INDEPENDENT AUDITOR’S REPORT

The International Union for Conservation of nature and Natural Resources (IUCN)

For the attention of the Management

We have audited the accompanying Project Financial Statements, consisting of the Summary of Sources and Uses of Funds, the Summary of Expenditures Details under the main project headings and the Summary of Statement of Expenditures Report of International Union for Conservation of Nature and Natural Resources (IUCN) in respect of project ‘Single Donor Trust Fund TF Grant No. 16594 ENPI East Countries FLEG II “Complementary Measures for Georgia and Armenia”, funded by the Austrian Development Agency “ADA” and administrated by the World Bank, for the period from 1 January, 2017 through 31 December, 2017 with a total expenditure of US$ 67,611 (together “the project financial statements”).

Management’s Responsibility for the Project Financial Statements

Management is responsible for the preparation and fair presentation of these project financial statements in accordance with the Agreement between The World Bank and the International Union for Conservation of nature and Natural Resources (IUCN). This responsibility includes: determining that the receipts and disbursements basis of accounting is an acceptable basis for preparing and presenting the financial statement in the circumstances; designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates, if any, that are reasonable in the circumstances.

Auditor’s Responsibility

Our responsibility is to express an opinion on the 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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the 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, if any, made by management, as well as evaluating the overall presentation of the project financial statements.

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 project financial statements presents fairly, in all material respects, the financial position and the income and expenditure of the project ‘Single Donor Trust Fund TF Grant No. 16594 ENPI East Countries FELG II “Complementary Measures for Georgia and Armenia” funded by Austrian Development Agency (“ADA”) and administrated by the World Bank, for the period 1 January, 2017 through 31 December, 2017 in accordance with the basis of accounting described in the Agreement between The World Bank and the International Union for Conservation of nature and Natural Resources (IUCN).

In addition, with respect to Summary of Expenditures for the period from the period 1 January, 2017 through 31 December, 2017, adequate supporting documentation has been maintained to support claims for reimbursement of expenditures incurred, and expenditures, included in Summary of Statements of Expenditures are eligible for financing under the agreement between The World Bank and the International Union for Conservation of nature and Natural Resources (IUCN).

**OSTSCHWEIZERISCHE TREUHAND ZÜRICH AG**

M. Gmünder  
R. Schmidhauser

Audit Expert  
Audit Expert

*Auditor in charge*

Zurich, February 19, 2019

**Enclosures:**

- Cumulative statement of sources and uses of funds
- Statement of expenditure detail
- Withdrawal schedule for the period 1 January, 2017 till 31 December 2017 (SoE summary report)
### Cumulative statement of Sources and Uses of Funds

<table>
<thead>
<tr>
<th>TF Grant №16594-ADA FLEG-ENPI</th>
<th>Actual - TF grant Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>For the period January 1 2017 ending on December 31 2017</td>
</tr>
</tbody>
</table>

**Opening balance:** Jan 17

- grant funds: -28'889 0

**Sources of Funds (received during the period from World Bank) till Dec 31 2017**

- 100'000 800'000

**Total:**

- 100'000 800'000

**Total Funds available:**

- 711'111 800'000

**Uses of Funds:**

- Goods, Consultants, Training - retroactive Jan-Jun'2014: 24'076
- Goods, Consultants, Training - Jul'14-Jun'15: 163'713
- Operating costs Jan’14-Jun’15: 23'474
- Goods, Consultants, Training - Implementation period Jul-Dec’2015: 177'887
- Goods, Consultants, Training - Implementation period Jul-Dec’2016: 156'311
- Goods, Consultants, Training - Implementation period Jan-Jun’2017: 27'441
- Goods, Consultants, Training - Implementation period Jul-Dec’2017: 27'441
- Operating costs Jul-Dec’2015: 39'765
- Operating costs Jan-Jun’2016: 22'236
- Operating costs Jul-Dec’2016: 17'091
- Operating costs Jul-Dec’2017: 7'377
- Operating costs Jul-Dec’2017: 405

**Total Uses of Funds January 2017 - December 2017:** 676'111 796'500

**Audit to be paid in 2018:** 3'500 3'500

**Closing balance:**

- grant funds Dec 31 2017: 0.00 0.00

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* Costs reported during the implementation period Jul-Dec’2017 include the amount of 2,500 USD - final instalment of the contract M.Kavtarashvili paid on 05.01.2018.

Date: 15.02.2018

Signature: [Signature]
TF Grant №16594-ADA FLEG-ENPI

Cumulative Statement of Expenditure Detail

for the period January 1 2017 ending on December 31 2017

<table>
<thead>
<tr>
<th></th>
<th>Actual Expenditures - grant</th>
<th>Plan</th>
<th>Variance</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uses of Funds by project components:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Component 1</strong>: National and Subnational Program</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Georgia</td>
<td>64'611</td>
<td>469'678</td>
<td>446'738</td>
<td>-22'940</td>
</tr>
<tr>
<td><strong>Component 2</strong>: National and Subnational Program</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Armenia</td>
<td>3'000</td>
<td>326'822</td>
<td>353'263</td>
<td>26'440</td>
</tr>
<tr>
<td>Total expenses</td>
<td>67'611</td>
<td>796'500</td>
<td>800'000</td>
<td>3'500</td>
</tr>
</tbody>
</table>

Date: 15.02.2018

Signature:
Statement of Expenses (SOE) Withdrawal Schedule
for the reported period from 01 January 2017 to 31 December 2017

<table>
<thead>
<tr>
<th>Application for withdrawal of Grant No TF016594</th>
<th>Goods, consultant services, training, IOC DOCUMENTED</th>
<th>PAID</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOE 11*</td>
<td>38'705</td>
<td>27'441</td>
</tr>
<tr>
<td>SOE 12**</td>
<td>57'795</td>
<td>40'170</td>
</tr>
</tbody>
</table>

Total*** 67'611 96'500 67'611

*Note 1: SOE11 is in the amount of USD 27,441.40 of expenditures incurred in January-June 2017. The amount documented is USD 38,704.53 where USD 11,263.13 is the balance of SOE4 not applied at the time of SOE4 submission on 07 August 2015 (SOE4 total amount was USD 63,623.60, documented was USD 52,360.47).

**Note 2: SOE 12 is in the amount of USD 40,170.71 of expenditures incurred in July-December 2017. The amount documented is USD 57,795.46 where the difference consists of:
(a) USD 17,095.76 is the balance of SOE10 not applied at the time of SOE10 submission on 02 March 2017 (SOE10 total amount was USD 163,687.60, out of which 146,661.94 was used for documentation);
(b) USD 600 is the difference between the total amount of SOE9 78,761.20 and the amount stated in the withdrawal application USD 78,161.20 (a typo).

***Note 3: The total of SoE(s) n.11 and n.12 amounts to $67,611.11 and corresponds to the expenditures incurred during the audited period January 01 to December 31 2017.

Date: 15.02.2018

Signature: