

THE REPUBLIC SECRETARY AUTHORITY
PROJECT IMPLEMENTATION UNIT

TO THE MANAGEMENT OF THE REPUBLIC SECRETARY AUTHORITY

Subject: Information and observations noticed during the examination of accounting system, internal control management project for the period between 1 January 2019 and 31 December 2019

**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 January 2019 and 31 December 2019

In accordance with the Contract signed between the Republic Secretary Authority and the Project Implementation Unit, the Project financial statements for the period between 1 January 2019 and 31 December 2019 were examined in accordance with the International Standards of Auditing and related work.

The goal of the Project financial statements examination was to provide the testing of data for the information contained in the Project financial statements, and which is intended to provide reasonable assurance about the evidence in the data for the period between 1 January 2019 and 31 December 2019. The main focus of our work was not to identify weaknesses, errors or other irregularities and therefore it should not be concluded that we are not aware of any irregularities that may exist, based on our audit testing but rather to identify material errors and recommendations.

The information is prepared for internal use of the Unit, the Project Implementation Unit management (the PIU) and other case management. It should not be disclosed to other parties without written approval of BDO, and does not take responsibility for the presentation of its content to third parties.

We would like to thank you for your kind and constructive cooperation during the engagement.

Belgrade, 21 May 2020.


BDO
Certified Auditor

**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 January 2019 and 31 December 2019

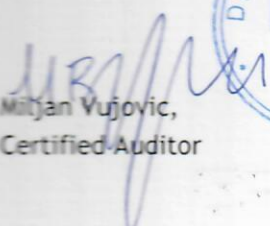
In accordance with the Contract signed by BDO d.o.o., Belgrade (hereinafter "BDO") and the Republic Geodetic Authority (hereinafter "the RGA"), BDO was engaged to audit the financial statements of the Real Estate Management Project (hereinafter "Project") for the period from 1 January 2019 to 31 December 2019 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 1 May to 11 May 2020 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, 21 May 2020


Miljan Vujošević,
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 January 2019 and 31 December 2019, 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 2019;
4. We tested 99% 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 2019 and checked whether the indicated procurments were conducted in accordance with the approved Procurement Plan; and
7. We obtained the Representation Letter signed by the Project Implementation Unit.