

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

**Financial Statement of the Project for  
the period from 1 October 2015  
to 31 December 2016 and**

**Independent Auditor’s Report**

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## INDEPENDENT AUDITOR'S REPORT

TO THE REPUBLIC GEODETIC AUTHORITY MANAGEMENT, INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (IBRD) AND THE GOVERNMENT OF THE REPUBLIC OF SERBIA

### Opinion

We have audited the financial statements of the Project "Real Estate Management Project" ("the Project") which comprise the Sources and Uses of Funds Statement and Designated Account Statement for the period from 1 October 2015 to 31 December 2016 and Notes to the financial statements, including a summary of significant accounting policies ("the financial statements") prepared by the management of the Republic Geodetic Authority ("the RGA").

In our opinion, the accompanying financial statements present fairly, in all material respects, the cash receipts and disbursements of the Project for the period from 1 October 2015 to 31 December 2016, in accordance with the cash receipts and disbursements basis of accounting described in Note 2.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 RGA in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Serbia and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter - Basis of accounting and Restriction on Distribution

We draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist in meeting the requirements set out in the Loan Agreement concluded between the Government of the Republic of Serbia and the International Bank for Reconstruction and Development ("the IBRD"), as well as to inform the IBRD and the Government of the Republic of Serbia. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the RGA, the IBRD and the Government of the Republic of Serbia and should not be distributed or used by third parties without our prior consent. Our opinion is not modified in respect of this matter.



## INDEPENDENT AUDITOR'S REPORT

TO THE REPUBLIC GEODETIC AUTHORITY MANAGEMENT, INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (IBRD) AND THE GOVERNMENT OF THE REPUBLIC OF SERBIA (Continued)

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

Management is responsible for preparation and fair presentation of the financial statements in accordance with the cash receipts and disbursements basis or accounting described in Note 2; this includes determining that the cash receipts and disbursements basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances, and for such internal control as management determines is necessary to enable the preparation of 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 ability of the RGA to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the RGA or to cease operations, or has no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance whether the 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 judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 of the effectiveness of the internal control of the RGA.
- 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 RGA'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 RGA to cease to continue as a going concern.

## INDEPENDENT AUDITOR'S REPORT

TO THE REPUBLIC GEODETIC AUTHORITY MANAGEMENT, INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (IBRD) AND THE GOVERNMENT OF THE REPUBLIC OF SERBIA (Continued)

### Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the 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.

Belgrade, 5 June 2017

  
Miljan Mujovic  
Certified Auditor  
BDO d.o.o. Belgrade



SOURCES AND USES OF FUNDS STATEMENT

For the period from 1 October 2015 to 31 December 2016

Government of the Republic of Serbia: REMP  
IBRD Loan no. 8486 YF  
Sources and Uses of Funds  
For the period from 1 October 2015 to 31 December 2016  
(EUR)

	BALANCE		Total for the Project
	2015	2016	
<b>Sources of Funds</b>			
Front - end Fee	90,500.00	-	90,500.00
WB Funds-Transferred through Special Account	750,000.00	3,259,964.08	4,009,964.08
WB Funds - fee + Direct payments	-	1,608,350.25	1,608,350.25
<b>Total WB Funds</b>	<b>840,500.00</b>	<b>4,868,314.33</b>	<b>5,708,814.33</b>
Government Funds <sup>1</sup>	-	-	-
<b>Total Government Funds</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Sources</b>	<b>840,500.00</b>	<b>4,868,314.33</b>	<b>5,708,814.33</b>
<b>Uses of Funds by Categories</b>			
Goods, works and non-consulting services	-	2,185,410.43	2,185,410.43
Consulting services, Training and Operating Costs	19,483.53	2,583,996.24	2,603,479.77
Front - end Fee	90,500.00	-	90,500.00
Premiums for Interest Rate Caps and Interest Rate Collars	-	-	-
<b>Total Project Expenditure</b>	<b>109,983.53</b>	<b>4,769,406.67</b>	<b>4,879,390.20</b>
<i>WB Special Account</i>	730,516.47	98,907.66	829,424.13
<i>Interest on Special Account</i>	-	-	-

Belgrade, 5 June 2017



Legal representative  
Borko Draskovic

Head of Finance  
Slavoljub Igc

Person responsible for the  
preparation of the FS  
Maja Maricic

DESIGNATED ACCOUNT STATEMENT

For the period from 1 October 2015 to 31 December 2016

Government of the Republic of Serbia: REMP  
IBRD Loan No. 8486 YF  
Designated Account Statement  
For the period from 1 October 2015 to 31 December 2016  
(EUR)

<i>Opening Balance on DA</i>	-
Plus: Replenishment during the period	5,618,314.33
Interest earned and retained on account	-
Less: Amount of eligible expenditures paid during the period	(4,788,890.20)
Refund from DA	-
<i>Closing Balance as of the end of period</i>	<u>829,424.13</u>
<i>Balance per Designated Account Bank Statement Euro</i>	<u>829,424.13</u>
<i>Discrepancy in closing balance</i>	-
<i>Explanation</i>	n/a

Belgrade, 5 June 2017



Legal representative  
Borko Draskovic

Head of Finance  
Slavoljub Igic

Person responsible for the  
preparation of the FS  
Maja Maricic

**NOTES TO THE FINANCIAL STATEMENTS**

For the period from 1 October 2015 to 31 December 2016

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**1. BASIC INFORMATION**

The Government of the Republic of Serbia and the International Bank for Reconstruction and Development (hereinafter: the IBRD) entered into the Loan Agreement (hereinafter: the Agreement) for the Real Estate Management Project in Serbia (hereinafter: the Project) on 17 April 2015, and ratified by the Parliament Republic of Serbia at the session held on 24 June 2015 ("Official Gazette Republic of Serbia - International Agreements", No. 13-15, of 26 June 2015).

The Law on State Survey and Cadastre (LSSC, 2009) with amendments provides the solid foundation for this project. The Republic Geodetic Authority of Serbia (hereinafter: the RGA) implements the LSSC. The Project Council and the Project Steering Committee supervise the Project implementation.

The Project consists of four components:

*Component (A) - Valuation and property taxation*

- (a) improving the system for annual property taxation through (i) developing a sales price registry for real estate; (ii) developing software to process data from the sales price registry; (iii) developing and accessing a Mass Appraisal pilot program on property tax rolls and collection procedures in local governments units; and (iv) establishing a building registry; and
- (b) Improving the real estate valuation framework through improving the quality of education for valuers, and adopting internationally recognized standards for valuation.

*Component (B) - E-governance for enabling access to real estate information*

- (a) developing and implementing an integrated real estate cadaster and registration system based on ICT strategy and archive strategy;
- (b) developing a business model and technical framework in line with international standards for the Borrower's NSDI and upgrading the necessary network services;
- (c) developing a financial mechanism and a business plan for the sustainability of the the RGA's information technology department;
- (d) developing and implementing a central analogue and digital archive management strategy, including providing necessary equipment and Training, and constructing a central archive building;
- (e) improving the quality of the RGA's data standardization and carrying out a public outreach campaign for users to submit cadastral data; and
- (f) developing and implementing a one-stop shop system for electronic issuance of construction permits.

*Component (C) - Institutional development of the RGA*

- (a) developing a business plan for the RGA's governance and institutional and corporate planning and strategy;
- (b) supporting the sustainability of the National Reference System and the functionality of AGROS, and improving the gravimetric networks and vertical reference system in Serbia;

NOTES TO THE FINANCIAL STATEMENTS  
For the period from 1 October 2015 to 31 December 2016

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1. OBJECTIVES AND NATURE OF THE PROJECT (Continued)

Component (C) - *Institutional development of the RGA* (Continued)

- (c) carrying out the digital mapping of selected cadastral municipalities and transforming existing utility maps into digital form;
- (d) improving registration procedures of properties, removing registration backlogs in the cities of Belgrade, Novi Sad, Nis and Kragujevac, and setting up mobile services at the selected local RGA offices; and
- (e) acquiring cadastral data (geodetic measurements and digital cadastral map database production) in the Vojvodina region.

Component (D): Project management and support activities

- (a) providing support to project management by the Project Implementation Unit (PIU);
- (b) monitoring and evaluation of the Project;
- (c) public outreach on the Project activities to improve social inclusion;
- (d) provision of Training to stakeholders in the public and private sectors according to a training plan; and
- (e) studies on, inter alia, customer satisfaction, real estate administration and management, and based upon the results of said studies, design proposals for adoption of policies and regulations.

A full description of the Project is provided in the document "Project Appraisal Document" (PAD) and Loan Agreement (LA).

Implementation is entrusted to the PIU of the RGA.

The objective of the Project is to improve the efficiency, transparency, accessibility and reliability of the Republic of Serbia's real property management systems.

**NOTES TO THE FINANCIAL STATEMENTS**

For the period from 1 October 2015 to 31 December 2016

**2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION**

**2.1. General**

The Project Financial Statements are prepared in accordance with the International Public Sector Accounting Standard (IPSAS-Cash Basis), as well as the relevant procedures and guidelines of the IBRD.

**2.2. Accounting Records and Basis of Preparation**

Project Financial Statement for the period 01 October, 2015 to 31 December, 2016 are prepared on a cash basis. On this basis, funds are recognized when cash is received, and expenses are recognized when cash is paid out, not when incurred.

**2.3. Reporting currency and exchange rates**

The reporting currency of the Project Financial Statement is EUR.

Expenses paid in Serbian Dinars (RSD) from the Special Account were translated from EUR at the exchange rate at the date of inflow of funds in Special Account.

**3. SUMMARY OF FUNDS RECEIVED UNTIL 31 DECEMBER 2016**

No.	Date	Title	Amount in EUR	Method of payment
0010	08/12/2016	World Bank	485,530	Direct payment to the supplier
0009	01/12/2016	World Bank	555,312	Ministry of Finance - Treasury
0008	05/10/2016	World Bank	292,751	Direct payment to the supplier
0007	04/10/2016	World Bank	743,240	Direct payment to the supplier
0006	30/09/2016	World Bank	1,083,303	Ministry of Finance - Treasury
0005	13/07/2016	World Bank	86,828	Direct payment to the supplier
0004	23/06/2016	World Bank	539,701	Ministry of Finance - Treasury
0003	22/03/2016	World Bank	331,649	Ministry of Finance - Treasury
0002	18/11/2015	World Bank	1,500,000	Ministry of Finance - Treasury
<b>Total funds received as at 31 December 2016</b>			<b>5,618,314</b>	

On 5 November 2015, the front - end fee amounting to EUR 90,500.00 was paid. The front - end fee was calculated in accordance with the Agreement at a rate of 0.25% on the amount of the approved credit.