



**BOSNIA AND HERZEGOVINA**  
**Ministry of Finance / Finance and Treasury**  
**Central Unit for Internal Audit of Institutions**

**REPORT**  
**ON ADVISORY SERVICES IN THE X INSTITUTION**

*Number: 12-16-7-3787-4/XY*

**Sarajevo, October xy (year)**

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## Introduction

In accordance with the approved Internal Audit Annual Plan of the Central Internal Audit Unit in the X institution for xy (year), our number: 12-16-7-1924-4/15 dated 26 February xy (year), your number: 16-139/15 dated 26 February xy (year), on 13 May xy (year), activities were initiated regarding the "Provision of advisory services related to the establishment of the Financial Management Control (FMC) system in the X institution, as detailed in the report number: 12-16-7-3787-2/xy. In addition, the future activities and obligations of the X institution were agreed.

ISPPIA 2010.C1

Engagement objectives:

The engagement objective includes the provision of advisory services regarding the creation of an integral document related to the establishment of a financial management and control system at the Memorial Centre Srebrenica - Potočari Memorial and cemetery for the victims of the 1995 genocide.

The scope of the engagement includes providing advice in relation to:

- preparation of a roadmap for the establishment of financial management and controls including outputs, deadlines and responsible persons of the Memorial Centre designed for the implementation of planned activities,
- analysis of regulations from the aspect of compliance with superior regulations and the development of a Register of Regulations by areas/regions,
- analysis and documentation of the process, creation of a Business Process List with activities, Business Process Map and Process Identification forms (connection of processes within the institution, connection with other institutions),
- analysis, definition and documentation of risks related to processes and programmes / projects and development of a Risk Register
- development of an integral document on financial management.

ISPPIA 2210.C1, 2210.C2,  
220.C1, 2220.C2

The Advisory Service Agreement regarding the establishment of a financial management and internal control system in the X institution defines the objectives, scope, time and reports on the outputs of the advisory engagement, the responsibilities of the X institution's leadership and the responsibilities of internal auditors.

The agreement envisages the provision of advisory services in the period from 14 May xy (year) – 15 September xy (year), according to the established schedule and responsibilities of the

leadership of the X institution and internal auditors of the Central Unit for Internal Audit of Institutions (hereinafter: Central Unit), as provided in Table number 1 of the Advisory Service Agreement regarding the establishment of a financial management and internal control system in the X institution.

ISPPIA 2201.C1

### **Advisory Services provided by the Central Unit for Internal Audit of Institutions**

In accordance with the proposed phases of activities as specified in the report, from 15 September - 16 September xy (year), the Central Unit carried out a review of the documentation and activities undertaken to establish the FMC system in the X institution, and established as follows:

- 1) The head of the X institution, in accordance with the deadline specified in the Roadmap, in the decision number: 02-323/xy dated 22 May xy (year), appointed the manager responsible for the introduction and development of the financial management and control system and the coordination of the establishment of the risk management process, whereby the coordination includes the following activities:
  - a)
    - tracking and evaluating the entire internal control system,
    - coordinating the development and implementation of internal control,
    - tracking identified deficiencies and necessary corrective actions,
    - ensuring that all employees are acquainted with procedures and policies, and that they receive appropriate training in the area of internal controls,
    - reporting according to the requirements of internal and external users.
  - b)
    - to inform other managers in cooperation with the Central Harmonisation Unit about the need of introducing risk management in their institutions, with special reference to the Guidelines for Implementing the Risk Management Process,
    - to develop a risk management culture and provide support to managers with regard to effective risk management by strengthening senior management's awareness of the need for systematic risk management,
    - to initiate activities in cooperation with the heads of organisational units to introduce the risk management process and set deadlines for individual activities,
    - to prepare a consolidated report on risk management at the institution level.

2) Head of the institution X, in accordance with the deadline specified in the Roadmap, in the decision no. 02-322/xy dated 22 May xy (year), appointed a working group tasked with establishing organisationally the financial management and control system, as a comprehensive system of internal controls that is implemented through policies, procedures and activities and that will provide reasonable assurance that the objectives of the X institution will be achieved through:

- operations conducted in accordance with regulations, internal acts and agreements,
- realism and integrity of financial and operating statements,
- proper financial management and
- asset and data protection.

According to the aforementioned decision, the appointed Working Group was obliged to perform the following activities by 15 September xy (year):

- list and description of business processes;
- list of regulations by area,
- business processes mapping;
- identification of business processes that are not prescribed in written form;
- identification of the control environment;
- identification, assessment of risks and determining the risk management method;
- establishment of control activities that include written policies and procedures and their application, which will provide reasonable assurance that the risks related to the achievement of objectives are limited to an acceptable level;
- establishment of an information and communication system and a system of effective, timely and reliable reporting;
- establishment of a system of controls and operation of financial management;
- determination of the method of monitoring and evaluating the adequacy of the established financial management system;
- preparation of the draft Financial Management and Control Procedures.

3) The Central Unit reviewed the Financial Management and Control Procedure in the X institution, which was prepared by the appointed Working Group, and found as follows:

**A.** The **Mandate** specified in the Procedure is in accordance with the Act on the X Institution, as well as the **mission and vision**, which are identical to those specified in the Draft Medium-Term Work Plan of the institution for the period 2020-2022.

**B. List of business processes and activities**

The Ordinance on Internal Organisation in the X institution number: 0-918/18 dated 26 December 2018, for the purpose of realising the key functions and set

objectives of the institution, according to the tabular overview, systematised jobs within three organisational units:

1. Service Director General,
2. Division for General, Economic, Legal Affairs and Museum Activities and
3. Maintenance and Investment Division.

The Business Process List of the Institution X, identifies 19 business processes, i.e. 26 sub-processes, performed in three organisational units: Division for General, Economic, Legal Affairs and Museum Activities, Maintenance and Investment Division and the Service of the X institution (although the Service of the X institution is not organisationally established by the Ordinance on Internal Organisation.

The following processes are carried out in the Division for General, Economic, Legal Affairs and Museum Activities:

1) **Museum activities** involving the following sub-processes/activities:

- 1.1) Visits, tours and education of visitors in the X institution,
- 1.2) Improvement of the website and its continuous updating,

1.3) Publication of brochures and other informative and propaganda material

about

the X institution in printed form,

1.4) Cooperation with similar organisations in the country and abroad.

2) **Public procurements** with sub-processes/activities that include the types of public procurement procedures that the institution has conducted so far:

- 2) Preparation and approval of public procurement plans,
- 2.2) Open public procurement procedure,
- 2.3) Competitive request for submission of bids.

3) **Legal and Personnel Affairs** with the following sub-processes/activities:

3.1) Monitoring regulations and drafting internal acts, representation of the X institution in labour law proceedings, conducting administrative proceedings.

3.2) Personnel affairs.

4) .....

**5) Budget planning,**

**6) Financial reporting – budget,**

**7) Financial reporting – account with commercial banks,**

**8) Recording and payment of liabilities– budget,**

**9) Recording and payment of liabilities– account with commercial banks,**

**10) List of assets, receivables and liabilities,**

**11) Salaries and remunerations,**

## **12) Cash office.**

- The following activities are carried out in the Maintenance and Investment Division:

**13) Maintenance and physical protection of premises and facilities in the X institution**

**14) Management of investments and professional supervision over the execution of works in the X institution.**

- In the organisational unit the Service of the X institution:

**15) Professional support for the work of the SC,**

**16) Protocol and archive:**

16.1) Protocol,

16.2) Archive.

**17) Strategic and annual planning**

**18) Planning, organising and conducting campaigns for collecting donations**

**19) Courier, cleaning and kitchenette services.**

## **C. Business process map**

The business process map contains a tabular overview of all business processes of the X institution that take place within the framework comprising of 26 sub-processes, with determined process owners, objectives, main process risks, detailed activities performed within the processes, as well as responsibilities and deadlines for execution in order to ensure an audit trail. The listed so-called mandated business processes are aligned with the business processes/projects listed in the Draft Medium-Term Work Plan of the X Institution 2020-2022, and the objectives contained in the aforementioned document served as a starting point for determining the main risks of the process.

**D. The Register of Regulations by regions/areas** contains a list of laws and by-laws, and internal procedures of the X institution, and for the most part was created in accordance with the advice of the Central Unit regarding the layout and method of completing and referencing the Register of Regulations. We believe it is necessary to amend the Register of Regulations as follows:

- Sequential number: 1 - process/sub-process code 1-19 related to Ethics and Integrity in the column: By-laws must include:
  - *Methodology of Developing the Integrity Plan number: 03-50-535-1/xy dated 31 December xy (year) and Guidelines for Designing and Implementing the Integrity Plan number: 03-50-536-1/xy dated 31 December 2xy (year)*

*published on the website of the Agency for the Prevention of Corruption of Bosnia and Herzegovina;*

- The Act on Freedom of Access to Information in BH prescribed the obligation for institutions to appoint an information official who processes requests for access to information, as well as the obligation to compile an Information Access Guide, and accordingly it is necessary to *compile the Information Access Guide of the X institution and include it in the column: Internal act/document:*
- In the Internal act/document column, the Anti-Corruption Action Plan of the X institution is listed, number: 02-335-1/xy dated 11 June xy (year) adopted only for xy (year). The Integrity Plan of the X institution is also listed, number: 02-585-1/xy dated 10 September xy (year). which sets forth recommendations on improvements including a list of preventive measures to reduce the possibility of the occurrence of corruption, along with a list of responsible persons and deadlines for the implementation of the recommendations. According to the Integrity Plan, the date of review within monitoring was 30 June xy (year). *It is necessary to update the Anti-Corruption Action Plan and the Integrity Plan of the X institution;*
- Sequential number: 2 - process/sub-process code 3 related to Human Resources in the column: Internal act/document it is necessary:
  - pursuant to Article 11 (3) of the Personal Data Protection Act ("Official Gazette of BH", number 49/06, 76/11 and 89/11) *to prescribe the Ordinance containing rules and procedures of the X for the application of the key principles of legal processing of personal data, the procedure for providing personal data to the user, the method and the procedure of keeping records prescribed by the Act, and*
  - pursuant to Article 11 (4) of the Personal Data Protection Act to adopt a *Security Plan that will specify in detail the technical and organisational measures for the protection of personal data managed and processed by the organisational units in the X institution;*
- Sequential number: 5 - process/sub-process codes 5, 6, 7, 8, 9 and 10 related to Accounting, financial operations and reporting in the column: Internal act/document it is necessary:
  - *It is necessary to analyse and make possible amendments to the existing internal regulations of the institution X (Ordinance on Internal Procedures for Creating Liabilities, Ordinance on Internal Control, Ordinance on Material Operations and Ordinance on Inventory of Assets, Receivables, Inventories and Liabilities) which were adopted in xy (year), which would include all subsequent amendments to the laws and by-laws regulating the obligations and competences of the X institution arising from the Act on the*

Financing of Institutions of BH, ("Official Gazette of BH", number: 61/04, 49/09, 42/12, 87/12 and 32/13), Act on Public Procurement (Official Gazette of BH", number 39/14), Act on Salaries and Remunerations in Institutions of BH ("Official Gazette of BH", numbers 50/08, 35/09, 75/09, 32/12, 42/12, 50/12, 32/13.... 87/13...), Ordinance on Accounting with Accounting Policies and Procedures for Spending Units of BH Institutions number: 01-08-02-1-1515-1/xy dated 04 February xy (year) of the Ordinance on Financial Reporting of Institutions of Bosnia and Herzegovina, number: 01-05-02-2-1993/xy dated 20 February xy (year), the Decision on the Publication of Internal Control Standards in the Institutions of BH ("Official Gazette of BH" number 61/14), the Decision on the Publication of the Manual for Financial Management and Control of Institutions of BH ("Official Gazette of BH", number 98/14) and the Decision on the Publication of Guidelines for the Implementation of the Risk Management Process in BH Institutions ("Official Gazette of BH", number x/y).

- Sequential number: 7 - process/sub-process code 16 related to Office Operations / Archiving in the column: Internal act/document:
  - *It is necessary to perform an analysis and make possible amendments/updates to the existing internal regulations of the X institution* (Ordinance on the Use, Storage, Record Keeping and Destruction of Seals, Ordinance on Office Operations) adopted in xy (year), which would include all subsequent amendments to the legislation of the Act on Seals of BH Institutions ("Official Gazette of BH", no. 12/98, 14/03, and 62/11), Instructions on the Procedure and Method of Creating Seals, Method of Keeping Records and Content of Records on Seals, Destruction of Seals and Putting Seals into Disuse as Applicable to Seals of Institutions of BH ("Official Gazette of BH" number: 6/12), Decisions on Office Operations ("Official Gazette of BH" number: 74/xy) and Instructions on Conducting Office Operations in the Institutions of BH ("Official Gazette of BH" number: 30/xy);
  - According to the Act on Archival Material and Archives of BH (Official Gazette of BH" number: 6/01); Decisions on Office Operations ("Official Gazette of BH" number: 74/xy) and Instructions on Conducting Office Operations in the Institutions of BH ("Official Gazette of BH" number: 30/15), for the purpose of proper recording, archiving of items and acts under the competence of the institution, and keeping them in a safe and orderly condition, *the X institution is obliged to determine the List of categories of registry material with retention periods according to which the archiving of*



*items and acts under its competence is carried out, and to which prior consent was given by the Archive of Bosnia and Herzegovina.*

**E. The Form for Identifying and Assessing Risks for each process,**

For 26 sub-processes, the X institution designed the Form for Identifying and Assessing Risks, taking into account the advice of the internal audit regarding the identification and assessment of inherent risks as well as on how to assess residual risk in relation to the existing controls of the X institution, while internal auditors do not assume responsibility for risk management.

Risk identification and assessment forms have been created and completed for the following processes/sub-processes:

- **1.1)** Museum activities/ Visits, tours and education of visitors in the Memorial Centre
- **1.2)** Museum activities/ Improvement of the website and its continuous updating
- **1.3)** Museum activities/ Publication of brochures and other informative and propaganda material about the X institution in printed form
- **1.4)** Museum activities/ Cooperation with similar organisations in the country and abroad.
- **2.1)** Public procurement/ Preparation and approval of the public procurement plan (blank);
- **2.2) and 2.3)** Public procurement/Open public procurement procedure/Competitive public procurement procedure.
- **3.1.3.2)** Legal and Personnel Affairs
- **4)** .....
- **5)** Budget planning;
- **6) and 7)** Financial reporting;
- **8) and 9)** Recording and payment of liabilities;
- **10)** List of assets, receivables and liabilities;
- **11)** Salaries and remunerations;
- **12)** Cash office;
- **13)** Maintenance and physical protection of premises and facilities in the X institution;
- **14)** Management of investments and professional supervision over the execution of works;
- **15)** Professional support for the work of the SC (blank);
- **16.1)** Protocol and archive/Protocol (blank);
- **16.2)** Protocol and archive/Archive (blank);
- **17)** Strategic and annual planning;
- **18)** Planning, organising and conducting campaigns for collecting donations;
- **19)** Courier services, hygiene maintenance and kitchenette\* services.

*The forms for 5 sub-processes remained blank. It follows from the above that the X institution failed to carry out risk identification for certain sub-processes, which means that the costs of eliminating the consequences in the event of a risk occurring in the future were accepted by the institution for processes for which the risks were not identified and assessed.*

#### **F. Risk Register**

By developing the financial management and control system, the X institution created a Risk Register for 26 sub-processes - of which the Register is filled out for 21 risks (including a description of the causes and potential consequences of the risk, an assessment of the residual risk rating and a summary of the risk response, i.e. controls that will reduce the consequences of risks, persons in charge of carrying out certain activities as well as deadlines for their execution).

Listed business processes were taken as a starting point for risk identification, and the advice of the internal auditors was accepted to link each individual risk to a process/sub-process code from the Business Process Maps.

#### **G. Annexes**

In the content of the Procedure for Financial Management and Control in the X institution, it is necessary to list *in the Annex all the forms that are an integral part of the Ordinance for Financial Management and Control*. In order to document all subsequent reviews and amendments to the Ordinance, the content should also *be supplemented with a table Description of reviews, in which all data regarding the dates of subsequent reviews and descriptions of changes would be entered*.

#### **H. Roadmap**

In accordance with the Guidelines for the Implementation of the Risk Management Process in BH Institutions, after the X institution has identified the risks that need to be acted upon and determined the methods of action, *it is necessary to adopt an Action Plan for Reducing or Mitigating Risks, i.e. to ensure effective risk management*. The Action Plan should contain a description of the risks, objectives to be achieved by the action Plan, actions to be taken, persons in charge and deadlines for implementation, and may also contain other important information, such as the funds required to implement the plans and methods of their monitoring.

ISPPIA 2300, 2410.C1, 2440.C1,  
2440.C2, 2500

Advisory activities were carried out in accordance with the schedule from the Advisory Service Agreement.

We would like to thank the employees of the X institution with whom we cooperated during the audit for their assistance and cooperation.

Sarajevo, 21 October xy (year),

**Advisory Services provided by:**

**AM**, Unit Manager \_\_\_\_\_

**SB**, internal auditor \_\_\_\_\_