

STATE AUDIT OFFICE OF GEORGIA

Project Financial Statements

**Advancing public participation in the audit process in
Georgia (SAFE Grant No. TFOA1357)**

With accompanied independent auditor's report

For the period from November 10, 2015 to October 31, 2016

STATE AUDIT OFFICE OF GEORGIA

Advancing public participation in the audit process in Georgia (SAFE Grant No. TFOA1357)

PROJECT FINANCIAL STATEMENTS

For the period from November 10, 2015 to October 31, 2016

Currency: USD

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INDEPENDENT AUDITOR'S REPORT

To the management of the STATE AUDIT OFFICE OF GEORGIA

We have audited the accompanying project financial statements of the project - **Advancing public participation in the audit process in Georgia (Grant No. TFOA1357)** (further "Project"), which comprise the statement of the Project sources and uses of funds, the statement of the project sources and uses of funds by project activity and the notes comprising a summary of significant accounting policies and other explanatory information to the financial statements prepared by the management for the period from November 10, 2015 to October 31, 2016 in relation to the grant #TFOA1357 provided by International Bank for Reconstruction and Development and contribution (further "World Bank") received from the State Audit Office of Georgia (further "SAOG"). The financial statements have been prepared by the management in accordance with the basis of accounting described in the following paragraph.

Management's responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the IPSAS "Financial Reporting Under The Cash Basis of Accounting" issued by the International Public Sector Accounting Standards Board (the IPSASB) of the International Federation of Accountants (IFAC) and the World Bank guidelines, as well as the relevant points of the Grant Agreement No. TFOA1357. and for the such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statement 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 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 statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organisation's preparation and fair presentation of the financial statement 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 organisation'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 statement.

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

Opinion

In our opinion, the project financial statements of the project **Advancing public participation in the audit process in Georgia (Grant No. TFOA1357)** for the period from November 10, 2015 to October 31, 2016 are prepared in all material respects, in accordance with the IPSAS "Financial Reporting Under The Cash Basis of Accounting" issued by the International Public Sector Accounting Standards Board (the IPSASB) of the International Federation of Accountants (IFAC) and the World Bank guidelines, as well as the relevant points of the Grant Agreement No. TFOA1357.



Basis of Accounting

Without modifying our opinion, we draw attention to Note 2 to the financial statement, which describes the basis of accounting policy. The financial statement is prepared to provide information to the World Bank. As a result, the statement may not be suitable for another purpose.

Tbilisi, Georgia
28 November, 2016

BDO LLC

STATE AUDIT OFFICE OF GEORGIA

Advancing public participation in the audit process in Georgia (Grant No. TFOA1357)

STATEMENT OF THE PROJECT SOURCES AND USES OF FUNDS

For the period from November 10, 2015 to October 31, 2016

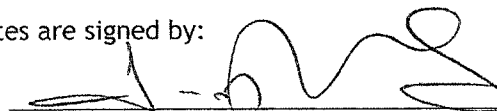
Currency: USD

Statement of the project sources and uses of funds for the period from November 10, 2015 to October 31, 2016:

	Actual			Planned			Variance		
	Current period	Year to Date	Cumulative to Date	Current period	Year to Date	Cumulative to Date	Current period	Year to Date	Cumulative to Date
Opening Working Capital									
Designated Account	-	-	-	-	-	-	-	-	-
Transit account	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-
Sources of Funds									
Grant Funds	125,000	125,000	125,000	125,000	125,000	125,000	-	-	-
Counterpart Funds	44,684	44,684	44,684	35,542	35,542	35,542	(9,142)	(9,142)	(9,142)
Subtotal	169,684	169,684	169,684	158,424	158,424	158,424	(9,142)	(9,142)	(9,142)
Foreign Exchange Difference	(478)	(478)	(478)	-	-	-	-	-	-
Total	169,206	169,206	169,206	-	-	-	-	-	-
Less:									
Uses of Funds									
Goods and non-consulting services:	27,696	27,696	27,696	30,157	30,157	30,157	2,461	2,461	2,461
World Bank	17,276	17,276	17,276	18,733	18,733	18,733	1,457	1,457	1,457
SAO Contribution	10,420	10,420	10,420	11,424	11,424	11,424	1,004	1,004	1,004
Training and Workshops:	32,874	32,874	32,874	36,958	36,958	36,958	4,084	4,084	4,084
World Bank	31,434	31,434	31,434	36,958	36,958	36,958	5,524	5,524	5,524
SAO Contribution	1,440	1,440	1,440	-	-	-	(1,440)	(1,440)	(1,440)
Consultants' Services:	68,650	68,650	68,650	69,309	69,309	69,309	659	659	659
World Bank	68,650	68,650	68,650	69,309	69,309	69,309	659	659	659
SAO Contribution	-	-	-	-	-	-	-	-	-
Operating cost:	32,824	32,824	32,824	24,118	24,118	24,118	(8,706)	(8,706)	(8,706)
World Bank	-	-	-	-	-	-	-	-	-
SAO Contribution	32,824	32,824	32,824	24,118	24,118	24,118	(8,706)	(8,706)	(8,706)
Total	162,045	162,045	162,045	160,542	160,542	160,542	(1,503)	(1,503)	(1,503)
Closing Working Capital									
Designated Account	-	-	-	-	-	-	-	-	-
Transit Account	6,646	6,646	6,646	-	-	-	-	-	-
Tax Receivables	515	515	515	-	-	-	-	-	-
Total	7,161	7,161	7,161						

These statements including the notes are signed by:

28/11/2016
/Date/


M. Natsvlshvili

Project manager
Director of State Budget Analysis and Strategic
Planning Department

This statement is to be read in conjunction with the notes to and forming part of the project financial statements set out on pages 7 to 10.

STATE AUDIT OFFICE OF GEORGIA

Advancing public participation in the audit process in Georgia (Grant No. TFOA1357)

STATEMENT OF USES OF FUNDS BY PROJECT ACTIVITY

For the period from November 10, 2015 to October 31, 2016

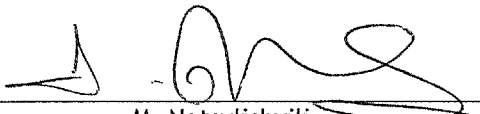
Currency: USD

Statement of the project sources and uses of funds by project activity for the period from November 10, 2015 to October 31, 2016:

Project Activities	Note	Actual			Planned			Variance		
		Current period	Year to Date	Cumulative to Date	Current period	Year to Date	Cumulative to Date	Current period	Year to Date	Cumulative to Date
Part I: Multi-stakeholder Awareness Building		101,748	101,748	101,748	98,127	98,127	98,127	(3,621)	(3,621)	(3,621)
World Bank		67,484	67,484	67,484	74,009	74,009	74,009	6,525	6,525	6,525
SAO Contribution	5	34,264	34,264	34,264	24,118	24,118	24,118	(10,146)	(10,146)	(10,146)
Part II: Capacity Building for Engagement Strategy and Action Plan		41,929	41,929	41,929	43,940	43,940	43,940	2,011	2,011	2,011
World Bank		31,509	31,509	31,509	32,516	32,516	32,516	1,007	1,007	1,007
SAO Contribution	5	10,420	10,420	10,420	11,424	11,424	11,424	1,004	1,004	1,004
Part III: Knowledge Capture & Regional Learning		18,368	18,368	18,368	18,475	18,475	18,475	107	107	107
World Bank		18,368	18,368	18,368	18,475	18,475	18,475	107	107	107
SAO Contribution		-	-	-	-	-	-	-	-	-
Total Project Expenditure		162,045	162,045	162,045	160,542	160,542	160,542	(1,503)	(1,503)	(1,503)

These statements including the notes are signed by:

28/11/2016
/Date/


M. Natsvlshvili

Project manager
Director of State Budget Analysis and Strategic
Planning Department

This statement is to be read in conjunction with the notes to and forming part of the project financial statements set out on pages 7 to 10.

STATE AUDIT OFFICE OF GEORGIA

Advancing public participation in the audit process in Georgia (Grant No. TF0A1357)

NOTES TO THE PROJECT FINANCIAL STATEMENT

For the period from November 10, 2015 to October 31, 2016

Currency: USD

1. Basic Activities

Financing agreement #TF0A1357 was signed between the State Audit Office of Georgia and the World Bank on 10 November 2015. The project "Advancing public participation in the audit process in Georgia" is supported by the World Bank and by the state audit office and aims to enhance the quality and credibility of public external audits in the Member country's territory by mainstreaming citizen engagement into the external audit.

The project consists of the following parts:

- i) Multi-stakeholder awareness building;
- ii) Capacity building for engagement strategy and action plan;
- iii) Knowledge, capture and regional learning.

2. Significant accounting Policy

a) Statement of compliance

Project's policy is to prepare financial statements in accordance with the IPSAS "Financial Reporting Under The Cash Basis of Accounting" issued by the International Public Sector Accounting Standards Board (the IPSASB) of the International Federation of Accountants (IFAC) and the World Bank guidelines, as well as the relevant points of the Grant Agreement No. TF0A1357.

b) Revenues and expenditures

The Project's policy is to prepare the financial statements on the cash basis of accounting. On this basis, revenue is recognized when received rather than when earned and expenses are recognized when paid rather than when incurred

c) Reporting Currency and Translation Methodology

The reporting currency of the Project financial statements is US Dollar (USD). Functional currency is Georgian Lari (GEL). The majority of the Project expenses were made in Georgian Lari and expenditures paid in GEL were translated into USD using the following principles of translation:

- In preparing the project financial statements, transactions in currencies other than US dollar have been translated into USD using the official exchange rate of the National Bank of Georgia prevailing on the dates of conversion from Designated Account to Transit account (GEL account);
- Exchange Gains/losses resulting from the translation of movements of GEL bank accounts were recorded as an exchange difference (loss) in the Statement of Project Sources and Uses of Funds

d) Designated Account (DA)

The Designated Account, opened by the State Treasury in the National Bank of Georgia, is the account through which the replenishments from the World Bank are drawn. For all eligible expenses, appropriate amount of fund is transferred from DA account into Transitory Account.

e) Transitory Account

The Transitory Account is held at State Treasury for the converted amount in GEL, since the payments within the country can be done only in the local currency. All payments, in any currency, are made through transitory account.

STATE AUDIT OFFICE OF GEORGIA

Advancing public participation in the audit process in Georgia (Grant No. TF0A1357)

NOTES TO THE PROJECT FINANCIAL STATEMENT

For the period from November 10, 2015 to October 31, 2016

Currency: USD

3. Counterpart Contribution

The State Audit Office of Georgia has provided counterpart financing for the Project's recurring costs. Counterpart financing consist of the following components:

	Amount in Gel	Amount in USD
Salary for the project members	76,521	32,824
Monitors for web platforms	24,467	10,420
Representation expenses for Media Training	3,295	1,372
Representation expenses for the Korean experts visit	144	67
Total	GEL 104,427	USD 44,684

These expenses were made in Georgian Lari and for the grant purposes recorded in USD at the rates of exchange defined by the National Bank of Georgia, prevailing on the dates of transactions. Total financing provided by the State Audit Office of Georgia amounted to USD44,684.

4. Statement of Financial Position

	As at October 31, 2016
Cash and cash equivalents:	
Designated Account (USD)	-
Transit account (GEL)	6,646
Tax receivables	515
	<u>7,161</u>
Project expenditures	162,045
Foreign exchange difference	478
Total assets	<u>169,684</u>
Funding:	
IDA/IBRD	125,000
Beneficiary's Funds	44,684
Liabilities	-
	<u>169,684</u>
Total liabilities and Funding	<u>169,684</u>

5. Designated Account Statement

	For the period from November 10, 2015 to October 31, 2016
1 Opening Balance as at November 10, 2015	-
Add:	-
2 Cumulative unexplained discrepancy	-
3 IDA/IBRD advance/replenishment during the current quarter	125,000
4 Less: Refund to IDA/IBRD from DA during the current semester	-
5 Present outstanding amount advanced to DA	125,000
6 DA closing balance as at 31/OCT/2016 carried forward to next period	-
7 Add: Amount of eligible expenditures paid during the current semester	117,361
8 Service charges	-
9 Less: Interest earned (if credited into DA)	-
10 Total advance accounted for	117,361
11 Discrepancy(5)-(10) to be explained (See Note 6)	7,639

STATE AUDIT OFFICE OF GEORGIA

Advancing public participation in the audit process in Georgia (Grant No. TF0A1357)

NOTES TO THE PROJECT FINANCIAL STATEMENT

For the period from November 10, 2015 to October 31, 2016

Currency: USD

6. Discrepancy

Discrepancy consists of :	Amount
Transit Account (note 2.e)	6,646
Tax Receivables (note11)	515
Foreign exchange loss (note 2.c)	478
TOTAL	7,639

7. SOE Withdrawal Schedule

Withdrawal No.	Expenditure categories			Total
	Goods	Training and Workshops	Consultants' Services	
1-A	-	-	-	-
2-A	-	8,108	12,242	20,350
3-A	-	4,448	13,813	18,261
4-A	-	19,401	21,429	40,830
5-A	17,677	1,034	21,742	40,453
	17,677	32,991	69,226	119,894

8. SAOG delegates were on the study tour in South Korea from 18th of June until 25th of June, 2016. Before the study tour, SAOG paid 9,881 USD for hotel accommodation and per-diem expenses to delegates and presented this amount of expenditure in the Withdrawal Application #4-A on 20th of June, 2016. After completion of the study tour, actual days SAOG representatives spent in Korea was one day less than planned. SAOG delegates refunded one-day expenditure of 2,695 USD to the Transit Account of the grant in the State Treasury (on 8th of July, 2016), recognized this amount in the Project Financial Statements, and excluded it from eligible expenditures. However, SAOG has not submitted revised Withdrawal Application to the World Bank and thus, the Withdrawal Application #4-A is excessively presented by respective one-day expenditure of 2,695 USD.

9. Reconciliation Between the Amounts Received by SAO and Disbursed by the World Bank

Category/sub-category	Withdrawal Application	Value Date	SAO	The World Bank	Difference
Goods, Consultant Services, Training and Workshop, Operating Costs	2-A	30-Mar-16	20,350	20,350	-
	3-A	2-Jun-16	18,261	18,261	-
	4-A	20-Jun-16	40,830	40,830	-
	5-A	31-Oct-16	40,453	40,453	-
			119,894	119,894	-
Designated Account advance	1-A	21-Dec-15	50,000	50,000	-
			50,000	50,000	-
Redemption of Designated Account Advance	2-A	30-Mar-16	-	-	-
	3-A	2-Jun-16	-	-	-
	4-A	20-Jun-16	(4,441)	(4,441)	-
	5-A	31-Oct-16	(40,453)	(40,453)	-
			(44,894)	(44,894)	-
Total			125,000	125,000	-

STATE AUDIT OFFICE OF GEORGIA

Advancing public participation in the audit process in Georgia (Grant No. TFOA1357)

NOTES TO THE PROJECT FINANCIAL STATEMENT

For the period from November 10, 2015 to October 31, 2016

Currency: USD

10. Cash and cash equivalents

	For the period from November 10, 2015 to October 31, 2016
Balance of Project Funds at start of reporting period as at November 10, 2015	-
Total cash receipts	169,684
WB	125,000
SAO	44,684
Total cash payments	162,560
WB	117,876
SAO	44,684
	7,124
Expenses from foreign exchange difference	(478)
Balance of Project Funds at the end of reporting period as at October 31, 2016	6,646

11. VAT receivables

	For the period from November 10, 2015 to October 31, 2016
VAT Paid	(15,436)
Reverted VAT	14,898
Foreign exchange difference, net	23
VAT receivables	515