

**VOICE OF VILLAGE HEALTH COMMITTEES AND SOCIAL ACCOUNTABILITY OF LOCAL SELF-
GOVERNMENT BODIES ON HEALTH DETERMINANTS OF RURAL COMMUNITIES OF KYRGYZ**

GPSA GRANT NO. TF015846

**IMPLEMENTED BY DEVELOPMENT POLICY INSTITUTE
AND
THE UNION OF LEGAL ENTITIES "ASSOCIATION OF VILLAGE HEALTH COMMITTEES"**

SPECIAL PURPOSE FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

For the period from 29 January 2014 to 4 April 2018

**BISHKEK
April 2018**

**VOICE OF VILLAGE HEALTH COMMITTEES AND SOCIAL ACCOUNTABILITY OF LOCAL SELF-
GOVERNMENT BODIES ON HEALTH DETERMINANTS OF RURAL COMMUNITIES OF KYRGYZ**

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

The management of the Development Policy Institute ("DPI") is responsible for the preparation of the special purpose financial statements of "Voice of Village Health Committees and Social Accountability of Local Self-Government Bodies on Health Determinants of Rural Communities of Kyrgyz" ("the Project") financed by Letter Agreement GPSA Grant No. TF015846 that present fairly the Project's cash receipts and payments, and expenditures per components for the period from 29 January 2014 to 4 April 2018, 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, DPI'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 29 January 2014 to 4 April 2018.

DPI'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 GPSA Grant No. TF015846 dated 29 January 2014, 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 29 January 2014 to 4 April 2018 were authorized for issue on 6 April 2018 by the DPI's Management.

On behalf of the DPI's Management:


Nadezhda Dobretsova
Chairperson of the Board of DPI




Tatyana Beletskaya
Financial Specialist

INDEPENDENT AUDITOR'S REPORT

To the management of the Development Policy Institute

Opinion

We have audited the special purpose financial statements of "Voice of Village Health Committees and Social Accountability of Local Self-Government Bodies on Health Determinants of Rural Communities of Kyrgyz" (the Project) financed by Letter Agreement GPSA Grant No. TF015846 dated 29 January 2014 ("Letter Agreement"), and implemented by Development Policy Institute ("DPI") and the Union of Legal Entities "Association of Village Health Committees" ("AVHCs"), which comprise the statement of cash receipts and payments, and the statement of expenditures per components for the period from 29 January 2014 to 4 April 2018, and notes to the special purpose financial statements, including a summary of significant accounting policies.

In our opinion,

1. the accompanying financial statements present fairly, in all material respects the cash flows for the period from 29 January 2014 to 4 April 2018 in accordance with International Public Sector Accounting Standard: *Financial Reporting Under the Cash Basis of Accounting*, (IPSAS-Cash Basis);
2. funds have been used in accordance with the conditions of the Letter Agreement concluded between the International Bank for Reconstruction and Development/International Development Association ("IBRD", "IDA", "WB") and the DPI, and Implementation Agreement between the DPI and the AVHCs; and WB Guidelines, with due attention to economy and efficiency, and only for the purposes for which the financing was provided;
3. 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 DPI during the reporting period are in agreement with the underlying books of account;
4. The Designated account used has been maintained in accordance with the provision of the Letter Agreement, and World Bank related guidelines;
5. Goods and Services financed have been procured in accordance with the Letter Agreement and WB related guidelines.

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, of the DPI and of the AVHCs 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 - Completion of the Project

We draw your attention to Note 9 of these special purpose financial statements which disclose that the Project was completed as at the reporting date. Our opinion is not modified in this respect.

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.

Responsibilities of the Management for the Financial Statements

Management of the DPI 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.
- Evaluate the overall presentation, structure and content of the special purpose financial statements, including the disclosures, and whether the special purpose financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

“BDO Armenia” CJSC
6 April 2018


Gnel Khachatryan, FCCA
Engagement Partner



Voice of Village Health Committees and Social Accountability of Local Self-Government Bodies on Health Determinants of Rural Communities of Kyrgyz
GPSA Grant No. TF015846

Statement of cash receipts and payments

For the period from 29 January 2014 to 4 April 2018

(Amounts are shown in US dollars)

	Note	Actual		Budget		Variance	
		Reporting period	Cumulative as at 4 Apr 2018	Reporting period	Cumulative as at 4 Apr 2018	Reporting period	Cumulative as at 4 Apr 2018
TOTAL OPENING CASH		-	-				
Sources of Funds	8						
GPSA Grant No. TF015846		598,833	598,833				
TOTAL FUNDS		598,833	598,833				
Project Expenditures	7						
(1) Goods, Consultants' services, Training and Workshops, and operating costs		559,965	559,965	598,833	598,833	38,868	38,868
TOTAL PROJECT EXPENDITURES		559,965	559,965	598,833	598,833	38,868	38,868
TOTAL CLOSING CASH	6	38,868	38,868				



Nadezhda Dobretsova
Chairperson of the Board of DPI



Tatyana Beletskaya
Financial Specialist



6 April 2018

The notes on pages 8-13 form an integral part of these special purpose financial statements.

Voice of Village Health Committees and Social Accountability of Local Self-Government Bodies on Health Determinants of Rural Communities of Kyrgyz
GPSA Grant No. TF015846

Statement of expenditures per components

For the period from 29 January 2014 to 4 April 2018
 (Amounts are shown in US dollars)

Components	Actual		Planned		Variance	
	Reporting period	Cumulative as at 4 Apr 2018	Reporting period	Cumulative as at 4 Apr 2018	Reporting period	Cumulative as at 4 Apr 2018
Part 1: Capacity building of VHCs and AVHCs to strengthen working relationships with LSGs, especially regarding budget decisions and program coordination.						
(a) Carry out training to VHCs and AVHCs staff;	515,161	515,161	551,973	551,973	36,812	36,812
(b) Carry out participatory rural assessment;	38,841	38,841	51,146	51,146	12,305	12,305
(c) Carry out the management, monitoring and evaluation of Project activities, including Project audit.	732	732	1,250	1,250	518	518
	475,588	475,588	499,577	499,577	23,989	23,989
Part 2: Use of data results of the Participatory Rural Assessments (PRAs) to better target local health priorities	13,174	13,174	14,050	14,050	876	876
Part 3: Provision of technical assistance to LSG on social accountability tools	31,630	31,630	32,810	32,810	1,180	1,180
TOTAL	559,965	559,965	598,833	598,833	38,868	38,868



Nadezhda Dobretsova
 Chairperson of the Board of DPI



Tatyana Beletskaya
 Financial Specialist

6 April 2018

The notes on pages 8-13 form an integral part of these special purpose financial statements.



Notes to the special purpose financial statements

For the period from 29 January 2014 to 4 April 2018

(Amounts are shown in US dollars)

1. General information

1.1. The Project

In accordance with Letter Agreement dated 29 January 2014, the International Bank for Reconstruction and Development/International Development Association (“IBRD”, “IDA”, or “WB”), acting as administrator of grant funds provided by various donors under the Global Partnership for Social Accountability (“GPSA”), provided to Kyrgyz Republic the GPSA Grant No. TF015846 in the amount of not exceeding the 598,833 United States dollars (USD).

The GPSA Grant No. TF015846 was provided for implementation of “Voice of Village Health Committees and Social Accountability of Local Self-Government Bodies on Health Determinants of Rural Communities of Kyrgyz” (the Project).

The Project became effective on 29 January 2014.

The Closing date of the Grant expenditures is set 31 January 2018.

The Grace Period for submitting withdrawal application for expenditures incurred before the Closing date is four months following the Closing date, 31 May 2018.

1.2. The Project objectives

The objective of this project is to build the capacity of Village Health Committees (“VHCs”) to collaborate with Local-Self-Governments (“LSG”) on local issues associated with health determinants.

The Project consists of the following parts:

Part 1: Capacity building of VHCs and AVHCs to strengthen working relationships with LSGs, especially regarding budget decisions and program coordination

- (d) Carry out training to VHCs and AVHCs staff;
- (e) Carry out participatory rural assessment;
- (f) Carry out the management, monitoring and evaluation of Project activities, including Project audit.

Part 2: Use of data results of the Participatory Rural Assessments (PRAs) to better target local health priorities

Carry out communication activities with local health authorities to disseminate data results from the assessments carried out in Part 1.b.

Part 3: Provision of technical assistance to LSG on social accountability tools
Provide technical assistance to LSG staff.

1.3. The Project outcomes

During the Project, the implemented deliverables included:

- A total of 472 representatives of local LSGs (about 34%) and the local community took part in the training activities of the project. 65% of the workshop participants were women.

All the training activities of the project were attended by specialists of the VHCs who gained experience through active participation in the trainings and providing consultations jointly with the DPI specialists.

Notes to the special purpose financial statements

For the period from 29 January 2014 to 4 April 2018

(Amounts are shown in US dollars)

- The project helped improve capacity of pilot VHCs, as well as personal growth of VHC chairpersons. Through participation in the project’s trainings, they were able to better understand the role of LSG and their own in the development of their aimak. Many VHC chairpersons want to participate in the elections of deputies to local keneshes, as they understand that they can bring positive changes to the life of their aimaks. Their attitude towards the local self-government bodies has changed radically. Now VHCs are more eager to seek help from the heads, and the heads are more willing to help VHCs.
- The project staff made more than 150 visits to pilot villages, where they provided consulting support to pilot VHCs and the local community.
- The local policy “My aimak - healthy aimak” was developed by a working group consisting of VHCs and LSGs and approved both by the local community at rural gatherings and by the local kenesh in all 12 pilot municipalities.
- Pilot VHCs were able to mobilize local communities to participate in project activities. For example, in 25 pilot municipalities:
 - 3,163 community members participated in the priority rural assessments in 2015
 - 3,964 community members participated in the priority rural assessments in 2017
 - 1592 community members participated in the priority rural assessments in 20 villages as part of an exchange of experience
 - 1527 members of the community to participate in events to discuss local budgets in 2016

1.4. The Project Budget and Financing

The Project is 100% financed by GPSA Grant No. TF015846, inclusive of taxes.

Category	GPSA Grant No. TF015846	Total
	USD	USD
(1) Goods, Consultants’ services, Training and Workshops, and operating costs	598,833	598,833
Total	598,833	598,833

1.5. Project Implementation

The Project is implemented by Development Policy Institute (“DPI”) and the Union of Legal Entities “Association of Village Health Committees” (“AVHC”).

The DPI address is: 108 Umetalieva Street, Bishkek, the Kyrgyz Republic.

The AVHC address is: 8 Logvinenko Street, Bishkek, the Kyrgyz Republic.

Notes to the special purpose financial statements

For the period from 29 January 2014 to 4 April 2018

(Amounts are shown in US dollars)

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 cofinancing received and expenditures made in local currency, Kyrgyz Som (KGS), are translated into USD based at the exchange rate prevailing at the date of the transaction as issued by the National Bank of Kyrgyz Republic ("NBKR").

The exchange rate defined by the NBKR is as follows:

4 April 2018: USD 1 = 68.4269 KGS.

2.4. Taxes

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

**Voice of Village Health Committees and Social Accountability of Local Self-Government Bodies
on Health Determinants of Rural Communities of Kyrgyz**
GPISA Grant No. TF015846

Notes to the special purpose financial statements

For the period from 29 January 2014 to 4 April 2018

(Amounts are shown in US dollars)

3. Summary of Summary Reports and SOEs

Withdrawal application No	Withdrawal application value date	Payment categories	Total
		(1) Goods, Consultants' services, Training and Workshops, and operating costs	
2	10.Feb.2015	91,664.99	91,664.99
3	26.Oct.2015	83,210.50	83,210.50
4	12.Feb.2016	61,001.23	61,001.23
5	28.Jul.2016	65,468.04	65,468.04
6	23.Jan.2017	55,064.93	55,064.93
7	04.Oct.2017	137,855.75	137,855.75
8	13.Mar.2018	37,081.56	37,081.56
10	02.Apr.2018	28,617.95	28,617.95
Total		559,964.95	559,964.95

4. Statement of Designated Account

Financing Agreement	GPISA Grant No. TF015846
Bank account number	1180000056035591
Bank	CJSC "Demir Kyrgyz International Bank"
Bank location	245 Chui Avenue, Bishkek, Kyrgyz Republic
Account currency	USD

	Reporting period 29 Jan 2014 - 4 Apr 2018
1. Opening balance as at 29 Jan 2014	-
2. Add: opening discrepancy	-
3. Advance/replenishment	598,833
4. Less: Refund from DA	-
5. Present outstanding amount advanced to DA	598,833
6. DA closing balance as at 4 Apr 2018	38,868
7. Add: Amount of eligible expenditures paid	559,965
8. Less: interest earned (if credited to DA)	-
9. Total advance accounted for	598,833
10. Closing discrepancy (5)-(9)	-

Notes to the special purpose financial statements

For the period from 29 January 2014 to 4 April 2018

(Amounts are shown in US dollars)

5. Statement of Fund Balances

The Statement of Fund Balances 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	As at 4 April 2018 USD
ASSETS		
Cash	6	38,868
Prepayments		-
Total assets		38,868
LIABILITIES		
Payables	9.d	7,611
Total liabilities		7,611
NET ASSETS		
Cumulative income		
GPSA Grant No. TF015846	8	598,833
		598,833
Cumulative expenses		
Project expenses	7	567,576
		567,576
Total net assets		31,257

6. Cash

	Underlying Currency	4 Apr 2018 USD
GPSA Grant No. TF015846		
Designated Account	USD	38,868
		38,868

(a) Bank accounts are held at CJSC "Demir Kyrgyz International Bank".

7. Project Expenditures Budget Execution

Category	Cumulative Expenditures as at 4 April 2018	Total budget	Execution
	USD	USD	%
(1) Goods, Consultants' services, Training and Workshops, and operating costs	559,965	598,833	94%
Total	559,965	598,833	94%

**Voice of Village Health Committees and Social Accountability of Local Self-Government Bodies
on Health Determinants of Rural Communities of Kyrgyz
GPSA Grant No. TF015846**

Notes to the special purpose financial statements

For the period from 29 January 2014 to 4 April 2018

(Amounts are shown in US dollars)

8. Financing GPSA Grant No. TF015846

	Reporting period USD	Cumulative as at 4 April 2018 USD
Advances/ (advance recovery)	38,868	38,868
Direct Payments	-	-
SOE and Summary Report	559,965	559,965
Total	598,833	598,833
Total financing budget		598,833
Percentage of finance provided as at 4 Apr 2018		100%

9. Project completion

The Project was completed as at 31 January 2018 (the Closing Date), and the Grace period for submitting withdrawal application for expenditures incurred before the Closing date set four months after the Closing Date.

However, all the transactions were completed as at 4 April 2018 (the Reporting Date).

As at the date of signing these special purpose financial statements:

- a. No expenditures related to the Project were incurred after the Closing Date; the payments made during the Grace period related to expenditures incurred before the Closing Date;
- b. No withdrawals from the Grant account were made after Reporting date;
- c. No expenditures related to the Project were submitted to the WB after the Reporting date; the SOE for audit service will be submitted to WB for approval after the paying it, including related non-resident tax.
- d. The balance of the GPSA Grant No. TF015846 advance in the amount of USD 38,868 will be covered through (Note 8):
 - i. SOE submitted to WB after the payment for audit service of USD 7,611, and
 - ii. Refund to WB the residual balance in the amount of USD 31,257.
- e. There were no uncovered prepayments or payables outstanding to contractors related to the Project as at the Reporting Date; except for the audit service;
- f. The cash balance outstanding as at Reporting Date, USD 38,868, will be refunded to WB after paying for audit service and related non-resident tax;
- g. We are not aware about any pending or existing litigations against the Project.

**Voice of Village Health Committees and Social Accountability of Local Self-Government Bodies
on Health Determinants of Rural Communities of Kyrgyz**
GPSA Grant No. TF015846

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

For the period from 29 January 2014 to 4 April 2018

(Amounts are shown in US dollars)

Expenditure Category	Appl.	DPI	WB	Difference
Advances(advance recovery)	1	210,000.00	210,000.00	-
	2	(91,664.99)	(91,664.99)	-
	3	88,136.50	88,136.50	-
	4	(61,001.23)	(61,001.23)	-
	5	(65,468.04)	(65,468.04)	-
	6	94,935.07	94,935.07	-
	7	(137,855.75)	(137,855.75)	-
	8	(37,081.56)	(37,081.56)	-
	9	67,486.00	67,486.00	-
	10	(28,617.95)	(28,617.95)	-
			38,868.05	38,868.05
(1) Goods, Consultants' services, Training and Workshops, and operating costs	2	91,664.99	91,664.99	-
	3	83,210.50	83,210.50	-
	4	61,001.23	61,001.23	-
	5	65,468.04	65,468.04	-
	6	55,064.93	55,064.93	-
	7	137,855.75	137,855.75	-
	8	37,081.56	37,081.56	-
	10	28,617.95	28,617.95	-
		559,964.95	559,964.95	
Total		598,833.00	598,833.00	