

Report on the Consolidated Project Financial
Statements of the

EMPLOYMENT SUPPORT PROJECT

of the Ministry of Finance and Treasury of Bosnia and
Herzegovina

Financed by:

- IBRD 8687- BA

For the year ended 31 December 2018

EMPLOYMENT SUPPORT PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina

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EMPLOYMENT SUPPORT PROJECT
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1. Introduction

1.1 Objectives of the Project

The State of Bosnia and Herzegovina is borrower of the International Bank for Reconstruction and development (IBRD) Loan No. 8687-BA amounting to the EUR 50,000,000. Under the terms of a subsidiary finance agreements between B&H and FB&H and RS, funds of the equivalent of EUR 29,000,000 have been lent to FB&H and on the other side funds of the equivalent of EUR 21,000,000 have been lent to RS.

The objective of the Project is to increase formal private sector employment among targeted groups of registered job seekers.

1.2 Components and activities of the Project

The Project is comprised of the following two components:

Component 1: Support for Employment Promotion

1. Implementation of the Active Labour Market Programs, including inter alia, by providing one of the job training, developing skills and providing grants to unemployed persons for Self-Employment.
2. Implementation of a range of intermediation measures to promote employment including by providing:
 - a. services for job seekers by improving in-take registration processes, offering counselling services, developing Individual Action Plans and monitoring progress on placement of jobseekers; and
 - b. services for employers by promoting better outreach and communication and providing human resources and automated services.

Component 2: Support for Management Systems, Monitoring and Communications

Strengthening the capacity of the Federation and RS PES to monitor ALMP's and employment services by:

1. Upgrading its information technology system to carry out a range of services including enabling data exchange amongst employment bureaus and other institutions offering online services, monitoring online services offered to job seekers and employers, monitoring branch/local office's performance and monitoring and disseminating labour market trends; and
2. Preparing and implementing an effective communication strategy targeting jobseekers, employers and policy-makers.

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1. Introduction (continued)

1.3 Financing of the Project

Categories of cost items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each category and the percentage of expenditure for cost items so to be financed in each category are as follows:

Category	Amount of the Loan allocated (in EUR)	% of expenditures to be financed (inclusive of taxes)
(1) Eligible Expenditure Programs under Parts A.1 (1) and A.1 (2) of the Project	26,400,000	100% of expenditures that are covered under Section IV.B.1 (a) of the Schedule and 50% for others
(2) Goods, non-consulting services, consultants' services, Training, and Incremental Operating Costs for Part A.2 of the Project	1,300,000	100%
(3) Unallocated under Part A of the Project	1,227,500	100%
(4) Eligible Expenditure Programs under Parts B1(1) and B.1(2) of the Project	20,000,000	100% of expenditures that are covered under Section IV.B.7 (a) of Loan Agreement Schedule 2 and 50% for others
(5) Goods, non-consulting services, consultants' services, Training, and Incremental Operating Costs for Part B.2 of the Project	500,000	100%
(6) Unallocated under Part B of the Project	447,500	100%
(7) Front-end Fee	125,000	Amount payable pursuant to Section 2.03 of Loan Agreement in accordance with Section 2.07 (b) of the General Conditions
(8) Interest Rate Cap or Interest Rate Collar premium	-	Amount due pursuant to Section 2.08(c) of Loan Agreement
Subtotal	50,000,000	

IBRD Loan No. 8687-BA become effective on 26 January 2018. Planned closing date is 1 October 2021.

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Independent Auditor's Report

To the State of Bosnia and Herzegovina,
Ministry of Finance and Treasury
Attn. of Minister of Finance and Treasury H.E. Mr. Vjekoslav Bevanda

Report on the Project Financial Statements

Opinion

We have audited the accompanying consolidated project financial statements of the Employment Support Project (the "Project"), which comprise of Summary of sources and uses of funds, Balance sheet, Designated account, Statements of grant withdrawals as of and for the year ended 31 December 2018, and a summary of significant accounting policies and other explanatory notes for the year then ended, financed under IBRD Loan No. 8687 - BA.

In our opinion, the accompanying consolidated project financial statements present fairly, in all material aspects, the financial position of the Project as of 31 December 2018, and of the funds received and disbursed during the year then ended, in accordance with the cash basis of accounting based on International Public Sector Accounting Standard ("IPSAS"), as described in Note 4.1.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and "Guidelines: Annual Financial Reporting and Auditing for World Bank-Financed Activities" issued by FMSB. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Ministry of Finance and Treasury 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 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.

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

The management of project implementation unit in FBiH and management of project coordination unit in RS are responsible for the preparation of separate project financial statements in accordance with the cash basis of accounting based on IPSAS, as described in Note 4.1., the Guidelines: Annual Financial Reporting and Auditing for World Bank-Financed Activities, and for such internal control as management determines is necessary to enable the preparation of separate project financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Project or to cease operations or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the financial reporting process. These consolidated financial statements are sum of separate project financial statements.

Responsibilities for the Audit of Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated project financial statements, including the disclosures, and whether the consolidated 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.

Report on other requirements

In addition, with respect to the Statement of Expenditure, adequate supporting documentation has been maintained to support claims to the World Bank for reimbursements of expenditure incurred; and all expenditure included in withdrawal applications and reimbursed against are eligible for financing under the project.

Signed on behalf of Baker Tilly Re Opinion d.o.o. Sarajevo

Nihad Fejzić, Director and Certified Auditor

Sarajevo, 11 June 2019



Ezita Imamović, Certified Auditor

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Project financial statements for the year ended 31 December 2018

(all amounts in EUR, unless otherwise stated)

3. Consolidated Project financial statements for the year 2018

3.1 Summary of Sources and Uses of Funds under the IBRD 8687 - BA

	Ref.	Actual 2018	Cumulative 2018	Cumulative 2017	Cumulative budget	Cumulative variance
FINANCING						
<i>IBRD 8687 - BA</i>					50,000,000	
Initial deposit		100,000	100,000			
Direct payments		125,000	125,000			
Reimbursement		8,566,000	8,566,000			
SoE Replenishment		39,800	39,800			
Interest		4	4			
TOTAL FINANCING	3.2	8,830,804	8,830,804	-	50,000,000	41,169,196
PROJECT EXPENDITURE						
By Category						
<i>1. Eligible Expenditure</i>						
<i>Programs under Parts A.1</i>						
<i>(1) and A.1(2)</i>		8,566,000	8,566,000	-	46,400,000	37,834,000
<i>2. G, nCS, CS, TR, IOC</i>						
<i>Part A.2</i>		69,565	69,565	-	1,800,000	1,730,435
<i>3. Unallocated under Part</i>						
<i>A of the Project</i>		-	-	-	1,675,000	1,675,000
<i>Front End Fee</i>		125,000	125,000	-	125,000	-
TOTAL EXPENDITURE	3.2	8,760,565	8,760,565	-	50,000,000	41,239,435
PROJECT EXPENDITURE						
By Component						
<i>1. Support for Employment</i>						
<i>Promotion</i>		8,566,000	8,566,000	-	46,400,000	37,834,000
<i>2. Supporting Monitoring, Management Systems, and Communications</i>						
		69,565	69,565	-	1,800,000	1,730,435
<i>3. Unallocated</i>		125,000	125,000	-	1,800,000	1,675,000
TOTAL EXPENDITURE	3.2	8,760,565	8,760,565	-	50,000,000	41,239,435

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(all amounts in EUR, unless otherwise stated)

3. Consolidated Project financial statements for the year 2018 (continued)

3.2 Balance sheet as of 31 December 2018 showing accumulated funds of the Project and bank balances concerning IBRD financing

	Ref.	31 December 2018	31 December 2017
ASSETS			
Project expenditure IBRD 8687 – BA	3.1.	8,760,565	-
		8,760,565	-
Designated account IBRD 8687 - BA	A	70,239	-
		70,239	-
Total assets		8,830,804	
LIABILITIES			
IBRD 8687 - BA	3.1.	8,830,804	-
Total liabilities		8,830,804	-

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(all amounts in EUR, unless otherwise stated)

4. Notes to the project financial statements

4.1 Basis of preparation and accounting records

These consolidated project financial statements have been prepared on the cash basis of accounting based on International Public Sector Accounting Standards issued by the Public Sector Committee of the International Federation of Accountants, and incorporate the accounting policies below, which have been consistently followed in all material respects.

4.2 Accounting policies

The Project's fiscal year is 1 January to 31 December for the recording of all transactions.

Cash basis of accounting

All receipts and expenses under IBRD Loan are recorded on actual receipt and payment basis of accounting as per approved categories.

Project expenditure is stated at original cost on the Balance sheet.

Direct payments

Direct payments concern the amounts paid directly from the IBRD Loan account.

Statement of Expenditure (SoE)

Statements of Expenditure are used to state the expenditure under IBRD Loan during a certain period. These statements are sent to the IBRD disbursement specialist who authorizes the payment of the expenditure through the Designated account.

Currency conversions

The reporting currency is Euro (EUR). Sources and use of funds in currencies other than EUR have been converted to EUR using the currency rate at the moment of the transaction.

Bank balances, recorded on the Balance sheet at year-end, have been converted at year-end rate.

Designated account

This is the total amount of the withdrawals from the IBRD Loan account for the Project. IBRD Loan account is in EUR.

Interest on Designated accounts

Interest earned on the Designated accounts belongs to the Borrower.

EMPLOYMENT SUPPORT PROJECT
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Project financial statements for the year ended 31 December 2018

(all amounts in EUR, unless otherwise stated)

APPENDIX A

DESIGNATED ACCOUNT STATEMENT (FB&H only)

Account owned by: Ministry of Finance and Treasury of Bosnia and Herzegovina

Account No.: BA393387304805265538

Depository Bank: Unicredit bank d.d.

Address: Kardinala Stepinca bb, Mostar

Related Credit: IBRD 8687 - BA

Currency: EUR

		2018
	Ref.	EUR
Opening balance 1 January 2018	3.2	-
Add:		
IBRD replenishments	B	139,800
Interest earned		20
		139,820
Deduct:		
Payments of expenditure during the period	3.1	69,565
Transferred interest		16
		69,581
Ending balance 31 December 2018	3.2	70,239

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APPENDIX B	SoE Withdrawal Schedule of IBRD 8687 - BA for the year ended 31 December 2018					
	Initial deposit	Eligible Expenditure Programs under Parts A1. (1) and A.1(2)	Eligible Expenditure Programs under Parts B2	G, nCS, CS, TR, IOC Part A.2	Front End Fee	Total application disbursed
Previous years	-	-	-	-	-	-
Application No. 1/F	100,000	-	-	-	-	100,000
Total Initial deposit 2018	100,000	-	-	-	-	100,000
Front end Fee	-	-	-	125,000	125,000	125,000
Total Direct payments 2018	-	-	-	125,000	125,000	125,000
Application 2	-	5,100,000	3,466,000	-	-	8,566,000
Total Reimbursements 2018	-	5,100,000	3,466,000	-	-	8,566,000
Application No. 3/F	-	-	-	39,800	-	39,800
Application	-	-	-	29,765	-	29,765
Total SoE application 2018	-	-	-	69,565	-	69,565
Cumulative 2018	100,000	5,100,000	3,466,000	69,565	125,000	8,830,800
Cumulative 31 December 2018	100,000	5,100,000	3,466,000	69,565	125,000	8,830,800

FEMPLOYMENT SUPPORT PROJECT
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Project financial statements for the year ended 31 December 2018

(all amounts in EUR, unless otherwise stated)

**APPENDIX C Reconciliation between IFAD's Historic Transaction Report and
 IBRD Loan account in EUR according to the to the balance sheet as of
 31 December 2018; SoE Withdrawal Schedule of IBRD 8687 - BA**

	Changes in IFAD Loan (in EUR)
Original amount	50,000,000
Withdrawal 1	125,000
Withdrawal 2	100,000
Withdrawal 3	8,566,000
Withdrawal 4	39,800
Total disbursed in 2018	8,830,800
Cumulative disbursements	8,830,800
Calculated undisbursed balance as of 31 December 2018	41,169,200
Undisbursed balance as per IBRD's Historic Transaction Report	41,169,200
Difference	-