

**MERFI**

Društvo za finansijsku reviziju d.o.o. Sarajevo  
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**INDEPENDENT AUDITORS' REPORT ON  
REGIONAL ANTI-CORRUPTION INITIATIVE (RAI) -  
SECRETARIAT  
SPECIAL PURPOSE FINANCIAL STATEMENTS  
01 JANUARY 2014 - 31 DECEMBER 2014**

**with**

**REPORT ON FACTUAL FINDINGS**

**January 2015**

**I. INDEPENDENT AUDITOR'S OPINION**  
**to the Steering Group of the Regional Anti-Corruption Initiative (RAI)**

**Introduction**

We have audited the accompanying Regional Anti-Corruption Initiative (RAI) - Secretariat (furtherinafter: Secretariat) financial statements for the period January 01 2014 – December 31, 2014. Secretariat's Management is responsible for the preparation of the financial statements and for such internal control as management determines is necessary to enable the preparation of a statement that is free from material misstatement, whether due to fraud or error. Our responsibility is to express an opinion on the statement based on our audit.

**Scope**

We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require reasonable assurance whether the statements are free from material misstatement. Also, we conducted our audit in accordance with External Audit Terms of Reference which makes an integral part of this Audit Report and are given as Annex 1. The audit included examining the evidence supporting the amounts and disclosures in the financial statements whereby the supporting documents were verified and earmarked. The audit also included assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the attached financial statements present fairly, in all material respects, the expenditure of Euro 212.952,52 incurred by the Regional Anti-Corruption Initiative (RAI) - Secretariat activities for the period January 01, 2014 – December 31, 2014.

Furthermore, in our opinion, the financial statements of the RAI Secretariat's activities for the period from January 01, 2014– December 31, 2014 are prepared, in all material respects, in compliance with the financial reporting provisions of the Secretariat's Financial Management Manual and adhere to the conditions as set forth in the Secretariat's ToR, work plan and approved budget.

Finally, based on our audit, nothing has come to our attention that causes us to believe that:


- the Internal Control System (ICS) is not adequately or effectively organized and applied
- the mandate execution is not in conformity with the mandate objectives and does not adhere to the donors' requirements
- the business is not economically conducted and the financial resources are not effectively used.

**Sarajevo, January 30, 2015**  
**MERFI d.o.o. Sarajevo**  
**Porodice Ribar 37**  
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**Azra Krajšek, Director**



**Licensed Auditor:**

  
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**Adnan Mataradžija**  
**License No: 3090017116**

## PROCEDURES PERFORMED AND FACTUAL FINDINGS

We performed the review field work in the period from January 26, 2015 – January 30, 2015.

### 1. Documents of reference:

We reviewed:

- Memorandum Of Understanding Concerning Cooperation In Fighting Corruption Through The South Eastern European Anti- Corruption Initiative signed on April 13, 2007, in Zagreb, Croatia
- Protocol Amending the Memorandum of Understanding Concerning Cooperation in Fighting Corruption Through the South Eastern European Anti- Corruption Initiative
- MoU - Annex 1, Institutional Mechanism (Last Update: February 2014)
- Regional Anti-corruption Initiative Strategic Document (Last Update: February 2014)
- Annex 4 to RAI Strategic Document, Work Plan 2014 – 2015
- Regional Anti-Corruption Initiative 19th Steering Group Meeting Summary, Conclusions and Decisions, Skopje, Republic of Macedonia, November 26, 2014
- Regional Anti-Corruption Initiative Secretariat Terms of Reference (Last Update: January 2014)
- Office Policy Manual of the Regional Anti -corruption Initiative (RAI) Secretariat (Last Amendment: February 2014)
- Financial Management Manual of the Regional Anti -corruption Initiative (RAI) Secretariat (Last Amendment: February 2014) Expenditure supporting documentation:
  - ✓ Petty Cash Vouchers
  - ✓ Money Advance Forms
  - ✓ Travel Request Forms
  - ✓ Travel Claim Forms
  - ✓ Hospitality Expense Forms
  - ✓ Purchase Requisition Forms
  - ✓ Receipts
  - ✓ Invoices
  - ✓ Contracts
  - ✓ Collective time sheet
  - ✓ Employee Time Sheet
  - ✓ Pay slips
  - ✓ Bank Statements

### 2. General information on auditee

#### Mission of the Secretariat

The Regional Anti-corruption Initiative gives impetus to the fight against corruption in South East Europe by building on existing actions, through better coordination of all efforts, and by relying on high level political commitment. Its objective is to assist and support the countries of the region to adopt efficient legislation, to establish effective institutions and to develop best practices in civil society for a joint sustained fight against corruption.

The Regional Anti- Corruption Initiative (RAI) - Secretariat (“Secretariat”) is the executive body of the initiative and serves as the main focal point and reference Centre for interaction and coordination on anti-corruption issues among the representatives from the regional states, and between the regional states and the other international partners.

According to the Working Plan and upon to the decision of the Steering Group, the Secretariat organizes anti-corruption regional meetings, including specialized trainings, and regional information exchange through its web site. Sarajevo based Anti-corruption Secretariat serves as the Centre for regional anti-

corruption cooperation in South Eastern Europe through coordination, facilitation and dissemination of best practices and lessons learned.

### **Specific Objectives**

The Secretariat coordinates and provides general administrative support for regional training activities. It coordinates, in the regional level, anti-corruption public awareness activities. The Secretariat also serves as a multidisciplinary regional Anti-corruption Resource Centre for SEE and network for information and expertise exchange by providing a platform of interaction among relevant regional and international actors.

### **Human Resources**

The Secretariat's staff consists of experts from the member countries. Core staff members of the Secretariat include Head of the Secretariat, Anti-corruption Experts, and Administrative Staff. In addition, the Secretariat offers internship opportunities for the member countries' candidates having a priority in selection, as well as for candidates from other non-member countries.

In general, the Steering Group expects that the Head of the Secretariat and the Anti-corruption Experts will be proposed by the member countries. The Administrative Staff is appointed through open recruitment procedures on the local level which ensure the principle of equal opportunities. All regional states shall have the opportunity to be represented in the Secretariat. The nominations for the Secretariat international staff will be submitted to the Chairperson and Steering Group for final approval. The Steering Group will assess the qualifications and experience of each candidate and select the most appropriate candidate for the proposed position. Initial appointment for the Head of the Secretariat and Anti-corruption Experts will be for two years, subject to renewal upon approval by the Steering Group. Secretariat's international staff shall be subject to periodic review of their performance by the Regional Anti-corruption Initiative Chairperson and the Steering Group. The term of appointment for the resident staff will depend on the assessment of work performance by the Head of the Secretariat.

### **Legal status**

The Secretariat is registered under its current name with Federation of Bosnia and Herzegovina Ministry of Finance on March 20, 2009 under tax number: 4200913470005. Also, on March 20, 2009 Secretariat is registered with Federation of Bosnia and Herzegovina Bureau of Statistics, Sarajevo as an extraterritorial organization with activity code 99.000.

The legal status and privileges or immunities of the Secretariat's international staff is governed by the provisions of the Agreement made between the Government of Bosnia and Herzegovina (BiH) and the Stability Pact, signed in Brussels on September 15, 2003.

BiH national staff will not enjoy any form of privileges or immunities normally accorded the diplomatic or administrative and technical (A&T) staff of an embassy or international organization.

The Secretariat is committed to compliance with all applicable BiH laws, including any pertaining to health and safety, non-discrimination and affirmative action. Any questions regarding existence or applicability of bilateral agreements and BiH laws, conflicts of the Secretariat's policy with applicable law, or rights and responsibilities under the law should be brought to the attention of the Head of the Secretariat.

### **Steering Group**

The Steering Group is the decision-making body of the Regional Anti-corruption Initiative. It is composed of high level representatives of South Eastern European (SEE) member countries. Other countries, international organizations or international financial institutions could join the organization or be granted an observer status.

Currently, it is composed of representatives of 9 SEE member countries (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Moldova, Montenegro, Romania, and Serbia).

The Steering Group meets at least once per year and whenever necessary. Meetings are chaired by the RAI Chairperson who is elected from the region by the Steering Group. The activities of the Steering Group are supported by the Executive body of the initiative, the Secretariat, which is based in Sarajevo, Bosnia and Herzegovina.

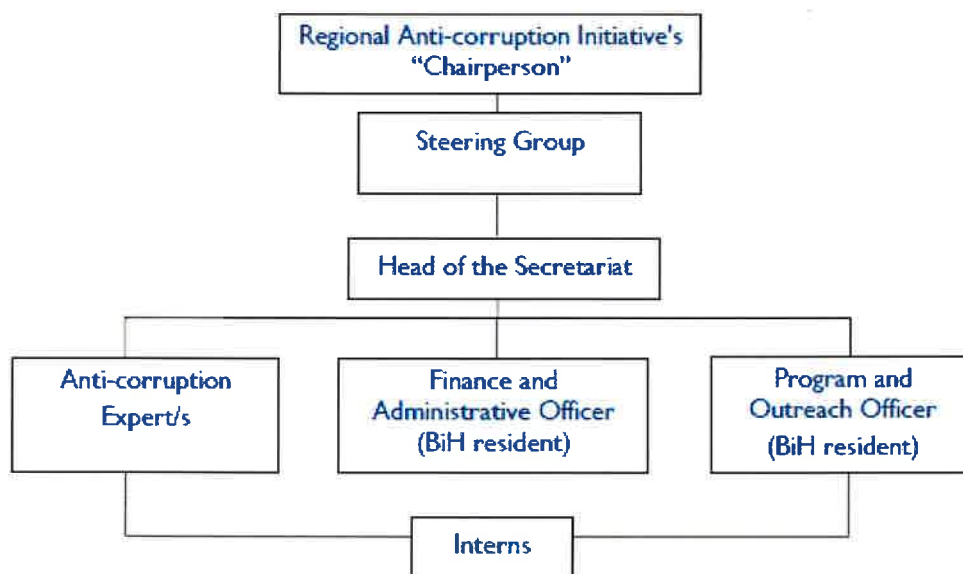
The Steering Group is the leading body of the Regional Anti-corruption Initiative. It makes decisions which are to be executed by the Secretariat of the organization with the support of the relevant national or international stakeholders.

RAI Steering Group Competence:

- Proposes, amends and approves the leading documents related to the status and the activities of the organization: Strategic Document, Terms of Reference of Chairperson and Secretariat, Work Plans;
- Approves the election or the renewal of mandate for the Regional Anti-corruption Initiative Chairperson, Head of the Secretariat and Anti-corruption expert(s), upon proposals made by member states;
- Approves RAI annual operational and programmatic budget;
- Approves its activity and financial reports.

### Lines of accountability

Following organizational chart illustrates lines of accountability:



### 3. Financial regularity

#### Secretariat's activity related matters:

- Available vendors' invoices for procured goods are supported with valid delivery notes.
- Budget funds are managed through bank accounts opened for activity implementation
- All invoices are paid upon Head of the Secretariat or his delegate approval and signature.
- Funds received for the activity as recorded in the Secretariat's books are reconciled with the bank statements.
- Secretariat performs yearly inventory of the goods representing its property and maintains an accurate inventory of all office equipment and furniture a value of 350 EUR or more. The list is updated at the time that a new item is purchased or an item is disposed of.  
Items with no fair market value are disposed.  
Signed statements from the organization certifying receipt of the donated items are provided.
- Expenditures are allocated in conformity with the agreed budgets;
- Service Agreement with Admir Škaljić is not in conformity with local legislation currently in force (i.e. Law on Personal Income Tax)
- There were no recommendations from previous audit reports.

#### Accounting related matters:

- Secretariat maintains its books in Excel spreadsheet and records economic events and transactions in a timely manner.
- Accounting entries are correct, arithmetically exact and based on valid supporting documentation.
- Financial statements (i.e. Expense Report Cover Sheet, Detail Expense report, Summary Monthly Financial report and Reconciliation Sheet - Incomes / Costs ) are maintained in compliance with the financial reporting provisions of the Secretariat's Financial Management Manual.
- Secretariat's revenue (country members' transfers to the Secretariat bank account is booked correctly.  
Contingency reserve funds in the amount of EUR 40.000 are transferred on December 19, 2014 to the separate bank account as a term deposit for six months period starting from December 19, 2014. This bank account is interest bearing. Yearly interest in the amount of 0,5%.  
Reconciliation of balances of cash in hand and in banks with the Reconciliation Sheet - Incomes / Costs is performed regularly.
- The accounting system in use responds to the needs of the Secretariat as a management tool, particularly as concerns cost analysis;
- All expenditures tied to Secretariat's staff (rent, travel expenses, allowances, social security benefits, etc) are eligible;
- The Secretariat provides its staff with the official phone numbers and makes the monthly reimbursement according to the bills, only for the official phone calls.
- For business travelling purposes the Secretariat's staff is reimbursed with funds to cover transportation, lodging and meals/incidental expenses (per diem).

### 4. Existence, adequacy and effectiveness of the Internal Control System,(ICS)

- Secretariat has designed effective financial internal control that ensures effectiveness of financial accounting and reporting processes, documentation validity, payment liquidation and exactness.
- Existing supporting documents are reconciled with the figures recognized in financial statements. Bank payment procedures, cash operation procedures and budget monitoring are performed regularly.
- Segregation of duties is established in compliance with the valid lines of accountability.
- Employment contracts of the Secretariat staff are accompanied with the ToRs for their positions.
- Employee Personal File contains: a valid copy of passport or identity document; a copy of CV; copy(ies) of diploma(s) or certificate(s); a copy of the job description of the employee; the employee's application; the employee's authorization for reference checks; the present employee's

contract; a signed letter noting that the employee has read, understands and will abide by the employer's applicable Policies and rules; the employees address and useful contact information according to the approved form.

- International diplomatic staff is register with the BiH Ministry of Foreign Affairs and obtained a diplomatic ID card.
- Procedures for asset safeguard are regulated by the Office Policy Manual and followed in the implementation of the activities.

#### 5. Conformity with the Secretariat ToR and adherence to the work plan

- Transactions, expenditures and receipts compared with the basic documents (terms of reference, work plan, contracts, budget etc.) are in agreement with the Secretariat ToR.
- Goods purchased with allocated funds are utilized within the defined Secretariat's objectives and are still available in conformity with the procedures defined in the Office Policy Manual;
- The expenditures correspond to the agreed budgets.

#### 6. Economical conduct of business and effective use of financial resources

- Financial resources are utilized for the activities, as stipulated in the work plan and terms of reference, always ensuring an appropriate level of cost and benefits;
- Expenditures are in line with the agreed budget positions;  
As a Diplomatic Mission, the RAI Secretariat is exempted from BiH tax law. According to the local tax procedures, the Secretariat is reimbursed retroactively for all VAT amounts paid through the purchases that were made. The application for reimbursement of VAT refers to all purchases of goods with the value above 200 KM (approx. 100 EUR), including the VAT amount. VAT reimbursements are reported within the financial reports.
- Adequate bid and purchasing procedures exist, best cost/benefit ratio for materials and services, conformity of price offers with local practices and cost levels exist.
- Expenditures of local and foreign experts/consultants (i.e. travel expenses, accommodations, allowances etc.) are eligible.
- Expenditures related to national staff (gross salary, social and pension contributions, income taxes etc.) are eligible.

Sarajevo, January 30, 2015

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