



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

**REPORT ON
ASSESSMENT OF INTERNAL MANAGEMENT
AND CONTROL**

SARAJEVO OPEN CENTRE (SOC)

Sarajevo, July 2014

ABBREVIATIONS

BiH	Bosnia and Herzegovina
FBiH	Federation of Bosnia and Herzegovina
Sida	Swedish International Development Cooperation Agency
SOC	Sarajevo Open Centre
ToR	Terms of reference
GB	Governing Board

Table of Contents

ABBREVIATIONS.....	2
1. Executive Summary	4
1.1 Introduction	4
1.2 General Observations	4
2. General information	7
2.1 Introduction	7
2.2 Purpose and scope of this assignment	7
2.3 The Audit team	8
2.4 Methodology	8
3. The organizational structure	10
3.1. Strategic planning and thinking.....	10
3.2. Mandate and the role of governing board	11
3.3. Organization structure and decision-making mandate.....	12
4. Management of operations	13
4.1. Tools and routines to manage and steer the operations.....	13
4.2. Reporting system	14
4.3. Systems for risk assessment and risk management (including corruption).....	15
5. Financial management and control	16
5.1. Management and organization	16
5.2. Financial reporting system.....	16
5.3. Authorisations and segregation of duties	17
5.4. Budgeting processes	18
5.5. Audits	18
5.6. Accounting practice	18
5.7. Compliance with Agreements	20
5.8. Systems, rules and routines for procurement.....	22
5.9. Existence of (and adherence to) office manuals/working orders, travel, employment contracts.....	22
6. Gratitude	23

Annexes:

Annex 1. TERMS OF REFERENCE

Annex 2. List of interviewed persons

Annex 3. List of documentation

Annex 4. Questionary for Organization Capacity

Annex 5. Financial Questionary

1. Executive Summary

1.1 Introduction

This report is the summary of the findings and recommendations by the team of Consultants lead by Ismeta Čardaković and all within the Assessment of internal management and control of the Sarajevo Open Centre (SOC).

This report is prepared in accordance with the Terms of reference. A copy of the terms of reference is at Annex 1.

The assessment of internal management and control was primarily focused on an analysis of the organisation's internal operational and financial management control systems in order to determine whether these can guarantee quality and accuracy in the entire organisational chain. On a more general level, it shall assess SOC's organisational structure, the relevance and dimensioning of this structure in relation to functions and duties. The internal communication mechanisms through the whole cooperation chain shall also be assessed.

The assignment resulted in recommendations on the above-mentioned areas when needed.

1.2 General Observations

The assessment of internal management and control of SOC and all performed procedures proved that there are many reasons to consider SOC as strong and reliable NGO. SOC has developed internal structure and adequate capacities considered to belong to strong NGO. More details about this general observation are given in the text below.

1.2.1. Organizational structure

Overall conclusion

Based on our procedures, conclusions and recommendations as given in this report, we consider Sarajevo Open Centre to be reliable partner to be supported by Sida in the future.

The new Statute, which is still in adoption phase, pretty well defines the managing and executive functions in the organization. The bodies of the organization, according to the Statute, are the Assembly of the organization, Governing Board and the Executive Director. The Governing Board has 3 members, there are the Regulations on the work of the Governing Board which is the basic criteria in decision making by GB. The members of the Governing Board are active, involved in the work of the organization, but their position is still understood more of advisory character and less of governing. In accordance with the Statute, the Executive Director is appointed and removed by the Assembly, although in some other documents this is defined differently, so there is a possibility of different interpretations. Definitely there is room for further positioning and strengthening of the role of the Governing Board in the organization especially when it comes to its governing and controlling function.

The executive part of the organization is divided into three units: executive director, program manager and program coordinators. Clear job descriptions, distribution of responsibilities and tasks, and open communication channels have brought to the creation of a work atmosphere, which ensures the achievement of results. The key document related to the segregation of duties and authorities is the Rule Book on internal organization and systematization of jobs. Together with the job description that each of the employees has, this Rule Book creates a clear vision of the scope of work and authorities. Still the

system of the assessment of the performance of the employees is not established, but it should be said that in the strategic plan 2014-2017 the necessity to establish this system is clearly stated. Also, it should be said that through the mentioned strategic plan the strategic goals of the organization in the future period are defined and in fact an additional profiling of the organization is made. It is especially important that the strategic plan was passed in a participatory manner with full involvement of all employees and the members of the Governing Board.

Overall Recommendations

- It would be good to think about the possibility that the Governing Board is expanded to five members in near future.
- Consultants believe that the way, especially considering the specific nature of the organization itself, in which the present members of the Governing Board were selected is very good and recommend that this practice, and the criteria taken into consideration are used further on (knowing and accepting of the mission of the organization, expertise, diversification of the areas in which the members of the Governing Board are experts, etc.)
- Consultants recommend that all documents related to the appointment and removal of the Executive Director are harmonized, in order to avoid the possible different interpretations.
- It will be necessary to create special procedures for the assessment of the performance of the Executive Director by the Governing Board and to start this practice.
- Consultants think that the way of work which is established in the organization, broadness and openness of communication, but also the definition of the scope of work and responsibilities of each employee, could be an example for many non-government organization, and in this regard encourage the management and the employees to continue this practice.
- There is need for the soon adoption of the procedures and rules related to the assessment of the performance of the employees.
- It is necessary to translate the Strategic plan in the local language as soon as possible, and as such it should be made available on the web page to all interested parties.

1.2.2. Management of operations

Overall Conclusion

The question of the work process, creation of a positive working environment are defined in two documents: the Rule Book on internal organization and systematization of jobs and the Employment Rule Book. The Employment Rule Book as a key document related to the policy of work relations very precisely defines the basic elements such as policies and procedures of employment, the ways of termination of work relations, disciplinary measures, working hours, days-off, etc. Its consistent application, and also of the Rule Book on the internal organization and systematization of jobs, creates a favorable and safe atmosphere for the employees of Sarajevo Open Centre and for the organization itself. One of the characteristics of the work of Sarajevo Open Centre is the supporting the professional improvement of the employees. This is not yet completely systematized to be called planned, but it is very important that the employees feel that through the work in the organization they have the opportunity to improve themselves.

The reporting system, both project and program, is very efficient and in fact for a one quite young organization it is surprising that they have such awareness of the importance of efficient reporting system, as a basis for monitoring, creation of the institutional memory of the organization, and for the image of professionalism which they send to the donors.

Speaking about the risk planning and risk management, it should be stressed that the awareness of the necessity to prevent risk is present in the organization in everyday activities. The positive system of values in the organization and organizational culture, which is, as much as the Consultants could see, accepted by the employees is at this moment the strongest tool with which the risks are prevented. However, there is room and necessity that the informal rules which are present in the organization are systematized into one formal document which would have the obligatory nature.

Overall Recommendations

- When creating the future system of the assessment of the performance of the employees it is advisable to incorporate the plans for the professional improvement of the employees.
- It would be good that in the near future SOC creates and adopts as an official document some sort of Code of Ethics in which all unwritten rules which are informally applied in practice now will be made official.

1.2.3. Financial management and control

Overall Conclusion

SOC has adequate system of financial management and reporting system. It is maintained in accordance with International accounting and reporting standards. Project accounting and consolidated accounting are reconciled regularly.

Internal control system is adequate for this level of operations. The internal policies and procedures are developed and adopted by Board of Directors.

SOC has proper system of authorisation and segregation of duties in place. Cash payments are not frequent and when they happen, they are recorded in main cash journal. Projects cash journals are maintained only if Donor requests it.

Budgeting process with SOC is adequate and it reflects the level of SOC's operations and orientation. SOC does not have any procedure regulating the strategic budgeting, which would contribute to strengthen the financial stability. SOC prepares the budget per projects but also for the organization as entity. SOC has practice of regular audit of projects when it is regulated by grant contract.

SOC's General ledger in consolidated accounting and subsidiary ledgers in project accounting are reconciled. The chart of accounts is adequate to properly account for and report on activities and disbursement categories. Cost allocations to the various funding sources made accurately and in accordance with established agreements. SOC has system of adequate safeguards to protect assets from fraud, waste and abuse.

SOC aims to fully comply with all the provisions of the agreements with the donors. Each donor has specific requirements regarding the reporting forms (financial and narrative), dynamic activities and payments, etc. So far SOC had no difficulties to follow all the provisions of the grant agreements.

The good procurement practice is in place. The procurement procedure for goods and works is regulated by Rule book on procurement and the provisions of this document are complied with. There is no procurement procedures for services. This Rulebook was adopted by Executive manager but not by Governing Board.

The operations of SOC are performed in the manner of good governance when speaking about working discipline, travel and using the office or private car for business purposes.

All employees of SOC are performing the jobs as defined in the organizational chart, and in accordance with employment contracts and job descriptions.

Overall recommendation

- Rule Book on procurement and other policies and procedures should be adopted by Governing Board. The Governing Board is in charge to define policies and procedures, and executive manager is in charge to run the organization in accordance with all internal policies and procedures.

2. General information

2.1 Introduction

Sarajevo Open Centre is an independent, non-partisan and non-profit organization dedicated to advocating for the full respect of human rights and decreasing the level of discrimination on the grounds of sex, sexual orientation and gender identity.

Bosnia and Herzegovina is a society of equal rights and opportunities for everybody built upon active and political engaged citizenship and an accountable state.

Sarajevo Open Centre is an organization that empowers women and LGBT (lesbian, gay, bisexual and transgender) persons through community activities and promotes the human rights of women and LGBT persons in general public. Sarajevo Open Centre advocates for improved legislation and policies and the implementation of the existing ones within BiH institutions and international bodies.

SOC was established in 2007, and they have been working intensively since 2011, when they opened first office and had activists constantly working in the Sarajevo Open Centre. Since then, the Centre has been constantly developing its capacities and human resources as well as its professionalism and the scope of work. In the last five years (2007-2012) they have implemented dozens of projects in the field of education, culture and social sciences in Bosnia and Herzegovina.

For the period 2012-2014 SOC working focus will be:

- political participation (promoting active citizenship; political education of young professionals; political research) and
- human rights (women rights; fight against discrimination based on sexual orientation and gender identity).

Findings and recommendations presented in this report should facilitate Sida's decision to grant funds to SOC in the future.

2.2 Purpose and scope of this assignment

This assignment aims at assessing the internal management and control of the Sarajevo Open Centre. The consultant is expected to identify eventual weaknesses. Based on the findings, Sida will require that Sarajevo Open Centre addresses the weaknesses as appropriate before or during the agreement phase. Some of the measures will be included as agreement conditions to be followed up during the annual audit. In this respect, the Consultants will verify if:

- Sarajevo Open Centre is an entity that has legal capacity to enter into an agreement with rights and obligations?

- The management structure have clearly defined roles and is there a functioning board with adequate bylaw/statutes?
- There is a decision order that adequately ensures segregation of duties in regard to authorization of payments, different roles and responsibilities within the organization?
- There is an office manual or equivalent stipulating rules and policies in regard to advances, travel costs, per diem level etc. and do these rates and rules seem reasonable? What levels of per diems are applied? Is business travel allowed? What exactly are the limits on the type of travel and type of accommodation?

Management of risk and anti-corruption

- Is there an anti-corruption policy and is it operationalized to adequately address eventual corruption risks?
- Are risk analyses performed and are there routines to address the identified risks?
- Is Sarajevo Open Centre adequately staffed in terms of competence and professional skills in order to perform tasks and to fulfill obligations related to internal management and control?

Audit, procurement and financial management

- Audits; is Sarajevo Open Centre audited according to national rules and regulations applicable to the legal form of organization that Sarajevo Open Centre is. What type of audit is it (ISA, national standard, assurance engagement, agreed upon procedures) and does Sarajevo Open Centre follow-up weaknesses identified in the audits in a systemized way?
- Is there a procurement policy that includes adequate rules and regulations to manage planned procurement in compliance with applicable regulations? Check adherence to the procurement policy by reviewing a couple of procurements undertaken during the last year.
- Does Sarajevo Open Centre have an accounting software that allows for adequate accounting records (e.g. project accounting) for an organization of Sarajevo Open Centre's size and operations?

2.3 The Audit team

Sida has commissioned framework Consultant company NGO and Business Audit doo Sarajevo to carry out the assessment of the internal management and control of the Sarajevo Open Centre. The Consultant Team consists of three consultants: Ismeta Čardaković, team leader – senior consultant, Lejla Avdic - Vajzovic, junior consultant, Zlatko Saric and Narcisa Nezirevic, Consultant assistants.

2.4 Methodology

2.4.1. General approach

The ToR have provided set of areas to be studied where the Consultant Team has documented current status and identified the observations regarding validity/importance, compliance and enforcement wherever appropriate. The Consultant 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.

2.4.2. Evaluation methodology and instruments

The assessment of the internal management and control was carried out by experts of different professional background. One part of the team was responsible for the financial management and internal control system and expert for program evaluation was in charge for program, organizational structure and general operations of SOC. Therefore it can be concluded that all information have their relevance and the hold in reality. The Consultants conducted a number of interviews and examined a large documentation provided by the management of the SOC. The aim of these interviews and of the examination of the documentation was to collect the information and to analyze the information, so that the requirements set in Terms of Reference and in above stated goals of this assignment are fulfilled.

Interviews

In the process of the creation of the report the meetings were organized with SOC representatives. Audit team members who are in charge of the financial system audit had a joint meeting with relevant staff from financial and audit department and Director of the Association, while the Consultant in charge for the program system audit had individual meetings with the Board of Directors members, program manager, coordinators and other stakeholders of SOC. The full list of the persons interviewed is at the Annex 2.

In this way all interviews could have its logics and where in accordance with the set audit goals. Questionnaires were created separately for the program system based audit and for the financial system based audit, which also served as guidelines for the interviews (the questionnaires in Annex 4 and Annex 5).

The documentation examination

Finally, the Consultants used extensive documentation provided by the management of the SOC (the list of the documents is given in Annex 3).

The significance of the examination of the documentation lies primarily in the fact that it could provide for the Consultants quite clear picture of the methods and ways of work of the Organization. It also served as a good basis for the interviews and pointed to some basic operation directions for the problem solving that SOC has faced with.

2.4.3. Research process

The data and the other forms of evidence and arguments used in this audit came from two sources. One of them was the research in the field through interviews, while the second one was in the written form collected from different sources, such as from the documentation provided by the SOC management and their website. Please, find more details at Annex 3.

The process of the field research was carried out with the undivided assistance of the Management of SOC and it was fundamentally important in getting a clear picture of the organization itself and the results achieved.

The written documentation and its examination in the first phase of the audit provided clear guidelines for the interviews and in a sense opened the roads on which the field research relied, and the report itself, too.

3. The organizational structure

3.1. Strategic planning and thinking

Observations and analysis

The existing and the newest strategic plan of SOC is valid for the period 2014-2017. It defines the basic directions of the operation of SOC and the vision and the mission of the organization. As it is stated in the strategic plan which is available to the broad public on the web page the vision of the organization is: Bosnia and Herzegovina is a society based on equal rights and opportunities for everyone, built on active and engaged citizens and an accountable state.

The mission of the organization is: Sarajevo Open Centre (SOC) promotes the full respect of human rights and combats discrimination on the grounds of sex, gender, sexual orientation and gender identity.

Sarajevo Open Centre is an independent, non-partisan and non-profit organization that empowers LGBT (lesbian, gay, bisexual and trans*) people and women through community and movement building. SOC also promotes the human rights of LGBT people and women publically and advocates on national, European and international level for improved legislation and policies in Bosnia and Herzegovina.

In accordance with the already mentioned vision and mission the Strategic program Objectives for the stated period are defined and they are:

- To influence positive institutional change for the full implementation of LGBT and women's rights in BiH;
- To promote equal opportunities of LGBT people and women in BiH society;
- To empower the LGBT community and strengthen civil society in BiH;

What is important to stress is that the strategic plan clearly defined the necessity for the strengthening in fact increasing of organizational accountability, transparency and effectiveness.

The strategic plan itself was created in a way that all the employed in the organization and the members of the Governing Board had an opportunity to influence the content of the strategic plan and to give their inputs and thinking about the future of the organization. What is by all means important to stress is the understanding shown in the organization when it comes to the importance of the guidelines that the strategic plan provides. In this context we can say for this strategic plan that it is in full correlation with the actual activities of SOC and that it truly reflects their vision of the future operation.

As already mentioned the strategic plan is available to the broad public on the web page and this practice should definitely be commended. What has to be noticed here is that it exists only in the English version, which certainly decreases the possibility to be available to all the beneficiaries, and therefore decreases its transparency.

Conclusion

Although a young organization, SOC, with clear definition of basic strategic orientation, profiling of its activities showed that it understands the importance of strategic thinking of the future. In this sense, the Consultants can only support this approach to the creation of the activities. Clearly created mission and vision, strategic objectives which enable profiling of the organization, it's positioning in the overall non-government sector and in the society.

Recommendations

What the Consultants advise is certainly to translate the strategic plan in the local language and as such make it available to all interested parties on the web page. Understanding the reasons why it was created only in the English language, however, we believe that the fact that it does not exist in the local language can send a wrong message about the motives of the creation of the strategic plan, and most importantly the strategic plan only in the English language prevents one number of the beneficiaries to get introduced to its content.

3.2. Mandate and the role of governing board

Observations and analysis

The new Statute, which due to minor procedural matters, is not yet officially verified, clearly makes a division between the duties of the governing and executive functions. In accordance with the Statute, the bodies of the organization are: Assembly, Governing Board and Executive Director.

The Governing Board consists of three persons out of whom the president of the Governing Board is elected. As defined in the Statute some of the basic tasks of the Governing Board are among other things to:

- Prepare and propose the draft of the changes of the Statute and other documents passed by the Assembly;
- Carry out the policy, conclusions and other decisions made by the Assembly;
- Manage the property of the Association;
- Follow the realization of the financial plan of the work of the Association and make decisions on the usage of the funds;
- Submit the annual and periodical reports on its work to the Assembly,
- Establish the annual and half-annual projections on the execution of the income and expense plan and submit it to the Assembly for consideration and adoption.

The work of the Governing Board is defined by the Regulations on work of the Governing Board which is in compliance with the general principles of the work of Governing Boards. The sessions of the Governing Board are registered in the minutes and neatly archived. The meetings of the Governing Board are held on average every three months except the exceptional situations, as for example the adoption of the new rules and procedures, then they are held more often.

Generally speaking, the Governing Board is considerably involved in the work of the organization, and compared with many other non-government organizations with longer operation, very active too.

What should be said is that at this moment the work of the Governing Board is understood more as advisory and controlling, and less as managing.

Statutorily, SOC is set as a member organization and it is set that all the members of the Association are at the same time the members of the Assembly with equal rights and obligations. At this moment the Assembly has six members (therefore six members of the Association) which in fact shows that in practice SOC does not function as a member organization which articulates the interests of its membership but more as an organization oriented towards its beneficiary group. And in the organizations of this type, the role of the Governing Board can be extremely important and there is the need for the clear positioning of its role in the organization.

Statutorily, it is set that the Executive Director is appointed and removed by the Assembly (Article 22 of the Statute), while in the Employment Rule Book it is said "the decision on the way in which the Executive Director will be hired is made by the Governing Board" (Article 6, the Employment, Organization and Salaries Rule Book) which can create a confusion when it comes to who is in charge of what.

The Governing Board, also has not assessed the work of the Executive Director so far, and there is not the special procedure for the assessment of the work of the Executive Director although the Rule Book on the internal systematization states that the Governing Board assesses the work of the Executive Director. However it should be mentioned that the strategic plan has the establishment of the assessment of the performance as one of the tasks of SOC, and we believe that this issue will be solved soon.

Conclusion

What is most important to say is that the Governing Board exists and that its presence in the organization is visible. There is the procedure of work, the decisions which are made are formalized and as such have their legality. The members of the Governing Board have the feeling of belonging to the SOC and its values and as such are active in their work. However, as already said more in the advisory role than in managing role.

What stands in front of SOC is by all means the further positioning of the Governing Board and its role in the Governing Board itself. In this context the Consultants feel free to offer several suggestions.

Recommendations

- It would be good to think that in the near future the Governing Board is expanded to five members. Consultants understand the advantages of the Governing Board of only three members (more efficient work, easier decision making etc.), but we think that with the broadened membership the decisions of the Governing Board would gain on its legitimacy and the Governing Board would be positioned more clearly and strongly in the organization itself. The second important thing is that the Governing Board is in a way the connection with the broad community and the bigger number of the members could mean the creation of a possibility for a stronger connection with the community.
- Consultants think that the way, especially considering the specific nature of the organization itself, in which the present members of the Governing Board were selected is very good and recommend that this practice and the criteria taken into consideration are used in the future (knowing and accepting the mission of the organization, expertise, diversification of the areas in which the members of the Governing Board are experts, etc).
- Consultants recommend that all the documents related for the appointment and removal of the Executive Director are harmonized, in order to avoid the possibility for different interpretations. In this context it would be good to stress the responsibilities and duties of the Governing Board related to the appointment of the Executive Director in the Statute and in the Regulations on the work of the Governing Board.
- Simultaneously with the creation of the system of the assessment of the performance of the employees, it will be necessary to create special procedure for the assessment of the work of the Executive Director by the Governing Board and to start this practice.

3.3. Organization structure and decision-making mandate

Observations and analysis

Organizational structure of the executive part of the organization (management and staff) is through the Rule Book on internal organization very clearly defined and is applied in practice. The Rule Book on the internal organization and systematization of jobs defines that there are three organizational units: executive director, program team, administrative-financial team. The Executive Director primarily manages the projects/programs, chooses, manages and leads the staff, takes care of the financial stability and represents the organization. Beside this the Executive Director guarantees the quality of work and the respect of the highest standards when it comes to the finances, transparency, anti-corruption measures and human resources. Program team consists of the program manager and program coordinators, at this moment five of them. Each of the coordinators is in charge of a certain area in the work of the organization. What is important to mention is that each of the employees has his/her job description which is compatible with the actual obligations in the organization.

In the organization, as it is obvious, there is clear hierarchy with the defined responsibilities and obligations. What should be however underlined is that the organizational culture and the system of values in the organization is developed in a way that the mutual communication, joint work, agreement, the feeling of sharing the same idea are in fact the bases of the success. Hierarchical structure is never questioned, but at the same time is not used as a sort of tool too much in the process of work. The expression that we heard in the interview process, loose hierarchical structure, is pretty illustrative of the relations between different levels in the team.

It is extremely important that there are communication channels which enable that the organization functions in this way. We must emphasize the organization of the weekly or two-week regular meetings of all employees (jour fixe) which are created as an opportunity that all employees get a chance to express their opinions on different questions related to the work of the organization. It is very important to stress

that these meetings are registered in the minutes which means that there is clear awareness of the necessity to document all activities in the organization in order to make the work process easier and to create the institutional memory of the organization.

Although the Rule Book on the internal organization and systematization of jobs defines the necessity to assess the quality of the performance of the employees, it is not yet applied in practice. But the fact, which was earlier mentioned, that in the strategic plan the establishment of the system of assessment of the performance of the employees is marked as one of the priorities shows that there is clear awareness of the need to put this into practice.

Conclusion

In the executive part of the organization there is a division of work and organizational units which ensure that the quality of work is on considerably high level. Loose hierarchical structure in which the obligations and responsibilities of each of the employees are known and the openness of the internal communication channels resulted in a positive work atmosphere which contributes to the achievement of the planned results. The Rule Book on the internal organization and systematization of jobs and the description of work for each of the employees provide the necessary formal legitimacy to this system of work.

Recommendations:

- Consultants believe that the way of work, which is established in the organization, broadness, and openness of the communication, but also definition of the scope of work and the responsibilities of each employee, could be an example for many non-government organization and in this sense encourage the management and the employees to continue this practice.
- Although it has already been said that in the organization there is clear awareness of the necessity to establish the system of the assessment of the performance of the employees, the Consultants have the obligation to underline once again the need to pass the procedures and the rules related to the assessment of the performance of the employees.

4. Management of operations

4.1. Tools and routines to manage and steer the operations

Observations and analysis

The questions of the work process, creation of a positive working environment are defined with two documents, with already mentioned Rule Book on internal organization and systematization of jobs and the Employment Rule Book. Both of these Rule Books on which the regulation of work process is based have passed all necessary procedures in decision making, which includes the full participation of the employees in the creation of these Rule Books. As already said at this moment the organization employs 9 persons including the Executive Director. According to the Executive Director, this number of employees is optimal for adequate and quality work, in fact in the sense of achieving the set program goals, there is not the intention to expand the organization. The staff which work in the organization is qualified for works, well acquainted with target groups and with considerable work experience in non-government sector which certainly enables reaching the adequate quality of work.

The Employment Rule Book defines the hiring procedure and it is applied in practice. Also the Employment Rule Book clearly and precisely defines the ways of termination of work and disciplinary responsibility including taxative definition of what is considered a breach of work duties. The Rule Book also defines the general procedures related to work process, as working hours, breaks, holidays, etc. All in all it can be freely said that the Employment Rule Book and the Rule Book on the internal organization and systematization of

jobs create a favorable and safe atmosphere for the employees of Sarajevo Open Centre and the organization itself.

Trainings and professional improvement are also an important segment of the work process in the organization. The policy of the organization supports every professional improvement and participation of the employees of Sarajevo Open Centre in the trainings is a regular practice. In doing this they try to follow the profile of the staff and their preferences but the needs of the organization too. However, it should be stressed that there is not a plan of the improvement of the staff in written form and as an expression of analytic thinking this creates room for additional improvements. What is most important is that the employees feel that working for SOC they have the opportunity to progress and this is one of the important generators of quality work.

In the organization there is not formally procedural principal of rewards, and in the conversations with the management and the employees we heard a pretty unison attitude that in the atmosphere in the organization this is not necessary. Basically, the feeling is that the atmosphere in which everybody does his/her maximum is created and that the introduction of competitiveness in the work of the organization would not considerably contribute to the quality of work, and could be a certain risk.

Conclusion

All that the Consultants saw during the evaluation process suggests that work process and the atmosphere of work are on considerably high level and they ensure that the set goals are achieved in accordance with the planned dynamics. The Rule Books (the Employment Rule Book and the Rule Book on internal organization and systematization of jobs) regulate almost all questions related to work process, rights and duties of the employees which in the best way protects the interests of all, the organization and the employees. The overall atmosphere in the organization encourages the employees to further improvement and it could be said that this kind of atmosphere (beside the dedication to the mission) is a key motivational point.

Recommendation

- When creating the future system of the assessment of the performance of the employees it is advisable to incorporate the plans of professional improvement of the employees, which would only systematize and put the practice which exists in the organization in a more formal and obligatory form.

4.2. Reporting system

Observations and analysis

The question of reporting system can be looked at from two aspects. When it comes to the system of reporting to the donors there is a clear and built system. Project coordinators who are in charge of the project create the first version of the report, Program manager puts additional work in it and the Executive Director finalizes it. This process has proved so far successful and no donor had objections on the quality of project reporting.

When it comes to the reports related to the program activities (annual report, reports for the state, etc.) then this is the obligation of the program manager, of course, with the assistance of project coordinators.

What should also be stressed is that in the organization there is culture of written recording and that the regular minutes of all relevant meetings are kept, and of the meetings of Governing Board and the management and the staff.

Employment Rule Book precisely sets the obligation of keeping and archiving the project documentation, for which the project coordinators are responsible, while the administrative-financial unit has the obligation of keeping other documents.

Conclusion

Very rarely we find such a young organization with such understanding of the importance of the overall reporting system and its role in the life of the organization. In this way the work of the employees is made easier, management makes decisions more easily and in a more augmented manner, and also, which is extremely important, the institutional memory of the organization is created which is one of the foundations of sustainability. Through the reporting system and already mentioned institutional memory of the organization the dependency of the organization on the individual is decreased. The Consultants can only support this practice of Sarajevo Open Centre.

4.3. Systems for risk assessment and risk management (including corruption as a risk)

Observations and analysis

The environment in which SOC operates which among other things is reflected in the conservative attitude towards the target groups of SOC, non-existence of clear legal regulations, inefficiency of the institutions of the system create a situation in which every activity undertaken by SOC is always connected with some measure of risk. In this context, SOC is simply forced to calculate the risk in the planning process during its activities. It cannot be said, that this is risk management on some analytical basis, but definitely it is a part of everyday practice.

When speaking about internal risks which in a certain way can endanger the organization itself, we must underline again that one of the basis of a successful work of the organization is the common positive system of values of all employees in the organization and the organizational culture which is based on it. The system of values that we mention and its elements are not put in some written document, they are of informal character, but as such are applied in the work and present a true guideline when making different types of decisions. The conversations with some beneficiaries showed that there is considerably high level of trust in the organization and its staff when it comes to the protection of their interests in all aspects. The question of corruption, conflict of interests are not covered in detail in the documents of the organization. Already mentioned system of values and unwritten rules are in this case a way of prevention of potential dangers.

It should be mentioned that the whole system of the organization, transparency in decision making, then the opportunity of the improvement of the employees are in a way a prevention of risk, especially when we talk about possible fluctuation of staff and the potential risk for the sustainability of the organization.

Conclusion

Although in the organization there is not the analytical approach to the risk assessment and risk management, still it can be said that there is clear awareness of the necessity to prevent possible risks and to manage risk. The basis on which the risk is prevented is as already said the built and accepted system of values and organizational culture based on it. What should be noticed is that there are not systematized, official rules related to some ethical rules, for example, Conflict of interest, Gifts and Entertainment, Private Activities and Private Property, the question of corruption, etc., by which the existing practice would get its formal shape and which would contribute to the seriousness of the organization.

Recommendation

- It is advisable that SOC creates in near future and adopts as a formal document some sort of Code of Ethics in which all these unwritten rules which are informally applied in practice now would be made official. In this context SOC can use the positive experiences of some other organizations (for example Transparency International) which in this way very successfully in institutional way solved the questions of the prevention of the risk and risk management.

5. Financial management and control

5.1. Management and organization

Observations and analyses

Sarajevo Open Centre is an entity that has legal capacity to enter into an agreement with rights and obligations. The management structure clearly defines roles and of governing and executive function. SOC has a functioning board with adequate bylaw/statutes.

The decision making process ensures segregation of duties in regard to authorization of payments, different roles and responsibilities within the organization.

SOC has developed and adopted set of policies and procedures stipulating rules and policies in regard to advances, travel costs, per diem level etc.

5.2. Financial reporting system

Observations and analyses

SOC maintains financial records and prepares financial statements in accordance with legal requirements. Pursuant to BH legislation, SOC's yearly financial statements are submitted to the AFIP– Agency for Financial, Information and Brokers Services. The copy of the set of SOC's Financial Statements for years 2012 and 2013 were presented to Consultant.

In the previous period SOC has implemented many projects funded by different donors. Each donor is setting individual reporting requirements in grant agreements and SOC is obligated to obey such requirements. SOC staff maintains project accounting. Project financial reports are prepared per each project in the periods as defined by Grant Agreements signed with donors. Simultaneously, all transactions are recorded into consolidated general ledger maintained by external accounting agency. SOC is contracting external local accounting company to prepare consolidated financial statements. SOC submit financial documentation to accounting agency twice a month. After the transactions are recorded, the supporting documentation is filled in accordance with local legislation rules (incoming invoices, salaries, contracts, cash register etc). Project folders are organized per budget lines.

There is internet accounting platform used by external accountant and by financial staff of SOC. The name of this platform is FIN BOOKING. The access of SOC staff is limited and they can enter the software, verify the cut off status of the projects, verify trial balances, project balances, whereas, they can not record any new transactions. This is performed exclusively by accountant. This is one of the security system measures.

All project records, periodic and final, were presented to Consultant. The project books are in compliance with general ledger and financial statements prepared by external accounting agency.

The reporting system has the capacity to link the financial information with the project(s) work plan's physical progress. SOC has established financial management reporting responsibilities that specify what reports are to be prepared, what they are to contain, and how they are to be used.

The financial staff is attending special tailor made training designed for their need and the need of SOC financial management.

Conclusion

- SOC has adequate system of financial management and reporting system.
- It is maintained in accordance with International accounting and reporting standards.
- Project accounting and consolidated accounting are reconciled regularly.
- All transactions are supported by adequate documentation.
- Recorded expenditures are easily identifiable and cost share system is adequately used.

5.3. Authorisations and segregation of duties

Observations and analyses

SOC has proper system of authorization and segregation of duties in place. Project manager and executive director approve all transactions.

The functions of ordering, receiving, accounting for, and paying for goods and services are appropriately segregated.

Finance assistants and accountants prepare the bank reconciliations. The cash payments are not significant. SOC maintains an adequate, up-to-date cashbook, recording recipients and cash payments.

SOC uses Internet banking. There are two tokens that are used by Sasa Gavric (executive director) and Fedje Bobic (Financial Coordinator), who are authorized to perform payments using these tokens. Both tokens have full authority, of order entry and signature, but the payment can be made only when two signatures are present. The payment process is designed in several steps. SOC has created different forms for contracts, form for bank transfers, form for travel costs disbursement, and form for cash payment. Each form contains, as minimum data about the project name, amount of the transaction, person in charge, account number etc. Forms serve as a request for payment. Initially the forms are created by the project coordinator, who still needs to get to the approval of director. Once when the approval is obtained, the financial assistant is using director's token to enter the amount and signs, whereas the final checks is made by financial coordinator who also signs the order. Only then, when signed by two persons, the payment order is valid and payment can be made.

SOC has opened several bank accounts for local and foreign currency with Raiffeisen bank dd Sarajevo. The list of authorized persons is given in the table bellow:

	No - Bank account	Currency	Authorized persons
1.	1610000065220095	BAM	Saša Gavrić Ranka Katalinski
2.	1610000065220192	BAM	Saša Gavrić
3.	503012000 - 0004272	EUR	Saša Gavrić Ranka Katalinski
4.	1610000065220289	BAM	Saša Gavrić
5.	1610000065220386	BAM	Saša Gavrić
6.	1610000065220483	BAM	Saša Gavrić

Conclusion and recommendation

Conclusion

- SOC has controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately documented.
- SOC has proper system of authorisation and segregation of duties in place.
- Cash payments are not frequent and when they happen, they are recorded in main cash journal. Projects cash journals are not maintained.

Recommendation

- The list of authorised signatories needs to be updated and persons who are no longer employed by SOC should not be on that list.

5.4. Budgeting processes

Observations and analyses

Programme Manager, and Executive Director are preparing budget for each project. The budgets are prepared for all significant activities in sufficient detail to provide a meaningful tool with which make it possible to monitor subsequent performance. The budgets lay down physical and financial targets. Actual expenditures are compared to the budget with reasonable frequency, and explanations are required for significant variations of actual expenditures if any.

It can be said the budget is performing planning and controlling function.

Conclusion

Budgeting process with SOC is adequate and it reflects the level of SOC's operations and orientation. SOC does not have any procedure regulating the strategic budgeting, which would contribute to strengthen the financial stability.

SOC prepares the budget per projects but also for the organization as entity.

The Board of Directors approves the yearly budget for the next year by the end of current year.

5.5. Audits

Observations and analyses

So far SOC used to perform audits of the projects whenever such provision was given in the Grant contract. The audit reports were unqualified with some recommendations given by auditor. The key recommendation as given in previous audits was to create internal policies and procedures. SOC complied with this recommendation.

Performed audits comply with Sida's audit requirements.

Conclusion

SOC has practice of regular audit of project financial statements.

SOC complied with recommendations given by auditor.

5.6. Accounting practice

Observations and analyses

Salary calculation and disbursement is correct. The same can be said for service agreement.

In the previous periods SOC used to combine two ways of staff remuneration, i.e. regular salary and payment based on service agreements. This practice is not recognized as the best one and SOC has tendency of its elimination.

The chart of salary/ fees disbursement in the period 2012 - 2014 is given in the table bellow:

All amounts in BAM	2012		2013		2014 (by May 31st)	
	Net salary	Net amount - Service agreement	Net salary	Net amount - Service agreement	Net salary	Net amount - Service agreement
Employees						
Total amount	10.027,21	30.488,01	55.583,36	21.106,50	28.578,35	903,10
% of yearly amount of salary	24,75%	75,25%	72,48%	27,52%	96,94%	3,06%

The travel costs for non employees are disbursed as regulated by local law, with minor error in tax calculation. SOC was using tax reduction of 20% for this kind of disbursement whereas it should not be the case when travel costs are to be disbursed to non-employees

The Accountant enters the electronically forms for salaries and contracts and submits them to Tax Authority regularly. The control of entered data is also performed regularly.

Cash register is maintained regularly. The cash registrar per projects is not maintained unless needed by specific projects. No project cash register existed in year 2014.

In year 2014 SOC introduced the practice to perform reconciliation between accounting records and bank statements at the end of each month. This is one of the measures aimed to minimize any risk of fund mismanagement and incorrect records.

The procedure on fixed asset management does not exist. SOC does not perform regular inventory. The comitee for inventory exist, but they do not perform manual inventory, nor prepare report on the inventory performed.

In order to protect the property, SOC has signed the contract with security agency and there is agreement signed with Insurance company also which is signed between Insurance Company and the owner of the premises.

The data protection also exists. They have server and regular back up is performed each month. Every employee has to make the back up of own documents each month. The documents are filed on common memory. This memory comprises two disks, primary disk where all data are saved, and secondary disk where an extra copy od primary disk is saved.

Conclusion

SOC's accounting practice is reliable and in compliance with accounting standards and legal provisions. The chart of accounts is adequate to properly account for and report on activities and disbursement categories. Each transaction is supported by adequate documentation. Cost allocations to the various funding sources made accurately and in accordance with established agreements. SOC has system of adequate safeguards to protect assets and data from fraud, waste and abuse.

Recommendation

- The calculation of taxes and contribution payment for travel costs of non employees is to be performed without deductible amount.
- The procedure on fixed asset management should be delivered.
- Inventory should be performed regularly, with physical check of all assets and the minutes of the Inventory Committee should be made each year.

5.7. Compliance with Agreements

Observation and analyses

We reviewed contracts SOC signed in the period 2012 – 2014 as follows:

Donor/Partner	Project		
	Name	Project amount	Implementing period
Civil Right Defenders	Strengthening LGBT activism structures in Bosnia and Herzegovina	21.000,00 EUR	Jan 1st - Dec 31st 2012
Schueler Helfen Leben	Strengthening of capacities of LGBT activists	3.000,00 KM	Dec 2011 - May 31st 2012
Open Society Fund BiH	Coming out! Building up and strengthening the capacity of LGBT activism in BiH	56.980,00 USD	Dec 1st 2012 - Nov 31st 2013
ILGA	Step up! Stronger LGBT movements for equality in the Western Balkans	10.000,00 EUR	Jan 31st - July 31st 2012
ILGA	Monitoring Implementation of the Committee of Ministers' Recommendation	10.000,00 EUR	Jan 2012 - July 2013
Heinrich Boell Foundation	Open Forum	14.669,23 KM	Feb 1st - Nov 30st 2012
Heinrich Boell Foundation	LGBT Dictionary	19.117,73 KM	June 1st - Dec 15th 2012
Kvinna till Kvinna	Publication: Personal and coming out stories of bisexual and gay women in BiH	8.710,00 EUR	May 1st 2012 - Feb 15th 2013
Ministry of Defence Norway	BiH Defence Reform	29.337,42 KM	/
National Endowment for Democracy	Promoting Public Debate on Ideas for Improving State Functionality	42.910,56 USD	July 1st 2012 - August 31st 2013
Political Science Faculty Belgrade/RRPP	Comparative analysis of democratic performances of Serbia, BiH and Montenegro parliaments	20.574,00 CHF	Jan 1st - Dec 31st 2012
US Embassy Sarajevo/DRL	General support	21.873,42 USD	Sep 12th 2012 - March 31st 2014
US Embassy Sarajevo	Out law	15.120,00 USD	May 24th 2012 - March 31st 2013
Swiss Embassy Sarajevo	Sex, Pop and Politics	17.907,75 EUR	March 1st 2012 – April 30th 2013
Schueler Helfen Leben	lgbt-prava.ba	2.000,00 KM	/
Traduki	Authors in Residence Programme	20.492,00 KM	Jan 1st - Dec 31st 2012
European Union Police Mission	Gender of Security	19.460,51 KM	/
Dutch Embassy Sarajevo/MATRA	Advocating for LGBT rights in Bosnia and Herzegovina	73.000 KM	Sep 1st 2012 - Aug 31st 2013
EIDHR (main applicant: Heinrich Boell Foundation)	Coming out! Advocating, promotion and protection of LGBT rights	20.340,00 EUR	Jan 1st 2013 - Dec 31st 2014
Civil Right Defenders	Strengthening LGBT activism structures in BiH	26.400,00 EUR	Jan 1st 2013 - Dec 31st 2013
Internews	Mainstreaming Lesbian, Gay, Bisexual and Transgender issues in B&H media	32108.69 KM	Feb 1st 2013 - Jan 31st 2014

ILGA Europe	Documentation of homophobic and transphobic violations	9.932,05 EUR	Jan 1st 2013 - Dec 31st 2013
ILGA Europe	Strategizing responses to discrimination and violence against LGBT persons in BiH	7.500,00 EUR	April 1st - Dec 31st 2013
Astraea Lesbian Foundation	General support	7.000,00 USD	Sep 1st 2013 - Aug 31st 2014
Open Society Fund BiH	Coming out! Building up and strengthening the capacity of LGBT activism in BiH	56.940,00 USD	Dec 1st 2013 - Nov 30th 2014
Hedda Production/Swedish Institute	Seven	28.897,39 KM	July 1st 2013 - Jan 31st 2014
Heinrich Boell Foundation	Gender Diversity	8.556,68 KM	Aug 15th - Dec 15th 2013
Schueler Helfen Leben	Street actions of LGBT activists in Tuzla, Mostar and Banja Luka	1.500,00 KM	Jan 1st - March 31st 2014
Planet Romeo Foundation	Publication: Personal and coming out stories of bisexual and gay men in BiH	1.391,64 EUR	June 1st - Dec 31st 2014
Norwegian Embassy Sarajevo	Mainstreaming the rights of LGBT persons into BiH society	84.101,45 KM	July 31st 2013 - March 31st 2014
European Gay and Lesbian Sport Federation	Qsport Sarajevo	500,00 EUR	Dec 9th 2013 - May 31 st 2014
EIDHR	Enhancing Lesbian, Gay, Bisexual and Trans rights in BiH in line with EU standards	184.840,00 EUR	Jan 1st 2014 - Dec 31st 2015
Heinrich Boell Foundation	100 years of women's history in BiH	39.118,00 KM	March 1st - October 31st 2014
Swiss Embassy Sarajevo	1914-2014: Documenting and Presenting a Century of Womens History in BiH	13.446,50 KM	March 1st - December 15th 2014
USAID	Strengthening LGBT activism in Regional Centres in BiH	34.200,00 USD	March 13th -Nov 13th 2014
Civil Right Defenders	Strengthening LGBT activism in BiH	30.000,00 EUR	Jan 1st 2014 - Dec 31st 2014
Mama Cash	Women's Fund BiH	9.500,00 EUR	March 1st 2014 - Feb 28th 2015
Urgent Fund fo Women	Protection and security for women human rights defenders	5.000 USD	/
National Endowment for Democracy	Straightening the engagement of NGOs in monitoring reforms	45.000,00 USD	May 1st 2014 - April 30th 2015
Heinrich Boell Foundation	Gender Diversity	4.090,34 EUR	June 1st - Oct 31st 2014
US Embassy Sarajevo	General Elections 2014: Political Parties and the Rights of LGBT Persons in BiH	18.890,00 USD	June 11th 2014 -Dec 11th 2015
Dutch Mission to the OSCE in Vienna	Fighting Hate Crime in Bosnia and Herzegovina	124.759,36 EUR	Oct 1st 2014 - Sep 30th 2016
Norwegian Embassy Sarajevo	Step up! Advocating and raising awareness of the rights of LGBT person in BiH	130.000,00 KM	Aug 1st 2014 - July 31st 2015

All granted funds during the audited period were transferred to the bank accounts of SOC. All projects were implemented in accordance with Project document and all provisions of Grant contract were fully complied with.

Conclusion

SOC aims to fully comply with all the provisions of the agreements with the donors. Each donor has specific requirements regarding the reporting forms (financial and narrative) and dynamic, activities and payments, etc. So far SOC had no difficulties to follow all the provisions of the grant agreements.

5.8. Systems, rules and routines for procurement

Observations and analyses

SOC adopted the Procurement Procedures on May 8th 2014. This procedure was not adopted by management Board. It was approved and signed by Executive Director. The provisions of this procedure deals with procurement of goods and works, but not with procurement of services. In this aspect it is important to emphasize that Article 1 and Article 4 of this procedures are not in compliance¹. This procedure contains all relevant rules related to procurement process such as general principles, required documentation, evaluation process, minutes from the session of evaluation committee etc. Evaluation criteria are in place and SOC issues reports on procurement procedures that is available to be disclosed to any interested party. Procurement folder contains vendor's offers, the minutes from Evaluation committee session and decision of best supplier. Executive Director makes the final decision in selection of the most favorable bidder.

Conclusion

The Procurement procedure deals with procurement of goods and works only.

The procedure was adopted by Executive Director.

Adopted Procedure defines all main steps of procurement process.

Procurements are done in legal frame, based on a contract with donors and internal procedures.

The procurement of services is very important for SOC operations, knowing that SOC often engages experts to perform specific services for different projects.

Recommendation

- The procurement procedures and other internal regulations need to be adopted by management Board.
- The procurement of services should also be defined by procurement procedures.
- The procurement of services needs to be regulated by different criteria, respecting the specifics of each service, the reputation of service provider, the technical offer, expected results, the experience from previous cooperation etc.

5.9. Existence of (and adherence to) office manuals/working orders, travel, employment contracts

Observations and analyses

SOC presented to Consultant internal policies and procedures as follows:

- The Statute,

¹ Article 1

This rulebook is to define standards and procedures which Association of citizens „Sarajevo open centre“ (hereinafter referred to as the Association) must comply with when procuring goods, services and works, and for the implementation of Projects and the functioning of the Association.

Article 4. the first one

Procurement of services are not subject to the above procurement procedures and the same are to be contracted directly.

- Accounting Rulebook,
- Rulebook on accounting policies,
- Rulebook on internal organization and organization chart,
- Rulebook on working conditions, organization, and salary scale,
- Rulebook on financial management,
- Rulebook on procurement procedures.

The business travel form is used and it contains all information related to destination, purpose of the travel, advance received and duration of the travel.

All Rulebooks are saved on internal server and are accesable to all employees.

Conclusion and recommendation

Conclusion

The operations of SOC are performed in the manner of good governess when speaking about working discipline, travel and using the office or private car for business purposes.

Internal control system is adequate for this level of operations. The internal policies and procedures are developed and adopted by executive Director and by Board of Directors

Recommendation

Consultants recommend SOC to start the procedure of adopting all policies and procedures by the Board.

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



J. Čardaković
Ismeta Čardaković
Authorized Consultant

6. Gratitude

The team of evaluators would like to thank the whole team of SOC 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 system based audit will help in obtaining an insight into the position of the Sarajevo Open Centre, the improvement of its work, and also give an insight for the donor organization into the achieved results from the point of relevancy, effectiveness and efficiency, and create a clear picture of the future needs of the Organization and the possible future ways of support and cooperation.

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



J. Čardaković
Ismeta Čardaković
Authorized Consultant

Annex 1. TERMS OF REFERENCE

Terms of reference for an assessment of internal management and control Sarajevo Open Centre

Background

According to Sida's Contribution Management Rule, a risk analysis shall be carried out during the assessment phase before Sida enters into an agreement with a partner organization. One part of the risk analysis consists of assessing the internal management and control of the potential agreement partner. Since Sida lacks sufficient information about the internal management and control of Sarajevo Open Centre, a decision has been taken to contract a consultant to perform an assessment based on these terms of reference. The assessment will provide input for Sida when deciding on and designing the support to Sarajevo Open Centre.

Description of partner organization and the planned Sida support

The Sarajevo Open Centre is an association of citizens registered in 2007 at the state level of BiH with offices in Sarajevo. The Sarajevo Open Centre focuses on activities related to the enhancement of LGBT rights and women's rights.

Sida is considering to provide core support to the Sarajevo Open Centre from 2015-2018 worth approximately €500 000. Sida has not directly worked with the Sarajevo Open Centre, but they have supported the Sarajevo Open Centre indirectly via Civil Rights Defenders since 2011.

Aim

This assignment aims at assessing the internal management and control of the Sarajevo Open Centre. The consultant is expected to identify eventual weaknesses. Based on the findings, Sida will require that Sarajevo Open Centre addresses the weaknesses as appropriate before or during the agreement phase. Some of the measures will be included as agreement conditions to be followed up during the annual audit.

The assignment

Management and organization

- Is Sarajevo Open Centre an entity that has legal capacity to enter into an agreement with rights and obligations?
- Does the management structure have clearly defined roles and is there a functioning board with adequate bylaw/statutes?
- Is there a decision order that adequately ensures segregation of duties in regard to authorization of payments, different roles and responsibilities within the organization?
- Is there an office manual or equivalent stipulating rules and policies in regard to advances, travel costs, per diem level etc. and do these rates and rules seem reasonable? What levels of per diems are applied? Is business travel allowed? What exactly are the limits on the type of travel and type of accommodation?

Management of risk and anti-corruption

- Is there an anti-corruption policy and is it operationalized to adequately address eventual corruption risks?
- Are risk analyses performed and are there routines to address the identified risks?
- Is Sarajevo Open Centre adequately staffed in terms of competence and professional skills in order to perform tasks and to fulfill obligations related to internal management and control?

Audit, procurement and financial management

- Audits; is Sarajevo Open Centre audited according to national rules and regulations applicable to the legal form of organization that Sarajevo Open Centre is. What type of audit is it (ISA, national standard, assurance engagement, agreed upon procedures) and does Sarajevo Open Centre follow-up weaknesses identified in the audits in a systemized way?
- Is there a procurement policy that includes adequate rules and regulations to manage planned procurement in compliance with applicable regulations? Check adherence to the procurement policy by reviewing a couple of procurements undertaken during the last year.
- Does Sarajevo Open Centre have an accounting software that allows for adequate accounting records (e.g. project accounting) for an organization of Sarajevo Open Centre's size and operations?

Set-up of the assignment

The consultant shall make recommendations to address any weaknesses identified in the areas above. The recommendations shall be presented in order of priority.

The assignment will commence (July 7, 2014). The consultant (s) are expected to visit Sarajevo Open Centre's office(s) in July 2014. These visits are planned to take place between July 7-

A draft report shall be submitted to Sida no later than (date). Sida will provide comments to the draft report no later than a week after receiving the report. Sarajevo Open Centre shall have given comments in regard to factual errors before the draft report is submitted to Sida. The final report shall be proof-read and submitted to Sida no later than (date). The report shall be submitted electronically to the responsible program officer below.

The contact person at the Embassy of Sweden is Jonathan Francis; e-mail: jonathan.francis@gov.se and telephone number: +387 61 228 343.

Annex 2. List of interviewed persons

1. Saša Gavrić - Executive Director
2. Feđa Bobić - Financial Coordinator
3. Dina Vilić – Financial and Administrative Coordinator
4. Emina Bošnjak - Programme Manager
5. Lejla Huremović - Programme Coordinator
6. Jozo Blažević - Programme Coordinator
7. Jasmina Čaušević - Programme Coordinator
8. Aida Spahić - President of the Board of Directors
9. Selma Asotić - beneficiary
10. Amar Bašić - beneficiary

Annex 3. List of documentation

1. Registration documentations, Satute, ID no
2. Internal policies and procedures
3. Organizational chart
4. Staff list, Employment contracts, CV's and job descriptions
5. Service contracts (if any) signed in years, 2012 and 2013 (with finacial documentation)
6. SOC's finance and accountants staff CVs
7. List of management Board members and CV's
8. Minutes from Management Board meetings in years 2012 - 2013
9. Financial statements as submitted to AFIP fpr years 2012, 2013
10. General ledger accounts
11. Inventory list
12. Grant Contracts signed with donnors in years 2012, 2013
13. Project Financial Statements for years 2012, 2013
14. Lists of authorized signatories for each SOC's bank account
15. List of staff responsible for: (a) authorization to execute a transaction; (b) recording of the transaction; and (c) custody of assets involved in the transaction and their specimen of signatures.
16. Original Financial Documentation (contracts, bills, invoices, receipts) for years 2012, 2013
17. Reports of previous auditors

Annex 4. Questionnaire for Organization Capacity

NGO & Business Audit, d.o.o. Sarajevo
 NGO SARAJEVO OPEN CENTRE (SOC)

Questionnaire for Organization Capacity (based on Mc Kinsley tools)

1. Aspirations. An organization's mission and vision which provide a common sense of purpose and direction

I Aspirations	Clear need for increased capacity (1)	2Basic level of capacity in place (2)	Moderate of capacity in place (3)	High level of capacity in place (4)	Comments
Mission					
Vision -clarity					
Beneficiaries (clarification beneficiaries, needs of beneficiaries)					

2. Strategy. The coherent set of organization's actions and programs aimed at fulfilling it's mission, e.g..

- Overall strategy
- Program relevance &integration
- Program growth and replication
- New program development

II Strategy	Clear need for increased capacity (1)	2Basic level of capacity in place (2)	Moderate of capacity in place (3)	High level of capacity in place (4)	Comments
Overall strategy(strategic plan)					
Program relevance and reintegration					
Program growth and replication					
New program development					

3. Organization skills. The sum of the organization's capacities, including such things as..

- Performance management
- Planning
- Fundraising and revenue generation

- External relationship building and management
- Other organizational skills

III Organization skills	Clear need for increased capacity (1)	2Basic level of capacity in place (2)	Moderate of capacity in place (3)	High level of capacity in place (4)	Comments
Goals/performance targets					
Performance measurement					
Funding model					
Fundraising					
Revenue generation					
Partnerships and alliances development					
Local community presence and involvement					
Public relations and marketing					
Influencing of policy making					
Management of legal and liability matters					

4. Human resource

The collective capacities, experience, potential and commitment of the organization’s board, management team, staff and volunteers, including

- staffing levels
- Board compositions, commitment, involvement, support
- Senior management team
- Staff
- Volunteers

IV Human resource	Clear need for increased capacity (1)	2Basic level of capacity in place (2)	Moderate of capacity in place (3)	High level of capacity in place (4)	Comments
Staffing levels					
Board-composition and commitment					
Board –involvement and support					
Management team- Impact orientation					
People and organizational leadership/effectiveness					
Analytic and strategic thinking					

Volunteers /numbers, way of recruiting, rules for volunteers					
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5. Organizational systems and infrastructure

The organization’s planning system, decision making framework, organizational design, inter-functional coordination and individual’s job design

V Organizational systems and infrastructure	Clear need for increased capacity (1)	2Basic level of capacity in place (2)	Moderate of capacity in place (3)	High level of capacity in place (4)	Comments
Planning systems					
Impact indicators					
Decision making framework					
Human resources management- Senior management recruiting, development and retention					
Human resources management- General staff, recruiting, development and retention					
Technological infrastructure-databases and management reporting system					
Interventional coordination					
Individual job design					
Shared beliefs and values					

Annex 5. Financial Questionary

NGO & Business Audit, d.o.o. Sarajevo
NGO SARAJEVO OPEN CENTRE (SOC)

FINANCIAL MANAGEMENT AND INTERNAL CONTROLS QUESTIONNAIRE

1. General information about Auditee					
Is the NGO SOC legally registered? What is the legal status/registration of the entity?					
Has the NGO SOC received grant funds in the past?					
Is the governing body for the SOC independent?					
Is the organizational structure appropriate for the work to be carried out under SIDA cooperation?					
Finding:					Recommendation:
1	2	3	4		

¹ 1= Moderate of capacity in place; 2 = Basic level of capacity in place; 3 = Moderate of capacity in place; 4 = High level of capacity in place

2. Financial reporting and monitoring system					
Does the NGO SOC have statutory reporting requirements? Please describe.					
Does the NGO SOC submit yearly financial reports to AFIP?					
Does the NGO SOC have the necessary reporting and monitoring mechanisms to track the use of funds?					
Are financial statements prepared for the organization as a whole?					
What is the frequency of preparation of financial statements? Are the reports prepared in a timely fashion so as to be useful to management for decision making?					
Does the reporting system need to be adapted to report on the grants/budgets related expenditure?					
Does the reporting system have the capacity to link the financial information with the project(s) work plan's physical progress?					
If separate systems are used to gather and compile physical data, what controls are in place to reduce the risk that the physical data may not synchronize with the financial data?					
Does the NGO SOC have established financial management reporting responsibilities that specify what reports are to be prepared, what they are to contain, and how they are to be used?					
Are financial management reports approved by management board?					
Do the financial reports compare actual expenditures with budgeted and programmed allocations?					
Are financial reports prepared directly by the automated accounting system they are prepared by spreadsheets or some other means?					
Describe the basis of accounting (e.g., cash, accrual)?					
Are internationally accepted accounting standards followed?					
Finding:					Recommendation:
1	2	3	4		

3. Authorizations and Segregation of Duties				
Indicate in remarks/comments section the names and positions of authorized signatories on the bank accounts.				
Do procedures exist to ensure that only authorized persons can alter or establish a new accounting principle, policy, or procedure to be used by the entity?				
Do policies and procedures clearly define <i>conflict of interest</i> and <i>related party transactions</i> (real and apparent) and provide safeguards to protect the organization from them?				
Are the following functional responsibilities performed by different units or persons: (a) authorization to execute a transaction; (b) recording of the transaction; and (c) custody of assets involved in the transaction?				
Are the functions of ordering, receiving, accounting for, and paying for goods and services appropriately segregated?				
Are bank reconciliations prepared by someone other than those who make or approve payments?				
Finding:				Recommendation:
1	2	3	4	

4. Transfers of funds - bank and cash management				
Are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained?				
Does the entity receive the funds on separate bank accounts for each project?				
Are all unusual items on the bank reconciliation reviewed and approved by a responsible official?				
Are bank and cash reconciled on a monthly basis?				
Does the entity have/need a capacity to manage foreign exchange risks?				
Are the arrangements to transfer the funds to the entity satisfactory?				
Does the NGO SOC maintain an adequate, up-to-date cashbook, recording recipients and payments?				
Finding:				Recommendation:
1	2	3	4	

5. Budgeting processes				
Who is responsible for preparation and approval of budgets?				
Are procedures in place to plan activities, collect information from the units in charge of the different components, and prepare the budgets?				
Are budgets prepared for all significant activities in sufficient detail to provide a meaningful tool with which to monitor subsequent performance?				
Are the plans and budgets of activities realistic, based on valid assumptions, and developed by knowledgeable individuals?				
Do the budgets lay down physical and financial targets?				
Are actual expenditures compared to the budget with reasonable frequency, and explanations required for significant variations from the budget?				
Are approvals from variations from the budget required in advance or after the fact?				
Finding:				Recommendation:
1	2	3	4	

6. Audits in all parts of the organization, quality of audit certificates				
Is there an internal audit department in the entity?				
What are the qualifications and experience of audit department staff?				
Is the internal auditor sufficiently independent to make critical assessments? To whom does the internal auditor report?				
Are actions taken on the internal audit findings?				
Is the entity financial statement audited regularly by an independent auditor? Who is the auditor?				
Are there any delays in audit of the entity? When are the audit reports issued?				
Is the audit of the entity conducted according to the International Standards on Auditing?				
Were there any major accountability issues brought out in the audit report of the past three years?				
Does the entity auditor audit the project accounts only or NGO SOC consolidated financial statements also?				
Are there any recommendations made by the auditors in prior audit reports or management letters that have not yet been implemented?				
Has the NGO SOC prepared plans for implementation of auditor's recommendations?				
Finding:				Recommendation:
1	2	3	4	

7. Project management systems and chart of accounts				
Does the entity have an accounting system that allows for the proper recording of financial transactions from Donors, including the allocation of expenditures in accordance with the respective components, disbursement categories, and sources of funds?				
Is the chart of accounts adequate to properly account for and report on activities and disbursement categories?				
Are cost allocations to the various funding sources made accurately and in accordance with established agreements?				

Are the general ledger and subsidiary ledgers reconciled and in balance?				
Are all accounting and supporting documents retained on a permanent basis in a defined system that allows authorized users easy access?				
Finding:				Recommendation:
1	2	3	4	

8. Promotion of good administration, transparency in the administration of funds, and counteraction of corruption	
Does the entity have an adequate policies and procedures manual to guide activities and ensure staff accountability?	.
Are there written policies and procedures covering all routine financial management and related administrative activities? Are these accessible?	
Are manuals distributed to appropriate personnel?	
Has the NGO SOC advised employees, beneficiaries, and other recipients to whom to report if they suspect fraud, waste, or misuse of Agency resources or property?	
8.1. Asset Management	
Is there a system of adequate safeguards to protect assets from fraud, waste and abuse?	
Are subsidiary records of fixed assets and stocks kept up to date and reconciled with control accounts?	
Are there periodic physical inventories of fixed assets and stocks?	
Are assets sufficiently covered by insurance policies?	

8.2. Information Systems	
Is the financial management system computerized?	
Can the system produce the necessary financial reports?	
Are the staff adequately trained to maintain the system?	
Does the management organization and processing system safeguard the confidentiality, integrity, and availability of the data?	
8.3. Staffing	
Is the organizational structure of the accounting department appropriate for the level of financial volume? Attach an organization chart.	
Is the level and competency of staff appropriate for the level of financial volume? Identify the accounts staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions and CVs of key accounting staff.	
Is the NGO SOC finance and accounts function staffed adequately?	
Are finance and accounts staff adequately qualified and experienced?	
Are accounts and finance staff familiar with SIDA's and other donor's procedures related to cash transfers?	
What is the duration of the contract of finance and accounts staff?	
Indicate in the remarks/comments section key positions not contracted yet, and the estimated date of appointment.	
Are staff frequently transferred? At what frequency?	

Is there a training policy for the finance and accounting staff? Please describe.				
Finding:				Recommendation:
1	2	3	4	

9. Compliance with Agreements				
Test Grant Agreement provisions between NGO SOC and:				
Finding:				Recommendation:
1	2	3	4	

10. Systems and routines for procurement				
Does NGO SOC provide proper measures to secure that Procurement of goods and service is performed at the best possible total cost, in the right quantity and quality, at the right time, for the direct benefit or use of the end users, according to NGO SOC rules and core values (transparency, equity and ethic). Please describe				
Are there the evaluation criteria in place?				
Are procurement activities under the responsibility of the Executive Manager?				
Does NGO SOC use Purchase and Service Request to initiate the procurement procedure?				
Who is responsible to confirm the availability of funds and conformity with approved budget?				
Are there minutes from the session of Evaluation Committee?				
Who is responsible for reception of goods /services received?				
Is there a price limit for certain procurement of goods/services with NGO SOC ?				
Is equipment received by NGO SOC automatically codified and registered in the equipment file (including 1 identification card, copy of the invoice, guarantee documents, technical documentation, documents concerning services and repairs, donation certificate when there is one).				
Finding:				Recommendation:
1	2	3	4	