

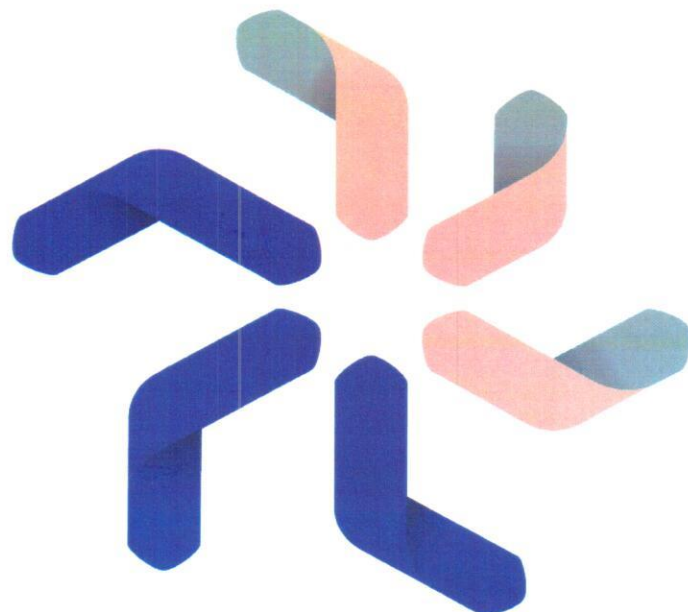
Project Financial Statements and Independent Auditor's Report

**State Agency “Center for Education Projects”
Project Implementation Unit of the Ministry of
Education, Science, Culture and Sport of the
Republic of Armenia**

EU4Innovation Project (EU4I)

Grant No. TF0B2692

As of 27 February 2023 and for the period from 30 October
2020 to 27 February 2023



Contents

Independent auditor's report	3
Statement of financial position	6
Statement of the Project sources and uses of funds	7
Statement of uses of funds by Project activities	8
SOE withdrawal schedule	9
Designated account statement	10
Notes to the Project financial statements	13

Independent auditor's report

Գրանթ Թորնթոն ՓԲԸ
Երևանի Պլազա բիզնես կենտրոն
ՀՀ, ք. Երևան 0015
Գրիգոր Լուսավորչի 9
Հ. + 374 10 50 09 64/61

Grant Thornton CJSC
Yerevan Plaza Business Center
9 Grigor Lusavorich Street,
Yerevan 0015, Republic of Armenia
T + 374 10 50 09 64/61

To the board of trustees of the State Agency "Center for Education Projects" Project Implementation Unit of the Ministry of Education, Science, Culture and Sport of the Republic of Armenia,

Opinion

We have audited the accompanying Project financial statements of EU4Innovation Project (EU4I) (the "Project"), financed by the International Bank for Reconstruction and Development (the "IBRD") Grant Agreement No. TF0B2692, which comprise the statements of financial position as of 31 December 2021, as of 31 December 2022 and as of 27 February 2023, the statements of the Project sources and uses of funds, the statement of uses of funds by Project activities, the designated account statements as of 31 December 2021 and for the period from 30 October 2020 to 31 December 2021, as of and for the year ended 31 December 2022, as of 27 February 2023 and for the period from 1 January 2023 to 27 February 2023 as well as the statements of expenditures ("SOEs") submitted to the World Bank for the period from 30 October 2020 to 27 February 2023 in support of the Grant Agreement No. TF0B2692 withdrawals, and a summary of significant accounting policies and other explanatory information.

In our opinion, the Project financial statements give a true and fair view of the financial position of the EU4Innovation Project (EU4I) (Grant Agreement No. TF0B2692) as of 31 December 2021 and for the period from 30 October 2020 to 31 December 2021, as of and for the year then ended 31 December 2022, as of 27 February 2023 and for the period from 1 January 2023 to 27 February 2023, and of the funds received and expenses incurred for the year then ended, in accordance with the accounting policies described in note 2 to the Project financial statements, the World Bank guidelines, and the relevant points of the Grant Agreement No. TF0B2692.

In addition, in our opinion, the SOEs submitted together with the internal controls and procedures involved in their preparation can be relied upon to support the applications for the Grant Agreement No. TF0B2692 withdrawals.

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 "Center for Education Projects" PIU (the "PIU") 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 management of the PIU to meet the requirements of the financial reporting of the World Bank. As a result, the Project financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.
- We draw attention to note 3 to the Project financial statements, which describes that the closing date of the Project is 31 December 2022. Our opinion is not modified in respect of this matter.

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

Management of the PIU is responsible for the preparation and fair presentation of these Project financial statements in accordance with the accounting policies described in note 2 to the Project financial statements, the World Bank guidelines, and the relevant points of the Grant Agreement No. TF0B2692, and for such internal control as management determines is necessary to enable the preparation of these Project financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Project's financial reporting process.

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 "Center for Education Projects" PIU's internal control.

- Evaluate the appropriateness of accounting policies 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 management, 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

6 April 2023



Statement of financial position

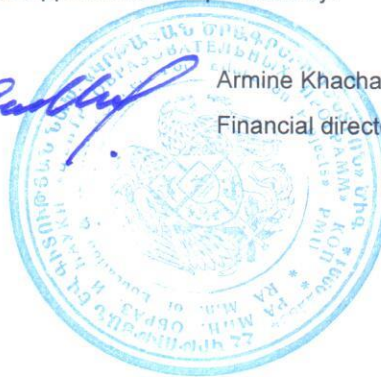
In Euro		As of 31 December 2021	As of 31 December 2022	As of 27 February 2023
	Note			
Assets				
Accumulated Project expenses		34,099	3,863,291	3,863,291
Advances		211,549	-	-
Bank balances	4	245,750	99,884	7,476
Total assets		491,398	3,963,175	3,870,767
Funds and liabilities				
World Bank financing	5	491,583	4,106,000	4,106,000
Government co-financing	6	-	119,273	113,386
Other		-	44,292	44,292
Exchange rate differences		(185)	(392,415)	(392,911)
Accounts payable		-	86,025	-
Total funds and liabilities		491,398	3,963,175	3,870,767

The Project financial statements were approved on 6 April 2023 by:

Grisha Hovhannisyan
Acting Director



Armine Khachatryan
Financial director

This statement is to be read in conjunction with the notes to and forming part of the Project financial statements set out on pages 13 to 17.

Statement of the Project sources and uses of funds

In Euro	Actual				Budget	Variance	
	For the period from 30 October 2020 to 21 December 2021	Year ended 31 December 2022	For the period from 1 January 2023 to 27 February 2023	As of 27 February 2023	For the period from 30 October 2020 to 27 February 2023	For the period from 30 October 2020 to 27 February 2023	Life of Project
Sources of funds							
World Bank financing (note 5)	491,583	3,614,417	-	4,106,000			
Government co-financing (note 6)	-	119,273	(5,887)	113,386			
Other	-	44,292	-	44,292			
Total	491,583	3,777,982	(5,887)	4,263,678			
Loss from exchange rate differences	(185)	(392,230)	(496)	(392,911)			
Less: Uses of funds							
(1) Goods, Consultants' Services, Trainings, Operating Costs	34,099	3,829,192	-	3,863,291	3,980,015	(116,724)	4,106,000
Total	34,099	3,829,192	-	3,863,291	3,980,015	(116,724)	4,106,000
Net increase/(decrease) in working capital (note 7)	457,299	(443,440)	(6,383)	7,476			

This statement is to be read in conjunction with the notes to and forming part of the Project financial statements set out on pages 13 to 17.

Statement of uses of funds by Project activities

In Euro	Actual				Budget	Variance	
	For the period from 30 October 2020 to 21 December 2021	Year ended 31 December 2022	For the period from 1 January 2023 to 27 February 2023	As of 27 February 2023	For the period from 30 October 2020 to 27 February 2023	For the period from 30 October 2020 to 27 February 2023	Life of Project
Component 1. Increasing capacity of the NCEDI to better regulate policies affecting the professional development of teachers	-	204,502	-	204,502	204,502	-	400,000
Component 2. Improving the STEM learning environment in selected regions through acquisition of hardware and equipment	-	3,575,313	-	3,575,313	3,677,202	(101,889)	3,590,000
Component 3. Project Management	34,099	49,377	-	83,476	98,311	(14,835)	116,000
Total	34,099	3,829,192	-	3,863,291	3,980,015	(116,724)	4,106,000

This statement is to be read in conjunction with the notes to and forming part of the Project financial statements set out on pages 13 to 17.

SOE withdrawal schedule

For the period from 30 October 2020 to 27 February 2023

IBRD Grant Agreement No.TF0B2692

In Euro

Category	
Application No.	1. Goods, Consultants' Services, Trainings, Operating Costs
TF-2	14,008
TF-3	11,160
TF-4	216,416
TF-5	91,134
TF-6	221,920
TF-9	237,845
TF-11	142,551
TF-13	245,495
TF-14	16,634
TF-17	145,919
TF-18	238,431
TF-19	104,685
Total	1,686,198

This statement is to be read in conjunction with the notes to and forming part of the Project financial statements set out on pages 13 to 17.

Designated account statement

As of 31 December 2021 and for the period from 30 October 2020 to 31 December 2021

IBRD Grant Agreement No. TF0B2692

In Euro

Balance as of 30 October 2020		-	
Add:			
Cumulative unexplained discrepancy		-	
Loan replenishment during the period *	491,463		
	<u>491,463</u>		<u>491,463</u>
Less:			
Refund to the World Bank from the designated account during the period			-
Present outstanding amount advanced to the designated account (1)			<u>491,463</u>
Balance as of 31 December 2021			245,750
Add:			
Amount of eligible expenditures paid during the period	245,713		
Service charges (if applicable)		-	
	<u>245,713</u>		<u>245,713</u>
Less:			
Interest earned (if credited into the designated account)			-
Total advance accounted for (2)			<u>491,463</u>
Discrepancy (1) – (2) to be explained			-

* During the reporting period the Foundation has received Euro 491,463 grant replenishment from the World Bank, of which Euro 120 were charged by the intermediate bank for transfer services.

This statement is to be read in conjunction with the notes to and forming part of the Project financial statements set out on pages 13 to 17.

Designated account statement

As of and for the year ended 31 December 2022

IBRD Grant Agreement No. TF0B2692

In Euro

Balance as of 1 January 2022		245,750
Add:		
Cumulative unexplained discrepancy	-	
Loan replenishment during the year*	1,194,127	
	<u>1,194,127</u>	<u>1,194,127</u>
Less:		
Refund to the World Bank from the designated account during the period		-
Present outstanding amount advanced to the designated account (1)		<u>1,439,877</u>
Balance as of 31 December 2022		99,884
Add:		
Amount of eligible expenditures paid during the period	1,339,993	
Service charges (if applicable)	-	
	<u>1,339,993</u>	<u>1,339,993</u>
Less:		
Interest earned (if credited into the designated account)		-
Total advance accounted for (2)		<u>1,439,877</u>
Discrepancy (1) – (2) to be explained		-

* During the reporting year the Foundation has received Euro 1,194,127 grant replenishment from the World Bank, of which Euro 487 were charged by the intermediate bank for transfer services.

This statement is to be read in conjunction with the notes to and forming part of the Project financial statements set out on pages 13 to 17.

Designated account statement

As of 27 February 2023 and for the period from 1 January 2023 to 27 February 2023

IBRD Grant Agreement No. TF0B2692

In Euro

Balance as of 1 January 2023		99,884
Add:		
Cumulative unexplained discrepancy	-	
Loan replenishment during the period	-	
	-	-
Less:		
Refund to the World Bank from the designated account during the period		-
Present outstanding amount advanced to the designated account (1)		99,884
Balance as of 27 February 2023		-
Add:		
Amount of eligible expenditures paid during the period	92,496	
Transfer to escrow account*	7,388	
	99,884	99,884
Less:		
Interest earned (if credited into the designated account)		-
Total advance accounted for (2)		99,884
Discrepancy (1) – (2) to be explained		-

* Euro 7,388 (AMD 3,082 thousand) was transferred to the escrow account for audit fee payment.

This statement is to be read in conjunction with the notes to and forming part of the Project financial statements set out on pages 13 to 17.

Notes to the Project financial statements

1 Activity

The State Agency "Center for Education Projects" Project Implementation Unit" of the Ministry of Education and Science of the Republic of Armenia (the "PIU") has been established in January 19, 2000, in accordance with the decree N11-M of the Minister of Education and Science of the Republic of Armenia ("RA") dated January 19, 2000. The PIU implements the EU4Innovation Project (EU4I) (the "Project"), which is financed under the Grant Agreement No. TF0B2692 signed between the International Bank for Reconstruction and Development (the "IBRD") and the Government of the Republic of Armenia on 22 September 2020.

The budget of the Project is as follows:

Grant Agreement No. TF0B2692

	In Euro
IBRD	2,662,985
Total	2,662,985

On 19 May 2022 an additional amendment has entered into force between the International Bank for Reconstruction and Development (the "IBRD") and the Government of the Republic of Armenia, providing additional financing for the Project. The budget of the Project is as follows:

	In Euro
IBRD	4,106,000
Total	4,106,000

The Grant Project Development Objectives of EU4 Innovation are to provide advisory services and technical assistance to raise the capacity of NCEDI to develop and manage continuous professional development for teachers, including the acquisition of the hardware and equipment necessary for the roll-out of the STEM pilot.

The Grant Project consists of the following components:

Component 1- Increasing capacity of the NCEDI to better regulate policies affecting the professional development of teachers

Component 2- Acquisition of hardware and equipment for the roll out the regional pilot on new approaches to STEM teaching and learning

Component 3- Project Management

In accordance with the Grant Agreement No. TF0B2692 dated 22 September 2020, the financing of the Project is implemented through the following categories:

Category	Percentage of expenditures to be financed (inclusive of taxes)	Amount of the Loan allocated (in Euro)
1. Goods, Consultants' Services, Trainings, Operating Costs	100%	4,106,000
		4,106,000

The legal address of the PIU is S. Vratsyan 73, Yerevan, Armenia.

During the reporting period the average number of the staff involved in the Project was 6.

2 Significant accounting policies

2.1 Basis of preparation

The Project financial statements have been prepared in accordance with the accrual basis of accounting, as well as the World Bank guidelines and the relevant points of the Grant Agreement No. TF0B2692. Significant accounting policies are disclosed below.

2.2 Functional and presentation currency

The national currency of the Republic of Armenia is the Armenian dram ("dram"). These Project financial statements are presented in Euro (presentation currency).

In preparing the Project financial statements, transactions in currencies other than Euro are recorded at the rates of exchange announced by the Central Bank of Armenia prevailing on the previous dates of the transactions. For direct payments denominated in Armenian drams to the contractor/consultant from the World Bank share, the exchange rates set out for the presentation of the operation in the system client connection (<https://clientconnection.worldbank.org>) are used. At each reporting date, bank balances, advances and payables denominated in foreign currencies are retranslated at the rate announced by the Central Bank of Armenia prevailing on that date, which is 542.61 Armenian drams for 1 Euro as of 31 December 2021, 420.06 Armenian drams for 1 Euro as of 31 December 2022 and 411.12 Armenian drams for 1 Euro as of 27 February 2023. Any exchange rate differences are recognized in the statement of the Project sources and uses of funds and the accumulated figure of exchange rate difference is disclosed in the statement of financial position under "Exchange rate differences".

2.3 Project financing

The financing received in the framework of the Grant Agreement No. TF0B2692 is recorded in the statement of financial position as "World Bank financing", "Government co-financing" and is recognized at each replenishment. In addition, the current period funds received are disclosed in the statement of Project sources and uses of funds, showing the sources of funds.

The World Bank financing

To finance eligible expenditures for the Grant Agreement No. TF0B2692, the World Bank disburses proceeds from the Project account using one or more of the disbursement methods, which are stated below:

a) Reimbursement

The Bank may reimburse the borrower to finance eligible expenditures that the borrower has pre-financed from its own resources.

b) Advance

The Bank may advance loan proceeds into a designated account of the borrower 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 borrower'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 borrower's request and on terms and conditions agreed between the Bank and the borrower.

Government co-financing

The amounts of the Government co-financing are recognized as such and included in the Project financial statements when the funds are transmitted to the Project current account (the "Government co-financing account"), which is opened in the State Treasury of the Republic of Armenia.

2.4 Project expenses

The Project expenses are recognized on the accrual basis of accounting. The accumulated Project expenses are disclosed in the statement of financial position. In addition, current period expenses are disclosed in the statement of Project sources and uses of funds and the statement of uses of funds by Project activities.

2.5 Advances

Advances are stated at nominal value.

2.6 Accounts payable

Payables comprise the amounts to be paid and are stated at nominal value.

3 Closing date of the Project

According to the Grant Agreement No. TF0B2692, the Project closing date was defined as 31 December 2022.

4 Bank balances

In Euro	As of 31 December 2021	As of 31 December 2022	As of 27 February 2023
Designated account	245,750	99,884	-
Escrow account	-	-	7,476
	<u>245,750</u>	<u>99,884</u>	<u>7,476</u>

5 World Bank financing

In Euro	For the period from 30 October 2020 to 31 December 2021	For the year ended 31 December 2022	For the period from 1 January 2023 to 27 February 2023	As of 27 February 2023
SOE procedures	241,583	1,339,930	104,685	1,686,198
Direct payment	-	2,419,802	-	2,419,802
Designated account advance/(redemption)	250,000	(145,315)	(104,685)	-
	<u>491,583</u>	<u>3,614,417</u>	<u>-</u>	<u>4,106,000</u>

6 Government co-financing

According to the RA Government's Decision No. 2023-Ն dated 22 December 2022, drams 57,000 thousand was transferred to the Project budget from another project of the Ministry of Education, Science, Culture and Sport of the Republic of Armenia named as "General education program", which was used to repay the balances of accounts payable.

In Euro

	For the period from 30 October 2020 to 31 December 2021	For the year ended 31 December 2022	For the period from 1 January 2023 to 27 February 2023	As of 27 February 2023
Government co- financing	-	119,273	(5,887)	113,386
	-	119,273	(5,887)	113,386

7 Net increase in working capital

In Euro

	For the period from 30 October 2020 to 31 December 2021	For the year ended 31 December 2022	For the period from 1 January 2023 to 27 February 2023	As of 27 February 2023
Increase/(decrease) in bank balances	245,750	(145,866)	(92,408)	7,476
Increase/(decrease) in accounts payable	-	(86,025)	86,025	-
Increase/(decrease) in advances	211,549	(211,549)	-	-
	457,299	(443,440)	(6,383)	7,476

8 Reconciliation between the amounts received by the Foundation and disbursed by the World Bank

For the year period from 30 October 2020 to 27 February 2023

In Euro

Category	Appl.	PIU	WB	Difference
1. Goods, Consultants' Services, Trainings, Operating Costs				
	TF-2	14,008	14,008	-
	TF-3	11,160	11,160	-
	TF-4	216,416	216,416	-
	TF-5	91,134	91,134	-
	TF-6	221,920	221,920	-
	TF-7-DP1	82,145	82,145	-
	TF-8-DP2	934,577	934,577	-
	TF-9	237,845	237,845	-
	TF-10-DP3	178,921	178,921	-
	TF-11	142,551	142,551	-
	TF-12-DP4	270,061	270,061	-
	TF-13	245,495	245,495	-
	TF-14	16,634	16,634	-
	TF-15-DP5	742,920	742,920	-
	TF-16-DP6	211,178	211,178	-
	TF-17	145,919	145,919	-
	TF-18	238,431	238,431	-
	TF-19	104,685	104,685	-
		<u>4,106,000</u>	<u>4,106,000</u>	<u>-</u>
Designated account advance redemption				
	TF-1	250,000	250,000	-
	TF-13	(233,247)	(233,247)	-
	TF-14	233,247	233,247	-
	TF-18	(145,315)	(145,315)	-
	TF-19	(104,685)	(104,685)	-
		<u>-</u>	<u>-</u>	<u>-</u>
Total		<u>4,106,000</u>	<u>4,106,000</u>	<u>-</u>

9 Legal commitments

There is one lawsuit against the "Center for Education Projects" PIU as of the reporting date. "Excelor Holding Group" EAD in the scope of the EU4 ICB - 1.1_Lot 4 "Procurement of Chemistry-Biology Laboratory Accessories for Schools of Armenia in Tavush" tender applied to the Permanent Court of Arbitration on 9 November 2022. The issue between the parties concerns the customs clearance taxes paid for non-accepted 12 items which is AMD 3,229,133 equivalent to EUR 6,355.79, which was reduced from the payable amount.

As of the reporting date the Permanent Court of Arbitration has not made any decision yet.

The issue arose during the implementation of the Project, however, due to the termination of the Project, the consequences will not have any effect on the Project financial statements.