



NGO and Business Audit d.o.o. Sarajevo
Audit and Consulting Company

AUDIT REPORT
For Project:
“Agriculture –Agribusiness Microenterprise Development in BiH”

Implemented by Citizens’ Association “Nesto Vise”, Bosnia and Herzegovina
Financed by U.S. departement, USAID Sarajevo

Sarajevo, November 2014

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1. Introduction

Citizens' Association "Nesto Vise", Bosnia and Herzegovina (hereinafter: Association "Nesto Vise"), signed a grant agreement with USAID Bosnia (hereinafter: USAID) on September 18th 2013, Fixed Obligation Grant (FOG) No. AID-168-F-13-00002. The purpose of the FOG was to fund the Project "Agriculture –Agribusiness Microenterprise Development in BiH".

The Project is supposed to be implemented in the period of September 18th 2013-September 17th 2016.

Association "Nesto Vise" signed the Audit Contract with audit company NGO and Business Audit, d.o.o. Sarajevo, on October 31st 2014. NGO and Business Audit d.o.o Sarajevo will carry audit of the financial operations of Project "Agriculture –Agribusiness Microenterprise Development in BiH". Subject of audit is the first year of project implementation i.e September 18th 2013 - September 17th 2014.

The period of the audit procedures ranges from November 04th – 17th 2014.

2. Objective and scope of the audit

The purpose of the audit is to obtain sufficient evidences that the financial operations of the Project "Agriculture –Agribusiness Microenterprise Development in BiH" are adequate and in accordance with the provisions of the Grant Agreement with USAID.

The audit will cover project financial management and control in following segments:

- Accounting practice,
- Financial reporting system,
- Authorisation and segregation of duties,
- System, rules and routines for procurement, and
- Existence of (and adherence to) office internal regulations.

The audit will cover the use of funds obtained from USAID only and will not deal with other projects funds used in the audited period.

Audit covers project implementation period September 18th 2013 - September 17th 2014. as the first year of Project implementation, but the financial cut off date as described in Chapter 3.4. of this report is September 30th 2014.

NGO and Business Audit's audits are always conducted in accordance with internationally accepted standards (IAS and ISA) issued by INTOSAI and IFAC. These standards include international standards on auditing and international standards on review engagements.

In addition we will work in accordance with national rules and legislation as well as applicable standards in Bosnia and Herzegovina.

The Audit Team has applied a comprehensive approach in order to collect data for meeting the objectives and ensuring that audit findings, analysis, conclusions and recommendations are based on evidences.

2.1 The Audit team

Association "Nesto Vise" has commissioned external auditor company NGO and Business Audit doo Sarajevo to carry out audit of first year implementation of the Project "Agriculture –Agribusiness Microenterprise Development in BiH". The Audit Team consists of members: Ismeta Čardaković, bch.oec, authorized auditor – *team leader* and Narcisa Nezirević, bch.oec, certified public accountant – *auditor assistants*.

3. General information

3.1 Project “Agriculture –Agribusiness Microenterprise Development in BiH”

Project goal is to strengthen competitiveness of agricultural-agribusiness sector in Herzegovina to effectively compete in market economy.

At the purpose level 1,500 farmers in 10 municipalities of Herzegovina will strengthen their capacity to implement good agricultural practices farming techniques (GAP), undertake drought adaptation measures and introduce new varieties to diversify agricultural production, and 425 persons (farmers and unemployed youth and rural women) receive practical training in modern agricultural practices and are placed in internships and volunteering programs.

Support to MSMEs, farmers and cooperatives in introducing HACCP and GLOBALGAP standards, endmarket needs consultancy, and consultancy in product design and packaging will enable SMEs in agriculture to effectively compete in a market economy. *In situ* counseling of farmers on contemporary farming techniques, drought adaptation, and diversification of production (e.g. new crop varieties that bear earlier or later, better production technologies such as tunnels or green houses, improved irrigation) will derive the benefits of favorable prices for land and labor, good climate and a proximity to EU and other international markets.

Objective 1: To assess current opportunities and challenges in agribusiness sector in Herzegovina.

Objective 2: To enhance the capacity of MSMEs and to strengthen competitiveness of farmers and the workforce, women and youth in particular, through creating the infrastructure to provide intensive, tailor-made capacity building programs.

Objective 3: To establish working partnerships among Agribusiness Centre for Professional Development (ACPD), academia (universities and secondary agriculture schools), employers (MSME’s and cooperatives), farmers, civil society organizations for women and youth (CSO’s) and governmental institutions responsible for agriculture and employment.

3.2 Citizens’ Association “Nesto Vise”, Bosnia and Herzegovina

Citizens’ Association Nesto Vise (Something More) is a non-governmental organization founded in 1997 by a group of young people who had experience in working with civil society organizations throughout Bosnia and Herzegovina (BiH). Association implements programs and projects in more than 70 local communities in Bosnia and Herzegovina.

Mission

“Nesto Vise” motivates positive changes in society by offering opportunities to individuals and groups for formal and informal education, networking, work, joint experiences and helping others, all in order to make competent and responsible leaders who, by believing in themselves and others, foster openness and belonging to their society.

Vision

A Bosnian-Herzegovinian society that is morally responsible and tolerant, and promotes competency, safety and togetherness through mutual care of the individual and the community.

3.2.1 Association Profile

- Name: Citizens' Association „Nesto Vise“
- Offices:
 - Bosnia and Herzegovina, 71000 Sarajevo, Trg Sabora bosanskog no.36
 - Bosnia and Herzegovina, 88000 Mostar, Kardinala Stepinca no.9
 - Bosnia and Herzegovina, 71123 Istočno Sarajevo, Hilendarska no.16
- ID No: 4201540980004
- VAT No: 201540980004
- Business Classification Code according to the Standard Industry Classification: 91.330
- Business Classification Code according to the new Classification KD 2010: 94.99
- Registration Court: last registration – under the Decree issued by the BiH Ministry of Justice, dated July 07th 2013, No. 01/6-52/03-RS
- Executive Director: Aleksandar Bundalo
- Deputy Director: Sanja Đermanovic
- Association Secretary: Dusko Cvjetanovic

3.2.2 Association „Nesto Vise“ Objectives

Objectives of Citizens' Association „Nesto Vise“ are as follows:

- Connecting people from BiH with people from the rest of Europe and the world, and providing opportunities for exchange of experiences,
- Extinction of prejudice and closed systems of values in BiH,
- Professional advancement,
- Work with students and improvement of studying conditions,
- Providing information and resources for postgraduate study in BiH and abroad,
- Protection and improvement of mental health in BiH,
- Improvement of socio-economic living conditions in BiH,
- Providing various forms of assistance to those who are disadvantaged in society,
- Collaboration with European and world associations with similar program orientation,
- Institutional strengthening and development of the association through constant education of employees, introduction of contemporary methods in the workplace, involvement of high quality external collaborators, and creation of partner networks,
- All those goals were determined by association bodies, which are in accordance with the law.

3.2.3 Management bodies

Management bodies of Citizens' Association „Nesto Vise“ are:

- Assembly; and
- Executive Director, Deputy Director and Association Secretary.

Highest governing body of Citizens' Association „Nesto Vise“ is the Assembly. Assembly has 13 members with equal voting rights. Assembly meetings are held at least once a year.

President of Assembly has responsibility to convene meetings. The mandate of the Assembly President lasts four years with possibility of re-election.

Some of the Assembly's responsibilities are:

- Adopting Statute, amendments to Statute, and other internal acts as specified in the Statute,
- Appointing and dismissing the Director, Deputy Director, Secretary and President of the Assembly,
- Adopting the reports prepared by the Executive Director,

- Adopting an annual plan and program of Association,
- Creating financial plan of Association,
- Approving and adopting the annual financial statements,
- Appointing and dismissing the persons authorized to represent the Association, etc.

Executive Director, Deputy Director and Association Secretary are performing executive function of the Association. Each of these posts has its set of responsibilities as described by Association Statute.

3.2.4 Internal Policies and Procedures

Association "Nesto Vise" has developed set of internal policies and procedures and presented it to Auditor:

- Statute,
- Employment book,
- Operational procedures,
- Rulebook on accounting, accounting policies and financial management,
- Rulebook on procurement and allocations of grants,
- Rulebook on the Assembly work.

4. Financial management and control

4.1. Management and organization

Association "Nesto Vise" is an entity that has legal capacity to enter into an agreement with third parties and to enjoy all rights and obligations which may come out from them. The entity is registered in accordance with provisions of Law on Associations and Foundations.

The Statute defines the roles of Association "Nesto Vise" governing and executive bodies. Organizational chart exist and it corresponds to current level of organizational development. The decision making process ensures segregation of duties in regard to authorization of payments, payment execution and recording.

4.2. Accounting practice

Accounting practice presents the routine manner in which the day-to-day financial activities of a business entity are gathered and recorded. It's a method by which its accounting policies are implemented and adhered to on a routine basis, by Association financial staff and Accounting Agency. An accounting practice is to enforce Association "NESTO VISE" accounting guidelines and policies in Rulebook on accounting, accounting policies and financial management.

Below is an overview of basic segments of the accounting practices in Association "NESTO VISE".

4.2.1 Bookkeeping and accounting

Association "NESTO VISE" maintains and keeps books and records that provide adequate and complete evidence of their transactions.

According to Law on accounting and auditing of FBiH, responsibility for accounting and bookkeeping tasks can be carried out by employee or external accounting agency. Association "NESTO VISE" employs two persons in financial department who are working closely with external accounting agency „Moja Agencija“ Sarajevo. Financial director and financial assistant are engaged on basis of employment contract. Accounting agency is responsible for providing guidance to accounting and bookkeeping records in ledgers solely on the basis of the documentation based on incurred transaction. Accounting Agency has employees with licence for certified public accountant and they are responsible for maintaining accounting records in accordance with local rules and legislation.

Accounting agency is using Accounting software which enables accounting records to be maintained as consolidated and per each project implemented during financial period. Accounting records are archived in Association "NESTO VISE" premises.

4.2.2. Incoming documents control

Association "NESTO VISE" Operational procedures define method of treatment of the documentation. All incoming documents are controlled by financial director and financial assistant before being recorded. Accounting and formal control of documents is performed in a manner to check whether the incoming documents and their attachments are duly signed by authorized persons. Signatures have to be legible, and in case that the signature is not legible, then the name and the family name of the signatory need to be legibly written under the signature.

Document control is carried out in such a way that it meets the principle of accuracy (truthfulness) of accounting records. The document is valid only when a third party not involved in a transaction can,

based on the documents, unambiguously and beyond any doubt determine the nature and the volume of a completed transaction.

Incoming documents control in Association "NESTO VISE" is regulated by Operational procedures and Rulebook on accounting, accounting policies and financial management.

Operational procedures clearly describe the processes used for paying via bank account and cash register. Integral part of these procedures is a document "request for payment", created by the Association. Request for payment is used for each expense in business operations. Some of the key elements of this request are: Donor name, name of the project, cost category, cost allocation, method of payment, name of the person who initiated the request, , name of the person who approved request, name of the person who controlled request and other.

Association has determined the exact way on how to create code for each project and the numbering of documentation. These rules are implemented in all type of business activities.

In addition the Association "NESTO VISE" has created "responsibility matrix", where as financial responsibilities of the employees are distributed by type of cost and cash limits.

4.2.3. Bookkeeping deadlines

In accordance with Law on Accounting and Auditing of FBiH the deadline for submission of documents to the accounting unit, in this case Accounting Agency for the purpose of entering in bookkeeping records is generally immediate, that is without holding them in the points from which they should be flowing further such as the intake desk, clearance point, control desk etc., but no later than 3 (three) days from the day of receipt of documents. Furthermore Accounting Agency need to enter documents in bookkeeping records no later than 7 (seven) days after receipt.

Financial assistant is submitting financial documentation to Accounting Agency for bookkeeping no later than 10th day in current month for previous period.

After the transactions are recorded, the supporting documentation is filled in accordance with local legislation rules (incoming invoices, salaries, contracts, cash register etc).

4.2.4 Keeping accounting books and accounting records

Documents to be retained permanently are as follows: annual accounting statements, general ledger, final bill of wages and payrolls, audit reports and all general regulations and decisions pertaining to financial operations.

The retention period for semi-annual and other periodical statements, bookkeeping documents based on which accounting records are made and other statutory and payment documents is minimally 5 (five) years or more in special cases. Accounting documentation need to be stored in the premises of the legal entity or organizational unit of the legal entity in charge for bookkeeping.

Association "NESTO VISE" is keeping accounting books and records in accordance with law regulations. Accounting records are held in Association "NESTO VISE" premises in Sarajevo office.

The data protection also exists. The financial archive is kept at Association "NESTO VISE" premises in hard-copy format. All key financial documents are also kept in electronic format (PDF, Word) at the individual Management PC's, external hard drive, and Dropbox cloud storage (Dropbox is a file hosting service that offers cloud storage, file synchronization, and client software). In this way Association "NESTO VISE" is providing safe backup of all valuable documents (in multiple formats and at multiple locations).

4.2.5. List of assets and liabilities

According to legal requirements, Association "NESTO VISE" is required to perform, at least once a year the update of list of assets and liabilities in order to determine their actual condition, and to reconcile it with accounting records.

Association "NESTO VISE" acts in accordance with these statutory provisions. Association "NESTO VISE" performs regular inventory. The committee for inventory exists, and is responsible for performing manual inventory and preparing inventory report. Association "NESTO VISE" internal procedures on fixed asset management are part of Employment book, but not with sufficiently details in asset descriptions.

Association "NESTO VISE" assets are not ensured with the insurance company or by arrangement with security agency as an additional security measure which would provide protection of assets..

Association "NESTO VISE" uses office premises in Sarajevo and Mostar on the basis of lease agreements. The office premises in Mostar are protected in accordance with agreement signed with firm Sector Security Ltd.

4.2.6. Cash management

The cash management consists of cash receipts and disbursements and cash journal. All cash receipts and disbursements are supported by a document authorizing or ordering the payment or billing (invoices, order).

The cash report is accompanied with the invoice based on which the payment has been made- The cash report is approved by the Financial director. Cash balances are reconciled on daily basis.

Cash payment records are reduced to a minimum and records are maintained individually for each project and consolidated. Cash withdrawals are properly documented.

All individual payments over 500,00 KM must be made through the bank account, except in special cases when it is approved by the Executive Director. Petty cash maximum amount to be kept in Association "NESTO VISE" premises is no more than 5.000,00 KM.

4.2.7. Salary calculation and disbursement

Association "NESTO VISE" employs staff responsible for this project on the following positions:

- Project manager,
- Administration-finance officer,
- Evaluation and monitoring officer,
- Human resource manager,
- Coordinator of training Center unit.

All positions have clear job descriptions and staff members poses necessary qualifications as stated in the Association "NESTO VISE" Employment book.

Salary calculation and disbursement is correct and in accordance with employment contract and local legislation. Accounting Agency enters the electronically forms for salaries and contracts and submits them to Tax Authority regularly. Later on the forms are delivered to Association "NESTO VISE" financial officer by e-mail.

Employees are not allowed to accept gifts from individuals, groups or organizations. This does not apply to gifts that fall into the category of promotional materials such as calendars, diaries, pens and similar. It is strictly forbidden to accept gifts from individuals and legal entities that are potential contractors or beneficiaries of the program of the Association "NESTO VISE".

4.2.8. Business travel expenses

Association "NESTO VISE" does not have internal procedures related to Business travel expenses. Although not required by law, good practice is that an entity has such procedures. These procedures should regulate who is entitled to be reimbursed for a business trip, deductible amount of per diem, types of expenses associated with official travel, per diem rates, permission to use private vehicle for official purposes, advance payment amounting to estimated costs, etc.

The travel costs are disbursed in accordance with provisions as regulated by local law.

4.2.9. Reconciliation

Reconciliation of accounting records with corresponding bank statements and cash statements is to be done at least once a month as good business practise.

Accounting Agency performs reconciliation once a month (after the documentation is handed over for bookkeeping records) between accounting records and bank statements. This is one of the measures aimed to minimize any risk of fund mismanagement and incorrect records.

4.3. Financial reporting system

Association "NESTO VISE" maintains financial records and prepares financial statements in accordance with international reporting standards (IFRS) and legal requirements. Pursuant to BH legislation, Association "NESTO VISE" 's yearly financial statements are submitted to the AFIP– Agency for Financial, Information and Brokers Services.

Association "NESTO VISE" has implemented Project "Agriculture –Agribusiness Microenterprise Development in BiH" funded by USAID Bosnia (hereinafter: USAID), commencement day on September 18th 2013, as agreed by Fixed Obligation Grant (FOG) No. AID-168-F-13-00002.

USAID has sett individual reporting requirements in grant agreements and Association "NESTO VISE" is obligated to obey such requirements. Association "NESTO VISE" staff maintains project and consolidated accounting. Simultaneously, all transactions are recorded into consolidated general ledger maintained by Accounting Agency. Accounting Agency is responsible for maintaining accounting records in accordance with local rules and legislation and for preparing consolidated financial statements.

Documentation is submitted on monthly basis to Accounting Agency for processing. After the transactions have been recorded in accounting, the supporting documentation is filled in accordance with local legislation rules (incoming invoices, salaries, contracts, cash register etc

Financial internal control system is in place. Association "NESTO VISE" developed and adopted Rulebook on accounting, accounting policies and financial management as prescribed by Law on Accounting FBIH and Operational Procedures. These Rulebooks contain all relevant informations when financial reporting system is in case.

4.3.1. Project income

USAID awarded Association "NESTO VISE" the amount of USD 887.624,00 for Project "Agriculture – Agribusiness Microenterprise Development in BiH". Association "NESTO VISE" will contribute the amount of USD 111.881,00 as cost share in this Project.

Payments to the Association "NESTO VISE" are made upon completion of individual milestones per the payment schedule as defined by Grant Agreement on basis of properly prepared vouchers. Vouchers are accompanied with documentation required by USAID specified with each milestone.

Payments are made within 30 days after receipt of a proper voucher and after USAID makes verification of Milestone completion for which payment is requested, whichever is later.

In the audited period the following Milestones associated with the Project “Agriculture –Agribusiness Microenterprise Development in BiH” have been specified by Grant Agreement:

- Milestone 1. - Completion of Work Plan.
- Milestone 2. - Establishment of research teams, Completion of 1st quarterly report.
- Milestone 3. - Establishment of Agribusiness Centre for Professional Development (ACPD), Organized stakeholder focus groups and round tables.
- Milestone 4. - ACPD equipped.
- Milestone 5. - Completion of the 2nd quarterly report.
- Milestone 6. - Completion of two studies.
- Milestone 7. - Completion of two inventories.
- Milestone 8. – Publication of studies and inventories, Completion of 3rd quarterly report.
- Milestone 9. – Conference held.
- Milestone 10. – Completion of annual labour needs, assesment reports.

Individual Vouchers for specified milestones are presented in the table bellow:

VOUCHERS FOR PURCHASES AND SERVICES

USAID: U.S. DEPARTMENT, USAID SARAJEVO

PAYEE'S NAME: Citizens' Association “Nesto Vise”, Bosnia and Herzegovina

CONTRACT NUMBER AND DATE: AID-168-F-13-00002, Sep 18, 2013

NUMBER	ARTICLES OR SERVICES	DATE OF DELIVERY OR SERVICE	AMOUNT - USD
1	Milestone #1	November 12, 2013	70.000,00
2	Milestone #2	December 30, 2013	19.870,00
3	Milestone #3	February 26, 2014	11.845,00
4	Milestone #4	February 26, 2014	28.293,00
5	Milestone #5	May 12, 2014	44.862,00
6	Milestone #6	April 18, 2014	24.460,00
7	Milestone #7	June 3, 2014	47.260,00
8	Milestone #8	July 1, 2014	64.504,00
9	Milestone #9	July 29, 2014	26.492,00
10	Milestone #10	August 25, 2014	13.591,00
	Total		351.177,00

All granted funds during the audited period were transferred to the bank accounts of Association “NESTO VISE”.

Project funds are kept on separate bank account held with Uni Credit bank dd. USAID transferred the funds in 10 (ten) instalments. The transfers were made in USD. All transfers are correctly recorded in accounting records.

Income installments are presented in the table bellow:

INCOME

USAID: U.S. DEPARTMENT, USAID SARAJEVO

PAYEE'S NAME: Citizens' Association "Nesto Vise", Bosnia and Herzegovina

CONTRACT NUMBER AND DATE: AID-168-F-13-00002, Sep 18, 2013

NUMBER	DESCRTIPTION	DATE	AMOUNT - USD
1	Milestone #1	November 20, 2013	69.847,54
2	Milestone #2	January 30, 2014	19.813,08
3	Milestone #4	March 20, 2014	28.293,00
4	Milestone #3	March 20, 2014	11.845,00
5	Milestone #6	May 05, 2014	24.460,00
6	Milestone #5	May 29, 2014	44.862,00
7	Milestone #7	June 20, 2014	47.260,00
8	Milestone #8	July 16, 2014	64.504,00
9	Milestone #9	August 15, 2014	26.492,00
10	Milestone #10	September 12, 2014	13.591,00
	Total		350.967,62

Auditor has found the difference in amount USD 209,38 between the total receivables from USAID (on basis of vouchers for purchases and servises) and total income, received from USAID (on basis of bank statements). During the first two installments USAID used the bank transfer option shared costs , in which case the costs of Intermediary bank are divided between USAID and Association "NESTO VISE", which resulted in defined discrepancy.

In the following bank transfers of USAIDs installments Association "NESTO VISE" did not have initial bank cost for receiving requested amounts, and transfered amounts per milestones are identical with received incomes.

Calculation of difference is shown in the table bellow:

DIFFERENCE BETWEEN VOUCHERS AND INCOME

USAID: U.S. DEPARTMENT, USAID SARAJEVO

PAYEE'S NAME: Citizens' Association "Nesto Vise", Bosnia and Herzegovina

CONTRACT NUMBER AND DATE: AID-168-F-13-00002, Sep 18, 2013

DESCRTIPTION	DOCUMENT	AMOUNT - USD
Total amount receivables from USAID	Vouchers	351.177,00
Total amount of income, received from USAID	Bank statements	350.967,62
DIFFERENCE		209,38

NO	ARTICLES OR SERVICES	VOUCHERS		BANK STATEMENT		DIFFERENCE - USD
		DATE	AMOUNT - USD	DATE	AMOUNT - USD	
1	Milestone #1	November 12, 2013	70.000,00	November 20, 2013	69.847,54	152,46
2	Milestone #2	December 30, 2013	19.870,00	January 30, 2014	19.813,08	56,92
	TOTAL					209,38

4.3.2. Eligibility of the Project expenses

The Auditor examined, on the sample basis and by interviewing the Association "Nesto Vise" staff:

- whether the expenses were directly linked to the project and necessary for carrying it out,
- whether the costs have been correctly allocated,
- whether the expenses are supported by accounting documents in accordance with current national accounting law,
- whether the expenses have been recorded in the beneficiary's accounts,
- whether the expenses were incurred during the reporting period,
- whether the payments were made by the Association "Nesto Vise".

PROJECT EXPENSES PER MONTHS

USAID: U.S. DEPARTMENT, USAID SARAJEVO

PAYEE'S NAME: Citizens' Association "Nesto Vise", Bosnia and Herzegovina

CONTRACT NUMBER AND DATE: AID-168-F-13-00002, Sep 18, 2013

NUMBER	MONTH, YEAR	AMOUNT – BAM	AMOUNT - USD
1	September 2013	4.567,30	3.216,41
2	October 2013	11.186,91	7.878,11
3	November 2013	12.681,07	8.930,33
4	December 2013	22.589,60	15.908,17
5	January 2014	29.765,47	20.961,60
6	February 2014	21.610,08	15.218,37
7	March 2014	15.944,14	11.228,27
8	April 2014	16.771,06	11.810,61
9	May 2014	48.102,44	33.874,96
10	June 2014	31.605,95	22.257,71
11	July 2014	79.373,09	55.896,54
12	August 2014	37.228,90	26.217,54
13	September 2014	32.280,24	22.732,56
	Total	363.706,25	256.131,16¹

It was found that all expenses as declared in Project "Agriculture –Agribusiness Microenterprise Development in BiH" are eligible and supported with correct financial documentation.

Project was implemented in accordance with provisions of Grant Agreement. We verify that tested financial transactions are in conformity with the project objectives and are in compliance with the Grant Agreement provisions.

4.4. Authorisations and segregation of duties

Association "NESTO VISE" has proper system of authorization and segregation of duties in place. Executive director and Association Secretary are in charge for approval of all transactions. The functions of ordering, receiving, accounting for, and paying for goods and services are appropriately segregated. Association "NESTO VISE" maintains an adequate, up-to-date cashbook, recording recipients and cash payments.

Association "NESTO VISE" has opened several bank accounts for local and foreign currency held with two banks, Uni Credit bank dd and Hypo Alpe Adria bank dd.

¹ Expenses in USD currency have been provided by Association "NESTO VISE" calculation, based on the average exchange rate.

Association “NESTO VISE” uses Internet banking system for bank accounts held with Uni Credit bank dd. There are four tokens in use. Executive director, deputy director and financial director (also Association Secretary) have a token with authorization to perform payments. All three tokens have full authority, (order entry and signature), and the payment can be made with only one signature. Forth token is used by Financial assistant with restricted authority. He does not have the right to issue any payment or to authorize any transactions but just permits of orders entry.

Association “NESTO VISE” uses basic banking system for one bank account remained with Hypo Alpe Adria bank dd. The plan is to close that bank account in near future after liquidating the remaining business transactions. All orders and records related to this account are maintained manually by Finance director.

The payment process is designed in several steps. Association “NESTO VISE” has created form “Request for payment”. Initially the forms is created by the project officer, who still needs to get to the approval of executive director, deputy director or financial director. Once the approval is obtained, the financial assistant is preparing order entry to enter the expenditure amount. Afterwords when order entry is signed by authorized persons the payment order is valid and payment can be made.

Executive director, deputy director and financial director are authorized persons to perform payments for all bank account. Detailed list of Association “NESTO VISE” bank accounts is given in the table bellow:

No. Of Bank account	Currency
338-720221-982-0171	BAM
338-720221-983-0938	BAM
338-720221-982-9289	BAM
338-720221-983-4527	BAM
338-720221-983-2781	BAM
338-720224-502-9598	BAM
338-690226-850-1091	BAM
338-690226-839-6816	BAM
BA 3 - 338-720481-9822	USD
BA 3 - 338-720481-9821	EUR
306-031270-415-0774	BAM

4.5. Systems, rules and routines for procurement

Association “NESTO VISE” Rulebook on procurement and allocations of grants describes procurement routines. When needed Association “NESTO VISE” performs procurement procedures and maintains procurement folder containing vendor’s offers, the minutes from Evaluation committee session and decision of best supplier selection. Final decision in selection is made in favor of the most favorable bidder. Procurement process is in accordance with legal regulations and specific USAIDs requests. The Procurement procedure deals with procurement of goods and works with same price threshold.

4.6. Existence of (and adherence to) office internal regulations

In an audit of non-governmental organizations, the auditor’s responsibility is to consider overall legal and regulatory framework, including any other applicable regulation, ordinance, decision and decree

defining and governing operating aspects. Adequate organizational structure and sufficient internal policies and procedures should provide a basis for establishing a control environment.

Association “NESTO VISE” presented to Auditor internal policies and procedures related to financial management as follows:

- Statute,
- Employment book,
- Operational procedures,
- Rulebook on accounting, accounting policies and financial management,
- Rulebook on procurement and allocations of grants,
- Rulebook on the Assembly work.

Association “NESTO VISE” internal procedures on fixed asset management are part of Employment book, but not with sufficiently detailed descriptions.

The Procurement procedure deal with procurement of goods and works only with same price threshold.. The procurement of services needs to be regulated by different criteria than procurement of goods, respecting the specifics of each service, the reputation of service provider, the technical offer, expected results, the experience from previous cooperation etc.

Association “NESTO VISE” does not have internal procedures related to Business travel expenses. Although not required by law, good practice is that an entity has such procedures. Although Association “NESTO VISE” has no written procedures related to business trips, they are acting in compliance with local regulations and good practice.

All present Rulebooks are accessible to all employees. Policies and procedures as stated above are developed and applied in compliance with the defined guidelines for establishing and strengthening internal control system aimed at ensuring control procedures for proper managing of USAID funds.

5. Conclusion

All NGOs are required to maintain reliable system for recording of all types of financial transactions made by them for the purposes of implementing projects and running their organization. Since finances are a crucial part of organizational management, it is important the need to achieve and maintain effective, transparent and easily manageable accounting system.

- Association “NESTO VISE” maintains and keeps books and records that provide adequate and complete evidence of their transactions.
- Document control is carried out in such a way that it meets the principle of accuracy (truthfulness) of accounting records.
- Financial assistant is submitting financial documentation to Accounting Agency for bookkeeping on monthly basis. After the transactions are recorded, the supporting documentation is filled in accordance with local legislation rules (incoming invoices, salaries, contracts, cash register etc).
- Association “NESTO VISE” is keeping accounting books and records in accordance with law regulations.
- Association “NESTO VISE” performs regular inventory. Association “NESTO VISE” internal procedures on fixed asset management are part of Employment book, but not with sufficiently detailed descriptions.
- All cash receipts and disbursements are supported by a document authorizing or ordering the payment or billing.
- Salary calculation and disbursement is correct and in accordance with employment contract and local legislation.
- Association “NESTO VISE” does not have internal procedures related to Business travel expenses. The travel costs are disbursed as regulated by local law.
- Accounting Agency performs reconciliation once a month (after the documentation is handed over for bookkeeping records) between accounting records and bank statements.
- Association “NESTO VISE” has proper system of authorization and segregation of duties in place.
- Association “NESTO VISE” maintains financial records and prepares financial statements in accordance with international reporting standards (IFRS) and legal requirements.
- Project was implemented in accordance with provisions of Grant Agreement. We verify that tested financial transactions are in conformity with the project objectives and are in compliance with the Grant Agreement provisions.
- The Procurement procedure deals with procurement of goods and works only with same price level.

The business operations of Association “NESTO VISE” are performed in the manner of good governance when speaking about working discipline. Internal control system is adequate for this level of operations.

Recommendations

- We suggest Association “NESTO VISE” to submit documents to the accounting Agency for recording in accordance with bookkeeping deadlines as defined by Law on Accounting and Auditing of FBiH.
- Internal procedures related to Business travel expenses need to be created and adopted by Association “NESTO VISE”.
- The following internal policies and procedures needs to be updated:
 - ⇒ Internal procedures on fixed asset management (with detailed description of equipment procurement, receipt, recording, storage, inventory of assets detailed descriptions, etc.),

⇒ The procurement of services needs to be regulated by different criteria than procurement of goods, respecting the specifics of each service, the reputation of service provider, the technical offer, expected results, the experience from previous cooperation etc.

We would like to emphasize the importance of the continued business operations and supervision of these controls.

6. Gratitude

The team of auditors would like to thank the whole team of Citizens' Association „Nesto Vise“ for the professional support regarding the preparation of the documentation, constructive discussion, organizing meetings with the associates, and finally, for the patience in communication and waiting for the final report.

We hope that the findings and the recommendation of the this report will help in obtaining an insight into the position of the Citizens' Association „Nesto Vise“, the improvement of its work, and also give an insight for the USAID into the achieved results from the point of relevancy, effectiveness and efficiency, and create a clear picture of the future needs of the Association and the possible future ways of support and cooperation.

NGO and Business Audit d.o.o. Sarajevo
Sarajevo, November 2014



Ismeta Čardaković
Authorized Auditor

Ismeta Čardaković

Annex 1. List of interviewed persons

1. Aleksandar Bundalo – Executive director,
2. Velibor Sudar – Project manager,
3. Duško Cvjetanović – Association Secretary/Financial director,
4. Adnan Čavčić – Financial assistant.

Annex 2. List of documentation

1. Registration documentations, Statute, ID no, etc,
2. Internal policies and procedures,
3. Organizational chart,
4. Staff list, Employment contracts, CV's and job descriptions (project only),
5. Service contracts (if any) (with financial documentation / project only),
6. NESTO VISE's finance and accountants staff CVs,
7. General ledger accounts (project only),
8. Inventory list (project only),
9. Grant Contracts signed with donor,
10. Project Financial Statements,
11. Original Financial Documentation (contracts, bills, invoices, receipts) (project only),
12. Reports of previous auditors,
13. Additional documentation on auditor request.