

GENERAL DIRECTORATE FOR FINANCING AND
CONTRACTING OF EU, WB AND OTHER DONORS'
FUNDS

Strengthening Quality of Auditing and Reporting Project

(Project ID: P176084/Grant No: TF0B5581)

Special purpose financial information for the year ended

31 December 2023

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Independent Auditor's Report

To Ministry of Finance of Republic of Albania and the Management of the Project
"Strengthening Quality of Auditing and Reporting Project"

Opinion

We have audited the accompanying special purpose financial information comprising the Statement of Sources and Uses of Funds, the Statement of Withdrawal Applications and the related notes of the Project "Strengthening Quality of Auditing and Reporting Project" (further referred to as the "Project") implemented by the General Directorate for Financing and Contracting of EU, WB and other donors' in the Ministry of Finance and financed by the Loan Agreement No. TF0B5581 from the International Bank for Reconstruction and Development ("IBRD" or the "World Bank") for the period from 1 January to 31 December 2023.

In our opinion, the accompanying Special Purpose Financial Information of the Project "Strengthening Quality of Auditing and Reporting Project" is prepared, in all material respects, in accordance with the cash receipts and disbursement basis of accounting as set out in notes 2 and 3 of 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

We draw attention to notes 2 and 3 to the Special Purpose Financial Information, which describe the basis of accounting. The Special Purpose Financial Information is prepared to provide information to Project's donors and lenders, and to Ministry of Finance of Republic of Albania and the management of the Project. As a result, the statement may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Our report is intended solely for the information and use of the Project's management, the donors and lenders, and the Ministry of Finance of Republic of Albania and it should not be further distributed without our prior written consent.

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 financial statement

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.

Tirane, Albania

26 December 2024

Mediu Shkollë, FCB
[Signature]




Statement of Sources and Uses of Funds

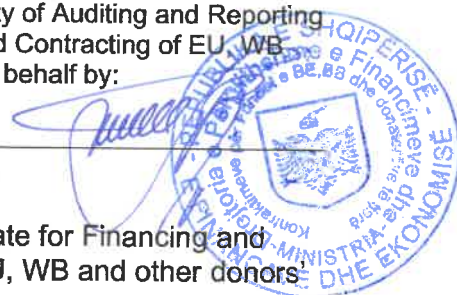
		Period from 1 January 2023 to 31 December 2023	Period from 13 May 2022 to 31 December 2022	Accumulative from 13 May 2022 to 31-December- 2023
	Note			
Sources of funds:				
TF0B5581	4	144,798	-	144,798
Interest received		3	-	3
Total		144,801	-	144,801
Uses of funds:				
Consultancy services	5	(63,792)	-	(63,792)
Goods	6	(24,547)	-	(24,547)
Incremental operating costs	7	(1,827)	(4)	(1,831)
Trainings	8	(6,432)	-	(6,432)
Total		(96,598)	(4)	(96,602)
Differences from exchange rate		(2)	-	(2)
Excess of receipts over disbursements		48,201	-	48,197
Cash at the beginning of the period	9	(4)	-	-
Cash at the end of the period		48,197	(4)	48,197

The Statement of Sources and Uses of Funds is to be read in conjunction with the notes set out on pages 3 to 8 and form an integral part of the special purpose financial information.

The special purpose financial information the Project “Strengthening Quality of Auditing and Reporting Project” were authorized for issue by General Directorate for Financing and Contracting of EU, WB and other donors’ projects (GDFC) on 6 November 2024 and signed on its behalf by:

Dorina Gjika 
 Head of Financial Management Sector
 Directorate for implementation of World
 Bank and other donors’ projects
 General Directorate for Financing and
 Contracting of EU, WB and other donors’
 projects

Veronika Korkaj
 General Director
 General Directorate for Financing and
 Contracting of EU, WB and other donors’
 projects



“Strengthening Quality of Auditing and Reporting Project ”

For the period from 1 January to 31 December 2023

(amounts are expressed in EUR unless otherwise stated)

Statement of Withdrawal Applications

For the period from 1 January to 31 December 2023

Withdrawal application number	Date of the withdrawal application	Goods	Consultancy Service	Training	Incremental Cost	Total
Advance to designated account	17/01/2023	-	-	-	-	100,000
WA-2 replenishment	11/10/2023	24,547	12,960	6,432	858	44,798
		24,547	12,960	6,432	858	144,798

Notes to the Special Purpose Financial Information

1 General

The Grant Agreement for the Strengthening Quality of Auditing and Report Project (SQARP) (“Project”) between the Republic of Albania (“Recipient”) and the International Bank for Reconstruction and Development and the International Development Association (“World Bank”), dated March 23, 2022, becomes effective on May 13, 2022, after the conditions of effectiveness have been met.

The Recipient committed to achieve the objectives of the Project through the Ministry of Finance or any successor thereto (MoFE) in accordance with the provisions of the Grant Agreement. The fiduciary aspects of the Project will be carried out through the General Directorate for Financing and Contracting of EU, WB, and other donors’ (GDFC), including procurement and financial management.

The objective of the Project is to strengthen the Recipient and relevant stakeholder’s capacity to improve, apply and enforce corporate financial reporting in line with good international standards and practices in Albania.

The Project consists of the following parts:

Part 1: Strengthening Standards Setting, Oversight and Enforcement

- i) Supporting a set of activities to strengthen the capacity for standard setting and accounting oversight, including, inter alia:
 - a. providing technical assistance to the National Accounting Council (NAC) for its development and implementation of a risk-based financial statements review methodology; and
 - b. providing technical assistance and trainings to the Public Oversight Board (POB) to improve its capacities with regard to quality assurance inspection, investigative and disciplinary actions, and monitoring of professional accountancy organizations.
- ii) Provision of Training to the Bank of Albania (BoA) and the Financial Supervisory Authority (FSA) on International Financial Reporting Standards (IFRS) and the use of e-tools to review IFRS financial statements.
- iii) Providing technical assistance to the National Business Center’s implementation of the eXtensible Business Reporting Language (XBRL) to continue improving the filing and publication of IFRS-based financial statements.

“Strengthening Quality of Auditing and Reporting Project ”

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(amounts are expressed in EUR unless otherwise stated)

1. General (continued)

Part 2: Improving Capacity to Comply with CFR Requirements, Development of Accountancy Services and Public Awareness

- i. Support Examination Commission (EC) to improve testing and examination processes for candidates to become qualified accountants and auditors, based on good international practices.
- ii. Strengthening the accounting profession in Albania by providing technical assistance and capacity building activities to the Institute of Certified Accountants (IKM) and the MoFE.
- iii. Carrying out public awareness activities on: (a) benefits and impact of good Corporate Financial Reporting (CFR), and the importance of audit quality and the audit committee's role; and (b) impact of good CFR practices on the formal and informal economy in Albania.

Part 3: Strengthening the Accountancy Profession and Capacity Building in the Judicial System

- i. Provide technical assistance to selected professional accounting organizations to build their capacity to develop forensic accounting as a separate service area for accounting organizations in Albania.
- ii. Support the Albanian courts (district, appeal, supreme/high), general prosecutor office, and officers of judicial police on accounting techniques, legislation, and standards.

Part 4: Project Management, Strengthening Reform Capacity, Monitoring and Evaluation

Providing technical assistance to the MoFE and National Steering Committee on Project management, monitoring and evaluation activities, and CFR reform capacity.

The table below sets forth the items to be financed out of the proceeds of the Loan, in the amounts allocated and, if applicable, up to the of the percentage of expenditures to be financed:

Categories	Amount of the Loan allocated (EUR)	% of expenditures to be financed (inclusive Taxes)
1) Goods, non-consulting services, consulting services, Operating Costs, and Training under the Project	1,428,571	100%
Total	1,428,571	

During the year ended December 31, 2023, an amount of EUR 144,798 was disbursed from the grant funds (on December 31, 2022, no funds were disbursed).

2 Basis of preparation

The special purpose financial information has been prepared in accordance with the accounting policies in note 3, under the Cash Basis of Accounting.

The special purpose financial information is presented in EUR. EUR is also functional currency of the Project being the currency in which funds are received and most of expenses are settled.

The special purpose financial information comprises the Statement of Sources and Uses of Funds, the Statement of Withdrawal Applications (and related expenditure) 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 special purpose financial information are presented the Statements of Special and Project's Accounts associated with the Project. Supplementary scheduled are not part of these special purpose financial information and are unaudited.

“Strengthening Quality of Auditing and Reporting Project”

For the period from 1 January to 31 December 2023

(amounts are expressed in EUR unless otherwise stated)

3 Summary of significant accounting policies

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

3.1 Foreign currency transactions

Funds are received in EUR and expenses paid in USD, ALL or EUR. The Project has adopted the EUR 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 EUR at the year-end rate of exchange. Transactions in currencies other than EUR are converted to the reporting currency at the rate ruling at the date of the transaction.

As at 31 December 2023, 1 EUR is equivalent to 103.88 ALL. (31 December 2022, 1 EUR was equivalent to 114.23 ALL).

3.2 Cash and cash equivalent

Cash comprises cash on hand, demand deposits and cash equivalents. Demand deposits and cash equivalents comprise balances with banks and investments in short term money market instruments. Amounts appropriated to the Entity are deposited in the Entity's bank account and are controlled by the Entity. Receipts from exchange transactions are deposited in trading fund accounts controlled by the Entity.

3.3 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's expenses, which are made from the proceeds of the trust fund, are recognized as sources and uses of funds at the time the payment is made. The Statement of Withdrawal Applications presents only applications submitted during the year and only expenses settled through such applications. Expenses presented in the notes to the financial statements include all expenses settled during the year in spite of the supporting withdrawal application period.

3.4 Taxation

The project is exempt from income tax. The Project is liable for withholding tax and is not exempt from Value Added Tax (“VAT”) based on the Agreement.

4 TF0B5581

TF0B5581 funding for the period from 1 January to 31 December 2023 is composed as follows:

	Period from 1 January to 31 December 2023	Period from 13 May to 31 December 2022
Advance payment	100,000	-
Replenishments	44,798	-
Total	144,798	-

“Strengthening Quality of Auditing and Reporting Project ”

For the period from 1 January to 31 December 2023

(amounts are expressed in EUR unless otherwise stated)

5 Consultancy Services

Consultants’ services for the period from 1 January to 31 December 2023, were as follows:

	Period from 1 January to 31 December 2023	Period from 13 May to 31 December 2022
Building capacity of judicial system in financial reporting	44,352	-
Local Consultant	19,440	-
Total	63,792	-

6 Goods

Training costs from 1 January to 31 December 2023, were as follows:

	Period from 1 January to 31 December 2023	Period from 13 May to 31 December 2022
Purchase of TRADOS package for NAC	24,547	-
Total	24,547	-

7 Incremental operating costs

Incremental operating costs from 1 January to 31 December 2023, were composed as follows:

	Period from 1 January to 31 December 2023	Period from 13 May to 31 December 2022
Bank charges	339	4
Publication costs	1,488	-
Total	1,827	4

8 Trainings

Trainings from 1 January to 31 December 2023, were composed as follows:

	Period from 1 January to 31 December 2023	Period from 13 May to 31 December 2022
Strengthening of POB capacities by two inspectors of the AASA	6,432	-
Total	6,432	4

“Strengthening Quality of Auditing and Reporting Project ”

For the period from 1 January to 31 December 2023

(amounts are expressed in EUR unless otherwise stated)

9 Cash on hand and at banks

Cash on hand and at banks from 1 January to 31 December 2023, were as follows:

IBRD 89330	Period from 1 January to 31 December 2023		Period from 13 may to 31 December 2022	
	Original Currency	Converted in EUR	Original Currency	Converted in EUR
Cash at Banks:				
Project Account – ABI Bank -ALL	3,602	35	(200)	(1,75)
Project Account – ABI Bank -EUR	48,162	48,162	(2)	(2)
Total		48,167		(4)

10 Subsequent events

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

APPENDICES

(Loan Number TF0B5581)

Strengthening Quality of Auditing and Reporting Project

Statements of Special and Project's Accounts

(Supplementary schedules to the Special
purpose financial information)

“Strengthening Quality of Auditing and Reporting Project ”

For the period from 1 January to 31 December 2023

(amounts are expressed in EUR unless otherwise stated)

Appendix 1

Supplementary Schedule of Special Account Statement

Donor		TF0B5581
Account No.		2117 01CE
Depository Bank		Bank of Albania
Address		Sheshi “Skënderbej”, No.1, Tirana
Currency		EUR
	2023	2022
Balance as at 01 January	-	-
Funds received:		
Advance payment	100,000	-
Replenishment	44,798	-
Total funds received	144,798	-
Disbursements:		
Funds transferred to the Project Account in EUR	144,798	-
Total disbursements	144,798	-
Balance as at 31 December	-	-

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(amounts are expressed in EUR unless otherwise stated)

Appendix 2

Supplementary Schedule of Current Account Statement

Account No.		295 0590
Depository Bank		Abi Bank
Address		Rr. "Kavajës, nd. 27/1, Nj.B10, Tiranë
Currency		EUR
	2023	2022
Balance as at 1 January	(2)	-
Funds received:		
Transferred from the Special Account	144,798	-
Credit interests	3	-
Total funds received	144,801	-
Disbursement:		
Project expenditures	93,343	-
Funds transferred to Project Account in ALL	2,980	-
Bank charges	314	2
Total disbursements	96,637	2
Balance as at 31 December	48,162	(2)

“Strengthening Quality of Auditing and Reporting Project ”

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(amounts are expressed in EUR unless otherwise stated)

Appendix 3

Supplementary Schedule of Current Account Statement

Account No.		295 0579
Depository Bank		Abi Bank
Address		Rr. "Kavajës, nd. 27/1, Nj.B10, Tiranë
Currency		ALL
	2023	2022
Balance as at 1 January	(200)	-
Funds received:		
Transferred from the Project Account in EUR	312,930	-
Credit interest	1	-
Total funds received	312,931	-
Disbursement:		
Project expenditures	306,429	-
Bank charges	2,700	200
Total disbursements	309,129	200
Balance as at 31 December	3,602	(200)
Balance as of 31 December (equivalent in EUR)	35	(2)