

**TRANSPORT REFORM AND
REHABILITATION CENTER**

LOAN NO.7741-GE
(THIRD EAST-WEST HIGHWAY IMPROVEMENT
PROJECT)

Special Purpose Project Financial Statements

For the Year Ended 31 December 2015

TRANSPORT REFORM AND REHABILITATION CENTER THIRD EAST-WEST HIGHWAY IMPROVEMENT PROJECT LOAN NO.7741-GE

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**TRANSPORT REFORM AND
REHABILITATION CENTER
THIRD EAST-WEST HIGHWAY IMPROVEMENT PROJECT
LOAN NO.7741-GE**

**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION
AND APPROVAL OF THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

Management of the Third East-West Highway Improvement Project (the "Project") implemented by the Transport Reform and Rehabilitation Center ("TRRC") is responsible for the preparation of the special purpose project financial statements that present fairly the financial position of the Project as at 31 December 2015, and its sources and uses of funds and movement in special account for the year ended 31 December 2015, in compliance with the Cash Basis International Public Sector Accounting Standard, *Financial Reporting under the Cash Basis of Accounting* ("IPSAS – Cash Basis), and in conformity with the World Bank's Financial Management Sector Board's "Guidelines: Annual Financial Reporting and Auditing for World Bank Financed Activities" (the "World Bank Guidelines").

In preparing the special purpose project financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IPSAS – Cash Basis, are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Project, financial position and its sources and uses of funds and movements in special accounts;
- Making an assessment of the Projects ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Project;
- Maintaining adequate accounting records that are sufficient to show and explain the Project's transactions and disclose with reasonable accuracy at any time the financial position of the Project, and which enable them to ensure that the special purpose project financial statements of the Project comply with the Guidelines on Annual Financial Reporting and Auditing for World Bank – Financed Activities issued by the World Bank's Financial Management Sector Board;
- Maintaining statutory accounting records in compliance with Georgian legislation;
- Taking such steps that are reasonably available to them to safeguard the assets of the Project; and
- Preventing and detecting fraud and other irregularities.

The special purpose project financial statements for the year ended 31 December 2015 were authorized for issue on 30 June 2016 by the Management.

On behalf of Management:



Giorgi Tsagareli
Director



Marina Majagaladze
Financial Manager

30 June 2016

30 June 2016



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Independent Auditors' Report

To the management of the Transport Reform and Rehabilitation Center

We have audited the accompanying special purpose project financial statements of the Third East-West Highway Improvement Project (the "Project"), financed under the International Bank for Reconstruction and Development (the "IBRD"), Loan Agreement No. 7741-GE dated 18 September 2009, implemented by the Transport Reform and Rehabilitation Center (the "Center"), which comprise the Statement of Balance Sheet as at 31 December 2015 and the Statements of Sources and Uses of Funds, Statement of Expenditure Withdrawal Schedule ("SOEs") and Special Account Statement for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The special purpose project financial statements have been prepared by management in accordance with the International Public Sector Accounting Standard: *Financial Reporting Under the Cash Basis of Accounting* and in conformity with the World Bank's Financial Management Sector Board's "Guidelines: Annual Financial Reporting and Auditing for World Bank-Financed Activities" (the "World Bank Guidelines") as described in Note 2 to the special purpose project financial statements.

Management's Responsibility for the Special Purpose Project Financial Statements

Management is responsible for the preparation and fair presentation of these special purpose project financial statements in accordance with the International Public Sector Accounting Standard: *Financial Reporting Under the Cash Basis of Accounting* and the World Bank Guidelines, for determining the acceptability of the basis of accounting, and for such internal control as management determines is necessary to enable the preparation of special purpose project financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these special purpose project financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the special purpose project financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose project financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the special purpose project financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the special purpose project financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the special purpose project financial statements.

Transport Reform and Rehabilitation Center
Independent Auditors' Report

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the special purpose project financial statements for the year ended 31 December 2015 present fairly, in all material respects, the financial position of the Project as at 31 December 2015, and its sources and uses of funds for the year then ended in accordance with the International Public Sector Accounting Standard: *Financial Reporting Under the Cash Basis of Accounting* and the World Bank Guidelines.

Other Matters

The special purpose project financial statements of the Project as at and for the year ended 31 December 2014 were audited by other auditors whose report dated 22 June 2015 expressed an unmodified opinion on those statements.

Data included on pages 4 to 12 of the accompanying special purpose project financial statements that are marked as "Unaudited" have not been audited.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 2 to the special purpose project financial statements, which describes the basis of accounting. The special purpose project financial statements are prepared to assist the Center to comply with the requirements of IBRD and for providing information to the Government of Georgia and IBRD to assist them in evaluating the Project implementation. As a result, the special purpose project financial statements may not be suitable for another purpose.

KPMG Georgia LLC

KPMG Georgia LLC
30 June 2016



