



Independent Auditor's Report and Special Purpose
Financial Information

Social Assistance Modernization Project (P122233)

For the Period from 1 January to 31 December 2017

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Independent Auditor's Report

To the Management of the project "Social Assistance Modernization" and Ministry of Finance and Economy of the Republic of Albania

Opinion

We have audited the accompanying special purpose financial information comprising the statement of sources and uses of funds, statement of withdrawal applications and the related notes of the "Social Assistance Modernization Project" (further referred to as the "Project"), implemented by the Ministry of Health and Social Protection financed under International Bank for Reconstruction and Development (IBRD) Loan Agreement Number 8141-AL for the period from 1 January to 31 December 2017. The special purpose financial information has been prepared by the management of the Project in accordance with policies described in note 2 of the special purpose financial information.

In our opinion, the special purpose financial information of the Project "Social Assistance Modernization" is prepared, in all material respects, in accordance with the cash receipts and disbursement basis of accounting as set out in note 2 to the special purpose financial information.

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 special purpose financial information section of our report. We are independent of the entity in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the special purpose financial information in Albania, and we have fulfilled our other ethical responsibilities in accordance with the 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 – Basis of Accounting and Restriction on Use and Distribution

Without modifying our opinion, we draw attention to note 2 to the special purpose financial information, which describes the basis of accounting. The special purpose financial information is prepared to assist the Project to comply with the financial reporting provisions of the financing agreements set out in the note 1 to the special purpose information. As a result, the special purpose financial information may not be suitable for another purpose. Our report is intended solely for the Project, the donors and the Government of Albania and should not be used by or distributed to parties other than the Project, the donors or the Government of Albania.

Responsibilities of Management for the Special Purpose Financial Information

Management is responsible for preparation and fair presentation of the special purpose financial information in accordance with the basis of accounting described in notes 2; this includes determining that the cash receipts and disbursements basis of accounting is an acceptable basis for the preparation of the special purpose financial information in the circumstances, and for such internal control as management determines is necessary to enable the preparation of a special purpose financial information that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Audit of the Special Purpose Financial Information

Our objectives are to obtain reasonable assurance about whether the special purpose financial information as a whole is 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 this special purpose financial information.

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 special purpose financial information, 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 entity's internal control.
- 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 the entity's 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 special purpose financial information 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 the entity to cease to continue as a going concern.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the special purpose financial information, including the disclosures, and whether the special purpose financial information represents the underlying transactions and events in a manner that achieves fair presentation.

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.

Grant Thornton sh.p.k.

Tirana, Albania

24 May 2019



SOCIAL ASSISTANCE MODERNIZATION PROJECT

For the period from 1 January to 31 December 2017

(amounts are expressed in EUR unless otherwise stated)

Statement of Sources and Uses of Funds

	Notes	Period from 1 January to 31 December 2017	Period from 1 January to 31 December 2016	Cumulative from 31 October 2013 to 31 December 2017
Sources of funds				
IDA funding	3	370,452	227,059	1,277,854
Interest received	4	48	80	859
Total		370,500	227,139	1,278,713
Uses of funds				
Consultancy services	5	(383,896)	(178,308)	(973,442)
Incremental operating costs	6	(37,380)	(39,607)	(240,482)
Bank charges	6	(609)	(425)	(2,361)
Total		(421,885)	(218,340)	(1,216,285)
Excess of receipts over disbursements				
		(51,385)	8,799	62,428
Cash at the beginning of the period	7	113,813	105,014	-
Cash at the end of the period	7	62,428	113,813	62,428

The Statement of Sources and Uses of Funds is to be read in conjunction with the notes set out on pages 3 to 8 and forming an integral part of the special purpose financial information.

The special purpose financial information of the Social Assistance Modernization Project was authorized for issue by the management of the project on January 31, 2018 and signed on its behalf by:

Suzana Papadhopulli
Project Manager



Gezim Xhepa
Financial Management Specialist

Statement of Withdrawal Applications

IBRD Loan

Withdrawal application number	Date of the withdrawal application	Loan	Civil works	Goods	Consultants' services and training	Incremental costs	Add other	Total
WA - 07	7 March 2017	136,997	-	-	136,997	-	-	136,997
WA - 08	7 July 17	233,455	-	-	233,455	-	-	233,455
Total		370,452	-	-	370,452	-	-	370,452

Notes to the Financial Statements

1. General

The Social Assistance Modernization Project (the 'Project') was established following the agreement between the Government of Albania (the 'Borrower') and the International Bank for Reconstruction and Development ('IBRD')- IBRD Loan 8141-AL with the objective to support the Borrower's implementation of reform to improve the equity and efficiency of its social assistance programs.

The Project consists of the following parts:

Part 1: Strengthening the Implementation and Performance of Social Assistance Programs. Support and improve the implementation of both the 'Economic Assistance' program (NE) and the 'Disability Assistance Program' ('DA') through provision of financing for reimbursement of payments of benefits incurred by the Borrower out of its budgetary allocations for the 'Economic Assistance Program' ('Payments for Eligible Expenditures Program').

Part 2: Technical Assistance to Strengthen Implementation Capacity for Social Assistance Programs of the Borrower for implementing improvements in the delivery of social assistance benefits by carrying out the following:

- a) Provide technical assistance for revision of the parameters of social assistance programs;
- b) Provide technical assistance to support the development of a Management Information System;
- c) Provide technical assistance to promote transparency in communications and monitoring and evaluation, including:
 - Promoting awareness, understanding and acceptance of the reforms in NE and DA, through inter alia designing of a comprehensive strategy and specific communications tools tailored to specific themes and target groups; and
 - Strengthening monitoring and evaluation through inter alia designing and implementation of a process for evaluating reforms in NE and DA and implementation of a follow up disability survey to support the monitoring of disability assistance reforms.
- d) Provide Project implementation support through financing of operating costs and consultancies to enhance technical expertise of the Ministry of Social Welfare and Youth.

SOCIAL ASSISTANCE MODERNIZATION PROJECT

For the period from 1 January to 31 December 2017

(amounts are expressed in EUR unless otherwise stated)

1. General (continued)

In accordance with the Loan Agreement dated 6 June 2012 between the IBRD, a division of the World Bank, and the Government of Albania ('GoA' or the 'Recipient'), represented by the Ministry of Finance, the Project received a credit facility of thirty eight million Euro (EUR 38,000,000).

The table below specifies the categories of items to be financed out of the proceeds of the credit facility, the allocation of the credit facility to each cost category and the percentage of expenditures to be financed per each category:

Category	Amount of the Credit allocated	Percentage of expenditures to be financed by IBRD
Payments for Eligible Expenditure Program under part 1 of the Project	36,765,000	Disbursement link indicator amount set forth in the table in the Annex to Schedule 2 of the Agreement
Consultants services under Part 2 of the Project and operating costs	1,140,000	100% of the expenditures will be financed by IBRD Amount payable pursuant to Section 2.3 of the Agreement in accordance with Section 2.07 (b) of the General Conditions
Front-end fee	95,000	
Total amount	38,000,000	

As at 31 December 2017, EUR 370,451 has been disbursed from the credit facility. GoA will repay the principal amount of the credit facility in semi-annual instalments payable on each 15 March and 15 September commencing from 15 September 2019 and ending 15 March 2040. Each instalment shall be equivalent to 2.38% of the principal amount up to 15 September 2039 and 2.42% from then until 15 March 2040.

2. Summary of significant accounting policies

2.1 Basis of preparation

The special purpose financial information has been prepared in accordance with the Cash Basis of Accounting as detailed further below under paragraph 2.2.2. The financial information includes the period from 1 January 2017 to 31 December 2017.

The special purpose financial information is presented in EUR. The functional currency of the project is EUR.

The special purpose financial information comprises the Statement of Sources and Uses of Funds, Statement of Withdrawals and a summary of significant accounting policies and other explanatory notes. It also includes the Statements of Special and Project Accounts associated with the Project as supplementary schedules in appendices.

2.2 Summary of significant accounting policies

A summary of significant accounting policies underlying the preparation of the Project's special purpose financial information is presented below.

2.2.1 Foreign currency transactions

Funds are received in EUR and expenses are paid in LEK, USD, and EUR. The Project has adopted EUR as its reporting currency for consistency with the reporting needs of its main donor, the World Bank.

Cash and bank balances in other currencies are converted into EUR at the year-end rate of exchange. Transactions in currencies other than EUR are converted to the reporting currency at the rate ruling at the date of the transaction.

As at the year-end, 1 Euro is equivalent to 132.95 ALL (Exchange rate Bank of Albania 31.12.2017)

2.2.2 Recognition of income and expenses

Income is recognized when received rather than when earned, and expenses are recognized when paid rather than when incurred.

2.2.3 Taxation

The Project is exempt from income tax and the donor is responsible for reimbursement of Value Added Tax ("VAT") and local cost. The Project is liable for personnel income tax, social security contributions and withholding tax, and other expenditures.

2.2.4 Cash and cash equivalents

Cash comprise cash in operating bank accounts.

SOCIAL ASSISTANCE MODERNIZATION PROJECT

For the period from 1 January to 31 December 2017

(amounts are expressed in EUR unless otherwise stated)

3. IBRD funding

IBRD funding for the period from 1 January 2017 to 31 December 2017 is composed as follows:

	For the period from 1 January to 31 December 2017	For the period from 1 January to 31 December 2016
Withdrawals	370,452	227,059
Total	370.452	227,059

Withdrawals are detailed under the statement of withdrawal applications. They are intended to cover expenses for the activities of the Project.

4. Other Income

Other income represents revenue from the interest earned by project bank accounts

	For the period from 1 January to 31 December 2017	For the period from 1 January to 31 December 2016
Interest earned	48	80
Total	48	80

The funds disbursed from the donor are transferred to the second level bank account at Credins Bank. They bear interest at rates from 0.13% to 0.15% per annum.

SOCIAL ASSISTANCE MODERNIZATION PROJECT

For the period from 1 January to 31 December 2017

(amounts are expressed in EUR unless otherwise stated)

5. Consultancy Services

Consultancy services for the period from 1 January 2017 to 31 December 2017 are composed as follows:

	For the period from 1 January to 31 December 2017	For the period from 1 January to 31 December 2016
Design of new disability eligibility criteria		10,544
Local Expertise for Design of new disability eligibility criteria		2,849
International financial consultant for a Cost Comparison Estimate of the Proposed Restructuring of Disability Allowance and Personal Assistance Payment	14,900	-
Design and Implementation of Process Evaluation for Pilot Phase for NE reforms		73,171
Refinement of Design of IE and analyses of baseline data		-
Baseline Data Collection for Pilot Phase		43,993
Strengthening the capacity in Government Institutions (MSWY) to monitor and update NE scoring formula starting at the completion of the pilot.	4,356	-
Design and delivery of training module of disability evaluation staff of regional directories, SSS, Regional Directories, MSWY staff, family and specialist doctors on implementation of disability evaluation reform in pilot/test areas	39,794	-
Analysis of the existing legal framework on disability and drafting of legal improvement / new legal framework.	24,900	-
Technical supervision of disability assistance MIS development and implementation	19,179	47,751
Design of technical specifications for development of second and third phase of NE MIS	29,280	-
Technical assistance for entering all data of the existing DA beneficiaries in electronic archive	141,110	-
Help Desk Expert/Junior Non-Key Expert to assist MSWY in the effective use and functionality of the NE and DA MIS systems	9,000	-
Local DA expertise for supervising the disability evaluation reform implementation in pilot area.	3,000	-
Technical assistance for implementation of Communications Campaign Activities for NE reforms (2nd phase)	98,377	-
Total	383,896	178,308

6. Incremental Operating Costs

This expense category consists of expenses such as stationery, salaries, social security expenses and other operating expenses.

	For the period from 1 January to 31 December 2017	For the period from 1 January to 31 December 2016
Personnel costs	31,979	34,274
Social insurance contributions	3,419	3,072
Office supplies	-	-
Bank charges	609	425
Operating cost components	1,982	2,261
Total	37,989	40,032

SOCIAL ASSISTANCE MODERNIZATION PROJECT

For the period from 1 January to 31 December 2017

(amounts are expressed in EUR unless otherwise stated)

7. Cash at banks

Cash at banks for the period comprise the following:

The Project has an account at Bank of Albania 'IBRD Credit Special Account' where during the period funds from the donor are disbursed and then transferred to the second level bank account at Credins Bank.

	For the period from 1 January to 31 December 2017	For the period from 1 January to 31 December 2016
Credins Bank		
IBRD Credit Project account	62,428	113,813
Total	62,428	113,813

8. Subsequent events

There are no other significant events that would require either adjustments or additional disclosures in the special purpose financial information.

SOCIAL ASSISTANCE MODERNIZATION PROJECT

For the period from 1 January to 31 December 2017

(amounts are expressed in EUR unless otherwise stated)

APPENDICES

Social Assistance Modernization Project

IBRD Loan 8141-AL

**Statements of Special and Project's Accounts
For the period from 1 January to 31 December
2017**

(Supplementary schedules to the Special Purpose Financial Information)

SOCIAL ASSISTANCE MODERNIZATION PROJECT
For the period from 1 January to 31 December 2017
(amounts are expressed in EUR unless otherwise stated)

Appendix I
Supplementary Schedule of Project Account Statement

Account No: 2117-529E
Depository Bank: Bank of Albania
Address: Sheshi Skenderbej, Tirana
Currency: EUR

	Period from 1 January 2017 to 31 December 2017	Period from 1 January 2016 to 31 December 2016
Opening balance	-	-
Funds received:		
WA-06		227,059
WA-07	136,996	
WA-08	233,455	
Disbursements:		
Transfer to IBRD Project Account in EUR	370,451	227,059
Closing balance at period end	-	-

SOCIAL ASSISTANCE MODERNIZATION PROJECT
For the period from 1 January to 31 December 2017
(amounts are expressed in EUR unless otherwise stated)

Appendix II
Supplementary Schedule of Project Account Statement

Account No: IBAN AL66 2121 1016 0000 0000 0048 8000
Depository Bank CREDINS Bank
Address Rruga " Ismail Qemali", Tirane
Currency EUR

	Period from 1 January 2017 to 31 December 2017	Period from 1 January 2016 to 31 December 2016
Opening balance	113,813	105,014
Funds received:		
Funds transferred from IBRD Special Account	370,452	227,059
Interest received	48	80
	370,500	227,139
Disbursements:		
Project expenditures	421,277	217,915
Bank charges	608	425
	421,885	218,340
Closing balance at period end	62,428	113,813



Management Letter

Social Assistance Modernization Project - P122233

For the period from 1 January to 31 December 2017

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Management Letter

24 May 2019

To the Management of the Project "Social Assistance Modernization" and Ministry of Finance and Economy of the Republic of Albania.

Dear Sirs,

We have audited the special purpose financial information of the Project "Social Assistance Modernization" (further referred to as the "Project") for the period from 1 January to 31 December 2017 in accordance with the International Standards on Auditing. In planning and performing our audit of this special purpose financial information, we considered the system of internal controls in order to determine our auditing procedures for the purpose of expressing our opinion on the special purpose financial information, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Project. An audit does not include examining the operating effectiveness of the entire system of internal controls. Furthermore, we have not considered the system of internal controls since the date of our report.

During the audit, we identified certain matters related to the internal controls and their implementation which we consider as control deficiencies. These deficiencies include matters that have come to our attention, and are related to the design and implementation of internal control. These deficiencies could have an adverse effect over the Project's ability to record, process, summarize and publish financial data.

We emphasize that our internal controls examination did not result in necessarily ascertaining all matters that could represent control deficiencies as defined above

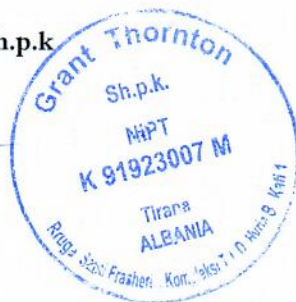
Identified matters were taken into account while determining the nature, duration and scope of procedures applied during the audit of the special purpose financial information of the Project for the period from 1 January to 31 December 2017.

The Appendix, which constitutes an integral part of this Letter, contains a description of the responsibility of the management for the creation and maintenance of the internal controls system, the purpose and limitations of that system, as well as a description of the procedures performed in the process of understanding the information system of the Project.

This report is intended solely for the information and use of the Management of the Project and is not intended to be and should not be used by anyone other than the specified parties.

Grant Thornton sh.p.k

Tirana, Albania



Social Assistance Modernization Project – P122233
Management Letter – for the period from 1 January to 31 December 2017

No issues have come to our attention during our audit procedures performed in relation to the Project “Social Assistance Modernization” for the period from 01 January to 31 December 2017.

Appendix

Management's Responsibility for, and the Objectives and Limitations of the Internal Control System

The following comments outline management's responsibility for the internal controls system and the objectives of and inherent limitations in the internal control system are adapted from the International Standards on Auditing of the International Federation of Accountants.

Management's Responsibility

Management is responsible for establishing and maintaining the internal controls system. In fulfilling this responsibility, management is required to assess the expected benefits and related costs of internal controls policies and procedures.

Objectives

The objectives of an internal control system is to provide management with assurance, as far as practicable, that the assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's policies and recorded properly in order to permit the timely preparation of reliable financial information in accordance with applicable accounting principles.

Limitations

Due to inherent limitations in any internal control system, errors or irregularities may occur and not be detected. Also, the projection of any evaluation of the internal control system to future periods is subject to risk that policies and procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operations of policies and procedures may deteriorate.



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