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KURDISTAN REGIONAL GOVERNMENT
MINISTRY OF PLANNING - GENERAL DIRECTORATE OF
CAPITAL INVESTMENT BUDGET

MODERNIZATION OF PUBLIC FINANCIAL MANAGEMENT SYSTEMS PROJECT (P151357) - COMPONENT 3

STATEMENT OF CASH RECEIPTS AND PAYMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

GENERAL DIRECTORATE OF CAPITAL INVESTMENT BUDGET
MODERNIZATION OF PUBLIC FINANCIAL MANAGEMENT SYSTEMS PROJECT - COMPONENT 3
STATEMENT OF CASH RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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Independent Auditor's Report

To the Project Management Team (PMT) of the Modernization of Public Financial Management Systems Project – Component 3
General Directorate of Capital Investment Budget
Ministry of Planning – Kurdistan Regional Government

Report on the audit of the Statement of Cash Receipts and Payments

Our opinion
In our opinion, the statement presents fairly, in all material respects, the cash receipts and payments for the year ended 31 December 2018 in accordance with International Public Sector Accounting Standards (IPSAS) under the basis of preparation described in Note 2.1 to the accompanying statement.

What we have audited
We have audited the accompanying Statement of Cash Receipts and Payments (the "Statement") of the "Modernization of Public Financial Management Systems Project - Component 3" (the "Project") implemented by "General Directorate of Capital Investment Budget" (the "Entity") for the year ended 31 December 2018 and notes to the statement, including a summary of significant accounting policies and other explanatory information.

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 Statement of Cash Receipts and Payments section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the other ethical requirements that are relevant to our audit of the Statement. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Basis of accounting and restriction on distribution
We draw attention to Note 2.1 to the Statement, which describes the basis of preparation. The Statement is prepared to assist the Entity to comply with the laws, regulations and provisions under the Loan Agreement (the "Agreement") signed between the International Bank for Reconstruction and Development – World Bank (the "World Bank") and the Republic of Iraq. As a result, the Statement may not be suitable for another purpose. Our report is intended solely for the Entity and the World Bank and should not be distributed to or used by parties other than the Entity and the World Bank. Our opinion is not modified in respect of this matter.

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Responsibilities of management and those charged with governance for the Statement of Cash Receipts and Payments

Management is responsible for the preparation and fair presentation of the Statement in accordance with IPSAS under the basis of preparation described in Note 2.1 to the accompanying

Statement, and for such internal control as management determines is necessary to enable the preparation of the Statement that are free from material misstatement, whether due to fraud or error.

In preparing the Statement, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using

the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's responsibilities for the audit of the Statement of Cash Receipts and Payments

Our objectives are to obtain reasonable assurance about whether the Statement as a whole is 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 this Statement.

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 Statement, 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 Entity's internal control.

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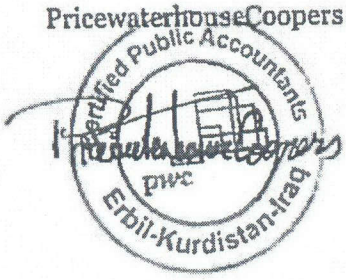
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Statement 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 Entity to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the Statement, including the disclosures, and whether the Statement represents 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

PricewaterhouseCoopers "Jordan" L.L.C. - Erbil Branch



Erbil, Iraq
11 July 2019

GENERAL DIRECTORATE OF CAPITAL INVESTMENT BUDGET
MODERNIZATION OF PUBLIC FINANCIAL MANAGEMENT SYSTEMS PROJECT - COMPONENT 3
STATEMENT OF CASH RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018	2017	Cumulative
		USD	USD	USD
Bank balance at 1 January	5	258,624	-	-
		258,624	-	-
CASH RECEIPTS				
Direct payments to contractors	3	92,623	-	92,623
Transfers from the World Bank	4	221,300	280,000	501,300
		313,923	280,000	593,923
CASH PAYMENTS				
PIMS Strengthening		(29,665)	-	(29,665)
Public procurement modernization		(191,812)	(7,095)	(198,907)
Project management and reform coordination		(94,508)	(14,281)	(108,789)
		(315,985)	(21,376)	(337,361)
Net (decrease)/increase in bank balance		(2,062)	258,624	256,562
Bank balance at 31 December	5	256,562	258,624	256,562

Zagross Fatah Agha
PMT Manager

Ministry of Planning - Kurdistan Regional Government
Director General For Capital Investment Budget

Hidayat Abubaker
Financial Officer

The attached notes from 1 to 7 are an integral part of these financial statement

GENERAL DIRECTORATE OF CAPITAL INVESTMENT BUDGET
MODERNIZATION OF PUBLIC FINANCIAL MANAGEMENT SYSTEMS PROJECT – COMPONENT 3
NOTES TO THE STATEMENT OF CASH RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

(1) GENERAL INFORMATION

1.1 General information

The Republic of Iraq was granted a loan for the amount of USD 41.5 million from the World Bank - International Bank for Reconstruction and Development (the "World Bank") for the implementation of Modernization of Public Financial Management System Project in Iraq and Kurdistan Region. The loan agreement number 8683-IQ (the "Agreement") of the Modernization of Public Financial Management Systems Project was signed between the Republic of Iraq and the World Bank on 20 December 2016 with a project implementation period between 2017 and 2021. The loan is repayable by the Republic of Iraq between 15 March 2022 and 15 September 2026 in the form of 10 semi-annual repayments. The objective of the project is to improve financial information management and transparency, cash management, public investment management and public procurement modernization at selected federal and governorate agencies.

The Modernization of Public Financial Management Systems Project is distributed into Component 1, 2, and 3. Component 3, Public Investment Management and Public Procurement at the Kurdistan Regional Government level (the "Project"), is distributed to the General Directorate Capital Investment Budget - Ministry of Planning – Kurdistan Regional Government (GDCIB). GDCIB's share of the total loan, under Component 3, is USD 4.59 million. GDCIB is responsible for directing the economic development of Kurdistan Region by setting priorities for capital investment budget and approving funding for projects.

1.2 Project Information

The primary objectives of the project are:

- Modernization and strengthening of Kurdistan Region's public investment management system, including through: (i) the carrying out of an efficiency and functional review of the General Directorate of Capital Investment Budget within Ministry of Planning Kurdistan Region; (ii) updating and improving project appraisal methodologies and guidelines, including instructions, guidelines and templates; (iii) strengthening and further development of the Kurdistan Development Management System (KDMS) through the establishment of an integrated bank of investment projects, to support investment planning and decision making, to track and monitor investments, and to serve as an investment project registry; and (iv) capacity building.

- Modernization and strengthening of public procurement in Kurdistan Region, through: (i) supporting the implementation of procurement regulations, including strengthening the capacity of policy unit functions, the development of a complaints mechanism system, and provision of training to relevant agencies; (ii) development and rollout of standard bidding documents and framework agreements; (iii) the establishment of an electronic procurement portal; and (iv) capacity building and professionalization of the public sector procurement workforce and for private sector stakeholders.

GDCIB will implement the above under the Project Coordination Unit (PCU) based in the Ministry of Planning – Kurdistan Region. A Project Management Team (PMT) has been established to manage the project during its 5 years implementation period. The PMT is responsible for implementation, management and planning, procurement and financial management and reporting according to the World Bank guidelines and procedures in coordination with the PCU.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies have been applied consistently throughout the years.

2.1 Basis of preparation

The Statement of Cash Receipts and Payments was prepared under the cash basis of accounting as defined in International Public Sector Accounting Standards (IPSAS), which is issued by the International Federation of Accountants (IFAC). Under the cash basis of accounting, cash receipts are recognized when cash is received and cash payments are recognized when payments are made.

2.2 Foreign currency transactions

The United States Dollar (USD) is the project reporting and functional currency. The books of accounts are held in USD. Transactions denominated in other currencies are translated to USD using the exchange rate prevailing at the date of transactions.

2.3 Receipts

Cash receipts represents balances transferred from the World Bank and deposited into the project's designated bank account with Trade Bank of Iraq. Cash receipts are recognized when cash is received.

2.4 Payments

Disbursements represents cash payments incurred in the normal course of the Project operations. Payments are recognized when the disbursements are made.

2.5 Capital expenditures

Capital expenditures incurred to acquire fixed and other assets are recognized in the statements of Cash Receipts and Payments when the payment is made for these assets.

2.6 Provisions

Provisions are not recognized when there is an existing legal or contractual obligation as results of the Project operations. Provisions are recognized in the statements of Cash Receipts and Payments when the provision payment is made.

2.7 Contingent liabilities

Contingent liabilities are not disclosed in the statements of Cash Receipts and Payments. Liabilities are recognized when the payment is made.

(3) DIRECT PAYMENTS TO CONTRACTORS

The World Bank makes payments directly to third parties (suppliers, contractors, or consultants) for eligible expenditures. The entity only controls the amounts paid to the project's designated bank account; other amounts paid directly by the World Bank to contractors are under the control of the World Bank. The following direct payments were paid by the World Bank to a contractor:

Date	Amount
	USD
17 April 2018	4,950
24 May 2018	9,900
24 May 2018	11,750
6 July 2018	1,650
14 August 2018	29,050
10 February 2018	7,695
13 November 2018	15,628
12 July 2018	12,000
	92,623

There were no direct payments made by World Bank to contractors in 2017.

(4) TRANSFERS FROM THE WORLD BANK

Funds received for the Project from the World Bank that were deposited into the designated bank account with the Trade Bank of Iraq to finance eligible Project expenditures were as follows:

	2018	2017	Total
Date	USD	USD	USD
26 September 2017	-	280,000	280,000
13 March 2018	21,376	-	21,376
2 April 2018	42,559	-	42,559
15 May 2018	6,723	-	6,723
23 May 2018	40,055	-	40,055
6 June 2018	14,291	-	14,291
13 August 2018	50,671	-	50,671
15 August 2018	14,134	-	14,134
18 September 2018	7,834	-	7,834
11 November 2018	5,100	-	5,100
11 November 2018	18,557	-	18,557
	221,300	280,000	501,300

(5) CASH AND BANK BALANCES

The balances of the bank account with Trade Bank of Iraq and cash on hand balances were as follows:

	2018 USD	2017 USD
Cash at bank	256,562	253,210
Cash on hand	-	5,414
	256,562	258,624

(6) CONTRACTS

As at 31 December 2018, the following contracts were entered into including contract amounts committed, amounts paid, and remaining balances.

Budget line description	Contract date	Contract reference	Amount committed USD	Amount paid USD	Remaining balance USD
Subcomponent 3.2 - Public procurement modernization	27 November 2017	KRG-MOP-REF-3	90,000	77,160	12,840
Subcomponent 3.3 – Project management and reform coordination	20 December 2017	KRG-MOP-REF-9	40,000	38,475	1,525
Subcomponent 3.3 - Project management and reform coordination	29 November 2017	KRG-MOP-REF-10	40,000	20,385	19,615
Subcomponent 3.2 - Public procurement modernization	24 January 2018	KRG-MOP-REF-13	15,000	8,000	7,000
Subcomponent 3.2 - Public procurement modernization	26 March 2018	KRG-MOP-REF-16	40,000	39,597	403
Subcomponent 3.2 - Public procurement modernization	4 April 2018	KRG-MOP-REF-17	75,000	55,741	19,259
Subcomponent 3.3 - Project management and reform coordination	28 May 2018	KRG-MOP-REF-18	100,000	9,500	90,500
Subcomponent 3.1 - Public investment management system strengthening	2 September 2018	KRG-MOP-REF-21	100,000	15,628	84,372
Subcomponent 3.2 - Public procurement modernization	30 August 2018	KRG-MOP-REF-23	20,000	18,506	1,494
			520,000	282,992	237,008

The entity purchased computers and IT supplies for the project in 2018 in the amount of USD 58,860 (2017: USD 350).

(7) AUTHORIZATION DATE

These financial statements of the Project for the year ended 31 December 2018 were authorized for issuance by the management on 11 July 2019.

Other Supplementary Information
Schedule of Actual Versus Budgeted
Cash Receipts and Payments

GENERAL DIRECTORATE OF CAPITAL INVESTMENT BUDGET
MODERNIZATION OF PUBLIC FINANCIAL MANAGEMENT SYSTEMS PROJECT – COMPONENT 3
SCHEDULE OF ACTUAL VERSUS BUDGETED CASH RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (UNAUDITED)

Our audit of the accompanying Statement of Cash Receipts and Payments of the Modernization of Public Financial Management Systems Project - Component 3 for the General Directorate of Capital Investment Budget for the year ended 31 December 2018, has been made primarily for the purpose of expressing an opinion on the statement taken as a whole.

The Schedule of Actual Versus Budgeted Cash Receipts and Payments (the "Schedule") as set out on the following page is presented for analysis purposes only. Accordingly, we do not express any opinion thereon. Budget variances, if any, are subject to World Bank approval.

GENERAL DIRECTORATE OF CAPITAL INVESTMENT BUDGET
MODERNIZATION OF PUBLIC FINANCIAL MANAGEMENT SYSTEMS PROJECT - COMPONENT 3
SCHEDULE OF ACTUAL VERSUS BUDGETED CASH RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (UNAUDITED)

	Budget	Actual – Until 31 December 2018	(Over)/under budget
	USD	USD	USD
Subcomponent 3.1 - Public investment management system strengthening	2,000,000	29,665	1,970,335
Subcomponent 3.2 - Public procurement modernization	1,800,000	198,907	1,601,093
Subcomponent 3.3 - Project management and reform coordination	400,000	108,789	291,211
Unallocated/contingencies	390,000	-	390,000
	4,590,000	337,361	4,252,639