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## **AUDIT REPORT**

### **FINANCIAL STATEMENTS OF THE REGIONAL ANTI-CORRUPTION INITIATIVE SECRETARIAT 01<sup>st</sup> January 2011 – 31<sup>st</sup> December 2011**

Donor:	Regional Anti-corruption Initiative Member Countries
Grants recipient:	Regional Anti-corruption Initiative Secretariat
Country:	Bosnia and Herzegovina
Audit Framework Contract:	Contract signed on September 17, 2012
Auditor:	NGO and Business Audit, d.o.o. Sarajevo
Period subject to audit:	January 01 – December 31 2011
Dates of audit fieldwork:	September 17 - 28, 2012

**Sarajevo, September 2012**

## 1. Basic introduction

In terms of the scope of work identified in Scope of the Audit for Audit Contract between Regional Anti-corruption Initiative (RAI) Secretariat and "NGO and Business Audit", d.o.o. Sarajevo, of September 17th, 2012, and also in terms of the provisions contained in the Memorandum of Understanding concerning Cooperation in fighting corruption through the South Eastern European Anti-corruption Initiative, as of April 13, 2007, as well as Regional Anti-corruption Initiative (RAI) Secretariat's Work Plan 2010-2011 and Approved Budget 2011, we carried out an audit of the transactions pertaining to the Regional Anti-corruption Initiative Secretariat's (furtherinafter: RAI Secretariat) activities in the period from January 01, – December 31, 2011. The period of the audit procedures ranges from September 17th – 28th 2012.

The basic goals to be achieved through the audit assignment are to verify:

- that funds from the Regional Anti Corruption Initiative (furtherinafter: RAI) Donors<sup>1</sup> are kept in a separate account and that authorized persons act as signatories,
- that the financial reporting has occurred in relation to the budget approved by RAI Donors and contains statements of any deviations,
- that the RAI Secretariat has followed its internal policies, rules and regulations,
- that the RAI Secretariat complies with BH legislation in all aspects of its operations.

The audit is to be carried out in accordance with ISA (International Standards on Auditing), the Memorandum of Understanding concerning Cooperation in fighting corruption through the South Eastern European Anti-corruption Initiative, Zagreb 2007 (furtherinafter: Memorandum) and BH Legislation.

The requirement is for audit assurance report (audited financial statement) that the funds provided by RAI Donors have been allocated and used in accordance with the budgetary provisions.

## 2. Scope of the Audit

The audit required by RAI stipulates such tests deemed necessary to give reasonable assurances that the Income and Expenditures reported by RAI Secretariat's Financial Statements are bona fide and have been incurred in accordance with the Memorandum.

The auditor shall make a special examination to ascertain that:

1. Donors funds are kept separately in a separate bank account,
2. The financial report to Member Countries is made against the budget approved and contains explanations for any deviations,
  - a) The auditor verifies that the report against the budget corresponds with the accounts and thus provides a true and fair view.
  - b) The auditor verifies that explanations of deviations from budget are provided and that the explanations are not contradicted by other parts of the report or by any other information possessed by the auditor on the audited organization.
3. The RAI Secretariat has internal regulations in respect of procurements and has followed these regulations in its procurements.
4. The RAI Secretariat complied with BH Legislation relating payment of salaries.

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<sup>1</sup> Donors are Regional Anti-corruption Initiative Member Countries

### 3. Independent auditors opinion

#### Introduction

We have audited the financial statements of the Regional Anti-corruption Initiative (RAI) Secretariat's activities in the period from January 01– December 31, 2011. Project management drew up the financial statements and therefore the financial statements are the responsibility of the project management. Our responsibility is to express an opinion on the financial statements based on our audit.

#### Scope

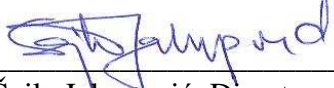
Our audit was carried out in accordance with generally accepted audit standards. According to these standards, an audit should be planned and implemented in such a way as to make it reasonably certain that the financial statements contain no substantive errors. An audit includes an examining, on a test basis, evidence supporting the amounts and the explanatory notes in the financial statements. It also evaluates the principles of financial reporting used in drawing up the financial statements and any significant estimates made by the Project management, and assess the overall impression made by the financial statement.

#### Opinion

We believe that our audit forms an adequate basis for our opinion. In our opinion, the financial statements presents a true and fair view of the amount and composition of the balance of operating income and expenses for Project in terms of the provisions contained in the Memorandum of Understanding concerning Cooperation in fighting corruption through the South Eastern European Anti-corruption Initiative, as of April 13, 2007, as well as Regional Anti-corruption Initiative (RAI) Secretariat's Work Plan 2010-2011 and Approved budget for 2011.


Sarajevo, September 28<sup>th</sup>, 2012

NGO and Business Audit d.o.o

  
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Šejla Jakupović, Director



Authorized Auditor:

  
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Ismeta Čardaković, Bsc oec

## 4. Findings

We performed audit procedures with all tests as needed. Our findings are as follows:

**1. Project expenditures** - Project expenditures are made in accordance with the RAI Secretariat's activities and approved budget. Project expenditures are valid and supported by adequate documentation.

**2. System of internal controls** - An appropriate system of internal controls has been incorporated into the project and may be relied upon. The accounting system, internal procedures, internal control and documentation are in general adequate.

RAI Secretariat has adequate internal structure with clear segregation of duties. All the project documentation was correctly presented.

The fund disbursements were properly approved and documented, and the reporting system of RAI Secretariat is in compliance with accounting standards and RAI Secretariat's Office Policies.

**3. Financial Reports** – This audit confirms that the project's financial accounting and reporting is in compliance with Generally Accepted Accounting Standards.

All accounts are kept separately for each project as defined in the budget, and they are kept in accordance with planned reporting schedules.

All amounts reported are in accordance with the books of accounts and have been correctly classified in accordance with approved budget.

All expenses, coming from the Donor are recorded in RAI Secretariat's accounting system, give correct and reliable evidence about all transactions within the RAI Secretariat.

RAI Secretariat is using Euro as reporting currency while spending currency is BAM.

BAM transactions are translated into €. Exchange rate is 1€ = 1,95583.

**4. Governing Clauses for Agreement** - The project costs are appropriate to the objectives and the size of the RAI Secretariat's activities. RAI Secretariat has satisfied in every substantive respect the conditions of the Policies and Decisions governing its functioning and organization.


**5. Procurement procedures** - Applied procedures are in compliance with local rules and regulations.

Following on from the above, we verify that the RAI Secretariat has adequately implemented planned activities and as a result we did not identify any major weaknesses in the internal control and accounting systems. Still, we would like to emphasize the importance of the continued operation and supervision of these controls, at the high level which this is currently being done.

Sarajevo, September 28<sup>th</sup>, 2012

Sincerely yours,

NGO and Business Audit doo

  
Šejla Jakupović, Director



Authorized Auditor

  
Ismeta Čardaković, Bsc oec