



FINANCIAL AUDIT REPORT





State Audit Office of Georgia

„Approved by“

Head of Economic Activities Audit Department
Tornike Shermadini

29 March 2023 Year

N 14/36

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Financial audit of the Activity - Plant Safety
Systems Initiative Implemented by LEPL National
Food Agency

Independent Financial Audit Report for the period
from February 2, 2021, to April 1, 2022

The State Audit Office of Georgia (SAOG) has conducted an independent Financial Audit of the Activity - Plant Safety Systems Initiative funded by the Government of Georgia and the United States Agency for International Development (USAID) and implemented by the LEPL National Food Agency (NFA).

The audit was conducted based on the Memorandum between USAID and the SAOG and covered the period from February 2, 2021 to April 1, 2022.

The objectives for the financial audit were to:

- Express an opinion on whether the Schedule of Expenditure for the USAID-funded Activity presents fairly in all material respects, in accordance with Generally Accepted Accounting Principles;
- Evaluate NFA's internal control system related to the Activity, assess control risk, and identify significant deficiencies including material weaknesses;
- Perform audit procedures to determine whether NFA complied, in all material respects, with the Agreement terms (including cost-sharing/matching contributions) and applicable laws and regulations related with the Activity.

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List of Acronyms and Abbreviations

Activity - Plant Safety System Initiative (PSSI)
CFR part 200 - U.S. Code of Federal Regulations part 200
GAGAS - Generally Accepted Government Auditing Standards
Grant recipient - LEPL National Food Agency
Implementation Letter - Implementation Letter N14 dated 2 February, 2021 year, which defines the procedures for the implementation of the "Plant Safety System Initiative Activity" of the USAID and the LEPL National Food Agency.
NFA or Agency- LEPL National Food Agency
SAOG - The State Audit Office of Georgia
Schedule of Expenditures - Schedule of expenditures of USAID Awards
TOR - Terms of Reference
USAID - United States Agency for International Development

Introduction

The National Food Agency is a legal entity of public law operating under the state control of the Ministry of Environmental Protection and Agriculture of Georgia, which was created based on the Food/Feed Safety, Veterinary, and Plant Protection Code.

The main functions of the agency in the field of plant protection are:

- Implementation of controls to ensure plant protection;
- Developing and implementing programs for the prevention and detection of spreading pests;
- Organization of plant quarantine;
- Observing spreading and developing pests. Detecting pests and providing their diagnosis;
- Compiling a list of quarantine pests;
- Predicting the mass spread and development of pests, etc.

The Agency cooperates with the US Agency for International Development to implement and develop systemic changes in the phytosanitary direction. To achieve the set goals, the agency receives technical and financial assistance from USAID.

Based on the Grant Agreement¹ dated December 22, 2015, between the Government of Georgia and the USA, the Implementation Letter² was signed between the Agency and USAID, the purpose of which was the implementation of the plant protection system initiative, with a total budget of 1,846,250 USD, of which USAID-funding is 1,200,000 USD, and the Government of Georgia Funding is USD 646,250.

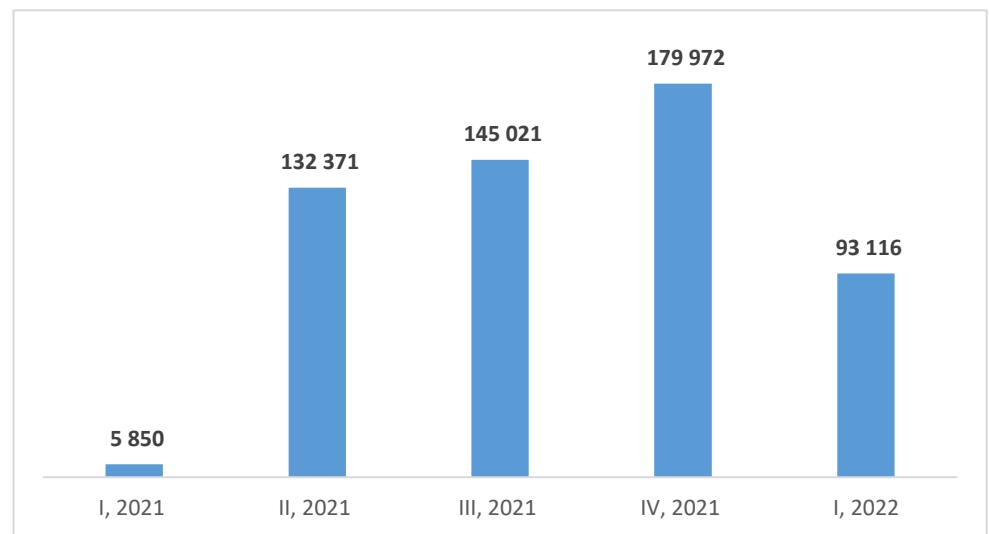
The purpose of the USAID-NFA Plant Safety System Initiative (PSSI) is to enhance Georgia's plant phytosanitary system by ensuring the further development of administrative, organizational, and technical skills of the Agency and its supporting government agencies.

As a result of the implementation of the Activity, the Agency's ability to identify existing and potential risks related to pests in the agricultural sector will be improved. This will allow the Agency to respond more timely in the direction of pest control.

The audit covers the period from February 1, 2021, to April 1, 2022. During the mentioned period, the sum of expenses financed by USAID amounted to 556,330 USD, and the expenses financed by the Government of Georgia amounted to 599,100 USD.

Information on quarterly expenditures funded by USAID during the audit period is presented in Figure N1:³

Figure N1: Quarterly actual costs for the period from February 2, 2021, to April 1, 2022 in USD



Information on actual expenditures funded by USAID during the audit period by classification is presented in Table N1.

Table N1: Actual expenditures for the period from February 2, 2021 to April 1, 2022 by classification in USD.

Classification of expenditures	02.02.2021-31.12.2021	01.01.2022-01.04.2022
Salaries	196 735	32 464
Pest surveillance consumables (Pheromones)	189 540	-
Organising training/workshops	52 151	7 619
Sampling consumables for pest identification	18 195	702
Surveillance and pest risk analysis (PRA) software	1 498	-
Public Relations, Communication/Outreach	820	585
International study tours	-	51 746
Sampling and laboratory analysis for pest identification	4 275	-
Total expenditures	463,214	93,116

¹ No. AAG-114-G-16-00002.

² Implementation Letter No. 14

³ Based on the Fund Liquidation of Advances forms presented by the NFA.

Audit Methodology

The State Audit Office of Georgia has conducted the audit according to the International Standards of Supreme Audit Institutions (ISSAIs) and the Financial Audit Manual developed based on them.

The Financial audit consists of the following stages:

- Preliminary audit procedures;
- Strategic planning;
- Detailed planning;
- Fieldwork;
- Concluding and Reporting.

At the stage of the preliminary audit procedures, the audit team assessed the basis for the preparation of the Schedule of Expenditures of USAID awards, as well as held the opening meeting with the relevant responsible persons of the auditee. Implementation of the audit procedures were started based on the engagement letter;

At the stage of strategic planning, the audit group identified and assessed risks. In addition, an audit strategy was developed, which include information on the scope, timing, and direction of the audit.

At the detailed planning stage, the audit team assessed the internal control environment, determined the relevant main audit procedures and their nature, timing, and scope;

At the fieldwork stage, the audit team obtained sufficient appropriate audit evidence by performing documentary checks, inspections, inquiries, confirmations, and audit procedures such as:

- Basic analytical procedures;
- Test of details.

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

The State Audit Office of Georgia's Report

To LEPL National Food Agency and United States Agency for International Development

Independent Auditor's Report

Unqualified Opinion

The State Audit Office of Georgia has audited the Schedule of Expenditures of the USAID awards of LEPL National Food Agency for the period from February 2, 2021, to April 1, 2022. Preparation of the Schedule of Expenditures of USAID awards is the responsibility of The National Food Agency's management. Our responsibility is to express an opinion on the Schedule of Expenditures of the USAID awards based on our audit.

We conducted our audit of the Schedule of Expenditures of USAID awards in accordance with The International Standards of Supreme Audit Institutions (ISSAIs) developed by the International Organization of Supreme Audit Institutions (INTOSAI) in conjunction with US Internationally Recognized Public Auditing Standards (GAGAS). The responsibilities that these standards impose on us are described in detail in the section of our report titled – "Management's and Auditor's Responsibility".

We are independent of the auditee in accordance with the requirements of the INTOSAIs' and have fulfilled other ethical obligations imposed by INTOSAI. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified opinion.

In our opinion, the Schedule of Expenditures of the USAID awards referred to above presents fairly, in all material respects, in accordance with the terms of the agreement, program revenues, costs incurred and reimbursed, acquisitions, and technical assistance.

We also evaluated the internal control system of the Agency related to the Activity and the compliance of the activities carried out with the terms of the agreement and applicable laws and regulations related to the Activity. The results are presented in the form of separate subsections and are an integral part of this report.

1. The Emphasis of Matter

1.1 Immaterial misstatements related to salaries and other expenses

Without modifying our opinion we draw attention to the salary expense of the Schedule of Expenditures statement.

The Implementation Letter defines the number, position, and salary amounts of persons employed within the Activity. During the audit, we requested the employment contracts of all persons involved in the Activity and compared them with the terms of the Implementation Letter. Also, in accordance with the established rules for issuing labor compensation, we recalculated the corresponding salary expenses for the period and compared them with the data shown in the Schedule of Expenditures. Also, to verify the completeness and accuracy of other accounts reflected in the Schedule of Expenditures, we compared each transaction of the treasury statements of the relevant period of the Activity implementation with the data reflected in the Schedule of Expenditures.

As a result of the performed audit procedures, the following misstatements were identified:

- The Schedule of Expenditures overstates the salary expense of 600 USD that is not paid. This is due to the following circumstances: The Resident Advisor of the Activity, whose monthly salary according to the contract is 12,000 USD, was appointed on February 2, 2021. In February of the same year, 19 working days of salary were accrued and paid to the resident advisor, which amounted to 11,400 USD. The Schedule of Expenditures prepared for USAID reveals the full salary of February - 12,000 USD, instead of the actual 11,400 USD.
- The amounts paid for 20 tablet computers purchased within the Activity on November 15, 2021, and for recruitment services in the total amount of 4,277 USD is not reflected in the Schedule of Expenditures.⁴

Accordingly, the expense for the period presented in the Schedule of Expenditures is understated by 3,677 USD, and the cash balance shown in the Schedule of Expenditures is overstated by 3,677 USD.

⁴ The amount paid for tablets is -13,373 GEL (42 249 USD) and the cost of the service related to staffing is 60 GEL (18 USD).

2. Other Matter

2.1 Internal Control with No Significant Deficiencies Noted

The State Audit Office of Georgia has audited the Schedule of Expenditures of the USAID awards of the Plant Protection System Initiative implemented by the LEPL National Food Agency and funded by USAID for the period from February 2, 2021 to April 1, 2022.

We conducted our audit in accordance with the International Standards of Supreme Auditing Institutions (ISSAIs) in conjunction with US Internationally Recognized Public Auditing Standards (GAGAS). In planning and performing our audit, we considered the entity's internal control over financial reporting (internal control) as a basis for designing our auditing procedures to express an opinion on the Schedule of Expenditures of the USAID awards, but not to express an opinion on the effectiveness of the entity's internal control.

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 Schedule of Expenditures will not be prevented or detected and corrected on a timely basis.

We assessed the internal control system for the above-mentioned limited purpose and were not intended to detect all control deficiencies as described in the second paragraph. As a result, based on the mentioned objectives, no significant deficiencies of internal control were detected.

Based on the analyses conducted, we identified some immaterial instances of internal control weaknesses which are reported below:

Weaknesses of documentation of works performed

The Implementation Letter defines the number of employees, their job positions, and salary amounts within the Activity. To execute the audit procedures, we requested documents confirming the work performed by the employees.

It was revealed that the NFA has not developed a formalized document that would confirm the work performed by the employees involved in the Activity. The persons employed within the framework of the Activity have only filled in the timesheets, which include the number of hours worked, and do not provide information on the content of the work performed.

The mentioned time sheets are confirmed by a signature, based on which the official salary determined by the contract is charged and paid. Also, it is a base for the calculation of the share of the wages of the NFA's employees in the financial contribution of the grant recipient.

The existence of a formalized document on the performed works would simplify the determination of the compliance of the performed works and the remuneration of the NFA's employees included in the financial contribution of the grantee with the goals set by the Activity.

Weaknesses of documentation of workshops/ training conducted

Annex N1 of the Implementation Letter defines the general results, milestones, and specific final results of the Activity. During the audit period, 10 workshops/training were organized to achieve the final results of the Activity.

The Audit revealed that the practice of documenting the issues to be discussed/discussed at the above-mentioned meetings conducted by the NFA and also documenting the final results of the meetings held between NFA staff is characterized by shortcomings. In particular: there is no practice implemented in the NFA of compiling detailed final report reflecting the results of the meetings held.

We emphasize that the business trip preparatory reports and business trip orders present only the general content of the planned meetings.

Due to the incomplete documentation of the information about the workshops/ training conducted within the Activity and the specific results obtained by these measures, it is challenging to determine the compliance of the performed works with the goals set by the Activity.

Weakness of monitoring inventory expiration dates

According to the Implementation Letter signed between USAID and NFA during the Activity period, pheromones and other pest monitoring materials were purchased.⁵ In 2021, pheromone traps for pests purchased under the announced tenders were delivered in June-July of the same year.

It should be noted that different dates are recorded in different sources regarding the expiration dates of purchased pheromones. In particular: according to the price table presented in the tender documentation by the agency's suppliers,⁶ Novagro LLC, the expiration date of pheromone traps was March-May 2022, according to the documentation received from suppliers of Novagro LLC, pheromones are valid until May 2024, and according to the information on the pheromones packaging, the product is valid until May 2023.

Additionally, it should be noted that as of May 2022, the agency has used a small number of purchased goods, namely, 16.1% of the total volume. Information about the purchased and remaining pheromone traps is given in Table N2:

Table N2: Information on pheromone traps acquired and on hand as of May 2022

Tender	Pheromone trap	Acquisitions		Balance on hand		Used (%)
		Qty.	Amount	Qty.	Amount	
NAT210 006271	Ambrosia beetle lures	1 000	52 231	881	46 016	11.9
NAT210 006270	Anoplophora grabipennis lures	1 000	73 637	830	61 119	17.0
NAT210 007895	Mediterranean Fruit Fly lures	1 000	49 800	848	42 230	15.2
NAT210 007895	Oriental Fruit fly lures	1 000	49 800	786	39 143	21.4
NAT210 008602	Spotted Wing Drosophila lures	1 000	52 510	848	44 528	15.2
		5 000	277 978	4 193	233 036	16.1

Based on the above, since consumption of purchased pheromones is low as of May 2022, and various information is provided regarding pheromone expiration dates, there is a risk that pheromones may not be fully utilized before product expiration.

According to the agency's explanation, the mentioned stocks are planned to be used before the expiration date of the products.

Recommendation N1 – LEPL National Food Agency

To effectively use the purchased materials, the National Food Agency needs to determine the actual expiration dates of the purchased pheromones and use them before the appropriate dates. At the same time, NFA should implement proper control mechanisms for the determination and control of expiration dates of purchased materials.

⁵ NAT210006271, NAT210006270, NAT210007895 and NAT210008602.

⁶ Manufacturing companies of Pheromone.

2.2 Compliance with the terms of the agreement and the law, without significant deficiencies

The State Audit Office of Georgia has audited the Schedule of Expenditure of the USAID awards of the Plant Protection System Initiative implemented by the LEPL National Food Agency and funded by USAID for the period from February 2, 2021, to April 1, 2022. We also reviewed the separate cost/sharing matching contributions schedule.

We conducted our audit in accordance with the International Standards of Supreme Auditing Institutions (ISSAIs) and in accordance with the requirements of the US Internationally Recognized Public Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule of Expenditure of the USAID awards is free from material misstatement resulting from violations of agreement terms and laws, and regulations that have a direct and material effect on the determination of the Schedule of Expenditure of the USAID awards amounts.

To obtain reasonable assurance, procedures have been performed to confirm compliance with the terms of the agreement, laws, and regulations that have an impact on "expenditure reporting". The purpose of the audit was not to express an opinion on full compliance, therefore we do not express such an opinion.

Compliance with the terms of the agreement, laws, and regulations is the responsibility of the National Food Agency's management. To obtain reasonable assurance, procedures have been performed to confirm compliance with the terms of the agreement, laws, and regulations that have an impact on the Schedule of Expenditure. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

We noted certain immaterial instances of noncompliance, for this audit described below:

2.2.1 Compliance with the terms of the agreement, without significant deficiencies

The audit team analysed all the duties defined in the Implementation letter that the agency had to fulfil. All documents, forms submitted, and correspondence were also checked to confirm compliance with the terms of the Implementation letter.

Noncompliance with the Implementation Letter

According to the Implementation Letter, quarterly performance reports (narrative reports) must be submitted by the grantee within 30 days after the end of the reporting period, and the annual report within 90 days after the end of the year of the Activity.

NFA submitted the third quarter performance report for the period of August 2021 – October 2022, 28 days later than it was expected.

Late submission of information may hinder USAID's ability to oversee the Activity.

At the grantee's request, USAID may issue an advance to fund activities to be implemented within the next 30 days. The advance payment request⁷ form for the following month must be submitted by the 10th of the current month.

According to the information provided by NFA, the dates for sending funding request forms from May 2021, to March 2022 do not correspond to the deadlines set by the Implementation Letter. Information on violations of deadlines for sending funding request forms is presented in Table N3.

⁷ Form SF 1034 is marked as a "Request for Advance".

Table N3. Information on violations of deadlines for sending funding request forms.

Period	Deadline	Submission Sate	Delay (days)
2021 May	10.04.2021	19.05.2021	39
2021 Jul	10.06.2021	01.07.2021	21
2021 Aug	10.07.2021	23.08.2021	44
2021 Oct	10.09.2021	15.10.2021	35
2021 Dec	10.11.2021	06.12.2021	26
2022 Jan	10.12.2021	31.12.2021	21
2022 Mar	10.02.2022	21.03.2022	39

Late submission of information may result in a delay in obtaining funding for further activities and thus delays in the timely implementation of the Activity.

2.2.2 Compliance with the laws, without significant deficiencies

Non-compliance with the Law on State Procurement

During the audit period, the Agency signed a total of 25 state procurement contracts. Of these, 11 contracts - with electronic tender, within which 214,080 USD were paid,⁸ and 14 contracts - with the simplified procurement procedure, within which 8,107 USD were paid.⁹

The state procurement-related legislation of Georgia determines the general legal, organizational, and economic principles of the state procurement process.

As a result of the independent audit, non-compliance with the requirements of the Law on State Procurement was revealed in several procurement cases, which is described in detail below:

Lack of documentation confirming the absence of a conflict of interest

Criteria: The conditions for the avoidance of conflict of interest refer to the selection of the supplier,¹⁰ at which time the participating person is obliged to confirm in writing that his participation in the implementation of this procurement does not cause a conflict of interest.¹¹

Factual circumstance: In connection with the agreement signed on August 2, 2021,¹² related to the training services using simplified procurement, it cannot be confirmed that the signature about the absence of conflict of interest of the relevant employees exists.

Conclusion: In the process of procurement implementation, the condition of avoiding the conflict of interest is not considered, which is related to the confirmation of the absence of interdependence¹³ with the selected suppliers on the part of the authorized persons of the purchasing organization.

Late upload of the documentation in the Procurement System Module

Criteria: Based on simplified procurement by the procuring organization, the documents related to the conclusion of the contract are registered in the CMR¹⁴ within 10 days after the conclusion of the contract.¹⁵

Factual circumstance: The letter on the absence of conflict of interest related to the contract signed on December 3, 2021, for the provision of training services for

⁸ The total value of the contracts is 678,543 GEL.

⁹ The total value of the contracts is 25,453 GEL.

¹⁰ Article 8, subsection "e" of the first paragraph of the Law of Georgia "On State Procurement".

¹¹ Paragraph 4 of Article 8 of the Law of Georgia "On State Procurement".

¹² CMR210095318 - Agreement N209/2021.

¹³ Interdependent persons are established by Article 19 of the "Tax Code of Georgia".

¹⁴ A module of the unified electronic system of public procurement, intended for simplified procurement.

¹⁵ The first paragraph of Article 5 of the "Reporting of the Procurement Organization" rule - Approved by the order N2 of the Chairman of the State Procurement Agency on February 10, 2011.

the agency's employees, which was signed on the date of the contract, was uploaded to the system module on November 25, 2022.¹⁶

Conclusion: The obligation of the procuring organization, concerning the reporting of one of the documents related to the contract is carried out approximately one year after the conclusion of the contract.

Ignoring the requirements established by the tender documentation

Criteria: If the technical documentation does not comply with the tender conditions, the bidder is subject to disqualification. The tender commission does not disqualify the bidder if his technical documentation does not contain such data or contains such inaccuracy, the submission or clarification of which will not lead to a substantial change in the technical documentation or will not increase the bid price. The tender commission addresses the bidder with a request to clarify the technical documentation.¹⁷

Factual circumstance: As part of the tender announced on May 19, 2021, for the purchase of tests for the detection of harmful organisms causing plant diseases,¹⁸ the price table presented by the bidder¹⁹ did not include information on the expiration dates of the products to be supplied, which, according to the tender documentation,²⁰ should be at least until 2022. The mentioned price table is considered relevant by the Tender Commission and no detailed documentation is requested. Finally, the agreement signed by the parties stipulates that the period of use of rapid tests should be at least until 2022, thus the supplier undertakes to fulfill the condition set by the tender documentation.

Conclusion: Despite the non-fulfillment of the conditions established by the tender documentation, the tenderer participating in the tender is considered the winner and a state procurement contract is awarded, which indicates the imperfect actions of the tender commission. In addition, failure to consider the requirements established by the tender documentation may lead to the appeal of the decisions made by the tender commission by other persons participating in the tender, which in turn leads to the delay in the time of the purchases to be made.

Improper determination of tender requirements

Criteria: During the development of the Activity of the annual procurement plan, the need to carry out the procurement should be taken into account.²¹ The tender commission, in the case of each electronic tender, determines the requirements that the bidder and the procurement object must meet.²² The requirements determined by the tender commission must be derived from the needs of the procuring organization, must be proportionate, and promote healthy competition.²³

Factual circumstance: During the Activity period, in accordance with the Implementation letter signed between USAID and NFA, pheromones and other necessary materials for pests monitoring were purchased.

According to the tender documentation, to determine the conformity of the quality of the supplied products, the bidders had to submit a scientific article or a link to the article, which would confirm the effective action of pheromones for at least 12 and 4 weeks.²⁴ The criteria for determining the scientific quality of the articles have not been established.

¹⁶ The document is uploaded to the system after the non-conformity has been detected by the independent audit.

¹⁷ Clauses 2, 3, and 5 of Article 27 of the "Rules for Conducting Electronic Tenders" were approved by the order of the Chairman of the State Procurement Agency N12 on June 14, 2017.

¹⁸ NAT210008896.

¹⁹ LLC Novagro - is considered the winner and a state procurement contract were signed with it.

²⁰ Clause 1.7.1 - the period of use of rapid tests must be at least until 2022, which must be indicated in the price table.

²¹ Article 9, Clause 6, Sub-Clause "A" of the Law of Georgia "On State Procurement".

²² The first paragraph of Article 18 of the "Rules for Conducting Electronic Tenders" was approved by the N12 order of the Chairman of the State Procurement Agency on June 14, 2017.

²³ The second paragraph of Article 18 of the "Rules for Conducting Electronic Tenders" was approved by the N12 order of the Chairman of the State Procurement Agency on June 14, 2017.

²⁴ 12 week validity for tenders: NAT210006271, NAT210006270, NAT210007895 and 4 week validity - NAT210008602.

The articles presented by the winning organization²⁵ do not give assurance regarding their scientific status. Accordingly, the audit team could not be assured of their relevance concerning the requirements established by the tender documents.

Conclusion: Regarding the pheromones purchased by the agency, it cannot be confirmed that the condition related to the existence of scientific articles required by the tender documentation was met.

According to the agency's explanation, in the similar tenders announced after the audit period, the technical requirements were changed and the criteria determining the scientific quality of the articles were established.

²⁵ Ltd Novagro

Management's and Auditor's Responsibility

Management's Responsibility for the Schedule of Expenditure of USAID awards

Management is responsible for the preparation of the Schedule of Expenditures of USAID Awards for the program and notes that describe the significant accounting policies used in preparing the Schedule of Expenditures²⁶ and for such internal control as management determines is necessary to enable the preparation of the Schedule of Expenditures of USAID Awards that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Schedule of Expenditures of USAID awards

It is our responsibility to express an opinion on the Schedule of Expenditures of USAID Awards based on our audit. We conducted our audit in accordance with The International Standards of Supreme Audit Institutions in conjunction with GAGAS. Those standards require that we comply with ethical requirements.

Our objective is to obtain reasonable assurance about whether the Schedule of Expenditure contains a material misstatement, whether due to fraud or error and to issue an audit report that includes an audit opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISSAIs in conjunction with GAGAS will always detect a material misstatement. Misstatements may result 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 of the cost statements. As part of an audit conducted in accordance with ISSAI and GAGAS requirements, we use professional judgment and maintain professional skepticism during the audit. In addition:

- We identify and assess the risks of material misstatement of the Schedule of Expenditures, whether due to fraud or error, determine and perform appropriate audit procedures for those risks, and obtain sufficient appropriate audit evidence to support our opinion. The risk that a material misstatement caused by fraud will not be detected is higher than that caused by error because fraud may involve collusion, forgery, intentional omission, misrepresentation, or disregard of established internal controls;
- We study the functioning of internal control to develop such audit procedures that are appropriate to the existing circumstances, and not to express an opinion on the effective operation of internal control;
- We evaluate the appropriateness of the accounting policy and the reasonableness of the accounting estimates and explanations provided by the management;
- We conclude, based on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained - whether there is material uncertainty related to these events and conditions that would cast significant doubt on the Agency's ability to continue operating. Our conclusions are based on the audit evidence obtained as of the date of the audit report;
- We evaluate the presentation of the Schedule of Expenditures as a whole, its structure and content, as well as whether the Schedule of Expenditures provides the criteria for the fair presentation of operations and events;
- Obtain sufficient appropriate audit evidence about the NFA's financial information to be able to express an opinion on the Schedule of Expenditure. We are responsible for leading, supervising, and implementing the audit process. We are also fully responsible for our audit report;

²⁶ CFR 200.504 – Point 2.

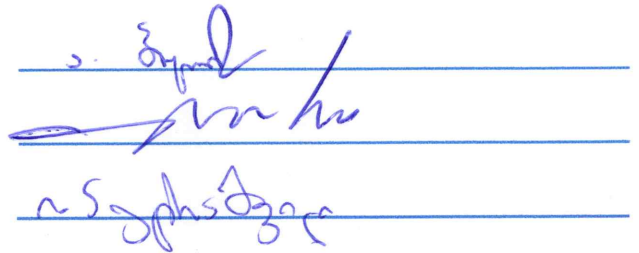
- Among other things, we provide the management with information about the scope and terms of the audit, as well as important results raised during the audit process, including important deficiencies identified in the internal control system.

Auditors**Signatures**

Ana Burdiashvili
Senior Auditor

Mamuka Gogokhia
Leading Auditor

Irakli Petriashvili
Senior Auditor



The image shows three handwritten signatures in blue ink, each placed on a horizontal line. The first signature is for Ana Burdiashvili, the second for Mamuka Gogokhia, and the third for Irakli Petriashvili. The signatures are stylized and cursive.

Schedule of Expenditures of USAID Awards

The Schedule of Expenditures of USAID Awards for the Activity - Plant Safety Systems Initiative from 02/02/2021 to 01/04/2022 in USD.

Elements	Agreement Budget	Actual Revenues and Expenditures	Questioned Costs		Notes
	02/02/2021 to 01/04/2023	02/02/2021 to 01/04/2022	Ineligible	Unsupported	
Revenues					
USAID Contribution		763 708			
Program Income		-			
Interest income		-			
Total Revenues		763 708			
Costs					
Salaries	360 699	229 199		600	
Program activities	288 351	112 923			
Procurement	550 950	214 207			
Total costs	1 200 000	556 329			
Cash Balance		207 379		600	

Note: The amounts paid for 20 tablet computers purchased within the Activity on November 15, 2021 and for recruitment services in the total amount of 4,277 USD is not reflected in the Schedule of Expenditure.

Additionally, we emphasize that the Schedule of Expenditure does not include corresponding notes to the significant accounts.

Contact Information

Web Page and Social Media	https://www.sao.ge/ https://www.budgetmonitor.ge/ka http://www.blog.sao.ge/ http://www.sai.ge/main/ https://www.linkedin.com/company/stateauditoffice/ https://www.youtube.com/user/saogeorgia https://www.facebook.com/www.sao.ge
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