

## INDEPENDENT AUDITOR'S REPORT

*To the National Civil Service Agency of Ukraine*

*To the International Bank for Reconstruction and Development*

### *Opinion*

Under the Contract # 9 K dated 03.06.2019 we, the independent audit firm LLC "Audit company "UHY PROSTIR LTD", have audited the financial statements of the National Civil Service Agency of Ukraine (NCSA) on Part A "Strengthening Human Resource Management in Public Administration Institutions" of Strengthening Public Resource Management Project (the Project) for the period from August 28, 2017 till December 31, 2018 (the financial statements), prepared in accordance with Letter Agreement # TF0A5324 between the International Bank for Reconstruction and Development (IBRD), acting as administrator of the grant funds provided by the European Commission on behalf of the European Union under the EC - World Bank Partnership Program for Europe and Central Asia Programmatic Single-Donor Trust Fund (EU Programme for the Reform of Public Administration and Finances (EUroPAF), and the Ministry of Economic Development and Trade of Ukraine (MEDT), signed by IBRD on June 26, 2017 and countersigned by MEDT on June 30, 2017 (the Agreement).

In our opinion, the attached financial statements for the period from August 28, 2017 till December 31, 2018 are prepared, in all material respects, in accordance with the requirements of the Agreement and IBRD.

### *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 Financial Statements* section of our report. We are independent of NCSA in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ukraine, 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 qualified opinion.

### *Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Use*

We draw attention to the note # 2 «Basis for preparation and submission» to the financial statements which states that the attached financial statements have been prepared on a «cash basis» - receipts were registered as they are made on bank accounts; expenses are registered at the date of drawing from accounts.



These financial statements were prepared in order to meet NCSA' obligations under the Agreement. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for NCSA and IBRD and should not be distributed to parties other than NCSA or IBRD.

Our opinion is not modified in respect of these matters.

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

Management is responsible for the preparation of the financial statements in accordance with requirements of the Agreement and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing NCSA' 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 NCSA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing NCSA' financial reporting process.

*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the 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 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 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 NCSA' 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 NCSA'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 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 NCSA 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.

Director of  
LLC "Audit company "UHY Prostor Ltd"



Safinskiy V.L.

Office # 315, 14 Vasylykivska Str.  
Kyiv, Ukraine, 03040

25.06.2019

Register number 343



**Part A "Strengthening Human Resource Management in Public  
Administration Institutions" of Strengthening Public Resource  
Management Project**

**Summary of Funds Received**

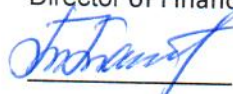
**TF0A5324**

**for the Period from 28.08.2017 to 31.12.2018**

**in EUR**

	Period	
<b>Opening cash balance</b>		<b>0,00</b>
DA (EUR)		
TA (UAH)		
<b>Total opening cash balance</b>		<b>0,00</b>
<b>Sources of funds</b>		
International Bank for Reconstruction and Development	150 000,00	
<b>Total sources of funds</b>		<b>150 000,00</b>
<b>Less: Uses of funds by</b>		
Category: Goods, Works, consulting services, Training, and Operating Cost under Part A of the Project	89 480,29	
<b>Total funds used</b>		<b>89 480,29</b>
<b>Closing cash balance</b>		
DA (EUR)	<b>46 900,00</b>	
TA (UAH)	<b>13 619,71</b>	
<b>Total closing cash balance</b>		<b>60 519,71</b>

Director of Finance and Accounting Departement

 Tokarchuk T.

**Part A "Strengthening Human Resource Management in Public Administration  
Institutions" of Strengthening Public Resource Management Project**  
**Summary of Expenditures**  
**TF0A5324**  
**for the Period from 28.08.2017 to 31.12.2018**  
**in EUR**

Project Component/Sub-borrower	Status	Period
<b>Category: Goods, works, consulting services, Training, and Operating Cost under Part A of the Project</b>		
<i>Project Manager</i>	Active	32 563,81
<i>Consultant on bidding documents preparation</i>	Active	13 856,06
<i>HR Consultant on bidding documents preparation</i>	Closed	10 496,48
<i>Payroll Consultant on bidding documents preparation</i>	Closed	10 853,09
<i>Procurement Specialist</i>	Active	17 691,50
<i>Operating Costs (including bank charges)</i>	Active	4 019,35
<b>Total Category</b>		89 480,29
Including payments from DA		309,30
Including payments from TA		89 170,99
Including Direct Payments&LC		0,00
<b>Total Project Expenditures</b>		<b>89 480,29</b>

Director of Finance and Accounting Departement



Tokarchuk T.

**Part A "Strengthening Human Resource Management in Public Administration  
Institutions" of Strengthening Public Resource Management Project**

**Summary of Statements of Expenditures**  
**TF0A5324**  
**for the Period from 28.08.2017 to 31.12.2018**  
**in EUR**

No.	Ref. number	Date	Amount, UAH	Amount, EUR
1	3-NCSA	24.04.2018	671 908,03	19 426,92
2	4-NCSA	31.05.2018	1 043 847,93	31 205,98
3	5-NCSA	10.07.2018	164 847,57	5 087,89
4	6-NCSA	11.09.2018	706 956,19	21 819,63
5	7-NCSA	31.10.2018	110 184,78	3 400,77
6	8-NCSA	31.12.2018	276 666,76	8 539,10
<b>TOTAL</b>			<b>2 974 411,26</b>	<b>89 480,29</b>

Director of Finance and Accounting Departement

 Tokarchuk T.

**Part A "Strengthening Human Resource Management in Public Administration Institutions" of  
Strengthening Public Resource Management Project**

**Statement for Designated Accounts**

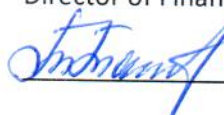
**TF0A5324**

**for the Period from 28.08.2017 to 31.12.2018**

**in EUR**

	<b>Period</b>	
<b>1 Opening designated accounts balance at 28.08.2017</b>		<b>0,00</b>
DA (EUR)	0,00	
TA (UAH)	0,00	
<b>2 Add: cumulative unexplained difference</b>	<b>0,00</b>	
<b>3 IBRD advance payment during the period</b>		<b>150 000,00</b>
DA (EUR)	150 000,00	
TA (UAH)	0,00	
<b>4 Deduct: Refund to IBRD from DAs during the period</b>	<b>0,00</b>	
<b>Amount of eligible expenditures during the reporting period</b>		<b>89 480,29</b>
<b>5</b>		
DA (EUR)	309,30	
TA (UAH)	89 170,99	
<b>6 Closing designated accounts cash balance</b>		<b>60 519,71</b>
DA (EUR)	46 900,00	
TA (UAH)	13 619,71	
<b>7 Difference (1+3-4-5-6) to be explained</b>		<b>0,00</b>
Explanation of difference:		

Director of Finance and Accounting Departement

 Tokarchuk T.



**Notes regarding Financial Statements  
of the National Civil Service Agency of Ukraine  
prepared within the Framework of Part A "Strengthening Human Resource Management in Public  
Administration Institutions" of Strengthening Public Resource Management Project (Letter Agreement #  
TF0A5324)  
for the Period from 28.08.2017 to 31.12.2018**

## **1. Background**

The National Civil Service Agency of Ukraine (NCSA) is a central executive body ensuring forming and implementing state policy in the field of civil service, ensures functioning management over civil service in state authorities.

Ukraine has received financial assistance from the International Bank for Reconstruction and Development, acting as administrator of the grant funds provided by the European Commission on behalf of the European Union under the EC - World Bank Partnership Program for Europe and Central Asia Programmatic Single-Donor Trust Fund (EU Programme for the Reform of Public Administration and Finances (EURoPAF), in an amount of EUR 3,030,661 ("Grant") toward the cost of Strengthening Public Resource Management Project. The Project consists of two parts: Part A "Strengthening Human Resource Management in Public Administration Institutions" and Part B "Support to PFM Strategy Implementation".

Part A "Strengthening Human Resource Management in Public Administration Institutions" (the Project) implemented by NCSA and having budget of 1 920 043 EUR is aimed at NCSA's support in the process of implementing Human Resources Management Information system with the salary calculation module (HRMIS) in state governing institutions.

The Project will: (i) support the preparation of a software application concept design to specify functional requirements of the system, its architecture, expected system output, interface between Human Resources Management Information System (HRMIS)/Payroll system with information systems in the Ministry of Finance of Ukraine and other national registers; (ii) carrying out analysis to select and implement cost-effective solutions for hosting, operating and maintaining the HRMIS/Payroll system, as part of system design and preparation of procurement documents; (iii) support the development of procurement documents for HRMIS/Payroll system; iv) development (or adaptation, involving customization and parametrization), testing and implementation of HRMIS/Payroll software application across the targeted users, carrying out training of would-be users and data migration of basic personnel records, final testing, approval and acceptance of the system; v) support NCSA to roll out HRMIS/Payroll system to selected civil service entities (according to an agreed plan), through: (a) undertaking stakeholder analysis to identify change management interventions; (b) developing normative act(s) regulating the use of the HRMIS/Payroll system, including the alignment with personal data protection clauses in the current legislation; (c) developing relevant manuals/instructions; (d) raising awareness of reforms through online platforms and other communication activities; (e) establishing arrangements for monitoring and reporting on implementation of reforms; and (f) establishing a support group and help desk to respond to user enquiries; vi) support Training of trainers and delivery of pilot training of HRMIS/Payroll system users, as part of system development process.

The Project is a Recipient-executed World Bank-Swedish International Development Cooperation Agency (SIDA) trust fund and shall be implemented under overall responsibility of the Regulator in close cooperation with the Ministry of Economic Development and Trade of Ukraine. The Utilities Regulator created a Project Implementation Unit for day-to-day management and coordination of the procurement, disbursement, financial management, reporting and other activities related to the Project.

Total Project Budget in 2017-2018 is EUR 150 000,00.

The financial statements under Letter Agreement No. TF0A5324 cover the period from 28.08.2017 to 31.12.2018.

## **2. Basis for preparation and submission**

The financial statements have been prepared by NCSA in order to meet requirements of Letter Agreement No. TF0A5324.



The financial statements have been made out based on a cash method, which does not guarantee the compliance with the International Financial Reporting Standards and National Accounting Standards. In accordance with this method incoming receivables are shown at the date they are credited to bank accounts; the expenditures are registered at the date they are debited from accounts.

The currency used by NCSA is UAH.

The financial statements of the Project are presented in EUR.

The funds that were actually paid in UAH and the cash balance at the UAH account have been converted into EUR in financial statements using a commercial rate for selling currency and a FIFO method, except for currency exchange bank charges, which were converted using a commercial rate of the relevant batch of the currency sold.

The currency exchange rates are provided below:

Date of Currency Sale	Amount sold in EUR	Rate of exchange	Amount in UAH received as a result of selling the currency
01.02.2018	25 000,00	34,61	865 250,00
21.02.2018	25 000,00	33,2	830 000,00
20.03.2018	53 100,00	32,4	1 720 440,00
<b>Total:</b>	<b>103 100,00</b>		<b>3 415 690,00</b>

### 3. Disclosing some details of financial statements

The cost of individual consultants' services in the Contracts and Handover Acts is stated in USA. These services have been paid in UAH using an official rate of NBU at the date of signing Handover Acts. In the financial statements the amount, which was actually paid in UAH, has been converted in EUR using a currency selling rate (please see note 2).

The row 'Operating Costs (including bank charges)' includes the value of services of individual consultant (3 710,05 EUR) on written translation of documents connected with the conduction of assessment of competitive proposals when selecting the supplier of Human Resources Management Information system in state authorities (HRMIS). When selecting the supplier of such services no tender selective procedures were applied – the selection was carried out on the basis of the consultant's qualification.

In addition, bank fee under currency sale transactions in the amount 309,30 EUR was also included in this line.

Director of Finance and Accounting Departement

 Tokarchuk T.

Pages are numbered, bound and sealed  
9 (nine) pages  
Director LLC "Audit company  
UHY Prostir Ltd."



Victor Safinskiy