



Independent Auditor's Report and Special Purpose  
Financial Information

Results - Based Road Maintenance and Safety Project  
(P132982)

For the period from 10 April 2015 to 31 December 2016

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## Independent Auditor's Report

To the Management of the "Results - Based Road Maintenance and Safety Project" and Ministry of Finance and Economy of the Republic of Albania

### *Opinion*

We have audited the accompanying special purpose financial information comprising the statement of sources and uses of funds, statement of withdrawal applications and related notes of the "Results - Based Road Maintenance and Safety Project" (further referred to as the "Project"), implemented by the Albanian Road Authority financed under International Bank for Reconstruction and Development (IBRD) Loan Agreement Number 8489-AL and Government of Albania Contributions for the period from 10 April 2015 to 31 December 2016.

In our opinion, the special purpose financial information of the Project "Results - Based Road Maintenance and Safety" is prepared, in all material respects, in accordance with the cash receipts and disbursement basis of accounting as set out in note 2 to the special purpose financial 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 special purpose financial information section of our report. We are independent of the entity 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 special purpose financial information in Albania, and we have fulfilled our other ethical responsibilities in accordance with 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 – Basis of Accounting and Restriction on Distribution*

Without modifying our opinion, we draw attention to note 2 to the special purpose financial information, which describe the basis of accounting. The special purpose financial information are prepared to assist the Project to comply with the financial reporting provisions of the financing agreements set out in the note 1 to the special purpose information. As a result, the special purpose financial information may not be suitable for another purpose. Our report is intended solely for the Project, the donors and the Ministry of Finance and Economy and should not be used by or distributed to parties other than the Project, the donors or the Ministry of Finance and Economy.

### *Responsibilities of Management for the Special Purpose Financial Information*

Management is responsible for preparation and fair presentation of the special purpose financial information in accordance with the basis of accounting described in notes 2 and 3; this includes determining that the cash receipts and disbursements basis of accounting is an acceptable basis for the preparation of the special purpose financial information in the circumstances, and for such internal control as management determines is necessary to enable the preparation of a special purpose financial information that is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility for the Audit of the Special Purpose Financial Information*

Our objectives are to obtain reasonable assurance about whether the special purpose financial information 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 special purpose financial information.

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 special purpose financial information, 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.
- 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 special purpose financial information 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 special purpose financial information, including the disclosures, and whether the special purpose financial information 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.

**Grant Thornton sh.p.k.**

Tirana, Albania

30 November 2017



## Statement of Sources and Uses of Funds

	Note	For the period from 1 January to 31 December 2016	For the period from 10 April to 31 December 2015	Cumulative from 10 April 2015 to 31 December 2016
<b>Sources of funds</b>				
IBRD funding	3	8,244,751	-	8,244,751
GoA contributions	4	316,017	-	316,017
Sale of Bid documents	5	1,719	4,100	5,819
Interest received	6	5,019	-	5,019
<b>Total</b>		<b>8,567,506</b>	<b>4,100</b>	<b>8,571,606</b>
<b>Uses of funds</b>				
Consultancy services	7	(401,756)	-	(401,756)
Goods	8	(4,892)	-	(4,892)
Incremental operating costs	9	(12,350)	(3)	(12,353)
GoA contributions	4	(316,017)	-	(316,017)
<b>Total</b>		<b>(735,015)</b>	<b>(3)</b>	<b>(735,018)</b>
<b>Excess of receipts over disbursements</b>				
		<b>7,832,491</b>	<b>4,097</b>	<b>7,836,588</b>
Exchange rate difference		(1,535)	8	(1,527)
Cash at the beginning of the period	10	4,105	-	-
<b>Cash at the end of the period</b>	<b>10</b>	<b>7,835,060</b>	<b>4,105</b>	<b>7,835,061</b>

The Statement of Sources and Uses of Funds is to be read in conjunction with the notes set out on pages 3 to 7 and forming an integral part of the special purpose financial information.

The special purpose financial information of Results - Based Road Maintenance and Safety Project were authorized for issue by the management of the Albanian Road Authority on 23 October 2017 and signed on its behalf by:

Afrim Qendro

General Director

Albanian Road Authority



Agron Tili

Finance Representative

Albanian Road Authority

Results - Based Road Maintenance and Safety Project  
For the period from 1 January to 31 December 2016  
*(amounts are expressed in EUR unless otherwise stated)*

## Statement of Withdrawal Applications

1 January – 31 December 2016

Donor	Withdrawal application number	Date of withdrawal application	Type of Disbursement	Loan	Consultancy Services	Incremental	Goods	CCY
IBRD	WA- 1	22.12.2015	Advance	8,244,751	597,983	-	137,032	Euro
<b>Total</b>				<b>8,244,751</b>	<b>597,983</b>	<b>-</b>	<b>137,032</b>	

## **1. General Information**

“Results - Based Road Maintenance and Safety Project” (further referred to as the “Project”) is implemented by the Albanian Road Authority (“ARA”) financed under International Bank for Reconstruction and Development (“IBRD”) Loan Agreement Number 8489-AL and Government of Albania Contributions for the period from 1 January to 31 December 2016

The objectives of the Project are to: (a) maintain the condition and improve the safety of the Borrower’s Primary Road and Primary-Secondary Road networks; and (b) strengthen sustainable and efficient road asset management and safety practices, for the benefit of road users.

The Project consists of the following parts:

### ***Part 1 - Maintenance Works and Monitoring***

- (a) Carrying out periodic and routine maintenance of Primary Roads and Primary-Secondary Roads.
- (b) Carrying out activities to monitor roads maintenance of Primary Roads and Primary-Secondary Roads and ensure that the defined levels of service and complied with, including: (i) carrying out initial road safety audits; (ii) conducting periodic International Road Safety Assessment Program (“IRAP”) Surveys to ensure that identified additional road safety black-spots and required safety enhancements are incorporated in the maintenance works for the relevant roads; and (iii) developing and implementing the Social Transparency System.

### ***Part 2 - Institutional Reforms***

- (a) Carrying out activities to enhance the capacity of Ministry of Infrastructure and Energy (formerly known as Ministry of Transport and Infrastructure) and ARA with respect to their implementation of activities to promote road safety, which shall *inter alia* include: (i) conducting road safety audit training accreditation courses; (ii) conducting road safety media campaigns; and (iii) developing an integrated database to enhance the Accident Information System.
- (b) Carrying out activities to strengthen ARA’s capacity to: (i) collect and analyze road data; (ii) conduct road condition surveys to collect input data for the Road Asset Management (RAMS); and (iii) use the RAMS to prepare multi-year maintenance programs of expenditures and investments.

### ***Part 3 - Sector reforms***

- (a) Providing technical and advisory services to the Borrower on various sector reforms and medium to long-term planning activities, including finalizing its transport strategy.

### ***Part 4 - Project Management and Audits***

- (a) Strengthening the capacity of the ARA, and the Project Management Team to carry out Project management activities, including compliance with safeguards, financial management and procurement arrangements, as well as the financing of the Operating Costs.
- (b) Carrying out monitoring activities including the Beneficiary Impact Assessments and the Technical Audits.



Results - Based Road Maintenance and Safety Project

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The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

<b>Category</b>	<b>Amount of the Loan Allocated(expressed in Euro)</b>	<b>Percentage of Expenditures to be financed (inclusive of Taxes)</b>
(1) Goods, Works, consultants' services and Training for Parts 1 and 2 of the Project	59,310,000	up to 50% in accordance with the provisions of the POM
(2) Consultants' services and Operating Costs for Parts 3 and 4 of the Project	6,425,250	up to 84% in accordance with the provisions of the POM
(3) Front-end Fee	164,750	Amount payable pursuant to Section 2.03 of this Agreement in accordance with section 2.07 (b) of the General Conditions
(4) Interest Rate Cap or Interest Rate Collar premium	-	Amount due pursuant to Section (2.08) of this Agreement
<b>TOTAL AMOUNT</b>	<b>65,900,000</b>	

## **2. Summary of significant accounting policies**

A summary of significant accounting policies underlying the preparation of the Project's financial statements is presented below.

### **a) Basis of preparation**

The special purpose financial information has been prepared in accordance with the receipts and the Cash Basis of Accounting as further explained below under paragraph C 'Recognition of income and expenses'. The financial information includes the period from 1 January 2016 to 31 December 2016.

Cumulative information on cash receipts and disbursements from the Project's inception to date is presented in the Statement of Sources and uses of Funds for information purposes only.

The financial statements are presented in Euro.

The financial statements comprise the Statement of Sources and Uses of Funds, the Statements of Expenditures used as the basis for the submission of withdrawal applications and a summary of significant accounting policies and other explanatory notes.

As supplementary schedules to the financial statements are presented the Statements of Special and Accounts and Single Treasury Account associated with the Project.

### **b) Foreign currency transactions**

The Project has adopted the Euro as its reporting currency for consistency with the reporting needs of its main donor, the World Bank.

Cash and bank balances in other currencies are converted into Euro at the year-end rate of exchange. Transactions in currencies other than Euro are converted to the reporting currency at the rate ruling at the date of the transaction. Foreign exchange differences are recognized in the Statement of Sources and Uses of Funds.

As at 31 December 2016, 1 Euro was equivalent to 135.23 All.

### **c) Recognition of income and expenses**

Income is recognized when received rather than when earned and expenses are recognized when paid rather than when incurred. Accordingly, direct payments of the Project, which are made from the proceeds of the Project, are recognized as sources and uses of funds at the time the payment is made.

### **d) Taxation**

The Project is exempt from income tax. The Project is liable for withholding tax and personnel income tax for its staff. The Project is liable for all VAT expenses incurred.

Results - Based Road Maintenance and Safety Project  
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### 3. IBRD funding

Funds received from the Donor for the period from 1 January 2016 to 31 December 2016 were composed as follows:

	Period from 1 January to 31 December 2016	Period from 10 April to 31 December 2015
Advance Payment	8,244,751	-
<b>Total</b>	<b>8,244,751</b>	<b>-</b>

### 4. GoA contributions

GoA contributions are composed as follows:

	For the period from 1 January to 31 December 2016	For the period from 10 April to 31 December 2015
GOA Contribution for VAT	101,997	-
GOA Contribution for Local Cost	214,020	-
<b>Total</b>	<b>316,017</b>	<b>-</b>

### 5. Sale of Bid documents

Sale of bid documents represents revenues from the sale of documents for bid procedures performed by the Project.

	For the period from 1 January to 31 December 2016	For the period from 10 April to 31 December 2015
Sale of Bid Documents	1,719	4,100
<b>Total</b>	<b>1,719</b>	<b>4,100</b>

### 6. Interest Received

The funds disbursed from the donor are transferred to the second level bank account at Credins Bank. Interest received represents revenue from the interest earned during the period by project bank accounts.

### 7. Consultancy Services

The consultancy services for the period from 1 January to 31 December, 2016 were composed as follows:

	For the period from 1 January to 31 December 2016	For the period from 10 April to 31 December 2015
Consultancy services Monitoring Consultant	289,196	-
International Consultant for Bid Preparation	86,449	-
Consultant's salaries	26,111	-
<b>Total</b>	<b>401,756</b>	<b>-</b>

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## 8. Goods

Goods for the period from 1 January to 31 December 2016 were composed as follows:

	For the period from 1 January to 31 December 2016	For the period from 10 April to 31 December 2015
Financial Software	4,892	-
<b>Total</b>	<b>4,892</b>	<b>-</b>

## 9. Incremental Operating costs

Operating costs for the period from 1 January to 31 December 2016 were composed as follows:

	For the period from 1 January to 31 December 2016	For the period from 10 April to 31 December 2015
Office IT equipment	11,474	-
Bank charges	581	3
Stationaries/Printing	295	-
<b>Total</b>	<b>12,350</b>	<b>3</b>

## 10. Cash at the end of the period

Cash on hand and at banks as at 31 December 2016 and 31 December 2015 was composed as follows:

	31 December 2016			31 December 2015	
	Amount in EUR	Amount in ALL	Equivalent in EUR	Total (equivalent in EUR)	Total (equivalent in EUR)
<i>Cash on hand and at banks:</i>					
<b>Second Level Bank</b>					
IBRD Credit Project account	7,767,475	9,139,446	67,584	7,835,059	4,104
<b>Total</b>	<b>7,767,475</b>	<b>9,139,446</b>	<b>67,584</b>	<b>7,835,059</b>	<b>4,104</b>

## 11. Subsequent events

There are no other significant events that would require either adjustments or additional disclosures in the special purpose financial information.

## APPENDICES

### Results - Based Road Maintenance and Safety Project P132982

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#### Statements of Special Accounts and Project Accounts for the period from 1 January to 31 December 2016

(Supplementary schedules to the Special Purpose Financial Information)

#### Appendix 1

#### Supplementary Schedule of Special Account Statement

<b>Donor</b>	<b>IBRD</b>
<b>Account No:</b>	<b>AL 30 1011 1008 00000 0000 2117 660E</b>
<b>Depository Bank</b>	<b>Bank of Albania</b>
<b>Address</b>	Skenderbeg Square, No 1, Tirana, Albania
<b>Currency</b>	<b>EUR</b>
	<b>2016</b>
<b>Opening Balance at beginning of period</b>	-
<b>Funds received:</b>	
Replenishment	<b>8,244,751</b>
<b>Disbursements:</b>	
Funds transferred to Credins Bank in EUR	(8,144,751)
Funds transferred to Credins Bank ALL account	(100,000)
<b>TOTAL</b>	<b>(8,244,751)</b>
<b>Balance at end of the period</b>	-