

Support for Improvement in Governance and Management
A joint initiative of the OECD and the EU, principally financed by the EU

Summary Peer Review Report

of the

Supreme Audit Institutions of Bosnia and Herzegovina

November 2012

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I. Introduction

SIGMA conducted the first Peer Assisted Review for the three existing State Audit Institutions (SAIs) in Bosnia and Herzegovina (BiH) in 2005. The recommendations of the peer review report, issued in 2006, were taken into account for the joint Strategic Development Plan of the Audit Offices of BiH for the period 2007-2012.

More than five years have elapsed since the first Peer Assisted Review exercise. The current joint Strategic Development Plan of the SAIs ends in 2012 and the mandates of the Auditors General and the Deputy Auditors General of SAI RS and SAI Fed expire at the end of 2012 and mid-2013. It is clear that late 2011 was a good moment to take stock of the achievements of the SAIs and remaining challenges by means of a peer review.

In general, the recommendations of the peer review are intended to help the Audit Institutions develop towards becoming fully effective SAIs in line with international standards and sound European practice, whilst taking into account the country's very specific circumstances and being fully responsive to their prevailing needs. This process should constitute an important contribution to the strengthening of the financial control system and public accountability in BiH. In particular, the recommendations of the peer review are intended to help define the next steps for further strategic development.

The standards and yardsticks applied in the peer review are the Lima and Mexico Declaration of the International Organisation of Supreme Audit Institutions (INTOSAI) and the International Standards of Supreme Audit Institutions (ISSAIs). The peer team has also used as an evaluation yardstick, what could be called "good" practices amongst the SAIs across Europe, based on the knowledge and experience of the members of the peer group.

A peer review is rigorous in its approach but the time-frame and resources available to the Peers do not make it possible to fully substantiate all findings or investigate issues as deeply as would be required to be absolutely certain about the validity or representativeness of findings. So, a peer review is not an audit.

II. Legal Framework

The fact that none of the Audit Offices in BiH are anchored in the Constitution represents a potential threat to the independence of the SAIs. It is not in line with international standards and fundamental principles for SAIs as the so-called Lima Declaration of INTOSAI, and also the newly adopted UN Resolution A/66/209 for "Promoting the efficiency, accountability, effectiveness and transparency of public administration by strengthening Supreme Audit Institutions."

This matter of principle is not significantly affected by the fact that the independence issue is addressed in the Audit Office Laws because legislation is more easily changed than the Constitution. As a consequence, the independence of the SAIs is not protected enough in their present legal position.

The Peers recommend that in case of a review of the constitutions, the SAIs recommend that the issue of public external audit is incorporated. The review should cover not only the establishment, as such, of the Audit Offices, but also some fundamental issues such as the function and tasks of the external audit, and the basic conditions of appointment and terms for the management of the SAIs.

As the Audit Offices of BiH do not have a constitutional status, all requirements, especially with regard to their independence and protection against outside influence, at present, have to be covered by the respective laws that govern the establishment and work of the Audit Offices.

Although the four laws governing the Audit Offices in BiH are generally in line with international requirements for the independence of SAIs, there are some regulations that affect this independence and should be removed or reformulated:

- The provision in the law for SAI BD which states that it is possible to remove the AG or DAG from office if it is deemed that the audit quality fails to meet audit standards does not protect the AG sufficiently against arbitrary decisions and should be removed.
- The mandatory, regularly scheduled peer review or external professional evaluation based on the request of the Parliamentary committees is ineffective, unenforceable and potentially affects the protection of AGs against politically motivated decisions and should be removed from all SAI laws.
- The laws for SAI RS and SAI Fed should be reformulated in the same way as the relevant regulation in the law for SAI BiH, giving the SAI the right of decision on whether or not to follow up a request for a special audit.

There are a few provisions that need to be harmonised:

- The legal situation for SAI BiH and SAI BD does not provide sufficient justice to their independent status as its main auditee – the Ministry of Finance – is the one that has the final say over the SAI's budget due to the Laws on Financing of the Institutions of BiH and BD, which treat the SAIs as any other budget user. Those provisions need to be harmonised with the SAI laws.
- Ways should also be found to harmonise the status, careers and salaries of audit staff in all four of the audit offices in BiH. The Peers rather favour the option of putting all audit staff under the respective civil service law or apply it by analogy to all issues not regulated by the SAI laws.

While the SAIs have a clear legal authority to audit all public and statutory funds and resources, bodies and entities, the sheer number of potential auditees within the Entities makes it impossible to carry out an annual audit for each of these. Many of the smaller municipalities are not audited at all. The theoretical independence of the SAIs to select the auditees is therefore in practice severely limited. Solutions should be found for fulfilling the legal audit obligations with limited resources. The solution could, for example, be sought in improving the efficiency of the audit process or changing the legal remit by redefining the term “budget user” or revising the criteria for annual certification audits.

II. Co-ordination Board and Management of SAIs

1. Co-ordination Board

The Co-ordination Board (CB) is an important vehicle for the joint development of the SAIs. Its responsibilities are set down in Art 46 of Law for SAI BiH and its adopted Rules of Procedure in December 2010 to regulate its organisation, the manner of work, its competences and costs. It has a 3-year financial plan, an annual work plan and a rule book. The costs of the CB are shared by SAIs and in 2010 these totalled BAM 120,000 (~€61,000), some 1.2% of total SAI budgets.

The peers recommend that the CB is registered as a legal institution with an independent budget. This proposal will require amendments to the current laws, but it might be considered as other necessary amendments are put forward for adoption by the Parliaments. The peers also consider that the CB would benefit from strengthened support to enable it to operate more effectively. One option might include seconding audit staff from SAIs, on a full-time basis, for specified periods and tasks. CB would also benefit from a full time secretariat. These suggestions are not intended to detract from the independence and the respective roles and responsibilities of the SAIs, but are designed to establish the CB more formally than at present and to assist it in becoming more effective.

The peers believe that, given the establishment of SAI BD after the SAI BiH Law had established the CB, the CB should consider an amendment to Art. 46 (1) of the SAI BiH law in order to introduce the AG and the DAGs of SAI BD as full members of the CB.

Regarding the work of the CB so far, it has established 14 working groups that have produced 16 documents since 2005. The CB and the Working Groups have performed well in developing these important areas for the SAIs.

The peers found considerable goodwill amongst the staff as regards the importance of implementing the guidance issued by the CB but there is no systematic monitoring of the SAIs by the CB of the implementation of the adopted documents. The peers consider that regular reports-back of progress and problems to CB would provide valuable feedback. These would also help to address the issue raised by some SAI staff about the theoretical nature of some of the guidance and the need to improve the consultation processes.

Regarding the strategic development of the SAIs, the CB adopted a strategic development plan in 2007 and it was revised in 2010. The main issues included: Strengthening the accountability cycle, e.g. the quality of audit reports; written procedures for Parliaments; new professional structure and remuneration system; and improved Quality Management. There is also an associated Work Plan for CB for 2011/2012. These have proved to be valuable documents for the effective and consistent development of the SAIs.

Audit is forever subject to change and there are significant developments underway in the public sector in BiH, not least the likely introduction of programme budgeting and accruals accounting. Furthermore, CB and SAIs have benefitted from considerable support from Swedish National Audit Office (SNAO) since 2000 - this support has reduced and is likely to finish at end of 2012. The peers therefore consider that a comprehensive revision of the SDP is urgently required, taking into account these significant developments.

2. Management of the SAIs

The peers consider that the organisational structures of the SAIs are generally appropriate. As regards staffing levels, the SAIs have a total of 177 staff and a high proportion has relevant technical qualifications. However, as staffing levels within each of the four SAIs are relatively low, there are difficulties in ensuring e.g. the audit mandate is fully covered by all SAIs; and that there are adequate levels of supervision and review of the work processes in all areas.

Until such time as staff levels increase, the peers consider that the SAIs and the CB need to agree common criteria for auditing all public bodies over a period, taking into account audit priorities, developments in the public sector and forecast staffing levels.

SAI laws establish the number of senior managers for each SAI, but the boundaries and reporting lines for the work allocations need careful consideration and agreement by SAI management to ensure that no misunderstandings arise between staff and management.

The peers consider that clearer definition of roles and responsibilities of senior management as part of the work allocations' processes is required.

Some elements of a staff appraisal system are in place in the SAIs but none have established a comprehensive, formal system for appraising the work of their staff.

Initiating a system for staff assessment would assist management in identifying good, and weaker, staff, under the arrangements established by the law.

III. Primary processes: auditing

1. Audit strategy and programming

A key area for institutional strengthening is the development of audit strategies and audit portfolio. The SDP 2007 – 2012 refers to the need to document the Global Risk Analysis (GRA), to issue 3-year Strategic Audit Plans (SAP) and to issue a Corporate Strategy Plan (CSP). The GRA and SAP should provide an insight into the difficulties and the choices required to fulfil the legal requirements and are important for defining priorities and should be reflected in the annual audit programmes, recognising that each SAI has a broad audit remit (which is in line with INTOSAI standards), but each has only limited financial and human resources. Every SAI, as well as the Parliaments, are of the opinion that their remit is too large and/or that the human resources are insufficient for carrying out all of the required statutory audits. However, the GRA and SAP have not been prepared by the SAIs; they only prepare an annual audit programme each year.

To overcome the imbalance between the broad remit and the limited resources the SAIs might think of closer cooperation and programme joint audits or horizontal audits.

2. ISSAI's

In January 2011 the CB adopted the new International Standards for Supreme Audit Institutions (ISSAIs), which must be implemented by all of the SAIs. Each SAI is responsible for the implementation of the ISSAIs. The initiative of the CB to approve the new ISSAIs as setting standards for its future audit work is a laudable initiative. CB has set up a small working group (one auditor from each SAI) to review the progress of implementation within each SAI. However, to ensure the effective implementation of the ISSAIs adopted in 2011, the CB and, particularly, the management of the individual SAIs will need to pursue actively what needs to be undertaken and set timetables and responsibilities for the necessary actions. Without this, it is unlikely that significant progress will be made on a consistent basis. The implementation of ISSAIs in general and, in particular, those relating to financial audit, will require more training than has been delivered up to now.

3. Audit Manual Financial Audit

In 2008/2009 a working group, consisting of staff members from each of the three SAIs, amended the previous Financial Audit Manual which had been adopted in 2003. The purpose of the update was to make procedures more practical and to provide much more help to auditors in performing their audits. As far as the Peers could assess it, they appreciate the structure and content of the new Public Sector

Audit Manual. It deals with all of the relevant parts of a Financial Audit. However, the Peers were informed that although the manual is very comprehensive, its practical use is limited by its complexity. Each SAI might think of improving the user-friendliness by adapting the Audit Manual for its own circumstances by defining which parts of the manual are mandatory and which parts are not mandatory or not even applicable.

4. Audit Process Financial Audit

The audit process of the SAIs is in line with good international practice and, in general, the SAIs follow the new ISSAIs as much as possible. Nevertheless, the Peers are of the opinion that there is still room for improving the efficiency of the audit process and the effectiveness of the audit results.

The **efficiency of the audit process** can be improved by making use of existing IT facilities.

Although the SAIs have access to the Treasury system and can download all reports and other information for planning purposes, the auditors still ask every year for many documents to be copied for them. Training in the use of IT audit tools is urgently needed.

Drafting realistic but also clear audit plans

Auditors do not always conform to the audit plan and widen the scope of the audits. On the other hand, auditors complain that the plans require an audit scope that is currently too broad. Audit plans should be more focused so that the teams can complete tasks more effectively.

Although the Public Sector Audit Manual describes the sampling techniques extensively, auditors seem to have problems using the sampling techniques. That's why in practice the sample size is bigger than necessary, as auditors want to have more assurance. It is essential that the SAIs invest the time in training auditors in the proper use of the different sampling techniques as they are described in the Audit Manual.

The **effectiveness of the audit results** can be improved by improving the quality of reporting

The quality of the audit reports is the key for the SAIs to have impact. A technically excellent audit, which is followed up by an unclear audit report, will not get the attention and the impact that it deserves. The audit opinion part, for all of the SAIs, is in line with the prescribed formulation of ISSAI 1700 - Forming an Opinion and Reporting on Financial Statements. The reports differ however, when it comes to the description of the findings and recommendations. In general, the reports could be shorter and more concise.

The SAIs have certainly advanced during the last decade and their recommendations have improved over the years, however, they do not see much improvement in the institutions being audited. Institutions often do not take responsibility for errors nor act upon the SAI recommendations.

The lack of willingness of the auditees to implement recommendations is not the only problem. There is often also criticism from auditees on the content and quality of the audit reports. For example audit recommendations should differentiate between those for which the auditee is responsible, and those for which higher authorities are responsible. SAIs should also be more selective in reporting on findings and take into account political reality. Or SAI recommendations are perceived to be too broad and too general. According to auditees, audit reports lack depth and analysis of the causes of problems/irregularities identified. Another concern is that the SAIs make recommendations about policy issues. The auditees are unhappy with how the SAIs deal with their comments on the audit report.

The Peers wish to underline these comments by the auditees but would also like to stress that the SAIs in BiH have already made attempts to meet the above mentioned expectations of the auditees.

Creating awareness on audit opinions

The opinions in the audit reports of every SAI are based on the International Standard on Auditing 700 SA. The opinions in the audit reports the Peers have reviewed are in accordance with the international standards. Nevertheless, on several occasions during the peer review, the nature and meaning of audit opinions were the subject of extensive discussion. Politicians and media alike, have an eye open only for negative opinions. Reserved and positive opinions are perceived as uninteresting or they are mistrusted. Members of Parliament and auditees mentioned several reasons as to why they have doubts about the justification of the opinions of the SAIs. These reasons are:

- Assemblies have made comparisons and found that audit opinions vary between the SAIs. In particular, they question why SAI BiH has not provided any negative opinions for some years, while SAI Fed and SAI RS have provided them. The SAIs acknowledge that the opinions might differ between themselves. The management of the SAIs are of the opinion that consistent criteria should be developed and used throughout all of the SAIs for audit opinions and audit reports
- The wording of audit opinions differs and auditees compare the SAI reports and draw conclusions about them, not necessarily based on reality. This problem could be addressed by harmonising the text of the audit opinions
- The scope and the meaning of the audit opinion, especially of a negative opinion, are not well-understood, and reserved opinions are perceived as very ambiguous. Members of Parliament are not always experienced in financial and accounting matters and many may only read the audit opinion and not the complete report with its findings. Negative opinions therefore often trigger the wrong discussions. Also, the pressure on the SAIs in BiH to give a negative opinion seems to be growing. The rationale for providing reserved opinions in both situations is not always understood. The media also only focusses on negative opinions. The lack of understanding about the value of an audit opinion, and the pressure for negative opinions by stakeholders can only be addressed by having a clear communications policy. The SAIs might also consider splitting the audit opinion into two parts by making a distinction between a financial and a regularity opinion and/or to separate into two parts the audit opinion from the audit report .

5. Performance audit

Performance audit has reached a satisfactory professional level. All reports so far have had some impact, although not all recommendations have been implemented. Performance audit is appreciated by auditees, parliamentary committees and the media; it also has a positive profile. For SAI BD, given its small scale and recent establishment, the challenge lies in developing capacity and expertise. In the other three SAIs the challenges are rather how to sustain the capability, how to develop further capacity and quality, and how to improve the impact of performance audit.

Performance audit is resource-intensive. The average lead-time for performance audits is substantial, which reduces the possibilities of increasing the number of performance audits more than marginally.

The peers recommend developing strategic multi-annual planning, allowing for systematically considering the possibilities for splitting up larger topics into a sequence of smaller scale audits with one final, summarising report at the end. Also narrowing the scope of performance audits could help restricting the lead-time for individual audits. Specific attention should be paid to potential quick wins:

topics that due to relative simplicity or narrowness of scope would not need as much resources to be audited.

Apart from seeking further technical assistance after the SNAO, SAIs could also do more to enhance their capacity and competence by cooperation, for instance by carrying out parallel audits, joint training activities, workshops, etc. Common training activities could profit from the IDI-trained performance auditors, especially those in SAI RS.

6. Quality Control and Assurance

In 2007 a working group consisting of staff members of the three SAIs drafted an Audit Quality Control Guide, which included checklists.

This overall quality control and assurance approach distinguishes three phases:

1. Getting it right the first time. The audit director in charge supervises the team leader who supervises the audit staff.
2. Monitoring the quality in all audit phases during the audits (Hot reviews). There are different ways of doing this:
 - Monitoring by so-called control champions: one of the audit teams reviews the work of the other teams but they still carry out audits as well;
 - Monitoring by a specific team to review other teams without performing audits themselves.
3. Review of finalised audits aiming at establishing future directions for improvement (Cold review).

The quality monitoring and review after finalising tasks (phases 2 and 3) are still in their infancy. The members of the CB recognise that the infrastructure for these of the quality control framework needs to be strengthened in order to ensure solid institutionalised quality control arrangements within the SAIs.

Sigma recommends:

- To concentrate on improving phases 1 and 2 before allocating resources to introducing phase 3;
- To organise trainings for auditors in using the Audit Quality Control Guide.

IV. Supporting processes of the SAIs

1. Training, learning and Development

In general, the peers consider that SAI staff work in a professional manner and found that the auditees respect the work of the audit teams. Some auditees noted, however, that SAI staff were not always sufficiently skilled to deal with complex legal issues or in the use of IT for their audits. Such perceived shortcomings need to be addressed urgently.

To ensure that the continuing professional and the specialised training needs of the SAI staff are addressed, SAI management and the CB need to consider how best to bring the Training Strategy of 2009 up-to-date. That Strategy emphasised that staff need to constantly upgrade their expertise,

specialised knowledge and skills through continuous development and training. Of course, training can only be delivered as resources allow but, as a minimum, it should be offered within the key operational areas such as financial and performance auditing; also for improved human resource management and for the training of non-audit staff. Each SAI will need to adopt individual decisions for each type of training and develop appropriate training plans. These decisions will need to take into account the SNAO withdrawal of support for the SAIs from the end of 2012.

The foundation for effective training plans is a comprehensive training needs' assessment to establish which knowledge and skills the staff possess, what skills are lacking and what is required for the SAIs to achieve their strategic goals.

The peers consider that the training needs for all staff of the SAIs need to be identified by means of a comprehensive, systematic analysis of the current levels of their skills, thereby establishing the gap between those skills and the needs of the SAIs. The Training Strategy will need to be up-dated and build upon this information to provide a considered approach to the training needs of the staff. As part of these exercises, SAI management will need to decide on the strategic steps needed for planning their training needs and the CB will need to consider how training might be delivered in a consistent and economic manner for all SAIs.

Certified training is organised through the private associations of auditors. The Ministry of Finance is responsible for the certification programmes and the issuing of certificates. There is not, however, any formal agreement between the SAIs and the associations regarding the training programme.

The relationships with the associations need to be more formalized to ensure that the certification training is relevant and appropriate for the staff and for the technical needs of the SAIs.

2. IT Developments

The Information System Development Strategy for the period 2009 to 2012 enabled SAIs to have modern IT equipment and software and audit staff to have access to the internet and to the intranet of their SAIs. Staff use MS Office software for their work. The peers found however that no use is made of a common document management system for recording the results of the audit work. Such systems are becoming more usual in SAIs; they ensure that audit processes can be properly controlled, supervised and reviewed as part of a management process and they have an associated benefit of reducing the use of paper. Such systems may be developed by the SAI itself but they are also available commercially.

The development of a common document management system would benefit the audit teams of all SAIs in performing their audits and would benefit management in ensuring the proper control, supervision and review of the audit processes and procedures.

The SAIs also have well developed IT support services. IT functions are carried out by a relatively small, core staff in each SAI and each unit carries out administrative support, monitors the functioning of the IT systems and provides assistance in the use of IT systems for the staff. They also maintain the SAIs' websites.

There is scope for the cross-fertilisation of ideas and procedures to maximise the benefits of the training and expertise of each IT specialist. For example, the application of the IT self-assessment tool developed by EUROSAI IT working group in 2005 would provide an excellent benchmarking exercise, particularly if applied by all the SAIs.

3. IT Audit

SAIs are linked to the accounting systems of their respective Treasuries and may initiate reports and analyse data as part of their audits. The use of IT in auditing requires continuous development so that potential weaknesses in government accounting systems are properly addressed as part of the audit approach. Current developments in programme budgeting and accruals' accounting will place particular demands on both the Ministries and the SAIs. Increased use of IT e.g. in electronic sampling and data analysis will also help to improve efficiency in the audit process.

The current development in government accounting systems requires particular attention and the understanding of selected audit staff needs to be updated and continuously maintained.

Considerable benefits can be derived from access to the Treasuries' electronic accounting systems but it seems that not all SAIs have taken full advantage of this access. The limited number of staff with IT skills indicates that it would be beneficial if more staff were trained in the use of CAATS, in particular for the analysis of clients' databases, as well as in computer-based statistical sampling.

V. Relations and communication with main stakeholders

1. Communication strategy

An SAI will only have impact if it masters the entire range of activities demanded: from programming and planning, through performing audits professionally, to attaining clear and effective reporting skills, while communicating the audit results within their proper context. The SAIs have a common communication strategy, but it dates back to 2006, and has never been revised. Annual communication plans for each of the SAIs are lacking, although there is a common communication plan, and communication is a component of the SDP. SAI BiH and SAI Fed have established small communication functions to assist the AG and DAG, who are primarily responsible for communication, whereas in SAI RS and SAI BD the (d)AGs perform this function in person. Given the need to intensify communication efforts with the limited resources available, the peers recommend that the CB integrates the current communication strategy paper and the communication plan into one revised and updated communication policy paper and each SAI should develop annual activity plans. The SAIs should also consider the establishment of a common communication function under the umbrella of the CB, which would allow for efficiently building up more expertise in this area and support joint activities of the SAIs aimed at improving the corporate image of external audit.

2. Relation with Parliaments

Although the relations between the SAIs and the competent parliamentary committees are good, they do not always share the same views on the role of SAIs and the role of auditing. Interpretation of audit opinions, and perception of the character of administrative irregularities differ. Parliaments themselves have introduced new procedures on how to deal with audit reports, but continuous further improvement is needed. SAIs should play a role in providing input in that process, and reflect on how it could serve parliaments best.

The peers recommend to invest in better understanding, through intensification of formal and informal contacts, to consider how reporting mechanisms can be more tailored to the needs of parliament, and to support parliament during the debate on audit reports.

3. Relation with other stakeholders

In principle, Ministries of Finance and the SAIs share the objective of ensuring that public resources are used in a legal, efficient and effective manner. But such awareness is not sufficiently developed. Existing opportunities for better co-operation are currently not taken. Especially in the area of strengthening internal control systems, the SAIs can reinforce the efforts of the Ministries of Finance and vice versa.

SAIs should arrange regular meetings between the AG and the Minister of Finance and discuss points of common interest and identify opportunities for strategic co-operation. SAIs should also encourage more informal contacts at working level, and assess the possibilities for joint training. Ministries of Finance should consult SAIs on relevant new laws or amendments, this could be laid down in bilateral agreements.

The SAIs have a good reputation, are trusted institutions and are well respected amongst the media and the general public. But SAIs also suffer from the lack of understanding with regards to their role and function. For the media and the public the punitive role of audit reports seems to be crucial. They think the major task of an SAI is the identification and sanctioning of individual cases of misdemeanour by civil servants or politicians. SAIs are aware that the media often does not give a correct picture of audit reports or of the role of the SAIs, but so far no systematic actions have been taken to help prevent these misunderstandings. The SAIs are present in the media, but their presence is re-active rather than pro-active. What can be done? SAIs should be more active towards media with concerted activities to clarify its role, organize training for journalists, rethink the presentation of reports, including the presentation and qualification of irregularities identified, use newsletters and websites, even social media, and carefully plan how more performance audit could increase interest and correct the image and expectations.

Except for BD, the SAI Laws in Bosnia and Herzegovina have provisions that reflect the international auditing standards for dealing with cases of suspected fraud or corruption. The SAIs are well aware of their role in regards to fraud and corruption, laid down in a document that was adopted by the CB in May 2008. But since reports list numerous cases of violations of laws and rules, the reports themselves are conducive to misunderstandings, as these are usually understood to be criminal offenses. So a situation arises in which prosecutors complain that the information held in audit reports is not sufficient to initiate criminal charges, Members of Parliament complain that the audits do not sufficiently result in the prosecution of responsible managers and politicians, and the media complain that the SAIs do not do enough to get fraudulent people punished. The SAIs have to find ways to resolve these issues. The peers recommend that SAIs explain clearly in a paper what their role as SAI is, that SAIs agree with the prosecutors on how precisely to proceed in cases of suspicion, that SAIs clarify towards parliaments and media what their role is and how they have arranged cooperation with prosecution authorities.

VI. Way forward

The SAIs in Bosnia and Herzegovina are relatively mature public institutions compared to many of the institutions that they have to audit. The quality of external audit in the country is quite high. The management of the SAIs are also very committed to securing further institutional and professional development, which is demonstrated by the request of a peer review in 2004 and again in 2011.

The current Strategic Development Plan 2007-2013 sets as objectives the consolidation of achievements made in the areas of institutional strengthening, professional development of staff, and securing of

audit impact. In all of these areas the SAIs are confronted with resource constraints, which hamper further development. However, thus far, not all of the existing opportunities to save resources by means of greater co-operation through the CB and its working groups or improving the efficiency and effectiveness of the audit process have been seized. The new Strategic Development Plan for the period after 2012 should exploit the opportunities that exist in this respect and have been identified in the report. Also, the new SDP will need to provide suitable strategies for sustaining the progress that has already been achieved. Associated action plans defining specific and detailed activities are required, while also including realistic implementation deadlines for all SAIs.

Since its establishment, the CB has demonstrated its capacity to adopt key audit methodologies and strategies for the development of the SAIs. Co-operation between the SAIs under the umbrella of the CB is key to the development of the SAIs in each area: professional development and training, audit quality control, communication with stakeholders, strengthening the image and position of external audit, and the efficient use of resources.

A difficult issue remains the inadequate understanding, amongst political stakeholders, of the role of the independent external audit in the public sector. This problem is difficult for the SAIs to remedy, but there is room for improving the content and communication of SAI reports, which may help to get the message across in better ways. There is also room for improving the relationships with the respective Ministries of Finance and the public prosecutors, in an attempt to co-operate with these potential allies in the process of stimulating sound financial management and control.

Therefore, in terms of strategic directions for the coming years, the peers recommend to invest in strategic thinking, programming and planning, including drafting audit strategies, to look for options for saving resources, increasing efficiency and impact, and to invest in better communication, especially on audit opinions. It is clear for the peers that with restricted resources and enormous challenges lying ahead, it will not be an easy task to implement the recommendations made in the report, even in the long term.

It would certainly be worthwhile to reflect on possible options of external support the SAIs could receive. The support of the SNAO has been valuable and very effective since 2001 but this is planned to come to an end shortly. It is therefore important that the CB explore alternative sources of advice and support so that the considerable advances already achieved since the establishment of the CB and the SAIs are consolidated and maintained. Furthermore, external support will help to ensure that the priorities identified in the peer review report are set in train at the earliest opportunity and, thereby, bringing the benefits of a modern, effective, public sector external audit service to the governments and peoples of BiH.

The type of strategic directions the peers recommend tend into a direction where a Twinning project, with a permanent resident Twinning advisor, could be of great assistance. Next to such a Twinning project and also bridging the period needed for the preparation of such a project, smaller scale support activities could be initiated.