

Report on the Federation 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:

- IDA Credit No. 5188-BA

For the year ended 31 December 2018

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

CONTENTS

1	Introduction	1
2	Independent Auditor's Report	3
3	Project Financial Statements for the year 2018	5
4	Notes to the Project Financial Statements	10

APPENDICES

A.1	Designated account statement - IDA Credit No. 5188-BA	11
A.2	Petty cash statement - IDA Credit No. 5188-BA	12
A.3	Local bank account statement - Municipalities contribution	13
B	SoE Withdrawal Schedule of IDA Credit No. 5188-BA	14
C	Reconciliation between World Bank's disbursement statements in XDR and IDA Credit account in EUR according to the balance sheet; SoE Withdrawal Schedule of IDA Credit No. 5188-BA	15

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.

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

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 Funding of the Project

1.2.1 IDA Credit No. 5188-BA

The State of Bosnia and Herzegovina ("B&H") is the borrower of the International Development Association (IDA) Credit No. 5188-BA, dated 21 August 2013 amounting XDR 22,700,000.

Under the terms of a Subsidiary Finance Agreement between B&H and FB&H, total funds amounting XDR 11,600,000 have been lent to FB&H.

Categories of 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 expenditures for items so to be financed in each category originally are as follows:

Item	Amount of the financing allocated (in XDR)	% of expenditure to be financed
Goods, works, consultants' service, non-consultant's services, training and operating costs		
(1) for Part 1 of the Project	11,600,000	100%
TOTAL	11,600,000	

IDA Credit No. 5188-BA became effective on 22 September 2013. Planned closing date is 31 August 2018.

Baker Tilly Re Opinion d.o.o.
Grbavička 4
71000 Sarajevo
Bosna i Hercegovina

T: +387 (0) 33 552 150
F: +387 (0) 33 552 152

info@bakertilly.ba
www.bakertilly.ba

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 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 2018, and a summary of significant accounting policies and other explanatory notes for the year then ended, financed under IDA Credit agreement No. 5188-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 2018, 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

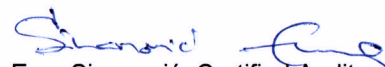
In addition, with respect to the Statement of Expenditure, adequate supporting documentation has been maintained to support claims to the World Bank for reimbursements of expenditure incurred; and all expenditure included in withdrawal applications and reimbursed against are eligible for financing under the project.

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

Nihad Fejzić, Director and Certified Auditor

Sarajevo, 16 May 2019




Ema Sinanović, Certified Auditor

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

Project financial statements for the year ended 31 December 2018

(all amounts in EUR, unless otherwise stated)

3. Project financial statements for the year 2018

3.1 Summary of sources and uses of funds under IDA Credit No. 5188-BA, Municipalities' contribution and Other income

	Ref.	Actual 2018	Cumulative 2018	Cumulative 2017	Cumulative budget	Cumulative variance
FINANCING						
IDA Credit No. 5188-BA Municipalities' contribution	3.1.1	2,516,900	11,346,971	8,830,071	13,156,720	1,809,749
Other income	3.1.3	78,484	540,970	462,486	277,709	(263,261)
	3.1.3	292,336	1,178,939	886,603	-	(1,178,939)
TOTAL FINANCING	3.2	2,887,720	13,066,880	10,179,160	13,434,429	367,549

PROJECT EXPENDITURE

By Category

Goods, works, consultants' services, non-consultant services training and operating costs for Part 1 of the Project		2,851,854	11,504,164	8,652,310	13,434,429	1,930,265
TOTAL EXPENDITURE	3.2	2,851,854	11,504,164	8,652,310	13,434,429	1,930,265

PROJECT EXPENDITURE

By Component

Real Estate Registration Data Development		2,256,496	6,909,148	4,652,652	7,553,772	644,624
Real Estate Registration Infrastructure Development		357,453	3,547,896	3,190,443	3,822,084	274,188
Policy and Institutional Development, and Project Management		237,905	1,047,120	809,215	2,058,573	1,011,453
TOTAL EXPENDITURE	3.2	2,851,854	11,504,164	8,652,310	13,434,429	1,930,265

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

Project financial statements for the year ended 31 December 2018

(all amounts in EUR, unless otherwise stated)

3. Project financial statements for the year 2018 (continued)

3.1.1 Summary of sources and uses of funds under the IDA Credit agreement No. 5188-BA

	Ref.	Actual 2018	Cumulative 2018	Cumulative 2017	Cumulative budget	Cumulative variance
FINANCING						
<i>IDA Credit No. 5188-BA</i>						
					13,156,720	
Initial deposit		-	2,000,000	2,000,000	-	-
SoE replenishments		2,516,900	9,346,971	6,830,071	-	-
TOTAL FINANCING	3.1	2,516,900	11,346,971	8,830,071	13,156,720	1,809,479
PROJECT EXPENDITURE						
<i>By Category</i>						
Goods, works, consultants' services, non-consultant services training and operating costs for Part 1 of the Project		2,408,971	9,890,518	7,481,547	13,156,720	3,266,202
TOTAL EXPENDITURE	3.2	2,408,971	9,890,518	7,481,547	13,156,720	3,266,202

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

Project financial statements for the year ended 31 December 2018

(all amounts in EUR, unless otherwise stated)

3. Project financial statements for the year 2018 (continued)

3.1.2 Summary of sources and uses of funds under Municipalities' contribution

	Ref.	Actual 2018	Cumulative 2018	Cumulative 2017	Cumulative budget	Cumulative variance
FINANCING						
Municipalities' contribution		78,484	540,970	462,486	277,709	(263,261)
TOTAL FINANCING	3.1	78,484	540,970	462,486	277,709	(263,261)
PROJECT EXPENDITURE						
By Category						
Goods, works, consultants' services, non-consultant services training and operating costs for Part 1 of the Project		93,195	457,195	364,000	277,709	(179,486)
TOTAL EXPENDITURE	3.2	93,195	457,195	364,000	277,709	(179,486)

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

Project financial statements for the year ended 31 December 2018

(all amounts in EUR, unless otherwise stated)

3. Project financial statements for the year 2018 (continued)

3.1.3 Summary of sources and uses of funds under Other income

	Ref.	Actual 2018	Cumulative 2018	Cumulative 2017	Cumulative budget	Cumulative variance
FINANCING						
Tender documentation sold - IDA Credit account		-	626	626	-	(626)
Tender documentation sold - Municipalities account		1,278	10,730	9,452	-	(10,730)
VAT returns		291,058	1,167,583	876,525	-	(1,167,583)
TOTAL FINANCING	3.1	292,336	1,178,939	886,603	-	(1,178,939)
PROJECT EXPENDITURE						
By Category						
Goods, works, consultants' services, non-consultant services training and operating costs for Part 1 of the Project		349,688	1,156,451	806,736	-	(1,156,451)
TOTAL EXPENDITURE	3.2	349,688	1,156,451	806,736	-	(1,156,451)

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

Project financial statements for the year ended 31 December 2018

(all amounts in EUR, unless otherwise stated)

3. Project financial statements for the year 2018 (continued)

3.2 Balance sheet as of 31 December 2018 showing accumulated funds of the Project and bank balances concerning World Bank Funding

	Ref.	31 December 2018	31 December 2017
ASSETS			
Project expenditure under IDA Credit No. 5188-BA	3.1.1	9,890,518	7,481,547
Project expenditure under Municipalities' contribution	3.1.2	457,195	364,000
Project expenditure under Other income	3.1.3	1,156,451	806,763
		11,504,164	8,652,310
Designated account - IDA Credit No. 5188-BA	A.1	1,456,773	1,349,138
Petty cash statement - IDA Credit No. 5188-BA	A.2	305	12
Local bank account - Municipalities' contribution	A.3	105,638	177,700
		1,562,716	1,526,850
Total assets		13,066,880	10,179,160
LIABILITIES			
IDA Credit No. 5188-BA	C	11,346,971	8,830,071
Municipalities' contribution	3.1.2	540,970	462,486
Other income	3.1.3	1,178,939	886,603
Total liabilities		13,066,880	10,179,160

Signed and authorised by:

Nedžad Pašalić
Head of the PIU

Željko Obradović, Director

Atifa Halilović
Financial Manager

Sarajevo, June 2019

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

Project financial statements for the year ended 31 December 2018

(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 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 Banks' 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 IDA Credit accounts for the Project. IDA Credit account is in XDR.

Interest on Designated account

Interest earned on the Designated account belongs to the Borrower.

Other income

Other income includes VAT returns and tender documentation sold.

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

Project financial statements for the year ended 31 December 2018

(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.: 105050810

Depository Bank: NLB Banka d.d. Sarajevo

Address: Džidžikovac br. 1, 71000 Sarajevo

Related Credit: IDA Credit No. 5188-BA

Currency: EUR

	Ref.	EUR
Opening balance 1 January 2018	3.2	1,349,138
Add:		
World Bank replenishments	B	2,516,900
		2,516,900
Deduct:		
Payments to suppliers - Expenditure under IDA Credit		2,405,942
Transfer to Petty cash - IDA Credit	A.2	3,323
		2,409,265
Ending balance 31 December 2018	3.2	1,456,773

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

Project financial statements for the year ended 31 December 2018

(all amounts in EUR, unless otherwise stated)

APPENDIX A.2 PETTY CASH STATEMENT

Address: PIU - FGU, Sarajevo

Related Credit: IDA Credit No. 5188-BA

Currency: BAM

	Ref.	BAM	EUR
Opening balance 1 January 2018	3.2	22	12
Add:			
Transfers from Local bank account - IDA Credit	A.1	6,500	3,323
		6,500	3,323
Deduct:			
Payments to suppliers - Expenditure under IDA Credit		5,926	3,030
		5,926	3,030
Ending balance 31 December 2018	3.2	596	305

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

Project financial statements for the year ended 31 December 2018

(all amounts in EUR, unless otherwise stated)

APPENDIX A.3 LOCAL BANK ACCOUNT STATEMENT

Account owned by: PIU - FGU Sarajevo

Account No.: 1320102014103979

Depository Bank: NLB Banka d.d. Sarajevo

Address: Džidžikovac 1, 71000 Sarajevo

Related Credit: Municipalities' contribution

Currency: BAM

	Ref.	BAM	EUR
Opening balance 1 January 2018	3.2	347,551	177,700
Add:			
Contribution from Municipalities in FB&H		153,501	78,484
VAT returns		569,259	291,058
Tender documentation sold		2,500	1,278
		725,260	370,820
Deduct:			
Payments to suppliers - Expenditure under Municipalities		167,172	85,474
Payments to suppliers - Expenditure under other income		699,029	357,408
		866,201	442,882
Ending balance 31 December 2018	3.2	206,610	105,638

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

Project financial statements for the year ended 31 December 2018

(all amounts in EUR, unless otherwise stated)

APPENDIX B

SoE Withdrawal Schedule of IDA Credit No. 5188-BA

	Initial deposit	Goods, works, consultants' services, non- consultant services training and operating costs for Part 1 of the Project	Total application	Total replenished
Previous years	2,000,000	7,481,547	7,481,547	8,830,071
Application 17*	-	-	-	651,476
Application 18	-	584,293	584,293	584,293
Application 19	-	818,860	818,860	818,860
Application 20	-	462,271	462,271	462,271
Application 21**	-	543,547	543,547	-
Total SoE applications	-	2,408,971	2,408,971	2,516,900
Total 2018	-	2,408,971	2,408,971	2,516,900
Cumulative 2018	2,000,000	9,890,518	9,890,518	11,346,971

* Application No. 17 was replenished in 2018, but expenses were made in 2017.

** Application No. 21 was replenished in 2019, but expenses were made in 2018.

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

Project financial statements for the year ended 31 December 2018

(all amounts in EUR, unless otherwise stated)

**APPENDIX C Reconciliation between World Bank's Disbursement Statements in XDR
IDA Credit account in EUR according to the balance sheet; SoE
Withdrawal Schedule of IDA Credit No. 5188-BA**

	Changes in IDA Credit (in XDR)	Exchange rate used	Changes in IDA Credit (in EUR)
Original amount	11,600,000	1.134200	13,156,720
Disbursed in previous years	7,284,398		8,830,071
Withdrawal 17	554,181	1.1755654	651,476
Withdrawal 18	483,178	1.2092707	584,293
Withdrawal 19	679,463	1.2051576	818,860
Withdrawal 20	377,946	1.2231139	462,271
Total disbursed in 2018	2,094,768		2,516,900
Cumulative disbursements	9,379,166		11,346,971
Calculated undisbursed balance as of 31 December 2018	2,220,834		1,809,749
Undisbursed balance as per World Bank Summary for December 2018	2,220,834	1.214240	2,696,625
Potential exchange rate gain			886,876