

**SCIENTIFIC METHODOLOGICAL INSTITUTION "NATIONAL INSTITUTE OF EDUCATION" OF
THE MINISTRY OF THE REPUBLIC OF BELARUS**

**FINANCIAL STATEMENTS ON THE BELARUS EDUCATION MODERNIZATION PROJECT
WITH AUDITOR'S OPINION FOR THE PERIOD FROM 1 JANUARY 2018 TO 31 DECEMBER
2018**

**THE PROJECT IS FINANCED UNDER THE LOAN 8529-BY DATED 23 SEPTEMBER 2015
GRANTED BY THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT**

FINANCIAL STATEMENTS ON THE PROJECT WITH AUDITOR'S OPINION
FOR THE PERIOD FROM 1 JANUARY 2018 TO 31 DECEMBER 2018
THE PROJECT IS FINANCED
UNDER THE LOAN 8529-BY DATED 23 SEPTEMBER 2015 GRANTED BY
THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

THE PROJECT IS MANAGED BY
SCIENTIFIC METHODOLOGICAL INSTITUTION "NATIONAL INSTITUTE OF EDUCATION"
OF THE MINISTRY OF THE REPUBLIC OF BELARUS

ALL AMOUNTS ARE IN US DOLLARS

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Statement of Management's responsibility for preparation and approval of the financial statements on the Project

The Management of the Scientific Methodological Institution "National Institute of Education" of the Ministry of Education (hereinafter - National Institute of Education) is responsible for preparation of financial statements on the Project "Belarus Education Modernization Project" (hereinafter - the Project) financed by the International Bank for Reconstruction and Development (hereinafter - IBRD) under the loan agreement No. 8529-BY dated 23 September 2015 for the period from 1 January 2018 to 31 December 2018 which fairly reflect in all material respects the information on the sources and use of the Project funds, the financial position of the Project accounts for the specified period.

In the preparation of the financial statements on the Project, the Management is responsible for:

- adequate choice and application of the accounting policy principles;
- presentation of information in accordance with IBRD rules and the selected accounting policies.

Management is also responsible for:

- development, implementation and maintenance of an effective and reliable internal control system on the Project;
- maintenance of accounting in accordance with IBRD rules and the selected accounting policies.
- taking all possible reasonable steps to safeguard assets under the Project;
- preventing and detecting fraud and other irregularities.

These financial statements on the Project for the period from 1 January 2018 to 31 December 2018 were approved by the Management on 14 June 2019.


Director of the Institute

V.V. Hinchuk

14 June 2019
Minsk, Belarus




Head of Finance and Disbursement
Department

A.A. Dubrovina

Auditor's Responsibilities for the Audit of the Financial Statements (continuation)

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 financial statements on the Project, 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 of NIE during the implementation of the Project.
- ▶ 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 ability of NIE 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 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 Company to cease to continue as a going concern.

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. 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 influence on auditors' independence, and, where applicable, all related safeguards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (hereinafter - "ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of NIE in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter Accounting principles

The financial statements on the Project are prepared in accordance with IBRD rules. The accounting policy is to prepare financial statements on the Project on the basis of the cash method. In accordance with this method, income and expenses are recognized as cash is received or spent rather than on an accrual basis.

Responsibilities of the Auditee for the Preparation of the Financial Statements

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

In preparing the financial statements on the Project, Management is responsible for assessing the ability of NIE 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 NIE or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements on the Project 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 financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Management of the Belarus Education Modernization Project and to the Management of Scientific Methodological Institution "National Institution of Education" of the Ministry of Education of the Republic of Belarus (hereinafter - NIE)

Ref. No. 04-05/49, 14.06.2019

Opinion

Information about the auditee:

Name: SCIENTIFIC METHODOLOGICAL INSTITUTION "NATIONAL INSTITUTE OF EDUCATION" OF THE MINISTRY OF THE REPUBLIC OF BELARUS

Location: Republic of Belarus, 22004, Minsk, 16 Korolya str.

Payer's identification number: 190374888

We have audited the financial statements on the Project "Belarus Education Modernization Project" financed by the International Bank for Reconstruction and Development (hereinafter - IBRD) in accordance with the loan agreement No. 8529-BY dated 23 September 2015 for the period from 1 January 2018 to 31 December 2018 which comprise:

- ▶ Loan sources and application of funds statement;
- ▶ Uses of funds statement;
- ▶ Designated account statement;
- ▶ Current account in Belarusian rubles statement;
- ▶ Withdrawal of funds using statement of expenditures statement;
- ▶ Notes to the financial statements on the Project.

In our opinion, the financial statements on the Project fairly in all material respects present the objective information on the sources and use of the Project funds for the period from 1 January 2018 to 31 December 2018 in accordance with the IBRD rules and the applicable accounting policy.

In our opinion, the Designated account statement and the Current account in Belarusian rubles statement correctly and fairly present the financial position of the Project accounts for the period from 1 January 2018 to 31 December 2018 in accordance with the IBRD rules and applicable accounting policies.

In addition, adequate supporting documentation was maintained for statements of expenditures for the period from 1 January 2018 to 31 December 2018 to support claims submitted to IBRD for reimbursement of expenditures incurred and the expenditures claimed are subject to financing in accordance with IBRD rules and the loan agreement.

Auditor's Responsibilities for the Audit of the Financial Statements (ending)

From the matters communicated with those charged with governance, we determine the matters that were most relevant to the audit of the financial statements on the Project for the current period and, therefore, are key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about these matters or, in very rare cases, when we determine that the information on a particular matter should not be disclosed since the adverse consequences of such disclosure would reasonably be expected to outweigh the public interest benefits of such communication.

Deputy Director for
Advisory and Other
Professional
Services



Ivan Kavalenka
(qualification certificate of the
auditor No. 002117 dated 27 June
2013, registration No. 1938)


Lead auditor

Siarhei Velyaminau
(qualification certificate of the
auditor No. 0000579 dated 10 March
2003, registration No. 417)

Auditor's report date: 14 June 2019

Place of issue: Minsk, Republic of Belarus

Date of receipt by the auditee: 14 June 2019

Position, Full name Head of Finance and Disbursement Department Signature 
A.A. Dubrovina

INFORMATION ABOUT THE AUDITOR:

Name: BDO LLC
Location: 103 Pobediteley ave., office 807, Minsk, 220020, Republic of Belarus
Information on the state registration: Certificate on the state registration was issued by Minsk City Executive Committee dated 15.11.2013
Payer's identification number: 190241132

FINANCIAL STATEMENTS ON THE PROJECT WITH AUDITOR'S OPINION
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Loan sources and application of funds statement

	From 1 January 2018 to 31 December 2018	From the beginning of the project	Total
<i>Cash balance at the beginning of the period</i>			
Specially designated account - Project funds	204,238.73		
Transit account - Project funds	0.01		
Total cash balance at the beginning of the period	204,238.74	0.00	0.00
<i>Sources of funds</i>			
IBRD 8529-BY Loan	3,690,000.00	13,397,500.00	49,875,000.00
Other (Front-end fee)	0.00	125,000.00	125,000.00
Total sources of funds	3,690,000.00	13,522,500.00	50,000,000.00
<i>Expenditures by components</i>			
Component 1 Ensuring a quality learning environment in general secondary schools receiving students from closed and (or) reorganized general secondary schools	3,513,470.41	12,752,952.81	47,005,000.00
Component 2: Modernization of system of general secondary education management	195,381.95	405,482.59	2,120,000.00
Component 3: Project implementation support (+Front-end fee)	106,614.22	285,292.44	875,000.00
Total expenditures by components	3,815,466.58	13,443,727.84	50,000,000.00
Bank interest	0.00	0.00	0.00
<i>Cash balance at the end of the reporting period according to bank statements</i>			
Specially designated account - Project funds	78,772.16	78,772.16	
Transit account - Project funds	0.00	0.00	
Cash in transit			
Total cash balance at the end of the period	78,772.16	78,772.16	0.00
Calculated account balance at the end of the reporting period	78,772.16	78,772.16	0.00

Director of the Institute

V.V. Hinchuk
14 June 2019
Minsk, Belarus

Head of Finance and Disbursement
Department

A.A. Dubrovina

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Uses of funds statement

Project component / Activity	Total amount under the procurement plan	Current year	Expenses with cumulative at the reporting date	Balance for upcoming payments
Component 1:				
Modernization/Capital repairs of General Education Schools	36,505,000	3,427,907.41	12,667,389.81	23,837,610.19
Provision of, inter alia, laboratory equipment (including physics, chemistry, biology and information technology classrooms) of selected General Education Schools where modernization/capital repairs will be carried out under Part 1.1. of the Project	10,500,000	85,563.00	85,563.00	10,414,437.00
Total Component 1	47,005,000.00	3,513,470.41	12,752,952.81	34,252,047.19
Component 2:				
Strengthening of the national system for the assessment of educational achievement, based on the sample of students in General Secondary Education Schools, including by: (a) provision of technical assistance and training; and (b) acquisition of the necessary hardware and software	100,000.00	8,607.95	8,607.95	91,392.05
Provision of support for the activities connected with the Borrower's participation in PISA 2018, including by: (a) support of relevant preparation activities for participation in PISA 2018, including: (i) development, translation and editing of testing materials; (ii) carrying out of training; (iii) approbation of assessment; (b) financing of expenses on the annual registration fee; and (c) carrying out of PISA 2018 activities, including: (i) printing of materials, their distribution and supervision over students' educational achievements' assessment; (ii) processing and analysis of data related to students' educational achievements' assessment and distribution of the results of the said assessment; and (d) supporting of capacity-building activities	520,000.00	149,308.84	359,409.48	160,590.52
Strengthening of the Borrower's education management information system by, inter alia: (a) the development of integrated system for the collection, processing and analysis of primary data coming from General Secondary Education Schools, including by the acquisition of the necessary hardware and software; (b) carrying out of training; and (c) certification/attestation of the integrated system mentioned in Part 3 (a) of this section.	1,500,000.00	37,465.16	37,465.16	1,462,534.84
Total Component 2	2,120,000.00	195,381.95	405,482.59	1,714,517.41

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Project component / Activity	Total amount under the procurement plan	Current year	Expenses with cumulative at the reporting date	Balance for upcoming payments
Component 3:				
Front-end fee	125,000.00	0.00	125,000.00	0.00
Provision of support (including consultant's services and training), implementation, monitoring and assessment of the Project, including carrying out audit of the Project	750,000.00	106,614.22	160,292.44	589,707.56
Total Component 3	875,000.00	106,614.22	285,292.44	589,707.56
Total project expenditures	50,000,000.00	3,815,466.58	13,443,727.84	36,556,272.16



(Handwritten signature)

Head of Finance and Disbursement Department
 A.A. Dubrovina

Director of the Institute
 V.V. Hinchuk
 14 June 2019
 Minsk, Belarus

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Designated account statement

Cash balance at the beginning of the reporting period as at 1 January 2018	204,238.73
Amount of advance payments received from the Project account	3,690,000.00
Amount of authorized expenditures paid in the reporting period	1,427,982.64
Amount of funds transferred to the transit account	2,387,483.93
Reimbursement of funds from the specially designated account to the Project account	0.00
Bank interest	0.00
Cost of services	0.00
Difference arising in the reporting period	0.00
Calculated cash balance in the specially designated account	78,772.16
Cash balance in the specially designated account carried over to the next reporting period	78,772.16


Director of the Institute

V.V. Hinchuk
14 June 2019
Minsk, Belarus


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Transit account statement

Cash balance at the beginning of the reporting period, including	0.01
Project funds	0.00
Amount of advance payments received from the specially designated account	2,387,483.93
Amount of authorized expenditures paid in the reporting period	2,387,483.94
Cash balance at the beginning of the reporting period, including	0.01
Reimbursement to the specially designated account	0.00
Bank interest	0.00
Cost of services	0.00
Difference arising in the reporting period	0.00
Calculated cash balance in the transit account	0.00
Cash balance in the transit account, carried over to the next reporting period - according to the bank statement, including	0.00
Project funds	0.00
Bank interest	0.00


 Director of the Institute
 V.V. Hinchuk

14 June 2019
 Minsk, Belarus





Head of Finance and Disbursement
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Withdrawal of funds using statement of expenditures statement

No.	Application No.	Component 1:	Component 2:	Component 3:	Total
1	22 (SOE 10)	365,687.84	82,265.50	11,817.24	459,770.58
2	26 (SOE 11)	1,239,078.64	68,180.42	67,247.97	1,374,507.03
3	28 (SOE 12)	1,530,754.73	41,502.03	23,115.71	1,595,372.47
4	29 (SOE 13)	292,386.20	0.00	1,650.44	294,036.64
Total		3,427,907.41	191,947.95	103,831.36	3,723,686.72



Director of the Institute

V.V. Hinchuk
 14 June 2019
 Minsk, Belarus



Head of Finance and Disbursement
 Department

A.A. Dubrovina

Notes to the financial statements on the Project

GENERAL INFORMATION

The Project consists of three interrelated components.

Component 1. Ensuring a quality learning environment in general secondary schools receiving students from closed and (or) reorganized general secondary schools (equivalent to 47.005 million US dollars).

Subcomponent 1.1. Strengthening the infrastructure of general secondary schools that receive (or plan to receive) students from closed or reorganized general secondary schools under the optimization program (equivalent to 36.505 million US dollars).

Within the framework of this subcomponent the following activities will be financed:

- preparatory work on the reconstruction and capital repair of the general secondary schools' buildings, including design works;
- reconstruction and capital repair of the general secondary schools' buildings, including construction and installation works;
- performing functions of the customer, supervision in construction.

Subcomponent 1.2. Increase of access to the laboratory equipment and information technology and its use in educational process (equivalent to 10.5 million US dollars).

Within the framework of this subcomponent the following activities will be financed:

- equipment for classrooms (physics, chemistry, biology, information technology).

Component 2: Modernization of system of general secondary education management (equivalent to 2.12 million US dollars).

The purpose of this component is to promote the use of best world practices in the field of assessing the quality of education and the results of data analysis for the management of the education system.

Subcomponent 2.1. Strengthening the national assessment system of students' educational achievements (equivalent to 0.1 million US dollars).

Within the framework of this subcomponent the following activities will be financed:

- consultations with international experts on the improvement of the national assessment system of students' educational achievements;
- professional training of Belarusian specialists in the field of assessment of students' educational achievements.

Subcomponent 2.2. Participation in international assessment systems of students' educational achievements (equivalent to 0.52 million US dollars).

Within the framework of this subcomponent the following activities will be financed:

- international costs associated with participation in PISA 2018;
- preparatory activities including development, translation and editing of test materials, educational,

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training and preparatory seminars, as well as approbation of tools for assessing the educational achievements of students; activities related to conducting of testing, including replication of materials, their distribution and supervision of assessment, data processing and analysis, distribution of results;

- activities related to institutional development, strengthening the potential of the national organization - Educational Institution "Republican Institute for Knowledge Control" (hereinafter - RIKC) - responsible for conducting an international assessment of students' educational achievements.

Subcomponent 2.3. Strengthening the existing management information system in the education sector and the use of data analysis results for management decision-making (equivalent to 1.5 million US dollars).

Within the framework of this subcomponent the following activities will be financed:

- development of a system for collecting and processing primary data received from general secondary schools;
- development of a system for preparation of the aggregated data and reports based on primary data;
- strengthening analytical potential with the use of software for data management and staff training of Institution "Main Information and Analytical Centre of the Ministry of Education of the Republic of Belarus" (hereinafter - MIAC);
- creation and certification/attestation of the data protection system.

Component 3: Project implementation support (equivalent to 0.875 million US dollars).

The purpose of this component is to ensure adequate support to implementation of the activities under the proposed Project.

Within the framework of this component the following activities will be financed:

- services of the consultants engaged for enhancing management of the projects implementation (hereinafter - MPI) concerning the Project coordination, procurement, financial management, materials transfer, monitoring of the Project implementation and reporting, and other issues, where necessary;
- MPI staff training on issues concerning procurements, financial management, use of loan funds, Project management, etc.
- expenditures on the financial audit and other special costs required to implement activities within the framework of the components; front-end fee.

ACCOUNTING POLICY

Fundamental accounting principles. These special-purpose financial statements on the Project are prepared under the cash method of accounting which complies with the requirements of International Accounting Standards developed by the International Public Sector Accounting Standards Board of the International Federation of Accountants.

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The Project financing is deemed to be a source of the Project funds at the moment of receipt of funds.
The Project costs are deemed to be an application of the Project's funds at the moment of payment.

Foreign currency transactions. These special-purpose financial statements are prepared in US dollars.
Transactions in other currencies are translated in US dollars at the actual exchange rate for selling US dollars for recording the expenditures.

Reporting base. The accounting records of Scientific Methodological Institution "National Institute of Education" of the Ministry of Education of the Republic of Belarus comprise the basis for preparation of the financial statements. Accounting of transactions on the Project is kept apart from accounting of funds from other sources of financing of the Scientific Methodological Institution "National Institute of Education" of the Ministry of Education of the Republic of Belarus.

PROJECT ACCOUNTS

Project accounts are opened in "Belinvestbank" JSC which complies with the requirements of International Bank for Reconstruction and Development.

a) Project account in foreign currency (specially designated account for loans):

Specially designated account of the Project BY36BLBB36200190374888001001 is opened in US dollars.

Balance of the specially designated account as at the end of the reporting period amounts to 78,772.16 US dollars.

b) Project account in BYN (transit account):

Project account in BYN BY09BLBB36200190374888001002 is opened for settlements with local consultants and suppliers of goods, works, services. It receives funds after US dollars conversion from specially designated account into BYN.

Balance of the transit account in BYN as at 31 December 2018 amounts to 0.00 US dollars.

УЧЕТНАЯ ПОЛИТИКА

Основные принципы бухгалтерского учета - данная специальная финансовая отчетность Проекта подготовлена на основе кассового метода, который соответствует требованиям Международных стандартов бухгалтерского учета, разработанных Комитетом государственного сектора Международной федерации бухгалтеров.

Проектное финансирование признается источником средств Проекта в момент получения денежных средств. Расходы Проекта признаются использованием средств Проекта в момент осуществления оплаты.

Операции в иностранной валюте - данная финансовая отчетность специального назначения представлена в долларах США. Операции в других валютах пересчитываются в доллары США по фактическому курсу продажи долларов США для проведения расходов.

База для составления отчетности - базой для составления отчетности служат данные бухгалтерского учета Научно-методического учреждения «Национальный институт образования» Министерства образования Республики Беларусь. Учет операций по Проекту обособлен от учета средств других источников финансирования Научно-методического учреждения «Национальный институт образования» Министерства образования Республики Беларусь.

СЧЕТА ПРОЕКТА

Счета Проекта открыты в ОАО «Белинвестбанк», отвечающем требованиям Международного банка реконструкции и развития.

а) Счет Проекта в иностранной валюте (специальный счет для обслуживания займов):

Специально выделенный счет Проекта BY36LBB36200190374888001001 открыт в долларах США.

Остаток денежных средств на специальном счете на конец отчетного периода составляет 78 772,16 долларов США.

б) Счет Проекта в белорусских рублях (транзитный счет):

Счет Проекта в белорусских рублях BY09LBB36200190374888001002 открыт для расчетов с национальными консультантами и поставщиками товаров, работ, услуг. На него поступают средства после конвертации долларов США со специально выделенного счета в белорусские рубли.

Остаток денежных средств на транзитном счете в белорусских рублях на 31 декабря 2018 года составляет 0,00 долларов США.