

NORTH-SOUTH ROAD CORRIDOR INVESTMENT PROGRAM-PROJECT 2

LOAN NUMBER 2729-ARM

FINANCED BY ASIAN DEVELOPMENT BANK

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2019

**YEREVAN
March 2020**

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INDEPENDENT AUDITOR'S REPORT

To the Management of the "Road Department" State Non-Commercial Organization (the Organization)

Opinion

We have audited the special purpose financial statements of "North-South Road Corridor Investment Program - Project 2" (the Project) financed by the Asian Development Bank Loan 2729-ARM ("Loan Agreement") concluded between the Republic of Armenia (RoA) and Asian Development Bank ("ADB"), and implemented by the Organization, which comprise the statement of cash receipts and payments for the year ended 31 December 2019, and notes to the special purpose financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the cash flows for the year ended 31 December 2019 in accordance with International Public Sector Accounting Standards: Financial Reporting Under the Cash Basis of Accounting, (IPSAS-Cash Basis).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as issued by International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). 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 the Project and of the Organization 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 requirements in accordance with 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- Cash Basis of Accounting

We draw attention to Note 2 to the financial statements, which describes that financial statements are prepared in accordance with cash basis framework, as a result, they may not be suitable for another purposes. Our opinion is not modified in respect of this matter.

Emphasis of Matter -Slow progress of Project implementation

Without qualifying our opinion, we draw your attention to Note 7 of these special purpose financial statements disclosing reasons for slow progress of the Project implementation and the measures taken by the Project's management.

Emphasis of Matter - COVID-19

Without qualifying our opinion, we draw attention to Note 15 to the financial statements, which describes possible effect of the impact of COVID-19 after the reporting date.

Responsibilities of the Management for the Financial Statements

Management of the Organization is responsible for the preparation and fair presentation of the special purpose financial statements in accordance with IPSAS-Cash Basis issued by the International Public Sector Accounting Standards Board (IPSASB) of the IFAC and "Loan Disbursement Handbook" (as updated) issued by ADB, and for such internal control as management determines is necessary to enable the preparation of special purpose financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Audit of the Special Purpose Financial Statements

Our objectives are to obtain reasonable assurance about whether the special purpose 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 high level of assurance, but is not a guaranty that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements arise from fraud and 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 special purpose financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the special purpose 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 the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the special purpose financial statements, including the disclosures, and whether the special purpose financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management 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.

Report on Other Legal Requirements

To comply with the terms of the Loan Agreement, the Organization's management shall insure that:

1. Loan funds have been used in accordance with the conditions of the Loan Agreement concluded between the Asian Development Bank (ADB) and the Republic of Armenia, and ADB Guidelines, with due attention to economy and efficiency, and only for the purposes for which the financing was provided;
2. The Government's co-financing is provided and used accordance with the Loan Agreement and for the purposes for which it has been provided
3. The financial covenants under Article IV of the Loan Agreement have been complied with.
4. Financed Works, Goods and Services have been procured in accordance with the Loan Agreement.

In our opinion, the Organization's management has complied with the above requirements for the year ended 31 December 2019.

"BDO Armenia" CJSC
31 March 2020


Vahagn Sahakyan, FCCA
Managing Partner


Gnel Khachatryan, FCCA
Engagement Partner



North-South Road Corridor Investment Program -Project 2
ADB Loan 2729-ARM
For the year ended 31 December 2019

The project financial statements were approved by the management of "Road Department" State Non-Commercial Organization on 31 March 2020 and signed on its behalf. The accompanying notes form an integral part of these project financial statements

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NOTES TO THE FINANCIAL STATEMENTS

North-South Road Corridor Investment Program-Project 2
ADB Loan 2729-ARM
For the year ended 31 December 2019

1. General information

1.1. Project financing

According to the Scope Financing Agreement between the Republic of Armenia (RoA) and the Asian Development Bank (ADB) signed on 15 September 2009, ADB agreed to provide the RoA multi-tranche financial facility in the total amount of 500 million USD (United States Dollars) to finance the North-South Road Corridor Investment Program.

Financing tranches may be made available by ADB provided matters continue to be in accordance with the general understandings and expectations on which the Facility is based. Each loan constitutes a separate tranche. Each tranche may be financed under terms different from the financing terms of previous or subsequent tranches. Tranches may be provided in sequence or simultaneously, and some may overlap in time with each other.

According to the Loan Agreement North-South Road Corridor Investment Program-Project 2 (special operations) ("Project", or "Tranche 2") between the RoA and the ADB on 30 May 2011, ADB provided the RoA the Loan 2729-ARM in the total amount of 170,000,000 USD. The Loan is provided for financing the Tranche-2.

In accordance with letter agreement dated 17 June 2016, submitted between Ministry of Transport, Communication and Information Technology of the RoA and the ADB, a reallocation of ADB 2729-ARM loan from Tranche 2 was agreed to fund USD 6,000,000 expenditures of the Tranche 1.

Co-financing is provided through the state budget resources of the RoA. The co-financing is provided to cover taxes and duties applicable.

The Closing date of the Tranche 2 is set at 31 Dec 2023 (as updated).

1.2. Project objectives

The Project's goals financed by the loan 2729-ARM are:

- (i) Facilitate efficient sub regional road transport transit;
- (ii) Increase trade flows and competitiveness;
- (iii) Lower transport costs,
- (iv) Increase mobility and accessibility to markets, jobs and social services;
- (v) Improve governance.:

The Project's components are:

- Reconstruction of approximately 41.3 km of two-lane road section between towns of Ashtarak and Talin and widening it into four-lane road
- Consulting services and Project management, including preparation of feasibility studies and detailed design of subsequent Project's proposed for financing under the Investment Program, construction supervision, preparation of tender documents, procurement and capacity building:

1.3. The Project Budget

The Project updated budget totals to 204,000,000 US dollars.

Taxes and duties imposed by the tax laws of the Republic of Armenia are not paid through the Loan funds. Those are paid from co-financing funds provided by the Republic of Armenia.

Category	ADB Loan 2729-ARM /Project-2/			The Republic of Armenia	Total
	Initial	Reallocated*	Updated		
	USD	USD	USD		
Works	149,700,000	-	149,700,000	-	149,700,000
Consulting Services	7,000,000	3,000,000	10,000,000	-	10,000,000
Interest	10,000,000	(6,000,000)	4,000,000	-	4,000,000
Other (including local taxes)	-	-	-	32,000,000	32,000,000
Unallocated	3,300,000	(3,000,000)	300,000	8,000,000	8,300,000
Total	170,000,000	(6,000,000)	164,000,000	40,000,000	204,000,000

(*) 6,000,000 USD is reallocated from ADB 2729-ARM loan's Works category to Project 1 Works category.

1.4. The Project Implementation Unit

The Project is implemented by "Road Department" State Non-Commercial Organization (the Organization). The Organization is the legal successor of the "Organization for Implementation of North-South Road Corridor Investment Program" State Non-Commercial Organization and "Transport Project Implementation Unit" State Institution. The reorganization was implemented in accordance with the Government of the Republic of Armenia Decree N 1304-A dated 15.12.2016.

The Organization is a non-commercial legal entity. Until 20 June 2019 the governing state authority of the Organization was the Ministry of Transport, Communication and Information Technology of the Republic of Armenia, then the Ministry of Territorial Administration and Infrastructure accordance with the Government of the Republic of Armenia Decree N733-N dated 06.06.2019.

The main goal of the Organization is the efficient implementation of projects in the transport sector in Republic of Armenia, including the implementation program of modernization of North-South Road Corridor Investment Program and Northern Corridor.

The legal address of the Organization is: Nalbandyan Street 28, Yerevan, the Republic of Armenia. The operating address of the Organization is: Tigran Mets Street 4, 7th floor, Yerevan, the Republic of Armenia.

1.5. Land Acquisition and Resettlement Plan (LARP)

The Project implementation requires land acquisition and resettlement of persons affected. The Republic of Armenia Government by the decree N 1139-N dated 6 Sept 2012 approved land acquisition and resettlement plan for North-South Road Corridor Investment Program-Project 2 (road section between towns of Ashtarak and Talin).

LARP is wholly financed by the Republic of Armenia Government. The cost of LARP was determined as 2,304,485 thousand Armenian Drams. The Government provided total amount to "Organization for Implementation of North-South Road Corridor Investment Program" State Non-Commercial Organization in year 2012. In accordance with the Republic of Armenia Government Decree N 603-N dated 12.06.2014, on 21 July 2014 an additional amount of 958,826 thousand AMD was provided for financing of LARP.

According to Government of the Republic of Armenia Decree N 626-N dated 23.05.2019 the lands necessary for the replacement of the existing communication lines on from 40+000-km to 47+400-km section of the Ashtarak-Talin have been recognized as of public superior interest.

According to Government of the Republic of Armenia Decree N 777-N dated 20.06.2019 the lands necessary for the replacement of the existing communication lines on from 37+544.68-km to 40+000 and from 47+400-km to 71+500-km section of the Ashtarak-Talin have been recognized as of public superior interest.

For the inspection, measurement, inventory and assessment of the alienated property the contract is concluded on 15.11.2018 between "Transport Project Implementation Organization" SNCO and "Uptime" LLC. A contract for the provision of consulting services has been signed. At present, the has been completed the inspection, measurement, inventory and ownership assessment of the aliened areas of the 8 km road section (29+600-km to 37+544.68-km) bypassing the archeological sites near Agarak community of Aragatsotn region of the Republic of Armenia and to those of communication lines of Ashtarak-Talin section (29+600-km to 37+544.68-km).

In order to carry out the process of ownership transfer process of the lands a consulting contract is concluded on 15.11.2018 between "Transport Project Implementation Organization" SNCO and "Media-Model" LLC. At present, the drafts of acquisition contracts for lands aligned to 8 km road bypassing the archeological site of Agarak community of Aragatsotn region of the Republic of Armenia (29+600-km to 37+544.68-km) and those of Ashtarak-Talin section (40+000-km to 47+400-km) in order to send them to the affected persons. The deadline for starting the process of acquisition of the mentioned alienated property (sending the draft contracts to the affected persons) is November 1, 2020.

During 2019, the expenses related to LARP amounted to 769 thousand Armenian drams (2018: 72,809 thousand AMD).

	2019
	000'AMD
Financing from GOA	1,000.00
Expenses (financing GOA)	769.50
Closing cash balance	230.50

2. Significant accounting policies

2.1 Preparation and presentation of financial statements

The Project financial statements are prepared in accordance with the International Public Sector Accounting Standard "Financial Reporting Under the Cash Basis of Accounting" issued by the International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants (IFAC) and presented in accordance with "Loan Disbursement Handbook" (updated) issued by Asian Development Bank.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented.

2.2 Cash basis of accounting

The financial statements are prepared and presented using the cash basis of accounting. Cash basis means a basis of accounting under which transactions and other events are recognized only when cash or its equivalent is received or paid. Financial statements prepared under the cash basis provide information about the sources of cash raised during the period, the purpose for which cash was used and the cash balances at the reporting date.

2.3 Reporting currency

The Project functional statements are presented in United States Dollars (USD).

2.4 Foreign currency transactions

Foreign currency is a currency other than the reporting currency of the Project. Project accounts are maintained and transactions are made in USD and Armenian Drams (AMD). Transactions denominated in AMD are translated into USD as follows:

- Contributions of the Republic of Armenia and expenditures covered through them expressed in AMD are translated into USD at the exchange rate announced at the previous date of transaction.
- Payments to contractors and suppliers expressed in AMD that are covered through the financing received from ADB are translated into USD at the actual exchange rate of the Asian Development Bank.

The exchange rate issued by the CBA as at 31 December 2019 is USD 1 =479.70 AMD (in 31.12.2018: USD 1=483.75).

2.5 Cash

Cash comprise bank accounts balances.

2.6 Taxes

All applicable taxes are paid in accordance with tax regulations of the Republic of Armenia.

2.7 Budget

Expenditure budget is created based on actual accumulated expenditures for the last period plus the updated annual budget for the reporting period.

3. Statement of loan withdrawals

ADB Loan 2729-ARM
In USD

Application number	Value date	Expenditure category	
		Consulting services	Total
		02	
WA00083	20/05/2019	75,300.00	75,300.00
WA00084	09/04/2019	9,880.14	9,880.14
WA00085	20/05/2019	44,800.07	44,800.07
WA00086	20/05/2019	94,800.00	94,800.00
WA00087	05/08/2019	291,224.00	291,224.00
WA00088	12/08/2019	10,604.63	10,604.63
WA00089	21/08/2019	26,628.40	26,628.40
WA00090	24/09/2019	28,700.00	28,700.00
WA00091	08/11/2019	22,083.18	22,083.18
WA00092	13/12/2019	39,858.55	39,858.55
Total		643,878.97	643,878.97

4. Statement of project resources

The Statement of Project Resources discloses assets, liabilities and net assets of the Project as at reporting date. It is prepared in accrual basis that is transactions are recognized when they occur (and not when cash is received or paid).

	Note	As at 31.12.2019 USD	As at 31.12.2018 USD
ASSETS			
Cash	11	972	750
Prepayments	12	27,612,508	27,690,160
Total assets		27,613,480	27,690,910
LIABILITIES			
Payables	13	9,055,748	9,071,840
Total liabilities		9,055,748	9,071,840
NET ASSETS			
Funds received			
ADB Loan 2729-ARM	10	110,017,341	109,373,462
Government of RoA co-financing		18,625,019	18,422,238
		128,642,360	127,795,700
Cumulative expenses			
Project expenses		(105,579,216)	(104,760,907)
Interest		(4,000,000)	(4,000,000)
		(109,579,216)	(108,760,907)
Foreign currency loss		(505,412)	(415,723)
Total net assets		18,557,732	18,619,070

5. Statement of uses of funds by project activity

Project Activity	Expenditures		Financing source		Financing source	
	Total		ADB Loan 2729-ARM	RoA financing	ADB Loan 2729-ARM	RoA financing
	Year ended 31.12.2019	Cumulative as at 31.12.2019				
Reconstruction of 41.3 km of two-lane road section between towns of Ashtarak and Talin and widening it into four-lane road	-	110,456,182	-	-	96,943,456	13,512,726
Other works (dismantling of billboards)	-	146,899	-	-	-	146,899
Consulting services and Project management	846,512	13,622,658	643,879	202,633	9,073,885	4,548,773
Interest	-	4,000,000	-	-	4,000,000	-
Total	846,512	128,225,739	643,879	202,633	110,017,341	18,208,398

6. Compliance with the covenants in the Loan agreement

Financial covenants under Article IV of the Loan Agreement ADB 2729-ARM is follows:

Covenant description	Note
Maintain separate accounts for the Project.	ADB Loan financing is wholly done through Direct Payments -so no separate account is held by the Organization; the Government of RoA co-financing is done through separate account.
Related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by the independent auditors whose qualifications, experience and terms of reference are acceptable by ADB.	Financial statements are audited annually in accordance with ISAs; the auditor is selected from the short-listed audit firms whose qualification and experience are preliminary confirmed by the ADB; terms of reference are preliminary confirmed by the ADB.
Furnish to ADB audited financial statements till six months after the end of each related financial year.	The financial statements for the year ended 31 Dec 2019 will be submitted to ADB by 30 June 2020.
Furnish to ADB other information concerning to accounts and financial statements and the audit thereof as ADB shall from time to time reasonable request	Any requested information by the ADB was furnished at due time.
Enable ADB upon its request to discuss the financial statements of the Project and its financial affairs related to the Project with the auditor appointed, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB.	The Organization will follow the covenant when such request by the ABD is made.
The Organization shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.	The Organization enables any such request by the ADB.

7. Report on Project's implementation progress

Category	Cumulative as at 31.12.2019	Budget	Implementation*
	USD	USD	%
Works	96,943,456	149,700,000	65
Consulting Services	9,073,885	10,000,000	91
Interest	4,000,000	4,000,000	100
Other (including local taxes)	18,208,398	32,000,000	57
Unallocated	-	8,300,000	-
Total	128,225,739	204,000,000	63

(*) The Loan Agreement was signed on 30 May 2011, the deadline for loan disbursements was initially set at 31 Dec 2014, then extended till 30 June 2017, and currently extended till 14 Sept 2019.

On 27 May 2019 the Ministry of Finance of Republic of Armenia requested from ADB to extend Closing Loan Agreement till 31 December 2024.

The Closing date of the Tranche 2 is set at 31 Dec 2023.

Though as at 31 Dec 2019 the payments were done at 63% of projected expenditures, however only

54% of the works are completed considering the outstanding prepayments (Note 12) and payables (Note 13).

The slow progress of the Tranche 2 implementation is due to:

- Project redesign and approval of a new 8km section of road by passing archeological sites discovered in the territory Agarak Historical and Preservation Zone and related land ownership transfer process. According to Government of the Republic of Armenia Decree N 626-N dated 23.05.2019 the lands aliened to section of the Ashtarak-Talin 8km (29+600-km to 37+544.68-km) bypassing the arch have been recognized as of public superior interest.
- There were problems with the providing construction areas for transfer of communication lines. As the communication lines are subject to installation in areas of land owned by other persons, work on some sections of the road has been temporarily suspended. Two documents were submitted to ADB for approval in 2019 related to LARP addition of Kosh-Shamiram 7 km section (communication lines replacement) and LARP addition of Agarak 8 km section (bypassing the archeological site); those documents are currently under ADB review and approval process. Though the approval and commencement of those LARP additions were expected in 2019.
- Considering that the contractor suspended the construction works since the end of 2018 and leaved the Armenia; in 18 July 2019 the Corsan Corviam Construcccion S.A. was informed of termination of the contract due to numerous incompliances to the contract terms, as well as due to illiquidity of the contractor. In November 2019 the Ministry of Territorial Administration and Infrastructure of the Republic of Armenia submitted a petition to the International Trade Chamber to initiate arbitrage process against the Corsan Corviam Construcccion S.A.. The arbitrage process is ongoing.

8. Report on project's disbursement progress

In USD

Category	Actual		Budget		Variance	
	Year ended	Cumulative as at	Year ended	Cumulative as at	Year ended	Cumulative as at
	31.12.2019	31.12.2019	31.12.2019	31.12.2019	31.12.2019	31.12.2019
Works	-	96,943,456	-	96,943,456	-	-
Consulting Services	643,879	9,073,885	1,009,529	9,444,516	(365,650)	(370,631)
Interest		4,000,000	-	4,000,000	-	-
Other (taxes)	190,700	18,044,585	502,665	18,356,550	(311,965)	(311,965)
Other works (dismantling of billboards)	-	146,899	-	146,899	-	-
Other consulting services	11,933	16,914	-	-	11,933	16,914
Total	846,512	128,225,739	1,512,194	128,891,421	(665,682)	(665,682)

9. Report on actual withdrawn amounts

In USD

Category	Year ended 31.12.2019			Cumulative as at 31.12.2019		
	ADB Loan 2729-ARM	Government of RoA co-financing	Total	ADB Loan 2729-ARM	Government of RoA co-financing	Total
Works	-	-	-	96,943,456	13,512,726	110,456,182
Consulting Services	643,879	190,700	834,579	9,073,885	4,531,859	13,605,744
Interest	-	-	-	4,000,000	-	4,000,000
Other works (dismantling of billboards)	-	-	-	-	146,899	146,899
Other consulting services	-	11,933	11,933	-	16,914	16,914
Total	643,879	202,633	846,512	110,017,341	18,208,398	128,225,739

10. ADB Loan 2729-ARM financing

	Year ended 31.12.2019 USD	Cumulative as at 31.12.2019. USD
Direct Payment	643,879	106,017,341
Interest	-	4,000,000
Total	643,879	110,017,341

11. Cash

	As at 31.12.2019 USD	As at 31.12.2018 USD
Current account, RoA co-financing, in AMD	972	750
Total	972	750

12. Prepayments

Prepayments	As at 31.12.2019 USD	As at 31.12.2018 USD
On civil works*	27,612,508	27,612,508
On consultancy	-	77,652
Total	27,612,508	27,690,160

(*) The outstanding prepayment as at reporting date relates to Corsan Corviam Construcción S.A.(note 7).

13. Payables

Payables	As at 31.12.2019 USD	As at 31.12.2018 USD
Post warranty amounts*	9,054,371	8,977,715
On consultancy /tax liabilities/	-	94,125
Other consulting services	1,377	-
Total	9,055,748	9,071,840

(*) Post warranty amounts are retained at 10% of the amount on the presented IPC on civil works, 5% of which is payable after the approval of the certificate of acceptance of the construction works (taking over certificate), and the remaining 5% one year after the acceptance of certificate.

14. Litigations

As at reporting date and as at approval date of these financial statements, there are five pending litigations, which mainly related to the LARP (note 1.5).

The LARP is wholly financed by the Republic of Armenia Government, and its financial information is presented in these financial statements only for informative purpose, and are not included in the statement of cash receipts and payments of the Project.

On the Project's management opinion, those litigations don't have significant implication on these financial statements.

15. Events after the Reporting Date/ Subsequent events

Considering breakout of new coronavirus (COVID-19) in the world, as well as Republic of Armenia Government Decree on declaring State of Emergency from March 16 to April 14, 2020 throughout Armenia, the Project management believes that the situation may have a negative impact on the Project, in particular it may lead to:

- Delays in the works,
- Difficulties to coordinate project activities, and
- Other negative outcomes due to limitations.

Given the unpredictability of events, Project management does not consider it possible to estimate the financial impact of the above event on the reports

ANNEX. EXPENDITURE DETAILS BY ITEMS

North-South Road Corridor Investment Program -Project 2
ADB Loan 2729-ARM
For the year ended 31 December 2019
In USD

Description	Paid amount	Contract
Consulting services		
Project management consultant	556,907	Contract for consultants services dated 18 May 2012
Audit consulting	10,605	Contract for auditing services dated 16.10.2017 02CS0004
Measurement, assets inventory and valuation for utility relocation	76,367	Contract for consultants services dated 15.11.2018 ADB/NS/CS/CQS/2018-1
Total Consulting services (financing ADB)	643,879	
Audit consulting (financing by GOA, Tranche 1)	5,000	Contract for auditing services dated 19.03.2019, 2019/1FA/08-A
Author's surveillance service (financing by GOA)	6,933	Contract dated 17.06.2019, 2019/3 RA
Total Consulting services	655,812	
Taxes		
Project management consultant	183,580	Contract for consultants services dated 18 May 2012
Audit consulting	2,120	Contract for auditing services dated 16.10.2017 02CS0004
Arbitration payments	5,000	
Total taxes	190,700	
Total expenditures	846,512	

Management Representation Letter

31 March 2020

To: BDO Armenia cjsc
23/6 Davit Anghat Street, floor 5,
Yerevan, Armenia

This representation letter is provided in connection with your audit of the Financial Statements for the year ended 31 Dec 2019 of the "North-South Road Corridor Investment Program - Project 2" (the Project) financed by the Asian Development Bank Loan 2729-ARM ("Loan Agreement") concluded between the Republic of Armenia (RoA) and Asian Development Bank ("ADB"), and implemented by the Organization.

We acknowledge our responsibility for:

- fair presentation of the financial statements in accordance with IPSAS-cash basis;
- keeping accounts and financial documents that are correct, complete, fair, representing the true facts, in conformity with the objectives of the Project, and national legislation.
- design and implementation of internal control to prevent and detect fraud.
- completeness of information concerning financing received or due and own financing concerning their period examined, for the project being examined.
- availability of any information and explanations, either orally or by written confirmation, which might be required by the Auditor in the execution of their audit.

We confirm, to the best of our knowledge, that:

- We have made available to you all books of account and supporting documentation.
- There were no material transactions that had not been properly recorded in the accounting records underlying the financial statements.
- The internal control system is reliable: approval and control of financial and other documents, segregation of duties is adequately done;
- The project funds have been used in accordance with the established budget;
- The financial activities are performed in conformity with the project objectives and adherence to the financing agreement terms.
- The financial resources are used in an economical and efficient manner.
- There have been no irregularities involving management or employees who have a significant role in the accounting and internal control systems or that could have a material effect on the financial statements.
- The financial statements are free of material misstatements, including omissions.
- There has been no noncompliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of noncompliance.
- There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements, in additions to those that we disclosed or adjusted.
- Actual or pending claims have been clarified.
- We not aware of any fraud or suspected fraud affecting the Project involving:
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements

Christine Ghalechyan
Acting General Director



Narine Mikaelyan
Head of Finance Management and Accounting
Department/Chief Accountant

