

LAW ON THE FEDERATION OF BOSNIA AND HERZEGOVINA BUDGET AUDITING

I – BASIC STIPULATIONS

Article 1.

This Law shall regulate revenue auditing, expenditures and expenses auditing, auditing of financial reports and financial transactions within the Budget of the Federation of Bosnia and Herzegovina (hereafter, the Federation Budget); shall establish the Office for the Federation of Bosnia and Herzegovina Budget Auditing (hereafter, the Auditing Office) and regulate its legal status, location, activities, powers, management, finance and other issues relevant for its work.

General Definitions

Article 2.

The terminology used in this Law shall be defined as follows:

“Auditing” – review of documentation, certificates, reports, internal control and internal auditing systems, accounting and financial activities, all other relevant documents in order to establish whether financial reports reflect the true financial situation and financial activities in accordance with the recognized accounting principles and auditing standards.

“Auditing of effectiveness of individuals and organs”- review or examination of all aspects of work of individuals or relevant organs.

“Pre-auditing” - review and certification of accounting transactions within the accounting system

“Authorized official”- any official authorized by auditor, in writing, to carry out specified tasks and activities.

“Premises” – buildings, offices, land or location.

”Important issue” - any issue believed to be important by the Auditing Office and brought to attention of the relevant ministry.

“Written authorization”- authorization signed by auditor general, clearly stating that the official in question is authorized to carry out the tasks specified.

“Public report” – report to be presented to the Parliament

“Coordination Board” - board of experts consisting of Auditor General and Deputies of Auditor General of the auditing institutions in both BIH entities established in accordance with the Law on Auditing the Common Institutions of Bosnia and Herzegovina.

II – OFFICE FOR THE FEDERATION OF BOSNIA AND HERZEGOVINA BUDGET AUDITING

Legal Status and Office Location

Article 3.

- (1) The Auditing Office is a specialized independent auditing institution of the Federation of Bosnia and Herzegovina.
- (2) The Auditing Office shall be located in Sarajevo.
- (3) The Auditing Office shall represent a legal entity.

III- AUDITOR GENERAL AND DEPUTY AUDITOR GENERAL

Auditor General and Deputy Auditor General

Article 4.

- (1) The Auditing Office is led by the Auditor General and Deputy Auditor General.
- (2) Auditor General shall have a deputy who shall not be from the same constituent people as the Auditor General
- (3) Auditor General and Deputy Auditor General shall be appointed by the President of the Federation of Bosnia and Herzegovina (hereafter, the President), upon proposal by the Government of the Federation of Bosnia and Herzegovina (hereafter, the Government) with prior consensus of the Parliament of the Federation of Bosnia and Herzegovina (hereafter, the Parliament)
- (4) Auditor General and Deputy Auditor General are appointed for a five year period and may not be re-appointed
- (5) Auditor General and Deputy Auditor General may submit their written resignation to the President
- (6) The President may remove the Auditor General and Deputy Auditor General only when both Houses of Parliament, adopt the proposal for their removal if:
 - quality of auditing does not meet the standards described in the Article 8. of this Law
 - the situation described in the Article 5. of this Law occurs
- (7) Auditor General and Deputy Auditor General are members of the Coordination Board

(8) Salaries and other forms of financial compensation for Auditor General and Deputy Auditor General shall be regulated by relevant Acts. The salaries and alike shall be paid from the Budget.

(9) Appointment and end of mandate of Auditor General and Deputy Auditor General will be published in the Official Gazette of the Federation of BIH.

Article 5.

Auditor General and Deputy Auditor General may not:

- (1) have criminal charges pressed against them for criminal activities incompatible with the Auditing Office mandate
- (2) be members of legislative, executive or judicial authorities, executive or steering boards of companies or banks
- (3) do any other paid work except scientific, academic or research related activities

Article 6.

- (1) Deputy Auditor General assumes the responsibilities of the Auditor General if:
 - (a) the position of the Auditor General is vacant or
 - (b) in the absence of Auditor General or when Auditor General is prevented from carrying out his/her tasks for any other justified reason
- (2) Assuming the above described responsibilities shall not exceed the period of 6 months.

Transfer of Auditor General and Deputy Auditor General Powers

Article 7.

- (1) Auditor General and Deputy Auditor General may delegate, in writing, any of their powers to any Auditing Office official or contractor. Auditor General and Deputy Auditor General may not delegate their responsibilities.
- (2) While acting within the delegated powers, an official or contractor shall adhere to the instructions of Auditor General or Deputy Auditor General
- (3) Transfer of powers of Auditor General or Deputy Auditor General shall be regulated by a separate Act issued by Auditor General with the agreement of Deputy Auditor General.

IV – AUDITING OFFICE MAIN FUNCTIONS

Jurisdiction and Powers

Article 8.

(1) By carrying out auditing of financial reports and financial transactions within the Federation Budget, the Auditing Office is authorized to establish whether:

- (a) all measures have been taken to ensure due processing and safe guard of public revenues
- (b) payments of public revenues or spending of public revenues, including non- Budget money, have been authorized and properly processed and distributed
- (c) all measures have been taken to ensure money incoming., safeguard, outgoing payments and spending of public revenues are done in accordance with the rules

(2) In addition to powers described in the paragraph (1), the Auditing Office is to warn the Federation Minister for Finance (hereafter, the Minister) and other relevant ministers against obvious discrepancies in efficiency and effectiveness in:

- (a) collecting and safeguarding public revenues
- (b) spending and allocation of public revenues, including non- Budget money and public reserves

Unauthorized Activities

Article 9.

(1) The Auditing Office shall not act if requested to conduct pre-auditing or certification of accounting transactions as part of the accounting system should it believe that such an activity might hinder its work done in accordance with this Law

(2) Should the situation described above occur, the Auditing Office will, in writing, inform the party concerned of the reasons for turning down the request. This is to be done within 60 days upon receipt of request.

Auditing of Financial Reports

Article 10.

(1) The Auditing Office shall annually conduct auditing of financial reports of the Federation Budget users, pending availability of such reports, except in cases described in the paragraph (6) of this Article.

(2) Should financial reports of any relevant organ not be available within 6 months of the end of the fiscal period, the Auditing Office will inform the Parliament of such an event

(3) The Auditing Office will not only audit financial reports of:

- (a) companies, enterprises or organizations, partially or fully owned, controlled or financed from the Federation Budget or other funds controlled or guaranteed by Government;
- (b) Budget financed organizations or external or Federation grants financed organizations.

(4) Reporting on auditing of financial reports described in the paragraphs (1) and (2), the Auditing Office briefs on:

- (a) whether the financial reports are done in accordance with the relevant legislation
- (b) whether the financial reports reflect a true financial business situation throughout the year as well as at the end of the year and
- (c) whether the organizations in question have used their financial assets in an economically efficient, effective and successful manner

(5) The Auditing Office submits its reports on auditing of financial reports of the Budget users to the Federation President and Parliament and/or relevant institutions and ministries

(6) Till December 31, 2005, the Auditing Office will not have to report on all the financial reports described in the paragraph (1), but will provide the Parliament and/or relevant institutions and ministries with the minutes of financial reports published and revised, pending assets available to the Auditing Office. In the meantime, the Auditing Office will set priorities for auditing of financial reports. In the priority making process, the Auditing Office shall take into account the Parliament recommendations as to which Budget users accounts need to be audited.

Effectiveness Auditing

Article 11.

(1) The Auditing Office may at any time review or examine certain aspects of activities of a part or entire organizations under the Auditing Office jurisdiction, in order to establish whether the organizations acted in an economically efficient manner and in accordance with the law.

(2) After having completed its auditing report in a manner described above, the Auditing Office shall submit the report as stipulated in the Article 10, paragraph (5) and (6).

Comments on Auditing Reports

Article 12.

(1) The Auditing Office shall send a copy of the draft of its auditing report to the person in charge of the organization in question.

(3) Should the receiver of the draft auditing report send back his/her written comments within 30 days upon receipt of the draft report, the Auditing Office will review the comments and if necessary include the changes in a final report.

Special Auditing and Agreement-based Auditing

(1) The Auditing Office may at any time conduct special auditing based on request by the Government and/or relevant institutions or ministries.

(2) The Auditing Office may enter into agreement with a person or organ that meet the conditions for conduct of auditing activities in accordance with the Federation of Bosnia and Herzegovina Law on Auditing (the F BiH Official Gazette, No: 2/25 and 12/98) for the following activities:

- (a) auditing of financial accounting of a person or organ;
 - (b) auditing of the person's or organ's efficiency,
 - (c) providing a person or organs with standard auditing services
- (3) Special and agreement based auditing may be specially paid for to the Auditing Office
- (4) The Auditing Office may not engage into activities not authorized by law

Auditing Standards

Article 14.

(1) The Auditing Office shall implement the auditing standards harmonized with the internationally recognized auditing standards (INTOSA standards) and ensure that these standards are implemented by all the persons engaged in auditing activities defined by this Law.

(2) Should the Auditing Office encounter any violations of the standards, such activities will be reported as stipulated in the Article 15. of this Law

Special Reports

Article 15.

The Auditing Office may at any time present any report it deems necessary to the Parliament and/or relevant institutions or ministries.

Article 16.

The auditing office shall call attention of the relevant ministry to any issue that might affect:

- (a) auditing
- (b) any other relevant activity

Engagement of External Consultants for Auditing Activities

Article 17.

The Auditing Office may engage external associates to help with any activity conducted by the Auditing Office except the auditor tasks defined in the Article 13.

Annual Reports of the Auditing Office

Article 18.

Within the first three months of the year, the Auditing Office must:

- (a) prepare reports on the Auditing Office activities for the previous year
- (b) ensure a proper presentation of the report to the Parliament through the Government

V - AUTHORIZATION FOR GATHERING INFORMATION AND CONFIDENTIALITY

Article 19.

Activities defined in the Articles 21. and 22. of this Law are not limited by other laws except to an extent that this Law and other relevant laws explicitly forbid activities of the above mentioned articles.

Activities Allowed by Authorization for Gathering Information

Article 20.

Powers defined in the Articles 21 and 22 shall be exercised in order to complete tasks of the Auditing Office except in:

- (a) preparation of reports defined in the Articles 15. and 16;
- (c) reporting on violations of the established auditing standards defined in the Article 14.

Authorization of the Auditor General and Deputy Auditor General to Gather Information

Article 21.

(1) Auditor General and Deputy Auditor General may request, in writing, from the organizations being audited the following:

- (a) to give any information requested to the Auditor General, Deputy Auditor General or authorized official
- (b) to draw attention to or provide necessary evidence to Auditor General, Deputy Auditor General or authorized official
- (c) to forward to the Auditor General , Deputy Auditor General or authorized official any document in possession or under control of the person in question

(2) Auditor General, Deputy Auditor General or authorized official may request:

- (a) information needed to be submitted verbally or in writing

(b) information needed to be verified with a written statement as a proof that the information given is true and may be used by the Auditor General, Deputy Auditor General or authorized officials

(3) The organization being audited is obliged to meet the request described above.

(4) A separate Act may be drawn that would specify financial limits approved for the persons requested to act in accordance with this Article.

Article 22.

(1) Auditor General, Deputy Auditor General and authorized official may:

(a) have a free access at any reasonable time to:

- the organization premises
- any document or other asset

(b) examine, make copies or take excerpts of any document

(2) Authorized official shall have no free access to the premises unless he/she presents a corresponding written authorization upon request by organization official

(3) Should the authorized official access the premises, the organization is required to assist him/her in exercising the powers described in this Article.

False statements

Article 23.

No person should give a verbal or written statement to an auditing official that he/she knows or should have known to be a false one or may lead to wrong conclusions or findings.

Confidentiality

Article 24.

(1) Should a person obtain a piece of information while working for the Auditing Office, he/she will not use or pass on such information except for accomplishing functions of the Auditing Office or meeting the requirements of laws relevant for the functioning of the Auditing Office.

(2) The Paragraph (1) of this Article shall not prevent the Auditing Office from forwarding relevant information to the responsible organ if the Auditor General or Deputy Auditor General believe such information to be of public interest.

Confidential Information not to be Revealed in Public Reports

Article 25.

(1) The Auditing Office shall not include certain pieces of information into public reports if such information is classified as confidential by the body responsible for issuing certificates on confidentiality.

(2) If the conditions described above are met and consequently the Auditor General or Deputy Auditor General decide:

- (a) not to prepare the public report
- (b) leave out certain information from the public report,

the Auditing Office may prepare a report that would include certain confidential information. The Auditing Office must forward such a report to the President, the Minister and other relevant ministers (if it concerns them), and the responsible officials at the level at which the auditing was conducted.

VI- ENSURING WORK QUALITY AT THE AUDITING OFFICE

Responsibility to Ensure Quality Work

Article 26.

(1) Ensuring quality work at the Auditing Office shall be under control of the Committee for Economic and Finance Issues of the Parliament House of Representatives and the Committee for Economic and Development Policy, Finance and Budget of the Parliament House of Peoples (hereafter, the Committees).

Tasks and Responsibilities

Article 27.

The Committees may appoint an independent quality controller to examine the work of the Auditing Office in order to establish whether its work is done in accordance with the law, established standards and internationally recognized auditing quality. The quality controller, appointed in accordance with this Article, shall be an internationally recognized organization experienced in institution auditing field. In order to perform its tasks, the quality controller may examine documentation and material of the Auditing Office, conduct interviews with auditing officials, accompany them during auditing or conduct any other investigative activities deemed necessary.

Reporting

Article 28.

(1) The quality controller shall each year:

- (a) submit to the Committees a report on quality control of auditing activities together with conclusions and recommendations

(b) comment in each report, except the first one, on the level of implementation of the recommendations on improving the quality control

(c) submit to the Auditing Office a draft report, on which the Auditing Office may comment within 14 days, and take into account the received comments while making the final report

(2) The Committees shall submit the final quality control report to the President for further presentation to both Houses of Parliament.

(3) Notification on all quality control reports presented to the Parliament shall be published in the Federation BIH Official Gazette in accordance with this Law.

(4) Reports can be obtained at the Auditing Office.

Classified Information

Article 29.

Should a person in a course of duty described above come upon valuable information, he/she shall not pass it on but use it only to perform official duties.

VII - INTERIM AND FINAL STIPULATIONS

Guaranteed Available Assets Established by the Parliament

Article 30.

The Minister must fully provide the assets for the Auditing Office established by the Parliament.

Article 31.

Auditor General and Deputy Auditor General are authorized to approve a draft on expenditures of the Auditing Office.

Auditing Compensation

Article 32.

(1) Financial compensation for conduct of auditing activities shall be determined by Auditor General and Deputy Auditor General with a prior Government agreement. This decision is to be approved by the Parliament House of Representatives Committee for Economic and Financial Policy, the body in charge of reviewing the Auditing Office budget.

(2) The person or organ whose financial reports are being audited will cover the costs of auditing in accordance with the rates defined by the decision described in the paragraph (1).

(3) The fee shall be paid within 30 days upon invoice issuance.

- (4) Invoices for payment in installments may be issued before the completion of auditing
- (5) Should the party fail to pay the requested fee, the Auditing Office may:
 - (a) freeze the bank account of the party in question;
 - (b) start legal procedures before the relevant court
- (6) The Auditing Office shall submit the Decision on Auditing Services Rates used throughout the business year together with the annual report described in the Article 18.

Publishing of Reports

Article 33.

All reports presented to the Parliament by the Auditing Office, in accordance with this Law and duly notified in the Federation BIH Official Gazette, could be purchased at the Auditing Office, at a price determined by Auditor General and Deputy Auditor General decision described in the Article 323 of this Law.

Independence from Intervention or Control

Article 34.

In carrying out the functions stipulated by this Law, the Auditing Office shall not be subject to intervention or control of any individual or organ.

Harmonization of this Law in Case of Auditing Intelligence Agencies or Protection Agencies

Article 35.

During auditing of intelligence and other similar agencies, the Auditing Office is authorized to request reports and documentation that in accordance with the law and relevant rules of these agencies are classified as confidential.

Punitive Stipulations

Article 36.

- (1) A fine of 500 KM to 2,000 KM will be imposed for a violation committed by a legal entity that provides a verbal or written statement to an auditing official that is known or should have been known to be a false one or may lead to wrong conclusions or findings (Article 23).
- (3) If the violation described above is committed by an individual, the individual in question shall be punished with a fine of 200 KM to 1,000 KM.
- (4) With a fine of 500 KM to 2,000 KM the responsible person of the Auditing Office shall be punished if:

(a) he/she passes on information obtained while working for the Auditing Office to an unauthorized individual (Article 24. (1)).

(b) he/she contrary to the Article 25. of this Law includes into a public report a piece of information classified as confidential with an appropriate certificate on confidentiality.

Law Implementation

Article 37.

In case of discrepancies of this Law and any other law regulating auditing issues, this Law shall have supremacy.

Article 38.

This Law shall come into effect 8 days upon its publishing in the Federation BIH Official Gazette.

Chairman
House of Peoples
Federation BIH Parliament
Pero Madzar

Chairman
House of Representatives
Federation BIH Parliament
Enver Kreso