

Remarks by Deputy HR, Head of Economic Department Patrice Dreiski at a Conference on Public Sector Auditing: “Flouting of Audit Reports Endangers BiH Transition Process”

Parliamentary Assembly of BiH

Ladies and Gentlemen,

The State and Entity auditors have started to make waves.

But these waves aren't big enough yet.

No matter how outrageous the findings – theft, incompetence, mismanagement – the popular indignation that now customarily follows the publication of audit reports appears to last only for a matter of days.

After the indignation has died down, the politicians, directors of assorted boards and other insiders go back to business as usual.

This is not merely a source of irritation.

It is a tragedy.

For Bosnia and Herzegovina and its people.

Successive audits of State and Entity ministries have found that scarce resources – in many ministries, as you all know,

staff have to queue up for access to a shared computer – scarce resources that should go to making the ministries work more productively go instead to maintaining top-of-the-range fleets of executive cars or for financing extravagant junkets for ministers and their closest staff.

Successive audits of public companies have uncovered a culture of corruption and incompetence. These companies – the telecoms, the utilities providers, the forestry conglomerates – should be flagships for BiH's growing economy. Instead, in many cases, they are commercial millstones, dragging other companies down to their own level. This is a scandal and it is costing the people of BiH millions in lost revenue. It's also costing them jobs. When prospective investors see, for example, that a country's phone companies or electricity providers are not competitive, they view that as a barometer of the economy as a whole, and put their money elsewhere.

The failure of the audits, till now, to generate large enough waves, to sustain popular indignation, to engineer root-and-branch reform in the management of government departments and public companies represents a real danger for BiH's economic transition as a whole.

Increasingly, the auditors are doing their jobs with vigour and determination. Audit reports are critical and thorough and they are accompanied by constructive recommendations.

Where the authorities choose to ignore these recommendations – and where they get away with this high-handed disregard for procedure – they seriously undermine the credibility of the audit process.

Citizens are confirmed in the view that nothing is really changing in BiH. Those who have been caught with their hands in the till – and have escaped censure or punishment – assume they can put their hands straight back into the till.

Mechanisms whereby the auditors' recommendations should be

translated into effective action already exist.

But they haven't been made to work.

At the practical level the role of the Public Prosecutors' Office must be clearly understood.

It must be understood by politicians, by the media, and by the public.

The Public Prosecutor takes up – when criminal activity has been exposed – where the auditors leave off.

Yet until now the number of criminal prosecutions arising from audit findings has been disproportionately small.

It would be exceptionally useful if this conference could discover exactly why that is.

Secondly, companies, ministries, political leaders and senior managers all have to understand that the purpose of audits is *constructive*. The object is to identify management and administrative shortcoming and recommend how these can be fixed. This is a *service*.

I can think of only one reason that audit recommendation are ignored or side-stepped – and that is if the beneficiaries of a vested interest decide that the vested interest will continue to override the public interest.

As I said earlier, the present situation is dangerous. We do not have the luxury of discussing theoretical mechanisms at this conference. Efficient and effective audits are – or ought to be – key instruments in advancing BiH's economic transition.

If they are publicly flouted – as they have been – the whole transition project is brought into disrepute.

I trust that this issue will be faced in an honest and

forthright way in the course of this conference.

Thank you