

Independence of public sector audit offices in Bosnia and Herzegovina

Dragoljub Kovičić

Head of Quality Control Department

dkovincic@revizija.gov.ba

Public sector auditing in Bosnia and Herzegovina

Public sector auditing in B&H is performed by four audit offices:

State-level:

- ▶ National Audit Office of Bosnia and Herzegovina

Entity-level:

- ▶ Audit Office of the Federation of Bosnia and Herzegovina
- ▶ Audit Office of Republika Srpska

District-level:

- ▶ Audit Office of Brcko District



Statutory Independence

- ▶ Article 4 of the Auditing Law:

“The Audit Office in performing its duties and competencies in accordance with the Law, is independent and is not subject to management or control by any other entity or institution, unless otherwise stipulated by the Law“

- ▶ Audit offices perform their audits in accordance with ISSAI standards which contribute considerably to fostering of independence of public sector audit.

- ▶ Attempts of the Executive, sometimes even of the Legislative bodies, to jeopardize audit independence

No constitutional independence has ever been granted to public sector audit offices!



Audit Planning

- ▶ Every year, Auditor General adopts annual audit plan for the next year, taking into consideration requests in accordance with the Auditing Law. Audit plan is delivered to the competent Parliamentary Committee, in the form of information, before beginning of the new financial year.



Competencies

- ▶ Audit offices are mandated to perform:
 - ▶ a) Financial and compliance audits
 - ▶ b) Performance audits
 - ▶ c) Other special audits.

- ▶ The auditing framework of audit offices, in accordance with the Auditing Law, includes all public institutions:
 - ▶ a) Parliaments;
 - ▶ b) President offices;
 - ▶ c) Government and budget-financed institutions;
 - ▶ d) Extra-budgetary funds that may be provided by the Law.



Competencies cont.

The auditing mandate also includes:

- ▶ Funds in the form of a loan or a grant for Bosnia and Herzegovina that international agencies and organizations secured for an institution or a project in Bosnia and Herzegovina;
- ▶ Budget funds provided to any other institution, organization or o body.
- ▶ Company with a 50 percent plus one share stake owned by the government;
- ▶ All financial, administrative and other activities, programs and projects managed by one or several institutions and bodies of Bosnia and Herzegovina, including processing and revenues from sale of property, privatization and concessions.



Competencies cont.

- ▶ Entity-level audit offices are also mandated to audit healthcare and pension funds, as well as municipality and cantonal bodies.
- ▶ Audit offices are entitled to conduct a review or examination (performance audit) of particular aspect of operations of an entire or part of an institution, program or activity, with regards to economy, efficiency and effectiveness of the use of their resources.
- ▶ Parliaments may request audit offices to perform a special audit as well, but audit offices have the right to decide whether this special audit will be conducted or not.



Comments of Auditees

- ▶ Draft audit reports sent to auditees for comments
- ▶ Auditees are given 15 days to respond
- ▶ Audit offices consider the comments and include them in the final audit report, if relevant.



Reporting

- ▶ Audit offices send their reports to auditees, the Parliaments, the Government and the President Offices, etc.
- ▶ Reports made available to the public via web sites.
- ▶ Audit offices are free to determine the structure of audit reports which is adapted to the environment in which the audit entities operate.



Professional evaluation of performance - peer review

Article 10 of the Auditing Law:

- ▶ "The Parliament will initiate professional evaluation of work performance every four years, which will be financed from the budget. State Audit Office of another country will have priority in the process of selection of the party implementing professional evaluation. Auditing Office publishes and delivers reports on professional evaluation to Parliamentary Committee, including the report on measures that Audit Office has undertaken as result of evaluation process."
- ▶ SIGMA peer review performed in 2005 and 2012
- ▶ Peer review reports presents both to the Parliament and the public
- ▶ Action plans for implementation of expert team recommendations developed



Financial Independence

- ▶ Freedom to determine their own budgets which are usually adopted without any interventions (budget reductions) by the Parliament.
- ▶ SAO at the state-level operates within a treasury system of operations and does not have its own separate account; its employees are subject of the Law on Salaries applicable to the Executive Branch which may intervene and affect the salary levels of auditors.
- ▶ European Commission suggested to fully ensure the financial independence of the Supreme Audit Office so the Executive would have no impact in determining the salaries of auditors.



Thank you!

