

Audited Project Financial Statements

Project Number: 46124-001
Loan/Grant Number: 2995/0340
Period covered: 1 January 2018 to 31 December 2018

REG: Central Asia Regional Economic Cooperation Regional Improvement of Border Services Project

Prepared by the State Enterprise “Single Window Center” in the Foreign Arena under the Ministry of Economy of the Kyrgyz Republic

For the Asian Development Bank
Date received by ADB: 27 June 2019

The audited project financial statements are documents owned by the borrower. The views expressed herein do not necessarily represent those of ADB's Board of Directors, Management, or staff. These documents are made publicly available in accordance with ADB's Access to Information Policy and as agreed between ADB and the Ministry of Economy of the Kyrgyz Republic.



**“CENTRAL ASIA REGIONAL ECONOMIC COOPERATION REGIONAL
IMPROVEMENT OF BORDER SERVICES” PROJECT
LOAN No.2995-KGZ (SF) / GRANT No.0340-KGZ (SF)**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR’S REPORT
FOR THE PERIOD FROM 1 JANUARY 2018 TO 31 DECEMBER 2018**

TABLE OF CONTENTS

	Page
Independent Auditor's report	3
Statement of Management's responsibility for preparation and approval of financial statements	6
Financial Statements for the period from 1 January 2018 to 31 December 2018:	7
Statement of Sources and Use of Funds	7
Notes to the Financial Statements	9

INDEPENDENT AUDITOR'S REPORT

By HLB Marka Audit LLC
on the financial statement

**"Central Asia Regional Economic Cooperation Regional Improvement of Border Services"
Project, Loan No.2995-KGZ (SF) / Grant No.0340-KGZ (SF)
For the period from 1 January 2018 to 31 December 2018**

Asian Development Bank

State Enterprise "Single Window Center" in the Foreign Arena under the Ministry of Economy of the Kyrgyz Republic

Report on the Project's Financial Statement

Opinion

We have audited the accompanying financial reporting of the "Central Asia Regional Economic Cooperation Regional Improvement of Border Services" Project, Loan No.2995-KGZ (SF) / Grant No.0340-KGZ (SF) (hereinafter referred to as the 'Project'), implemented by the State Enterprise "Single Window Center" in the Foreign Arena under the Ministry of Economy of the Kyrgyz Republic ("Implementing Agency") with the Project Implementation Unit (together 'Organization'), and financed by the Asian Development Bank under the Financing Agreement, Loan No.2995-KGZ (SF) / Grant No.0340-KGZ (SF) of 22 May 2013 ("Agreement") and co-financing of the Government of the Kyrgyz Republic, including the Statement of Sources and Use of Funds for the period from 1 January 2018 to 31 December 2018, and a summary of significant accounting policies and other explanatory notes.

In our opinion,

the accompanying financial statements and notes to them, in all material respects, give a true and fair view of the receipts and expenditure of funds of the "Central Asia Regional Economic Cooperation Regional Improvement of Border Services" Project, Loan No.2995-KGZ (SF) / Grant No.0340-KGZ (SF) ('Project') for the period from 1 January 2018 to 31 December 2018 in accordance with International Public Sector Accounting Standard: Financial Reporting under the Cash Basis of Accounting, the guidelines of the Asian Development Bank and the relevant articles of the Financing Agreement:

Besides:

- a) All the provided funds, in all material respects, were used in accordance with the requirements of the Agreement, with due attention to the economy and efficiency, and only for the purposes for which the funds were intended;
- b) The goods and services were purchased and provided in accordance with the requirements of the Financing Agreement Loan No.2995-KGZ (SF) and Grant No. 0340-KGZ (SF), dated 22 May 2013, including specific norms of the procurement handbook issued by the Asian Development Bank;
- c) With respect to Statements of Expenditures, adequate supporting documentation has been maintained to support applications to the Asian Development Bank for reimbursement of expenditures incurred;
- d) The Special Account cash flows, as well as the supporting documents and information presented therewith, are truly substantiated with replenishment applications in accordance with the requirements of the Loan Agreement No.2995-KGZ (SF) / Grant No.0340-KGZ (SF) dated 22 May 2013;
- e) As it is stated in the Note 2.2, the internal control system comprises the entire policy and procedures adopted by the Project management for assistance in implementation of the Project's aims, stipulating well-ordered and efficient execution of the Project, including safeguarding measures for assets, prevention and identification of frauds and errors, accuracy and completeness of accounting records, as well as timely preparation of the Project's financial statements.

Basis of accounting and audit restriction

Without qualifying our opinion, we draw your attention to the Note 2 to the Project financial statements, describing the basis for accounting. These Project financial statements have been prepared for the purpose

providing the assistance to the management of the Organization to comply with the requirements of the Asian Development Bank. Therefore, these financial statements may not be suitable for another purpose.

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 the Organization in accordance with the international Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code, applied to the audit of financial statements in the Kyrgyz Republic. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management of the Organization is responsible for the preparation and fair presentation of the Project financial statements in accordance with conditions of the Loan Agreement No.2995-KGZ (SF) / Grant No.0340-KGZ (SF) of 22 May 2013 and in accordance with the International Public Sector Accounting Standards (cash accounting basis) as described in Note 2. The responsibility includes the following: the method of accounting based on the receipts and expenditure of cash, provision and maintenance of such internal control system that is necessary to enable the preparation and fair presentation of the 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 responsibility for the audit of the financial reporting

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 the International Standards of Auditing 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 the International Standards of Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ✓ Identify and assess the risk of material misstatement of financial statements, whether due to fraud or errors, 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 errors, 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 Project's 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 the Project'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 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 the Project to cease to continue as a going concern. As stated in Note 1 to the financial statements the Project closing date is 30 September 2019;

- ✓ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ✓ Obtain findings and other relevant auditor's evidences regarding financial information of the enterprise or business activities inside of the Project to express our opinion regarding financial statements. We are responsible for direction, supervision and fulfillment of an audit. We are solely responsible for our auditor's report.

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.

HLB MARKA AUDIT LTD.

*License registration No.0146 dated November 13, 2018, issued by the Public Service of Regulation and Supervision over the Financial Market under the Government of the Kyrgyz Republic;
Registration certificate No.4850-3301-000 issued by the Kyrgyz Republic Ministry of Justice dated January 10, 2019;
38, Professor Zima Street, Bishkek,
The Kyrgyz Republic, Telephone/fax: (312) 32-05-75*



G.I. Shuldyakova, Audit Director

*Qualified Auditor Certificate No.0122 of 23 June 2011
CAP Certificate No.0003471 of 15 April 2005
DipIFR (Rus.) – Certificate No.1639875 of 13 March 2008
IAAP Certificate No.207031-1 of 27 July 2017*

A. Tilemishov, Auditor, Audit Leader

*Qualified Auditor Certificate No.0042 of 11 March 2008
CAP No. 0012561 of 15.12.2009*

19 June 2019

**STATEMENT OF MANAGEMENT'S STATEMENT ON RESPONSIBILITY
FOR PREPARATION AND APPROVAL OF THE PROJECT'S FINANCIAL
STATEMENTS**

The statement below, which should be considered together with the description of responsibilities of independent auditors, accompanied the report of independent auditors, is made with the purpose to distinguish the responsibilities of auditors and the management of the State Enterprise "Single Window Center" in the Foreign Arena under the Ministry of Economy of the Kyrgyz Republic (the "Implementing Agency") in regard to the financial statement of "Central Asia Regional Economic Cooperation Regional Improvement of Border Services" Project, Loan No.2995-KGZ (SF) / Grant No.0340-KGZ (SF) (the "Project"). The management of the Implementing Agency is responsible for the preparation of the financial statements of the Project financed by the Asian Development Bank's Loan No.2995-KGZ (SF) / Grant No.0340-KGZ (SF) that presents fairly, in all material respects, the sources and uses of the Project funds for the period from 1 January 2018 to 31 December 2018, in accordance with the International Public Sector Accounting Standards (IPSAS – cash basis accounting) and requirements of the Asian Development Bank.

When preparing the Project's financial statements, the Management of the Organization is responsible for:

- selecting appropriate accounting principles and using those consistently;
- application of reasonable estimations and calculations;
- compliance with the Asian Development Bank's requirements and disclosure of all material discrepancies from the specified standards in comments to the financial statements.

The management of the Organization is also responsible for:

- development, implementation and provision of effective and safe internal control system in the Project;
- maintenance of accounting system that permits to provide information on financial status of the Project with a specified degree of accuracy at any given time and assure financial statements compliance with requirements of the Asian Development Bank;
- taking measures for ensuring the Project's assets integrity within the terms of its reference;
- detection and prevention of fraud and other misuses.

These financial statements of the "Central Asia Regional Economic Cooperation Regional Improvement of Border Services" Project, Loan No.2995-KGZ (SF) / Grant No.0340-KGZ (SF) for the period from 1 January 2018 to 31 December 2018 were approved by the management of the Implementing Agency on 19 June 2019.

For and on behalf of the Management of the Implementing Agency:


A. Usenbaev,
Director General
SE "Single Window Center" in the Foreign Arena ME KR


U. Abdynasyrov
PIU Manager

19 June 2019

"Central Asia Regional Economic Cooperation Regional Improvement of Border Services" Project
Loan No.2995-KGZ (SF) / Grant No.0340-KGZ (SF)

Statement of Sources and Use of Funds

or the period from 1 January 2018 to 31 December 2018

(Amounts in Tables are shown in US dollars)

	Note	2018	From the Project beginning	2017	From the Project beginning
Opening balance:					
ADB Grant		33,065		31,286	
Other cash assets		29,944		3,368	
	5	63,009		34,654	
Sources of financing:					
ADB: Loan No.2995-KGZ		286,920	1,480,906	856,099	1,193,986
ADB: Grant No.0340 KGZ	6	397,191	3,237,236	735,425	2,840,045
Government of KR	6	82,996	574,847	194,211	491,851
Total financing		767,107	5,292,989	1,785,735	4,525,882
Other receipts		712	33,247	28,686	32,535
Interest income		712	4,200	653	3,488
Tender accounts		-	29,047	28,033	29,047
Total receipts		767,819	5,326,236	1,814,419	4,558,417
Project expenses:	7				
1.Development of the National Single Window (NSW - HEO)					
1A) Development of Single Window system (Goods)					
ADB: Loan No.2995-KGZ		99,039	99,039	-	-
ADB: Grant No.0340 KGZ		19,571	19,571	-	-
Government of KR		13,179	13,179	-	-
		131,789	131,789	-	-
1B) Institutional and technical support of the Single Window (Consulting services)					
ADB: Grant		240,239	2,117,426	448,468	1,877,187
Government of KR		26,693	235,471	49,830	208,778
		266,932	2,352,897	498,298	2,085,965
		398,721	2,484,686	498,298	2,085,965
2. Project management and supervision					
2.A. Project management					
ADB Grant No.0340 KGZ		121,979	939,428	262,962	817,449
Government of KR		20,326	145,889	39,536	125,563
		142,305	1,085,317	302,498	943,012
2.B. Audit					
ADB Grant No.0340 KGZ		5,792	23,368	6,002	17,576
Government of KR		695	3,036	720	2,341
		6,487	26,404	6,722	19,917
2.C. Office equipment and other expenses					
ADB Grant No.0340 KGZ		13,454	108,221	16,213	94,767

"Central Asia Regional Economic Cooperation Regional Improvement of Border Services" Project
Loan No.2995-KGZ (SF) / Grant No.0340-KGZ (SF)

Statement of Sources and Use of Funds

or the period from 1 January 2018 to 31 December 2018

(Amounts in Tables are shown in US dollars)

	Note	2018	From the Project beginning	2017	From the Project beginning
<i>Government of KR</i>		448	10,121	868	9,673
		13,902	118,342	17,081	104,440
		162,694	1,230,063	326,301	1,067,369
3. Construction works					
<i>ADB: Loan No.2995-KGZ</i>		176,672	1,367,462	852,903	1,190,791
<i>Government of KR</i>		21,308	163,901	102,320	142,593
		197,980	1,531,363	955,223	1,333,384
Costs of financing					
<i>ADB: Loan No.2995-KGZ</i>		11,209	14,405	3,196	3,196
Total expenses of the Project		770,604	5,260,517	1,783,018	4,489,913
<i>Total ADB Loan No.2995-KGZ</i>		286,920	1,480,906	856,099	1,193,986
<i>Total ADB Grant No.0340 KGZ</i>		401,034	3,208,014	733,645	2,806,979
<i>Total Government of KR</i>		82,649	571,597	193,274	488,948
Other expenses	7	25,935	28,527	2,110	2,592
Effect of exchange rate difference (loss)		(370)	(3,272)	(937)	(2,903)
Closing balance, including:	5	33,919	33,919	63,009	63,009
<i>ADB Grant</i>		29,222		33,065	33,065
<i>Other cash</i>		4,697		29,944	29,944

U. Abdynasyrov
PIU Manager

A.S. Kurmanbekova
PIU Financial Manager



**“Central Asia Regional Economic Cooperation Regional Improvement of Border Services” Project
Loan No.2995-KGZ (SF) / Grant No.0340-KGZ (SF)**

Notes to the Financial Statements

For the period from 1 January 2018 to 31 December 2018

(Amounts in Tables are shown in US dollars)

1. Project background

“Central Asia Regional Economic Cooperation Regional Improvement of Border Services” Project, Loan No.2995-KGZ (SF) / Grant No.0340-KGZ (SF) (the “Project”) is implemented in accordance with the Financing Agreement (special operations), signed between the Government of the Kyrgyz Republic (GKR) and the Asian Development Bank (ADB) on 22 May 2013, which come in force on 12 July 2013 by the Kyrgyz Republic Law No.136 On Ratification of the Agreement.

The objective of the Project is to achieve faster, more predictable, and cost efficient cross-border transport and trade activities in the CAREC countries (Countries of Central Asian Regional and Economic Cooperation).

The Project comprises the following:

- a) Improvement of the Karamyk border crossing point, including upgrade and outfitting of terminal facilities and passageways and sidewalks, and provision of communications, power, water supply and wastewater facilities;
- b) Establishment of a national single window facility in Kyrgyz Republic, including (i) development of single window system and trade portal software, certificate of origin and license track and trace systems; (ii) provision of single window backup system, regional center and trade portal hardware; (iii) operational assistance to the single window governance and working groups; (iv) business process analysis and re-engineering; (v) legal and regulatory framework review and proposal; (vi) stakeholder engagement and public awareness activities; and (vii) market study and research;
- c) Project management support to the Implementing Agency, including engineering and procurement support, and contract supervision.

The Project includes the provision of consulting services for preconstruction activities, Project management, construction supervision, single window institutional and technical support and activities referred to in paragraph (c) above relating to Project management support to the Implementing Agency.

The Project implementation closing date is 30 September 2019.

The budget of Loan No.2995-KGZ (SF) in SDR within the frameworks of the financing under the Financing Agreement was 2,748,000, Grant No.0340-KGZ (SF) was 4,202 thousand US dollars. As of 31.12.2018 the budget in SDR was recalculated at the rate of ADB for the Project and is 3,812 thousand US dollars. Total Project budget is **9,497,493** US dollars, including the following:

	Total financing			Actually allocated from the Project beginning	Balance of financing
	SDR	In USD	in %		
Asian Development Bank (Loan No.2995-KGZ (SF)	2,748,000	3,812,493	40%	1,480,906	2,331,587
Asian Development Bank (Grant №0340-KGZ (SF)		4,202,000	44%	3,237,236	964,764
Government of the Kyrgyz Republic		1,483,000	16%	574,847	908,153
Total		9,497,493	100%	5,292,989	4,204,504

Loan budget in SDR is recalculated in USD at the rate of ADB for the Project as of 31.12.2018 – one SDR is equal to 1.387370 US dollar.

As it is stipulated in the Financing Agreement the following categories of eligible expenses can be paid from the ADB funds of financing.

“Central Asia Regional Economic Cooperation Regional Improvement of Border Services” Project
Loan No.2995-KGZ (SF) / Grant No.0340-KGZ (SF)

Notes to the Financial Statements

For the period from 1 January 2018 to 31 December 2018

(Amounts in Tables are shown in US dollars)

On Loan No.2995-KGZ (SF):

Category	SDR	Allocation of the amount in USD	Percentage of withdrawing funds
1. Border crossing point improvement (Works)	1,531,000	2,124,063	100.0
2. National single window development (Goods)	800,000	1,109,896	83.5
3. Interest Charges	35,000	48,558	100.0
4. Unallocated funds	382,000	529,975	100.0
Total	2,748,000	3,812,493	

On Grant No. 0340-KGZ (SF):

According to the ADB letters the budget items on Grant No.0340-KGZ (SF) were re-allocated as follows:

Category	Allocation of amount in USD according to the Financing Agreement	Re-allocated budget	Percentage for withdrawing funds
1. Development of NSW			
<i>1A) National single window development (Goods)</i>	<i>242,000</i>	<i>242,000</i>	<i>16.50</i>
<i>1B) Single window institutional and technical support (Consulting Services)</i>	<i>1,968,000</i>	<i>1,983,929</i>	<i>100</i>
	2,210,000	2,225,929	
2. Project management and supervision			
<i>Including:</i>			
<i>2A) Project implementation unit (Project management consultants)</i>	<i>1,256,000</i>	<i>1,256,000</i>	
<i>2B) Auditing</i>	<i>100,000</i>	<i>100,000</i>	<i>100--</i>
<i>2C) Office equipment and miscellaneous expenses</i>	<i>52,000</i>	<i>145,000</i>	<i>100</i>
	1,408,000	1,501,000	
3. Unallocated funds	584,000	475,071	100
Total	4,202,000	4,202,000	

Sub-category 1A) Development of Single window system (Goods) funds were allocated as follows: on Loan No.2995-KGZ at the rate of - 83.50%; on Grant No.0340-KGZ (SF) – at the rate of -16.50%

The Government of the Kyrgyz Republic finances all the taxes and fees, charged in the territory of the Kyrgyz Republic, which will be recognized as co-financing funds of the Project.

The Ministry of Economy of the Kyrgyz Republic (MoEKR) is the Executing Agency of the Project.

The State Enterprise “Single Window Center” in the Foreign Arena under the Ministry of Economy of the Kyrgyz Republic (SE “Single Window Center”) is the Implementing Agency of the “Central Asia Regional Economic Cooperation Regional Improvement of Border Services” Project, responsible for timely and efficient performance of works on the project as a whole.

Notes to the Financial Statements

For the period from 1 January 2018 to 31 December 2018

(Amounts in Tables are shown in US dollars)

The Project Implementation Unit (PIU) is responsible for the Project day-to-day management and implementation.

At the end of the year 2018, the number of the PIU personnel involved in the implementation of the “Central Asia Regional Economic Cooperation Regional Improvement of Border Services” Project, Loan No.2995-KGZ (SF) / Grant No.0340-KGZ (SF) was 7 people (at the end of 2017 – 7 employees), including the following:

1. PIU Manager – Abdynasyrov U.T.,
2. Financial Manager – Kurmanbekova A.S.,
3. Monitoring Specialist – Isakova S.A.,
4. Office manager/Translator – Nasirova G.T.,
5. Chief Procurement specialist – Ryskeldiev E.
6. Driver – Jumabaev S.B.
7. National BCP "Karamyk" supervision specialist – Djeenbayev B.T.

2. Accounting policy

2.1. Basis for preparation of financial statements

These financial statements have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS) “Cash Accounting Basis”, the Asian Development Bank’s requirements “Financial Management and Project Analysis” and relevant articles of the Financing Agreement (special operations) Loan No.2995-KGZ (SF)/Grant No.0340- KGZ (SF) of 22 May 2013.

In accordance with this policy of accounting, all funds, regardless of their source, which are on the settlement account and which are reflected in the statements as received are considered to be income. Expenditures are the funds for payment for the works, goods and services and which are reflected in the statement as paid.

The accounting policy was consistently applied within the entire period.

Financing

Financing from the Asian Development Bank’s funds is presented by the following procedures:

- Direct payment procedure – where the ADB pays directly to a specified Supplier;
- Current expenses fund procedure – the ADB makes advance payments from the loan account to the deposit, forming an account of current expenses, which is exclusively used for financing a share of ADB eligible expenses.

At the Project it is applied a procedure of Statement of Expenditure (SOE) with a ceiling of 20,000 USD – on reimbursement or repayment and/or replenishment of current expenditure fund within the framework of the procedure.

Financing through direct payments is recognized in case of approval of the transaction and the payment to a specified supplier from ADB.

Financing through reimbursement and procedures of fund of current expenses is recognized when money is actually received.

The amount of governmental financing is recognized as such and included in the financial statements if funds were transferred to the Project current account (“State Financing Account”).

Notes to the Financial Statements

For the period from 1 January 2018 to 31 December 2018
(Amounts in Tables are shown in US dollars)

Other income and expenses

Income, received from interests, accrued on the cash balances in the local commercial banks and sales of tender documents are recognized as other receipts of the Project. Correspondingly, expenses of copying jobs of tender documents, advertising expenses related to the tender procedure, and a tax deducted by the commercial bank for interest remuneration in accordance with the tax legislation of the Kyrgyz Republic are recognized as other expenses.

Other income and other expenses on similar types of activities (tender documents and banking services) are reflected on a net basis.

Expenses

The Project expenses are recognized as they are and are included into the financial reporting, if payments for goods, works and/or services are made.

Functional and presentation currency

The national currency of the Kyrgyz Republic is Kyrgyz Som (KGS). The presentation currency is the US Dollar (USD).

For the purpose of preparation of the financial reporting in USD, the expenses denominated in KGS are translated in US dollars at the actual exchange rate of the “Optima Bank” Bishkek Central Branch OJSC.

All receipts from the Government of the Kyrgyz Republic in soms were denominated in US dollars at the official rate of the National Bank of the Kyrgyz Republic as of the date of transaction.

The balance of funds on a settlement account denominated in the national currency is converted into USD at the exchange rate of the NBKR, as of the date of financial statements is presented below:

	as of 31 December 2018	As of 31 December 2017
Som for 1 US dollar	69.8500	68.8395

Any gains or losses from assets or liabilities, expressed in foreign currencies, arising due to the change in the official exchange rate are recognized as income or loss from the exchange rate difference and presented on the net basis in the Statement of Sources and Uses of Funds.

2.2. Internal Control System

Project plan

- Actual implementation of the Project plan is controlled quarterly by submitting reports to the ADB;
- For efficient functioning of the process, the information on operating outcomes is timely analyzed.

Notes to the Financial Statements

For the period from 1 January 2018 to 31 December 2018

(Amounts in Tables are shown in US dollars)

Use of accounting software

The Projects Implementation Unit uses the automated accounting software "1C: "Accounting", which forms the necessary accounting books: a cashbook, a Special bank account in USD and a transit account in KGS, as well as interest accounts, bank accounts for the Kyrgyz Republic Government share of proceeds.

The access to the accounting software is restricted by the Financial Manager. The financial manager has its individual password to obtain the access to the system. The Financial Manager has a full package of access rights, i.e. data input, review and adjustment and confirmation of processed transactions as well as control over deleting data.

Funds

- Bank accounts reconciliations. The balances on accounts in accordance with the accounting records are reconciled with the bank statements on a monthly basis;
- The loan and grant accounts are regularly reconciled based on the ADB statements.

Procurement and uses of funds

Used funds are recorded on appropriate accounts and only for the permitted purposes and according to the Project budget lines.

All expenses are approved by the PIU Manager in accordance with contracts, invoices and receipts.

The expenses in the accounting records are based on the following supporting documents:

- Invoices with the payment orders;
- Receipt to a credit slip about payment;
- Check for goods bearing a stamp "paid in cash";
- Cash check (when the amount is approved by the PIU Manager).

Salary

- The Administrative assistant/translator maintains records of working hours, while the PIU Manager approves the timesheets;
- Accounting records are stored in separate files with an established right of access.

3. Taxation

The Financing Agreement does not contain exceptions on the tax payment. The VAT, paid to a supplier for goods and services, is included in the cost of purchase and correspondingly in the Project expenditures.

The Project withholds and pays the payroll tax and insurance contributions to the Social Fund of the Kyrgyz Republic charged from personnel's emoluments, (which are recognized as income of hired local employees). Salaries are paid to the staff less the tax and social insurance contributions.

The Project charged insurance contributions from the Employer at the rate of 17.25% and paid them to the Social Fund of the Kyrgyz Republic from the co-financing share provided by GKR.

**“Central Asia Regional Economic Cooperation Regional Improvement of Border Services” Project
Loan No.2995-KGZ (SF) / Grant No.0340-KGZ (SF)**

Notes to the Financial Statements

For the period from 1 January 2018 to 31 December 2018

(Amounts in Tables are shown in US dollars)

4. Adjustments made in the statement of sources and use of funds for 2017

The adjustments were made on recognition of interests on the loan No.2902 – KGZ(SF), accrued and deducted by ADB, in the composition of expenses and financing:

	Data before adjustments		Adjustments		Data after adjustments	
	2017	From the Project beginning till 31 December 2017	2017	From the Project beginning till 31 December 2017	2017	From the Project beginning till 31 December 2017
Sources of financing						
1. ADB Loan	852,903	1,190,790	3,196	3,196	856,099	1,193,986
Use of funds of Loan and KR Government						
1. Border crossing point improvement (Works)	852,903	1,190,790			852,903	1,190,790
Costs of financing			3,196	3,196	3,196	3,196
Total: use of Loan proceeds	852,903	1,190,790	3,196	3,196	856,099	1,193,986

5. Cash assets

According to the Financing Agreement, in order to make payments of loan and grant funds for operational financing of costs, necessary for the Project implementation, the PIU used the following special accounts opened with the “Optima Bank” Bishkek Central Branch OJSC:

- ADB Special account (Grant No. 0340-KGZ (SF)) in USD No.1091828235571658. The account is used to cover the Project’s expenses, at the expenses of the Grant funds.

With “RSK Bank” Bishkek Branch OJSC is opened:

- Account of financing No. 1290524131820087 by the Government of the Kyrgyz Republic in KGS. The account of governmental financing is used to cover expenses financed by the Government of the Kyrgyz Republic. Treasury Account No. 4402011101041492 of the Central Treasury, acting on the basis of the Resolution of the Government of the Kyrgyz Republic No. 444 of July 24, 2017

	31 December 2018		31 December 2017	
	KGS	USD	KGS	USD
ADB funds:				
Special account – Grant No.0340-KGZ (SF)		29,222		33,065
Other Project cash:				
Interest account (No.1091828235571860 with Bishkek Central Branch “OPTIMA BANK” OJSC)		670		894
Interest account (No.1091828235571860 with Bishkek Central Branch “OPTIMA BANK”	291	4	219	3

"Central Asia Regional Economic Cooperation Regional Improvement of Border Services" Project
Loan No.2995-KGZ (SF) / Grant No.0340-KGZ (SF)

Notes to the Financial Statements

For the period from 1 January 2018 to 31 December 2018

(Amounts in Tables are shown in US dollars)

	31 December 2018		31 December 2017	
	KGS	USD	KGS	USD
OJSC)				
Tender account No.1091828235572062 with Bishkek Central Branch "OPTIMA BANK"				
OJSC,		2,313		27,313
Tender account No.1091828235572062 with Bishkek Central Branch "OPTIMA BANK"				
OJSC	119,400	1,710	119,400	1,734
Total Project funds		33,919		63,009

Cash flows on accounts of the Project (ADB accounts and accounts of Government KR) are presented below:

For 2018:

	Special account of Grant No.0340 - KGZ (SF)	GKR account	Others	Total Project's funds
Opening balance	33,065	0	29,944	63,009
Replenishment of account	106,757	82,996	712	190,465
Retirement	(110,600)	(82,650)	(25,935)	(219,185)
Income/(loss) from exchange rate difference	-	(346)	(24)	(370)
Balance at the end	29,222	-	4,697	33,919

For 2017:

	Special account of Grant No.0340 - KGZ (SF)	GKR account	Others	Total Project's funds
Opening balance	31,286	-	3,368	34,654
Replenishment of account	114,277	194,211	28,686	337,174
Retirement	(112,498)	(193,274)	(2,110)	(307,882)
Income/(loss) from exchange rate difference	-	(937)	-	(937)
Balance at the end	33,065	-	29,944	63,009

From the Project implementation beginning:

	Special account of Grant No.0340 - KGZ (SF)	GKR account	Others	Total Project's funds
Opening balance				
Advance	65,000	-	-	65,000
Replenishment of account	403,377	574,847	33,245	1,011,469
Total receipts	468,377	574,847	33,245	1,076,469
Retirement	(439,155)	(571,597)	(28,526)	(1,039,278)
Income/(loss) from exchange rate difference	-	(3,250)	(22)	(3,272)
Balance at the end	29,222		4,697	33,919

"Central Asia Regional Economic Cooperation Regional Improvement of Border Services" Project
Loan No.2995-KGZ (SF) / Grant No.0340-KGZ (SF)

Notes to the Financial Statements

For the period from 1 January 2018 to 31 December 2018
(Amounts in Tables are shown in US dollars)

Replenishment of the special account of ADB Grant No.0340-KGZ (SF):

Payment date	Amount
05.03.2014	65,000
16.07.2014	15,974
18.12.2014	20,398
2014	101,372
27.04.2015	25,740
26.11.2015	30,550
2015	56,290
10.06.2016	34,165
16.09.2016	31,760
21.12.2016	23,755
2016	89,681
20.04.2017	41,730
21.08.2017	39,952
16.11.2017	32,594
2017	114,277
28.03.18	31,935
	36,312
01.08.18	38,510
22.10.18	106,757
2018	468,377
Total	

Use of funds from special accounts (Statement of Expenditure (SOE)) Grant No.0340-KGZ (SF):

Application number	Payment period	Amount
G 0002	5.03.2014-30.05.2014	15,974
G 0003	31.05.2014-31.10.2014	20,398
G 0005	1.11.2014-31.12.2014	18,901
		55,273
G 0005	1.01.2015-12.03.2015	6,839
G 0015	13.03.2015-15.10.2015	30,551
G 0025	16.10.2015-31.12.2015	23,336
		60,726
G 0025	1.01.2016-29.02.2016	10,829
G 0032	1.03.2016-30.06.2016	31,760
G 0035	1.07.2016-30.09.2016	23,755
G 0040	1.10.2016-31.12.2016	33,714
		100,058
G 0040	1.10.2016-21.02.2017	8,016
G 0044	22.02.2017-20.06.2017	39,952
G 0047	21.06.2017-11.09.2017	32,594
G 0050	12.09.2017-31.12.2017	31,935
		112,498
G 0052	1.01.2018-30.04.2018	36,312
G 0056	1.05.2018-31.08.2018	38,510
G 0059	1.09.2018-31.12.2018	35,778
		110,600
Total on Grant:		439,155

"Central Asia Regional Economic Cooperation Regional Improvement of Border Services" Project
Loan No.2995-KGZ (SF) / Grant No.0340-KGZ (SF)

Notes to the Financial Statements

For the period from 1 January 2018 to 31 December 2018
(Amounts in Tables are shown in US dollars)

6. Financing

	2018	2017	From the Project beginning
ADB: Loan No.2995-KGZ (SF)	286,920	856,099	1,480,906
Direct payments	275,711	852,903	1,466,501
Costs of financing	11,209	3,196	14,405
ADB: Grant No.0340-KGZ (SF)	397,191	735,425	3,237,236
Advance	-	-	65,000
Special account replenishment	106,757	114,277	403,377
Direct payment	290,434	621,148	2,768,859
Government of the Kyrgyz Republic	82,996	194,211	574,847
Replenishment of the current account	88,622	194,211	582,054
Return of balance	(5,626)	-	(7,207)
Total Project financing	767,107	1,785,735	5,292,990

**“Central Asia Regional Economic Cooperation Regional Improvement of Border Services” Project
Loan No.2995-KGZ (SF) / Grant No.0340-KGZ (SF)**

Notes to the Financial Statements

For the period from 1 January 2018 to 31 December 2018
(Amounts in Tables are shown in US dollars)

7. Expenses

The Project expenses for 2018:

	Cate- gory	Loan No.2995 -KGZ	Grant No.0340	Total ADB	GKR Loan		Total GKR	Other expenses	Total expenses
					No.2995- KGZ	Grant			
Grant No.0340 KGZ									
Development of NSW	1	-	401,035	401,035		50,337	50,337	-	451,372
<i>Including:</i>									
Single window system development (Goods)	1a		19,571	19,571		2,175	2,175	-	21,746
Single window institutional and technical support (Consulting Services)	1b		240,239	240,239		26,693	26,693	-	266,932
Project Management and Supervision	2	-	141,225	141,225	-	21,469	21,469	-	162,694
<i>Including:</i>									
Project management	2a		121,979	121,979		20,326	20,326	-	142,305
Auditing	2b		5,792	5,792		695	695	-	6,487
Office equipment and miscellaneous expenses	2c		13,454	13,454		448	448	-	13,902
Loan No.2995-KGZ		286,920	-	286,920	32,312	-	32,312	-	319,232
1. Improvement of Border crossing point (works)	1	176,672		176,672	21,308		21,308		197,980
1A) National single window development (Goods)		99,039		99,039	11,004		11,004		110,043
Costs of financing		11,209		11,209					11,209
Total Project expenses		286,920	401,035	687,955	32,312	50,337	82,649		770,604
Other expenses				-				25,935	25,935
Total expenses		286,920	401,035	687,955	32,312	50,337	82,649	25,935	796,539

“Central Asia Regional Economic Cooperation Regional Improvement of Border Services” Project
Loan No.2995-KGZ (SF) / Grant No.0340-KGZ (SF)

Notes to the Financial Statements

For the period from 1 January 2018 to 31 December 2018
(Amounts in Tables are shown in US dollars)

Expenses of the Project for 2017:

	Category	Loan		Total ADB	GKR Loan		Total GKR	Total expenses
		No.299	5-KGZ		No.2995-	KGZ		
Grant No.0340 KGZ								
Development of NSW								
Including:								
Single window system development (Goods)	1a							-
Single window institutional and technical support (Consulting Services)	1b							-
Project Management and Supervision	2							
Including:								
Project management	2a							
Auditing	2b							
Office equipment and miscellaneous expenses	2c							
Loan No.2995-KGZ								
1. Improvement of Border crossing point (works)								
Costs of financing	1	852,903		852,903	10,232		10,232	863,135
Total expenses on Project		3,196		3,196				3,196
Other expenses		856,099		733,645	1,589,744	90,954	193,274	1,783,018
Total expenses		856,099		733,645	1,589,744	90,954	193,274	1,785,128

“Central Asia Regional Economic Cooperation Regional Improvement of Border Services” Project
Loan No.2995-KGZ (SF) / Grant No.0340-KGZ (SF)

Notes to the Financial Statements

For the period from 1 January 2018 to 31 December 2018
(Amounts in Tables are shown in US dollars)

Projects' expenses with progressive total:

Category	Loan No.29 95- KGZ	Grant No.0340	Total ADB	GKR Loan No.2995- KGZ	GKR Grant	Total GKR	Total expenses	Category
Grant No.0340 KGZ								
Development of NSW	1		2,136,997	2,136,997	-	237,646	-	2,374,643
Including:								
Single window system development (Goods)	1a		19,571	19,571	-	2,175	2,175	21,746
Single window institutional and technical support (Consulting Services)	1b							
Project Management and Supervision	2		2,117,426	2,117,426	-	235,471	235,471	2,352,897
Including:			1,071,017	1,071,017	-	159,046	159,046	1,230,063
Project management	2a		939,430	939,430	-	145,889	145,889	1,085,319
Auditing	2b		23,368	23,368	-	3,036	3,036	26,404
Office equipment and miscellaneous expenses	2c		108,219	108,219	-	10,121	10,121	118,340
Loan No.2995-KGZ								
1. Improvement of Border crossing point (works)	1	1,367,462	-	1,367,462	163,901	-	163,901	1,531,363
		99,039	-	99,039	11,004	-	11,005	110,044
		14,405	-	14,405	-	-	0	14,405
Costs of financing		1,480,906	3,208,014	4,688,920	174,905	396,692	571,597	5,260,517
Total expenses on Project								
Other expenses							28,527	28,527
Total expenses		1,480,906	3,208,014	4,688,920	174,905	396,692	571,597	5,289,044

“Central Asia Regional Economic Cooperation Regional Improvement of Border Services” Project
Loan No.2995-KGZ (SF) / Grant No.0340-KGZ (SF)

Notes to the Financial Statements

For the period from 1 January 2018 to 31 December 2018

(Amounts in Tables are shown in US dollars)

Within the frameworks of item 1B Single window institutional and technical support (Consulting Services) to render institutional and technical support – SE SWC, at implementing the Project a contract in the amount of 2,204,365.55 USD was concluded between the State Enterprise “Single Window Center” in the Foreign Arena under the Ministry of Economy of the Kyrgyz Republic” and Crown Agents Limited Consulting Company of 10 November 2014.

8. Project Budget Execution

The Project budget execution on ADB Grant No. 0340- KGZ (SF) since the beginning of implementation made by categories:

Item	Category	Used funds		Project's total budget	Available Project funds (budget-actually)	
		amount	%	amount	amount	%
Development of NSW	1					
<i>Including:</i>						
<i>Single window system development (Goods)</i>	<i>1a</i>	19,571	8%	242,000	222,429	92%
<i>Single window institutional and technical support (Consulting Services)</i>	<i>1b</i>	2,117,426	107%	1,983,929	(133,497)	(7)%
		2,136,997	96%	2,225,929	88,932	4%
Project Management and Supervision	2					
<i>Including:</i>						
<i>Project management</i>	<i>2a</i>	939,428	75%	1,256,000	316,572	25%
<i>Auditing</i>	<i>2b</i>	23,368	23%	100,000	76,632	77%
<i>Office equipment and miscellaneous expenses</i>	<i>2c</i>	108,221	75%	145,000	36,779	25%
		1,071,017	71%	1,501,000	429,983	29%
Unallocated amount	3	-	-	475,071	475,071	100%
Total		3,208,014	76%	4,202,000	993,986	24%

The Project budget execution on ADB Loan No. 2995-KGZ (SF) since the beginning of implementation made by categories:

Item	Used funds		Project's total budget	Available Project funds (budget-actually)	
	amount	%	amount	amount	%
1. Improvement of the border crossing point (Works)	1,367,462	64%	2,124,064	756,602	36%
2. Development of Single Window (Goods)	99,039	9%	1,109,896	1,010,857	91%
3. Interest charge	14,405	30%	48,558	34,153	70%
4. Unallocated funds			529,975	529,975	100%
Total	1,480,908	39%	3,812,493	2,331,585	61%

Notes to the Financial Statements

For the period from 1 January 2018 to 31 December 2018

(Amounts in Tables are shown in US dollars)


9. Events after the reporting date

On 7 March 2019 it was submitted an application No.G 0059 to ADB on Grant No.0340-KGZ (SF) to reimburse the used funds for the period from 1 September 2018 to 31 December 2018 in the amount of USD 35,778.

After the date of approval of the financial statements no events happened, which could affect the amounts shown in the financial statements.



U. Abdynasyrov
PIU Manager



A.S. Kurmanbekova
PIU Financial Manager