



საპენსიო სააგენტო
PENSION AGENCY



საჯარო სამართლის იურიდიული პირი საპენსიო სააგენტო
Pension Agency, Legal Entity of Public Law

N 648
29/05/2020

648-შ-2-202005291149



KPMG Georgia LLC

5th floor, GMT Plaza
4 Liberty Square
Tbilisi, Georgia

29 May 2020

Dear Sirs,

This representation letter is provided in connection with your audit of financial statements of LEPL Pension Agency ("Agency") for the year ended 31 December 2019, which comprise the statement of financial position as at 31 December 2019, the statements of financial performance, changes in net assets, cash flows and comparison of budget and actual amounts for the year then ended and the notes, comprising significant accounting policies and other explanatory information ("the financial statements"), for the purpose of expressing an opinion as to whether these financial statements are presented fairly, in all material respects in accordance with International Public Sector Accounting Standards (IPSASs):

We confirm that the representations we make in this letter are in accordance with the definitions set out in the Appendix A to this letter.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated 12 February 2020 for the preparation and fair presentation of the financial statements in accordance with IPSASs.
2. Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

3. All events subsequent to the date of the financial statements and for which IPSASs require adjustment or disclosure have been adjusted or disclosed.
4. No uncorrected misstatements were identified as a result of audit.

Information Provided

5. We have provided you with:
 - access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to persons within the Agency from whom you determined it necessary to obtain audit evidence.

6. All transactions have been recorded in the accounting records and are reflected in the financial statements.

7. We confirm the following:

- i) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix A to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

- ii) We have disclosed to you all information in relation to:

- a) Fraud or suspected fraud that we are aware of and that affects the Agency and involves:

- management;
- employees who have significant roles in internal control; or
- others where the fraud could have a material effect on the financial statements.

- b) Allegations of fraud, or suspected fraud, affecting the Agency's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, we acknowledge our responsibility for such internal control as we determine necessary for the preparation of financial statements that is free from material misstatement, whether due to fraud or error. In particular, we acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

8. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements, including laws and regulations related to combatting corruption, combatting bribery of foreign public officials in international commercial operations. Further, we have disclosed to you and have appropriately accounted for and/or disclosed in the financial statements in accordance

with IPSASs all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

9. We have disclosed to you the identity of the Agency's related parties and all the related party relationships and transactions of which we are aware and all related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IPSASs.
10. Included in the Appendix A to this letter are the definitions of both a related party and a related party transaction as we understand them and as defined in IPSAS 20.
11. We have made an assessment of the Agency's ability to continue as a going concern, taking into account all available information about the future, which under IPSAS 1 Presentation of Financial Statements is at least, but is not limited to, twelve months from the end of the reporting period.

Representations Regarding Management Intent and Plans, and Other Information that is Known Only to Management

- i. There are no liens or encumbrances on the Agency's assets.
- ii. The Agency has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, for example debt covenants.
- iii. Management confirm that to the best of their knowledge, there were no incompliance or breaches to any law and regulation requirements by the Agency during 2019 and as of signing date of this management representation letter.
- iv. We have no plans or intentions that may affect the carrying amount or classification of assets and liabilities.

Representations Regarding Title to Assets, Classification and Carrying Amount of Assets, and Impairment of Assets

- i. The Agency has satisfactory title to all assets.

Representations Regarding Exposures to Risks Arising from Financial Instruments

- i. We confirm that we have disclosed information relating to the Agency's exposures to risks arising from financial instruments that is adequate to enable users to evaluate the nature and extent of those risks to which the Agency is exposed at the end of the reporting period, in accordance with IPSAS 15, including the exposures to risks and how they arise, our objectives, policies and procedures for managing the risks, the methods used to measure risks, and a summary of quantitative data about our exposure to risks.

Representations Regarding Fair Values of Financial Assets and Financial Liabilities

- ii. We believe the assumptions and techniques used by us are appropriate and that all fair value measurements are determined in accordance with IPSAS.
- iii. In circumstances where the fair value of a financial asset or liability at initial recognition is different from the transaction price, we have immediately recognised a gain or loss equal to the difference in the income statement if and only if the fair value measurement is evidenced by a quoted price in an active market for an identical asset or liability, or is based on a valuation technique that uses only data from observable markets. If the fair value

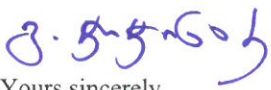
measurement at initial recognition does not meet either of these conditions, then the difference is deferred and subsequently recognised as a gain or loss only to the extent it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

- iv. We have appropriately disclosed fair values of financial assets and financial liabilities in the financial statements in accordance with IPSAS. We believe the disclosures appropriately categorise those fair value measurements in the fair value hierarchy.
- v. We have disclosed the methods and assumptions applied in determining the fair values of each class of financial instrument.

Other Representations

Functional Currency

- vi. We have considered which currency is the currency of the primary economic environment in which the Agency operates (the “functional currency”). In making this assessment, we have used our judgment to determine the functional currency that most faithfully represents the underlying transactions, events and conditions of the Agency. We have concluded that the functional currency of the Agency is Georgian Lari.
- 12. Revenue from non-exchange transactions on services and non-current assets are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Agency and is stated at fair value at the date of transactions.
 - 13. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements. We believe that the carrying amounts of all material assets will be recoverable.
 - 14. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent.
 - 15. In our opinion, there are no pending or threatened litigation and claims against the Agency that would have material effect on the financial statements.
 - 16. Except as disclosed in the financial statements, there are no:
 - a) other gain or loss contingencies or other liabilities that are required to be recognized or disclosed in the financial statements;
 - b) other matters that may have a material impact on the financial statements.
 - 17. We have disclosed possible impact relating to COVID 19 pandemic in the financial statements. We confirm that assumptions use in the assessment of effect of COVID 19 are accurate at the moment financial statements are authorized for issue. Information is disclosed in the note 10 of the financial statements.


Yours sincerely,
Acting Director



Appendix A to the Management Representation Letter of the Pension Agency

Financial Statements

IPSAS 1.21 states that a complete set of financial statements comprises:

- a statement of financial position;
- a statement of financial performance;
- a statement of changes in net assets/equity;
- a cash flow statement;
- when the entity makes publicly available its approved budget, a comparison of budget and actual amounts either as separate additional financial statement or as a budget column in the financial statements;
- notes, comprising a summary of significant accounting policies and other explanatory notes; and
- comparative information in respect of the preceding period.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IPSAS 1.7 state the following:

“Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.”

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure. [IFAC Glossary of Terms].

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- (a) was available when financial statements for those periods were authorized for issue; and
- (b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to “management” should be read as “management and, where appropriate, those charged with governance”.

Related party and Related Party Transactions

Related party

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IPSAS 20 *Related Party Disclosures* as the “reporting entity”).

- a) A person or a close member of that person’s family is related to a reporting entity if that person:
 - (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
 - i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - iii) Both entities are joint ventures of the same third party.
 - iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - vi) The entity is controlled, or jointly controlled by a person identified in (a).
 - vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Related party transactions - A transfer of resources or obligations between a reporting entity and a related party, regardless of whether a price is charged. Related party transactions exclude transactions with any other entity that is related party solely because of its economic dependence on the reporting entity or the government of which it forms part.

გიორგი ჭიჭინაძე



დირექტორის მოვალეობის შემსრულებელი

