
Report on the Federation 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 2019

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

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DRINA FLOOD PROTECTION PROJECT
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1. Introduction

1.1 Objectives of the Project

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

1.2 The Project Description

Part B: Flood Protection works in the Federation of Bosnia and Herzegovina

Strengthening flood protection on the Drina river in the Bosnia Podrinje Canton around Goražde, including Project management support, through the provision of works, goods, consultants' services, Training and Incremental Operating Costs.

1.3 Financing of the Project by International Development Association

The State of Bosnia and Herzegovina ("B&H") is the recipient of Credit No. 5444-BA made available by International Development Association in total amount of XDR 15,600,000.

Under the terms of a Subsidiary Finance Agreement between the State and the Federation of Bosnia and Herzegovina ("FBiH"), funds of XDR 6,630,000 have been lent to the FBiH.

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

Item	Amount of the Financing allocated (in XDR)	% of expenditure to be financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consultants' services, Training and Incremental Operating Costs under Part B of the Project	6,630,000	100%
Total	6,630,000	

IDA Credit No. 5444-BA became effective on 21 May 2015. Planned closing date was 31 December 2019, but it was extended until 31 December 2020. Application date is 30 April 2021.

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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 H.E. Mr. Vjekoslav Bevanda

Report on the Project Financial Statements

Opinion

We have audited the accompanying project financial statements of the Federation part of the Drina Flood Protection Project (the "Project"), which comprise of Summary of sources and uses of funds, Balance sheet, Designated account, local bank accounts and petty cash statements, Statements of credit withdrawals as of and for the year ended 31 December 2019, and a summary of significant accounting policies and other explanatory notes for the year then ended, financed under IDA Credit Agreement 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 2019, 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. 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.

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.

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

Nihad Fejzić, Director and Certified Auditor

Sarajevo, 10 March 2020



Ema Sinanović, 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 2019

(all amounts in EUR, unless otherwise stated)

3. Project financial statements for the year 2019

3.1 Summary of Sources and Uses of funds under IDA Credit 5444-BA and Other income

	Ref.	Actual 2019	Cumulative 2019	Cumulative 2018	Cumulative budget	Cumulative variance
FINANCING						
IDA Credit 5444-BA	3.1.1	1,505,900	6,564,610	5,058,710	7,908,158	1,343,548
Other income	3.1.2	138,563	1,485,116	1,346,553	-	(1,485,116)
TOTAL FINANCING	3.2	1,644,463	8,049,726	6,405,263	7,908,158	(141,568)

**PROJECT
EXPENDITURE**

By Category

Goods, works, non-consulting services, consultants' services, Training and Incremental Operating Costs for Part B of the Project

TOTAL EXPENDITURE	3.2	2,201,790	6,266,977	4,065,187	7,908,158	1,641,181
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**PROJECT
EXPENDITURE**

By Component

I. Flood Protection Works and Support for Goražde area

	2,189,755	6,214,544	4,024,789	7,678,076	1,463,532
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II. Project Implementation Support

	12,035	52,433	40,398	230,082	177,649
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TOTAL EXPENDITURE	3.2	2,201,790	6,266,977	4,065,187	7,908,158	1,641,181
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DRINA FLOOD PROTECTION PROJECT
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Project financial statements for the year ended
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(all amounts in EUR, unless otherwise stated)

2. Project financial statements for the year 2019 (continued)

3.1.1 Summary of Sources and Uses of funds under the IDA Credit 5444-BA

	Ref.	Actual 2019	Cumulative 2019	Cumulative 2018	Cumulative budget	Cumulative variance
FINANCING						
IDA Credit 5444-BA					7,908,158	
Initial deposit		-	1,000,000	1,000,000		
SoE replenishments		1,505,942	5,564,568	4,058,626		
Interest income		-42	42	84		
TOTAL FINANCING	3.1	1,505,900	6,564,610	5,058,710	7,908,158	1,343,548
PROJECT EXPENDITURE						
<i>By Category</i>						
Goods, works, non-consulting services, consultants' services, Training and Incremental Operating Costs for Part B of the Project		2,201,766	6,266,923	4,065,157	7,908,158	1,641,235
TOTAL EXPENDITURE	3.2	2,201,766	6,266,923	4,065,157	7,908,158	1,641,235

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3. Project financial statements for the year 2019 (continued)

3.1.2 Summary of sources and uses of funds under Other income

	Ref.	Actual 2019	Cumulative 2019	Cumulative 2018	Cumulative budget	Cumulative variance
FINANCING						
Return of VAT		138,563	717,543	578,980	-	(717,543)
Sava river watershed						
Agency payment		-	766,938	766,938	-	(766,938)
Tender documentation						
sold – Other income account		-	635	635	-	(635)
TOTAL FINANCING	3.1	138,563	1,485,116	1,346,553	-	(1,485,116)
PROJECT EXPENDITURE						
By Category						
Goods, works, non-consulting services, consultants' services, Training and Incremental Operating Costs for Part B of the Project		24	54	30	-	(54)
TOTAL EXPENDITURE	3.2	24	54	30	-	(54)

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Project financial statements for the year ended
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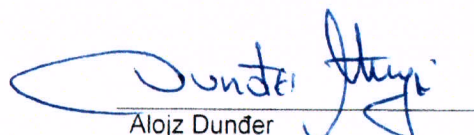
(all amounts in EUR, unless otherwise stated)


3. Project financial statements for the year 2019 (continued)

3.2 Balance sheet as of 31 December 2019 showing accumulated funds of the Project and bank balances concerning World Bank funding

	Ref.	31 December 2019	31 December 2018
ASSETS			
Project expenditure under IDA Credit	3.1.1	6,266,923	4,065,157
Project expenditure under Other income	3.1.2	54	30
	3.1	6,266,977	4,065,187
Designated account – IDA Credit 5444-BA	A.1	297,339	993,033
Petty cash – IDA Credit 5444-BA	A.2	348	520
Local bank account - Other income	A.3	1,485,062	1,346,523
		1,782,749	2,340,076
Total assets		8,049,726	6,405,263
LIABILITIES			
IDA Credit 5444-BA	3.1.1	6,564,610	5,058,710
Other income	3.1.2	1,485,116	1,346,553
Total liabilities	3.1	8,049,726	6,405,263

Signed and authorised by:


Alojz Dunder
PIU Director


Suada Muminagić
Financial Specialist

Sarajevo, 10 March 2020

DRINA FLOOD PROTECTION PROJECT
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Project financial statements for the year ended
31 December 2019

(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 on the cash basis of accounting based on International Public Sector Accounting Standards: "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 January 1 to December 31 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 IDA 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 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 IDA Credit account for the Project. IDA Credit account is in EUR.

Local bank account

This concerns bank account at local bank (other than Designated account) in local currency translated at the exchange rate at the date of the balance sheet.

Other income

Other income includes tender documentation sold and return of VAT.

Interest on Designated account

Interest earned on the Designated account belongs to the Borrower.

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(all amounts in EUR, unless otherwise stated)

4. Notes to the project financial statements (continued)

4.2 Accounting policies (continued)

Interest on local bank account

Interest earned on the local bank account used for the other income is treated as additional source of financing of the Project.

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(all amounts in EUR, unless otherwise stated)

APPENDIX A.1

DESIGNATED ACCOUNT STATEMENT

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

Account No.: BA39 1994 9900 3150 4549

Depository Bank: Sparkasse bank dd BiH

Address: Zmaja od Bosne 7, Sarajevo

Related Credit: IDA Credit N0.5444-BA

Currency: EUR

	Ref.	EUR
Opening balance 1 January 2019	3.2	993,033
Add:		
World Bank replenishments	B	1,505,942
Interest		819
		<u>1,506,761</u>
		2,499,794
Deduct:		
Payments to suppliers - Expenditure under IDA Credit		2,201,594
Transfer of interest to the Ministry of Finance and Treasury of B&H		861
		<u>2,202,455</u>
Ending balance 31 December 2019	3.2	297,339

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APPENDIX A.2

PETTY CASH STATEMENT

Address: PIU, Sarajevo
Related Credit: IDA Credit 5444-BA
Currency: BAM

	Ref.	BAM	EUR
Opening balance 1 January 2019	3.2	1,018	520
		1,018	520
Deduct:			
Payments to suppliers - Expenditure under IDA Credit		337	172
		337	172
Ending balance 31 December 2019	3.2	681	348

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APPENDIX A.3

LOCAL BANK ACCOUNT STATEMENT

Account owned by: Federal Ministry of Agriculture, Water Management and Forestry

Account No.: 1027080000004907

Depository Bank: Union banka d.d. Sarajevo

Address: Dubrovačka br. 6

Related Credit: Government contribution (Indirect Taxation Authority – VAT return; Sava River Watershed Agency – cofinancing of the Project in accordance with Contract No. 1051-12/17 dated 22 December 2017)

Currency: BAM

	Ref.	BAM	EUR
Opening balance 1 January 2019	3.2	2,633,570	1,346,523
Add:			
VAT return		271,005	138,563
		271,005	138,563
		2,904,575	1,485,086
Deduct:			
Payments to suppliers - Expenditure under Other income		47	24
		47	24
Ending balance 31 December 2019	3.2	2,904,528	1,485,062

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(all amounts in EUR, unless otherwise stated)

APPENDIX B SoE Withdrawal Schedule of IDA Credit No.5444-BA for the year ended 31 December 2019

	Initial deposit	Goods, works, non-consulting services, consultants' services, Training and Incremental Operating Costs for Part B of the Project	Total application	Total replenished
Previous years	1,000,000	4,065,157	4,065,157	5,058,626
Application 16*	-	-	-	6,531
Application 17	-	235,078	235,078	235,078
Application 18	-	269,054	269,054	269,054
Application 19	-	414,812	414,812	414,812
Application 20	-	580,467	580,467	580,467
Application 21**	-	702,355	702,355	-
Total SOE applications 2019	-	2,201,766	2,201,766	1,505,942
As of 31 December 2019	1,000,000	6,266,923	6,266,923	6,564,568

* Application No.16 was replenished in 2019, but expenses were made in 2018.

**Application No.21 was replenished in 2020, but expenses were made in 2019.

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(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 as of 31
December 2019; SoE 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	6,630,000	1.192784	7,908,158
Disbursed in previous years	4,021,664		5,058,626
Withdrawal 16	5,346	1,2217301	6,531
Withdrawal 17	190,687	1,2327927	235,078
Withdrawal 18	217,685	1,2359770	269,054
Withdrawal 19	334,198	1,2412149	414,812
Withdrawal 20	467,043	1,2428559	580,467
Total disbursed in 2019	1,214,959		1,505,942
Cumulative disbursements as of 31 December 2019	5,236,623		6,564,568
Calculated undisbursed balance as of 31 December 2019	1,393,377		1,343,590
Undisbursed balance as per World Bank Summary for December 2019	1,393,377	1,2358799	1,722,047
Potential exchange rate gain	-		378,457