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## **AUDIT REPORT**

### **FINANCIAL STATEMENTS OF THE REGIONAL ANTI-CORRUPTION INITIATIVE SECRETARIAT 01<sup>st</sup> January 2012 – 31<sup>st</sup> December 2012**

Donor:	Regional Anti-corruption Initiative Member Countries
Grants recipient:	Regional Anti-corruption Initiative Secretariat
Country:	Bosnia and Herzegovina
Audit Framework Contract:	Contract signed on March 20 <sup>th</sup> , 2013
Auditor:	NGO and Business Audit, d.o.o. Sarajevo
Period subject to audit:	January 01 – December 31 2012
Dates of audit fieldwork:	March 20 – April 02, 2013

**Sarajevo, April 2013**

## 1. Basic introduction

Regional Anti-corruption Initiative (RAI) Secretariat (furtherinafter: RAI Secretariat) engaged Audit Company NGO and Business Audit, Sarajevo in order to conduct financial audit of the RAI Secretariat's activities in the period from January 01– December 31, 2012. Regional Anti-corruption Initiative (RAI) Secretariat's activities were funded by Regional Anti-corruption Initiative Member Countries.

The audit is to be carried out in accordance with ISA (International Standards on Auditing), and in accordance with 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 2012 and Approved Budget 2012.

The period of the audit procedures ranges from March 20th – April 02nd 2013.

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.

## 2. Scope of the Audit

The audit is of all receipts and expenditure of RAI Secretariat, for the period January 01– December 31, 2012 which are attributable to the Member Countries contributions.

The audit required by the RAI Secretariat stipulates such tests deemed necessary to give reasonable assurances that the Income and Expenditures reported in the Financial Statements are bona fide and have been incurred in accordance with the Regional Anti-corruption Initiative (RAI) Secretariat's Work Plan 2012 and Approved budget for 2012.

The auditor shall evaluate and comment on internal control with regard to its existence, effectiveness and adequacy to produce correct, true and fair accounts and to safeguard the assets.

In general, the following areas should always be evaluated:

- monitoring of expenditure in the context of the budgets;
- cash and bank disbursements to pay for received goods and services;
- adequacy and effectiveness of the partner's procedures for controlling programme activities, for example in the context of approved budgets;
- that amounts reported in the financial reports to are in accordance with the books of accounts and have been correctly classified in accordance with the budget.

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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, 2012. RAI Secretariat's management drew up the financial statements and therefore the financial statements are the responsibility of the management. Our responsibility is to express an opinion on the financial statements based on our audit.

#### Scope

Our audit is 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 RAI Secretariat's 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 present a true and fair view of the amount and composition of the balance of operating income and expenses for RAI Secretariat's 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 2012 and Approved budget for 2012.

Sarajevo, April 02<sup>nd</sup> 2013

NGO and Business Audit d.o.o

  
Šejla Jakupović, Director



Authorized Auditor:

  
Ismeta Čardaković, Bsc oec

#### 4. Findings

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

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

**2. System of internal controls** - An appropriate system of internal controls has been incorporated into the RAI Secretariat 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 supporting 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 financial accounting and reporting is in compliance with Generally Accepted Accounting Standards.

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

All incomes, coming from the Regional Anti-corruption Initiative Member Countries 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 currencies are BAM and Euro. BAM transactions are translated into €. Exchange rate is 1 € = 1,95583 BAM.

**4. Governing Clauses for Agreement** - The disclosed 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.

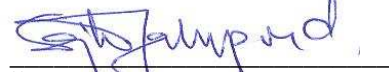
#### 5. Final note -

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, April 02<sup>nd</sup> 2013

Sincerely yours,

NGO and Business Audit doo



Šejla Jakupović, Director



Authorized Auditor



Ismeta Čardaković, Bsc oec