

# COMMUNITY ENGAGEMENT AND SOCIAL ACCOUNTABILITY PROJECT

CASA-1000 MDTF GRANT NO. TFOA7727

IMPLEMENTED BY  
THE BRANCH OF AGA KHAN FOUNDATION  
IN THE KYRGYZ REPUBLIC

SPECIAL PURPOSE FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

For the period from March 15 to December 31, 2019

BISHKEK  
June 2020

# COMMUNITY ENGAGEMENT AND SOCIAL ACCOUNTABILITY PROJECT

CASA-1000 MDTF GRANT NO. TFOA7727

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## **STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND PRESENTATION OF THE SPECIAL PURPOSE FINANCIAL STATEMENTS**

The management of the Branch of Aga Khan Foundation in the Kyrgyz Republic ("AKF-KG") is responsible for the preparation of the special purpose financial statements of "Community Engagement and Social Accountability Project" ("the Project") financed by Letter Agreement CASA-1000 MDTF Grant No. TF0A7727 that present fairly the Project's cash receipts and payments, and expenditures per components for the period from March 15 to December 31, 2019, in compliance 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 the Financial Management Manual for World Bank Financed Investment Operations (WB Guidelines).

In preparing the special purpose financial statements, AKF-KG's management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional required disclosures for the period from Mar 15 to Dec 31, 2019.

AKF-KG's Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Project;
- Maintaining adequate accounting records that are sufficient to show and explain the Project's transactions, and which enable them to ensure that the special purpose financial statements of the Project comply with *IPSAS - Cash Basis* and the *WB Guidelines*;
- Taking such steps that are reasonably available to them to safeguard the assets of the Project and to affirm that funds received have been used in accordance with the Letter Agreement CASA-1000 MDTF Grant No. TF0A7727 dated 14 June 2018, and World Bank related guidelines, with due attention to economy and efficiency, and only for the purposes for which the financing was provided; and
- Preventing and detecting fraud and other errors.

The special purpose financial statements for the period from Mar 15 to Dec 31, 2019 were authorized for issue on 29 June 2020 by the AKF-KG's Management.

On behalf of the AKF-KG's Management:

  
\_\_\_\_\_  
Jamil Uddin  
Chief Executive Officer of AKF-KG

  
\_\_\_\_\_  
Sergei Kabanov  
Financial Manager of AKF-KG



## INDEPENDENT AUDITOR'S REPORT

To the management of the Branch of Aga Khan Foundation in the Kyrgyz Republic

### **Opinion**

We have audited the special purpose financial statements of "Community Engagement and Social Accountability Project" ("Project") financed by Letter Agreement CASA-1000 MDTF Grant No. TF0A7727 dated 14 June 2018 ("Letter Agreement"), and implemented by the Branch of Aga Khan Foundation in the Kyrgyz Republic ("AKF-KG") which comprise the statement of cash receipts and payments, and the statement of expenditures per components for the period from March 15 to December 31, 2019, and notes to the special purpose financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respect, the cash flows for the period from March 15 to December 31, 2019 in accordance with International Public Sector Accounting Standard: *Financial Reporting Under the Cash Basis of Accounting*, (IPSAS-Cash Basis).

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) as issued by International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). 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 Project and of the AKF-KG in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled out other ethical requirements in accordance with IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Emphasis of Matter- Cash Basis of Accounting**

We draw attention to Note 2 to the financial statements, which describes that financial statements are prepared in accordance with cash basis framework, as a result, they may not be suitable for another purposes. Our opinion is not modified in respect of this matter.

### **Emphasis of Matter-Project implementation**

We draw your attention to Note 7 of these special purpose financial statements disclosing delays of the project implementation.

### **Emphasis of Matter - Subsequent events**

Without qualifying our opinion, we draw attention to Note 9.1 to the financial statements, which describes possible effect of the impact of COVID-19 after the reporting date.

### **Responsibilities of the Management for the Financial Statements**

Management of the AKF-KG is responsible for the preparation and fair presentation of the special purpose financial statements in accordance with IPSAS-Cash Basis issued by the International Public Sector Accounting Standards Board (IPSASB) of the 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 misstatement, whether due to fraud or error.



### ***Auditor's Responsibility for the Audit of the Special Purpose Financial Statements***

Our objectives are to obtain reasonable assurance about whether the special purpose 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 high level of assurance, but is not a guaranty that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements arise from fraud and 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 special purpose financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the special purpose 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

We communicate with management 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 Legal Requirements***

To comply with the terms of the Letter Agreement, the AKF-KG management shall insure that:

1. funds have been used in accordance with the conditions of the Letter Agreement concluded between the International Development Association (IDA) and the Kyrgyz Republic, and World Bank related guidelines, with due attention to economy and efficiency, and only for the purposes for which the financing was provided;
2. supporting documents, records and accounts have been maintained to support claims for reimbursement of expenditures incurred. Expenditures included in the withdrawal applications and reimbursed against are eligible for financing under the Letter Agreement. Interim Unaudited Financial Statements (IFSs) issued by AKF-KG during the reporting period are in agreement with the underlying books of account;
3. The Designated account used has been maintained in accordance with the provision of the Letter Agreement, and World Bank related guidelines.
4. Goods and Services financed have been procured in accordance with the Letter Agreement and World Bank related guidelines.

In our opinion, the AKF-KG management has complied with the above requirements for the period from March 15 to December 31, 2019.

"BDO Armenia" CJSC  
29 June 2020

Gnel Khachatryan, FCCA  
Engagement Partner



**Community Engagement and Social Accountability Project**  
**CASA-1000 MDTF Grant No. TF0A7727**

**Statement of cash receipts and payments**

For the period from 15 March to 31 December 2019

(Amounts are shown in US dollars)

	Note	Actual		Budget		Variance	
		Mar 15 - Dec 31, 2019	Cumulative as at 31 Dec 2019	Mar 15 - Dec 31, 2019	Cumulative as at 31 Dec 2019	Mar 15 - Dec 31, 2019	Cumulative as at 31 Dec 2019
TOTAL OPENING CASH		-	-				
Sources of Funds	8						
CASA-1000 MDTF Grant No. TF0A7727		100,000	100,000				
TOTAL FUNDS		100,000	100,000				
Project Expenditures	7						
(1) Goods, non-consulting services, consulting services, training and workshops, and incremental operating costs		58,210	58,210	58,210	58,210	-	-
TOTAL PROJECT EXPENDITURES		58,210	58,210	58,210	58,210	-	-
Foregin currency gain/(loss)		25	25				
TOTAL CLOSING CASH	6	41,815	41,815				

Jamil Uddin  
Chief Executive Officer of AKF-KG

Sergei Kabanov  
Financial Manager of AKF-KG

29 June 2020

The notes on pages 8-14 form an integral part of these special purpose financial statements.



**Community Engagement and Social Accountability Project**  
**CASA-1000 MDTF Grant No. TF0A7727**

**Statement of expenditures per components**

For the period from 15 March to 31 December 2019

(Amounts are shown in US dollars)

Components	Actual		Planned		Variance	
	Mar 15 - Dec 31, 2019	Cumulative as at 31 Dec 2019	Mar 15 - Dec 31, 2019	Cumulative as at 31 Dec 2019	Mar 15 - Dec 31, 2019	Cumulative as at 31 Dec 2019
Part 1. Community mobilization and capacity building	6,492	6,492	6,492	6,492	-	-
Part 2. Youth engagement in awareness building and social accountability	107	107	107	107	-	-
C. Project management, monitoring and evaluation, and communication	51,611	51,611	51,611	51,611	-	-
<b>TOTAL</b>	<b>58,210</b>	<b>58,210</b>	<b>58,210</b>	<b>58,210</b>	<b>-</b>	<b>-</b>

  
 Jamil Uddin  
 Chief Executive Officer of AKF-KG

  
 Sergei Kabanov  
 Financial Manager of AKF-KG

29 June 2020

The notes on pages 8-14 form an integral part of these special purpose financial statements.

**Community Engagement and Social Accountability Project**  
**CASA-1000 MDTF Grant No. TF0A7727**

**Notes to the special purpose financial statements**

For the period from 15 March to 31 December 2019

*(Amounts are shown in US dollars)*

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**1. General information**

**1.1. The Project**

The Letter Agreement was concluded on 14 June 2018 between the Kyrgyz Republic and the International Development Association ("IDA", "IBRD" or "WB"), according to which IDA acting as administrator of grant funds provided by the Central Asia South Asia Transmission Project Multi-Donor Trust Fund ("CASA-1000 MDTF"), provided grant to the Kyrgyz Republic: CASA-1000 MDTF Grant No. TF0A7727 in the amount of 1,000,000 United States Dollars (USD).

The financing was provided for the implementation of «Community Engagement and Social Accountability Project» (the Project).

The Project became effective on 15 March 2019.

The Closing date of financing under CASA-1000 MDTF Grant No. TF0A7727 is 30 June 2020.

The Grace Period for submitting withdrawal application for expenditures incurred before the Closing date is four months following the Closing dates: 31 October 2020.

**1.2. The Project objectives**

The objective of the Project is to support youth engagement and social accountability for better services and infrastructure in selected areas of the Kyrgyz Republic.

The Project consists of the following parts:

Part 1: Community Mobilization and Capacity Building

Part 2. Youth Engagement in Awareness Building and Social Accountability

Part 3. Project Management, Monitoring and Evaluation, and Communication

**1.3. The Project Budget and Financing**

The Project is wholly financed by CASA-1000 MDTF Grant No. TF0A7727.

Category	CASA-1000 MDTF Grant No. TF0A7727	Total	IDA Credit/Grant Expenditure Financing (inclusive of taxes)
	USD	USD	
(1) Goods, non-consulting services, consulting services, training and workshops, and incremental operating costs	1,000,000	1,000,000	100%
<b>Total</b>	<b>1,000,000</b>	<b>1,000,000</b>	

**1.4. Project Implementation**

The Project is implemented by the Branch of Aga Khan Foundation in the Kyrgyz Republic ("AKF-KG").

The AKF-KG address is: 124/1 Turusbekova street, Bishkek, the Kyrgyz Republic, 720033.



**Notes to the special purpose financial statements**

For the period from 15 March to 31 December 2019

*(Amounts are shown in US dollars)*

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**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 dollars (USD). The expenditures made in local currency, Kyrgyz Som (KGS), are translated into USD based at the exchange rate prevailing at the date of the transaction.

The exchange rate defined by the operating bank is as follows:

31 December 2019: USD 1 = 69.25 KGS.

***2.4. Taxes***

The taxes are paid in accordance with the tax regulation of the Kyrgyz Republic.

***2.5. Budget***

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

**Community Engagement and Social Accountability Project**  
**CASA-1000 MDTF Grant No. TFOA7727**

**Notes to the special purpose financial statements**

For the period from 15 March to 31 December 2019

*(Amounts are shown in US dollars)*

**3. Summary of Summary Reports and SOEs**

There was no SOE or Summary reports application submitted during reporting period.

**4. Statement of Designated Accounts**

Letter Agreement	JSDG Grant No. TFOA5035
Bank account number	1280016053671224
Bank	CJSC "Kyrgyz Investment and Credit Bank"
Bank location	21 Erkendik avenue, Bishkek, Kyrgyz Republic
Account currency	USD

	CASA-1000 MDTF Grant No. TFOA7727
1. Opening balance as at 15 March 2019	-
2. Add: opening discrepancy	-
3. IDA advance/replenishment	100,000
4. Less: Refund to IDA from DA	-
5. Present outstanding amount advanced to DA	<u>100,000</u>
6. DA closing balance as at 31 December 2019	40,728
7. Add: Amount of eligible expenditures paid	58,210
8. Less: interest earned (if credited to DA)	-
9. Total advance accounted for	<u>98,938</u>
10. Closing discrepancy (5)-(9)*	1,062

(\*) The discrepancy is due to:

	31 Dec 2019 USD
Balance at Transit account (Note 6)	<u>1,087</u>
Foreign currency (gain)/loss	<u>(25)</u>
Total	<u>1,062</u>

**Community Engagement and Social Accountability Project**  
**CASA-1000 MDTF Grant No. TF0A7727**

**Notes to the special purpose financial statements**

For the period from 15 March to 31 December 2019

(Amounts are shown in US dollars)

**5. Statement of Financial Position**

The Statement of Financial Position discloses assets, liabilities and net assets of the Projects 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 Dec 2019 USD
<b>ASSETS</b>		
Cash	6	41,815
Prepayments		-
<b>Total assets</b>		<b>41,815</b>
<b>LIABILITIES</b>		
Payables		132
<b>Total liabilities</b>		<b>132</b>
<b>NET ASSETS</b>		
Cumulative income	8	
CASA-1000 MDTF Grant No. TF0A7727		100,000
		<b>100,000</b>
Cumulative expenses		
Project expenses	7	58,343
		<b>58,343</b>
Foreign exchange gain/(loss)		25
<b>Total net assets</b>		<b>41,683</b>

**6. Cash**

	Underlying Currency	31 Dec 2019 USD
<b>CASA-1000 MDTF Grant No. TF0A7727</b>		
Designated Account	USD	40,728
Transit account	KGS	1,087
		<b>41,815</b>

(a) AKF bank accounts are held at CJSC "Kyrgyz Investment and Credit Bank".



**Notes to the special purpose financial statements**

For the period from 15 March to 31 December 2019

(Amounts are shown in US dollars)

**7. Project Expenditures Budget Execution**

	Cumulative Expenditures as at 31 Dec 2019	Total budget	Execution (a)
Category	USD	USD	%
(1) Goods, non-consulting services, consulting services, training and workshops, and incremental operating costs	58,210	1,000,000	6%
<i>Goods</i>	-	10,110	-
<i>Non-consulting services</i>	-	-	-
<i>Consulting services</i>	44,148	433,000	10%
<i>Training and Workshops</i>	82	158,590	0.1%
<i>Incremental operating Costs</i>	13,980	398,300	4%
<b>Total</b>	<b>58,210</b>	<b>1,000,000</b>	<b>6%</b>

(a) The Project became effective on 15 March 2019 and Closing date is set on 30 June 2020 (Note 1.1.).

As at 31 Dec 2019 only 6% of the Project expenditures are completed. The main reasons for slow progress of the implementations were: (i) technical issues and delays with recruitment of the Project Coordinator, who commenced work from Dec 2019; (ii) recruitment of Field Facilitators in Jan 2020; (iii) partnership contract with ARIS was concluded in Sep 2019; (iv) Training plan was prepared in Sept 2019, however its implementation is delayed for various issues, including COVID-19 situation in Spring 2020 (Note 9.1)

On 9 June, AKF-KG submitted request to WB to extend the Closing date till 31 March 2022.

**8. Financing**

	Reporting year USD	Cumulative as at 31 Dec 2019 USD
Advance	100,000	100,000
<b>Total</b>	<b>100,000</b>	<b>100,000</b>
Total financing budget		1,000,000
Percentage of finance provided as at 31 Dec 2019		10%

**Notes to the special purpose financial statements**

For the period from 15 March to 31 December 2019

*(Amounts are shown in US dollars)*

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**9. Events after reporting date**

**9.1. Outbreak of COVID-19**

Breakout of new coronavirus (COVID-19) in the world also affected the Kyrgyz Republic. The Government of Kyrgyz Republic declared state of the Emergency from March 25 to May 21, 2020 throughout country to reduce infections and strengthen management of the disease.

Social mobilization in villages will be conducted through an online platform. Due to the pandemic there is a risk of incomplete identification of youth leaders, community reporters and young accountants, who are playing the key role within the project.

If the pandemic will not slow down, the process of social accountability strengthening may also become weakened since this process requires public participation and organization of meetings where the majority of community members should participate (such as social audits and forum theaters).

At this stage the Project does not have any negative outcome due to limitations on accesses to the project offices and sites. However, given the unpredictability of events, Project management does not consider it possible to estimate the financial impact of the above event on the reports.

**9.2. SOE applications**

The application N 2 including expenditures relating to the reporting period in the amount of 58,210 USD was submitted to WB on 13 March 2020 and approved on 17 March 2020.

**10. Litigations**

There are no pending litigations related to the Project as at reporting date and as at approval date of these special purpose financial statements.

**Community Engagement and Social Accountability Project**  
**CASA-1000 MDTF Grant No. TF0A7727**

**ANNEX 1. RECONCILIATION BETWEEN THE AMOUNTS SUBMITTED BY THE AKF-KG AND  
DISBURSED BY THE WORLD BANK**

For the period from 15 March to 31 December 2019

*(Amounts are shown in US dollars)*

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Expenditure Category	Appl.	AKF-KG	WB	Difference
Advance	1	100,000.00	100,000.00	-
		100,000.00	100,000.00	
Total		100,000.00	100,000.00	