

**IDF GRANT FOR STRENGTHENING TRAINING CAPACITY OF THE
SCHOOL OF ADVOCATES PROJECT**

IDF GRANT No. TF013656

**IMPLEMENTED BY JUDICIAL PROJECT IMPLEMENTATION UNIT SA
OF THE MINISTRY OF JUSTICE OF THE REPUBLIC OF ARMENIA**

**Special Purpose Project Financial Statements
and
Independent Auditor's Report**

For the period from 1 July 2013 to 31 December 2015

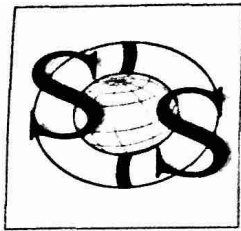
**YEREVAN
February 2016**

**IDF GRANT FOR STRENGTHENING TRAINING CAPACITY OF THE
SCHOOL OF ADVOCATES PROJECT**

IDF GRANT No.TF013656

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	3-4
SPECIAL PURPOSE FINANCIAL STATEMENTS For the period from 1 July 2013 to 31 December 2014, and for the year ended 31 December 2015 :	
Statement of cash receipts and payments	5
Statement of uses of funds by Project activity	6
Notes to the special purpose financial statements	7-13
ANNEX 1. RECONCILIATION BETWEEN THE AMOUNTS SUBMITTED BY THE JPIU AND DISBURSED BY THE WORLD BANK	14



"ՍՕՍ-ԱՌԻԴԻՏ" ՍՊԸ

"SOS-AUDIT" LTD

INDEPENDENT AUDITOR'S REPORT

*On the special purpose financial statements of the "IDF Grant for Strengthening Training Capacity of the School of Advocates Project"
For the period from 1 July 2013 to 31 December 2014,
and the year ended 31 December 2015*

To the Management of the Judicial Project Implementation Unit (JPIU) State Agency

We have audited the accompanying special purpose financial statements of the "IDF Grant for Strengthening Training Capacity of the School of Advocates Project" (hereafter: the Project) financed by IDF Grant No. TF013656, and implemented by the JPIU, which comprise the statement of cash receipts and payments, and the statement of uses of funds by Project activity for the period from 1 July 2013 to 31 December 2014, and for the year ended 31 December 2015, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Special Purpose Financial Statements

The management of JPIU is responsible for the preparation and fair presentation of these special purpose financial statements in accordance with International Public Sector Accounting Standard: *Financial Reporting Under the Cash Basis of Accounting*, (IPSAS-Cash Basis) issued by the International Public Sector Accounting Standards Board (IPSASB) within the International Federation of Accountants (IFAC), and Financial Management Manual for World Bank Financed Investment Operations (WB Guidelines), and for such internal control as management determines is necessary to enable the preparation of special purpose financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these special purpose financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISAs) as issued by International Auditing and Assurance Standards Board (IAASB) within the IFAC. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the special purpose financial statements are free from material misstatement.

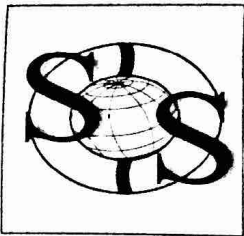
An audit involves performing procedures to obtain reasonable audit evidence about the amounts and disclosures in the special purpose financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risk of material misstatement of the special purpose financial statements, whether due to fraud or error. In making those assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the special purpose financial statement 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.

Քրոու Հորվաթ Բիզնես Ալյանսի Ասոցիացված Անդամ

ՀՀ: ք. Երևան 0037, Ա.Տիգրանյան 38/55; Հեռ.՝ (+37410) 20 11 51; ֆաքս՝ (+37410) 20 11 50; www.sosaudit.am; էլ-փոստ՝ info@sosaudit.am

An Associate of the Crowe Horwath Business Alliance

38/55 A.Tigranyan, 0037 Yerevan, RA; Tel.: (+37410) 20 11 51; Fax: (+37410) 20 11 50; www.sosaudit.am; E-mail: info@sosaudit.am



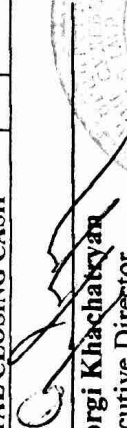
An audit also includes the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the special purpose financial statements.

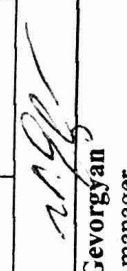
IDF Grant for Strengthening Training Capacity of the School of Advocates Project
IDF Grant No. TF013656

Statement of cash receipts and payments

For the period from 1 July 2013 to 31 December 2014, and for the year ended 31 December 2015
(Amounts are shown in US dollars)

	Actual			Planned			Variance		PAD
	For the period from 1 July 2013 to 31 Dec 2014	For the year ended 31 Dec 2015	Cumulative as at 31 Dec 2015	For the period from 1 July 2013 to 31 Dec 2014	For the year ended 31 Dec 2015	Cumulative as at 31 Dec 2015	For the period from 1 July 2013 to 31 Dec 2014	For the year ended 31 Dec 2015	
OPENING CASH BALANCE									
Designated Account (IDF Grant)	-	-							
Project Account (GOA)	-	-							
TOTAL OPENING CASH	-	-							
Sources of Funds									
IDF Grant No. TF013656	8.1	464,080.70	464,080.70						468,000.00
Government of RoA	8.2	63,841.86	63,841.86						93,600.00
TOTAL FUNDS	-	527,922.56	527,922.56						561,600.00
Foreign currency gain/(loss)		(495.46)	(495.46)						
Uses of funds	7								
1. Goods, Consultant's services, Training, annual Grant audits and Operating costs	-	356,316.80	356,316.80	-	399,600.00	399,600.00	-	(43,283.20)	417,600.00
2. Consultant's services, Legal Processing costs and Operating costs for the Pilot Pro-Bono Legal Aid service	-	86,149.68	86,149.68	-	144,000.00	144,000.00	-	(57,850.32)	144,000.00
TOTAL PROJECT EXPENDITURES	-	442,466.48	442,466.48	-	543,600.00	543,600.00	-	(101,133.52)	561,600.00
CLOSING CASH BALANCE	6								
Designated Account (IDF Grant)	-	82,676.38	82,676.38						
Project Account (GOA)	-	2,284.24	2,284.24						
TOTAL CLOSING CASH	-	84,960.62	84,960.62						


Georgi Khachatryan
 Executive Director


Marina Gevorgyan
 Financial manager

24 February 2016

The notes on pages 7-13 form an integral part of these special purpose project financial statements.

6

Notes to the special purpose financial statements

For the period from 1 July 2013 to 31 December 2014, and for the year ended 31 December 2015

1. General information

1.1. The Project

The Letter Agreement No. TF013656 was concluded on 7 May 2013 between the Republic of Armenia and the International Bank for Reconstruction and Development ("IBRD" or "WB"), in accordance to which the WB provided a grant in an amount not to exceed 468,000 United States Dollars (USD) from the World Bank's Institutional Development Fund (IDF).

The grant is provided for the purpose of implementation of "IDF Grant for Strengthening Training Capacity of the School of Advocates Project" (the Project).

The Closing Date of the financing under IDF Grant No. TF013656 is set on 31 May 2016. The Grace Period for submitting withdrawal applications for the expenditures incurred before the Closing date is four months following the Closing date.

1.2. The Project objectives

The objective of the Project is strengthen the capacity of the school of advocates of the Republic of Armenia, established and operating pursuant to the law on advocacy of the RA to (i) design and provide training; (ii) provide legal aid services to the most vulnerable; and (iii) develop sustainable financing arrangements to support its key activities.

The Project consists of the following parts:

- Part 1. Introduction of new methods of training and development of a train-the trainers program;
- Part 2. Design of a strategy, of a program and financing mechanisms for pro-bono legal aid services,
- Part 3. Design of sustainable financing arrangements for SOA's training and pro-bono legal aid services program.

Notes to the special purpose financial statements

For the period from 1 July 2013 to 31 December 2014, and for the year ended 31 December 2015

1.3. The Project Budget and Financing

The Project is being financed by the following sources:

- IDF Grant No. TF013656 – 100% exclusive of taxes,
- The Government of the Republic of Armenia (Government of RoA) - taxes.

Category	IDF Grant No. TF013656	Government of the RoA	Total
	USD	USD	USD
1. Goods, Consultant's Services, Training, annual Grant audits and Operating Costs	348,000	69,600	417,600
2. Consultant's Services, Legal Processing Costs and Operating Costs for the Pilot Pro-bono Legal Aid Services	120,000	24,000	144,000
Total	468,000	93,600	561,600

1.4. Project Implementation

The Project is implemented by the Judicial Project Implementation Unit (JPIU) SA of the Ministry of Justice of the Republic of Armenia.

The legal address of the JPIU SA is: 21/1 Tumanyan str., Yerevan, Republic of Armenia.

Notes to the special purpose financial statements

For the period from 1 July 2013 to 31 December 2014, and for the year ended 31 December 2015

2. Summary of significant accounting policies

2.1. Preparation and presentation of financial statements

The special purpose financial statements are prepared in accordance with the International Public Sector Accounting Standard: *Financial Reporting Under the Cash Basis of Accounting* (IPSAS-Cash Basis), issued by the International Public Sector Accounting Standards Board (IPSASB) within the International Federation of Accountants (IFAC), and presented in accordance with Financial Management Manual for World Bank Financed Investment Operations (March 2010): RM 3 – Financial Reporting and Auditing.

The principal accounting policies applied in the preparation of these special purpose financial statements are set out below. These policies have been consistently applied to all the periods presented.

2.2 Cash basis of accounting

Project financing is recognised as a source of project funds when the cash is received. Project expenditures are recognised as a use of project funds when the payments are made.

2.3 Reporting currency

The reporting currency of these special purpose financial statements is United States dollar (USD). The contribution of the Government of RA and expenditures made in local currency, Armenian Dram (AMD), are translated into USD based at the exchange rate defined by the Central Bank of the Republic of Armenia (CBA) at the date of the transaction. The effect of exchange rate changes on cash held on local currency is reported as separate line item in the statement of cash receipts and payments.

The average exchange rate at currency market issued by the CBA as at 31 December 2014 is 1 USD =474.97 AMD.

The average exchange rate at currency market issued by the CBA as at 31 December 2015 is 1 USD =483.75 AMD

2.4. Taxes

Taxes are paid in accordance with the tax regulations of the Republic of Armenia.

2.5. Budget

Expenditure budget is created based on actual accumulated expenditures for the last period plus the updated procurement plans for the reporting period.

Notes to the special purpose financial statements

For the period from 1 July 2013 to 31 December 2014, and for the year ended 31 December 2015

3. Summary of Summary Reports and SOEs

For the period from 1 July 2013 to 31 December 2015

Withdrawal No	Withdrawal application value date	Payment categories		Total
		1. Goods, Consultant's Services, Training, annual Grant audits and Operating Costs	2. Consultant's Services, Legal Processing Costs and Operating Costs for the Pilot Pro-bono Legal Aid Services	
		USD	USD	USD
TFIII-3	16-Jul-2015	38,303.95	46,177.60	84,481.55
TFIII-4	17-Sep-2015	85,607.43	-	85,607.43
TFIII-5	26-Oct-2015	92,770.67	4,008.07	96,778.74
TFIII-6	22-Dec-2015	80,185.30	17,027.68	97,212.98
Total		296,867.35	67,213.35	364,080.70

4. Statement of Designated Account

Bank account number	900000929043
Bank	Central Treasury
Bank location	4 Tigran Mets str., 1-st floor, Yerevan, 0010
Currency	Republic of Armenia USD

	IDF Grant No. TF013656	
	From 1 July 2013 to 31 Dec 2014	Year ended 31 Dec 2015
1. Opening balance	-	-
2. Add: opening discrepancy	-	-
3. IBRD advance/replenishment	100,000.00	464,080.70
4. Less: Refund to IBRD from DA	(100,000.00)	-
5. Present outstanding amount advanced to DA	-	464,080.70
6. DA closing balance	-	82,676.38
7. Add: Amount of eligible expenditures paid	-	381,404.32
8. Less: interest earned (if credited to DA)	-	-
9. Total advance accounted for	-	464,080.70
10. Closing discrepancy (5)-(9)	-	-

Notes to the special purpose financial statements
For the period from 1 July 2013 to 31 December 2014, and for the year ended 31 December 2015

5. Statement of financial position

The Statement of financial position discloses assets, liabilities and net assets of the Project as at reporting date. It is prepared in accrual basis that is transactions are recognized when they occur (and not only when cash is received or paid).

	note	31.12.2015 USD	31.12.2014 USD
ASSETS			
Cash	6	84,960.62	-
Prepayments		3,909.69	-
Total assets		88,870.31	-
LIABILITIES			
Payables		4,206.84	-
Total liabilities		4,206.84	-
NET ASSETS			
Cumulative income	8		
IDF Grant No. TF013656		464,080.70	-
Government of RoA		63,841.86	-
		527,922.56	-
Cumulative expenses			
Project expenses		(441,890.46)	-
		(441,890.46)	-
Foreign exchange difference		(1,368.63)	-
Total net assets		84,663.47	-

6. Cash

	Account held at	Underlying Currency	31.12.2015 USD	31.12.2014 USD
Designated account (IDF Grant No. TF013656)	Treasury	USD	82,676.38	-
Project account (Government of RoA)	Treasury	AMD	2,284.24	-
Total			84,960.62	-

Notes to the special purpose financial statements

For the period from 1 July 2013 to 31 December 2014, and for the year ended 31 December 2015

7. Project Expenditures

7.1. Project expenditures financing per funds

Expenditure category	For the period from 1 July 2013 to 31 Dec 2014			For the year ended 31 Dec 2015			Cumulative as at 31 Dec 2015		
	IDF Grant No. TF013656	Government of RA	Total	IDF Grant No. TF013656	Government of RA	Total	IDF Grant No. TF013656	Government of RA	Total
	USD	USD	USD	USD	USD	USD	USD	USD	USD
1. Goods, Consultant's Services, Training, annual Grant audits and Operating Costs	-	-	-	-	59,449.45	356,316.80	296,867.35	59,449.45	356,316.80
2. Consultant's Services, Legal Processing Costs and Operating Costs for the Pilot Pro-bono Legal Aid Services	-	-	-	84,536.97	1,612.71	86,149.68	84,536.97	1,612.71	86,149.68
Total	-	-	-	381,404.32	61,062.16	442,466.48	381,404.32	61,062.16	442,466.48

7.2. Project expenditure budget execution

Category	Cumulative Expenditures as at 31 Dec 2015	Total budget		Execution %
		USD	USD	
1. Goods, Consultant's Services, Training, annual Grant audits and Operating Costs.	356,316.80	417,600.00		85%
2. Consultant's Services, Legal Processing Costs and Operating Costs for the Pilot Pro-bono Legal Aid Services.	86,149.68	144,000.00		60%
Total	442,466.48	561,600.00		79%

IDF Grant for Strengthening Training Capacity of the School of Advocates Project
IDF Grant No. TF013656

Notes to the special purpose financial statements

For the period from 1 July 2013 to 31 December 2014, and for the year ended 31 December 2015

8. Financing

8.1. IDF Grant No. TF013656

	For the period from 1 July 2013 to 31 Dec 2014	For the year ended 31 Dec 2015	Cumulative as at 31 Dec 2015
	USD	USD	USD
Advances/ (advance recovery)	-	100,000.00	100,000.00
SOE and Summary Report	-	364,080.70	364,080.70
Total	-	464,080.70	464,080.70
Total financing budget			468,000.00
Percentage of finance provided as at 31 Dec 2015			99%

8.2. Government of RoA

	For the period from 1 July 2013 to 31 Dec 2014	For the year ended 31 Dec 2015	Cumulative as at 31 Dec 2015
	USD	USD	USD
Financed	-	63,841.86	63,841.86
Total financing budget			93,600.00
Percentage of finance provided as at 31 Dec 2015			68%

9. Non submitted expenditures

Expenditures incurred during the reporting period in the total amount of 17,323.62 USD were not submitted to WB for reimbursement as at date of signing these special purpose financial statements.

IDF Grant for Strengthening Training Capacity of the School of Advocates Project
IDF Grant No. TF013656

ANNEX 1. RECONCILIATION BETWEEN THE AMOUNTS SUBMITTED BY THE JPIU AND DISBURSED BY THE WORLD BANK

For the period from 1 July 2013 to 31 December 2014, and for the year ended 31 December 2015
(Amounts are shown in US dollars)

Expenditure Category	Appl.	JPIU	WB	Difference
Advance	TFIII-1	100,000.00	100,000.00	-
	Refund	(100,000.00)	(100,000.00)	-
	TFIII-2	100,000.00	100,000.00	-
		100,000.00	100,000.00	
1. Goods, Consultant's Services, Training, annual Grant audits and Operating Costs	TFIII-3	38,303.95	38,303.95	-
	TFIII-4	85,607.43	85,607.43	-
	TFIII-5	92,770.67	92,770.67	-
	TFIII-6	80,185.30	80,185.30	-
		296,867.35	296,867.35	
2. Consultant's Services, Legal Processing Costs and Operating Costs for the Pilot Pro-bono Legal Aid Services	TFIII-3	46,177.60	46,177.60	-
	TFIII-5	4,008.07	4,008.07	-
	TFIII-6	17,027.68	17,027.68	-
		67,213.35	67,213.35	
Total		464,080.70	464,080.70	