The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street N.W.
Washington, D.C. 20433
U.S.A.
(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

February 5, 2015

Mr. Lasha Tordia
General Auditor
State Audit of Georgia
N96, Saint Queen Ketevan Ave. 0144,
Tbilisi, Georgia

Re: IT Audit Development in the State Audit Office of Georgia
TF018381

Dear Mr. Tordia:

In response to the request for financial assistance made on behalf of Georgia ("Recipient"), acting through its State Audit Office (SAO), I am pleased to inform you that the International Bank for Reconstruction and Development/International Development Association ("World Bank"), acting as administrator of grant funds provided by the Donors under the "Supreme Audit Institution Capacity Development Fund", proposes to extend to the Recipient, a grant in an amount not to exceed five hundred thousand United States Dollars (US$500,000) ("Grant"), on terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project").

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank's payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donors under the abovementioned trust fund, and the Recipient's right to withdraw the Grant proceeds is subject to the availability of such funds.

Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date specified by the World Bank in accordance with Article IV of the Annex to this Agreement.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Henry Kerali
Country Director
AGREED:

STATE AUDIT OF GEORGIA

By [Signature]
Authorized Representative

Name 1. ASHA TORGA

Title AUDITOR GENERAL

Date: 05.02.2015

Enclosures:


(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006;

(3) "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011;

(4) "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers", dated January 2011 and revised in July 2014; and

Article I
Standard Conditions; Definitions


1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement as set forth below:

   (a) "CISA/ISACA" means Certified Information Systems Auditor provided by ISACA.

   (b) "CICM" means Certified Information Security Manager provided by ISACA.

   (c) "Incremental Operating Costs" means the reasonable costs, as shall have been approved by the World Bank, for: (i) the incremental expenses incurred on account of Project implementation, consisting of operating expenditures incurred by SAO on account of the Project implementation, management and monitoring, including operation and maintenance of vehicles, office equipment operation and supplies, communication costs, support for information systems, translation costs, bank charges, travel and per diem costs, office administration costs, and other reasonable expenditures directly associated with the carrying out of the Project, (but excluding consultants' services and salaries of officials of the Recipient's civil service).

   (d) "ISACA" means Information System Audit and Control Association.

   (e) "IT" means information technology.

   (f) "Procurement Plan" means the Recipient’s procurement plan for the Project, dated January 30, 2014, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

   (g) "SAO" means State Audit Office of the Recipient, or any successor thereto.

   (h) "Training" means the reasonable costs, as shall have been approved by the World Bank, for training and workshops conducted under the Project, including, where applicable, participation of selected pilot team members in trainings provided by ISACA, travel and subsistence costs for training and workshop participants, costs associated with securing the services of trainers and workshop speakers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training course and workshop preparation and implementation (but excluding goods and consultants' services).
Article II
Project Execution

2.01.  **Project Objectives and Description.** The objectives of the Project are to: (i) increase competence and skills of the IT auditors leading to the improvement of staff capacity; and (ii) increase audit coverage. The Project consists of the following parts:

**Part I: Development of IT Audit Information System at SAO**

Provision of consultants’ services, goods, and necessary equipment and audit hardware and software to support SAO in development of the information systems for IT audit and preparation of the specifications for a datacenter and the establishment of the information systems infrastructure for IT audit, including: (a) hardware for data storage, hardware for working in the network environment, personal computers for data analysis and monitoring government e-services, data analysis software, forensic audit software, network scanning software; and (b) generalized/specialized audit software.

**Part II: Capacity Development of SAO Audit Staff**

Carrying out capacity building activities, including provision of Training to develop IT audit training materials, IT Audit Manual and IT audit methodology, and to conduct pilot IT audits.

**Part III: Project Management**

Provision of Incremental Operating Costs, consultants’ services, and goods to support project management activities, including the audit of the Project.

2.02.  **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project, through SAO, in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 (“Anti-Corruption Guidelines”).

2.03.  **Donor Visibility and Visit.** (a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor’s support for the Project.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, take all measures required on its part to enable the representatives of the Donors to visit any part of the Recipient’s territory for purposes related to the Project.

2.04.  **Project Monitoring, Reporting and Evaluation.** (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators acceptable to the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.

2.05.  **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank as part of the Project Report not later than forty five (45) days
after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Such audit of the Financial Statements shall cover the entire period during which the withdrawals from the Grant Account were made. The audited financial statements for such period shall be furnished to the Bank no later than six months after the end of such period.

2.06. **Procurement**

(a) **General.** All goods, non-consulting services and consultants’ services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014) (“Procurement Guidelines”), in the case of goods and non-consulting services; and

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014) (“Consultant Guidelines”), in the case of consultants’ services; and

(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Goods and Non-consulting Services**

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and non-consulting services shall be procured under contracts awarded on the basis of National Competitive Bidding subject to the following additional procedures:
(a) "Open competitive procedures" (i.e. "public tender") shall be the default rule. A single envelope procedure shall be used for the submission of goods, works, or non-consulting services.

(b) Invitations to bid shall be advertised in at least one widely circulated national daily newspaper allowing a minimum of thirty (30) days for the preparation and submission of bids. Advertisements published in foreign language newspapers shall be in compliance with such a 30-day-minimum in number of days for bids preparation and submission.

(c) Bidding shall not be restricted to pre-registered firms. If registration is required, it shall not be denied to eligible bidders for reasons unrelated to their capacity and resources to successfully perform the contract (e.g., mandatory membership in professional organizations, classification, etc). Post-qualification shall be conducted to verify that the bidder has the capability and resources to successfully perform the contract.

(d) Government-owned enterprises in Georgia shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law and are not a dependent agency of the Government. Government-owned enterprises will be subject to the same bid and performance security requirements as other bidders.

(e) Procuring entities shall use the appropriate Bank’s sample bidding documents, including pre-qualification documents, for the procurement of goods, works, or non-consulting services, and such documents shall contain draft contract and conditions of contract including clauses on fraud and corruption, audit and publication of award, all acceptable to the Bank.

(f) Bids shall be opened in public, immediately after the deadline for submission of bids. Bidder’s representatives shall be permitted to attend the bid opening.

(g) Extension of bid validity shall be allowed once only for not more than thirty (30) days. No further extensions should be requested without the prior approval of the Bank.

(h) Evaluation of bids shall be based on quantifiable criteria expressed in monetary terms as defined in the bidding documents, no merit point system and no domestic preference shall be used in the evaluation of bids. Contracts shall be awarded to qualified bidders having submitted the lowest evaluated substantially responsive bid and no negotiations shall be carried out prior to contract award.

(i) Civil works contracts of long duration (e.g. more than eighteen (18) months) shall contain an appropriate price adjustment clause.

(j) No bid shall be rejected purely on the basis that the bid price is higher than the estimated budget for that procurement. All bids shall not be rejected and new bids solicited without the Bank’s prior concurrence.
(ii) The following methods, other than National Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (A) Shopping; B) Direct Contracting.

(d) Particular Methods of Procurement of Consultants’ Services

(i) Except as otherwise provided in sub-paragraph (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Selection under a Fixed Budget; (C) Least Cost Selection; (D) Selection based on Consultants’ Qualifications; (E) Single-source Selection of consulting firms; and (F) Selection of Individual Consultants.

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

(f) Special Provision. The World Bank will visit the SAO once a year to carry out post-review of procurement actions.

2.07. Any contract for Eligible Expenditures to be financed in full or in part out of the proceeds of the Grant shall be included in the procurement plan prepared and updated from time to time by the Recipient and approved by the Bank in accordance with the paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”) prior to initiating the procurement process for any such contract.

Article III
Withdrawal of Grant Proceeds

3.01. Eligible Expenditures. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to the Category, and the percentage of expenditures to be financed for Eligible Expenditures in the Category:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods (except for Part I (b)) of the Project, non-consulting services (including audit), consultants’ services, Incremental Operating Costs, and Training under the Project</td>
<td>500,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>500,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is 3 years after the date of countersignature of this Agreement by the Recipient.

### Article IV

**Effectiveness; Termination**

4.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the conditions specified below have been satisfied:

(a) the financial management manual acceptable to the Bank has been prepared and adopted by SAO; and

(b) part-time financial management consultant with qualification and terms of reference acceptable to the Bank is procured by SAO.

4.02. Except as the Recipient and the World Bank shall otherwise agree, the date on which this Agreement shall enter into effect shall be the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 4.01 of this Annex. If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

4.03. **Termination for Failure to Become Effective.** This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date one hundred twenty (120) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.
Article V
Recipient’s Representative; Addresses

5.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the General Auditor.

5.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

    State Audit of Georgia
    N96, Saint Queen Ketevan Ave. 0144
    Tbilisi, Georgia

    Phone: (+995 32) 243 81 01
    Fax: (+995 32) 243 81 01

5.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

    International Bank for Reconstruction and Development
    International Development Association
    1818 H Street, N.W.
    Washington, D.C. 20433
    United States of America

    Cable: INTBAFRAD
    Telex: 248423 (MCI) or 64145 (MCI)
    Facsimile: 1-202-477-6391

    INDEVAS
    Washington, D.C.