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Audit Report

to

**the Steering Group of
the Regional Anti Corruption Initiative (RAI) Secretariat**

Sarajevo, February 2010

1. Basic introduction

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

- that funds from the Regional Anti Corruption Initiative (furtherinafter: RAI) Donors¹ 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

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, signed in Zagreb on April 13, 2007 (furtherinafter: MoU)

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 MoU.

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.

3. Audit Steps

The auditor will undertake audit steps as following:

1. Check that the audited RAI Secretariat's report to Member Countries follows the MoU and approved budget.
2. Check that the costs reported by the RAI Secretariat to Member Countries correspond with those in the accounts;
3. Check that the costs are made in accordance with the approved budget;
4. Check that the costs are valid and supported by adequate documentation.
5. Check that there is underlying documentation for the costs that the RAI Secretariat reports to the Member Countries.

¹ Donors are Regional Anti-corruption Initiative Member Countries

6. Check that interest earned by the RAI Secretariat has been reported.
7. Check that unutilized funds have been reported.
8. Check that an appropriate system of internal controls has been incorporated into the RAI Secretariat operations and may be relied upon.

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 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 RAI Secretariat's operations and may be relied upon.
3. Governing Clauses for Agreement: RAI Secretariat has satisfied in every substantive respect the conditions of the MoU with Member Countries.
4. 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 weaknesses in the internal control and accounting systems.

Sincerely yours,

NGO and Business Audit


Ismeta Čardaković, Director

