

Report on the Republika Srpska part of the Project
Financial Statements of the

REDUCING HEALTH RISKS FACTORS

of the Ministry of Finance and Treasury

Financed by:

- SDC Grant No. TF0A4795

For the year ended 31 December 2018

REDUCING HEALTH RISKS FACTORS PROJECT
of the Ministry of Finance and Treasury of Bosnia and Herzegovina
Project financial statements for the year ended 31 December 2018

(all amounts in EUR, unless otherwise stated)

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1. Introduction

1.1 Background

Bosnia and Herzegovina, through its Ministry of Treasury has obtained a grant funds from the International Bank for Reconstruction and Development as administrator funds of the World Bank. The grant funds provided by the Swiss Agency for Development and Cooperation.

The objective of the Project is to assist the Republika Srpska and Federation of Bosnia and Herzegovina in reducing selected non-communicable disease (NCD) risk factors by promoting tobacco and alcohol control, and diet and physical activity in four selected local communities. In Republika Srpska are selected Municipality Zvornik and Doboј.

1.1.1 Description of Project

Change Attitudes and Behavior Concerning NCD Risk Factors

Provision of support to two selected communities towards the:

- a) Review of existing programs and relevant studies that promote: (i) healthy food program(s) for pre-and primary school children; (ii) prevention of tobacco and alcohol use in primary and secondary schools; and (iii) awareness of NCD risk factors among the adult population;
- b) Development of new preventive programs for major NCD factors including, inter alia: (i) designing, revising and distributing training materials among targeted groups; (ii) designating tobacco-free public spaces and promoting healthy lifestyles; and (iii) developing sets of toolkits for each risk factor for the promotion of tobacco-free public spaces and healthy lifestyles in public educational and health care institutions;
- c) Implementation of comprehensive local government interventions to address key NCDs risk factors, including inter alia: (i) carrying out a training-the-trainers program(s) for teaching staff on practices that foster good health and promote awareness on risk and prevention of substance use; (ii) facilitating grants focused on promoting healthy lifestyles; and (iii) technical assistance for the development and implementation of advocacy campaigns and social mobilization, and surveys;
- d) Carrying out advocacy and social mobilization campaigns targeting decision makers, civil servants and health professionals to increase awareness regarding harmfulness and hazards of NCDs risk factors; and
- e) Carrying out an end-of-Project study.

1.1.2 Project synopsis/intervention program and strategy

Project intervention are designed through 4 (four) pillars in the following way:

- Pillar 1: Terms of Reference: Development and implementation of strategic, contextually appropriate advocacy plans, communication, initiatives and approaches to Reduction of Health Risk Factors in the Republic of Srpska, contract number: BA/RS/RHRF/CS/CQ-001/17;5

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1. Introduction (continued)

1.1.2 Project synopsis/intervention program and strategy (continued)

- Pillar 2: Terms of Reference „Development and implementation of social mobilization plans for strengthening capacities of local communities”, contract number: BA/RS/RHRF/CS/CQ-002/17 is planned to be used for activities in coordination, planning and implementation of prevention based on evidence and policy measures at the local level in the cities of Doboj and Zvornik. The activities of the Terms of Reference are based on the model approach to communities that do care (hereinafter referred to as: CTC), which is a widely accepted approach based on evidence throughout the world, including several European countries. The CTC helps communities select and implement tested and effective preventive programs and policies including the programs that they are already performing. This model approach is used for all four risk factors (smoking, alcohol consumption, healthy nutrition and physical activity) and for all target groups in the project (children, adolescents, young adults and adults). The activities focus on the following:
 - Setting up local action groups
 - Training on community mobilization, action and strategic planning
 - Preparation of short-term action plan 2018-2019
 - Preparation of criteria for awarding grants and support to grant administration
 - Adoption and implementation of no-smoking policies
 - Having regular meetings
 - Implementation of the adopted action plans
- Pillar 3: Terms of Reference Development and implementation of education programs in the local community for implementation of prevention and skills of healthy behavior (hereinafter referred to as: Education program) is planned so that activities of coordination, planning and implementation of prevention be implemented through it, all based on evidence and policy measures at the local level in the towns of Doboj and Zvornik. The activities of the Terms of Reference are based on the model approach to communities that do care (hereinafter referred to as: CTC), which is a widely accepted approach based on evidence throughout the world, including several European countries. The CTC helps communities select and implement tested and effective preventive programs and policies including the programs that they are already performing. This model approach is used for all four risk factors (smoking, alcohol consumption, healthy nutrition and physical activity) and for all target groups in the project (children, adolescents, young adults and adults). The activities proposed during the preparation and implementation of the Education program in community for the implementation of prevention and the skills of healthy behavior covered:
 - Evaluation of the situation in the preschool and school environments, administrative centers/local self-governance and health institutions
 - Review of the existing and modification and/or development of new materials/instruments for the implementation of the intervention – realization of the health-upbringing, preventive and promotional work with the targeted population within the implementation of the Educational program
 - Training of trainers in schools/preschool instructions – development of the local experts' network
 - Training of targeted population groups:
 - Workshops for parents
 - Workshops for preschool institutions
 - Professional workshops in the health sector
 - Workshops for employees in local administration
 - Community trainings
 - Training for the development of programs for improvement of health and “Healthy school/preschool institution/Healthy workplace” policies.

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1. Introduction (continued)

1.1.2 Project synopsis/intervention program and strategy (continued)

- Pillar 4: Terms of Reference Development and implementation of programs for monitoring and evaluation of improvement of knowledge and skills of key stakeholders in the areas of monitoring and evaluation of results and the process of implementation of contemporary preventive interventions.

The Project is financed by grant funds in total amount 1,409,682 USD, of which the amount is 690,744 USD for Republika Srpska.

1.2 SDC Grant No. TF0A4795

The World Bank has offered technical assistance and advice to the Republic of Srpska and the Federation of BH with an aim to undertake strategic interventions in the reduction of risk factors for selected non-communicable diseases, by promoting control of the use of tobacco and alcohol, and by improving the nutrition and increasing physical activity. The Swiss Agency for Cooperation and Development participates in the project as the financier, in order to provide support to the authorities in the Republic of Srpska and the Federation of Bosnia and Herzegovina in the preparation and implementation of efficient and promotional programs of prevention for the reduction of selected risk factors for non-communicable diseases among the population.

The Ministry of Finance and Treasury signed the Grant Agreement, ref. number: TF0A4795 with the World Bank on 24 October 2017. The Government of the Republic of Srpska adopted Decisions to accept the donor funds from the Swiss Agency for Development and Cooperation, in the "Reduction of Health Risk Factors" Project. (Decision, ref. number: 04/1-012-2-1558/17 from 22 June 2017 ("Official Gazette of the Republic of Srpska", number: 63/17) and Decision to change the Decision of the Government of the Republic of Srpska, ref. number: 04/1-012-2-1869/17 from 24 July 2017 ("Official Gazette of the Republic of Srpska", ref. number: 74/17).

Through these decisions, the Minister of Health and Social Welfare is authorized to sign the Project Agreement and the Subsidiary Grant Agreement. The Project Agreement, ref. number: TF0A4795 was signed on 31 October 2017, under the protocol number of the Ministry: 11/06-122-62/17, and the Subsidiary Grant Agreement between Bosnia and Herzegovina and the Republic of Srpska on 16 January 2018, under the Ministry's protocol number: 11/06-122-1/18.

On 20 February 2018, the World Bank submitted a scanned and signed Letter of Project Effectiveness Declaration via email. The planned completion date of the project is 31 December 2018. On 21 November 2018, the World Bank submitted signed letter of Extension of Closing Date, and now, closing date is 30 June 2019.

Item VI of the Government of the Republic of Srpska's Decision, ref. number: 04/1-012-2-1558/17 from 22 June 2017 ("Official Gazette of the Republic of Srpska", ref. number: 63/17) puts the Ministry of Health and Social Welfare of the Republic of Srpska in charge of the implementation of the Project.

The developmental objective of the project is to support the Republic of Srpska in reducing the risk factors for selected non-communicable diseases, through promoting control of the use of tobacco and alcohol, nutrition and physical activity with selected users (preschool age children, school age children, teachers, health professionals, and employees in local governance bodies) in two selected communities. The project aims to change the attitudes and behavior with regards to risk-factors of non-communicable diseases among the citizens of the two selected communities – Dobož and Zvornik.

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1. Introduction (continued)

Eligible Expenditures as set forth in the following table:

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
Goods, consulting services, training and incremental operating costs under part B of the Project	690,744	100.00 %
TOTAL	690,744	

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2. Independent Auditor's Report

To the State of Bosnia and Herzegovina,
Ministry of Finance and Treasury
Attn. of Minister of Finance and Treasury H.E. Mr. Vjekoslav Bevanda

Report on the Project Financial Statements

Opinion

We have audited the accompanying project financial statements of the Republika Srpska part of the Reducing Health Risk Factors Project (the "Project"), which comprise of Summary of sources and uses of funds, Balance sheet, Designated account statement, Statement of loan withdrawals as of and for the year ended 31 December 2018, and a summary of significant accounting policies and other explanatory notes for the year then ended, financed under SDC Grant.

In our opinion, the accompanying project financial statements present fairly, in all material aspects, the financial position of the Project as of 31 December 2018, and of the funds received and disbursed during the year then ended, in accordance with the cash basis of accounting based on International Public Sector Accounting Standard ("IPSAS"), as described in Note 4.1.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and "Guidelines: Annual Financial Reporting and Auditing for World Bank – Financed Activities" issued by FMSB. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Ministry of Finance and Treasury in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Project Financial Statements

The management of project coordination unit is responsible for the preparation of these project financial statements in accordance with the cash basis of accounting based on IPSAS, as described in Note 4.1., and for such internal control as management determines is necessary to enable the preparation of project financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Project or to cease operations or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the financial reporting process.

Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the project financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

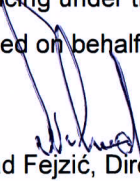
- Identify and assess the risks of material misstatement of the project financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Project to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the project financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other requirements

In addition, with respect to the Statement of Expenditure, adequate supporting documentation has been maintained to support claims to the World Bank for reimbursements of expenditure incurred; and all expenditure included in withdrawal applications and reimbursed against are eligible for financing under the project.


Signed on behalf of Baker Tilly Re Opinion d.o.o. Sarajevo


Nihad Fejzić, Director and Certified Auditor

Sarajevo, Bosnia and Herzegovina

28 May 2019




Ezita Imamović, Certified Auditor

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3. Project financial statements for the year 2018

3.1 Summary of sources and uses of funds EUR under the TF0A4795

	Ref	Actual 2018	Cumulative 2018	Cumulative Budget	Cumulative variance
FINANCING					
TF0A4795		350,168	350,168	650,939	300,771
RHRFP Account KM		12,740	12,740	12,740	-
TOTAL FINANCING	3.1.	362,908	362,908	663,679	300,771
PROJECT EXPENDITURES					
By category					
Goods		10,391	10,391	24,484	14,093
Consulting services		235,575	235,575	569,913	334,338
Training		-	-	-	-
Incremental operating costs		9,198	9,198	56,542	47,344
TOTAL EXPENDITURES	3.1.	255,164	255,164	650,939	395,775
PROJECT EXPENDITURES					
By component					
Changed attitudes and behavior on NCD risk factors and their prevention among the citizens of the RS		235,575	235,575	564,259	328,684
Project steering, coordination and supervision		19,589	19,589	86,680	67,091
TOTAL EXPENDITURES	3.1.	255,164	255,164	650,939	395,775

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3. Project financial statements for the year 2018 (continued)

3.1.1 Summary of sources and uses of funds EUR under the TF0A4795

	Ref	Actual 2018	Cumulative 2018	Cumulative Budget	Cumulative variance
FINANCING					
TF0A4795		350,168	350,168	650,939	300,771
TOTAL FINANCING	3.1.	350,168	350,168	650,939	300,771

PROJECT EXPENDITURES

By category

Goods		10,391	10,391	24,484	14,093
Consulting services		235,575	235,575	569,913	334,338
Training			-	-	-
Incremental operating costs		9,198	9,198	56,542	47,344
TOTAL EXPENDITURES	3.1.	255,164	255,164	650,939	395,775

PROJECT EXPENDITURES

By component

Changed attitudes and behavior on NCD risk factors and their prevention among the citizens of the RS		235,575	235,575	564,259	328,684
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3. Project financial statements for the year 2018 (continued)

3.1.2 Summary of sources and uses of funds EUR under the TF0A4795 (RHRFP Account BAM)

	Ref	Actual 2018	Cumulative 2018	Cumulative Budget	Cumulative variance
FINANCING					
RHRFP Account BAM		12,740	12,740	12,740	-
TOTAL FINANCING	3.1.	12,740	12,740	12,740	-

PROJECT EXPENDITURES

By category

Goods		-	-	-	-
Consulting services		-	-	-	-
Training		-	-	-	-
Incremental operating costs		-	-	-	-
TOTAL EXPENDITURES	3.1.	-	-	-	-

PROJECT EXPENDITURES

By component

Changed attitudes and behavior on NCD risk factors and their prevention among the citizens of the RS		-	-	-	-
Project steering, coordination and supervision		-	-	-	-
TOTAL EXPENDITURES	3.1.	-	-	-	-

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3. Project financial statements for the year 2018 (continued)

3.2 Balance sheet as of 31 decembar 2018 showing accumulated funds of the project EUR

	ref.	31 December 2018
ASSETS		
Project expenditure by category	3.1.	255,164
Balance of Accounts		
RHRFP Special Account EUR	A 1.1	95,004
RHRFP Account KM	A 1.2	12,740
TOTAL ASSETS		362,908
LIABILITIES		
RHRFP TF0A4795		350,168
Other income - VAT		12,740
TOTAL LIABILITIES		362,908

Signed and authorised by:


Alen Šeranić
Minister

Banja Luka, 28 May 2019


Mr Siniša Janjetović,
Assistant Minister

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4. Notes to the project financial statements

4.1 Basis of preparation and accounting records

These project financial statements have been prepared in accordance with the International Public Sector Accounting Standard: "Financial Reporting under the Cash Basis of Accounting" issued by the Public Sector Committee of the International Federation of Accountants, and incorporate the accounting policies below, which have been consistently followed in all material respects and comply with the "Guidelines: Annual Financial Reporting and Auditing for World Bank – Financed Activities", issued by the Financial Management Sector Board.

1.2.1 Accounting policies

The Project's fiscal year is 1 January to 31 December for the recording of all transactions.

Cash basis of accounting

All receipts and expenses under SDC Grant TF0A4795 are recorded on actual receipt and payment basis of accounting as per approved categories.

Direct payments

Direct payments concern the amounts paid directly from the Credit account of the World Bank.

Statement of Expenditure (SoE)

Statements of Expenditure are used by the Ministry of health and social welfare to state the expenditure under the IBRD Agreement during a certain period. These statements are sent to the World Bank's disbursement department who authorises the payment of the expenditure through the Special account.

Currency conversions

The reporting currency is Euro (EUR). Sources and use of funds (payments to suppliers and contractors) in currencies other than EUR have been converted to EUR using the currency rate at the moment of the disbursement or transaction.

Bank balances, recorded on the balance sheet at reporting date, have been converted at reporting date rate.

Designated account

This is the total amount of the withdrawals from the Grant account for the Project. Grant is in USD, but withdrawals are in EUR.

Other income

Other income includes VAT refund.

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APPENDIX A.1 DESIGNATED ACCOUNT STATEMENT

Account owned by: Ministry of Finance and Treasury

Account No.: 660000749-3

Depository Bank: Raiffeisen bank d.d. Sarajevo

Address: Zmaja od Bosne bb, Sarajevo

Related Credit: SDC Grant No. TF0A4795

Currency: EUR

	EUR
Opening balance 1 January 2018	-
Add:	
Income from TF0A4795	350,168
	350,168
Deduct:	
Payments to suppliers	255,164
	255,164
Ending balance 31 December 2018	95,004

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APPENDIX A.2

DESIGNATED ACCOUNT STATEMENT

Account owned by: Ministry of Finance and Treasury

Account No.: 660000749-3

Depository Bank: Raiffeisen bank d.d. Sarajevo

Address: Zmaja od Bosne bb, Sarajevo

Related Credit:

Currency: BAM

	Ref.	BAM	EUR
Opening balance 1 January 2018	3.2	-	-
Add:			
VAT Refund		24,917	12,740
		24,917	12,740
Deduct:			
Payments to suppliers		-	-
		-	-
Ending balance 31 December 2018	3.2	24,917	12,740

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B.1 APPENDIX B.1 SoE Withdrawal Schedule of SDC Grant TF0A4795 (EUR) for the year ended 31 December 2018

	Initial deposit	Goods, consultants services, incremental operating costs, goods	Total amount of applications	Total replenished
previous periods	-	-	-	-
1	150,000	-	-	150,000
2	-	59,461	59,461	59,461
3	-	79,701	79,701	79,701
4	-	61,006	61,006	61,006
5*	-	52,928	52,928	-
Part 6*	-	2,068	55,158	-
Total SoE applications	150,000	255,164	308,254	350,168
Total 2018	150,000	255,164	308,254	350,168
Cumulative as of 31 December 2018	150,000	255,164	308,254	350,168

*costs 2018, app from 2019

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C.1 APPENDIX Reconciliation between World Bank's disbursement statements in EUR and according to the balance sheet

	changes in USD	exchange rate used	changes in EUR
Original amount	690,744	0.94237	650,939
Disbursed in previous years	-		-
Withdrawal1	175,676	0.85384	150,000
Withdrawal2	69,260	0.85852	59,461
Withdrawal3	91,752	0.86866	79,701
Withdrawal4	69,150	0.88222	61,006
TOTAL disbursement in 2018	405,838	0.86283	350,168
Cumulative disbursed as of 31 December 2018	405,838	0.86283	350,168
Calculated undisbursed balance as of 31 December 2018	284,906		300,771
Undisbursed balance WB Summary as at 31 December 2018	284,906	0.87321	248,782
Exchange rate (+/-)			-51,989