



SIGMA

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BOSNIA AND HERZEGOVINA
EXTERNAL AUDIT
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1. Summary

1.1 Main Developments since last year

The main developments in external audit that have occurred in Bosnia and Herzegovina since last year are as follows:

In 2008 the Co-ordination Board issued three new guidelines: “Auditing in the Public Sector”, “Quality Control of Audit Work” and “Fraud and Corruption”.

The problem of the delayed appointment of the management of the supreme audit institution of BiH State (SAI/BiH), which had been pending for more than two years, was resolved in 2008 with the appointment of the Auditor General in July 2008, together with one deputy; the second deputy was appointed in December 2008.

With the support of the Swedish project, all three SAIs have concentrated on improving the quality of their work, especially the quality of audit reports. The SAI of BiH Federation (SAI/Fed) has appointed a quality manager to ensure a unified reporting structure for all reports issued by the SAI.

The parliaments have improved their capacities to deal with audit reports: the Parliamentary Assembly of BiH (state level) adopted improved methodologies for reviewing and analysing audit reports; the National Assembly of Republika Srpska established a joint Audit Committee.

This report updates Sigma’s assessment report of 2008. As in previous years, it does not assess the Audit Office of Brcko District.

1.2 Main Characteristics (strengths and weaknesses)

External audit in Bosnia and Herzegovina has a sound legal basis in the three respective external audit laws, which generally are in line with international standards, but external audit is not yet anchored in the Constitutions of the country. Since 2000 the three SAIs have gradually improved their audit capacity and enhanced their audit coverage, by increasing the number and professional capacity of their staff and by developing new methodologies for the parliamentary committees responsible for discussing audit reports.

The work of the Co-ordination Board of Audit Institutions continues to have a positive impact on the three SAIs and on the development and implementation of common approaches. Its work has also led to the adoption of a joint Strategic Development Plan (SDP) for the period from 2007 to 2012, which has been adopted by all three SAIs. The setting up of a permanent secretariat to the Board will strengthen its contribution.

The SAIs provide their respective Assemblies with audit reports and related recommendations. After the establishment of audit committees in all three parliaments, which are specifically dedicated to the examination and follow-up of audit reports, the Assemblies now make more use of this information. The SAIs and the Assemblies have started to establish an adequate system for monitoring the implementation of recommendations, including structured procedures regulating relations with the SAIs. Nevertheless, the work of the committees suffers from an insufficient number of competent staff. The efforts made to start with performance audit now seem to meet with some interest and better understanding on the parliamentary side.

There have been, and still are, attempts on the executive side to influence especially the financial independence of the SAIs. This has occurred through legislative activities attempting to influence the salary scheme of the employees (e.g. SAI/BiH) or through decisions of the Ministries of Finance related to budget requests of the SAIs (e.g. SAI/FED). This shows that the independent status of the SAIs in Bosnia and Herzegovina is still fragile and that constant attention from both SAI management and the Assemblies is required in order to maintain their functional and financial independence.

There is still a gap between the rather generous transparency of reporting (practically all audit reports are open to the public and are frequently commented on in the media) and the scarcity of identifiable results. In addition, the audit mandate has always been interpreted in a narrow way, leading to very

segmented and institution-based audits, which do not question the existing and expensive administrative structure at all levels of government in Bosnia and Herzegovina.

The SAIs have reached a level of staffing that makes them relatively privileged among BiH institutions, in particular when compared to the still weak administrative capacity of the Ministries of Finance. The capacity to audit the system is more operational than the system itself, which gives the impression of reversed priorities.

1.3 Recommendations for Reform

Introducing the three supreme audit institutions (SAIs) of Bosnia and Herzegovina in the Constitution remains an objective, which should be achieved with the next amendments to the constitutional set-up of the country or any other initiative for constitutional changes. The Co-ordination Board should make sure that the three SAIs have concrete suggestions for constitutional articles ready and agreed so that any window of opportunity to give the SAIs a place in the Constitution can be used without further internal discussions.

The Co-ordination Board should identify and use the potential for synergies and possibilities to rationalise the use of resources between the three audit bodies. The tasks of the Co-ordination Board could include:

- co-ordination of audits, exchange of professional experience and joint training activities for staff based on joint training needs assessments;
- development of effective audit solutions in the event that institutions and responsibilities are transferred from one level of government to another.

Defining training needs and common training plans, based on the adopted common strategy, seems to be especially important for the period when technical assistance will no longer be available.

All three SAIs should continue their planned development activities. Particular attention should be given to:

- a better audit strategy, including criteria for prioritisation in order to fulfil the legal mandate;
- increased training on risk analysis so that the scarce audit resources are used most efficiently;
- increased impact and better follow-up of recommendations by further improving the quality of reports and recommendations so as to contribute to a better understanding of the role of the SAIs by the executive and legislative branches;
- support provided to parliamentary committees to gain experience in dealing with audit reports.

Parliamentary audit committees need to be resourced in order to deal with reports in a competent and efficient way. Education and awareness-raising events are necessary to enable the development of more effective relations between the SAIs and parliaments and the more effective handling of audit reports by parliaments.

1. Legal Framework

No changes have been observed in the legal basis for external audit in Bosnia and Herzegovina. The new legal framework that was created and adopted in 2005-2006, nearly at the same time for the three levels of government, remains unchanged. The three external audit laws still govern the activities of the SAIs of Bosnia and Herzegovina [adopted respectively on 6 October 2005 for Republika Srpska (Law on Auditing of the Public Sector of Republika Srpska), 31 January 2006 at state level (Law on Auditing the Institutions of Bosnia and Herzegovina), and 8 May 2006 for the Federation (Law on Auditing the Institutions of the Federation of Bosnia and Herzegovina)].

External audit in Bosnia and Herzegovina was initially based on three distinct laws passed between 1998 and 2000: the *Law on Audit of Financial Operations of Institutions of Bosnia and Herzegovina* (BiH), the *Law on Budget Audit of the Federation of Bosnia and Herzegovina* (FBiH) and the *Law on Public Sector Audit of Republika Srpska* (RS). All three laws were drafted with World Bank assistance, and the drafts had identical provisions. However, some changes occurred during parliamentary deliberations, with the result that the adopted laws differ to a certain degree in terms of structure and content.

The new set of laws has rationalised the legal texts of the three institutions and brought improvements to the procedural framework following five years of operation. The main target, however, had been to change the terms of the management (now seven years, not renewable) by making it possible for the management in place at that time to apply again (as a transitory arrangement) for re-appointment.

By mid-2000, the three Audit Offices of BiH, FBiH and RS, each headed by an Auditor General, had been established with assistance from the Swedish National Audit Office (SNAO). The first audits of accounts were carried out in 2000 and since then the number of audits has gradually increased.

None of the three Audit Offices has found its place in the Constitution so far, which remains a considerable shortcoming compared to international standards, which require institutional independence of supreme audit institutions (SAIs). Based on the SIGMA peer-review in 2005, an initiative of the three SAIs to change the respective constitutions was launched with the support of the Swedish project, but without success. Currently the question is not a first priority on the agenda of the three SAIs, but it is a long-term objective that should be achieved with the next amendments to the constitutional set-up of the country or any other initiative for constitutional changes.

The new law would normally have enabled the SAI/BiH to become the external auditor of the Brcko District, which had until then lacked a specific public external audit function. However, district authorities took the initiative of creating a specific body, called the Brcko SAI and modelled on the SAI/BiH structure and legal framework. This decision, of a very formal character, does not move in the right direction in terms of cost-effectiveness and efficiency. There is little case, if any, for establishing a "supreme", or any other, audit institution at the level of the Brcko District. It is regrettably difficult, once the body has been established and an Auditor General appointed, to reconsider the interest and relevance of such a decision, which in addition is said to have been prompted or supported by donors.

The SAIs became members of EUROSAI in 2002, represented by the SAI/BiH. All three SAIs are engaged in INTOSAI's technical assistance activities (the INTOSAI International Development Initiative). They also have started to participate in the activities of the group of SAIs of candidate countries and potential candidate countries to the EU supported by the European Court of Auditors.

The special Advisory Group, which had been established to support the process of strengthening the legal framework of the three SAIs and which comprised representatives of the SAIs, World Bank, the international community and donor organisations, has been dissolved.

Also, the Special International Auditors for RS and FBiH, established in the early 2000s by the Office of the High Representative in Bosnia and Herzegovina (OHR), have ceased to exist. The role of these institutions was to focus on possible cases of fraud and mismanagement in the BiH administration.

Financial independence is guaranteed by the three external audit laws in BiH, which have similar provisions concerning the funding of the SAIs: all three Supreme Audit Offices are to prepare their annual budgets based on the provisions of the respective budget laws and submit them for approval to the relevant committee of the respective Assembly. After approval by the parliamentary committee, the Audit Offices forward the draft budget to the respective Ministries of Finance for inclusion in the draft overall budget for the forthcoming fiscal year.

According to the regulation in RS, however, the Auditor General “disposes with funds and approves payment of expenditures for the Supreme Audit Office. The funds which have not been spent will be transferred into the budget for the next year and will serve for the development and improvement of the Supreme Audit Office”. In practice this means, that the SAI/RS, contrary to the two other SAIs, has its own account and does not depend on the Treasury; in addition, it is able to carry over unused funds to the next year. This system is regarded as functioning better than in SAI/BiH and SAI/FBiH where – according to their respective regulations – “the Auditor General approves the requests for payment of the Audit Office expenditures and submits them to the Ministry of Finance for execution”, which means that all payments are realised through the Treasury.

Although the three External Audit Laws in general comply with international standards, the fact that none of the three audit offices has found its place in the respective Constitution remains a considerable shortcoming compared to international standards, which require that the establishment of supreme audit institutions and the necessary degree of their independence be laid down in the Constitution.

2. Institutional Framework

Co-ordination Board

The Co-ordination Board, consisting of a committee and a secretariat, was set up in accordance with the three initial audit laws. This arrangement was retained under the new (2005) legal framework. The Board consists of the three Auditors General and their deputies. The Auditor General of the SAI/BiH acts as chairperson. The permanent secretariat of the Board is now operational, since staff members of the SAI/BiH are entrusted with the related functions, although on a part-time basis. The main functions of the Board are unchanged:

- establish consistent auditing standards;
- ensure consistent audit quality;
- assign responsibility for joint audit activities;
- determine representation in international bodies.

The Co-ordination Board agreed on secondary legislation, which was subsequently passed by the three Assemblies, and it adopted a series of common practical documents and guidelines – in particular, the INTOSAI Code of Ethics for Public Sector Auditors in April 2001 and a Joint Audit Manual in 2003. In 2008, it issued guidelines on auditing in the public sector, on quality control of audit work, and on combating fraud and corruption. Previous publications were related to a common communications policy and a communications plan, as well as a common human resources management policy. The Board has also developed, with Swedish support, a harmonised Strategic Development Plan for External Audit in BiH covering the years 2007-2012, which also includes plans for sustaining institutional development after the end of the long-term support from the Swedish National Audit Office (SNAO).

The Board operates with working groups that are appointed for a special task; they submit the results of their work to the Board. So far, 14 working groups have been commissioned. Some of them have already been dissolved after having completed their mandate, while some are still working.

Now that a permanent secretariat of the Co-ordination Board has been established, it is recommended to reconsider the mandate of the Board to ensure the coherent development of the audit function in BiH. In this respect, the tasks of the Co-ordination Board could include:

- co-ordination of audits, exchange of professional experience and joint training activities for staff;
- increased training on risk analysis so that the scarce audit resources are used most efficiently;
- development of effective audit solutions in the event that institutions and responsibilities are transferred from one level of government to another.

All three SAIs confirm that the Co-ordination Board functions well and that its products are useful. In addition to promoting the harmonisation of the legal basis and working tools for external audit in the country, the Board also serves as a platform for the regular exchange of information between the three SAIs. This occurs through the Board itself and also through the working groups. The Board should identify and use the potential for synergies and possibilities to rationalise the use of resources between the three audit bodies.

State Level (SAI/BiH)

The supreme audit institution of BiH State (SAI/BiH) is headed by the Auditor General, who has two deputies and 38 staff. According to its rulebook, the SAI/BiH now has up to 59 posts. With the additional staff, the SAI aims to establish a middle-level of management, which is deemed necessary for the future functioning of the SAI, to support the Co-ordination Board, and to improve quality control and assurance functions in the SAI.

The problem of the delayed appointment of the SAI/BiH management, which had been pending for more than two years, was resolved in 2008 with the appointment of the Auditor General in July 2008, together with one deputy; the second deputy was appointed in December 2008.

The auditees are split, in principle, between the two deputies who are responsible for co-ordination of the audits carried out by the office. The SAI still uses job rotation between the members of audit teams in order to support training and broaden experience. The auditing process is regulated by means of management instructions and templates; findings and conclusions are discussed with the audit team and the management group before the audit report is drafted. The SAI/BiH has more than 60 state institutions to audit. According to the provisions of the Law on Auditing the Institutions of BiH, the audit office carries out the auditing of parliament, the Presidency, the Council of Ministers and government-financed institutions as well as extra-budgetary funds, which may be projected by the law on an annual basis. The office provides opinions on reports on the execution of the annual budget for all of these budget-users.

The competencies of the SAI/BiH include also:

- funds in the form of loans or grants to Bosnia and Herzegovina ensured by international agencies and organisations for a particular institution or project in Bosnia and Herzegovina;
- funds ensured from the budget for any other institution, organisation or body;
- companies with a 50% state ownership share plus one share or more.

The scope of potential activities of the SAI/BiH is constantly expanding with the extension of competences at the state level and the creation of new institutions. The SAI/BiH has thus already produced two audit reports on the recently established Indirect Tax Authority. The SAI/BiH also audited the state-owned broadcasting company, and the report is said to have triggered many comments in the media and in political circles, as the management of this organisation was severely criticised.

The audit scope includes financial audits and systems-based audits. The SAI identifies the main problems within the actual public administration as being related to the weak internal control systems and to non-compliance of the administration with the rules in place.

A first pilot performance audit started in the framework of the technical assistance project with Sweden in 2007. Its topic was the effectiveness of staff recruitment and management procedures, with a special focus on the activities of the Civil Service Agency. The report on the results of this first performance audit was published at the beginning of 2009. A specific performance audit department

had been set up in 2007. No further performance audits were undertaken in 2008, which makes the need for a special department questionable. A recent example of the risks still threatening the independence of the SAI/BiH is the new Law on Salaries of the Civil Service, adopted in July 2008. Contrary to previous practice, characterised by a fair balance between the financial and managerial independence of the SAI, public finance constraints and the unity of the BiH civil service, this new law places the employees of the SAI under the same salary scheme as the rest of the public administration, thereby decreasing the salaries within the institution. Placing the employees of the SAI/BiH under the remit of the Law on Salaries of the Civil Service is, in principle, not problematic but, according to article 30 of the Law on Auditing the Institutions of Bosnia and Herzegovina, employees of the audit office are entitled to wages and wage benefits in accordance with this law. Article 50 of the law states that in case of conflict between this law and the provisions of other laws, it is the provisions of this law that will be applied. The Ministry of Finance's decision to list employees of the SAI amongst those subject to the Law on Salaries of the Civil Service is therefore in contravention of the existing law.

The SAI/BiH has launched an administrative procedure against this decision. According to the legal provisions for such cases, the decision is not supposed to be executed until the end of the procedure. However, the Ministry of Finance does not seem to respect this rule either and has already de facto placed the SAI/BiH employees under the civil service salary scheme. It remains to be seen how this administrative procedure will end. As a consequence of this new regulation, the equality that previously prevailed between the three SAIs of Bosnia and Herzegovina has been destroyed. The course of the procedure that has led to the new provision shows a weak understanding of the rule of law on the part of the Ministry of Finance as well as its disrespect for the independence of the SAI.

The Ministry of Finance has also requested the SAI/BiH to become or to host the Audit Authority required for the decentralised implementation system (DIS) for EU pre-accession funds. The SAI/BiH has declined this request, claiming that reporting to the European Commission, the Competent Accrediting Officer and the National Authorising Officer would not be in conformity with the regulations of the Law on Audit of Financial Operations of Institutions of Bosnia and Herzegovina and would affect the independence of the SAI. The attitude of the SAI/BiH is to be commended. There are many factors that need to be analysed before such a decision is taken, as there are several risks that such a role would have an influence on the institution as a whole and on its capacity to fulfil its audit mandate in an independent and objective manner.

SAI/BiH sees considerable improvement in the co-operation with parliament, especially with the Budget and Finance Committees of the two houses of the BiH Parliament. These committees adopted in July 2008 a new methodology for reviewing and analysing audit reports that was elaborated with the support of a DFID project. The new methodology was applied for the first time for the review and discussion of audit reports in August 2008. It regulates dates, procedures, including hearings with auditees, deadlines for reporting, etc.

With the Auditor General and his two deputies finally appointed in 2008, the SAI/BiH now has a management team with a seven-year mandate that can ensure the proper functioning and development of the Audit Office. A weak understanding of the rule of law by the Ministry of Finance is still threatening the independence of the SAI/BiH. While the relationship to the executive is sometimes still difficult, the co-operation with parliament is improving, which might lead to a greater impact of audit work on the management of public funds in the state. At a later stage it would be beneficial to assess the new parliamentary procedure for analyzing and discussing audit reports.

Federation of BiH

In 2008 the supreme audit institution of the BiH Federation (SAI/Fed) had 53 staff (as compared to 28 in 2001), 42 of whom are auditors; according to the existing rulebook, the number of employees planned is 98. Five auditors are reported to be specialised in performance audit. The auditors are certified from the Institute for Accounting and Auditing, which is not the case for the other two SAIs; the performance auditors additionally have certificates as internal auditors. The SAI/Fed is organised

in four sectors, focusing on cantons, public enterprises, funds and municipalities, and federal institutions.

The SAI/Fed has three regional offices in Bihac, Mostar and Tuzla. It covers approximately 1,700 auditees, spread over more than 40 budget-users (budget chapters). It is anticipated that the number of auditees will diminish as a result of the privatisation of public enterprises and the transfer of some institutions to the state level, although the pace of these changes is rather slow.

The auditors are trained to perform systems audits and performance audits as well as regularity audits. In 2008 priority was given to improving the quality of the reports. The SAI/Fed has now appointed a quality manager to ensure a unified reporting structure for all reports issued by the SAI. In accordance with the provisions of the Law on Auditing the Institutions of the Federation of BiH, the audit office has to carry out financial audit every year and to provide an opinion on the annual budget execution reports of each of the following budget-users:

- parliament of the BiH Federation;
- President of the BiH Federation and two Vice-Presidents of the BiH Federation;
- FBiH Government and respective ministries;
- extra-budgetary funds, as may be established by law;
- all public funds, institutions and agencies at the level of the BiH Federation.

These annual financial audits consume a significant amount of time and human resources.

The mandate of the Audit Office also covers other budget-users that do not have to be audited annually:

- assemblies, governments and ministries of cantons on the territory of BiH Federation;
- municipalities on the territory of BiH Federation;
- all budget institutions directly financed from the budget adopted by parliaments and assemblies of cantons and municipal councils;
- extra-budgetary funds, as may be established by law;
- any funds provided by international bodies or organisations to any institution or project in FBiH as either a loan or grant for Bosnia and Herzegovina;
- any funds provided from the budget to any other institution, organisation or body;
- any company in which the state has a shareholding of 50% plus one share or more.

The SAI/Fed annually publishes approximately 60 financial audit reports, 30 pre-audit reports to follow-up if recommendations are to be implemented, two performance audit reports and two-three special reports on audits at the request of parliament. In 2008 the SAI audited the performance of the system for expropriation of land in road construction and the efficiency of subsidies in agriculture.

Although the SAI/Fed estimates that parliament sometimes works a little too slowly, it reports that the co-operation with parliament has improved considerably since the Committee for External Audit was established in 2007. The Committee, which has sessions every two weeks, discusses audit reports in detail and gives suggestions on how to deal with the reports to the plenary, which in general adopts the suggested decisions. The few performance audit reports that have so far been submitted to parliament were reported to have generated more interest than the financial audit reports. They sparked substantive discussions in parliament and in the media. The Committee has also started to check if recommendations have been implemented by the auditees. However, the Committee for External Audit has insufficient professional support (there is no permanent secretary for the committee or any other support structure or staff), which limits its effectiveness.

While co-operation with parliament seems to have improved, the SAI/Fed reports serious interferences on the part of the Ministry of Finance (MoF). Following the required procedure described by the Law on Auditing the Institutions of the Federation of Bosnia and Herzegovina, the Committee of the Federation's Assembly had approved the draft SAI/Fed budget for 2009. The draft

contained a request for an audit to be conducted this year for at least ten municipalities. In disrespect of the legal procedure, the MoF unilaterally reduced this approved budget by 32% when incorporating it into the Federation budget for 2009. Before the budget 2009 was submitted to the Assembly, the Auditor General informed the Prime Minister and the Minister of Finance of this unlawful procedure, but did not succeed in getting this procedure revised. The reduced budget was adopted by the Assembly. Due to the reduction of the SAI/Fed budget by the MoF, the SAI/Fed is financed for only eight months in 2009 – if this is not rectified in a revised budget. The planned recruitment of five auditors for the auditing of municipalities was impossible because of the lack of budgetary funds.

The MoF is reported to be one of the most reluctant organisations when it comes to the implementation of recommendations of the SAI/Fed. This difficult relationship adds to the already unsatisfying situation that the budget of the SAI/Fed is part of the Treasury. Since the Federation was not able to pay its civil servants and public employees during the first month of 2009 due to a shortage of funds (see Sigma's 2009 assessment report on Public Expenditure Management in Bosnia and Herzegovina), the employees of the SAI/Fed, although submitted to a special salary regime in accordance with the SAI Law, have also been affected by the financial difficulties of the Federation.

While the co-operation with parliament has improved, the relationship to the executive is still difficult. The MoF of the Federation did not respect the legal procedure for the annual budget allocation for the SAI/Fed 2009 budget. By reducing the budget by 32% in comparison to the budget that had already been approved by the Committee for Finance of the Federation Assembly, the MoF seriously affected the financial independence of the SAI/Fed. Due to the financial difficulties of the Federation, the employees of the Audit Office (as all employees of the public administration in the Federation) did not receive their salaries for the first months of 2009.

Republika Srpska

No significant changes have occurred in comparison to 2008 concerning the number of staff in the supreme audit institution of the Republika Srpska (SAI/RS): there are still 65 positions in terms of systematisation (compared to 36 formerly), and in terms of posts actually filled 53 (compared to 29), which makes it still the largest of the three Audit Offices of Bosnia and Herzegovina. Besides its management and support functions, the SAI/RS has a financial audit department (including three sections for the state budget, municipalities and publicly-owned enterprises), a small performance audit department, and a planning and development department.

The Auditor General and his deputy have divided their responsibilities: the Auditor General deals with the Assembly, while the deputy is responsible for internal management and monitoring of the work of the audit teams.

The SAI/RS has to audit more than 300 first-line budget-spenders and about 700 second-line budget-spenders. Every year the Audit Office is to carry out financial audit and provide an opinion on the annual budget execution reports of each of the following budget-users: the National Assembly of Republika Srpska, the President of Republika Srpska, the government, the government ministries and other organs of the republic, all other budget institutions directly financed from the budget, and extra-budgetary funds as may be established by law.

The Audit Office also has a mandate to audit:

- municipality and city budgets;
- any funds provided by external organisations to any institution or activity either as a loan or a grant for the republic;
- funds provided from the budget to an institution or organisation;
- any company in which the state has a shareholding of 50% plus one share or more.

The above audits do not have to be carried out every year. They include the government, ministries, central agencies, state-owned enterprises, local authorities, schools and health institutions. In addition, the SAI/RS has an audit mandate for four funds: pensions, health, unemployment and child protection.

The large number of auditees, coupled with the limited capacity of the SAI/RS, has led the SAI to use some risk analysis when drawing up its audit plan, in particular with regard to state-owned enterprises. In this regard, in line with a request from the Assembly, the SAI focuses on auditing the larger state-owned enterprises, e.g. postal services, forest protection, housing authorities and banks. The audit activity of the SAI/RS is often subject to public attention throughout the Republika Srpska. The SAI/RS has also started to carry out performance audit activities. It has completed an audit on efficiency in issuing to enterprises administrative forms, licenses and other documents for the purpose of registration. It currently is considering the possibility of carrying out performance audits in the areas of health policies, agriculture support, road construction, and the role of the state in higher education.

The SAI/RS has designed its own development strategy based on the common strategic document adopted by all three SAIs.

In 2008, the Assembly of the Republika Srpska finally implemented the requirement of the SAI Law of 2005 to establish an audit committee. With the establishment of the Audit Committee the SAI/RS has, at last, a partner in parliament. In the sessions of the Audit Committee the Auditor General and the auditee are invited to discuss audit reports. Requests for special audits, which are possible according to the SAI Law, have to be approved by the Committee, which in the past has often rejected them – after consultation with the SAI - as irrelevant. The Committee thus protects the SAI from an overload of special audits or audits that are politically motivated.

The SAI/RS has gone a long way to establish and preserve its independence. Numerous attempts to influence the SAI or the Auditor General have been made, most of the time based on a misunderstanding of the SAI's role and tasks. After the first performance audit report was published, the government openly criticised the SAI for having trespassed on its competence, but after bilateral discussions with the Auditor General, the government subsequently publicly recognised its mistake. The role and tasks of the SAI are still not always understood by the executive in Republika Srpska. With the establishment of the Audit Committee in parliament, however, the impact of the audit work of SAI/RS has the chance of increasing. The Committee will now have to gain experience in dealing with audit reports and will need active support from the SAI/RS in order to assimilate this new task.

4. Capacity for Reform and External Assistance

The long-standing bilateral co-operation project between the Swedish SIDA/National Audit Office (SNAO) and the SAIs in Bosnia and Herzegovina was renewed in 2006 for a further three years. It formally finished at the end of 2008, but some phasing-out support activities are still ongoing.

With the support of the Swedish project, a Strategic Development Plan (SDP) for the period from 2007 to 2012 has been adopted by all three SAIs. The SDP is divided into two distinctive parts: (a) for 2007-2008, which embraces the third phase of institutional co-operation between the three supreme audit institutions in Bosnia and Herzegovina and the Swedish National Audit Office (SNAO); (b) for 2009-2012, which embraces the period when the three SAIs will have the ownership of their future development without a long-term twinning partner. The SDP also contains an exit strategy to prepare for the time when the support project will come to an end.

The SAIs are interested in further technical assistance, e.g. in the form of twinning, but the SAI management realises that a certain period will be needed before getting involved in another intensive technical assistance project.

The SAIs are now in a better position to determine exactly what their real needs for assistance are and in which form and with which partner these needs would best be met. Some time will be needed after the current project is over to take stock of the project's achievements and to ensure that sufficient preparations are made for the SAIs to assure the enhanced absorption capacity that will be required.