

**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. TF0A1357)

STATEMENT OF THE PROJECT SOURCES AND USES OF FUNDS

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

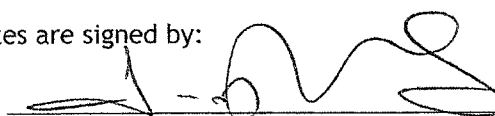
Currency: USD

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                    | -              | -              | -                  | -              | -              | -                  | -              | -              | -                  |
| <b>Total</b>                       | -              | -              | -                  | -              | -              | -                  | -              | -              | -                  |
| 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)            |
| <b>Subtotal</b>                    | <b>169,684</b> | <b>169,684</b> | <b>169,684</b>     | <b>158,424</b> | <b>158,424</b> | <b>158,424</b>     | <b>(9,142)</b> | <b>(9,142)</b> | <b>(9,142)</b>     |
| Foreign Exchange Difference        | (478)          | (478)          | (478)              | -              | -              | -                  | -              | -              | -                  |
| <b>Total</b>                       | <b>169,206</b> | <b>169,206</b> | <b>169,206</b>     | <b>-</b>       | <b>-</b>       | <b>-</b>           | <b>-</b>       | <b>-</b>       | <b>-</b>           |
| 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)            |
| <b>Total</b>                       | <b>162,045</b> | <b>162,045</b> | <b>162,045</b>     | <b>160,542</b> | <b>160,542</b> | <b>160,542</b>     | <b>(1,503)</b> | <b>(1,503)</b> | <b>(1,503)</b>     |
| Closing Working Capital            |                |                |                    |                |                |                    |                |                |                    |
| Designated Account                 | -              | -              | -                  |                |                |                    |                |                |                    |
| Transit Account                    | 6,646          | 6,646          | 6,646              |                |                |                    |                |                |                    |
| Tax Receivables                    | 515            | 515            | 515                |                |                |                    |                |                |                    |
| <b>Total</b>                       | <b>7,161</b>   | <b>7,161</b>   | <b>7,161</b>       |                |                |                    |                |                |                    |

These statements including the notes are signed by:

28/11/2016  
/Date/

  
M. Natsvlishvili

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)

STATEMENT OF USES OF FUNDS BY PROJECT ACTIVITY

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

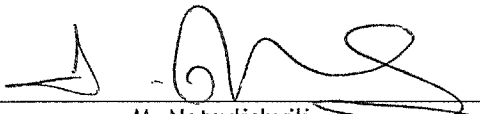
Currency: USD

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 |
| <b>Part I: Multi-stakeholder Awareness Building</b>                       |      | 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)           |
| <b>Part II: Capacity Building for Engagement Strategy and Action Plan</b> |      | 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              |
| <b>Part III: Knowledge Capture &amp; Regional Learning</b>                |      | 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  |      | -              | -            | -                  | -              | -            | -                  | -              | -            | -                  |
| <b>Total Project Expenditure</b>  |      | 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

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#### **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                |
| <b>Total</b>   | <b>GEL 104,427</b> | <b>USD 44,684</b> |

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                    |
|                                      | <b>7,161</b>           |
| Project expenditures                 | 162,045                |
| Foreign exchange difference          | 478                    |
| <b>Total assets</b>                  | <b>169,684</b>         |
| Funding:                             |                        |
| IDA/IBRD                             | 125,000                |
| Beneficiary's Funds                  | 44,684                 |
| Liabilities                          | -                      |
|                                      | <b>169,684</b>         |
| <b>Total liabilities and Funding</b> | <b>169,684</b>         |

**5. Designated Account Statement**

|   | For the period from<br>November 10, 2015 to<br>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          | -   |
| <b>5 Present outstanding amount advanced to DA</b>                      | <b>125,000</b>  |
| 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)                           | -   |
| <b>10 Total advance accounted for</b>                                   | <b>117,361</b>  |
| 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          |
| <b>TOTAL</b>                     | <b>7,639</b> |

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         |
|                | <b>17,677</b>          | <b>32,991</b>          | <b>69,226</b>         | <b>119,894</b> |

8. SAOG delegates were on the study tour in South Korea from 18<sup>th</sup> of June until 25<sup>th</sup> 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 20<sup>th</sup> 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 8<sup>th</sup> 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          | -          |
|  |                        |            | <b>119,894</b>  | <b>119,894</b>  | -          |
| Designated Account advance   | 1-A                    | 21-Dec-15  | 50,000          | 50,000          | -          |
|  |                        |            | <b>50,000</b>   | <b>50,000</b>   | -          |
| 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)        | -          |
|  |                        |            | <b>(44,894)</b> | <b>(44,894)</b> | -          |
| <b>Total</b>   |                        |            | <b>125,000</b>  | <b>125,000</b>  | -          |

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

10. Cash and cash equivalents

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