

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

REAL ESTATE REGISTRATION PROJECT

of the Ministry of Finance and Treasury of Bosnia and Herzegovina

Financed by:

IBRD Credit No. 9048 - BA

For the year ended 31 December 2022

REAL ESTATE REGISTRATION PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina

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REAL ESTATE REGISTRATION PROJECT

of the Ministry of Finance and Treasury of Bosnia and Herzegovina

1. Introduction

1.1 Description of the Project Development Objective

The development objectives of the Real Estate Registration Project is to support development of a sustainable real estate registration system with harmonized land register and cadastre records in urban areas of both the Federation of Bosnia and Herzegovina ("FB&H") and Republika Srpska ("RS"). Real estate registers (land registers and cadastres) provide base information layers for land administration and for the establishment of a National Spatial Data Infrastructure. They are considered harmonized when their contents are interlinked and verified. Sustainability is measured by the degree an institution generates revenue to match its costs, charges affordable fees, delivers quality services without discrimination and within a reasonable time. A key driving force for the real estate registration system will be the registration of real estate rights and mortgages, and the availability of reliable information to facilitate investments, real estate taxation and spatial planning, and to enable social monitoring of real estate transactions.

The Project consists of the following components:

Component A: Real Estate Registration Data Development

Real estate registration data development will support land register and cadastre data harmonization on land, buildings and rights based on the actual situation in the field. The objective is to establish up-to-date and interlinked land register and cadastre databases, or integrated databases of real estate cadastre.

The project will encourage and support the registration of legal rights in the land register (in FB&H) or the real estate cadastre (in the RS) using project produced data. The component will ensure equal treatment of all citizens regardless of their gender, ethnicity or social status by accompanying technical field work with raising public awareness, vulnerability mapping and social monitoring functions.

Component B: Real Estate Registration Infrastructure Development

Real estate registration infrastructure development will continue Land Registration Project work in improving working conditions and infrastructure in the cadastre offices across the country and in those few land registration offices in FB&H that were not targeted by LRP through: office renovations and purchases; creation of digital archives; and provision of furniture and equipment. The office purchases planned in RS have to be approved by the Land Committee of the World Bank. The objective is to improve working conditions, which will help to improve the quality of customer services, the adherence to service standards developed during LRP, and staff morale.

Access to basic surveying technologies will be provided to areas and offices that still rely on conventional methodologies, and sustainability of the recently installed Global Navigation Satellite Systems (GNSS) network will be assured. Information technology investments will lead to further interlinking between real estate registers and other public datasets making the data accessible online to a wide audience and in support of multiple uses. This will lead to the incremental provision of electronic online services and eventually to electronic conveyancing.

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1. Introduction (continued)

1.1 Description of the Project Development Objective (continued)

Component C: Policy and Institutional Development, and Project Management

Policy and institutional development, and project management will support policy and legal development in support of reaching the project development objective. The objective is to enhance sustainability of the real estate registration. The component will have a strong focus on institutional development and capacity building, addressing the long term challenges of sustainability and governance of real estate registers and emphasizing financial sustainability, quality of service and client orientation and social vulnerabilities. Training for the judiciary and land registration personnel on the new real estate legislation, regulations and procedures will be systematized in RS and on other related subjects in both RS and FB&H. In FB&H, the LRP supported training and education program that target the land administration employees across the sector, i.e. in land registries, cadastre offices, planning authorities, etc., and this will continue. The program will ensure the continuity of the training through seminars and workshops in the fields of law, management, ICT, cadastral science, physical planning, etc.

The component also includes necessary project management and monitoring support. An impact evaluation (IE) technique will be used to assess how citizens will benefit from the real estate registration programs. The intention is not only to demonstrate the impacts but also to use the evaluation results for improving land registration services, and making urban planning and local property taxation more effective and sustainable.

1.2 Financing of the Project

1.1.1 IBRD Credit No. 9048 BA

The State of Bosnia and Herzegovina ("B&H") is the borrower of IBRD Credit No. 9048 - BA, dated 02 July 2020 amounting EUR 20,000,000.

Under the terms of a Subsidiary Finance Agreement between B&H and RS, total funds amounting EUR 18,820,513 have been lent to RS.

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

Item	Amount of the financing allocated (in EUR)	% of expenditure to be financed
(2) Goods, works, non-consultants services, consultants' services, training and incremental operating costs under Part 2 of the Project	10,488,462.00	100%
(3) Purchase of real estate for the central archive under Part 2 of the Project	2,300,000.00	100%
(4) Front end fee	32,051.28	100%
Subtotal	12,820,513.28	

IBRD Credit No. 9048 - BA became effective on 17 December 2020. Closing date 31 July 2024.

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Independent Auditor's Report

To the State of Bosnia and Herzegovina,
Ministry of Finance and Treasury
Attn. of Minister of Finance and Treasury

Baker Tilly Re Opinion d.o.o.
Bulevar M. Selimovića 81a
71000 Sarajevo
Bosna i Hercegovina
T: +387 (0) 33 525 226
info@bakertilly.ba
www.bakertilly.ba

Report on the Project Financial Statements

Opinion

We have audited the accompanying project financial statements of the Republika Srpska part of the Real Estate Registration Project (the "Project"), which comprise of Summary of sources and uses of funds, Balance sheet, Designated account and petty cash statements, Statements of credit withdrawals as of and for the year ended 31 December 2022, and a summary of significant accounting policies and other explanatory notes for the year then ended, financed under IBRD Credit agreement No. 9048-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 2022, 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) and "Guidelines: Annual Financial Reporting and Auditing for World Bank-Financed Activities" issued by FMSB. 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 implementation 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., Guidelines: Annual Financial Reporting and Auditing for World Bank-Financed Activities, 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.

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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 supporting documentation has been maintained to support claims to the World Bank for reimbursements of expenditure incurred; and all expenditure included in withdrawal applications and reimbursed against are eligible for financing 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

Jasmina Oručević, Director

Sarajevo, 4 May 2023



Aldijana Gabela, Certified Auditor

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2. Project financial statements for the year 2022

3.1 Summary of sources and uses of funds under the IBRD Credit agreement No. 9048-BA

	Ref.	Actual 2022	Cumulative 2022	Cumulative 2021	Cumulative budget	Cumulative variance
FINANCING						
<i>IBRD Credit No. 9048</i>						
<i>BA</i>					12,820,513	
Front end fee		-	32,051	32,051		
Initial deposit		-	2,000,000	2,000,000	-	
SoE replenishments		5,090,962	5,749,674	658,711	-	
TOTAL FINANCING	3.1	5,090,962	7,781,725	2,690,763	12,820,513	5,038,788
PROJECT EXPENDITURE						
<i>By Category</i>						
Front end fee		-	32,051	32,051	32,051	
Goods, works, non-consultants services, consultants' services, training and incremental operating costs under Part 2 of the Project		4,595,551	6,595,566	2,000,014	10,488,462	
Purchase of real estate for the central archive under Part 2 of the Project		-	-	-	2,300,000	
TOTAL EXPENDITURE	3.2	4,595,551	6,627,617	2,032,066	12,820,513	6,192,896

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3. Project financial statements for the year 2022 (continued)

3.2 Balance sheet as of 31 December 2022 showing accumulated funds of the project and bank balances concerning World Bank funding

	Ref.	31 December 2022	31 December 2021
ASSETS			
Project expenditure under IBRD Credit No. 9048 - BA	3.1	6,627,617	2,032,066
		6,627,617	2,032,066
Designated account - IBRD Credit No. 9048 - BA	A.1	1,154,108	658,697
Local account - VAT Return	A.2	343,664	62
		1,497,772	658,759
Total assets		8,125,389	2,690,825
LIABILITIES			
IBRD Credit No. 9048-BA	C	7,781,725	2,690,763
Other income		343,664	62
Total liabilities		8,125,389	2,690,825

Signed and authorised by:


Jasenko Nedinić
PIU Director


Dragana Stojičić
Financial Manager

Banja Luka, 4 May 2023

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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 IBRD 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 IBRD Credit during a certain period. These statements are sent to the World Bank's disbursement department 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 account

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

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APPENDIX A.1 DESIGNATED ACCOUNT STATEMENT

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

Account No: 5550000051390521

Depository Bank: Nova banka a.d.

Address: Kralja Alfonsa XIII 37va, Banja Luka

Related Credit: IBRD Credit No. 9048 - BA

Currency: EUR

	Ref.	EUR
Opening balance January 1, 2022		658,697
Add:		
World Bank replenishments	B	5,090,962
		5,090,962
Deduct:		
Payments to suppliers - Expenditure under IBRD Credit		4,595,551
		4,595,551
Ending balance December 31, 2022	3.2	1,154,108

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APPENDIX A.2 VAT REFUND ACCOUNT STATEMENT

Account owned by: Ministry of Finance Republic of Srpska

Account No: 5672418200000884

Depository Bank: Sberbank a.d.

Address: Jevrejska br.71, Banja Luka

Related Credit: VAT refund

Currency: BAM

	Ref.	BAM	EUR
Opening balance 1 January 2022		122	62
Add:			
VAT returns		672,027	343,602
		672,027	343,602
Deduct:			
Payments to suppliers		-	-
		-	-
Ending balance 31 December 2022		672,149	343,664

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APPENDIX B SoE Withdrawal Schedule of IBRD Credit No. 9048 - BA

	Front end fee	Initial deposit	Goods, works, non- consultants services, consultants' services, training and incremental operating costs under Part 2 of the Project	Purchase of real estate for the central archive under Part 2 of the Project	Total application	Total replenished
Previous years	32,051	2,000,000	2,000,014	-	4,032,066	2,690,763
Application 3*	-	-	-	-	-	1,341,303
Application 4	-	-	671,902	-	671,902	671,902
Application 5	-	-	746,195	-	746,195	746,195
Application 6	-	-	590,558	-	590,558	590,558
Application 7	-	-	1,741,004	-	1,741,004	1,741,004
Application 8**	-	-	845,892	-	845,892	-
Total SoE applications	32,051	2,000,000	4,595,551	-	4,595,551	5,090,962
Total 2022	32,051	2,000,000	4,595,551	-	4,595,551	5,090,962
As of December 31, 2022	32,051	2,000,000	6,595,566	-	8,627,617	7,781,725

* Applications No.3 was replenished in 2022, but expenses were made in 2021.

** Applications No.8 will be replenished in 2023, but expenses were made in 2022.

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APPENDIX C Reconciliation between World Bank's disbursement statements in EUR and IBRD Credit account in EUR according to the balance sheet; SoE Withdrawal Schedule of IBRD Credit No. 9048 - BA

	Changes in IBRD Credit (in EUR)
Original amount	12,820,513
Disbursed in previous years	2,690,762
Withdrawal 3	1,341,303
Withdrawal 4	671,902
Withdrawal 5	746,195
Withdrawal 6	590,558
Withdrawal 7	1,741,004
Total disbursed in 2022	5,090,962
Cumulative disbursements	7,781,725
Calculated undisbursed balance as of 31 December 2022	5,038,788
Undisbursed balance as per World Bank Summary for December 2022	5,038,788