

**ICRC - NS Financial Management Capacity Assessment**

<b>Name of National Society:</b>	Red Cross of Serbia (RCS)
<b>Name of ICRC Delegation:</b>	Regional delegation for Serbia, Montenegro, Macedonia, Albania
<b>Assessment completed by:</b>	(Give Names and Titles)
National Society	Olivera Aleksic, Deputy manager of the Finance department
ICRC	Jelica Bogdanovic, Cooperation file responsible
<b>Result of Assessment:</b>	Level 3
<b>Endorsed By:</b> (ICRC & NS assessment team)	<i>Bogdanovic Jelica / Aleksic</i>
<b>Approved By:</b> (ICRC HoD & NS SG or equivalent)	

**Summary of Assessment Findings**

The Red Cross of Serbia has developed over the years a very reliable financial system and strong financial management capacity to manage and administer up to 40 projects on a yearly basis. It is collaborating with various national and international counterparts. The following partners are the most important: Ministry of Health, Labour and social policy, Secretariat for Emergencies of the Interior Ministry, Global Fund, UNHCR, USAID, ICRC, IFRC, Swedish RC, Danish RC, Spanish RC, British RC and several national NGOs. Prior to ICRC financial management capacity assessment, other assessments of the RCS financial management system were carried out. The following two examples can only but confirm the strong financial management capacity of the RCS.

Global Fund has identified the RCS as a primary partner for the implementation of an 880'000 USD worth Tuberculosis control project. Prior to choosing the RCS as a partner, Global Fund assessed the financial capacities of the RCS and the evaluation was extremely positive

Another positive evaluation was given by USAID during a "Pre-award survey of the RCS". Namely, USAID concluded the following:

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RCS operational, procurement and financial management systems provide reasonable levels of control to manage USAID funds up to a maximum aggregated limit of \$ 1,000,000 at any given time, using a cost reimbursement method. RCS does have the in-house expertise necessary to directly manage and oversee amounts of USAID funding up to \$ 1 Million.

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The risk assessment being the last part of this questionnaire has shown that the risk is low since none of the conditions set out in the assessment's questionnaire are met.

Attached to this questionnaire are two supporting documents :

1. Independent Auditor's report
2. USAID Pre-award survey of the Red Cross of Serbia

### Accounting, Audit & Procurement Structure

<p>1. Does the NS have an accounting system, capable of handling monthly/yearly accounting and donor reporting or a good manual accounting system in place? Is this system manual or computerized? Does the same system (computerised or other) extend to the NS Branches?</p>	<p>Yes, RCS has a computerized accounting system, which extends to branches. The RCS has a wide network of 186 RC branches in which it implements projects and activities. The accounting system extends to 5 IT centres and 60% of the branches across Serbia. The financial accounting system of the RCS is the result of the RCS Financial development initiated by the International Federation in 2001. The RCS adopted new financial procedures in 2005 and begun using the uniform financial accounting system in 2008.</p>
<p>2. Does the financial organisation of the NS require a specific accounting for programmes/projects?</p>	<p>Yes it does. The financial accounting system has data processing software that includes all-important elements for analyses and reporting on business transactions related to projects and programmes. It allows the SRC to process budget and accounting wise all projects implemented within the structure of 10 major programs.</p>
<p>3. Does the NS have an updated Financial Procedures Manual which is adhered to?</p>	<p>Yes it does. The procedures were adopted by the RCS governing board in 2005. They are derived from a contract with MGI Audit company on the making of financial procedures and are integral part of the financial development.</p>
<p>4. Is an internal compliance/financial controlling/audit system in place?</p>	<p>Yes there is. The financial commission, the supervisory board and the governing board control the work of the finance department and all financial operations in keeping with the RCS Statutes.</p>
<p>5. Does the NS have a well functioning bank system at HQ and Branch level? Does the NS provide monthly bank statements?</p>	<p>Yes it does. The system is well developed and the RCS has developed good cooperation with banks at all levels. The RCS provides monthly bank statements.</p>
<p>6. Does the NS perform a monthly/yearly closing with bank/cash reconciliations as well as a statement of income/expenditure and a balance sheet?</p>	<p>Yes it does in compliance with the RCS Financial procedures.</p>
<p>7. Has the NS prepared annual financial statements for the last five (5) years and does this include consolidated and audited statements? Please give details of statements and who performed the audit.</p>	<p>Yes, it has. The RCS is preparing financial statements for every donor in relation to the project they fund. All these separate financial statements are part of the annual consolidated and audited statements. The financial statements are prepared in accordance with the international financial reporting standards, international accounting standards and accounting regulations of the Republic of Serbia. As of 2005, the RCS is obliged to have audited financial statements, which is in accordance with the national Law on accounting and audit. The audit is performed by Euro Audit, an independent audit, accounting and financial consulting company, certified and registered nationally. In addition to aforementioned, UNHCR has contracted MGI to audit RCS financial statements of the programs they support.</p>
<p>8. If yes, did the External Audit indicate good financial management? Please attach the Executive Summary/Management Letter from the last set of audited accounts.</p>	<p>The RCS has received an unqualified audit opinion for the last two years, i.e. 2009 and 2010, which is attached herewith.</p>
<p>9. Is the audit company reputable? Have the auditors been appointed in a fair and independent manner? How long have they been appointed to the NS? Are they certified auditors, registered nationally and/or internationally?</p>	<p>Euro Audit is a reputable audit company certified and registered nationally, whose auditors have been appointed in a fair and independent manner. They have been appointed to the RCS since 2005.</p>

10. Do procurement guidelines meet minimum requirements? What kind of safeguards are in place to ensure transparency, avoidance of conflict of interest, use of tendering procedures, best value for money?	Yes, procurement guidelines meet minimum requirements and comply with the national Law on public procurement and the RCS rules on procurement. The RCS has established a three-member commission for public procurement taking part in the tendering process, but it is also involved in procurement of small value.
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#### Financial organizational structure

11. What HR structure does the NS finance dept have and is it adequate? Who approves financial audit reports within the NS? Please provide organograms and flowcharts as supporting documents.	The RCS finance department has an adequate structure of 6 employees as follows: a manager, a deputy manager, a finance officer, two account officers and a treasurer. The financial commission considers the financial audit reports and the governing board approves them. The RCS does not have an updated organigramme of its finance department.
12. Do the NS statutes and practice ensure that the annual financial statements are approved by the Governing Board and the General Assembly?	Yes, annual financial statements are approved by the Governing Board and the General Assembly in compliance with the RCS Statutes
13. Does the NS have a training policy related to continuous learning for financial staff? If so please provide details / copy of the training policy.	The RCS conduct regular trainings of its financial staff and organize various consultations on financial issues, however a training policy as such does not exist.

#### Internal Control Standard

14. Are appropriate measures taken to prevent and to detect fraud? If yes, which? (e.g. fraud policy)	Yes, appropriate measures are taken in compliance with the RCS financial procedures and the RCS rules on procurement.
15. Do the rules and regulations of the NS adhere to the principle of segregation of duties?	Yes, they do. Heads of departments and programme responsible collaborate with the Finance department on the project implementation, each within the scope of their respective responsibilities.
16. Do the rules and regulations of the NS foresee appropriate verifications, for example by the heads of departments of their officers etc?	Yes, they do. Heads of departments and programme responsables manage their programmes budget wise in compliance with the financial procedures, collaborate with the Finance department and report to the Secretary General.
17. Does the NS have a sound system of operational monitoring in place that includes regular narrative reports on program implementation?	Yes it does. Narrative reports are produced on a regular basis (monthly, quarterly, annually) depending on the program and donors.

#### Risk assessment

18. Does the NS currently have outstanding balances with the ICRC? How old and why?	The RCS does not have any outstanding balance with the ICRC.
19. Has the ICRC operated a revolving fund with the ONS in the past?	ICRC has never operated a revolving fund with the RCS.
20. Are there any current/historical issues/problems with the NS/ICRC relationship on financial matters?	There are no current or historical issues/problems with the RCS/ICRC relationship on financial matters.
21. What is the current annual value of the ICRC funded programmes with the NS?	The current annual value of the ICRC funded programmes with the RCS is CHF 34'000.
22. Does the NS apply a management charge to cover its administrative costs? Describe how this was developed and if there is a policy, does it extend to other partners?	The RCS does not apply a management charge for ICRC programs. There is no policy as such. It does not extend to other partners. However, with certain partners some budget lines include certain administrative costs of the RCS. There is a growing tendency to have a separate budget line in every program meant for a management charge.
23. Does the country have a well functioning banking system?	Yes, it does.
24. Is there an ICRC delegation in country? If not then how does the ICRC plan to operate financially with the NS?	Yes, there is.