

# **OHR and OSCE Assess Necessary Reforms for Entity Budgets**

The High Representative, Wolfgang Petritsch, and the OSCE Head of Mission, Robert Beecroft, on learning the results of the audit of the Entity Budgets for the year 2000 carried out in last three months, express their deep concern about the state of public finances and the existing mechanisms of control over tax-payers' money in BiH. Transparent financial administration is a European norm. However, the reports clearly show that the current operation of governments in BiH is not only wasteful and a fundamental source of corruption but is also a hindrance to BiH's economic development and to its prospects for European integration.

In February 2001 the High Representative appointed a Special Auditor to conduct an audit of the Federation of BiH budget. A similar audit of the RS budget was conducted by an OSCE audit team in cooperation with the RS Supreme Audit Institution. Both audits were carried out over a three-month period.

The results of these investigations show that the existing systems of internal control are not adequate for the protection of the public assets of BiH against losses from fraud and incompetence. Though controls at the ministry level formally exist, they lack substance. Decisions to release funds are often communicated vaguely, other decisions violate statutes; often there is little or no follow-up to ensure that funds have been expended as intended, supporting documentation is incomplete, and methods of selecting vendors are inappropriate. It is evident that controls can be easily circumvented.

The audits highlight the urgent need for reform of internal control systems together with further audit work by the

relevant domestic agencies. OHR and OSCE therefore call upon the governments of both entities and all cantons to make progress in the following areas of reform:

- Adopt immediate measures to improve the control environment in the general accounting practices of all ministries. Such internal changes will allow the government to cut down on waste and fraud.
- Give substantially greater support to the Supreme Audit function, ensuring that these institutions can operate in a truly independent manner. For a start, the governments must fully fund the Supreme Audit institutions. Secondly, overseeing of the work of these institutions should be carried out by the respective parliaments alone, and not by the governments (who are themselves the subject of scrutiny by the Supreme Audit institutions)