
Subtotal	5,000
 Deduct:	
Payments to suppliers	628
Subtotal	628
 Ending balance 31 December 2019	4,372

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APPENDIX B SoE Withdrawal Schedule of IBRD Loan No. 8687 - BA

	Initial deposit	<i>Eligible Expenditure Programs under Parts B2</i>	<i>G, nCS, CS, TR, IOC Part A.2</i>	<i>Front End Fee</i>	Total application	Total disbursed
Previous years	-	3,466,000	-	52,500	3,518,500	3,518,500
Application No. 2	-	2,049,107	-	-	2,049,107	2,049,107
Application No. 3	-	628	-	-	628	5,000
Cumulative 2019	-	2,049,735	-	-	2,049,735	2,054,107
Cumulative 31 December 2019	-	5,515,735	-	52,500	5,568,235	5,572,607

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**APPENDIX C Reconciliation between IFAD's Historic Transaction Report and
 IBRD Loan account in EUR according to the to the balance sheet as of
 31 December 2019; SoE Withdrawal Schedule of IBRD 8687 - BA**

	Changes in Loan (in EUR)
Original amount	21,000,000
Disbursed in previous period	3,518,500
Withdrawal 2	2,049,107
Withdrawal 3	5,000
Total disbursed in 2019	2,054,107
Cumulative disbursements	5,572,607
Calculated undisbursed balance as of 31 December 2019	15,427,393
Undisbursed balance as per IBRD's Historic Transaction Report	15,427,393
Difference	-