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**Implementation of EITI in Mongolia  
(Post-Compliance Phase I)  
Multi-Donor Trust Fund Grant No. TF099918**

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**Project Financial Monitoring Reports  
for the period from 26 September 2011  
through 31 December 2012**

41/24.



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## INDEPENDENT AUDITOR'S REPORT

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**To: Management of the Implementation of Extractive Industries  
Transparency Initiative in Mongolia (Post-Compliance Phase I) Project**

**CC: Mongolia EITI Secretariat**

We have audited the accompanying Balance Sheet of Implementation of EITI in Mongolia Project ("the Project") as of 31 December 2012 and the related statement of sources and uses of funds for the period from 26 September 2011 through 31 December 2012, as set out on pages 4 to 5, pursuant to the Letter of Agreement for Multi-Donor Trust Fund Grant No. TF099918 dated 26 September 2012 between the Government of Mongolia ("GOM") and International Development Association ("the IDA"). These financial statements are the responsibility of the Management of the EITI Secretariat. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing issued by International Auditing and Assurance Standards Board of the International Federation of Accountants. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2(a), Project Management's policy is to prepare the accompanying financial monitoring reports on cash receipts and payments basis of accounting. On this basis, funds are recognised when received rather than when earned and disbursements are recognised when paid rather than when incurred.

In our opinion, the financial monitoring reports present fairly, in all material respects, the financial position of the Implementation of EITI in Mongolia Project as of 31 December 2012 and its receipts and expenditures and the applications for reimbursement of expenditure made for the period from 26 September 2011 through 31 December 2012 in accordance with the cash receipts and payments basis of accounting as set out in Note 2(a).



Date: 2013 .05. 21

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## INDEPENDENT AUDITOR'S REPORT

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**To: Management of the Implementation of Extractive Industries  
Transparency Initiative in Mongolia (Post-Compliance Phase I) Project**

**CC: Mongolia EITI Secretariat**

We have audited the accompanying Designated Account Statement of the Implementation of EITI in Mongolia Project ("the Project") for the period from 26 September 2011 through 31 December 2012, as set out on page 7, pursuant to the Letter of Agreement for Multi-Donor Trust Fund Grant No.TF099918 dated 26 September 2011 between the Government of Mongolia ("the GOM") and International Development Association ("the IDA"). This statement is the responsibility of the Management of Mongolia EITI Secretariat. Our responsibility is to express an opinion on Designated Account statement based on our audit.

We conducted our audit in accordance with International Standards on Auditing and World Bank Disbursement Guidelines for Projects. Those standards and World Bank guidelines require that we plan and perform the audit to obtain reasonable assurance that the Designated Account Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in Designated Account Statement. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall statement presentation. We believe our audit provides a reasonable basis for our opinion.

The Designated Account statement was prepared on the basis of cash deposits and withdrawals for purpose of complying with the above-mentioned Letter of Agreement.

In our opinion, the receipts were properly accounted for and withdrawals were made for the purpose intended in the Letter of Agreement dated 26 September 2011. The designated account statement presents fairly, in all material respects, the ending balances as of 31 December 2012 and the account activity during the period from 26 September 2011 to 31 December 2012 on the basis of accounting described in the preceding paragraph.

  
BDO Audit LLC  
Ulaanbaatar, Mongolia  
Special license No. 009-1997



Date: 2013 .06. 21

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## SUPPLEMENTARY REPORT OF INDEPENDENT AUDITORS

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**To: Management of the Implementation of Extractive Industries  
Transparency Initiative in Mongolia (Post-Compliance Phase I) Project**

**CC: Mongolia EITI Secretariat**

In addition to our audit of the project financial monitoring reports, we have audited the statements of expenditures submitted to the IDA during the period from 26 September 2011 through 31 December 2012 in support of applications for replenishment and direct payments under the Letter of Agreement for Multi-Donor Trust Fund Grant No. TF099918 dated 26 September 2011.

The management of the Mongolia EITI Secretariat is responsible for the preparation of the statements of expenditures. Our responsibility is to express an opinion on the statements of expenditures, on the basis of our audit.

We conducted our audit in accordance with generally accepted auditing standards that accordingly included examination, on a test basis, of evidence supporting the amounts and disclosures in the statements of expenditures. An audit also includes an assessment of the accounting principles used and significant estimates made by management as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statements of expenditures submitted together with the internal controls and procedures involved in their preparation can be relied upon to support the applications for grant disbursements for the period from 26 September 2011 through 31 December 2012.

  
BDO Audit Ltd  
Ulaanbaatar, Mongolia  
Special license: 009-1997



АУДИТ ГАРГАЛГА  
БДО АУДИТ ХХК  
BDO  
УЛААНБААТАР ХОТ  
ТТН326-2546442  
ВАЛЮАЦИОН СЕРВИС

Date: 2013 .05. 21

The Implementation of EITI in Mongolia Project  
(Post-Compliance Phase I)

BALANCE SHEET as of 31 December 2012

	Notes	at 31 Dec 2012 USD
<b>ASSETS</b>		
Cash and cash equivalents	5	90,661.02
Cumulative project expenditures	6	69,920.78
Bank charges		58.39
<b>TOTAL ASSETS</b>		<b>160,640.19</b>
<b>FUNDS</b>		
Multi-donor funds	7	159,779.73
Interests earned	8	805.98
Other receipts	9	54.48
<b>TOTAL FUNDS</b>		<b>160,640.19</b>

Approved by:



*Sh. Tsolmon*  
Mr. SH. TSOLMON  
Project Coordinator

Prepared by:



Ms. B. DELGERMAA  
Project Finance Officer

The notes set out on pages 9 to 15 form integral part of these financial monitoring reports.

The Implementation of EITI in Mongolia Project  
 (Post-Compliance Phase I)

STATEMENT OF SOURCES AND USES OF FUNDS  
 for the period from 26 September 2011 through 31 December 2012


	Notes	For Sep 2011- Dec 2012 USD
<b>SOURCES OF FUNDS</b>		
Multi-donor funds	7	159,779.73
Interests earned	8	805.98
Other sources of funds	9	54.48
<b>Total sources of funds</b>		<b>160,640.19</b>
<b>USES OF FUNDS</b>		
Consultant's service	6 (a)	45,832.35
Training	6 (b)	5,640.75
Incremental operating cost	6 (c)	16,886.94
Goods - office equipment	6 (d)	1,560.74
Bank charge	7	58.39
<b>Total uses of funds</b>		<b>69,979.17</b>
<b>Excess of sources over uses of funds</b>		<b>90,661.02</b>
<b>Cash balances at 31 Dec 2012</b>		
Designated account	5	90,626.89
Operating account	5	29.75
Petty cash	5	4.38

Approved by:



Mr. SH. TSOLMON  
 Project Coordinator

Prepared by:



Ms. B. DELGERMAA  
 Project Finance Officer

The notes set out on pages 9 to 15 form integral part of these financial monitoring reports.

The Implementation of EITI in Mongolia Project  
(Post-Compliance Phase I)

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**SUMMARY OF WITHDRAWAL APPLICATIONS**  
for the period from 26 September 2011 through 31 December 2012

Number of WA	Claimed date	Credited date	Amount in USD
Withdrawal Application No. 1*	15-Dec-11	15-Dec-11	100,000.00
Withdrawal Application No.2**	05-Jun-12	28-Jun-12	38,414.17
Withdrawal Application No.3**	13-Dec-12	20-Dec-12	21,365.56
			<hr/> <b>159,779.73</b> <hr/>

\* Withdrawal Application NO. 1 represents the advance to designated account.

\*\* Withdrawal Applications No. 2 and 3 were for replenishment of the designated account submitted to the IDA.

These applications were adequately supported by the statement of expenditures.

Approved by:



Mr. SH. TSOLMON  
Project Coordinator

Prepared by:



Ms. B. DELGERMAA  
Project Finance Officer

*The notes set out on pages 9 to 15 form integral part of these financial monitoring reports.*



The Implementation of EITI in Mongolia Project  
 (Post-Compliance Phase I)


**DESIGNATED ACCOUNT STATEMENT**  
 for the period from 26 September 2011 through 31 December 2012

	Notes	For Sep 2011- Dec 2012 USD
<b>PART A - ACCOUNT ACTIVITIES</b>		
Beginning balance		-
<b>Add:</b>		
First advance from IDA	7	100,000.00
Total replenishments from IDA	7	59,779.73
Total net interest earned on DA	8	805.98
Other receipts	9	54.48
		160,640.19
<b>Deduct:</b>		
Eligible expenditures	6	(68,092.07)
Withdrawn to operating account		(1,872.66)
Bank charges		(48.57)
		(70,013.30)
Ending balance		90,626.89
<b>PART B-ACCOUNT RECONCILIATION</b>		
Amount advanced by the IDA		100,000.00
Balance of the Designated Account at the end of year		90,626.89
<b>Add:</b>		
Bank charge		58.38
Cash balances		34.13
Amount withdrawn but not yet claimed	11	10,141.05
<b>Deduct:</b>		
Interests earned	8	(805.98)
Other receipts	9	(54.48)
Total Advance to Special account accounted		100,000.00

Approved by:

  
 Mr. SH. TSOLMON  
 Project Coordinator

Prepared by:

  
 Ms. B. DELGERMAA  
 Project Finance Officer

The notes set out on pages 9 to 15 form integral part of these financial monitoring reports.

## The Implementation of EITI in Mongolia Project (Post-Compliance Phase I)

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### NOTES TO THE FINANCIAL MONITORING REPORTS for the period from 26 September 2011 through 31 December 2012

#### 1. Description of the Project

The Letter of Agreement for Multi-Donor Trust Fund Grant for implementation of Extractive Industries Transparency Initiative ("EITI") in Mongolia (Post-Compliance Phase I) was signed by and between the Ministry of Finance, acting as representative of the Government of Mongolia and International Development Association ("World Bank"), acting as administrator of grant provided by Multi-Donor Trust Fund on 26 September 2011.

The objective of the Project is to support Mongolia to widen and deepen the Extractive Industries Transparency Initiative and anchor financially and institutionally in its post-compliance phase with National EITI Council's Five-Year Strategy.

The Project consists of the following parts:

- (a) **Building of Stakeholder Capacity to Engage.**
  - (i) Pre-2010 report training for reporting entities.
  - (ii) Training on EITI for civil society and media organizations.
  - (iii) Training on EITI and transparency legislation for all stakeholders.
  - (iv) Organization of national and sub-national EITI conferences.
  
- (b) **Strengthening of the Mongolia EITI Secretariat Communications and Knowledge Base**
  - (i) Selection and engagement of a communications specialist for the Mongolia EITI Secretariat.
  - (ii) Carrying out of communications activities through a variety of media.
  - (iii) Study tours for the Mongolia EITI Secretariat
  
- (c) **Provision of Operational Support to the EITI Secretariat**  
Provision of office equipment and stationery, EITI staff support, audit support and other operating costs necessary for EITI implementation.

In accordance with the letter of Agreement signed on 26 September 2011 for Multi-Donor Trust Fund Grant No. TF099918, the Project is funded by a grant in the amount of USD250,000 provided by Multi-Donor Trust Fund through IDA/World Bank.

The eligible expenditures that may be financed out of the proceeds Grant and allocations of the amounts of the Grant to categories of expenditures are as follows:

Category	Amount of the Grant allocated (in USD)	Percentage of expenditures to be financed
(1) Goods, consultants' service, training and Workshops, and Operating costs	250,000	100%

The project's closing date is established 22 October 2012 in accordance with the Letter of Agreement dated 26 September 2011 and subsequently, the closing date has been extended to 22 October 2013.

The Implementation of EITI in Mongolia Project  
(Post-Compliance Phase I)

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**NOTES TO THE FINANCIAL MONITORING REPORTS (CONTINUED)**  
for the period from 26 September 2011 through 31 December 2012

**2. Summary of Significant Accounting Policies**

The following significant accounting policies have been adopted by the Project in the preparation of these statements:

***(a) Basis of Preparation***

The financial statements, expressed in United States Dollars ("USD"), have been prepared on a cash receipts and payments basis of accounting. On this basis, receipts are recognised when received or direct payment to creditors are made rather than when earned and disbursements are recognised when paid rather than when incurred.

***(b) Foreign currency translation***

The project financial statements are stated in USD. Transactions in currencies other than USD during the year have been translated into USD at FIFO rates ruling at the transaction dates. Exchange differences arising therefrom are taken up in the Statement of Sources and Uses of Funds.

The statement of designated account is presented in United States dollars ("USD"). The amounts in USD are the actual amounts debited or credited to the Designated Account.

The summary of statements of expenditure is also presented in USD. The amounts in USD are the actual amounts applied for replenishment from the IDA (Multi-Donor Trust Fund).

***(c) Sources of funds***

The funds received are recognized as source of funds when received at the Designated Account plus the inter-bank charges deducted from the remittance.

Based on reconciliation of designated account and actual expenditures, the Withdrawal Applications are prepared and submitted to the IDA for reimbursement of eligible expenditures.

***(d) Uses of funds***

The expenditures eligible for the Project are recognized as use of funds when actual disbursements are made for project activities.

## The Implementation of EITI in Mongolia Project (Post-Compliance Phase I)

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### 3. Designated Account and other operating accounts

In accordance with Standard Conditions for Grants made by the World Bank and under the provision of Grant Agreement, the Project should open and maintain a United States Dollar Designated Account. This account is used for eligible expenditures in accordance with the Grant Agreement and is replenished from time to time from the Grant Account. The Mongolia EITI Secretariat opened and maintains the Designated Account for the Project at the Trade and Development Bank of Mongolia.

The Mongolia EITI Secretariat also maintains the operating account in MNT at the Trade and Development Bank of Mongolia. The account is used for minor expenditures and replenishment to petty cash.

### 4. Procurement of goods and consultants

The goods and consultants' services required for the Project and to be financed out of the proceeds of the Grant are procured in accordance with Section I of the "Guidelines: Procurement of Goods, Works and consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 and Section I and IV of the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011.

The all procurements should be carried out in elaboration with procurement plan prepared and updated by the project management (the Mongolia EITI Secretariat)

### 5. Project cash and cash equivalents

	At 31 Dec 2012 USD
Petty cash	4.38
Cash at operating account	29.75
Cash at Designated Account	90,626.89
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	90,661.02
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The Implementation of EITI in Mongolia Project  
 (Post-Compliance Phase I)

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6. Project Cumulative Expenditures

		Cumulative up to 31 Dec 2012 USD
Consultant's service	(a)	45,832.35
Training	(b)	5,640.75
Incremental operating cost	(c)	16,886.94
Goods - office equipment	(d)	1,560.74
		69,920.78

The amounts above represent the actual expenditures eligible for the Project and are based on actual payments made during the period from 26 September 2011 through 31 December 2012.

The breakdown of each category of expenditures can be shown as follows:

(a) Consultants' service

		Cumulative up to 31 Dec 2012 USD
Salaries for project staffs		41,232.28
PIT tax deducted and paid		4,600.07
		45,832.35

(b) Training and promotion

		Cumulative up to 31 Dec 2012 USD
Publish EITI Reports		1,120.82
Publish EITI series in daily newspapers		2,325.62
Broadcasting EITI Implementation serials		1,083.43
Website development		1,110.87
		5,640.74

The Implementation of EITI in Mongolia Project  
(Post-Compliance Phase I)

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6. Project Cumulative Expenditures (continued)

(c) Incremental operating costs

	Cumulative up to 31 Dec 2012 USD
Office rent	12,361.73
Telecommunication & Internet	990.15
Stationeries	522.37
Study tour	2,263.00
Other	749.54
	<hr/>
	16,886.78
	<hr/>

(d) Goods - office equipment

	Cumulative up to 31 Dec 2012 USD
Furniture	357.82
IT equipment	1,202.92
	<hr/>
	1,560.74
	<hr/>

7. Multi-Donor Funds

	Cumulative up to 31 Dec 2012 USD
Advance to designated account	100,000.00
Replenishment to designated account	59,779.73
	<hr/>
	159,779.73
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8. Interests earned

The amount represents the interests earned on the balances of designated account

9. Interests earned

The amount represents the outstanding balance of unused previous grant transferred to the designated account in relation with closing of previous project.

The Implementation of EITI in Mongolia Project  
(Post-Compliance Phase I)

10. Amount withdrawn but not yet claimed

The amount represents the disbursements made from the accounts up to 31 December 2012 but have not been claimed from IDA as of 31 December 2012.

	At 31 Dec 2012 USD
Salaries for project staffs	6,333.16
Incremental operating costs	3,807.89
	10,141.05

11. Summary of expenditures per Activity

	Actual expenditures	Budget
<b>Goods</b>		
Office equipment and furniture	1,560.74	6,000.00
<b>Consultancy Service</b>		
Salary for Mongolia EITI Secretariat (Coordinator, Finance Officer, Communication Officer)	45,832.35	77,700.00
Project audit	-	5,000.00
Evaluation of NGO's	-	5,000.00
Sub-total	45,832.35	87,700.00
<b>Training and Promotions</b>		
Pre-report training for companies' executives	-	5,000.00
Pre-report training for companies' accountants	-	5,000.00
Pre-report training for central government authorities	-	3,000.00
Pre-report training for Local Government Authorities	-	3,000.00
Training for Civil Societies	-	5,000.00
Pre-audit training (20 persons)	-	2,000.00
Post-audit training (20 persons)	-	2,000.00
Post law training (20 persons)	-	2,000.00
Training for press & media journalists (30 persons)	-	3,000.00
EITI conference	-	8,000.00
EITI regional conference (4 regions)	-	14,000.00
Broadcasting EITI Implementation serials	1,083.43	5,000.00
Publish EITI series in daily newspapers	2,325.62	5,000.00
Website extension for E-Reporting	1,110.87	2,000.00
Publish EITI Reports	1,120.82	12,000.00
Publications Mongolia EITI	-	10,000.00
EITI billboard	-	10,000.00
EITI calendar	-	3,000.00
Other communications activities	-	5,000.00
Sub-total	5,640.74	104,000.00

The Implementation of EITI in Mongolia Project  
 (Post-Compliance Phase I)

11. Summary of expenditures per Activity (continued)

	Actual expenditures	Budget
<b>Incremental Operating Cost</b>		
Utilities/tel/internet/service fees	990.15	2,100.00
Domestic travel per deim		1,600.00
Office rent	12,361.73	14,800.00
Transport expense of Secretariat air and land travel	-	2,000.00
Secretariat study-tour	2,263.13	21,000.00
Printer and copier cartridge	-	2,800.00
Postal expense	256.69	1,000.00
Transport expense of Secretariat in the UB city	-	1,000.00
Office expenditures	1,015.24	2,000.00
Translation service	-	4,000.00
<b>Sub-total</b>	<b>16,886.94</b>	<b>52,300.00</b>
<b>TOTAL</b>	<b>69,920.77</b>	<b>250,000.00</b>

12. Subsequent event


The Withdrawal Application No. 4 was sent to the IDA on 14 March 2013 and the replenishment to the Designated Account was made on 29 May 2013.

Approved by:



Mr. SH. TSOLMON  
Project Coordinator

Prepared by:



Ms. B. DELGERMAA  
Project Finance Officer



