

**MINISTRY OF ENVIRONMENTAL AND NATURE  
PROTECTION: EU NATURA 2000 INTEGRATION  
PROJECT**

Management Board's report as at 31 December 2013 together with  
Independent Auditor's report

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## Independent Auditor's Report

### To the Management of the Ministry of Environmental and Nature Protection

We have audited the accompanying financial statements, which comprise Project Sources and Uses of Funds, Bank Reconciliation Statement, Uses of Funds by Project Activity and Summary of Summary Reports (SOEs) of the Ministry of Environmental and Nature Protection, EU Natura 2000 Integration Project, as at 31 December 2013, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by Project Implementation Unit (PIU) of the Ministry of Environmental and Nature Protection, EU Natura 2000 Integration Project, based on the financial reporting provisions specified in Annex A of the Contract for Consulting Services for the Annual Financial Audits of the EU Natura 2000 Integration Project No. MOC/CS/LCS/11/01 between Ministry of Environmental and Nature Protection and Ernst&Young d.o.o. ("the Contract") and Nature Protection Investment Project PPA no. IBRD P4500-HR-Project Operational Manual from December 2009 and EU Natura 2000 Integration Project Loan no. IBRD 80210 HR Project Operational Manual from December 2013.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the financial reporting provisions of Annex A of the Contract for Consulting Services for the Annual Financial Audits of the EU Natura 2000 Integration Project No. MOC/CS/LCS/11/01 between Ministry of Environmental and Nature Protection and Ernst&Young d.o.o. ("the Contract") and Nature Protection Investment Project PPA no. IBRD P4500-HR-Project Operational Manual from December 2009 and EU Natura 2000 Integration Project Loan no. IBRD 80210 HR Project Operational Manual from December 2013 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Independent Auditor's Report (continued)**

### **Opinion**

In our opinion, the financial statements of the Ministry of Environmental and Nature Protection, EU Natura 2000 Integration Project for the year ended 31 December 2013 are prepared, in all material respects, in accordance with the financial reporting provisions of Annex A of the Contract for Consulting Services for the Annual Financial Audits of the EU Natura 2000 Integration Project No. MOC/CS/LCS/11/01 between Ministry of Environmental and Nature Protection and Ernst&Young d.o.o. ("the Contract") and Nature Protection Investment Project PPA no. IBRD P4500-HR-Project Operational Manual from December 2009 and EU Natura 2000 Integration Project Loan no. IBRD 80210 HR Project Operational Manual from December 2013.

### **Basis of Accounting and Restriction on Distribution and Use**

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describe the basis of accounting. The financial statements are prepared to assist Ministry of Environmental and Nature Protection, EU Natura 2000 Integration Project to comply with the financial reporting provisions of the contract referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for Ministry of Environmental and Nature Protection, EU Natura 2000 Integration Project and The World Bank and should not be distributed to or used by parties other than the Ministry of Environmental and Nature Protection, EU Natura 2000 Integration Project or The World Bank.

*Ernst & Young d.o.o.*

Ernst & Young d.o.o., Zagreb  
Republic of Croatia

Zagreb, 14 May 2014

# Ministry of Environmental and Nature Protection – EU Natura 2000 Integration Project Sources and Uses of Funds

From 1 January 2013 to 31 December 2013

	Loan IBRD 80210 HR (up to 31 December 2012)	Loan IBRD 80210 HR (2013)					Cumulative to 31 December 2013
	(Amounts in EUR)	1 January 2013 to 31 March 2013	1 April 2013 to 30 June 2013	1 July 2013 to 30 September 2013	1 October 2013 to 31 December 2013		
Opening cash balance							
Designated Account	0.00	1,829,301.54	1,464,220.08	1,773,469.88	1,639,715.61	1,829,301.54	
Total opening balance	444,524.05	1,829,301.54	1,464,220.08	1,773,469.88	1,639,715.61	1,829,301.54	
Add funds received							
Government funds	0.00	0.00	0.00	0.00	0.00	0.00	
IBRD funds	3,809,397.12	0.00	535,779.92	577,026.09	789,629.36	1,902,435.37	
Total funds received	3,809,397.12	0.00	535,779.92	577,026.09	789,629.36	1,902,435.37	
Total funds available	4,253,921.17	1,829,301.54	2,000,000.00	2,350,495.97	2,429,344.97	3,731,736.91	
Uses of funds							
G, W, CS, TR, IOC	2,424,619.63	365,081.46	226,530.12	710,780.36	1,300,857.27	2,603,249.21	
PPF Expenditure (page 6)	0.00	0.00	0.00	0.00	0.00	0.00	
Front end fee	0.00	0.00	0.00	0.00	0.00	0.00	
Total uses of funds	2,424,619.63	365,081.46	226,530.12	710,780.36	1,300,857.27	2,603,249.21	
Closing cash balance							
Designated Account	1,829,301.54	1,464,220.08	1,773,469.88	1,639,715.61	1,128,487.70	1,128,487.70	
Total closing balance	1,829,301.54	1,464,220.08	1,773,469.88	1,639,715.61	1,128,487.70	1,128,487.70	

Valentina Futač, Finance management specialist

**Ministry of Environmental and Nature Protection – EU Natura 2000 Integration Project**  
**Bank Reconciliation Statement**  
**From 1 January 2013 to 31 December 2013**

	Loan IBRD 80210 HR (2013) (Amounts in EUR)				Loan IBRD 80210 HR (up to 31 December 2012) (Amounts in EUR)
	1 January 2013 to 31 March 2013	1 April 2013 to 30 June 2013	1 July 2013 to 30 September 2013	1 October 2013 to 31 December 2013	Cumulative to 31 December 2012
Designated account opening balance	1,829,301.54	1,464,220.08	1,773,469.88	1,639,715.61	444,524.05
Plus: Advance during the quarter	0.00	535,779.92	577,026.09	789,629.36	3,809,397.12
Interest earned <sup>1</sup>	0.00	0.00	0.00	0.00	0.00
Less: Refund to DA	0.00	0.00	0.00	0.00	0.00
Amount of eligible expenditures paid during the period	365,081.46	226,530.12	710,780.36	1,300,857.27	2,424,619.63
<b>Closing Balance</b>	<b>1,464,220.08</b>	<b>1,773,469.88</b>	<b>1,639,715.61</b>	<b>1,128,487.70</b>	<b>1,829,301.54</b>

<sup>1</sup> Interest is calculated and paid to a separate Interest and Fee Account that is not considered to be part of the Designated Account of EU Natura 2000 integration Project. Balance of Interest and Fee Account was EUR 4,247.77 as at 31 December 2013 (31 December 2012: EUR 3,702.00).



Valentina Futac, Finance management specialist

**Ministry of Environmental and Nature Protection – EU Natura 2000 Integration Project  
Uses of Funds by Project Activity  
From 1 January 2013 to 31 December 2013**

	Loan IBRD 80210 HR (2013)						Loan IBRD 80210 HR (up to 31 December 2012) (Amounts in EUR)
	(Amounts in EUR)						
	1 January 2013 to 31 March 2013	1 April 2013 to June 2013	1 July 2013 to 30 September 2013	1 October 2013 to 31 December 2013	Cumulative to 31 December 2013	Cumulative to 31 December 2012	
<b>1, Ecological Network Investments</b>							
1,1 Protected Area-Driven Investments (works)	97,148.38	151,177.42	446,358.55	871,960.59	1,566,644.94	2,010,101.87	
1,2 Equipment (goods)	0.00	0.00	0.00	59,046.05	59,046.05	0.00	
<b>Total</b>	<b>97,148.38</b>	<b>151,177.42</b>	<b>446,358.55</b>	<b>931,006.64</b>	<b>1,625,690.99</b>	<b>2,010,101.87</b>	
<b>2, Ecological Network Data Systems</b>							
2,1 Biodiversity Inventory and Monitoring	0.00	11,744.69	7,876.81	24,915.86	44,537.36	121,047.59	
2,2 INSPIRE Harmonization	0.00	0.00	0.00	0.00	0.00	0.00	
<b>Total</b>	<b>0.00</b>	<b>11,744.69</b>	<b>7,876.81</b>	<b>24,915.86</b>	<b>44,537.36</b>	<b>121,047.59</b>	
<b>3, Ecological Network Capacity Building</b>							
3,1 Inter-Sectoral Cooperation & Pilot Programs	84,110.00	0.00	0.00	273,369.71	357,479.71	84,110.00	
3,2 Training & Public Outreach	141,065.27	13,277.18	208,639.00	26,878.46	389,859.91	53,298.09	
3,3 Project Management and Operating Costs	42,757.81	50,330.83	47,906.00	44,686.60	185,681.24	156,062.08	
<b>Total</b>	<b>267,933.08</b>	<b>63,608.01</b>	<b>256,545.00</b>	<b>344,934.77</b>	<b>933,020.86</b>	<b>293,470.17</b>	
<b>Total Project Expenditure</b>	<b>365,081.46</b>	<b>226,530.12</b>	<b>710,780.36</b>	<b>1,300,857.27</b>	<b>2,603,249.21</b>	<b>2,424,619.63</b>	

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Valentina Futać, Finance management specialist

# Ministry of Environmental and Nature Protection – EU Natura 2000 Integration Project

## Summary of Summary Reports (SOEs)

From 1 January 2013 to 31 December 2013


World Bank withdrawal application	Approval date	Summary Sheet /SOE <sup>1</sup>	Type	Amount documented	Amount paid to Designated Account
<b>Loan 80210 HR, amounts in EUR</b>					
10	18-Apr-2013	1	prior review	286,891.79	535,779.92
		2	SOE	248,888.13	
11	23-Aug-2013	1	prior review	297,639.29	577,026.09
		2	SOE	279,386.80	
12	12-Nov-2013	1	prior review	59,642.02	789,629.36
		2	SOE	729,987.34	
13	09-Jan-2014	1	prior review	342,341.42	891,482.78
		2	SOE	549,141.36	
14	08-May-2014	1	prior review	304,662.04	520,137.36
		2	SOE	215,475.32	
<b>Totals (EUR)</b>				<b>3,314,055.51<sup>3</sup></b>	<b>3,314,055.51<sup>2</sup></b>

<sup>1</sup> Summary SOE sheets consist of individual expenditures by category as the basis for withdrawals.

<sup>2</sup> Designated account opening balance as of 1 January 2013 amounted to EUR 1,829,301.54. Total amount paid to Designated account for the period from 1 January 2013 till 31 December 2013 amounts to EUR 1,902,435.37. Designated account balance as of 31 December 2013 amounted to EUR 1,128,487.70 after payment of EUR 2,603,249.21 of Eligible expenditures from the Designated Account.

<sup>3</sup>

Expenditure on five WB applications in 2013 and 2014 (until the date of audit report)	3,314,055.51
Expenditure related to 2012 as stated in WB Application no. 10	(170,698.46)
Expenditure related to 2014 as stated in WB Applications no. 13 and no. 14	(540,107.84)
Expenditure related to 2013	2,603,249.21



Valentina Futač, Finance management specialist



# **Ministry of Environmental and Nature Protection – EU Natura 2000 Integration Project**

## **Notes to Financial Statements**

**From 1 January 2013 to 31 December 2013**

### **1. General**

The Republic of Croatia has received a loan from the International Bank for Reconstruction and Development (IBRD) to implement the Croatia EU Natura 2000 Integration Project (NIP). The project is implemented by the Ministry of Environmental and Nature Protection of the Republic of Croatia.

The World Bank Project Preparation Advance (PPA) was approved to the Republic of Croatia in the amount not exceeding USD 500,000. The Croatian Government signed the PPA Agreement on March 5, 2009. Refinancing date for the PPA and start of the five year project (loan financing) was 19 May 2011.

The body in charge of implementing the Project preparation was the Ministry of Culture, Nature Protection Directorate where the Project Preparation Unit (PPU) was set up, and consisted of a coordinator, procurement specialist and financial management specialist. The PPU was managed by the PPA Manager who was also the Director of Nature Protection Directorate. The PPU became the Project Implementation Unit (PIU) upon ratification of the Loan on 18 May 2011. As of 22 December 2011, according to Decision of the Government of Republic of Croatia, EU Natura 2000 Integration Project became an integral part of the Ministry of Environmental and Nature Protection.

Republic of Croatia signed a Loan agreement with the international Bank for reconstruction and Development on 22 February 2011. The Loan amount is EUR 20.8 million. The Project consists of the following parts: Ecological Network Investments, Ecological Network Data Systems and Ecological Network Capacity Building. As at December 31, 2013, PIU and support staff consisted of the following Consultants: coordinator, procurement specialist, financial management specialist, civil engineer/safeguard coordinator, EU projects and training specialist, economist and monitoring & evaluation specialist and project assistant.

NIP overall project objective is to support Park and County Public Institutions to implement Natura 2000 objectives in investment programs; strengthen capacity for EU-compliant reporting and biodiversity monitoring; and introduce programs that involve a wider group of stakeholders in Natura 2000 network management.

### **2. Accounting policies**

Financial reports which comprise of Sources and Uses of Funds, Bank Reconciliation Statement, Uses of Funds by Project Activity and Summary of Summary Reports (SOEs) are prepared on the cash receipts and disbursements basis of accounting as prescribed in the Nature Protection Investment Project PPA no. IBRD P4500-HR Project Operational Manual from December 2009 and EU Natura 2000 Integration Project Loan no. IBRD 80210 HR Project Operational Manual from December 2013. Project financing is recognized as a source of Project funds when the cash is received. Project expenditure is recognized as a use of Project funds when payment is made, irrespective of when goods or services are accrued.