

Report on the Republika Srpska part of the
Project Financial Statements of the

DRINA FLOOD PROTECTION PROJECT
of the Ministry of Finance and Treasury of Bosnia
and Herzegovina

Financed by:

- IDA Credit No. 5444-BA

For the year ended 31 December 2020

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DRINA FLOOD PROTECTION PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina

1. Introduction

1.1 Objectives and activities of the Project

The Project objective of the Drina Flood Protection Project (the "Project") is to provide increased protection from flood events to agricultural and commercial interests and communities in the Project area.

The main activities include strengthening flood protection on the Drina River in the Bijeljina area near the confluence with the Sava River, including Project management support and institutional strengthening, through the provision of works, goods, consultants services, Training and Incremental Operating Costs.

1.2 Components of the Project

The Project is comprised of the following two components:

Component 1: Flood Protection Works

The main activities include strengthening flood protection on the Drina River in the Bijeljina area near the confluence with the Sava River.

Component 2: Project Management and Institutional Strengthening

The main activities include Project management support and institutional strengthening, through the provision of works, goods, consultants services, Training and Incremental Operating Costs.

1.3 Financing of the Project

1.3.1 IDA Credit No. 5444-BA

The State of Bosnia and Herzegovina ("B&H") is the borrower of the International Development Association (IDA) Credit No. 5444-BA amounting to the equivalent of XDR 15,600,000.

Under the terms of a subsidiary finance agreement between B&H and RS, funds of the equivalent of XDR 8,970,000 have been lent to RS.

Categories of cost items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each category and the percentage of expenditure for cost items so to be financed in each category are as follows:

	Item	Amount of the Credit allocated (in XDR)	% of expenditure to be financed
(2)	Goods, works, non-consulting services, consulting services, training and incremental operating costs for Part A of the Project	8,970,000	100%
	Subtotal	8,970,000	

IDA Credit No. 5444 - BA became effective on 21 May 2015. Planned closing date was 31 December 2019. The World Bank canceled an amount of the Credit equal to 1,249,003 million SDRs as of 30 April 2019. The new revised withdrawal table is as follows:

DRINA FLOOD PROTECTION PROJECT
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2. Introduction (continued)

	Item	Amount of the Credit allocated (in XDR)	% of expenditure to be financed
(2)	Goods, works, non-consulting services, consulting services, training and incremental operating costs for Part A of the Project	7,720,997	100%
	Subtotal	7,720,997	

IDA Credit No. 5444 - BA became effective on 21 May 2015. Planned closing date is 31 December 2020.

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2. Independent Auditor's Report

To the State of Bosnia and Herzegovina,
Ministry of Finance and Treasury
Attn. of Minister of Finance and Treasury H.E. Mr. Vjekoslav Bevanda

Report on the Project Financial Statements

Opinion

We have audited the accompanying project financial statements of the Republika Srpska part of the Drina Flood Protection Project (the "Project"), which comprise of Summary of sources and uses of funds, Balance sheet, Designated account statement, Statement of loan withdrawals as of and for the year ended 31 December 2020, and a summary of significant accounting policies and other explanatory notes for the year then ended, financed under IDA Credit No. 5444 - BA.

In our opinion, the accompanying project financial statements present fairly, in all material aspects, the financial position of the Project as of 31 December 2020, and of the funds received and disbursed during the year then ended, in accordance with the cash basis of accounting based on International Public Sector Accounting Standard ("IPSAS"), as described in Note 4.1.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). In conducting audit we were also guided by the Bank's financial reporting and auditing requirements, Disbursement Guidelines for Investment Project Financing, the Loan Handbook for World Bank Borrowers and the World Bank's Procurement Framework. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Ministry of Finance and Treasury in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Project Financial Statements

The management of project coordination unit is responsible for the preparation of these project financial statements in accordance with the cash basis of accounting based on IPSAS, as described in Note 4.1., and for such internal control as management determines is necessary to enable the preparation of project financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Project or to cease operations or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the financial reporting process.

Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the project financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also identify and assess the risks of material misstatement of the project financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

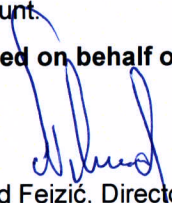
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Project to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the project financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other requirements


In addition, with respect to the Statement of Expenditure, adequate documentation supporting Disbursement Linked indicators or Performance Based Conditions and underlying expenditures have been maintained to support claims for reimbursements of expenditure occurred, and such expenditures were eligible and incurred for the purpose intended under the project. Also, respective reports issued during the period were in agreement with the underlying books of account.

Signed on behalf of Baker Tilly Re Opinion d.o.o. Sarajevo


Nihad Fejzić, Director and Certified Auditor

Sarajevo, Bosnia and Herzegovina
4 March 2021




Ezita Imamović, Certified Auditor

DRINA FLOOD PROTECTION PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina
Project financial statements for the year ended 31 December 2020

(all amounts in EUR, unless otherwise stated)

3. Project financial statements for the year 2020

3.1 Summary of sources and uses of funds under IDA Credit No. 5444 - BA

	Ref.	Actual 2020	Cumulative 2020	Cumulative 2019	Cumulative budget	Cumulative variance
FINANCING						
IDA Credit No. 5444 -						
BA	3.1.1	5,000,591	7,336,808	2,336,217	9,991,904	2,655,096
TOTAL FINANCING	3.2	5,000,591	7,336,808	2,336,217	9,991,904	2,655,096
PROJECT EXPENDITURE						
<i>By Category</i>						
Goods, works, non-						
consulting services,						
consulting services,						
training and incremental						
operating costs for Part						
A of the Project						
		4,774,642	7,052,064	2,277,422	9,991,904	2,939,840
TOTAL EXPENDITURE	3.2	4,774,642	7,052,064	2,277,422	9,991,904	2,939,840
PROJECT EXPENDITURE						
<i>By Component</i>						
Flood Protection Works		4,617,056	6,680,066	2,063,010	9,367,632	2,687,566
Project Management						
and Institutional						
Strengthening		157,586	371,998	214,412	624,272	252,274
TOTAL EXPENDITURE	3.2	4,774,642	7,052,064	2,277,422	9,991,904	2,939,840

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(all amounts in EUR, unless otherwise stated)

3. Project financial statements for the year 2020 (continued)

3.1.1 Summary of sources and uses of funds under the IDA Credit No. 5444 - BA

	Ref.	Actual 2020	Cumulative 2020	Cumulative 2019	Cumulative budget	Cumulative variance
FINANCING						
<i>IDA Credit No. 5444-BA</i>						
					9,991,904	
Initial deposit		-	1,000,000	1,000,000		
SoE replenishments		4,632,655	5,968,872	1,336,217		
Direct payment		367,936	367,936	-		
TOTAL FINANCING	3.1	5,000,591	7,336,808	2,336,217	9,991,904	2,655,096
PROJECT EXPENDITURE						
<i>By Category</i>						
Goods, works, non-consulting services, consulting services, training and incremental operating costs for Part A of the Project		4,774,642	7,052,064	2,277,422	9,991,904	2,939,840
TOTAL EXPENDITURE	3.2	4,774,642	7,052,064	2,277,422	9,991,904	2,939,840

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
(all amounts in EUR, unless otherwise stated)

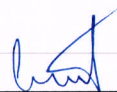
3. Project financial statements for the year 2020 (continued)

3.2 Balance sheet as of 31 December 2020 showing accumulated funds of the Project and bank balances concerning World Bank funding

	Ref.	31 December 2020	31 December 2019
ASSETS			
Project expenditure under IDA Credit No. 5444 - BA	3.1.1	7,052,064	2,277,422
		7,052,064	2,277,422
Designated account - IDA Credit No. 5444 - BA	A.1	284,744	58,795
		284,744	58,795
Total assets		7,336,808	2,336,217
LIABILITIES			
IDA Credit No. 5444 - BA	C.1	7,336,808	2,336,217
Total liabilities		7,336,808	2,336,217

Signed and authorised by:


Mr Stefan Mitrović
APCU Director


Dragana Stojičić
Financial Manager

Banja Luka, 4 March 2021

DRINA FLOOD PROTECTION PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina
Project financial statements for the year ended 31 December 2020

(all amounts in EUR, unless otherwise stated)

4. Notes to the project financial statements

4.1 Basis of preparation and accounting records

These project financial statements have been prepared in accordance with the International Public Sector Accounting Standard: "Financial Reporting under the Cash Basis of Accounting" issued by the Public Sector Committee of the International Federation of Accountants, and incorporate the accounting policies below, which have been consistently followed in all material respects and comply with the "Guidelines: Annual Financial Reporting and Auditing for World Bank – Financed Activities", issued by the Financial Management Sector Board.

4.2 Accounting policies

The Project's fiscal year is 1 January to 31 December for the recording of all transactions.

Cash basis of accounting

All receipts and expenses under IDA Credit are recorded on actual receipt and payment basis of accounting as per approved categories.

Project expenditure is stated at original cost on the balance sheet.

Direct payments

Direct payments concern the amounts paid directly from the Credit account of the World Bank.

Statement of Expenditure (SoE)

Statements of Expenditure are used to state the expenditure under IDA Credit during a certain period. These statements are sent to the World Bank's disbursement specialist who authorises the payment of the expenditure through the Designated account.

Currency conversions

The reporting currency is Euro (EUR). Sources and use of funds (payments to suppliers and contractors) in currencies other than EUR have been converted to EUR using the currency rate at the moment of the transaction.

Bank balances, recorded on the balance sheet at year-end, have been converted at year - end rate.

Designated accounts

This is the total amount of the withdrawals from the Credit account for the Project. The Credit account is in XDR.

Interest on Designated accounts

Interest earned on the Designated accounts belongs to the Borrower.

DRINA FLOOD PROTECTION PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina
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(all amounts in EUR, unless otherwise stated)

APPENDIX A DESIGNATED ACCOUNT STATEMENT

Account owned by: Ministry of Finance and Treasury of Bosnia and Herzegovina

Account No.: 5672410000610769

Depository Bank: Sberbank a.d. Banjaluka

Address: Jevrejska 71, Banjaluka

Related Credit: IDA Credit No. 5444-BA

Currency: EUR

	Ref.	EUR
Opening balance 1 January 2020	3.2	58,795
Add:		
World Bank replenishments		4,632,655
		<u>4,632,655</u>
Deduct:		
Payments to suppliers - Expenditure under IDA Credit		4,406,706
		<u>4,406,706</u>
Ending balance 31 December 2020	3.2	284,744

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Project financial statements for the year ended 31 December 2020

(all amounts in EUR, unless otherwise stated)

APPENDIX B. SoE Withdrawal Schedule of IDA Credit No. 5444 - BA for the year ended 31 December 2020

	Initial deposit	Goods, works, non- consulting services, consulting services, training and incremental operating costs for Part A of the Project	Total application	Total replenished
Previous years	1,000,000	2,277,422	2,277,422	2,336,217
Application 9	-	367,936	367,936	367,936
Total direct applications (Application 9)	-	367,936	367,936	367,936
Application 7 *	-	-	-	476,701
Application 8 *	-	-	-	385,351
Application 10 **	-	475,262	475,262	554,415
Application 11	-	358,452	358,452	358,452
Application 12	-	410,781	410,781	410,781
Application 13	-	602,705	602,705	602,705
Application 14	-	221,327	221,327	221,327
Application 15	-	646,930	646,930	646,930
Application 16	-	529,182	529,182	529,182
Application 17	-	446,811	446,811	446,811
Application 18***	-	662,287	662,287	-
Application 20***	-	52,969	52,969	-
Total 2020	-	4,774,642	4,774,642	5,000,591
Cumulative 2020	1,000,000	7,052,064	7,052,064	7,336,808

* Application No. 7 and 8 are replenished in 2020 but expenses were made in 2019.

** Application No. 10 is replenished in 2020 but expenses in amount of BAM 79,153 were made in 2019 and expenses in amount of BAM 475,262 are made in 2020.

*** Application No. 18 and 20 will be replenished in 2021, but expenses were made in 2020.

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Project financial statements for the year ended 31 December 2020

(all amounts in EUR, unless otherwise stated)

APPENDIX C Reconciliation between World Bank's disbursement statements in XDR and IDA Credit account in EUR according to the balance sheet; oE Withdrawal Schedule of IDA Credit No. 5444-BA

	Changes in IDA Credit (in XDR)	Exchange rate used	Changes in IDA Credit (in EUR)
Original amount	7,720,997	1.294121	9,991,904
Withdrawal 01	236,935	1.266168	300,000
Cumulative disbursements as of 31 December 2015	236,935		300,000
Withdrawal 02	556,202	1.258536	700,000
Cumulative disbursements as of 31 December 2016	793,137		1,000,000
Withdrawal 03	406,287	1.270339	516,122
Cumulative disbursements as of 31 December 2017	1,199,424		1,516,122
Withdrawal 04	39,030	1.203819	46,985
Cumulative disbursements as of 31 December 2018	1,238,454		1,563,107
Withdrawal 05	79,624	1.230981	98,016
Withdrawal 06	549,477	1.228612	675,094
Cumulative disbursements as of 31 December 2019	1,867,555		2,336,217
Withdrawal 07	383,764	1.242172	476,701
Withdrawal 08	310,223	1.242172	385,351
Withdrawal 09	292,043	1.259868	367,936
Withdrawal 10	439,736	1.260790	554,415
Withdrawal 11	286,309	1.251976	358,452
Withdrawal 12	335,774	1.223387	410,781
Withdrawal 13	495,764	1.215711	602,705
Withdrawal 14	185,910	1.190504	221,327
Withdrawal 15	543,409	1.190504	646,930
Withdrawal 16	441,291	1.199166	529,182
Withdrawal 17	377,199	1.184549	446,811
Cumulative disbursements as of 31 December 2020	5,958,977		7,336,808
Calculated undisbursed balance as of 31 December 2020	1,762,020		2,655,096
Undisbursed balance as per World Bank Summary for December 2020	1,762,020	1.183849	2,085,966
Potential exchange rate loss			(569,130)