STATE SCIENTIFIC INSTITUTION "INSTITUTE OF EDUCATIONAL ANALYTICS"

STRENGTHENING EVIDENCE-BASED POLICYMAKING WITH EDUCATION STATISTICS AND ANALYSIS PROJECT,

SPECIAL PURPOSE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 24 JANUARY 2017 TO 31 DECEMBER 2018

Together with Independent Auditors' Report

Contents:

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INDEPENDENT AUDITORS' REPORT

State Scientific Institution "Institute of Educational Analytics"

Opinion

We have audited the accompanying special purpose financial statements under the Strengthening Evidence-Based Policymaking with Education Statistics and Analysis Project (hereafter referred to as the Project) funded from the TFSCB Grant No. TF0A4096 for the period from 24 January 2017 to 31 December 2018, comprising of:

- Summary of sources and uses of funds as at 31 December 2018;
- Reporting on the Statement of Expenditure from 24 January 2017 to 31 December 2018;
- Designated Account Statement for the period from 24 January 2017 to 31 December 2018;
- A summary of significant accounting policies and other explanatory notes.

In our opinion, the special purpose financial statements give true and fair view of the sources and use of funds of the TFSCB Grant No. TF0A4096 for the Strengthening Evidence-Based Policymaking with Education Statistics and Analysis Project for the period from 24 January 2017 to 31 December 2018, in accordance with the Bank's rules.

External funds have been used in compliance with the requirements of the corresponding general conditions, financial agreements, and the Disbursement Letter, paying due attention to efficiency and cost-effectiveness; and have been used only for the corresponding purposes.

Terms of the Agreement of the TFSCB Grant No. TF0A4096 do not provide for the use of the partners' costs.

The services and the goods have been purchased in compliance with the corresponding general conditions, financial agreements, and the Disbursement Letter.

Accounting and storing of the necessary supporting documents, accounting data and accounts regarding all Project transactions, including those concerning the expenditures disclosed in the Statement of actual expenditures, are performed in a due manner. There is a clear interconnection between accounting data and the financial statements provided to the World Bank.

The prepared special purpose financial statements comply with the requirements of generally accepted accounting principles and practices, and the instructions from the World Bank; and truly and objectively reflect the financial position of the Project as at 31 December 2018 as well as the resources and expenditures for the period from 24 January 2017 to 31 December 2018.

Separate opinion regarding expenditure

Furthermore, in respect of expenditure for the period from 24 January 2017 to 31 December 2018, adequate supporting documentation has been maintained, confirming applications submitted to the Bank for reimbursement of incurred expenditure. More to that, costs specified in the applications, are subject to financing in accordance with the conditions of the TFSCB Grant No. TF0A4096.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "*Auditor's Responsibilities for the Audit of the Special Purpose Financial Statements*" section of our report. We are independent of the State Scientific Institution "Institute of Educational Analytics" in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and ethical requirements applicable in Ukraine to our audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with these professional ethics requirements and 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

We draw attention to Note 2 to the Special Purpose Financial Statements, where the fact is disclosed that the end date of the Grant funds use is 24 July 2019 or such later date as established by the Bank. We do not further qualify our opinion in this regard.

Responsibility of Management and Those Charged with Governance for the Special Purpose Financial Statements

Management is responsible for the preparation and fair presentation of these special purpose financial statements in accordance with the rules of the World Bank, and for such internal control as management determines is necessary to enable the preparation of the special purpose financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the special purpose financial statements, management is responsible for assessing the Project's ability to continue as a going concern for the disbursement period, i.e. till 24 July 2019 or such later date as established by the Bank, 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 of the Project.

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 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 special purpose 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 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 the 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 special purpose 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 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 those charged with governance regarding 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The audit was performed under the Key Audit Partner, Nikolaenko O. M.

Key Audit Partner Nikolaenko O. M.

For and on behalf of BDO LLC

Director Balchenko S.O.

21 June 2019

Kyiv

STRENGTHENING EVIDENCE-BASED POLICYMAKING WITH EDUCATION STATISTICS AND ANALYSIS PROJECT

SUMMARY OF SOURCES AND USES OF FUNDS

For the period from 24 January 2017 to 31 December 2018

In USD

	Actual	
	For the period	Total
Opening balance		
Designated account Ukreximbank - US dollars	-	
Current account State Treasury of Ukraine - hryvnya	-	
Total available funds at the beginning of period:	-	
Sources of funds:		
Grant of the International Bank for reconstruction and Development	167,493	167,493
Total financing:	**167,493**	**167,493**
Project expenditure:		
Category 1: Goods and consulting services	118,527	118,527
Category 2: Training	21,657	21,657
Category 3: Operating Costs	7,078	7,078
Total Project expenditure:	**147,262**	**147,262**
Closing balance		
Designated account Ukreximbank - US dollars	20,200	20,200
Current account State Treasury of Ukraine - hryvnya	31	31
	20,231	**20,231**

Notes on pages 13 - 14 are an integral part of these financial statements.

STRENGTHENING EVIDENCE-BASED POLICYMAKING WITH EDUCATION STATISTICS AND ANALYSIS PROJECT

SCHEDULE OF WITHDRAWALS FROM THE GRANT ACCOUNT

For the period from 24 January 2017 to 31 December 2018

In USD

Application number	*Category*	*Date of withdrawal*	*Currency*	*Payment Equivalent*	*USD Equivalent*
2-IEA	2	12.05.2017	UAH	29,499	1,119
3-IEA	DA-A	17.05.2017	USD	83,000	83,000
10-IEA	DA-A	20.10.2017	USD	10,000	10,000
13-IEA	DA-A	09.02.2018	USD	20,000	20,000
20-IEA	1	28.09.2018	USD	8,300	8,300
23-IEA	1	26.11.2018	EUR	39,428	45,074
Total:					**167,493**

Summary schedule by categories:	
Category 1	53,374
Category 2	1,119
DA-A	113,000
Total:	**167,493**

Notes on pages 13 - 14 are an integral part of these financial statements.

STRENGTHENING EVIDENCE-BASED POLICYMAKING WITH EDUCATION STATISTICS AND ANALYSIS PROJECT

STATEMENT OF WITHDRAWALS THROUGH THE SUMMARY OF STATEMENTS OF EXPENDITURES

For the period from 24 January 2017 to 31 December 2018

In USD

Application number	*Category 1*	*Category 2*	*Category 3*	*Total*
1. Applications submitted to the World Bank and reimbursed during the period 24.01.2017 - 31.12.2018				
2-IEA	-	1,119	-	**1,119**
4-IEA	-	-	75	**75**
5-IEA	2,436	-	-	**2,436**
6-IEA	-	1,213	-	**1,213**
7-IEA	1,663	2,837	390	**4,890**
8-IEA	13,594	-	41	**13,635**
9-IEA	9,404	-	29	**9,433**
11-IEA	1,539	-	2,976	**4,515**
12-IEA	3,500	1,850	16	**5,366**
13-IEA	1,529	-	5	**1,534**
14-IEA	1,561	1,741	10	**3,312**
15-IEA	13,904	11,124	1,511	**26,538**
16-IEA	1,528	227	5	**1,761**
17-IEA	2,365	696	9	**3,070**
18-IEA	1,521	134	5	**1,659**
19-IEA	1,507	-	5	**1,512**
20-IEA	8,300	-	-	**8,300**
21-IEA	2,253	75	7	**2,335**
22-IEA	1,520	-	5	**1,525**
23-IEA	45,074	-	-	**45,074**
24-IEA	1,520	-	5	**1,525**
Total	**114,718**	**21,016**	**5,092**	**140,826**
2. Expenditures factually incurred for the period from 24 January 2017 to 31 December 2018				
From the Grant account	53,374	1,119	-	54,493
From designated accounts	-	-	-	-
From current accounts in national currencies	65,153	20,538	7,078	92,769
Total	**118,527**	**21,657**	**7,078**	**147,262**
3. Table of differences in Project costs between the World Bank records and PIU for the period from 24 January 2017 to 31 December 2018				
Reimbursed according to IBRD information	114,718	21,016	5,092	140,826
Amount of costs not provided for reimbursement as at 31.12.2018	3,810	641	1,986	6,437
According to PIU data	**118,527**	**21,657**	**7,078**	**147,262**

Notes on pages 13 - 14 are an integral part of these financial statements.

STRENGTHENING EVIDENCE-BASED POLICYMAKING WITH EDUCATION STATISTICS AND ANALYSIS PROJECT

REPORT OF CASH WITHDRAWAL FROM DESIGNATED ACCOUNT

For the period from 24 January 2017 to 31 December 2018

In USD

Category	Date of withdrawal	Withdrawals		USD
		Currency	Equivalent amount	Equivalent amount
Sub_account	29.05.2017	USD	3,000	3,000
Sub_account	19.06.2017	USD	1,000	1,000
Sub_account	05.07.2017	USD	4,700	4,700
Sub_account	16.08.2017	USD	3,600	3,600
Sub_account	22.08.2017	USD	10,000	10,000
Sub_account	01.09.2017	USD	5,500	5,500
Sub_account	26.09.2017	USD	4,000	4,000
Sub_account	08.11.2017	USD	4,400	4,400
Sub_account	06.12.2017	USD	2,100	2,100
Sub_account	15.12.2017	USD	1,300	1,300
Sub_account	21.12.2017	USD	2,000	2,000
Sub_account	25.01.2018	USD	1,600	1,600
Sub_account	06.02.2018	USD	3,300	3,300
Sub_account	09.04.2018	USD	26,300	26,300
Sub_account	15.04.2018	USD	200	200
Sub_account	10.05.2018	USD	1,800	1,800
Sub_account	06.06.2018	USD	3,000	3,000
Sub_account	13.07.2018	USD	1,700	1,700
Sub_account	16.08.2018	USD	1,500	1,500
Sub_account	14.09.2018	USD	2,300	2,300
Sub_account	17.10.2018	USD	1,600	1,600
Sub_account	13.11.2018	USD	1,500	1,500
Sub_account	05.12.2018	USD	1,900	1,900
Sub_account	20.12.2018	USD	3,000	3,000
Sub_account	21.12.2018	USD	1,500	1,500
Total:				**92,800**

Summary by categories	
Sub_account total	92,800
Total:	**92,800**

Notes on pages 13 - 14 are an integral part of these financial statements.

STRENGTHENING EVIDENCE-BASED POLICYMAKING WITH EDUCATION STATISTICS AND ANALYSIS PROJECT

DESIGNATED ACCOUNT STATEMENT

For the period from 24 January 2017 to 31 December 2018

In USD

Deposit bank	Ukreximbank
Account No.	2530600000133, 2530400000191
Grant No.	TF0A4096
Currency	US dollars

BALANCE AT THE PERIOD BEGINNING	
Revenues: Funds received	**113,000**
Interest accrued	-
TOTAL FUNDS RECEIVED	113,000
Maintenance: costs	
Transfer of funds in national currency	92,800
Direct payments from designated account	-
Payment for bank services	-
TOTAL COSTS	92,800
BALANCE AT THE PERIOD END	20,200

Notes on pages 13 - 14 are an integral part of these financial statements.

STATEMENT OF FACTUAL EXPENDITURES IN NATIONAL CURRENCY

For the period from 24 January 2017 to 31 December 2018

In USD

	----- *Payment* -----		*USD*
	Currency	*Amount*	*Equivalent amount*
Category 1: Goods and consulting services	UAH	1,718,191	65,153
Category 2: Training	UAH	539,296	20,538
Category 3: Operating Costs	UAH	188,899	7,078
Total expenditures of the period		2,446,386	92,769

Notes on pages 13 - 14 are an integral part of these financial statements.

STRENGTHENING EVIDENCE-BASED POLICYMAKING WITH EDUCATION STATISTICS AND ANALYSIS PROJECT

RECONCILIATION BETWEEN RECORDS OF PIU AND THE BANK

For the period from 24 January 2017 to 31 December 2018

In USD

Grant amount			340,000
Subtract:			
Project costs:			
Category 1: Goods and consulting services	118,527		
Category 2: Training	21,657		
Category 3: Operating Costs	7,078		
Total:		(147,262)	
Designated account Ukreximbank - US dollars	20,200		
Current account State Treasury of Ukraine - hryvnya	31		
Total available funds:		(20,231)	
Total withdrawals:			(167,493)
Balance as at 31 December 2018			172,507

Notes on pages 13 - 14 are an integral part of these financial statements.

1. Project Description

Ukraine has received financial assistance from the International Bank for Reconstruction and Development ("the World Bank"), actimg as administrator of grant funds provided by various "Donors" under the Multi-Donor Trust Fund for Statistical Capacity Building III (TFSCB-III: TF070561) in the amount of three hundred and forty thousand US dollars (340,000.00 USD) (the "Grant") for the Strengthening Evidence-Based Policymaking with Education Statistics and Analysis Project (the "Project"). The Grant consists of three components:

Component 1: Development of an Integrated EMIS;

Component 2: Preparation for Participation in PISA;

Component 3: Institutional Capacity Building.

The Project is implemented by the State Scientific Institution "Institute of Educational Analytics" under the general supervision of the Ministry of Education and Science of Ukraine ("MES").

The Grant's implementation is regulated by the documents of the TFSCB Grant No. TF0A4096 and by the Decree of the Cabinet of Ministers of Ukraine No. 153 "On the Establishment of a Unified System for the Involvement, Use and Monitoring of International Technical Assistance" dated 15 February 2002, and other legal acts of the Cabinet of Ministers of Ukraine, orders of IEA and MES.

2. Basis of Presentation

These special purpose financial statements of the Project are prepared on a cash basis and include such significant accounting policies that have been consistently applied in all material respects and are in accordance with the recommendations of the World Bank's Financial Management Committee "Recommendations: Annual Financial Reporting and Audit of Activities, funded by the World Bank". Project financing is recognized as a source of funds for the Project at the time of receipt of funds. Project costs are recognized as the use of funds under the Project at the time of making payments.

The reporting currency is US Dollars. Items included in the special purpose financial statements of the Project are valued using the currency that best reflects the economic substance of the Company's relevant events and circumstances ("functional currency"). The functional currency of the Project is US Dollars.

Transactions in other currencies are translated into US dollars at the interbank currency exchange rate, which was effective on the date of the respective conversion of US dollars into the payment currency. Cash balances in other currencies are translated into US dollars at the interbank exchange rate of the last conversion of USD into the currency of payment.

3. Significant Accounting Policies

Basis of Preparation

The special purpose financial statements were prepared under the cash basis. Accounting policies were applied consistently during the entire period of the Grant funds use.

Reporting Period

This report covers the period of the Grant funds usage from 24 January 2017 to 31 December 2018. The closing date of the Grant is 24 July 2019 or such later date as established by the Bank.

Reporting Currency

According to the requirements of the World Bank, the reporting currency is US dollar.

Designated bank account

The Project is implemented by the State Scientific Institution "Institute of Educational Analytics" under the general supervision of the Ministry of Education and Science of Ukraine ("MES"). In order to implement the Project, bank accounts were opened with PJSC "State Export-Import Bank of Ukraine" and the State Treasury Service of Ukraine.

Recognition of receipts and expenditures

The Project keeps its records and prepares its financial statements on the cash basis. Receipts are recorded when they are made on bank accounts, which are supported by advances from the IBRD. Expenditures are recorded on the date of funds withdrawal from accounts.

The following methods of funding can be applied within the Grant:

- Reimbursement of expenses;
- Advance payments;
- Direct payments.

The minimum Application for reimbursements and direct payments is 25,000 USD.

B The table below defines the categories of Eligible Expenditures that can be financed from the Grant ("Category"), the allocations of the Grant funds between the Categories, and the percentage of expenditures that can be financed by Eligible Expenditures in each Category:

Category	*Allocated funds of the Grant (in USD)*	*Percentage of expenditures being financed (including tax)*
(1) Goods and consulting services	297 300	100%
(2) Training	34 700	100%
(3) Operating Costs	8 000	100%
TOTAL	340 000	

All products, advisory and non-advisory services required for the project, and those that are eligible for funding from the Grant, should be procured in accordance with the requirements described in the World Bank Procurement Regulations for IPF Borrowers dated 01 July 2016.

4. Economic Environment

The main economic activity is performed on the territory of Ukraine. The Ukrainian economy is in a protracted crisis, complicated by the military conflict in eastern Ukraine and the unrecognized separation of the Autonomous Republic of Crimea. Stabilization of the situation in Ukraine will largely depend on the government's actions aimed at resolving the military conflict, reforming the country's financial, administrative, fiscal and legal systems. To solve the above-mentioned tasks, the government of the country introduces rather severe and unpopular measures, such as partial mobilization of the population liable to military service, introduction of new taxes and fees, restrictions on cash and non-cash foreign currency transactions, etc.

World Bank Audit Documentation Checklist

Name of Loan/Credit:	World Bank UKRAINE
Loan/Credit #	TF0A4096
Audit Report:	Year ended December 31, 2018

	Check if Included	Check if N/A
I. Audit report (Opinion):		
A. Applicable accounting standards noted	X	
B. Applicable auditing standards noted	X	
C. Opinion rendered on all forms of withdrawals:		
1. Statement of Expenditures	X	
2. Designated Account	X	
D. All sources of financing for the project are noted	X	
II. Financial Reports:		
A. Revenue Earning Entity (all of the following are required):		
1. Balance sheet		X
2. Cash Flow Statement		X
3. Income Statement		X
B. Non-Revenue Earning Entity (all of the following are required):		
1. Balance sheet		X
2. Summary of Sources and Uses of Funds	X	
C. If applicable (refer to Loan Agreement):		
1. Statement of Expenditure (SOE) Statement	X	
2. Designated Account Statement	X	
III. Notes to the Financial Statements	X	
IV. Reconciliation between World Bank records and project records	X	
V. Management Letter	X	