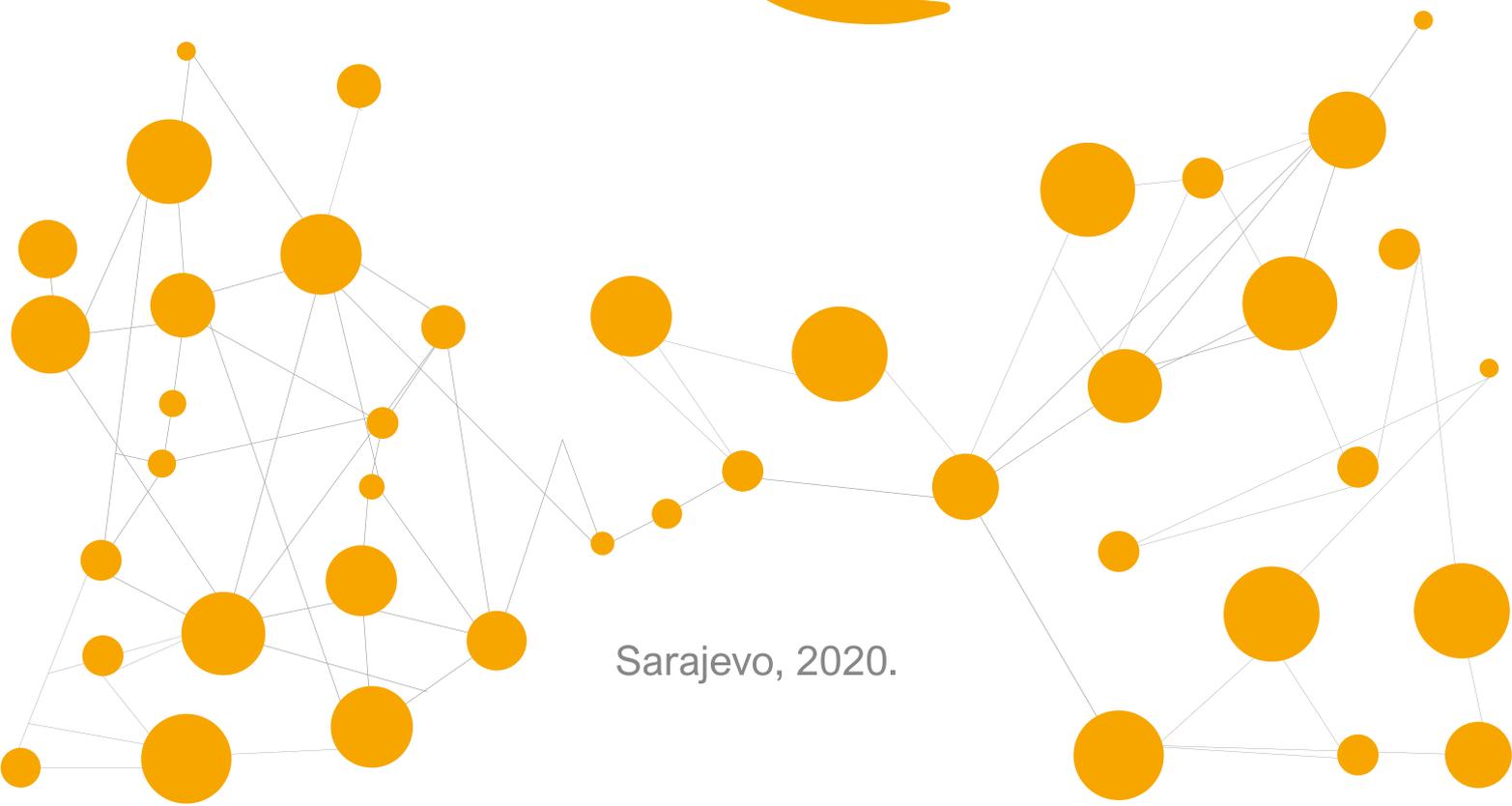


The role and importance of independent institutions

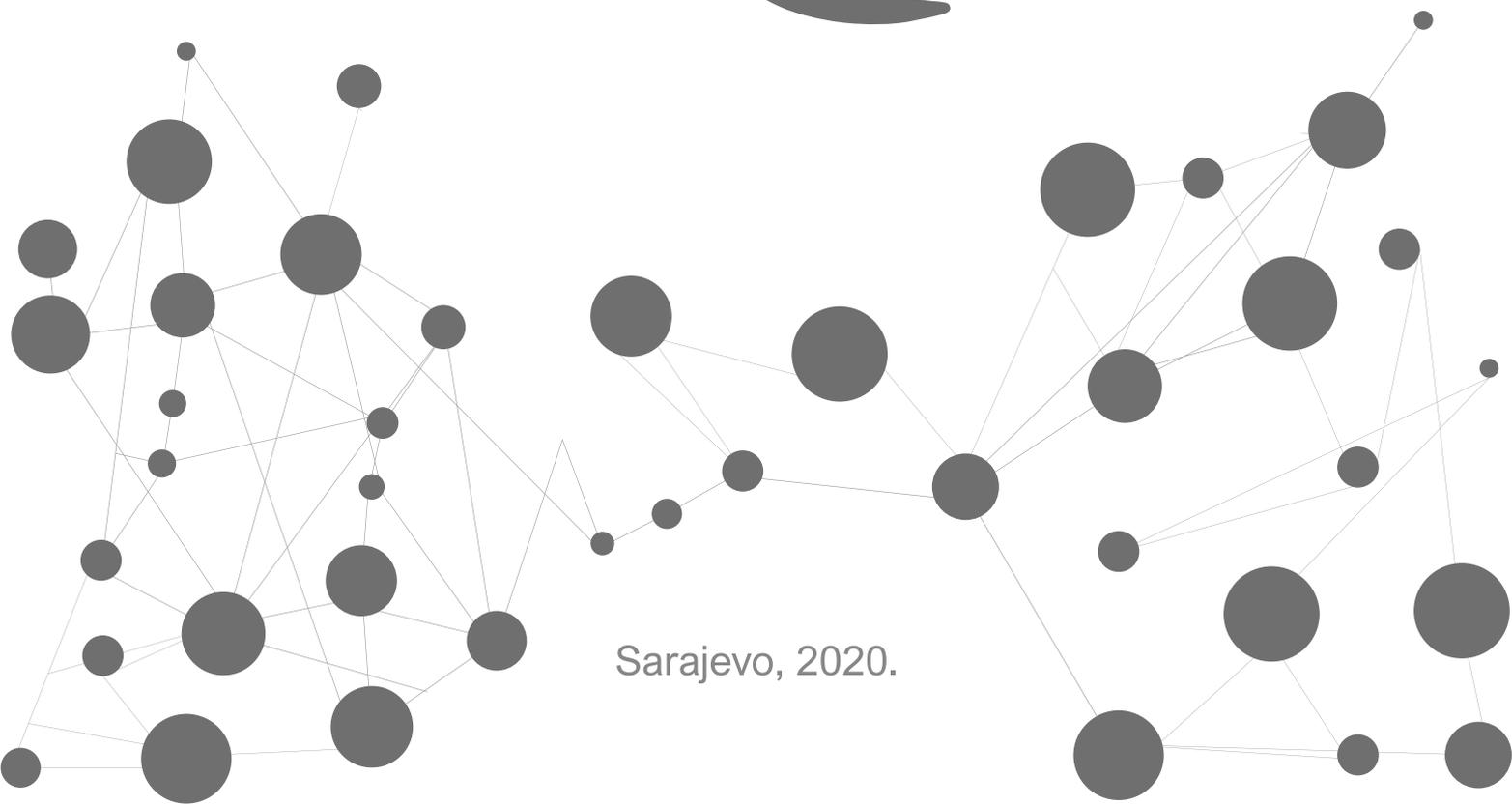
AUDIT OFFICE OF THE INSTITUTIONS OF BOSNIA AND HERZEGOVINA



Sarajevo, 2020.

The role and importance of independent institutions

AUDIT OFFICE OF THE INSTITUTIONS OF BOSNIA AND HERZEGOVINA



Sarajevo, 2020.

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AUDIT OFFICE OF THE INSTITUTIONS OF BOSNIA AND HERZEGOVINA

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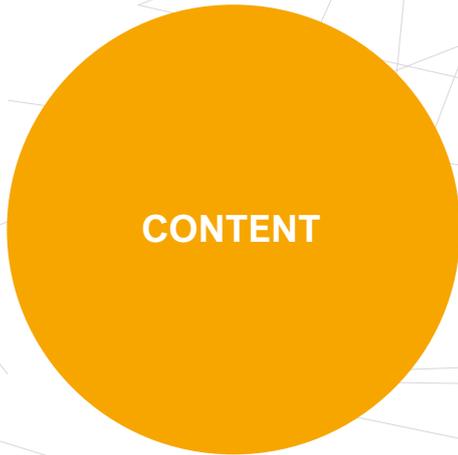


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List of abbreviations:

BD = Brcko District of Bosnia and Herzegovina
FBIH = Federation of Bosnia and Herzegovina
IFPP = International Framework of Professional Pronouncements
INTOSAI = International Organization of Supreme Audit Institutions
ISSAI = International Standards of Supreme Audit Institutions
IFRS = International Financial and Reporting Standards
RS = Republic of Srpska
SAI = Supreme Audit Institutions

Introduction

Public sector audit is part of a regulatory system that aims to detect deviations from adopted standards and violations of the principles of legality, efficiency, effectiveness and cost-effectiveness of public funds management in a timely manner, to enable corrective measures to be taken in individual cases; to compel those responsible for to accept responsibility; take steps to prevent or at least aggravate such violations.

The indisputable fact is that the public sector audit contributes to increasing the accountability of public administration. There is obvious evidence that the audit impacts both, transparency and efficiency of the audited entities.

The Audit Office of the BiH institutions, in line with the audit findings, makes recommendations to address irregularities and weaknesses detected in the audit process. The Institutions of BiH, acting on the recommendations issued, ensure that their future operations are aligned with the relevant regulatory framework and that public funds are managed in an economical, efficient and effective manner.

Therefore, the level of recommendations implemented represents one of the key public audit effectiveness indicators. The Office publishes and updates information on conducted audits, recommendations issued (register) and the status of responses to each recommendation on the web portal, thus enabling transparency of the results of its work and the conduct of institutions to the Parliamentary Assembly of BiH, citizens and other interested parties.

This brochure aims to familiarize civil servants in the institutions of BiH with the guiding rules and principles for supreme audit institutions operations. These regulate the planning and implementation of audits conducted by the Office. In particular, this brochure promotes public accountability reflected in responses to recommendations issued and describes the pathway from public authority's response to audit recommendations to the strengthening of accountability, transparency and efficiency of the government and governmental bodies.

The brochure presents:

- Competence and role of the supreme audit institution, as an independent institution in parliamentary and public oversight of the executive;
- The role of audits in strengthening accountability, transparency and efficiency of public administration and preventing corruption;
- Principles of the Audit Office of the Institutions of BiH work;
- Monitoring implementation of recommendations and its impact on strengthening public administration.

1. Supreme Audit Institutions as Independent Oversight Institutions

1.1. Definition of independent (Oversight) Institutions

Literature does not offer a unified definition of independent supervisory institutions and their mandate, while the process of their establishment and competencies considerably differ across national jurisdictions. De Vrieze (2019) argues that there are certain common characteristics in the oeuvre of the activities of independent supervisory institutions, enshrined in the supervision of democratic functioning and integrity of the executive branch and public administration. There is also a distinction between the authorities primarily in charge of supervision and regulatory authorities.

Regulatory authorities draw their competence in regulating and overseeing a specific policy sector and regulatory framework.

Independent supervisory institutions, on the other hand, have a much broader mandate, which includes good governance (efficiency and efficiency) in public administration, as well as protection of citizens' rights. Thus, the independence of the supervisory authority, as opposed to independence in the work of the regulatory authority, implies the discretion of the supervisory institution to decide on entities whose operations need to be assessed.

The institutions of the judiciary also have a supervisory function under their jurisdiction, embodied either in the assessment of public administration conduct, aligned with the relevant legal framework, or the constitutionality of the proposed laws, but primarily they are not classified as independent supervisory institutions by their jurisdiction.

In particular, independent supervisory institutions include state auditors, human rights institutions, ombudsman for human rights institutions, public defenders, ethics commissions, anti-corruption agencies, as well as specific mechanisms for filing and prosecuting citizens' complaints.

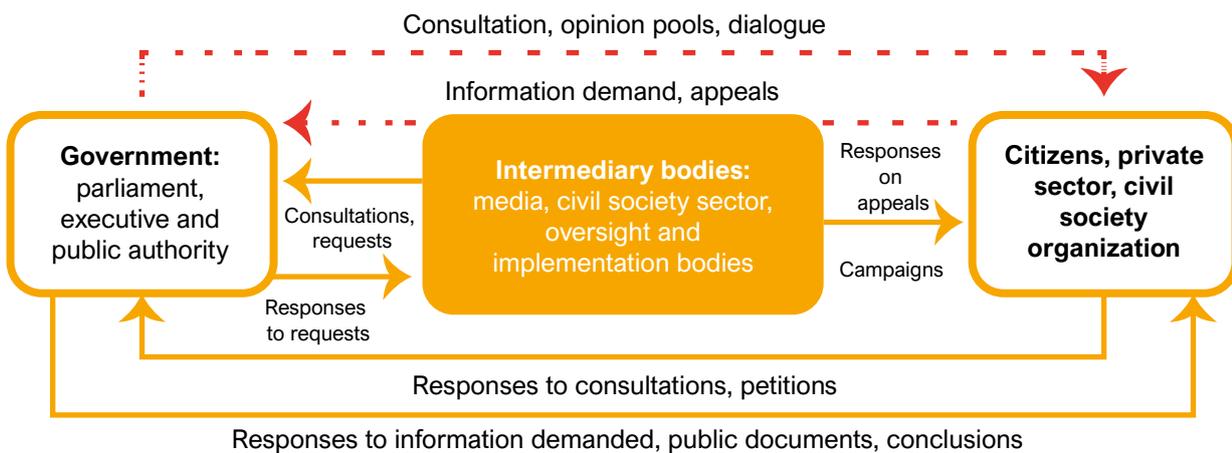
WFD (2020) classify independent supervisory institutions in four categories:

- a. Supreme audit institutions (in the further 'SAI'), that in most countries represent the oldest independent institutions;
- b. Supervisory institutions in the field of human rights, including ombudsmen for human rights;
- c. Supervisory institutions in charge of combating corruption, including the subject of a recommendation to establish them enshrined in the UN Convention against Corruption;
- d. Independent institutions in charge of overseeing the organization and conduct of elections, as the most significant aspect of democratic administration.

Independent supervisory institutions are effective in balancing the executive and the legislature. The parliament makes use of their institutional capacity and expertise to effectively assess government operations.

Their role concerning oversight of the public administration operations may be in carrying independent investigations, issuing binding or non-binding findings and recommendations on matters of accountability and integrity of public administration, assessing the implementation of the legislative framework and public policies, but also consolidating data on the appeals submitted. The oversight institutions aspire functional and essential independence of the executives to build the trust among interested parties and provide a substantive basis for dialogue and cooperation. This aspiration goes in hand with the accountability of public administration.

Illustration 1. Information flow in the ideal open government system



Source: *Involve* (2009)

The institutions of ombudsmen and state auditors represent democratic mechanisms by which the executive part of the government is examined, as well as governance mechanisms in the part of their advisory function in the segment of customer relations, civil rights, efficiency and efficiency of public administration (Kostadinova, 2015).

1.2. Supreme Audit Institutions Jurisdiction

DFID (2004) attributes supreme audit institutions mandates to one of the models, Westminster model, judicial model or collegiate model.

The Westminster model is linked to the parliamentary accountability system (parliament approves the future expenditure of the executive). The Westminster model characterizes the National Audit Office (NAO) with the Auditor-General (with strong protective mechanisms that ensure the independence of the Auditor-General). The SAI revises budgets and submits audit findings to the parliamentary entity. In return, the parliamentary assembly issues its own reports and recommendations, to which the government responds.

In the judicial model SAI is part of the judiciary (independent of the executive and legislative authorities and having only limited interaction with parliament). State auditors can impose penalties and sanctions on representatives of audited bodies. On the other hand, this model implies a possible lack of transparency, in case discussions with audited bodies are not open and parliament is not involved.

The collegiate model implies that decisions in a state audit are taken in a collegial manner and that members are appointed for a fixed period of time by voting in parliament, with the power to take decisions within the SAI common. The independence and impartiality of the college may be undermined if the political party has a dominant position and may influence the appointment process, in particular where the terms for SAI members committee coincide with parliamentary conditions. (Martini 2012).

The effectiveness of SAIs, established under the Westminster and collegial models, is largely conditional on the effectiveness of the work of parliamentary commissions, in particular in the part of ordering state authorities to comply with audit recommendations.

External audit of the public sector in Bosnia and Herzegovina is carried out by four institutions, the Audit Office of the Institutions of BiH (in later “the Office”), the Audit Office of the Institutions of the Federation of BiH, the General Public Sector Audit Service of Republika Srpska and the Audit Office of public administration and institutions in the Brcko District of BiH.

These (sub-)national supreme audit institutions cooperate through the Coordination Committee, the official body whose competence and scope of work is described in the Law on audit of institutions of BiH (Article 46). The Committee is chaired by the Auditor General of the Office, and the members are auditors general and their deputies of the Audit Office of BiH institutions, the Audit Office of institutions in the FBiH, the General Audit Service of the RS Public Sector, and the Brcko District Audit Office as an active observer. Concerning the Collegial Review in Bosnia and Herzegovina in 2012:

The competence and mandate of external auditors for the public sector are defined by relevant laws at the level of Bosnia and Herzegovina, Republika Srpska and the Federation of BiH, which state the independent status of audit institutions. According to Article 4 of these laws, audit institutions, in performing their duties and enforcing competencies, are independent and are not subject to the management or control of any other person or institution, unless otherwise determined by these laws.

Independence is defined similarly: articles 23-25 Law on SAI BiH and SAI FBiH, as well as articles 9-10 of the law governing work of SAI RS and articles 25 – 28 for SAI in BD BiH, regulate the appointment and resolving of the Auditor General and deputy auditor general. Both functions are appointed by parliaments after the implementation of a clearly defined procedure for application and selection, appointed to a seven-year mandate without the possibility of reappointment.

The nomination procedure is performed through a parliamentary commission for selection, and in the case of entities, with the approval of the entity president. Parliament appoints the Auditor General and deputy, at the president’s proposal.

Parliaments can **resolve the auditors** general and their deputy auditors (written resignation, inability to perform duties for a period of more than six months, or violations of the provisions of the law that state that the Auditor General and deputy auditor general cannot be prosecuted and have not been sentenced to prison for criminal offenses (Article 25(1) of SAI BiH and SAI FBiH,

All laws oblige state auditors to perform audit functions independently and following INTOSAI audit standards.

1.3. Independency as an Imperative

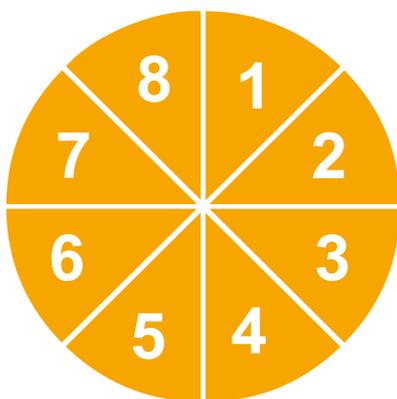
Institutional independence, formal, functional and essential, must also include accountability in its implementing sense, both for good management of resources as well as for the relevance and influence of the institution. Independent oversight institutions, whose findings and recommendations are ignored, are in fact considered ineffective in their work. In this regard, effective oversight by independent institutions implies the ability to communicate their findings and recommendations to legislative and judicial authorities effectively, to ensure that these will result in the expected changes. Independence is imperative for the effectiveness of both SAIs and human rights ombudsmen institutions. A prerequisite for the effectiveness of these supervisory institutions is certainly in the institutional integrity and integrity of their employees, as a basic precondition for the findings and recommendations, issued by these institutions, to be considered with due care and acceptance. Furthermore, in particular in the case of the Ombudsmen institution, independence is imperative to build trust among citizens when considering lodging appeals in situations where they believe their human rights are at risk.

Lima Declaration of Guidelines on Auditing adopted in 1977 initiated the international plan for the establishment of functional and essential independence of the supreme audit institutions. The states as members of the International Organization of Supreme Audit Institutions and that apply the International Framework of the Supreme Audit Institutions, i.e. the INTOSAI Framework of Professional Pronouncements undertook to legally regulate SAI independence.

However, as it became clear that supreme audit institutions cannot be fully independent in their work, the INTOSAI network explored SAI independence into more detailed pillars, presented in the Declaration of Independence of the Supreme Audit Institutions in Mexico (2007). In particular, the focus of the declaration lays on the tendency to ensure:

The existence of an appropriate and effective constitutional/statutory/legal framework and the de facto application provisions of this framework; The independence of SAI heads and members of collegial institutions, including the security of tenure and legal immunity in the normal discharge of their duties; A sufficiently broad mandate and full discretion, in the discharge of SAI functions; Unrestricted access to information; The rights and obligation to report on their work; The freedom to decide the content and timing of audit reports and to publish and disseminate them; The existence of effective follow-up mechanisms on SAI recommendations; and Financial and managerial/administrative autonomy and the availability of appropriate human, material and monetary resources.

Illustration 2. Pillars of SAI Independence



1. Existence of an appropriate and functioning constitutional and legal framework
2. Independence of the heads of the Supreme Audit Institution and its members
3. Sufficiently broad mandate and full freedom in performing the function of the supreme audit institution
4. Unlimited access to information
5. Rights and obligations regarding reporting on their work
6. Freedom in deciding on the content of reports and the time of their publication and distribution
7. Existence of effective mechanisms for monitoring the implementation of recommendations
8. Financial and managerial autonomy and availability of adequate human, material and financial resources

Source: *A brief guide to the Audit Office of the Institutions of Bosnia and Herzegovina*

In 2011, the UN General Assembly adopted the Resolution A/66/209 on SAI Independence, titled: “Promoting efficiency, accountability, efficiency and transparency of public administration by strengthening supreme audit institutions”, and in 2014 the resolution A/RES/69/228, which expanded the content of the previous resolution, advocating further work on independence and capacity development of the supreme audit institutions. Despite the above, a global survey conducted in 2017 found that 50 percent of the institutions involved in the survey recorded circumstances that threaten their independence.

In Bosnia and Herzegovina, unlike most European Union states, the legal and political and regulatory basis for the work and competence of the supreme audit institutions is not integrated into state and entity constitutions. There is no function of parliamentary and public oversight over the executive in the BiH Constitution, which is in part incompatible with the Lima Declaration.

2. Role and Importance of Supreme Audit Institutions

2.1. Expectations of Supreme Audit Institutions Internationally

The role of SAIs in the segment of strengthening the integrity (accountability, transparency), efficiency and effectiveness of public administration is clearly and in detail described across the framework of ISSAI standards, including in the very principles of financial audit, performance audit and compliance audit. The audit of public sector entities has proven to have a positive impact on societal trust, as it assesses to what extent public resources are well managed, directly resulting in an increase of accountability and improved decisions making. SAIs publish audit results and enable citizens to hold public sector bodies accountable, implicitly increasing public administration transparency, but also providing scope for more efficient and accountable public administration. An independent, efficient and credible state audit is essential for adequate oversight of the management and use of public resources, to hold elected officials accountable when making decisions. On the other hand, SAIs are subject to the requirements of objectivity, credibility, competence and independence, as well as responsibility for the activities they undertake, to build trust with the beneficiaries of their reports. The primary beneficiaries of the audit reports, thereby, are citizens, parliaments and other interest groups.

INTOSAI/EUROSAI

Globally, the most important collaborative platform is the International Organization of Supreme Audit Institutions (INTOSAI), established in 1953. INTOSAI provides a world-wide audit community institutionalized framework that fosters competence and knowledge sharing. INTOSAI mission, as a knowledge-sharing intermediary, is enshrined in the mission “Mutual experience benefits everyone”. INTOSAI brings together 195 audit institutions, as well as representatives of various international organizations, the United Nations and the World Bank. EUROSAI represents a regional organization within INTOSAI, established in 1990, which nowadays brings together the SAIs of 49 European countries and the European Court of Auditors.

Through processes of open dialogue and exchange of ideas and expertise, INTOSAI also aims to adopt resolutions and recommendations that improve the financial governance and accountability of governments around the world, thereby providing value to citizens.

INTOSAI Framework of Professional Pronouncements

Principles (INTOSAI-P)	INTOSAI Standards (ISSAI)	INTOSAI Guidance (GUID)
<p>Founding principles:</p> <ul style="list-style-type: none"> ▪ Determine SAI role and functions ▪ Explain the SAI role in society ▪ Determines conditions for functioning and professional conduct 	<p>ISSAI purpose:</p> <ul style="list-style-type: none"> ▪ ensure the quality of the audits conducted ▪ strengthen the credibility of the audit reports for users ▪ enhance the transparency of the audit process ▪ specify the auditor’s responsibility concerning the other parties involved ▪ define the different types of audit engagements and the related set of concepts that provides a common language for public sector auditing 	<p>Guidance:</p> <ul style="list-style-type: none"> ▪ How to apply the ISSAIs in practice in the financial, performance or compliance audit processes ▪ How to apply the ISSAIs in practice in other engagements ▪ Understanding a specific subject matter and the application of the relevant ISSAIs

INTOSAI – P 12 embraces fundamental expectations of SAIs to ensure positive change for citizens, enshrined in three chapters:

Strengthening accountability, transparency and integrity of governments and public sector bodies

The SAI strengthens accountability, transparency and integrity by conducting independent public sector audits and report on factual findings. This calls on those in charge of managing public sector bodies to state their position in response to the findings and recommendations, as well as to take the necessary corrective actions, thereby closing the cycle of accountability.

Demonstrating continuous relevance for citizens, parliament and other interest groups

Audit institutions are responsive to changing environments and emerging risks in which audits are carried out to ensure the uninterrupted relevance of procedures for citizens. Furthermore, supreme audit institutions are expected to have a good understanding of developments in the wider public sector and undertake a meaningful dialogue with participants, to facilitate the necessary improvements in the public sector.

Represent an organization model in your own example.

To be effective in their work, audit institutions must build trust, and the credibility of institutions is in direct interlink with their independence, competence and public accountability for its operations.

The Audit Office of Institutions of BiH is

- *Member of INTOSAI since 2001 and EUROSAI since 2002; actively participating on congresses, trainings, seminars, conferences and working groups;*
- *Active member of the Network of Supreme Audit Institutions of the candidate and potential candidate countries and European Court of Auditors, supported by the joint initiative of the European Union and the Organization for Cooperation and Development (OECD); SIGMA.*

Coordination Committee BiH adopted

- *the Decision on adopting international standards ISSAI framework in BiH (in 2011);*
- *the Decision that resulted in the official publication of the Lima declaration, Mexico declaration and Fundamental principles of audit in the public sector.*

2.2. Delivering Public Value

Many authors, including Moore (2013) as one of the most prominent authors whose work was partly transposed into the ISSA framework, engaged in the defining adequate framework for measuring the impact of SAIs work, grounding on the postulate that public sector audit is effective as long it delivers public value. Groups of stakeholders require public sector bodies to achieve certain achievements and report on these achievements based on several scopes, including effective and efficient achievement of social results, fairness and honesty (Moore, 1995). However, although the reporting of the public value of utilitarian scopes has increased, difficulties in measuring, i.e. reporting achievements against deontological scopes are considered inadequate (Moore, 2013).

A key measure of public value from the perspective of the public sector audit is considered to be the reference to public sector accountability and reporting, where SAI is to publish its reports submitted to Parliament (or other relevant entity).

The Audit Office of the Institutions of Bosnia and Herzegovina, following the principles of transparency in its work, publishes all reports on conducted audits, the Annual report of audit and the implementation of the budget, the Annual audit report on the main findings and recommendations and the updated Register of audit recommendations on the official web platform.

2.3. Strengthening Public Authority Accountability, transparency and Effectiveness of Its Operations

Public sector audit is part of a regulatory system aimed at detecting deviations from adopted standards and violations of the principles of legality, efficiency, efficiency and cost-effectiveness of public funds management in a timely way, to allow corrective measures to be taken in individual cases and to compel those responsible to accept responsibility, to compensate for damages, or to take steps to prevent or at least aggravate such violations.

In practice, it is entirely indisputable that public sector auditing contributes to increasing public administration accountability, and that there is countless evidence of the impact of audit work on both transparency and efficiency of the entity's work, which is audited, be they prior financial audits, compliance audits, impact audits or advisory roles carried out by certain SAIs.

The audit contribution to strengthening public administration is evident at the strategic level, such as the case with its impact on improving the planning and forecasting system (financial) and response to the crisis (such as COVID-19), engaging citizens in the process of signaling social problems, conducting social audits and consultations, responding to strategic benchmarks in the segment of the application of the Sustainable Development Goals and monitoring indicators at the national level, including actions in detecting and combating corruption, weaknesses or poor application of the regulatory framework, lacking the capacity to implement programs financed by international organizations, etc.

However, current literature greatly lacks insight into the **measurable impact of public sector audits**. This imposes the problem concerning communication on purposes of the audit in the public sector, whose existence and operations base on a set of clearly defined standards, which include, among others things, so-called "collegial" supervision in the form of an assessment of the functioning of an institution in a given jurisdiction. This causes difficulties for representatives of SAIs to present the purpose, scopes and expected impact of their work, both to the audited bodies and to other interested groups, primarily to the representatives of parliaments, but also to the citizens and civil society as a whole.

2.4. Combating Corruption

SAIs are not *per se* considered anti-corruption bodies because they do not have the competence to investigate corrupt acts. The primary responsibility for detecting corruption lies with law enforcement institutions and/or anti-corruption agencies. However, the public justifiably has strong expectations against SAIs in terms of detecting such practice. The World Bank sees public audit as a driver of the country's integrity system, as the audit can help:

- Combating corruption and acting as a powerful deterrent against the leak and misuse of public funds;
- Strengthening the legal, financial and institutional framework;
- Establishing predictability of behaviour and reducing free interpretation in the application of laws and rules;
- Public exposure of not transparent practices against the public interest.

Following GUID 5270, SAI analyses the occurrence, causes, areas and mechanisms of corruption during each audit and tries to identify ways to reduce discretion in the application of rules and regulations, simplify administrative procedures and eliminate unequal access to information. SAI has mechanisms for recommending corrective measures according to identified irregularities.

On the other hand, SAIs in BiH has no executive powers and do not issue legal judgments.

Guidelines for the audit of corruption prevention (GUID 5270; ISSAI framework), foresees preventive actions as main mechanisms in combating corruption and recommends supreme audit institutions to:

- Include the problem of corruption and illegal conduct in the audit work routine;
- Strengthen awareness on corruption and other illegal practices, the timely and publicly disclose audit findings;
- Improve the methods and tools for combating corruption and other types of illegal acts;
- Provide instruments through which whistle-blowers can report cases of irregularities;
- Cooperate with other institutions in the fight against corruption.

The audit strategy embraces the effectiveness and economy of detecting illegal acts. The audit is expected to work systemically in the domain of improving the methodology for identifying and combating irregularities. In particular, SAI is expected to evaluate the effectiveness of anti-corruption systems by assessing the effectiveness of internal control systems and organizational culture.

The anti-corruption activities of audit institutions are:

Deterrence Publishing irregularities through available audit reports can have a strong ‘dissuasive’ effect on public institutions’ managers, as it discourages them from engaging in possible corrupt acts (increasing the likelihood of exposing corrupt practices to the public and voters by increasing the possible legal but also reputational costs of such proceedings).

Detection Audit, reporting on the fair representation of financial statements (which may cover corrupt activities), irregular procedures of public procurement, not transparent employment in public sector institutions, etc. may indicate to the competent institutions that corrupt conduct existed. In addition to reporting in the framework of financial and compliance audits, impact audits may, e.g. by reporting on the ineffectiveness or ineffectiveness of a program, be an alarm signal and additional investigation.

By focusing audit care on areas traditionally linked to corruption, such as the case with the public procurement and employment, SAIs support anti-corruption bodies through its reporting on concrete issues, financial data and effects of irregularities that the audit detected.

The deterred effect will be even stronger in case there are post-audit mechanisms for corrective actions of detected irregularities and that involve other competent authorities, parliaments and law enforcement bodies. Public hearings represent good practice.

The guidelines also recommend a set of questions that should be included when conducting audits. These relate to the evaluation of the internal control systems: *Does the control perform responsibly, monitoring the implementation of financial laws and influence to detect irregularities? Does the control act in alignment with the ethical standards and participate in activities that may affect their judgement, and whether it received any material benefit, which may affect their judgement? Does the control record the findings revealed during operation and comply with the confidentiality principles of the findings? Does control act with due diligence and professional standards and work to increase the efficiency and efficiency of its work?*

3. The Office Mandate and Fundamental Audit Principles

3.1. Competence and Mandate

The Audit Office of the Institutions of Bosnia and Herzegovina is the supreme audit institution in Bosnia and Herzegovina established in 2000. The mandate of the Office is determined by the Law on auditing the institutions of BiH, generally accepted audit standards and the ISSAI framework (Lima Declaration, Guidelines on Audit Rules, Mexico Declaration on Independence, INTOSAI auditing standards and code of ethics for auditors in the public sector). The main scope of the Audit Office (Article 3 of the law) is to ensure, by conducting an audit, independent opinions on the following:

- Budget executions and financial reports;
- Use of resources and management of public assets by the Council of ministers, budgetary and public institutions in BiH.

This contributes to reliable reporting on the use of budget funds, transparent and quality management of public revenues, expenses and overstate property.

The Audit Office of the Institutions of Bosnia and Herzegovina reflects its mission on promoting transparent and responsible management of public resources, acting as an independent, professional and non-political institution. The Office is an entity that enjoys the trust of citizens and professional reputation in society, providing support to the Parliamentary Assembly of Bosnia and Herzegovina in ensuring proper, economical, efficient and effective disposal of public funds and public property. The basis for the efforts of the Office representatives can be considered through four strategic scopes, 2014-2020, and that include both integrity and confidence in the work of the Office as an institution, as well as efficiency in the implementation of audit engagements and the conduct of audit bodies following the recommendations and findings, which are made up and presented in the form of audit reports, as well as indicators contained in the Office's Annual Activity Report. A strategic plan for the coming period is underway.

3.2. Financial Audit and Compliance Audit

Scope, Criteria and Audit Objectives

In compliance with the financial audit principles (ISSAI 200), financial audit refers to the process of obtaining assurance, through the collection of audit evidence, on whether financial information of the audited entity are presented in its financial reports in compliance with the applicable regulatory framework, whereas within

- the framework of fair presentation; the auditor assesses whether information are presented fairly;
- the framework of compliance, the auditor assesses the level of compliance.

The financial audit objective is to provide reasonable assurance in the form of an audit opinion or a report on whether financial statements or other forms of presentation of financial data are fair and/or in all significant respects presented following the applicable regulatory framework and financial reporting framework. The assurance is obtained through the collection of sufficient appropriate evidence.

The traditional model is the basis of the mandate of the public sector audit in the domain of financial reporting, based on financial and compliance auditing. The basis of the model is the assessment of the representation of revenues and expenditures of a particular public administration entity.

The activities in conducting the audit according to the traditional model primarily include:

- Examining the disclosed positions based on expenditure of public administration bodies;
- Assessments of the effectiveness of procedures for managing, monitoring and oversight over financial allocations (compliance of internal realities, adequacy of periodic reports on budget implementation, testing the accuracy and reasonableness of annual reports).

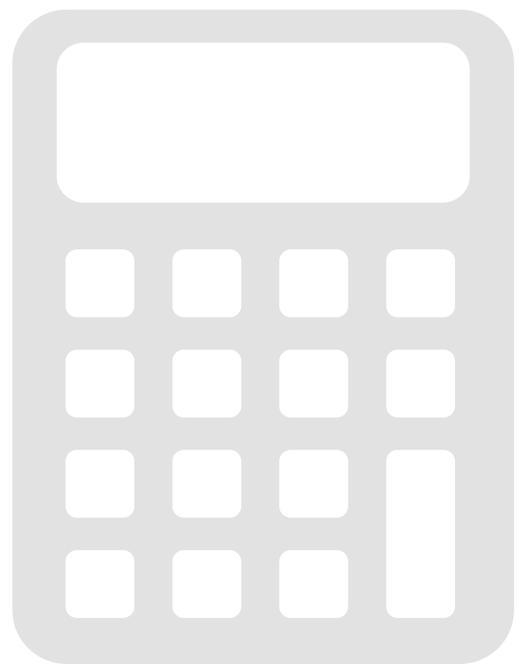
Audit laws in BiH determine that the scope of the financial audit is to

- assess whether financial statements have been prepared following the financial reporting framework;
- whether institutions' executives apply laws and regulations and use the funds for appropriate purposes;
- assess financial management, internal audit function as well as internal control systems, and the application of recommendations made from previous audits and analyses of the measures taken.

According to the established methodology, SAIs in BiH prepare financial audit reports by presenting two separate opinions

- Opinion on the reliability of financial statements, and
- Opinion on the compliance of activities, financial transactions and information expressed in financial statements with laws and other regulations

The financial audit methodology contains procedures in line with ISSAI standards, with a key methodology concept representing a risk-based approach to auditing and reliance on internal controls of the audited entity.



	Financial Audit	Compliance Audit
	Audit of Financial Statements	Compliance Audit Concerning Laws and Regulations
Subject matter	Financial reports (financial position, financial results (effect), cash flows and notes to the financial reports)	The subject matter for a compliance audit is pre-determined and aligned with its scope. Thereby, it can embrace compliance of activities, financial transactions or information with laws and other specific regulations.
Criteria	Financial reporting framework	Laws and regulations (budget, dotation, the public procurement, employment, etc.)
Objective	Determine whether financial reports present fair financial position and performance and cash flows, aligned with the applicable financial reporting framework.	Determine whether transactions comply with applicable regulation (budgetary, applicable or special regulation, decisions on financing and contractual terms).
Specific matters	<i>Investigating the causes in selected topics (based on priorities) at a given time, such as investigations into the causes of high frequency of illegal or irregular transactions identified in previous audits or the functioning of a particular control system.</i>	
Internal control systems	<i>Testing the effectiveness of internal control systems, such as the reliability of annual financial statements or controls related to the prevention or detection and correction of illegal and irregular revenues and expenditures.</i>	

The audit scopes relate to examining claims and attitudes, whereby the claims may be:

- **Explicit** (such as financial statements prepared following the relevant criteria), and
- **Implicit** (management implies that transactions are acceptable following the relevant framework).

The auditor uses the allegations to look at the different types of potential misrepresenting or mismatches that might occur.

SPECIFIC CLAIMS ON RELIABILITY, LEGALITY AND REGULARITY. INTERNAL CONTROL SYSTEM

Reliability	Legality and regularity
<p>Claims about transaction and classes of events for the period</p> <ul style="list-style-type: none"> ▪ Recorded transactions and events occurred and relate to the entity; ▪ All transactions and events that should have been recorded; ▪ Amounts and other data relating to recorded transactions and events have been recorded appropriately; ▪ Transactions and events are recorded in the correct accounting period; ▪ Transactions and events are recorded on the relevant financial statements; ▪ Budget funds are available. 	<p>Reality and measurement</p> <p>core operations exist and have been correctly determined</p>
<p>Claims on the financial position at the end of the period</p> <ul style="list-style-type: none"> ▪ Assets, liabilities and shares in the capital exist; ▪ The entity owns or controls the rights to the property and the liabilities represent liabilities for the entity; ▪ All assets, liabilities and shares in the capital that should have been recorded are recorded; ▪ Assets, liabilities and equity shares shall be included in the financial statements at appropriate amounts and any adjustments resulting from the valuation or allocation shall be appropriately recorded. 	<p>Eligibility of basic transactions</p> <p>Different transactions</p>
<p>Presentation and disclosure claims</p> <ul style="list-style-type: none"> ▪ Published events, transactions and other issues have occurred and relate to the entity; ▪ All disclosures that should have been included in the financial statements are included; ▪ The financial data is adequately presented and described and disclosures are clearly expressed; ▪ Financial and other data shall be published in fair amounts. 	<p>Compliance with the laws selected</p> <p>Accuracy from the financial report</p> <p>(following the defined prices, rates, etc.)</p> <p>Completeness and accuracy of financial reports</p> <p>All transactions are entered, not included repeatedly and recorded in the correct reporting period and at the correct value</p>

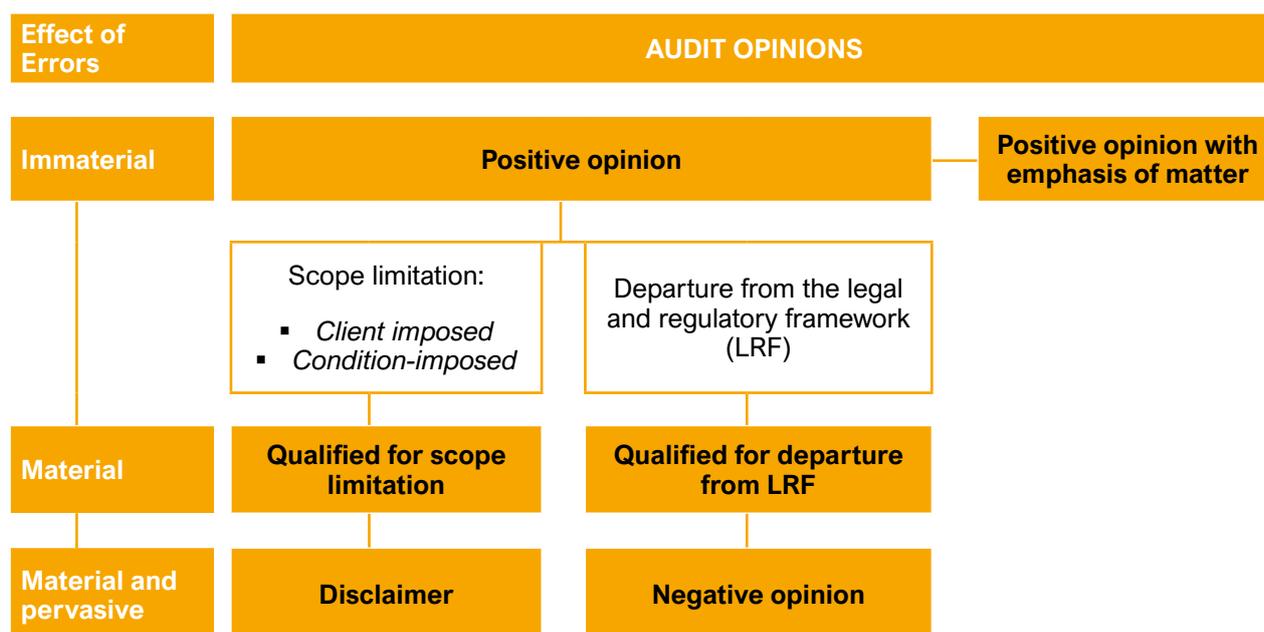
Reporting (ISSAI 1700, 1701, 1705, 1706, 1720)

The auditors’ reporting objectives are in providing observations arising from audits relevant to the responsibility of the persons in charge of management; communicating internal control governance deficiencies relevant to the audit; comparing the audit evidence obtained with the aforementioned audit criteria to form audit findings for audit conclusions; conclusion in the audit report (opinion, conclusion, response to specific audit questions or recommendations).

Relevant criteria for opinion is the applicable financial reporting framework according to which financial statements are prepared (budget laws, regulations on-budget accounting, regulations on budget bookkeeping, rules on financial reporting and annual budget statement, as well as laws on accounting and auditing), i.e. International standards of financial reporting in the case of state-owned economic companies¹, according to the fact that they are profit-making economic companies, which use a different basis for reporting on operating performance, position and cash flows resulting from this.

¹ Audits of compliance of financial reporting with International Financial Reporting Standards (IFRS) are not subject to the work of the Audit Office of BiH Institutions.

Illustration 3. Guiding criteria for the opinion



Source: European Court of Auditors. 2017. (aligned with the standardized Office terminology).

Opinion on compliance is based on relevant laws and regulations that determine operations of the entity to be audited or specific areas applicable to more entities.

ISSAI 1705	Financial Audit	Compliance Audit
POSITIVE OPINION	Financial reports are prepared, in all material aspects, in alignment with the applicable financial reporting framework (reasonable assurance that the financial reports are free of any material errors, whether as a result of fraud or mistake).	Fundamental transactions are, in all material aspects, in compliance with legal and regulatory frameworks (LRF) applicable to particular transactions.
QUALIFIED OPINION	Wrong statements alone or in the aggregate are material but not pervasive in financial reports or related transactions: <ul style="list-style-type: none"> (a) Appropriateness of selected accounting policies and compliance with the reporting framework (b) Application of selected accounting policies; (c) Appropriateness of disclosures in financial reports (overall compliance with the framework, fair presentation) 	Transactions are not in compliance with LRF in all material aspects, but this non-compliance is not pervasive; <ul style="list-style-type: none"> a. Appropriateness of policies and operations and compliance (with LRF or not appropriate; or result that transactions do not comply with LRF) b. Inconsistent application of LRF or disagreement on founding facts; subject did not comply with new requirements after regulation changes.
NEGATIVE OPINION	Wrong statements or cases of non-compliance, the material alone or in aggregate and pervasive for annual financial reports and related transactions.	
DISCLAIMER	Limitation to obtaining sufficient relevant evidence to build opinion (possible effects of unaudited annual financial reports or related transactions are material and pervasive)	

Source: European Court of Auditors. 2017. (aligned with the standardized Office terminology)

Budget execution audits

Recently in many countries, SAs have been expanding the scope of audit to testing finance information and the reliability of budgetary reporting to detecting errors in finance management, and thus, in addition to the supervisory function, they strive to strengthen their advisory function. These models open up certain options for assessing budget credibility by:

- **Budget implementation** – mechanisms that allow the presentation of indicators of the quality of information during the implementation of the budget; mechanisms of commitment to the quality and reliability of forecasts and fiscal plans; the authority's responsibility to reallocate funds during the year.
- **Budgetary planning** – Comprehensiveness, reliability and accuracy of budget documents, as well as the compliance of budget information with the financial reporting standards (classification, measurement); quality of national budget management frameworks, based on which optimal allocation of resources, implementation, evaluation and review is promoted; adequacy of budgetary planning processes and compliance with strategic objectives, to ensure reliability and quality of budget tools, public debt management, the sustainability of fixed assets, management of multiannual resource realizations.
- **Budget control** – mechanisms through which the government manages success, including information on the budget process.

The Office annually conducts and publishes a report on the financial audit of the budget implementation of the institutions of Bosnia and Herzegovina. This report represents a consolidated – aggregate report of all budget users and gives a total picture of budget spending at the level of institutions of BiH. In this sense, the report on the implementation of the budget of the Institutions of BiH represents the joint responsibility of budget users, Ministry of Finance and Treasury and Council of Ministers of BiH.

3.3. Performance Audit

A performance audit is often also called audit of effects, the audit of the economy, efficiency and effectiveness (3E audit), or value for money audit. These terms have formally the same interpretation in the audit terminology. In general, a performance audit is to respond to the following questions: whether the appropriate operations are done; whether these operations are conducted in the right way.

Performance audit (ISSAI 300) implies independent, objective and reliable testing of whether companies, systems, operations, programs, activities or organizations operate following the principles of economy, efficiency and effectiveness, and whether the improvement is needed. In doing so:

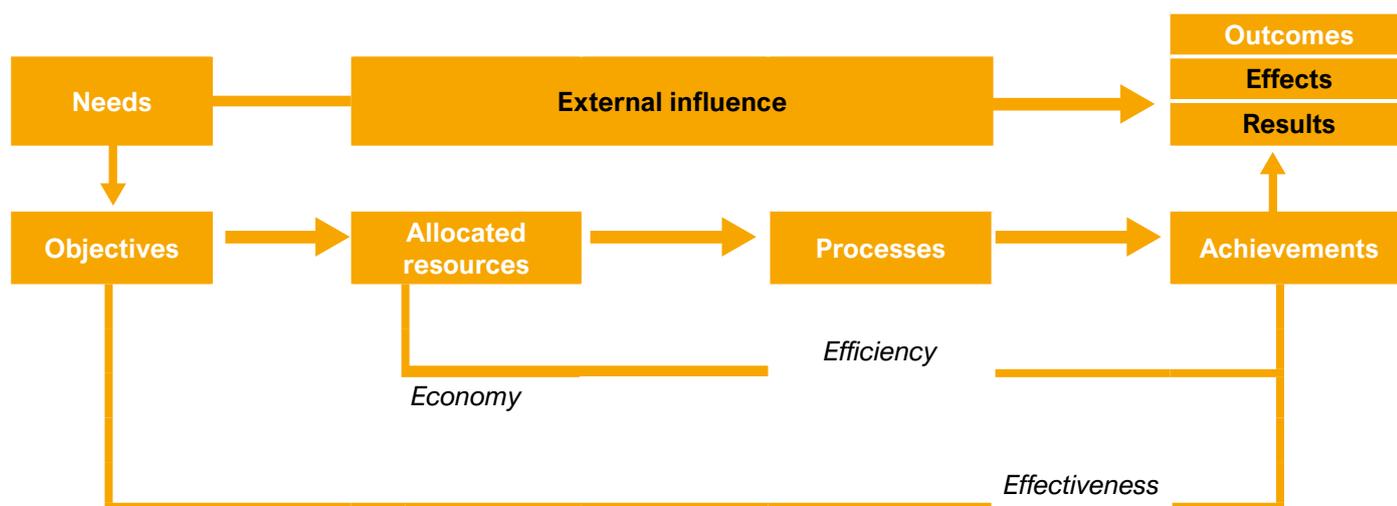
- the principle of the economy requires that the funds used by the audited entity in the performance of their activities are available on time, in an appropriate quantity and of appropriate quality and at the best price;
 - the principle of efficiency refers to achieving the best relationship between the funds used and the results achieved;
 - the principle of effectiveness relates to the achievement of certain set objectives and the desired results.
-

The performance audit methodology is based on ISSAI performance audit standards, Guidelines for performance audits and Guidelines for quality assurance in the performance audit.

Performance audits, according to the case and implementation criterion, shall be considered in the form of:

- a. **Audits of the entity (institution) concerned.** The main objective is an assessment of the impact achieved, in the name of invested resources, outputs, results. In case of satisfactory performance, it is assumed that the risk of problems in designing or implementing activities, i.e. the design or application of control systems is low (policies appropriately implemented, objectives achieved, unintended consequences for finances, economics, society and the environment). Conducting a direct audit makes sense if **appropriate criteria** can be established for measuring the quantity, quality and cost of invested resources, outputs, results and impacts. The audit process setting is based on the principles of the logical framework.
- b. **Audits of control systems.** The main objective is to determine whether the audited entity has developed and implemented management and monitoring systems that have achieved an optimal level of the economy, efficiency and effectiveness in the circumstances (as well as compliance with policy objectives) and whether existing systems provide relevant, reliable and timely information on changes in financial, human and other resources, the implementation of activities (processes) and achievements achieved.

Illustration 5. Logical Framework for the Performance Assessment



Economy is examined by a common set of questions:

- *whether the audited entity has acquired resources of the right type and quality and in an appropriate quantity and at the least possible cost;*
- *whether the audited entity manages its resources in such a way as to endeavour to minimize the total costs;*
- *whether the intervention could have been designed and implemented in another way leading to lower costs.*

Efficiency examines whether the allocated resources have achieved the highest possible amount of output or results of the best possible quality: *whether the outputs or results have been achieved cost-effectively; avoidable bottlenecks or unnecessary overlaps.*

In the **effectiveness** domain, the audit focuses on determining the extent to which different types of objectives have been achieved:

- *Operational objectives - the level of outputs envisaged;*
- *Immediate objectives - achieved clear and positive results for direct users;*
- *Transitional and overall objectives – the effects of the public intervention are aimed at measuring, taking into account external influences (that the results are not due to external influences).*

The performance audit elements can be an integral part of a more comprehensive audit covering both compliance audit and financial audit aspects. In determining whether it is the performance issues that represent the main objective of the audit engagement, it should be borne in mind that the performance audit focuses on activities and results, not on reports and financial statements and that its main objective is to promote cost-effectiveness, efficiency and effectiveness, not to report compliance for laws and regulations.

Performance auditing is an independent, objective and reliable test that determines whether government companies, systems, projects, programs, activities or organizations operate, operate or are conducted following the principles of economy, efficiency and effectiveness, and whether there is room for improvement.

Audit objective

The performance audit objective may cover activities (together with their outputs, outcomes and impacts) or existing conditions (including cause and effect).

The audit subject is determined by the audit of objectives and is reflected in audit questions, usually choosing one of the following three approaches:

- **System-oriented approach** that examines the proper functioning of control systems, e.g. financial management systems;
- **Results-oriented approach**, assessing whether outcomes or output targets have been achieved as intended, i.e. whether programs are being implemented and services are performed as intended;
- **The problem-oriented approach** that examines checks and analyses the causes of certain problems or deviations from established criteria.

Audit criteria

Appropriate criteria are those that correspond to the audit questions and are related to the principles of economy, efficiency and effectiveness. The criteria may be qualitative or quantitative and should be clearly defined as to what the audited entity will be assessed. The criteria may be general or specific, focusing on what should comply with legal regulations or objectives; what is expected following good principles, scientific knowledge and the best practices; or what might happen in the future (if better conditions are gained).

Audit process

Determining questions	
<p>Control systems audit</p> <p><i>(how intervention goals are designed, realistic, are relevant and usable; used indicators; does the entity monitor progress appropriately, IT management systems), poses of real, exact and key data and interpretations; information those data ground on, criteria used in selecting projects and transactions of resources.)</i></p>	<p>Performance audit</p> <p>The audit is directed towards the achievement of the goals of the audited entity. In case goals are appropriately designed, these make a ground for assessing the performance of the subject.</p>
Determining scope	
Defining criteria	
<p>Criteria: objective, relevant, justified, attainable and from recognized sources, preferably:</p> <ul style="list-style-type: none"> • Criteria based on legislation, regulations or recognized professional standards; • Obligations concerning the standards, measures and results adopted by the audited entity's management; • Performance of comparable organizations, best practice, identified by benchmark-based comparison or consultation. 	
Determining sufficient, relevant and reliable evidence	
Communication with the entity	
Audit start	Present the reasoning for the audit to be carried, suggested questions, scope, criteria and the methodology, timeframes and processes.
Statement on preliminary findings	Documenting findings determined in audit and reporting the entity on it.
Discussion	Ensures consent with the findings
Reporting	<ul style="list-style-type: none"> • Introductory part, presenting the objectives of interventions, basic regulations, budget mechanisms and effects, basic processes and systems (description and type of financed activities); • Audit scope and audit approach (methodologies based on which the report was drawn up) - subject to audit, reasons for carrying out the audit, audit questions to which answers are sought, audit criteria, audit methodology and access, data sources and any limitations on the data used; • Observations with audit findings and evidence modelled after audit questions; • Conclusions and recommendations based on audit questions and observations; for each segment where it is concluded that there is room for improvement, it is necessary to justify the process.

Example: Performance audits conducted by the Office

The Office has conducted more than 50 performance audits so far, of which four in 2019 including: system audit (transport cost management), problem-based audit (work of the BiH Complaints Review Office), revision of results (obligations under EU Acquis Communautaire and Agenda 2030).

Audit scope	Criteria and conclusions
„Transportation cost management in institutions of BiH”	<ul style="list-style-type: none"> ▪ Unified, transparent process in entitling the right for reimbursing the cost of transportation of persons employed in the institutions of BiH; ▪ Timely evidence on events that are not logical and correcting errors and doubts about possible abuse (economy) <p>Finding: There is no unified system on place</p>
„Legal protection in the public procurement procedure with the Procurement Review Body BiH”	<ul style="list-style-type: none"> ▪ Complaints hinder the public procurement procedure; ▪ Expectations of contracting authorities and suppliers in BiH are targeted towards the best possible legal protection embodied in the public procurement process. <p>Finding: The Body failed to ensure quality legal protection in all cases of resolving complaints in the public procurement procedures.</p>
„Product security and EU integration“	<p>Regulation on product security is not adopted in the predefined period of time;</p> <p>BiH seriously lags behind neighbouring countries in the segment of aligning regulation on product security with respective regulation of EU.</p>
„Readiness of institutions of BiH to respond to the commitments arising from the Sustainable development program by 2030”	<p>In the period 2014 – 2020 institutions in BiH did not establish fundamental mechanisms to implement commitments arising from the Agenda.</p>

The Office regularly monitors responses to issued recommendations. In that regard, out of 134 recommendations issued in 14 performance audit reports prepared in the period 2013 – 2015, more than half resulted in the response from side audited entities in period 2016 – 2019.

Example: COVID-19 purchases in the UK

Performance audit based on concerns raised about the risk to public money that could result from greater use of the procurement regulation in cases of need. Engagement carried out based on more than 20 letters from the public and members of Parliament, which expressed concern about the transparency of contracts awarded during the pandemic, potential bias or conflicts of interest in the procurement process, as well as the fact that some contracts may be awarded to unsuitable suppliers.

Audit scope	Needs and findings
<p>Investigation on the public procurement during COVID-19 crisis</p>	<p>Criteria: Procurement during COVID 19. The guidance was aligned with regulation 32 (2) (c) following Regulation on public contracts from 2015 (allowing direct negotiation).</p> <p>Problem: Risk in spending public money:</p> <ul style="list-style-type: none"> ▪ Spending transparency, ▪ Contracts with unqualified suppliers; ▪ Conflict of interest. <p>Scope:</p> <ul style="list-style-type: none"> ▪ Investigating needs for procurement of goods, services and works, applying shortened procedure, the regulation applied, roles and responsibilities; ▪ Activities concerning procurement during pandemics; ▪ Assessing the management of procurement-related risks. <p>Finding:</p> <ul style="list-style-type: none"> ▪ 18 billion pounds disbursed within 6,800 contracts; ▪ Numerous direct agreements – doubts in the effectiveness of the system for preventing a conflict of interest; ▪ Some procurements conducted without regulated controls; ▪ Retroactive contracting conducted upon delivery <p>Recommendations:</p> <ul style="list-style-type: none"> ▪ Public announcements on closed contracts within 90 days; ▪ Changes in procurement guidance and that implies an additional requirement for the competitive procedure; ▪ Drafting clear documentation (criteria) aiming to prevent unequal treatment of suppliers; ▪ For direct agreements, it is necessary to obtain additional justification to enable contracting authority to conduct preventive control against conflict of interest

4. Communication of the Office with Interested Parties and Follow-up

The results of the Office's work are its reports on financial and performance audits. On an annual basis, the Office publishes over 80 reports that include financial audits of 74 budget users at the level of institutions of BiH, five performance audits, a report on the financial audit of the implementation of the budget of the Institutions of BiH and an annual report on the main findings and recommendations. The Office made a significant contribution by pointing out irregularities in the work of the Institutions of BiH, both individual and systemic in nature, by publishing audit reports based on international audit standards and preparing concrete findings and recommendations. This contribution embraces:

- Establishing a legislative framework for the operations of the Institutions of BiH (adoption of Laws and bylaws such as the Law on salaries and allowances in the institutions of BiH, the Law on the public procurement, the internal audit activity, uniform rules and procedures for expenditures per budgetary positions);
- Establishing and implementing treasury system and financial management and control systems;
- Amendments to the list regulating the employment and legal status of employees;
- Development of a system of public internal financial controls – PIFC as a whole;
- Improving transparency and legality in the use of public funds;
- Active approach by the institutions in the fight against corruption, fraud and nepotism,
- Improving IT systems and adopting IT strategies.

The financial audit findings are also largely addressed by issues of a systemic nature, such as the issue of state property status, list of funds and obligations, the technical mandate of appointed persons, degree of development of financial management and control systems and internal audit, addition to work, the public procurement, multiannual capital investments, work contracts, transparency of employment processes, IT systems, etc., which implies a direct role of the Office in strengthening accountability in the treatment of public funds, transparency and efficiency in the work of the institutions of BiH.

4.1. Communication with the Audited Entity

The communication of the Office with the audited entity is regulated in Article 15 of the Law. The Office prepares a draft report before the completion of the final audit report, which it submits to the BiH institution's management for comment.

Illustration 6. Communication with the Audited Entity



The comments prepared by audited entities are to be submitted within 15 days from receiving the draft audit report or for a longer period of time, in case the Office decides on it specifically. The Office obliges to consider these comments before issuing a final audit report. In case, the Office and the audited entity have no consent concerning issues raised, the final audit report contains comments submitted.

4.2. Communication with the Civil Society

The Office annually organizes consultative meetings with the representatives of civil society organizations aiming to present annual performance audit plan as well as to establish necessary communication concerning societally important issues and that these organizations are considered to be of particular focus under the Office oversight and subject of performance audits.

4.3. Communication with the Parliament of BiH

Supreme audit institutions, following the law and professional standards, collect professional and objective information used by parliaments to ensure the reliability of financial reporting and how public resources are used. In this sense, a major role in improving transparency and public accountability is played by the competent parliamentary commissions, which, through their activities, support the efforts of supreme audit institutions and, through insistence on the implementation of recommendations and monitoring their implementation, help the development of accountability systems in the public sector.

Among other things, the Office continuously emphasizes moral responsibility, i.e. the importance of ethical behaviour, prevention and detection of fraud and corruption in the public sector. The general expectation is that civil servants should work for the public interest, properly, transparently and effectively using public funds. That is why ethics in civil service are a pre-requisite for building public trust, making it a key factor of good governance.

The Office does not have mechanisms to ensure that the recommendations raised in the audit reports are implemented. Their task is to spot and diagnose problems through their reports and submit them to the Parliamentary Assembly of BiH. The Parliamentary Assembly of BiH has at its disposal several mechanisms that can raise the issue of disciplinary, public, moral, political and ultimately criminal responsibility, all to ensure transparent, economical and efficient management of public money.

The BiH Parliament's practice envisions, among other things, hearings on parliamentary commissions, which are one of the mechanisms for strengthening accountability for the implementation of the recommendations raised in audit reports. In this case, institutions' leaders are expected to issue statements on hearings open to the public. This practice is believed to decrease the manoeuvre space of institutional leaders avoiding public accountability for the use of budgetary resources.

4.4. Recommendations and Follow-up

The Office issues recommendations to audited institutions, following fundamental principles of public sector audit. The audit reports especially draw attention to detected irregularities and weaknesses detected in the operations of institutions, clearly linking proposed actions to improved institutional work.

In more particular, the audit identifies irregularities and looks into the casual relationship of these irregularities with the procedures and acting of the audited entity. By doing so the audit issues recommendations that embrace preventive actions so that the detected errors and irregularities are not repeated in the future.

Recommendations often foresee a set of desired changes that are believed will contribute to improved work of audited entity, better alignment of its work with regulatory frameworks as well as the enhanced economy, efficiency and effectiveness of managing public funds on its disposal.

Follow-up represents an important milestone in the process. The Office reviews institutional response to recommendations issued in previous periods and reports on the implementation. The assessment of institutional responses to recommendations grounds on particular knowledge over the audited entity's operations and its response to audit findings.

The process of monitoring responses to recommendations merely looks to shed the light on the fact whether the identified shortcomings are addressed by the audited entity then purely to report on whether recommendations are adopted or not. Therefore, subsequent monitoring over responses to recommendations provides information on the corrective measures taken to overcome particular weaknesses and deficiencies identified in the audit report or to justify why corrective measures have not been taken.

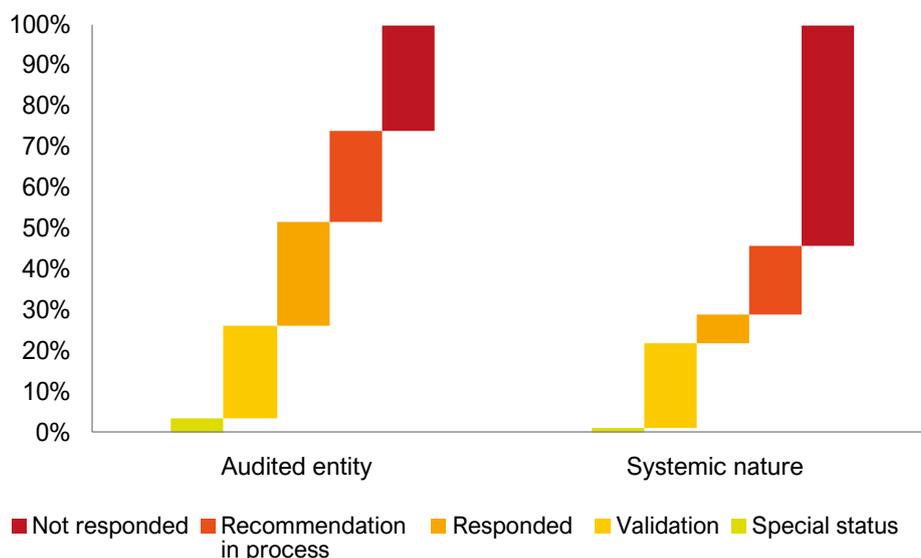
Monitoring of recommendations and analysis of measures taken based on recommendations made to auditors, the executive branch and the Parliamentary Assembly of BiH provides feedback on the effects of the audits carried out. In this regard, the Office maintains and regularly updates its website in the register of recommendations made through the audits it has carried out. The register also contains the status of implementation for each recommendation made in the process of financial and performance audits.

Financial audit recommendations follow-up

In the previous four-year period, the Audit Office of BiH institutions issued numerous recommendations addressed to 76 institutions and government bodies at the state level. Some of these recommendations are systemic in nature. Through the registry, the Office reports on recommendations (realized, unrealized, recommendations whose realization is in the process, recommendations whose verification is in the process, recommendations with special status).

Each financial audit report contains a chapter that treats the implementation of the financial audit recommendations for the previous year, to inform the audited entity about the state of realization of the issued recommendations of previous periods.

Illustration 7. Level of responses to systemic recommendations and recommendations issued to the audited entity



Source: Calculated based on data provided in the Office Registry. Period 2015 – 2018.

It is worth noting that the institutions are two times more effective in responding to the institution-related recommendations (54,1%) comparing to those requiring more systemic (cross-institutional) responses (26,0%).

The ratio of recommendations that resulted in the institutional response to total recommendations issued is also not equally distributed among 76 institutions that are subject to financial audits annually. In 38 institutions recommendations lacking response account for less than 20% of total recommendations. This ratio is 20 to 40% in 32 institutions, while in 6 institutions this ratio ranges between 40 and 60%.

Portion of unrealized recommendations to the total number of recommendations issued	No. Of institutions
Less than 20%	38
Less than 40%	32
Less than 60%	6

Source: Calculated based on the data contained in the Registry

Performance audit recommendations follow-up

Responses to the recommendations issued during the performance audit, according to the methodology and international standards, are separately monitored and presented in the report on the implementation of the performance audit recommendations. The process of monitoring responses to these recommendations contributes to their more efficient implementation. Having in mind the importance and potential that performance audit-related recommendations have on particular areas of audit interest, the Office conducts monitoring of the implementation of recommendations each year, covering two or more published reports from previous years.

In the period from 2014 to 2019, the Audit Office of the Institutions of BiH conducted 40 performance audits and issued 340 recommendations. The Registry contains information concerning the status of 163 recommendations, whereby:

- 12.9% recommendations are fully implemented;
- 46.0% recommendations are partially realized;
- 34.4% recommendations resulted in initial activities undertaken by audited entities; and
- 6.7% of recommendations are lacking any response so far.

Despite some difficulties in the implementation of the performance audit recommendations, performance audits have impacted many areas of institutional operations and regulation. Progress in the transparency of BiH institutions, use of impact audit findings for drafting the new Law on the public procurement, significant advances of BiH institutions in more efficient use of data transfer capacities, improvement of customs terminal management, are just some of the concrete effects of our work.

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