

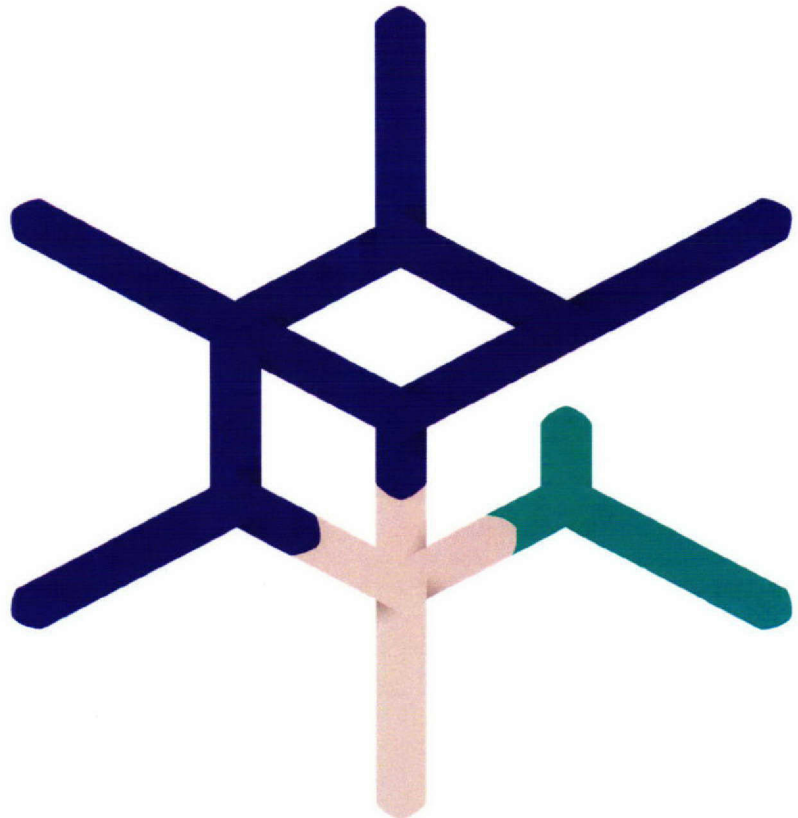
Project Financial Statements and Independent Auditor's Report

Ministry of Labor and Social Affairs of the Republic
of Armenia

Armenia Support to Conflict Affected Families
Project

SPF Grant No.TF0B5651

As of 10 June 2022 and for the period from 3 June 2021 to 10
June 2022



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Independent auditor's report

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To the Ministry of Labor and Social Affairs of the Republic of Armenia,

Opinion

We have audited the accompanying project financial statements of the Armenia Support to Conflict Affected Families Project (the "Project"), financed within the framework of the SPF Grant No TF0B5651 by the State Peacebuilding Fund (the "SPF") and implemented by the Ministry of Labor and Social Affairs of the Republic of Armenia (the "MLSA"), which comprise the statement of cash receipts and payments and the statement of uses of funds by Project activities as of 10 June 2022 and for the period from 3 June 2021 to 10 June 2022 and notes to the project financial statements, including a summary of significant accounting policies.

In our opinion, the project financial statements present fairly the cash balance of the Armenia Support to Conflict Affected Families Project as of 10 June 2022 and for the period from 3 June 2021 to 10 June 2022, and the cash received and cash paid for the period then ended, in accordance with the International Public Sector Accounting Standards ("IPSAS") "*Financial Reporting Under the Cash Basis of Accounting*" issued by the International Public Sector Accounting Standards Board of the International Federation of Accountants, the World Bank guidelines, as well as the relevant points of the SPF Grant No TF0B5651.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Project Financial Statements* section of our report. We are independent of the Ministry of Labor and Social Affairs of the Republic of Armenia in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Armenia, and we have fulfilled our other ethical responsibilities in accordance with those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matters

We draw attention to note 2 to the project financial statements, which describes the basis of accounting. The project financial statements are prepared to assist the MLSA to meet the requirements of the World Bank guidelines and the relevant points of the SPF Grant No TF0B5651. As a result, the project financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

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

The MLSA is responsible for the preparation and fair presentation of the project financial statements in accordance with IPSAS "Financial Reporting Under the Cash Basis of Accounting", the World Bank guidelines and the relevant points of the SPF Grant No TF0B5651, 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.

Auditor's Responsibilities for the Audit of the Project 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 project financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 MLSA's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the project financial statements, including the disclosures, and whether the project financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with the MLSA, 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.

Armen Hovhannisyan
Chief Executive Officer

Emil Vassilyan, FCCA
Engagement Partner

24 October 2022



Statement of cash receipts and payments

US dollars	Actual		Planned		Variance		
	For the period from 3 June 2021 to 10 June 2022	As of 10 June 2022	For the period from 3 June 2021 to 10 June 2022	As of 10 June 2022	For the period from 3 June 2021 to 10 June 2022	As of 10 June 2022	Life of Project
Opening cash balance	-	-					
<i>Add: cash receipts</i>							
SPF Grant No TF0B5651 (note 4)	3,718,218	3,718,218					
Total cash receipts	3,718,218	3,718,218					
Exchange rate difference	-	-					
<i>Less: cash payments</i>							
Cash transfers and Operating costs	3,714,678	3,714,678	3,718,218	3,718,218	(3,540)	(3,540)	3,718,218
Total cash payments	3,714,678	3,714,678	3,718,218	3,718,218	(3,540)	(3,540)	3,718,218
Closing cash balance	3,540	3,540					

The project financial statements were approved on 24 October 2022 by:

Samvel Muradyan
Secretary General of the RA MLSA Staff

Rimma Baboyan
Financial management specialist



This statement is to be read in conjunction with the notes to and forming part of the special purpose project financial statements set out on pages 8 to 12.

Statement of uses of funds by Project activities

US dollars	Actual		Planned		Variance		
	For the period from 3 June 2021 to 10 June 2022	As of 10 June 2022	For the period from 3 June 2021 to 10 June 2022	As of 10 June 2022	For the period from 3 June 2021 to 10 June 2022	As of 10 June 2022	Life of Project
Part I: Cash Transfers	3,693,218	3,693,218	3,693,218	3,693,218	-	-	3,693,218
Part II: Operating Costs (including audits)	21,460	21,460	25,000	25,000	3,540	3,540	25,000
Total	3,714,678	3,714,678	3,718,678	3,718,678	3,540	3,540	3,718,218

This statement is to be read in conjunction with the notes to and forming part of the project financial statements set out on pages 8 to 12.

Notes to the Project financial statements

1 Activity

The SPF Grant No TF0B5651 of the Armenia Support to Conflict Affected Families Project (the "Project") implemented by the Ministry of Labor and Social Affairs of the Republic of Armenia (the "MLSA") was signed on 5 May 2021 between the Republic of Armenia and the State and Peacebuilding Fund (the "SPF"). The total amount of the Credit was agreed to be USD 3,718,218.

The objective of the Project is to improve the resilience of conflict-affected people and to reduce the financial burdens of hosting families. The Project's target beneficiaries include the displaced people in Armenia and their Armenian host families.

The Project consists of the following components:

- Component 1: Cash Assistance for Conflict-Affected Families

This component supports temporary cash benefits to displaced people in Armenia and their host families. Cash assistance supported under this component has the objectives to provide temporary income support to affected families to ensure basic needs are met and support the labor market inclusion of displaced people of working age. Displaced people typically need repeated injections of cash benefits to recover their human and physical capital base. The importance of cash as a preferred modality of support has been raised by the Government, the displaced people, and the host families since the first days of the conflict.

- Component 2: Project Management

This component will ensure proper implementation of the grant including fiduciary aspects, monitoring and evaluation (M&E), as well as compliance with the World Bank environmental and social standards during project implementation. A project audit will be also financed under this component as well as other operating costs such as personal protective equipment for project-contracted workers, translation, and office equipment.

Category	Amount of the Credit Allocated (In USD)	Percentage of expenditures to be financed (inclusive of taxes)
Cash transfers under Part 1 of the Project	3,693,218	100%
Operating costs (including audits) under Part 2 of the Project	25,000	100%
	<u>3,718,218</u>	

The legal address of the MLSA is Government House 3, Republic Square, Yerevan, Republic of Armenia.

2 Significant accounting policies

2.1 Statement of compliance

The project financial statements are prepared in accordance with the International Public Sector Accounting Standards "*Financial Reporting Under the Cash Basis of Accounting*", the World Bank guidelines and the relevant points of the SPF Grant No TF0B5651.

Alternatively, the MLSA presents a statement of financial position of the Project as of the reporting date as an encouraged additional disclosure, as prescribed in the part 2 of the International Public Sector Accounting Standards IPSAS "*Financial Reporting Under the Cash Basis of Accounting*" (refer to note 8).

2.2 Project financial statements

The project financial statements include:

- a) The statement of cash receipts and payments of the Project as of 10 June 2022 and for the period from 3 June 2021 to 10 June 2022, and the statement of uses of funds by Project activities as of 10 June 2022 and for the period from 3 June 2021 to 10 June 2022.
- b) Accounting policies and explanatory notes (including additional accounting policies and disclosures), covering
 - Summary of summary reports or SOEs used as the basis for the submission of withdrawal applications in the notes, as appropriate;
 - Statement of designated account in the notes, as appropriate;
 - Statement of financial position showing accumulated funds of the Project, bank balances, other assets of the Project, and liabilities, if any, as described in the note 2.1.

2.3 Functional and presentation currency

The national currency of the Republic of Armenia is Armenian dram. These project financial statements are presented in US dollars (presentation currency).

2.4 Project expenses

Expenses incurred in the framework of the Project are recognized on the cash basis of accounting, i.e. when the relevant cash is paid. The expenses are recognized in the statement of cash receipts and payments under the caption "cash payments". Additionally, the Project expenses are disclosed in the statement of uses of funds by Project activities.

2.5 Project financing

Financing received in the framework of the SPF Grant No TF0B5651 is recorded in the statement of cash receipts and payments as "cash receipts" and is recognized at each replenishment. In addition, the Project funds received are disclosed in the Statement of financial position (refer to note 8).

2.6 World bank financing

To finance eligible expenditures under the letter agreement, the World Bank disburses proceeds from the Credit account using one or more of the disbursement methods, which are stated below:

a. Reimbursement

The Bank may reimburse the beneficiary to finance eligible expenditures that the beneficiary has refinanced from its own resources.

b. Advance

The Bank may advance credit proceeds into a Designated account of the beneficiary to finance eligible expenditures as they are incurred and for which supporting documents will be provided at a later date.

c. Direct payments

The Bank may make payments, at the beneficiary's request, directly to a third party for eligible expenditures.

d. Special commitment

The Bank may pay amounts to a third party for eligible expenditures under Special commitments entered into, in writing, at the beneficiary's request and on terms and conditions agreed between the Bank and the beneficiary.

3. Closing date of the Project

The closing date of the Project is 31 May 2022.

4. SPF Grant No TF0B5651 financing

US dollars	For the period from 3 June 2021 to 10 June 2022	As of 10 June 2022
Reimbursement	3,693,218	3,693,218
SOE	21,460	21,460
Designated account advance	3,540	3,540
	<u>3,718,218</u>	<u>3,718,218</u>

5. SOE withdrawal schedule

For the period from 3 June 2021 to 10 June 2022

In US dollars

Application No.	Cash Grants and Consultant Services of the Project
5 DA	12,605
9 DA	8,855
Total	<u>21,460</u>

6. Designated account statement

As of 10 June 2022 and for the period from 3 June 2021 to 10 June 2022

In US dollars

Opening balance as of 3 June 2021		-
Add:		
Cumulative unexplained discrepancy	-	
Credit replenishment during the year	25,000	
	<u>25,000</u>	<u>25,000</u>
Present outstanding amount advanced to the designated account (1)		<u>25,000</u>
Closing balance as of 10 June 2022		3,540
Add:		
Amount of eligible expenditures paid during the year	21,460	
Service charges (if applicable)	-	
	<u>21,460</u>	<u>21,460</u>
Less: Interest earned (if credited into the designated account)		-
Total advance accounted for (2)		<u>25,000</u>
Discrepancy (1) – (2) to be explained		-

The designated account balance will be used for the audit fee payment

7. Reconciliation between the amounts received by the MLSA and disbursed by the World Bank

For the period from 3 June 2021 to 10 June 2022

In US dollars

Category	Appl.	MLSA	The World Bank	Difference
Cash Grants and Consultant Services of the Project				
	2 DA	1,462,527	1,462,527	-
	3 DA	1,850,283	1,850,283	-
	5 DA	12,605	12,605	-
	7 DA	12,615	12,615	-
	8 DA	367,793	367,793	-
	9 DA	8,855	8,855	-
		<u>3,714,678</u>	<u>3,714,678</u>	-
Advance to designated account/(redemption)				
	4 DA	12,632	12,632	-
	5 DA	(12,605)	(12,605)	-
	6 DA	12,368	12,368	-
	9 DA	(8,855)	(8,855)	-
		<u>3,540</u>	<u>3,540</u>	-
Total		<u>3,718,218</u>	<u>3,718,218</u>	-

8. Statement of financial position

As described in the note 2.1, the policy of the MLSA is to prepare the project financial statements in accordance with IPSAS "*Financial Reporting Under the Cash Basis of Accounting*". However, the MLSA also has presented a separate statement of financial position as a disclosure encouraged under IPSAS "*Financial Reporting Under the Cash Basis of Accounting*".

In US dollars	As of 10 June 2022
Assets	
Accumulated Project expenses	3,714,678
Bank balances	3,540
Total assets	3,718,218
Funds	
Accumulated Project financing	3,718,218
Total funds	3,718,218