

Audited Project Financial Statements

Project Number: 46124-001

Grant Number: 0341

Period covered: 1 January 2019 to 31 December 2019

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

Prepared by the Customs Service under the Government of the Republic of Tajikistan

For the Asian Development Bank

Date received by ADB: 30 June 2020

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**“Central Asia regional economic
cooperation regional improvement of
border services Project”
Grant No. 0341-TAJ (SF)**

**The project financial statements
for the year ended December 31, 2019**

and independent auditor's report

**“CENTRAL ASIA REGIONAL ECONOMIC COOPERATION REGIONAL IMPROVEMENT OF
BORDER SERVICES PROJECT”
GRANT NO. 0341-TAJ (SF)**

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**“CENTRAL ASIA REGIONAL ECONOMIC COOPERATION REGIONAL IMPROVEMENT OF
BORDER SERVICES PROJECT”
GRANT No. 0341-TAJ (SF)**

**STATEMENT OF MANAGEMENT’S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF
THE PROJECT FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**

The following statement, which should be read in conjunction with the independent auditor’s responsibilities is made with a view to distinguish the respective responsibilities of management and those of the independent auditor in relation to the project financial statements of the Project “Central Asia regional economic cooperation regional improvement of border services Project”, Grant No. 0341-TAJ (SF) (the “Project”).

Management of the Project is responsible for the preparation of the project financial statements that present fairly, in all material respects, the statement of sources and uses of funds, the statement of balance sheet, the statement of expenditures and withdrawal schedule and the statement of imprest account for the year ended December 31, 2019 in accordance with International Public Sector Accounting Standard “Financial Reporting Under the Cash Basis of Accounting” (the “IPSAS”) issued by the International Public Accounting Standards Board of the International Federation of Accountants and “Guidelines for the Financial Governance and Management of Investment Projects Financed by the Asian Development Bank” (the “ADB Guidelines”).

In preparing the project financial statements, management is responsible for:

- selecting suitable accounting policies and applying them consistently;
- making judgments and estimates that are reasonable and prudent;
- stating whether IPSAS and ADB Guidelines have been followed, subject to any material departures disclosed and explained in the project financial statements; and
- preparing the project financial statements on the assumption that the Project will be implemented in accordance with the established period.

Management is also responsible for:


- designing, implementing and maintaining effective and sound system of internal control and for revealing risks in system of internal control;
- maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Project, and which enable them to ensure that the project financial statements of the Project comply with IPSAS and ADB Guidelines;
- compliance with laws and regulations of the Republic of Tajikistan, accounting system of the Project and the requirements of the Asian Development Bank;
- taking such steps as are reasonably available to them to safeguard the assets of the Project; and
- detecting and preventing fraud and other irregularities.

The project financial statements for the year ended December 31, 2019 were approved and authorized for issue on April 21, 2020 by the management of the Project.


On behalf of the management of the Project:


Karimzoda Kh. A.
Head of the Customs Service under
the Government of the Republic of
Tajikistan

April 21, 2020
Dushanbe, the Republic of Tajikistan


Davlatov I.M.
Head of Financial and Economic
Management of the Customs Service
under the Government of the Republic
of Tajikistan

April 21, 2020
Dushanbe, the Republic of Tajikistan


Zarifzoda P.S.
PIU Manager and Team Leader of
PMC

April 21, 2020
Dushanbe, the Republic of Tajikistan

INDEPENDENT AUDITOR'S REPORT

To the management of the Project "Central Asia regional economic cooperation regional improvement of border service Project" under the Ministry of Economic Development and Trade of the Republic of Tajikistan, the Customs Service under the Government of the Republic of Tajikistan and the State Committee on Investments and Government Property Management of the Republic of Tajikistan:

Report on the project financial statements

Opinion

We have audited the project financial statements of the Project "Central Asia regional economic cooperation regional improvement of border services Project" (the "Project"), which comprise the statement of sources and uses of funds, the statement of balance sheet, the statement of expenditures and withdrawal schedule and the statement of imprest account for the year ended December 31, 2019 and a summary of significant accounting policies and other explanatory information (the "project financial statements").

In our opinion, the accompanying project financial statements present fairly, in all material respects, the statement of sources and uses of funds, the statement of balance sheet, statement of expenditures and withdrawal schedule and statement of imprest account of the Project for the year ended December 31, 2019 in accordance with International Public Sector Accounting Standard "Financial Reporting Under the Cash Basis of Accounting" (the "IPSAS") issued by the International Public Sector Accounting Standards Board of the International Federation of Accountants and "Guidelines for the Financial Governance and Management of Investment Projects Financed by the Asian Development Bank" (the "ADB Guidelines").

All proceeds of the loan and grants withdrawn from the Asian Development Bank have been utilized only for purposes of the Project in accordance with the Financing and Grant Agreements and no proceeds of the loan and grants have been utilized for other purposes.

In addition:

- (i) (a) With respect to the statement of expenditure withdrawal schedule, adequate supporting documentation has been maintained to support claims to the Asian Development Bank for reimbursements of expenditures incurred; and (b) which expenditures are eligible for financing under the Grant Agreement No. 0341-TAJ (SF).
- (ii) (a) The imprest accounts in the statement of imprest account give a true and fair view of the receipts collected and payments made for the year ended December 31, 2019; and (b) these receipts and payments support imprest accounts liquidations/replenishments for the year ended December 31, 2019.

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 project financial statements section of our report. We are independent of the Project 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 project financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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

Without further qualifying our opinion, we pay attention to the following issues:

We draw attention to Note 7 "Commitments", which discloses obligations payable to Sorbonne Economics LLC (the "Company") in the amount of USD 357,835 as of December 31, 2019. As at December 31, 2019 there were unpaid invoices No. 5 of September 30, 2016 in the amount of USD 52,008 and No. 6 of December 12, 2016 in the amount of USD 51,328. These invoices were not paid due to the fact that the Project does not accept the performed consulting services of the Company.

The financial statements of the project for the year ended December 31, 2017 were reviewed by the previous auditor. We were unable to obtain sufficient and appropriate audit evidence to determine the correctness of the opening balances, total financing and expenses, due to the reluctance of the previous auditor to cooperate with us. The use of alternative audit procedures sufficient to verify the correctness of the opening balance of 2018, aggregate financing and expenses was not feasible.

We draw attention to Note 2, "Principles for Presenting Project Financial Statements", to project financial statements, which describes the basics of accounting. The financial statements of the project were prepared in order to comply with the requirements of the Asian Development Bank.

These circumstances do not lead to a modification of the audit opinion.

Other matter

The project financial statements are prepared to assist the Project to comply with the requirements of the Asian Development Bank. As a result, the project financial statements may not be suitable for another purpose.

Responsibilities of management and those charged with governance for the project financial statements

Management is responsible for the preparation and fair presentation of the project financial statements in accordance with International Public Sector Accounting Standard "Financial Reporting Under the Cash Basis of Accounting" (the "IPSAS") issued by the International Public Accounting Standards Board of the International Federation of Accountants and the Guidelines for the Financial Governance and Management of Investment Projects Financed by the Asian Development Bank (the "ADB Guidelines") and for such internal control as management determines is necessary to enable the preparation of the project financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the project financial statements

Our objectives are to obtain reasonable assurance about whether the project financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the project financial statements.

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

- Identify and assess the risks of material misstatement of the project 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 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 project 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.
- Evaluate the overall presentation, structure and content of the project financial statements, including the disclosures, and whether the project financial statements represent 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.

Baker Tilly Tajikistan

Baker Tilly Tajikistan, LLC

April 21, 2020

Dushanbe, the Republic of Tajikistan



**“CENTRAL ASIA REGIONAL ECONOMIC COOPERATION REGIONAL IMPROVEMENT OF BORDER SERVICES PROJECT”
GRANT NO. 0341-TAJ (SF)**


STATEMENT OF SOURCES AND USES OF FUNDS FOR THE YEAR ENDED DECEMBER 31, 2019

(in US dollars)

	Notes	For the year ended December 31, 2019	Actual For the year ended December 31, 2018	Cumulative December 31, 2019	For the year ended December 31, 2019	Budget For the year ended December 31, 2018	Cumulative December 31, 2019	For the year ended December 31, 2018	Variances For the year ended December 31, 2018	Cumulative December 31, 2018
Opening balance	4	27,730	30,213	-						
Funds received	5									
Grant №0341-TAJ(SF)		1,940,850	1,396,097	6,749,595						
Total funds received		1,940,850	1,396,097	6,749,595						
Other income		-	453	13,505						
Total receipts		1,940,850	1,396,550	6,763,100						
Expenses										
Border Crossing Point (BCP) Improvement	6	-	55,947	2,292,170	-	-	2,294,405	55,947		(2,235)
National Single window development	6	1,866,627	1,252,051	3,579,132	4,319,800	1,420,900	5,461,595	(2,453,173)	(168,849)	(1,882,463)
Project Management and Supervision	6	92,613	87,458	875,690	94,360	113,280	1,446,000	(1,747)	(25,822)	(570,310)
Total expenses		1,959,240	1,395,456	6,746,992	4,414,160	1,534,180	9,202,000	(2,454,920)	(138,724)	(2,455,008)
Foreign exchange loss		163	731	2,803						
Other expenses		7,154	2,846	11,282						
Closing balance	4	2,023	27,730	2,023						

On behalf of the management of the Project:

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April 21, 2020
Dushanbe, the Republic of Tajikistan

 **Davlatov J.M.**
Head of Financial and Economic Management of the Customs Service under the Government of the Republic of Tajikistan
April 21, 2020
Dushanbe, the Republic of Tajikistan

 **Zarifzoda P.S.**
PIU Manager and Team Leader of PMC
April 21, 2020
Dushanbe, the Republic of Tajikistan

The notes on pages 6-14 form an integral part of the project financial statements. The independent auditor's report is on pages 3-5.

**“CENTRAL ASIA REGIONAL ECONOMIC COOPERATION REGIONAL IMPROVEMENT OF
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GRANT NO. 0341-TAJ (SF)**


**STATEMENT OF BALANCE SHEET
AS AT DECEMBER 31, 2019
(in US dollars)**

	December 31, 2019	December 31, 2018
ASSETS AND EXPENDITURES		
Cash and cash equivalents	2,023	27,730
Cumulative expenses	6,746,992	4,787,752
Foreign exchange loss	2,803	2,640
Other expenses	11,282	4,128
TOTAL ASSETS AND EXPENDITURES	6,763,100	4,822,250
FINANCING		
Funds received	6,749,595	4,808,745
Other income	13,505	13,505
TOTAL FINANCING	6,763,100	4,822,250


On behalf of the management of the Project:


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the Government of the Republic of
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April 21, 2020
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**"CENTRAL ASIA REGIONAL ECONOMIC COOPERATION REGIONAL IMPROVEMENT OF
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GRANT NO. 0341-TAJ (SF)**


**STATEMENT OF EXPENDITURES AND WITHDRAWAL SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2019
(in US dollars)**

Application	Value date	Direct payments	Liquidation and replenishment	Total
46	April 23, 2019	179,210	-	179,210
47	May 23, 2019	-	39,742	39,742
48	July 30, 2019	891,702	-	891,702
49	September 3, 2019	-	38,706	38,706
50	October 24, 2019	42,341	-	42,341
51	October 24, 2019	27,960	-	27,960
52	November 12, 2019	721,189	-	721,189
		<u>1,862,402</u>	<u>78,448</u>	<u>1,940,850</u>


On behalf of the management of the Project:


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**STATEMENT OF IMPREST ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2019**


(in US dollars)

Bank	National Bank of Tajikistan	
Currency	US dollars	
Bank account	22696840800001	
Bank location	107A Rudaki Ave., Dushanbe, the Republic of Tajikistan	
at January 1, 2019		<u>20,412</u>
Replenishment and liquidation		<u>78,448</u>
Total funds received to the imprest account		<u>78,448</u>
Transfers between accounts		<u>96,839</u>
at December 31, 2019		<u>2,021</u>


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BORDER SERVICES PROJECT”
GRANT NO. 0341-TAJ (SF)**

**NOTES TO THE PROJECT FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(in US dollars)**

1. GENERAL INFORMATION

According to the Grant Agreements signed between the Republic of Tajikistan and the Asian Development Bank (the “ADB”) dated April 24, 2013, the ADB provided the Grant No. 0341-TAJ (SF) in the amount of 9,202,000 US dollars to the Republic of Tajikistan and contribution of the Government of the Republic of Tajikistan in amount 1,918,000 US dollars.

The Grant was provided for implementation of the Project “Central Asia regional economic cooperation regional improvement of border services Project” (the “Project”).

Project purpose

The objective of the Project is to achieve faster, more predictable, and cost efficient cross-border transport and trade activities in the Central Asia regional economic cooperation (the “CAREC”) countries.

The project is supporting the construction and renovation of border crossing points (BCPs) in cases where investments to upgrade complementary facilities on the other side of the border have been completed or are nearing completion. The project will benefit from ongoing and proposed CAREC Customs Cooperation Committee initiatives, including joint customs control, simplification of customs procedures, and the development of information and communication technology for customs modernization.

The Project shall comprise:

- a) improvement of the Guliston border crossing point, including upgrade and outfitting of terminal facilities and provision of communications, office and customs inspection equipment;
- b) establishment of a national single window facility in Tajikistan, including
 - (i) development of single window system and trade portal software, certificate of origin and license track and trace systems, and enhancement and integration of the unified automated information system of Customs Service of the Recipient with such single window system;
 - (ii) provision of single window 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; and
 - (vi) stakeholder engagement and public awareness activities; and
- c) Project management support to the implementing Agency including engineering and procurement support, contract supervision and external audits.

Allocations and withdrawal of the Grant proceeds:

Number	Category	Allocated amount US dollars	Share of ADB in financing
1	Border crossing point (BCP) improvement	2,294,405	100% of total expenditures claimed
1A	Guliston BCP (Works)	1,712,582	100% of total expenditures claimed
1B	Guliston 8CP (Goods)	581,823	100% of total expenditures claimed
2	National single window development	5,461,595	100% of total expenditures claimed
2A	Single window system development (Goods)	3,461,595	100% of total expenditures claimed
2B	Single window institutional and technical support (Consulting services)	2,000,000	100% of total expenditures claimed
3	Project management and supervision	1,446,000	100% of total expenditures claimed
3A	Project implementation support under Project implementation unit	1,216,000	100% of total expenditures claimed
3B	Auditing	40,000	100% of total expenditures claimed
3C	Office equipment, vehicle and miscellaneous expenses	190,000	100% of total expenditures claimed
		<u>9,202,000</u>	

Project management

The Ministry of Economic Development and Trade (the "MEDT") will be the executing agency for the Project and the Customs Service under the Government of the Republic of Tajikistan will be the implementing agency. The executing agency will guide and help the implementing agency in coordinating closely with other government agencies and ADB for the timely resolution of any issue and completion of the Project within the target, expediting the procurement process and organizing the Project Steering Committee meeting. The executing agency will designate a Project Coordinator for carrying out the above tasks. The implementing agency will designate the Project Director for providing overall supervision to the Project implementation.

The original duration of the Project was from April 24, 2013 to December 31, 2017. According to the additional financing agreement between the Republic of Tajikistan from November 20, 2017 and the Asian Development Bank, closing date of the Project had changed to September 30, 2019. On September 18, 2019, at the request of the Customs Service under the Government of the Republic of Tajikistan and the Asian Development Bank, the project closing date was changed for a second time to December 31, 2020.

2. PRESENTATION OF THE PROJECT FINANCIAL STATEMENTS

Basis of preparation

These project financial statements have been prepared in accordance with the International Public Sector Accounting Standard (the "IPSAS") "Financial Reporting under the Cash Basis of Accounting" issued by the Public Sector Committee of the International Federation of Accountants, and incorporate the following principal accounting policies, which have been consistently followed in all material respects and comply with "Guidelines for the Financial Governance and Management of Investment Projects Financed by the Asian Development Bank" (the "ADB Guidelines").

Under the cash basis system income (or expenditure) is recognized when cash is received (or paid) irrespective of when goods or services are received or provided.

These project financial statements consist of:

- Statement of sources and uses of funds;
- Statement of balance sheet;
- Statement of expenditures and withdrawal schedule;
- Statement of imprest account;
- Notes to the project financial statements, including short description of main statements of accounting policy and other descriptive notes.

The reporting currency of these project financial statements is US dollars (the "USD").

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash basis of accounting

The project financial statements are prepared on a cash basis of accounting. The cash basis of accounting recognizes transactions and events only when cash (including cash equivalents) is received or paid by the Project. The project financial statements prepared under the cash basis provide information on the sources of funds, the purpose of uses of funds, and cash balances at the reporting date. The measurement focus in the project financial statements is balances of cash and changes therein.

Foreign currency

Operations in foreign currency initially are accounted in functional currency using the official currency exchange rate settled by the National Bank of Tajikistan (the "NBT") on a date of operation.

All payments made in local currency are translated into US dollars at the official exchange rate defined by the NBT, at the date of transaction.

Monetary assets and liabilities expressed in foreign currency are converted to functional currency at official exchange rate on a date settled by the NBT.

All foreign exchange differences resulted from maturity or recounting are included in the statement of sources and uses of funds.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and due from banks, which can be converted to the corresponding amount of cash in the short term.

Taxes

Calculation and payment of personal income tax and social security contributions from income of local staff and consultants is made in accordance with the requirements and rates of the Tax Code of the Republic of Tajikistan and relevant legislation of the Republic of Tajikistan.

Project expenses

The expenses are recorded in the period when they were actually paid.

Other income and expenses

Other income represents income from the sale of tender documents, and other expenses represent the cost of preparing tender documents.

Sources of funds

The funds were provided by the Asian Development Bank to the Project by direct payment, liquidation and replenishment. Funds of the Government of the Republic of Tajikistan were allocated for the purpose of tax exemption, including social tax and obligations in the form of offsets and cash contributions.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at December 31, 2019 and 2018 comprise:

	Bank	Currency	December 31, 2019	December 31, 2018
Imprest account	National Bank of Tajikistan	USD	2,021	20,412
Imprest account	Ministry of Finance of the Republic of Tajikistan	TJS	-	31
Tender accounts	CJSC "Spitamen Bank"	TJS	2	7,035
Tender accounts	CJSC "Spitamen Bank"	USD	-	252
			<u>2,023</u>	<u>27,730</u>

5. FUNDS RECEIVED

The funds received are presented by the following financing methods:

	For the year ended December 31, 2019	For the year ended December 31, 2018	Cumulative
Direct payment	1,862,402	1,313,412	6,084,604
Liquidation and replenishment	78,448	84,452	604,806
Advance	-	(1,767)	60,185
	<u>1,940,850</u>	<u>1,396,097</u>	<u>6,749,595</u>

6. EXPENSES

Breakdown of the Project expenses by nature is presented as follows:

Border Crossing Point (BCP) Improvement

	For the year ended December 31, 2019	For the year ended December 31, 2018
Shopping for goods and works	-	55,947
	-	55,947

National Single window development

	For the year ended December 31, 2019	For the year ended December 31, 2018
IT programs and maintenance	1,862,402	1,252,051
Salary expenses	3,380	-
Social fund	845	-
	1,866,627	1,252,051

Project Management and Supervision

	For the year ended December 31, 2019	For the year ended December 31, 2018
Payroll and related taxes	67,506	62,847
Social fund	16,781	15,220
Communication	2,961	179
Fuel and maintenance of vehicles	2,798	1,427
Services	1,636	206
Stationery	492	124
Bank fees	360	311
Expenses for registration of documents for vehicles	79	73
Audit	-	5,414
IT programs and maintenance	-	1,464
Business trip	-	193
	92,613	87,458

7. COMMITMENTS

In the normal course of activities, the Project concludes agreements with suppliers of goods and services in accordance with the established budget and procurement plan.

Contract value of obligations valid as at December 31, 2019 was as follows:

Counterparty	Contract No.	Currency	Contract value	Paid up to December 31, 2019	Remaining amount to be paid
Iunetwork, LLC	RIBS -05	USD	2,342,008	1,125,095	1,216,913
Crown Agents, Ltd	RIBS -03	USD	815,340	657,711	157,629
Sorbonne Economics, LLC	RIBS -02	USD	520,183	162,348	357,835

8. LEGAL CASES

There were no any legal cases related to the Project.

9. EVENTS AFTER THE REPORTING DATE

During 2020 until the date of issue of these project financial statements the Asian Development Bank provided financing to the Project as follows:

Application	Value date	Direct payments	Liquidation and replenishment	Total
53	January 14, 2020	-	53,251	53,251
54	January 7, 2020	7,158	-	7,158
55	February 24, 2020	52,043	-	52,043
56	March 25, 2020	21,663	-	21,663
57	March 28, 2020	-	52,982	52,982
58	March 30, 2020	108,150	-	108,150
		<u>189,014</u>	<u>106,233</u>	<u>295,247</u>

As at the date of issue of the project financial statements no other significant events or transactions occurred, except for events or transactions described above.