



FINANCIAL AUDIT REPORT





State Audit Office of Georgia

Approved By

Head of Social Sector Audit Department
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25 February 2020 Year

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State Fund for Protection and Assistance of
(Statutory) Victims of Human Trafficking

The Reduction of Domestic Violence in Georgia

Independent Financial Audit Report for the period
from January 1, 2018 to July 31, 2019

The State Audit Office of Georgia (SAOG) has conducted an independent Financial Audit of the Activity - The Reduction of Domestic Violence in Georgia funded by the United States Agency for International Development (USAID) and implemented by the State Fund for Protection and Assistance of (Statutory) Victims of Human Trafficking (ATIP Fund). The Audit was requested in August 2019 based on MoU between USAID and the SAOG and covered the period from January 1, 2018 to July 31, 2019.

The Financial Audit objectives included:

- Expression of an opinion on whether the Fund Accountability Statement for the USAID funded program (Activity) is prepared in all material respects in relation to the recipient's Fund Accountability Statement as a whole and in revenues received, costs incurred with the USAID funding for the period audited in accordance with the terms of the agreements and in conformity with the basis of accounting described in Note 1, 2 and 3;
- Evaluation of ATIP Fund internal control system related to the Activity, assess control risk, and identify significant deficiencies including material weaknesses;
- Performance of tests to determine whether ATIP Fund complied, in all material respects, with the Agreement terms and applicable laws and regulations related to Activity.

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LIST OF ACRONYMS AND ABBREVIATIONS

Activity - The Reduction of Domestic Violence in Georgia Activity

ATIP Fund/Fund - State Fund for Protection and Assistance of (Statutory) Victims of Human Trafficking

CPV Codes – Common Procurement Vocabulary Codes

DV - Domestic Violence

GoG - Government of Georgia

Grantee - State Fund for Protection and Assistance of (Statutory) Victims of Human Trafficking

IL - Implementation Letter

IPV - Intimate Partner Violence

MoU - Memorandum of Understanding

NRM - National Referral Mechanism

SAOG - State Audit Office of Georgia

UNFPA - United Nations Population Fund

USAID - United States Agency for International Development

USG - United States Government



INTRODUCTION

Domestic violence is a widespread problem in Georgia. The data on the incidences of domestic violence in Georgia varies in different surveys. All reports, however, including the State Department's 2012 Report on Human Rights Practices in Georgia, indicate that DV is underreported.

Any member of the family, regardless of her/his gender, can become a victim of domestic violence. Still, 88% of victims are women and 90% of abusers are men. Thus, the family violence can be regarded as a gender-related violence, and women remain at higher risk of violence than men.¹

Figure №1 Distribution of abusers and victims by gender



According to the national study on violence against women²:

- Approximately 14 percent of ever-partnered women aged 15-64 reported having experienced physical, sexual and/or emotional violence by an intimate partner in their lifetime;
- Approximately 6 percent reported experiencing physical abuse by an intimate partner in their lifetime, and 2 percent reported sexual partner abuse;
- Almost 10 percent of women had experienced some form of economic violence in their lifetime.

The Government of Georgia (GoG) adopted the Law of Georgia on Prevention of DV, Protection and Assistance of Victims of DV in 2006 (amended in 2009). The State Inter-Agency Council on DV was established in 2008 to support the implementation of the Law. In June 2012, the Parliament of Georgia passed a DV statute, which reclassified DV from an administrative to a criminal offence. In 2013, the President of Georgia approved the 2013-2015 action plan for measures against DV.

Under the Assistance Agreement between the United States of America, acting through the USAID, and Georgia, acting through the Ministry of Finance, dated August 12, 2010, the Implementation Letter³ between the USAID and the ATIP Fund was signed. The purpose of this Letter

¹ Geostat, 2017 Year Data, Victims of domestic violence are 3,599 women and 497 men, the abuser- 3,492 men, 393- women.

² UNwomen, GeoStat, National Study on Violence against Women, Summary Report, 2017.

³ Document №11.

was to provide information and outline the procedures for implementation of the Reduction of Domestic Violence in Georgia. The Implementation Letter had a total budget \$675,000.

The main goal of the Activity was to support the GoG's National Action Plan to strengthen and improve services targeted at prevention of domestic violence. The purpose was planned to be achieved by institutionalizing the role of social workers, establishing a national referral system and providing anti-DV education through schools, civic dialogue, and media campaigns. The Activity was implemented over a period of three years and consisted of two components: protection and prevention.

Figure №2- Activity Components



Under the protection component, the State Fund was responsible for strengthening the role of social workers in care of victims of domestic violence and implementing a national referral system for domestic violence.

Under the prevention component, the Fund was responsible for institutionalizing of anti-DV education through schools, civic dialogue, and media campaigns.

The proposed activities were in line with the priorities of the U.S. Government Strategy for prevention of and response to gender-based violence, the USAID's Policy on Gender Equality and Female Empowerment, Georgia's National Action Plan on DV, the recommendations of Georgia's Ombudsman. It was also in line with experience of the USAID and other USG agencies working on DV issues in Georgia.⁴

Component 1: Action plan for "Protection" of DV victims included the following:

- The Reduction of DV in Georgia through establishment and elevation of the role of the social worker in DV response. International short-term technical assistance (STTA) was made available to assist the Fund in drafting and adoption of a policy and provision of training on the role of the social worker consistent with international good practices. The GoG through the Legal Entity of Public Law, Social Services Agency (SSA) was expected to provide funding for social workers in order to ensure the sustainability of the social worker program. Up to 15 trainers were expected to be trained in DV prevention and response strategies. In turn, these trainers were expected to train up to 350 social workers employed by the SSA or non-governmental organizations;

⁴ Implementation Letter №11, Attachment 2, Section C, p.2.

- STTA had to be mobilized to develop a streamlined referral system for DV cases, based on international good practices. The elements of this referral system, upon adoption by the GoG, would have been incorporated into the training curriculum. Under the Activity, the Fund aimed to develop a model curriculum and conduct a pilot training program for up to 20 healthcare workers in recognition, care, and proper referral of DV survivors.

Component 2: Action plan for “Prevention” Permanent DV Education and Anti-DV Campaign:

- Under the Activity, the Fund was expected to carry out a campaign to raise population awareness and sensitization about DV issues, broaden anti-DV messaging and inform public about available services for DV victims. The outreach activities were planned to be organized through media spots, advertisements in public transport, billboards and light-boxes, production and dissemination of information booklets and leaflets, and by conducting a series of community information meetings across the country;
- The Fund was expected to cooperate with the USAID-Caucasus supported youth activities in Georgia to educate/raise awareness of youth on the domestic violence issue.

Activity structure and human capital were defined in Implementation Letter (IL) presented below:

Figure №3- Activity Structure

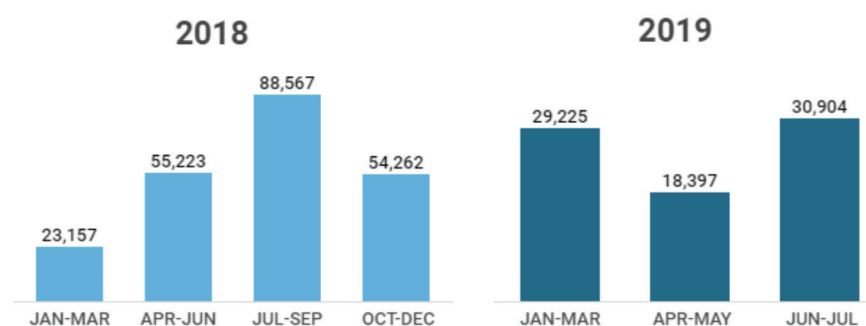


Since the audit covers the period from January 1, 2018 to July 31, 2019, the document covers the budget of 300,018 USD, respectively.

Actual expenditure from January 1, 2018 to July 31, 2019 is presented below ⁵:

⁵ Based on Fund Liquidation of Advances forms.

Figure №4 Actual Expenditure in USD



The actual expenditure by classification is presented below:

Figure №5 Actual Expenditure by classification in USD⁶

Cost Classification	2018	2019
Human Resources	57,788	34,114
Expert/Trainers	39,943	8,644
Travel	6,483	3,783
Local office	1,542	441
Other direct costs, services	72,138	12,851
Activity costs	43,315	18,693
Total	221,209	78,526

⁶ The data of 2019 year includes period from January 1 to July 31, based on Fund Liquidation of Advances forms.

AUDIT METHODOLOGY

We conducted the audit and determined procedures according to the Financial Audit Manual of the SAOG.

Financial audit consisted of the following stages:

- Pre-engagement audit procedures;
- Strategic planning;
- Detailed planning;
- Field work;
- Concluding and Reporting.

During the pre-engagement, we evaluated the existing financial reporting framework and its quality. We also held pre-engagement opening meeting with the auditee and sent out the audit letter;

During the strategic planning we identified and assessed risks and developed the audit strategy, which included the audit scope, timing, direction and activities;

At the detailed planning stage, we evaluated internal controls and identified the essential audit procedures. We also established the nature, timing and the extent of the audit procedures to be performed;

At the field work stage we collected sufficient, relevant and reliable audit evidence by documentary inspection and review, observation, inquiry, confirmation and tests, such as:

- Test of controls;
- Basic analytical procedures;
- Test of elements.

At the concluding and reporting stage, we evaluated misstatements and prepared the audit report.



UNQUALIFIED OPINION

AUDITOR'S REPORT ON THE FUND ACCOUNTABILITY STATEMENT WITH AN UNQUALIFIED OPINION

We have audited the Fund Accountability Statement of the State Fund for Protection and Assistance of (Statutory) Victims of Human Trafficking for the period from January 1, 2018 to July 31, 2019. The Fund Accountability Statement is the responsibility of State Fund for Protection and Assistance of (Statutory) Victims of Human Trafficking's management. Our responsibility is to express an opinion on the Fund Accountability Statement based on our audit.

In our opinion, the Fund Accountability Statement for the period from January 1, 2018 to July 31, 2019 is prepared in all material respects, in accordance with the terms of the Agreement and in conformity with the basis of accounting described in Note 1,2 and 3.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the Auditor's Responsibilities.

We are independent in accordance with the International Organization of Supreme Audit Institutions' Code of Ethics (INTOSAI Code). We have fulfilled our other ethical responsibilities in accordance with the INTOSAI Code.

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



EMPHASIS OF MATTER

We draw attention to the opening and closing balances of cash, which has accumulated on the treasury account of Georgia in national currency, in particular:

- By January 1, 2018, the opening balance of cash on the treasury account was 12,868 GEL;
- Unused grant of 764 GEL remained on the treasury account and was not returned to the USAID.

Without modifying our opinion, we draw attention to the Notes 1, 2 and 3, which describes the basis of accounting. The Notes 1, 2 and 3 are prepared to assist the ATIP Fund to meet the requirements establishing the policy for preparing the Fund Accountability Statement.

The Fund Accountability Statement is prepared to provide information to the USAID for the period from January 1, 2018 to July 31, 2019. As a result, the Statement may not be suitable for another purpose.



OTHER MATTERS

INTERNAL CONTROL SYSTEM WITH NO MATERIAL DEFICIENCIES NOTED

We have audited the Fund Accountability Statement of the State Fund for Protection and Assistance of (Statutory) Victims of Human Trafficking as of and for the period from January 1, 2018 to July 31, 2019 and have issued our report, dated February 25, 2020.

We conducted our audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). In planning and performing our audit, we considered the Activity's internal control over financial reporting (internal control) for the purpose of expressing our opinion on the Fund Accountability Statement, but not for the purpose of expressing an opinion on the effectiveness of the Activity's internal control.

Internal control comprises the plans, methods, policies, and procedures used to fulfill the mission, strategic plan, goals, and objectives of the entity. Internal control serves as the first line of defense in safeguarding assets. In short, internal control helps managers achieve desired results through effective stewardship of public resources ⁷.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's Fund Accountability Statement will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the second paragraph and was not designed to identify all deficiencies in internal control. As a result of our audit, we did not identify any material deficiencies in internal control.

Internal control is a process effected by an entity's management and other personnel that provides reasonable assurance that the objectives of an entity will be achieved. These objectives and related risks can be broadly classified into one or more of the following three categories:

- Operations - Effectiveness and efficiency of operations;
- Reporting - Reliability of reporting for internal and external use;
- Compliance - Compliance with applicable laws and regulations.

We evaluated effectiveness of internal control system using COSO⁸'s principles and attributes⁹, according to the Green Book. The Green Book defines the standards for internal control.

⁷ Green Book – standards for Internal Control in the Federal Government, fundamental concepts of internal control, p.5.

⁸ The Committee of Sponsoring Organizations of the Treadway Commission.

⁹ The Green Book- Standards for Internal Control in the Federal Government.

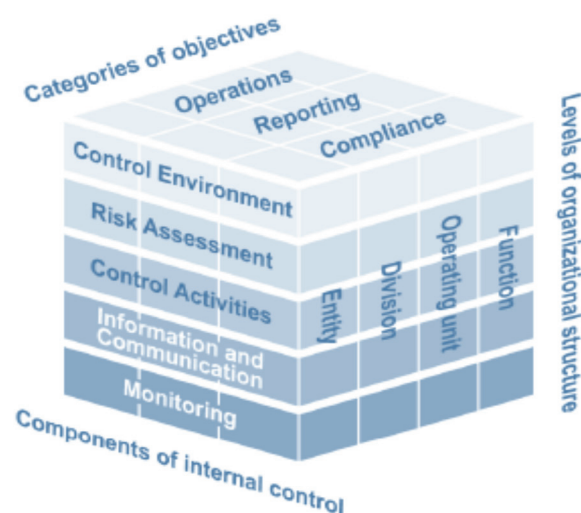


While there are different ways to present internal control, the Green Book approaches internal control through a hierarchical structure of five components and 17 principles. The hierarchy includes requirements for establishing an effective internal control system, including specific documentation requirements.

The five components represent the highest level of the hierarchy of standards and they must be effectively designed, implemented, and operating together in an integrated manner, for an internal control system to be effective. The five components of internal control are as follows¹⁰:

- Control Environment – the foundation for an internal control system. It provides the discipline and structure to help an entity achieve its objectives;
- Risk Assessment - assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses;
- Control Activities - the actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes the entity's information system;
- Information and Communication - the quality information management and personnel communicate and use to support the internal control system;
- Monitoring - activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews¹¹.

Figure №6: The Components, Objectives, and Organizational Structure of Internal Control¹²



10 Green Book – standards for Internal Control in the Federal Government, establishing an effective internal control, components, principles and attributes p.6 and p7.

11 Green Book – standards for Internal Control in the Federal Government, establishing an effective internal control, components, principles and attributes p.7 and p8.

12 Green Book – standards for Internal Control in the Federal Government, p.10.

The 17 principles support the effective design, implementation, and operation of the associated components and represent requirements necessary to establish an effective internal control system.

Figure №7- COSO model according the Green Book¹³



To evaluate the effectiveness of internal controls according to the principles of the Green book, we designed an Activity relevant questionnaire, which was sent to the director of the project and the Fund management. We also held an interview with the director of project and the Fund management.

At the stage of detailed planning, we reviewed business processes and identified existing controls; We conducted test of controls, analyzed the submitted documentation and management response during the fieldwork stage;

Based on the analyzes conducted, we identified several immaterial instances of internal control weaknesses in respect to the Financial Audit of the Activity. The weaknesses are reported below:

Weaknesses of Internal Control Environment

FINDING №1

Based on COSO Model, Control Environment is the first component of the internal control system, in which principle N3 describes how to establish structure, responsibility and authority. According to this model, management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives.¹⁴

The following attributes contribute to the design, implementation, and operating effectiveness of this principle:

¹³ <https://squarmilner.com/coso/>.

¹⁴ Green Book – standards for Internal Control in the Federal Government, control environment, principle №3, p.21.

- Organizational Structure;
- Assignment of Responsibility and Delegation of Authority;
- Documentation of the Internal Control System¹⁵.

We requested the working documents, internal regulations and the signed labour contracts of the Fund.

- We tested all respective contracts, to evaluate whether the labour duties and responsibilities were properly defined;
- We analyzed the process of developing the work plans and appropriate activities to check whether pre-determined objectives were achieved;
- We requested the attendance registers of participants for all trainings held within the project.

Based on above-mentioned procedures, we concluded, that internal control policy and related business processes were not fully documented within the Activity level. The following occasions were detected:

- The project did not include documented job descriptions, detailing the rights and responsibilities of management and employees. The evaluation showed that the staff general duties and responsibilities were defined, but detailed engagement terms were not elaborated;
- Several important conference minutes were not documented, which increased the risk that information and knowledge would have been limited to a few personnel only;
- Due to the lack of relevant documentation, in certain cases, it was impossible to identify the list of training participants organized by the ATIP Fund. In particular, the total number of attendees either were not indicated, or were not specified by their names and surnames, representative organizations and job positions.

Documentation is a necessary part of an effective internal control system.¹⁶ Lack of the minimum level of required documentation may result in failure to observe internal control deficiencies in timely manner and plan effective response measures.

Weaknesses in Performance Measures

FINDING №2

Management defines objectives in specific and measurable terms to enable the design of internal control for related risks. This involves clearly defining what is to be achieved, who is to achieve it, how it will be achieved, and the periods for achievement¹⁷. Specific terms are fully and clearly set forth so they can be easily understood. Measurable terms allow for the assessment of perfor-

¹⁵ Green Book – standards for Internal Control in the Federal Government, control environment, principle №3, p.27.

¹⁶ Green Book – standards for Internal Control in the Federal Government, paragraph 17.05-17.06.

¹⁷ Green Book – standards for Internal Control in the Federal Government, principle 6, paragraph 6.02.



mance toward achieving objectives. Objectives are initially set as part of the objective-setting process and then refined as they are incorporated into the internal control system when management uses them to establish the control environment.

Figure №8-Objectives¹⁸



Establishing key performance indicators (KPIs) is one of the effective ways to repeatedly assess the performances of activity. KPI is a measurable value that demonstrates how effectively an Activity is achieving key business objectives. To measure performance towards objectives, KPIs need to be effective.

Figure №9- Characteristic of Key Performance Indicators¹⁹



In the Implementation letter, under the Attachment №2 - Activity Description²⁰ was listed expected results of the activity. In addition, the Fund had developed annual workplans and performance reports, which contained information on planned accomplishments and milestones in order to show progress towards meeting the goals and objectives of the activity. Performance reports also contained evaluation and monitoring status.

We have requested work plans and performance reports of the Activity and studied, whether KPIs were effective. We have also assessed, whether they allowed to measure and evaluate the results. We compared whether the performance reports were in compliance with the expected results of the plan and the KPIs.

However, in certain instances, the KPIs were not specific, measurable and time-constrained, thus, increasing the risk of failure in assessment of results achieved.

18 Green Book – standards for Internal Control in the Federal Government, figure 2, achieving objectives through internal controls, p.5.

19 <https://excellenceacademy.com.au/nlp-s-m-a-r-t-goals/>

20 Implementation Letter №11, Section D, p3.

Several examples of above mentioned finding are presented below:

EXAMPLE №1

One of the activities from the Protection Component:

Objective: To conduct a workshop with the participation of the senior social workers and the social workers of the DV shelters.

KPI: Workshop is conducted.

Output: Workshop was conducted.

Identified weakness: not time-based.

EXAMPLE №2

One of the activities from the Prevention Component:

Objective: To place an advertisement in public transport, billboards and light boxes;

KPI: Number of public transport, billboards and light boxes with anti-DV messages and available services for DV;

Output: 10 billboards are placed in the cities of Georgia.

Identified weakness: not specific enough.

COMPLIANCE WITH NO MATERIAL NONCOMPLIANCE NOTED

We have audited the Fund Accountability Statement of the State Fund for Protection and Assistance of (Statutory) Victims of Human Trafficking as of and for the period from January 1, 2018 to July 31, 2019 and have issued our report dated February 25, 2020.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). The standards require, that we plan and perform the audit to obtain reasonable assurance, whether the Fund Accountability Statement is free of material misstatement resulting from violations of agreement terms and laws and regulations, that have a direct and material effect on the determination of the Fund Accountability Statement amounts.

The compliance with the agreement terms, laws and regulations applicable to the Fund is the sole responsibility of the Fund's management. As part of obtaining reasonable assurance that the Fund Accountability Statement is free of material misstatement, we also performed the tests of



the Fund's compliance with certain provisions of the Agreement terms, respective laws and regulations. We disclaim that the objective of these tests was not to provide an opinion on overall and comprehensive compliance with such provisions. Accordingly, we do not express such an opinion.

We noted certain immaterial instances of noncompliance, for the purposes of this audit as described above:

Noncompliance with Implementation Letter²¹:

We analyzed all rights and obligations which must be complied by the Fund. All respective documents, forms and correspondence were reviewed for confirmation of compliance of activities with IL implemented by the Fund.

FINDING №3

According to Implementation Letter (IL) between the USAID and the ATIP Fund, the Grantee²² was required to submit the Federal Financial Report (FFR) SF-425 on a quarterly and annual basis²³ The SF-425 tracks the status of financial data tied to a particular federal grant award.

The recipient did not comply with the mandatory Standard Provision of filling SF-425 federal financial reports during the Activity, that could cause delayed processing of advanced liquidations.

Consequently, there is a risk that accrual computations of funded activities would have been shown inaccurately that could cause ineffective management of obligations.

FINDING №4

One of the IL requirements for cost reimbursement states that the Grantee must submit the Liquidation of Advances SF-1034, which is due by the 15th of the month after each quarter²⁴. Standard form SF-1034 Public Voucher for Purchases and Services other than personal, is used by the agencies for regular payments to vendors under cost-reimbursement contracts, and for terminations.

The recipient²⁵ did not comply with the mandatory Standard Provision of filling Liquidation of Advances SF-1034 form on a timely basis, on 4 occasions listed below:

21 Document №11.

22 In this case – ATIP Fund.

23 IL-Attachment 7, Section A.

24 IL-Attachment 3, Section C.

25 ATIP Fund.



Figure №10- Information about Liquidation of Advances SF-1034 forms

Period	Deadline	Submission Date	Delay (Days)
2018 JUN	15-07-18	18-07-18	3
2018 JUL-SEP	15-10-18	25-10-18	10
2019 JAN-MAR	15-04-19	18-04-19	3
2019 JUN	15-07-19	31-07-19	16

Delays in information submission could cause incorrect calculation of amounts due for subsequent activities.

FINDING N5

Based on the agreement between the ATIP Fund and the USAID, the Grantee was required to submit biannual reports within 45 calendar days after the end of the reporting period²⁶. The Grantee was responsible for managing and monitoring each activity, program, subaward, function or activity supported through this Agreement.

The recipient submitted the performance report for the period of September 2017 - March 2018, i.e. 15 days later.

Noncompliance with Labour Contract:

Implementation Letter determines the number of employees, their job positions and salaries within the Activity. For the purpose of executing audit procedures, we requested all labour contracts and compared them with the terms of IL. Besides that, we reviewed the rules that regulate salary payments, re-calculated salary costs and compared them with the actual expenditures, that led us to the following findings:

FINDING №6

According to employment contracts, employee salaries were fixed in foreign currency (USD). The salaries were paid out in national currency as per official exchange rate on the date of transaction.

The salaries paid, in some cases, were not in compliance with the agreement terms. In particular, exchange rate was calculated using the minimum (the lowest) exchange rate that was observed between the date of transaction and the date of grant transfer.

As a result of this conversion, the employee salaries were 500 USD lower in total.

Noncompliance with the Workplan:

We have requested the workplans and performance reports. We analyzed and compared the anticipated and actual activities.

²⁶ IL-Attachment 7, Section B.



FINDING №7

Based on the Workplan, the ATIP Fund must coordinate the approval of National Referral Mechanism²⁷, concept about the social workers and a questionnaire for the identification of DV victim and support the implementation of the DV National Referral Mechanism (NRM) on the municipal level.

The objectives were not reached, in particular, the implementation of the DV National Referral Mechanism was developed but, was not approved.

Due to the fact that NRM was not approved, the ATIP Fund was not able to conduct the activities determined by the the Workplan.

Noncompliance with the Law of Georgia on Public Procurement

FINDING №8

During the audited period, the Fund conducted 43 public procurements. Out of them, 13 were held via tenders that amounted 456,029 GEL, and 30 - via simplified procurement that amounted to 77,893 GEL.

In this period, the Fund announced 16 tenders, with estimated total value of procurements 568,720 GEL.

Figure №11- Information about Announced Tenders

Tender status	Estimated value of procurement	Number of Tenders
Total number of announced tenders	568,720	16
Signed contracts	500,170	13
Ceased	50,000	1
not accomplished	12,000	1
Ended with negative results	6,550	1

The Law of Georgia on Public Procurement determines the general legal, organizational and economic principles for conducting public procurement.

²⁷ It defines the functions, rights and responsibilities and competences of state bodies and other relevant entities, as well as the coordination of their activities to identify, protect, assist and rehabilitate victims of violence against women and / or domestic violence.

In relation to our findings, the following criteria are considered:

- While planning of procurement, conducting market survey is important in order to identify potential suppliers and determine contract terms²⁸;
- While announcing the tender, CPV²⁹ codes and classifications should be in accordance with the law;
- A contracting authority shall define qualification criteria for each particular procurement, that the tenderers are to meet in order to participate in the procurement. The procedure for selecting qualification criteria shall be determined by a subordinate normative act. Requirements in qualification criteria shall be proportionate and non-discriminatory, promote healthy competition and equal treatment of candidates.³⁰

We have studied selected sample of tenders based of risk analyzes, that led to the following findings:

- In some public procurement cases, market research either was not conducted or documented at all or was conducted among the suppliers with irrelevant experience and field of operation;
- Some of the CPV codes were incorrectly selected;
- Some of the requirements were very specific which could have restricted competition.

Several examples of the above mentioned findings are presented below:

EXAMPLE №1

Tender №: SPA180005304

Announcement date: 07.06.2018

Estimated value of procurement: 131,000 GEL

Initial contract value: 129,250 GEL

Procurement object: Organizing seminars

Number of participants: 2

Based on the law of Georgia on public procurement, contracting authority should chose the most appropriate CPV code related to the procurement object, in order to promote competition. While announcing the tender, the Fund has inappropriately chosen CPV codes. The contract between the parties was signed on provision of hotel and transportation services, while the tender itself was announced on acquisition of the service, namely organization of seminars.

In addition to this, we draw our attention to the following:

28 The Law of Georgia of Public Procurement, Article 9 – planning of procurement.

29 Common Procurement Vocabulary codes are a system of classification for public procurement, which uses standardised vocabulary to help procurement personnel classify their contract notices consistently, and to make it easier for suppliers and contracting authorities to find notices.

30 The Law of Georgia of Public Procurement, Article 13 - Qualification Data.



- Before announcing the tender, the market survey was conducted among two interrelated companies (LTD “Teamboat” and LTD “Creative Minds Union”) whose field of operations was not directly connected to the procurement object. The tender price estimated based on their price offers, which was later contracted with LTD “Teamboat” amounted to 129,250 GEL;
- The above-mentioned company was registered at the online procurement portal the day before the announcement of the tender and has never participated in public procurements after that;
- After signing the contract, company acted as an intermediary and hired sub-contractors in order to deliver the contract terms.

EXAMPLE №2

Tender №: SPA180002759

Announcement date: 09.03.2018

Estimated value of procurement: 98,500 GEL

Initial contract value: 98,500 GEL

Procurement object: Organizing trainings

Number of participants: 2

The Fund announced the tender for procurement of the training services and writing of the manual. While defining the qualification criteria, the Fund set unreasonably specific requirements which increased the risk of restricting the fair competition.

Besides that, we draw our attention to the following:

- Market survey was conducted between two interrelated companies;
- The estimated tender price, which was the same as the final contract price, was determined by the price offer that was suggested by the winning participant;
- On the execution phase of the contract, the supplier suggested another company - LTD “Teamboat” to participate in the process of providing training service, which was not the participant of the tender. It is unclear whether the staff of LTD “Teamboat” met the pre-determined requirements of the tender documentation.

EXAMPLE №3

Tender №: SPA180007633

Announcement date: 21.09.2018

Estimated value of procurement: 50,000 GEL

Initial contract value: 50,000 GEL

Procurement object: Advertisement Campaign

Number of participants: 1



The Fund announced the tender on procurement of advertisement services. The services should have included four video-advertisements and their promotion on six TV and one radio channels. The contracting authority determined the following qualification criteria: the service provider should have had working experience for five years, of which, two years of working experience with public sector or NGOs during the years of 2013, 2015 and 2017.

Such specific formulation of the requirement has increased the risk of restricting competition.

Moreover, the market survey for determining contract price was conducted between two companies which had the same director.

The above-stated findings increase the risk of failure to promote competition and ensure a non-discriminatory approach to tender participants while performing public procurement as well as guarantee rational spending of monetary funds.



MANAGEMENT'S AND AUDITOR'S RESPONSIBILITY

MANAGEMENT'S RESPONSIBILITY FOR THE FUND ACCOUNTABILITY STATEMENT

Management is responsible for the preparation of Fund Accountability Statement in accordance with the basis of accounting described in Note 1, 2 and 3, and for such internal control as management determines is necessary to enable the preparation of the Fund Accountability Statement that is free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY FOR THE FUND ACCOUNTABILITY STATEMENT

Our responsibility is to express an opinion on the Fund Accountability Statement based on our audit. We conducted our audit in accordance with International Standards of Supreme Audit Institutions. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Fund Accountability Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Fund Accountability Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the Fund Accountability Statement 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 Fund Accountability Statement.

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



ACCOUNTABILITY STATEMENT

The LEPL State Fund for Protection and Assistance of (Statutory) Victims of Human Trafficking
 Accountability Statement Form 1/1/2018 to 07/31/2019 (Single award, 2nd year presented with
 cumulative amounts, in USD)³¹

Elements	Agreement Budget 1/1/2018 to 07/31/2019	Actual Revenues and Expenditures 1/1/2018 to 07/31/2019 Remain- ing Balance in USD	Notes
Revenues			
Remaining Balance in USD		4955	Note 1
USAID Contribution		295063	Note 2
Program Income			
Total Revenues	-	300018	
Costs	300018		
Human Resources		91902.5	Note 3
Expert/Trainers Costs		48587.55	
Travel		10266.95	
Local office		1981.95	
Other direct costs, services		84988.62	
Activity Costs		62028.3	
Total costs	-	299755.87	
Cash Balance	-	262.13	

Note 1:

As of January 1, 2018, the balance of the prior year amounted to \$ 4955 (USD);

Note 2:

In the revenues part the it is showed using cash method, that from January 1, 2018 to August 1, 2019 Donor funds recived in USD -295063 (USD), funds transferred from donor in the foreign currency account (USD) were converted into the Treasury electronic system at the rate of the National Bank of that day.

Note 3 :

Spending in the national currency was carried out in accordance with the exchange rate of the National Bank at the date of conversion of the funds deposited in the foreign currency (USD) into the Treasury Currency Account (USD) in the national currency, except for the exclusions caused by the following circumstances: salary expense, which was calculated along with the conversion rate of the Treasury at the National Bank's day of transfer of salary, the average rate was used (November 2018 average rate 2.6085; May 2019 rate 2.7165, june rate 2.73 except of the Round tables/workshops rate 2.69; 2.73 July 2019 rate and consultant on medical/psychology-2.85rate) and no current month transfer (October 2018 rate 2.5697); At the end of 2018, the conversion rate was calculated to be 2.44, as to align the balance in GEL was with the dollar balance. Cost accounting was carried out in accordance with the Order of the Minister of Finance of Georgia N429 of December 31, 2014.

³¹ Fund Accountability Statement is prepared by the ATIP Fund, which is solely responsible on it.



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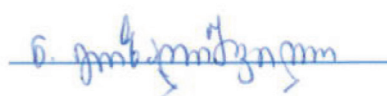
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