

## INDEPENDENT AUDITOR'S REPORT

*To the Ministry of Finance of Ukraine*

*To the International Bank for Reconstruction and Development*

### *Opinion*

Under the Contract # MF-DS-3/13010-05/129 dated 24.06.2020 we, the independent audit firm LLC "Audit company "UHY PROSTIR LTD", have audited the financial statements of the Ministry of Finance of Ukraine (MOF) on Part B "Support to PFM Strategy Implementation" of Strengthening Public Resource Management Project (the Project) for the period from January 01, 2019 till December 31, 2019 (the financial statements), prepared in accordance with Letter Agreement # TF0A5324 between the International Bank for Reconstruction and Development (IBRD), acting as administrator of the grant funds provided by the European Commission on behalf of the European Union under the EC - World Bank Partnership Program for Europe and Central Asia Programmatic Single-Donor Trust Fund (EU Programme for the Reform of Public Administration and Finances (EUROPAF), and the Ministry of Economic Development and Trade of Ukraine (MEDT), signed by IBRD on June 26, 2017 and countersigned by MEDT on June 30, 2017 (the Agreement).

In our opinion, the attached financial statements for the period from January 01, 2019 till December 31, 2019 are prepared, in all material respects, in accordance with the requirements of the Agreement and IBRD.

### *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 Financial Statements* section of our report. We are independent of MOF in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ukraine, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### *Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Use*

We draw attention to the note # 2 «Basis for preparation and submission» to the financial statements which states that the attached financial statements have been

prepared on a «cash basis» - receipts were registered as they are made on bank accounts; expenses are registered at the date of drawing from accounts.

These financial statements were prepared in order to meet MOF' obligations under the Agreement. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for MOF and IBRD and should not be distributed to parties other than MOF or IBRD.

Our opinion is not modified in respect of these matters.

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

Management is responsible for the preparation of the financial statements in accordance with requirements of the Agreement and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing MOF' ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the MOF or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing MOF' financial reporting process.

*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the 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 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 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 MOF' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on MOF' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause MOF to cease to continue as a going concern.

We communicate with those charged with governance 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.

Director of  
LLC "Audit company "UHY Prostir Ltd"



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06.07.2020  
Register number 104

**Part B “Support to PFM Strategy Implementation” of Strengthening  
Public Resource Management Project**

**Summary of Funds Received  
TF0A5324  
for the Period from 01.01.2019 to 31.12.2019  
in EUR**

	for the Period	
<b>Opening cash balance</b>		
DA (EUR)	<b>6 053,26</b>	
TA (UAH)	<b>284,28</b>	
<b>Total opening cash balance</b>		<b>6 337,54</b>
<b>Sources of funds</b>		
International Bank for Reconstruction and Development	347 244,07	
<b>Total sources of funds</b>		<b>347 244,07</b>
<b>Less: Uses of funds by</b>		
Category: Goods, Works, Consulting services, Training, and Operating Cost under Part B of the Project	315 286,84	
<b>Total funds used</b>		<b>315 286,84</b>
<b>Closing cash balance</b>		
DA (EUR)	<b>38 130,00</b>	
TA (UAH)	<b>164,77</b>	
<b>Total closing cash balance</b>		<b>38 294,77</b>

**Part B “Support to PFM Strategy Implementation” of Strengthening Public  
Resource Management Project  
Summary of Expenditures  
TF0A5324  
for the Period from 01.01.2019 to 31.12.2019  
in EUR**

Project Component/Sub-borrower	Status	Period
<b>Category: Goods, Works, Consulting services, Training, and Operating Cost under Part B of the Project</b>		
<i>Consulting services for Change Management – Private entrepreneur Alina Chernomaz</i>	Closed	22 575,07
<i>Consulting services of Procurement Specialist – Private entrepreneur Nataliia Khimich</i>	Closed	7 288,86
<i>Consulting services for ICT Audit - Deloitte &amp; Touche, LLC, Ukraine</i>	Closed	114 714,07
<i>Workstations - Business Continuity Solutions LLC</i>	Closed	167 876,89
<i>Bank charges for currency exchange at DA</i>		200,46
<i>Audit of project financial reports - "Audit company "UHY Prostir Ltd"</i>	Closed	2 631,49
<b>Total Category</b>		315 286,84
Including payments from DA		200,46
Including payments from TA		200 372,31
Including Direct Payments&LC		114 714,07
<b>Total Project Expenditures</b>		<b>315 286,84</b>

**Part B “Support to PFM Strategy Implementation” of Strengthening Public Resource Management Project**

**Summary of Statements of Expenditures**

**TF0A5324**

**for the Period from 01.01.2019 to 31.12.2019**

**in EUR**

<b>No.</b>	<b>Ref. number</b>	<b>Date</b>	<b>Amount, UAH</b>	<b>Equivalent in EUR</b>
1	7-MF	13.05.2019	475 626,09	15 684,38
2	8-MF	10.10.2019	3 189 051,26	114 714,07
3	9-MF	01.11.2019	4 207 831,32	150 653,16
4	10-MF	31.01.2020	912 389,95	34 235,23
<b>TOTAL</b>			<b>8 784 898,62</b>	<b>315 286,84</b>

**Part B “Support to PFM Strategy Implementation” of Strengthening Public Resource Management Project**

**Statement for Designated Accounts**

**TF0A5324**

**for the Period from 01.01.2019 to 31.12.2019**

**in EUR**

		<b>Period</b>
<b>1 Opening designated accounts balance at 01.01.2019</b>		<b>6 337,54</b>
DA (EUR)	6 053,26	
TA (UAH)	284,28	
<i>2 Add: cumulative unexplained difference</i>	<i>0,00</i>	
<b>3 IBRD advance payment during the period</b>		<b>232 530,00</b>
DA (EUR)	232 530,00	
TA (UAH)	0,00	
<i>4 Deduct: Refund to IBRD from DAs during the period</i>	<i>0,00</i>	
<b>Amount of eligible expenditures during the reporting period</b>		<b>200 572,77</b>
<b>5</b>		
DA (EUR)	200,46	
TA (UAH)	200 372,31	
<b>6 Closing designated accounts cash balance</b>		<b>38 294,77</b>
DA (EUR)	38 130,00	
TA (UAH)	164,77	
<b>7 Difference (1+2+3-4-5-6) to be explained</b>		<b>0,00</b>
Explanation of difference:		

**Notes regarding Financial Statements  
of the Ministry of Finance of Ukraine  
prepared within the Framework of Part B “Support to PFM Strategy Implementation” of Strengthening  
Public Resource Management Project (Letter Agreement # TF0A5324)  
for the Period from 01.01.2019 to 31.12.2019**

## **1. Background**

The Ministry of Finance of Ukraine is an executive body that ensures performing state functions on the basis of balanced budget policy, creating conditions for stable development of economy through management of state finance on the principles of balance, efficiency, impartiality, integrity, stability and transparency.

Ukraine has received financial assistance from the International Bank for Reconstruction and Development (the Donor), acting as administrator of the grant funds provided by the European Commission on behalf of the European Union under the EC - World Bank Partnership Program for Europe and Central Asia Programmatic Single-Donor Trust Fund (EU Programme for the Reform of Public Administration and Finances (EUroPAF), in an amount of EUR 3,030,661 (“Grant”) toward the cost of Strengthening Public Resource Management Project. The Project consists of two parts: Part A “Strengthening Human Resource Management in Public Administration Institutions” and Part B “Support to PFM Strategy Implementation”.

Part B “Support to PFM Strategy Implementation” (“Project”), implemented by the Ministry of Finance of Ukraine (MOF) and totaling EUR 1,110,618, is aimed at supporting the MF in implementing 2017-2020 PFM Strategy approved by the Cabinet of Ministers of Ukraine’s Resolution #142-p dated February 8, 2017. Implementation of PFM Strategy, prepared with support from the European Union (EU) and other development partners, shall result in modern and efficient PFM system.

The Project will: (i) support the implementation of the Public Financial Management Reform Strategy for 2017-2020 and identify future investments in Information and Communication Technology (ICT) for Public Financial Management, through carrying out an ICT audit, including: (a) an inventory of all ICT applications, hardware and infrastructure; (b) an assessment of the ICT systems' maintenance and service arrangements; (c) an assessment of alignment of ICT capability with current and planned business requirements; and (d) an assessment of data integrity and data protection arrangements; (ii) support to carry out: (a) an analysis of current IT solution for budget planning from functional and information technology aspects and recommendations on improvements; and (b) develop functional requirements for upgrading the current or developing a new budget planning module with web access for budget executing entities that would enable automated consolidation of budget submission and support medium-term budgeting; (iii) support to upgrading current ICT equipment for business continuity at MOF; iv) strengthening ICT systems' capabilities to ensure timely information exchange needed for cash management and forecasting, provided that MOF has determined information flow requirements in collaboration with the United States Treasury technical assistance team.

Total Project Budget in 2019 is EUR 232 530,00. In addition to this, in the reporting period the Donor also made a direct payment to supplier in the equivalent of 114 714,07 EUR.

The financial statements under Letter Agreement No. TF0A5324 cover the period from 01.01.2019 to 31.12.2019.

## **2. Basis for preparation and submission**

The financial statements have been prepared by the MOF in order to meet requirements of Letter Agreement No. TF0A5324 and in accordance with the requirements of Operating Manual on grant management dated 28.08.2017, in accordance with which these financial statements have been made out based on a cash method, which does not guarantee the compliance with the International Financial Reporting Standards and National Accounting Standards. In accordance with this method incoming receivables are shown at the date they are credited to bank accounts; the expenditures are registered at the date they are debited from accounts.

The currency used by the MOF is UAH.

The financial statements of the Project are presented in EUR.

The funds that were actually paid in UAH and the cash balance at the UAH account have been converted into EUR in financial statements by using a commercial rate for selling currency, except for direct payments of Donor to the supplier, which were recalculated using cross-rate of Donor’s accounting system.

The currency exchange rates EUR/UAH are provided below:



Date of Currency Sale	Amount sold in EUR	Rate of exchange	Amount in UAH received as a result of selling the currency
11.02.2019	5 122,00	30,52	156 323,44
18.04.2019	10 800,00	30,22	326 376,00
10.06.2019	10 000,00	29,76	297 600,00
25.06.2019	3 900,00	29,7	115 830,00
04.09.2019	136 231,26	27,735	3 778 374,00
22.11.2019	32 000,00	26,68	853 760,00
14.12.2019	2 400,00	26,23	62 952,00
<b>Total:</b>	<b>200 453,26</b>	<b>X</b>	<b>5 591 215,44</b>

### 3. Disclosing some details of financial statements

The rows 'Consulting services for Change Management – Private entrepreneur Alina Chernomaz' and 'Consulting services of Procurement Specialist – Private entrepreneur Nataliia Khimich' include MOF's expenditures resulting from payment for consultants' services.

The cost of consultants' services in the Procurement Plan, Contracts and Handover Acts is stated in EUR. These services have been paid in UAH using an official rate of NBU at the date of signing Handover Acts. In the financial statements the amount, which was actually paid in UAH, has been converted in EUR using a currency selling rate (please see note 2). Such conversion results in a difference between the cost of consultants' services stated in rows 'Consulting services for Change Management – Private entrepreneur Alina Chernomaz' and 'Consulting services of Procurement Specialist – Private entrepreneur Nataliia Khimich' of financial statements and the cost of these services in Handover Acts (Contracts with consultants and the Procurement Plan), which is shown in the table below:

Consultant	Cost of services in EUR	
	In financial statements	In Handover Acts
Consulting services for Change Management – Private entrepreneur Alina Chernomaz	22 575,07	22 334,68
Consulting services of Procurement Specialist – Private entrepreneur Nataliia Khimich	7 288,86	7 204,75
<b>Total</b>	<b>29 863,93</b>	<b>29 539,43</b>