

Project:
**“Real Estate Management Project
in Serbia (IBRD Loan No. 8486-YF)”**

PROJECT IMPLEMENTATION UNIT

Information and observations noticed during the examination of accounting system, internal control system and Project financial statements for the period between 1 October 2015 and 31 December 2016

**THE REPUBLIC GEODETIC AUTHORITY
PROJECT IMPLEMENTATION UNIT**

TO THE MANAGEMENT OF THE REPUBLIC GEODETIC AUTHORITY

Subject: Information and observations noticed during the examination of accounting system, internal control system and financial statements of the Real Estate Management Project for the period between 1 October 2015 and 31 December 2016


In accordance with the Contract signed by BDO d.o.o., Belgrade (hereinafter "BDO") and the Republic Geodetic Authority (hereinafter "the RGA"), BDO was engaged to audit the financial statements of the Real Estate Management Project (hereinafter "Project") for the period from 1 October 2015 to 31 December 2016 with reference to the Loan Agreement No. 8486-YF. The audit of the Project financial statements was performed in accordance with the International Standards of Auditing and relevant World Bank Guidelines.


The audit of the Project financial statements was performed from 8 May to 22 May 2017 and involved the testing of cash receipts and expenses, which substantiate the amounts and information disclosed in the Project financial statements and which enabled us to obtain reasonable assurance about audit evidence as the basis for forming an opinion on the Project financial statements. The main focus of our work was not to identify weaknesses, errors or other irregularities and therefore it should not be considered that we noticed all weaknesses that may exist. Based on our audit nothing has come to our attention that would result in material observations and recommendations.

This information is prepared for internal use of the RGA, the Project Implementation Unit (hereinafter "the PIU") and World Bank representatives. It should not be presented to third parties without written approval of BDO, nor does BDO take responsibility regarding the presentation of its content to third parties.

We would like to thank you for your kind and constructive co-operation during our engagement.

Belgrade, 5 June 2017


Miljan Vujovic,
Certified Auditor



Management Letter

SUMMARY OF AUDIT APPROACH

We applied the following procedures during the Project audit:

1. A review of the Project financial statements for the period from 1 October 2015 and 31 December 2016, prepared by the Project Implementation Unit;
2. We tested all cash inflows related to the Project - both the cash inflows to the Special Account of the Ministry of Finance - Treasury and direct payments by the World Bank for the procurement of goods and services;
3. According to the confirmation obtained from the Ministry of Finance - Treasury, we checked the cash balance on the Special Account as of 31 December 2016;
4. We tested 100% procurement of goods, works and non-consulting services by obtaining and reviewing contracts, invoices, banks statements and other relevant documents. Furthermore, we interviewed the employees in the Project Implementation Unit with respect to the implementation of procedures and internal controls carried out during the procurement of goods in accordance with the relevant World Bank Procurement Guidelines for goods, works and non-consulting services;
5. Based on our interviews with the employees of the Project Implementation Unit, who are responsible for conducting procurement of consulting services in accordance with the World Bank Procurement Guidelines for Consulting Services, we identified certain internal controls which have been established and applied during the procurement procedures of consulting services. Based on a random sample of 45 items, we tested the identified internal controls related to the procurement of consulting services, which ensure that the costs of consulting services are realistically presented in the Project financial statements;
6. We reviewed the latest approved Procurement Plan for 2016 and checked whether the indicated procurements were conducted in accordance with the approved Procurement Plan; and
7. We obtained the Representation Letter signed by the Project Implementation Unit.

According to the above-mentioned and conducted audit procedures, we have singled out one observation for the Management Letter:

Management Letter

Observation:

The presentation of expenditures during the generation of the statement of "Sources and Uses of Funds":

The financial statement "Sources and Uses of Funds" present total cash inflows and project expenditure. Total cash inflows are presented under the sub-category "Sources of Funds", which include the inflows of funds to the Special Account, as well as direct payments from the World Bank account. The expenditures of goods, works and non-consulting services, as well as consulting services, are presented under the sub-category "Uses of Funds by Categories" in their total amount regardless of whether they were paid from the Special Account or directly by the World Bank.

Recommendation:

Our recommendation to the Project Implementation Unit is to upgrade the information system parameters set for generating the Statement of Sources and Uses of Funds in such a manner that within the line "Uses of Funds by Categories" the total costs incurred are presented in such a way that by sub-categories of costs "Goods, works and non-consulting services" and "Consulting services, Training and Operating Costs" payments effected directly from the account of the World Bank are separated from the payments from the Special Account. In this manner, the spending of the funds received under the Project will be presented more clearly and will be comparable with the total inflows of the funds.

MANAGEMENT RESPONSE:

We agree with the recommendation, so the IT officers will apply it within the information system.