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Thematic Study

LINKS BETWEEN ANTI-CORRUPTION AND REVISION AND CONTROL

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LIST OF ACRONYMS

BiH- Bosnia-Herzegovina
EU- European Union
EUROSAI- European Organization of Supreme Audit Institutions
FBiH - Federation of Bosnia and Herzegovina
GRECO- Group of States against Corruption
HIDAA - High Inspectorate of Declaration and Audit of Assets and Conflict of Interests of Albania
INTOSAI- International Organization of Supreme Audit Institutions
PPRA- Public Procurement Regulatory Authority
RAI – Regional Anti- Corruption Initiative
RS- Republika Srpska
SAI – Supreme Audit Institution
SAIBiH – Supreme Audit Institution of Bosnia and Herzegovina
SAIFED – Supreme Audit Institution of the Federation of Bosnia and Herzegovina
SAIRS – Supreme Audit Institution of Republika Srpska
SAPA- Paphos Sewerage Board
SEE – South Eastern Europe
USKOK- Bureau for Combating Corruption and Organized Crime
EXECUTIVE SUMMARY

Links among auditing and corruption are often played down and not considered as very essential. This study wants to draw the important connections between introducing independent audits and anti-corruption mechanisms. Audits prove to be an important tool in preventing as well as in detecting corruption. However, not every type of auditing is suitable as an anti-corruption measure. Financial auditing is the classic type of audit and not really adequate for detecting corruption. Compliance and performance audits turn out to be more adequate for finding irregularities and detecting corruption. Supreme Audit Institution (SAI) should therefore conduct a multi-audit-approach and apply different types of audits to make auditing a tool for anti-corruption.

This is an appeal towards SAIs, since they are playing a key role and are responsible for overseeing the financial management and operations of a government. The study further elaborates on the different models of Supreme Audit Institutions (Napoleonic, Westminster and Board Model) and what the different advantages and disadvantages of the different models are. These models differ on many levels. Key variations include the timing of control (ex ante or ex post evaluations), its nature (compliance auditing or performance auditing), its effects (reactions after recommendations) and its status.

Despite of the differences auditors have always the same role to play. The auditor’s task is to improve governance, risk management and the internal control mechanism of the public sector, hence making it transparent and accountable. Although detecting corruption can be a task, the prevention of it is central and thus raising awareness of corruption risks. Auditors are therefore essential in the chain of preservation of the integrity system of a country by keeping accountability and transparency. Furthermore, they report on violations of ethics and principles, which is the core of an integrity system.

Legislative precondition of SAIs for detecting corruption are mostly well established by the Regional Anti-Corruption Initiative’s member states. However, SAIs are not really providing results to file criminal charges against fraudulent actions. Reasons are bad follow-ups and missing links between SAIs and other institutions. For improving these follow-ups, different criteria need to be fulfilled. First of all, SAIs need to write comprehensible reports (well-structured, prioritizing findings) and also need to provide it to different actors with an adjusted content, because for example media acts differently on the reports than for example the Parliament. Moreover, the links between actors can be enhanced with cooperation agreements.
Audit reports are important for the Parliament and for the Prosecution's Office. However, a follow-up in these institutions is only successful if the institutions have the capacities to deal with these reports. Hence, Parliament needs to have special committees acting on the financing of public institutions and the Prosecution's Office needs to know how to use the findings of the audit reports, especially when the SAI is not able to file charges if criminal acts are detected.
PREFACE

Corruption is a topic which is concerning every country; especially South Eastern Europe is hindered in its development, due to corruption. Many anti-corruption instruments and strategies exist to solve this issue. This study is building upon these measures to see how they are linking to the promotion of good governance and to a reliable public sector. The goal of this study is introduced as part of one RAI Work Plan 2014-2015 key objectives, namely how revision and control mechanisms are working, particularly the effects of introducing regular audits by independent agencies and ex ante and ex post evaluations. This objective is developed around the SEE 2020 Strategy. It is a document establishing an approach to achieve a socioeconomic growth in South Eastern Europe. The Strategy was endorsed by the Ministers of Finance of Albania, Bosnia and Herzegovina, Croatia, Kosovo*, Montenegro, Serbia and Macedonia on 21 November 2013. It was introduced to improve economic growth and development in the region. Furthermore, it shows the region's future towards the EU, since the Strategy is influenced by the EU’s 2020 Strategy. The SEE 2020 Strategy is divided into five pillars: “Integrated Growth”, “Smart Growth”, “Sustainable Growth”, “Inclusive Growth” and “Governance for Growth”. The last pillar “Governance for Growth” is influencing all other pillars and is constituted as a cross-cutting component. Therefore, it is a prerequisite for the achievement of the Strategy’s objectives and its effective implementation. One dimension of this pillar is „anti-corruption”. The target of this Dimension is “to formulate coordinated regional measures that seek to reduce corruption in public administration, so as to improve government effectiveness, enhance the business environment and support the implementation of the other pillars.”¹ It is primarily the task of the countries to implement anti-corruption measures to fulfill this target, however it is stated in the Strategy that RAI should support the countries in implementing this. Thus, RAI introduced in its Work Plan 2014-2015 the objective to take effective measures on the basis of existing relevant international instruments and to promote good governance for a reliable public sector. Different instruments were introduced to fulfill the objectives. One of these is “Revision and Control: introduce regular audits by independent agencies and require ex ante and ex-post evaluations”¹. This study is hence looking into the linkage of auditing and anti-corruption.


¹This designation is without prejudice to positions on status, and is line with UNSCR 1244 and the ICJ Opinion on the Kosovo declaration of independence.
1. INTRODUCTION

1.1 TERMINOLOGY

In the literature different terms often describe the same phenomena or the same terms refer to different phenomena. Thus, a clarification of some terms is necessary.

What is meant by evaluations and where is the difference towards monitoring? Monitoring functions in a more continuous manner by using a systematically-gathered collection of data on specific indicators to present information on the extent of progress and achievement of objectives. Evaluation is the systematic assessment of an ongoing or already completed project, program or policy, including its design, implementation and results. It determines the fulfillment of objectives and its relevance, efficiency, impact and sustainability. This implies that all evaluations work ex post. But this is not the case; evaluations should be established ex post as well as ex ante.

ex ante evaluations are assessing beforehand the expectations on results, necessary funds, a cost-benefit analysis and risk assessment. Depending on the powers of a control body, it can tremendously intervene in the adoption of certain regulations. Sometimes they also have sanctioning powers; so control bodies can really shape the direction of policies. In this case, this can be an effective measure in anti-corruption.

The ex post evaluation is the assessment after implementation. This evaluation focuses on the efficiency and effectiveness of procedures. Therefore, ex ante is primarily assessing the content on planned initiatives, and ex post is assessing the quality of its implementation.

Evaluations are necessary in the field of anti-corruption as it helps to prevent and detect corruption and fraud. Corruption and fraud in the public sector are only possible because of lack of accountability and transparency. Accountability and transparency are key factors for a properly working governance system. In order to create an environment where these elements are not lacking, good financial reporting and auditing is a necessary step, since it helps to reduce fraudulent operations and transactions. The topic of auditing and in which

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ways it correlates and complements anti-corruption mechanisms is central to this study, i.e. how the introduction of regular audits is related to anti-corruption.

But what is auditing exactly? In the literature there are different definitions on auditing. Some are already correlating with different types of auditing and are therefore pretty narrow. Furthermore, different countries have also different understandings of what audit is. For example, the United States Government Accountability Office defines an audit as “an objective and systematic examination of evidence to provide an independent assessment of the performance and management of a program against objective criteria.” In this study a traditional definition is applied.

“Auditing is a form of oversight, or examination from some point external to the system or individual in question. Technically, auditing is a form of verification by an independent body, which compares actual transactions with standard practices. […] Public auditing is the traditional instrument to hold actors entrusted with managing public funds accountable by providing information to supervising agents, elected officials, and (sometimes) constituents about compliance with or deviations from accepted standards.”

In these terms the focus is primarily on the financial revision and control, since it is an accounting tool. The financial element is sustaining as the central element, because auditing has originated from the private sector and private stakeholders used it to detect primarily fraud in their accounts. It was not foreseen as a tool to detect corruption. Concerning corruption, this tool was used rather as an internal control mechanism to prevent staff being involved with corruption. But in the public sector a solely financial or economic audit approach is not sufficient, especially having in mind the sphere of anti-corruption measures. Generally, a transformation of auditing is identified towards a more management control function. For a more an anti-corruption functioning, this new approach of auditing is more appropriate and a rather multi-audit system is in order with different types of audits.

- **Financial audit**: Financial audits are usually not the proper tool to detect corruption or fraud, but they give possibility to accidentally detect it, if there are some ir-

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7 “Good Practice for Structuring Supreme Audit Institutions”, Maira Martini, Transparency International Helpdesk Answer, 2013, p. 4;
Financial audits are rather used to see that budget-wise everything is working, i.e. the financial statements are not misleading and the economic transactions are precise. Thus, a financial audit examines if the accounts, transactions and financial control system are accurate and reliable.

- **Compliance audit**: This type is more suitable for anti-corruption, as it is assessing and verifying if all governmental bodies are working in accordance to code of conduct, the law, regulations and rules. However, this type is not working without looking into the financial aspects. Compliance audits are looking into the expenditure of governments and are verifying that the expenditure is not more than the authorized amount of money and it is only used for the intended purposes.

- **Performance audit** (sometimes also referred as value-for-money audit): This type analyzes how efficient and effective the resources are used. It is also there to improve the management in using its funds. Furthermore, it secures that administrative procedures follow the policies, principles and practices. Thus, its task is to compare the operational performance against norms and predetermined criteria. Performance audit is a newer form of auditing and was introduced as part of the new public management reform in many countries.

Furthermore, there exists a series of types of audit like control, computer, forensic audit etc., but further elaboration on them is not needed, since there are less related to anti-corruption as the presented types. In the literature, the dominated discussion around these types of audit revolves around which is most suitable in terms of anti-corruption. It is stated that the audit institutions are traditionally using financial audits as tools and are still the primarily used tool in these institutions. There is a consent about that financial audit is not suitable in preventing or detecting corruption. The general control mechanism is compliance audit as it is ensuring the correct amount of money for the envisaged purpose is spent. But with the new management reforms, some authors prefer performance audit as an essential tool in anti-corruption. Therefore, a trend towards preventive and corrective audits through ex post performance auditing is apparent.

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10 "Improving Fiscal Governance and Curbing Corruption: How Relevant are Autonomous Audit Agencies?", Carlos
approach. There might be a new trend developing right now towards multi-audits.

All this different styles of audits are carried out by some kind of auditing institution. However, auditing institutions evolve on different levels, so internal audits must be differentiated from the external ones.

Internal audits are integrated in the system semi-autonomously as a direct internal control mechanism. It plays its part in holding the integrity compliance, since internal auditors have their eyes and ears everywhere and therefore can participate in the daily work and act accordingly. However, internal auditing does not exist in every country. Even in countries where a tradition of internal audit exists, funding is still pretty limited. Moreover, it bears some concerns regarding its independence, since politics and management can easily intervene in the work of the internal auditor. Avoiding this, a clear institutional framework is needed in order to work independently, although the internal auditing is inside the system. Easier to secure independence is external auditing.

So, in order to have a functioning revision and control system, an independent external audit institution is needed. On the external level, the Supreme Audit Institution (SAI) is playing the key role.

1.2 SUPREME AUDIT INSTITUTIONS

The SAI’s main task is to oversee the financial management and operations of a government. It is the key component of having financial accountability in most countries. Mainly, it explores the efficiency, effectiveness and compliance with law of public institutions. Furthermore, in some countries it has the mandate to act on anti-corruption, by overseeing asset declarations, public procurement or privatization processes. They are situated at the national level, but are independent from other governmental bodies. There are three different models of SAIs: first the Judicial or Napoleonic System, second the Westminster Model and last the Board or Collegiate System.


13 “Good Practice for Structuring Supreme Audit Institutions”, Maira Martini, Transparency International Helpdesk Answer, 2013, p. 2-3;
The Napoleonic System is a SAI which is composed of a court of auditors who are working independently from the executive or legislative branch. Their work is functioning primarily on the judicial or legal level as the court consists of judges and lawyers. Therefore, it is implying mostly compliance audits. Furthermore, they have a really strong mandate, as they have the power to impose sanctions. The advantage of this model of SAI is its low influence from politics, since judges are working in the auditor’s position and the institution is independent both from legislative as well as from the executive branch. Nevertheless, the model lacks some transparency, if court hearings are not opened or the tackled issues are not discussed in the Parliament. Furthermore, the enforcement is to some extent weak because of the missing links towards the Parliament. However, it is possible for the judges of the Court to act directly and impose penalties or recommendations on auditees.\(^\text{14}\)

The Westminster Model has more links to other institutions, especially to the Parliament, since the SAI in this model is accountable to the Parliament. The SAI is led by an auditor general who has certain amount of powers and most importantly s/he is independent. Furthermore, s/he chooses her/his staff (mostly auditors and accountants) and is responsible for its budget. In this model, the work functions basically on financial and performance audits. The audit reports are submitted to the Parliament where the results and recommendations are discussed and implemented. Although it is accountable to the Parliament, the received influence from politics is low because it is accountable to the legislative as a whole and not to the government or rather executive. Further advantages are its openness and transparency. However, its disadvantage is also its centrality. Follow-ups are depending on the legislators, if they do not read, understand or act upon the reports of the SAI, everything is useless. The SAI cannot take the executive directly accountable. Thus, the Parliament needs to conduct follow-ups of the audits performed by the SAI.\(^\text{15}\)

The Board System is similar to the Westminster Model and therefore shares most of the features of the Westminster Model. Instead of the Auditor General, it consists of a college of auditors which is elected by the Parliament. It is therefore also accountable to the Parliament. But in this model it is rather a disadvantage: due to the election by the Parliament the political influence is rather high because of potential party dominance in Parliament. Furthermore, as the different elected auditor’s have different autonomy and different back-


\(^{15}\) “Responding to the challenges of Supreme Audit Institutions: Can legislatures and civil society help?”, Albert van Zyl, Vivek Ramkumar, Paolo de Renzio, u4 issue 2009:1, p. 14.
grounds, there are also different approaches and therefore the general quality of audits is moderately low. Plus it is also dependent on the follow-ups conducted by the Parliament.¹⁶

These three are the general models for SAIs, but auditing institutions vary on many levels and also combine different elements of working in practice. Key variations between agencies include the timing of control, i.e. *ex ante* or *ex post* evaluations; its nature, i.e. based more on compliance auditing or performance auditing; its effects, i.e. what is the reaction to audit recommendations; as well as its status.

The original task of an auditor is the prevention of fraud and corruption, although there are discussions around the investigative and detective responsibilities of auditors. SAIs have as one of its tasks the prevention and detection of corruption and fraud. Nevertheless, it should be stated that SAIs primarily are preventing corruption and not detecting illegal activities. The reason behind this is mainly a technical one, as it is easier to prevent then to detect. Nevertheless, there is an expectation towards the SAIs to put more focus on detection. Although, it depends what type of evaluation is applied. If you apply an *ex ante* evaluation, the primary goal is the prevention. An *ex post* evaluation is targeting the detection of corruption and fraud. These expectations derive from a SAIs’ shift of working. In the 1990s they have become more active in their work and were not only observers anymore, but rather have become improvers.¹⁷

Nevertheless, an auditor still can only improve something if s/he has access to all necessary information. Therefore, governments must be willing to expose themselves and let the audit institutions look into their documents to figure out, if there are lacks and where they are. Providing the SAIs with certain features is the key for audit’s success. Thus, the SAIs need a clear mandate and they need to be independent. Furthermore, they need to have sufficient funds which are not dependable from state budget. Competent staff is another prerequisite and that it has the possibility of sharing its knowledge and experience. If these features are applied, SAIs can fulfill the role of a promoter of good governance and improver.¹⁸

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1.3 AUDITOR’S ROLE

We have seen audit and particularly the SAIs play a key role in anti-corruption mechanisms, especially in the prevention of corruption. But the problem lies in the fact that auditor’s are not properly trained in every country. The main work of an auditor is to report unauthorized expenditures, waste of public funds, abuse of procedures resulting in loss to public treasury, and so forth. However, auditors are often looking more into compliance of procedures but are not really getting familiar with its objectives. Furthermore, they are only detecting minor abuses and major systematic issues are left undetected. Therefore, proper training of staff is needed and a clarification of auditor’s tasks is necessary and what role they are playing.

Generally, the auditor’s role is to improve and to provide transparency around governance, risk management and internal control mechanisms of the public sector. The first step to achieve this is by being independent from the decision-making process and by securing its impartiality which is given in most countries. Independence, as an audit standard, is introduced by INTOSAI in Mexican Declaration on SAI Independence in 2007.

The uncertainty of tasks is due to unattainable expectations towards audit institutions. Looking into anti-corruption tasks of audit institutions, the main task is the prevention of corruption and not the detection of fraud and corruption. Thus, the main duty of an auditor is to raise awareness of the risks of fraud and corruption and to foster good governance and standards of conduct.

The detection of fraud and corruption comes second, but is also an important task to fulfill. It comes second since the auditor’s possibilities are limited due to the hidden nature of corruption. In order to really go into detecting corruption, auditors would need documents they do not have access to, like personal records and bank accounts of suspected officials. Furthermore, they do not have the possibilities to explore public behavior, political affiliations, changes in lifestyle, and secret meetings of officials.

But it is possible for an auditor to indicate where opportunities of corruption exist and the government can take further steps. Furthermore, its detection possibilities are only where


20 "Role of Audit in Fighting Corruption", Muhammad Akram Khan, Ad Hoc Group Meeting On “Ethics, Integrity, and Accountability in the Public Sector: Re-building Public Trust in Government through the Implementation of the UN Convention against Corruption” 26-27 September 2006 St. Petersburg, Russia, p. 4.
the financial numbers reveal some kind of misuse.\textsuperscript{21} Corruption can be detected through audit in following spheres:

- if there are false statements and false claims to mislead the auditor,
- in check-related corruption,
- purchasing for personal use,
- use of invoice of a non-existent company (i.e. phantom contractor),
- split purchasing so as to evade legal obligations and procedures,
- unfair bidding to eliminate competition,
- progress payment fraud,
- loss of revenue on account of tax or duty evasion
- etc.\textsuperscript{22}

Moreover, it is important that internal and external audits work together, as their achievements can function complementary. So both sides should show willingness to cooperate, show common understanding and share their knowledge, by exchanging reports and audit documentation. All of this should happen in some kind of framework with certain ethical guidelines.\textsuperscript{23}

\textbf{1.4 LINKS BETWEEN AUDIT AND ETHICS AND INTEGRITY}

Another important aspect of auditing and anti-corruption is the connection with ethics and integrity. It is often unaddressed in the audit process, but the audits of ethical values are still important in the public sector. Ethic values are important for the public sector, since it improves the overall ethical environment, increases compliance and trust. Some of these ethical values are integrity and impartiality, promoting the public interest, commitment to the system of public administration, and accountability and transparency. So audit can

\textsuperscript{21} "Role of Audit in Fighting Corruption", Muhammad Akram Khan, Ad Hoc Group Meeting On "Ethics, Integrity, and Accountability in the Public Sector: Re-building Public Trust in Government through the Implementation of the UN Convention against Corruption" 26–27 September 2006 St. Petersburg, Russia, p. 5.


\textsuperscript{23} "Good Practice for Structuring Supreme Audit Institutions", Maíra Martini, Transparency International Helpdesk Answer, 2013, p. 6.
form a link to ethics and integrity by addressing also ethical values in their procedure. This link is important as unethical behavior can cause inefficiency, reduce public confidence in institutions, threats to legality of actions and decisions, and most importantly it can lead to fraud and corruption. All these components hinder good governance structures. In order to achieve good governance, accountability and transparency are necessary elements. Accountability is only achievable through integrity and a code of ethics. These are the basis for an auditor to work, since s/he needs a clear code of ethics to detect misbehavior.

SAIs gather support in enhancing an integrity system from INTOSAI (International Organization of supreme Audit Institutions). INTOSAI is an umbrella organization for all Supreme Audit Institutions. The SAIs of the RAI member states are all members in INTOSAI. INTOSAI’s task is to promote the exchange of ideas and experiences in the field of government auditing among state auditors. Because of the linkages of well-performed audits and anti-corruption mechanisms, INTOSAI developed some standards and guidelines of its members, in order to achieve in some extent a harmonization. However, the national SAIs are having a mandate given to them by the legislative which also secures its independence. INTOSAI can thus not interfere in the SAIs work to keep their independence. Nevertheless, they can collaborate with the SAIs on different issues. So they created some committees and working groups who study different aspects of auditing, identify best practices, and share this information with all its members.

This exchange of information provides this kind of standards; especially the Auditing Standards Committee developed a framework for an integrity system: the Lima Declaration on the first level, the Code of Ethics on the second level, the Auditing Standards on the third level and Guidelines for performance auditing on the fourth level. Everything started with the Lima Declaration in 1977 and its main purpose was the independence of Supreme Audit Institutions, otherwise any other standard is useless. The next step for INTOSAI in this framework was the adoption of the Code of Ethics. Its goal is the harmonization of the concept of ethics within INTOSAIs’ members. However, it gives only a basis for an ethical framework since every country varies in its culture, language, and legal and social system which needs its own Code of Ethics. INTOSAI’s Code of Ethics hence is the foundation for the national codes of ethics. The next step is more generally the development of certain auditing standards. These are the ones which are containing the postulates and principles for carrying out the audit work. The Guidelines on Performance Auditing are there to describe the features and principles of performance auditing and assist SAI performance auditors in managing and conducting performance audits efficiently and effectively.24

INTOSAI and SAIs identified the need of certain standards, since these are the most important tools for an auditor to assure the quality of his work. Therefore, all SAIs of the RAI member states put these standards inside their legislation. It is now the task to look if these standards are also implemented. This is fundamental to do as SAIs are watchdogs of the integrity of public institutions which provides credibility and insights, indicators for transparency. So SAIs are the chain for the preservation of accountability and transparency, achieved by reporting to public on violations on ethics and principles. But as they do not really have an investigative function, their role as a chain is diminished. Furthermore, the resources invested in keeping this integrity system together tend to be rather small.

Still, there are some additional measures a country can apply to keep SAIs linked to ethics and integrity. The government can conduct ethics programs that its staff learns to make the right ethical choices, e.g. through courses, policies or hotlines.

But the ethical part is only one aspect of a successful anti-corruption strategy. As corruption is evolving around different aspects, it depends on the extent of monopoly and discretionary powers an official has. Therefore, a successful strategy in fighting corruption needs to reduce an official's monopoly power (e.g. by market-oriented reforms), discretionary power (e.g. by administrative reform) and strengthen accountability (e.g. through watchdog agencies). These kinds of mechanisms encompass an integrity system.

Looking into the different countries' audit systems and how ethical values are implemented in their mandate, the result is rather negative. Most SAIs do not have in their mandate to audit ethics and integrity. However, they still can do it. Ethical values are a key component in preventing corruption by establishing trustworthy environment and are therefore a relevant factor for risk assessment and control. Thus, SAIs have the possibility to audit ethics by including it in other audits. Ethical issues are easily integrated in two types of audits, namely compliance and performance audits.

Compliance audits are a comprehensive tool for the analysis of ethical principles. This is possible because ethics are part of a wider ethical infrastructure with different components.


The framework of this ethical infrastructure is comprised by a set of values and principles, laws and by-laws, internal acts like codes of ethics or guidelines as well as mechanisms which promote, control and monitor ethical behavior. 29

With this infrastructure in mind, ethical values can be part of written regulations and are therefore object of compliance audit. Furthermore, it is part of performance audit as ethics are becoming an element of organization's overall performance. This is connected to the trend of ethics being normal part of monitoring evaluation of the public sector.

All in all, it is the task of a SAI to establish measures and tools for integrity, e.g. code of ethics, training and advice, for initiating a coherent Integrity framework.

2. REVISION AND CONTROL IN SEE COUNTRIES
2.1 SITUATION IN THE MEMBER STATES

So far the global situation has been described. Looking closer into the SAIs of the RAI member states (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Moldova, Montenegro, Romania, and Serbia), two of the models of SAIs can be identified in South Eastern Europe, namely the Westminster model and the College System. The Westminster model is applied in Albania, Bosnia and Herzegovina, Croatia, and Macedonia. In Bulgaria, Montenegro, Moldova, Romania, and Serbia the Board System is applied with varying numbers of members of the college (between five and eighteen). Variation exists as well in the profession of the collegiate members. Sometimes there are only auditors; sometimes it combines lawyers and auditors.

Having applied these two models, in all countries of the region reports are sent annually to the Parliament. In all countries affiliation to the Parliament is close as the members or rather auditor generals, depending on the model applied in different countries, are appointed by the Parliament. Each of these legal documents have different foci concerning the types of audits, how the procedure is conducted etc. Some focus mostly on financial audits, the SAI therefore primarily looks into the financial records. Other mandates presume the SAIs to apply different types of audit and to conduct a multi-audit-system. Decisions on procedure also vary inside the different legislation. Some audit institutions are free in conducting their procedures; others have clear requirements on the different stages of the audit’s procedure.

Furthermore, there are differences in the different powers in their mandates. Some mandates clearly give powers of conducting criminal investigations, if irregularities are detected. Moreover, there are the possibilities on giving recommendations on legislation, laws or regulations and providing the legislative with concrete measurements in improving current regulations.

In the following, the current situation in each of the RAI member states is described and it is also shown what model RAI countries are applying, what types of audits are conducted, and what the general characteristics of the system for revision and control are.

2.1.1 ALBANIA

In Albania different institutions exist which are dealing with auditing, e.g. High State Control, Internal Audit Committee, General Directorate of Internal Audit in the Ministry of Finance, High Inspectorate of Declaration and Audit of Assets and Conflict of Interests (HIDAA). These institutions differ in their auditing approach, and level on which they are acting. Most of them have an ex post approach. However, the Internal Audit Committee and the General Directorate of Internal Audit in the Ministry of Finance are the major actors in doing internal audits. As SAIs are independent external auditing bodies, and in order to make comparison between the different SAIs in the region, this study is focusing on the Supreme Audit Institution of Albania, also referred to as High State Control. In the literature both of the names mentioned above can be found for the same institution, in Albanian Kontrolli i Lartë i Shtetit. Considering both names are applicable, this study is using the term High State Control, but Supreme Audit Institution of Albania can be used as well.

The High State Control was established in 1997 through the law no. 8270 “On the High State Control”. Furthermore, it was put in the 1998 Constitution as integral part of the Articles 162 - 165. The High State Control is built according to the Westminster Model. First of all, the institution’s independence is secured in article 1 of the Law on the High State Control: “The State Supreme Audit Institution is the highest Institution of economic and financial control of the Republic of Albania. The State Supreme Audit shall be non-political and shall not support or be associated with any political party. In exercising its competencies it is subordinated only to the Constitution and Law.” Chapter IV of the law deals with the structure and powers of the organizations. The Law on the High State Control is dealing
with the head of the High State Control, an Auditor General referred there as Chairman in Article 11. S/he is proposed by the President and then the Parliament appoints him/her for 7 years, reelection is possible. This election by Parliament is an indicator for the Westminster model, especially because the Chairman is the only person in the institution who is appointed by the Parliament. It is not the College system as the Chairman decides on the staff (Art. 12). A further indicator for the Westminster Model is that the High State Control reports to the Parliament:

“The State Supreme Audit submits to the Assembly:

a) An annual report with its opinion on the final budgetary statement of the Republic of Albania, including the audit conclusion. The annual report shall be submitted to the Assembly in accordance with the Law No. 8379, dated 29.07.1998 “For the compilation and execution of the state budget of the Republic of Albania”. The annual report is published in the Bulletin.

b) Its opinions on the Council of Minister’s report for the expenditures of the previous financial year, before it is approved by the Assembly.

c) Information for audits results any time it is asked by the Assembly.

The State Supreme Audit presents to the Assembly a yearly report on its activities within the first three-month of next year.” (Article 18)

Furthermore, it is stated in the legislation that the High State Control should work according to INTOSAI standards (Art. 2, Law on the High State Control) to secure some quality of its audits. So the auditing controls the areas of legality, regularity, financial management and performance. The institutions main duties are articulated in article 7 of the legislation:

“The State Supreme Audit Institution, in accordance with its competencies in this law shall audit:

a) the economic and financial activity of the state institutions and other juridical state individuals;

b) the use and protection of the state funds by the organs of central and local government;

c) the economic activity of juridical persons, in which the State owns more than the half of the parts or the shares, or when the loans, credits and their obligations are guaranteed by the State;

d) Political parties and organizations for the funds given to them by the State Budget;

e) Government Internal Audit bodies;

f) Other entities defined by particular laws.”
Although in article 2 and 9 from the same law compliance is mentioned, still in the duties the focus is on financial audit and the financial aspects. Furthermore, aspects of preventing and detecting corruption are also not articulated. If something is detected by the SAI, actions are not taken immediately. It is not unusual that the SAI has no jurisdictional function. However, in the Law on the High State Control in article 9 it is presented that the auditor first approaches the institution directly and if no changes are happening, the authorities are informed. “If the State Supreme Audit Institution during the course of audit, finds out that a law or a by-law is in contrary to basic legislation, it may ask the body that has enacted for amendment or invalidation. If the body does not amend or abrogate the law or by-law within two months from the date of request, then State Supreme Audit Institution may refer to the competent authorities determined in accordance with the law.” (Art. 9) This article though is only looking for compliance with the law, but not direct towards corruption.

Another weak point in this legislation is the independence factor from politics. Although in many articles it is secured that the institution is independent and non-political (Art. 1, Art. 20 Law on the High State Law), the President can take quite an influence on the institution, as the Chairperson is proposed by him. At the end the Parliament appoints him/her anyhow, but the first initiative is taken by the President.

2.1.2 BOSNIA AND HERZEGOVINA

Due to the constitutional structure of Bosnia and Herzegovina, the country has not only one Supreme Audit Institution, but actually three which are established in 2000: one on the State level, SAIBiH, and two on the entity level, SAIFED for the Federation of Bosnia and Herzegovina and SAIRS for the Republika Srpska. These three institutions are established on the basis of three distinct laws passed between 1998 and 2000 after the Peace Implementation Council in the Madrid Declaration recommended the creation of a Supreme Audit Institution: the Law on Audit of Financial Operations of BiH Institutions, the Law on Budget Audit (FBiH) and the Law on Public Sector Audit (RS).

SAIBIH

6 years after the installment of the Supreme Audit Institution of Bosnia and Herzegovina, a new law was passed to improve the existing framework due to its experiences. This new legislation was passed as the law “On the Auditing Institutions of Bosnia and Herzegovina”
(Official Gazette BiH No. 12/06) in January 2006. It empowers the SAIBiH to conduct audits in all public institutions in Bosnia and Herzegovina, primarily in the Parliament, the Presidency, the Council of Ministers and government-financed institutions, and extra-budgetary funds that may be projected by the Law (Art. 11). In this legislation, the Westminster Model of SAI is applied. First of all, the SAIBiH has an Auditor General who is appointed by the Parliament upon a proposal of the Election Committee of the Parliament. The mandate lasts for 7 years with no possibilities of prolongation (Art. 24). S/he is the one taking internal decision, e.g. employment (Art. 22). Parliament appoints not only the Auditor General, but also two Deputy Auditor Generals. Furthermore, SAIBiH has to deliberate a financial report to the Parliamentary Commission quarterly (Art. 6.1). Additionally, they conduct reports to audited institution and to the Parliament as well as to the Presidency and Council of Ministers (Art 16). The auditors in SAIBiH are performing financial (Art.13) and performance audits (Art.14), but are also entitled to introduce other types of audits if needed (Art. 17, 18). However, ex ante evaluations are not envisaged, in the law formulated as pre-audits (Art.9). The legislation gives clear instruction how the audit should be done, and where, when and to whom to send the audit report. Furthermore, it defines for example how internal matters should function, for example employment of staff.

SAIFED

The Federation also introduced a new law in 2006, for the improvement of the 2000 established Central Audit Institution of the Federation of Bosnia and Herzegovina (FBiH). This law “On Auditing the Institutions of Federation of Bosnia and Herzegovina“ (Official gazette of Federation of Bosnia and Herzegovina no 22/2006) enables the SAIFED to audit all public institutions of FBiH: the Parliament of FBiH, President of FBiH, the FBiH Government, all public funds, institutes and agencies, assemblies and governments of cantons on the territory of FBiH, municipalities on the territory of FBiH, and companies in which the state has a share-holding of 50% plus 1 share or more. Object for audit are all financial, administrative and other activities, programs and projects managed by one or more of the institutions part of this mandate.

The legislation of SAIFED works similar to legislation on the state level according to the Westminster Model. First of all, there is an Auditor General appointed by the Parliament of FBiH. However, candidates are proposed by the President of FBiH and not by an Election Committee like in SAIBiH. However, a Selection Commission similar to the Election Commission is shortlisting candidates for the President who afterward delivers the proposal to the Parliament. The Auditor General of the SAIFED is also elected for the term of 7 years.
Concerning other factors, it is pretty similar and comparable to the legislation of the SAIBiH.

SAIRS

The legislation on Audit Institution in the Republika Srpska (RS) falls under the law “On Public Sector Auditing of Republika Srpska” (“Official Gazette of the Republic of Srpska” no. 98/05 and 20/14). The first law concerning public sector auditing was adopted in 1999. In the first years of existence, the SAIRS only did financial audits and the position of auditor general was for 5 years. In 2005, the new law (above-mentioned) was adopted with new features, e.g. carrying out not only financial audits (Art. 18), but also performance audits (Art. 19), defined details on the manner of management and organization services, and the mandate of the Auditor General is now 7 years without reelection. The election process is a combination of the processes in SAIBiH and SAIFED: Auditor General and his/her Deputy are appointed by the National Assembly of the RS after the proposal of the President of RS (Art. 10). The proposal is made upon recommendation by the Election Committee which is appointed by the National Assembly of RS. SAIRS is liable to carry out audits for the National Assembly of RS, President of RS, the Government of RS, the Council of Peoples, the budget of municipalities and cities, and public institutions, public and other companies in which RS holds direct or indirect ownership share (Art. 16). Besides reporting directly after auditing to the National Assembly, copies are sent to the Government and to the President of the Republic (Art. 21). Furthermore, the SAIRS has to deliver annually an Activity Report to the National Assembly (Art. 26). Thus, we see that the SAIRS is applying as well as the other institutions in BiH the Westminster Model. Concerning reporting on corruption, the Auditor’s office can send its report to the prosecution. “The copies may be delivered to other institutions, Public Prosecutor of the Republic of Srpska and the Ministry of internal affairs” (Art. 21.1). Prosecution is here directly mentioned, unlike in the corresponding articles in the related laws of SAIBiH and SAIFED, where it is mentioned “send to other (competent) institutions.”

2.1.3 BULGARIA

Audits for the public sector in Bulgaria are conducted by National Audit Office. It was established under a special Act of Parliament in 1995, according to the provisions of the
Constitution of the Republic of Bulgaria from 1991. Bulgaria has a long tradition of Audit Institutions originating in 1880. During communist times, there was no National Audit Office. But immediately after, it was reinstalled with the Parliaments Act from 1995. Last changes of the National Audit Act were passed in 2014. The “National Act on the National Audit Office” (Official Gazette No. 35/22.04.2014) presents a SAI in the College System; the National Audit Office is a collegial multi-member body. It has one President and nine members (Art. 5). In the previous legislation, the tenure was nine years and there was an additional member. Today, all members, including the President, are elected by the Bulgarian Parliament for 7 years, upon the proposal of the President (Art.6). The President of the National Audit Office cannot be reelected. S/he and the Members hold the same powers in decision-making. In order to make a decision, at least 5 members of the College are necessary. The college’s task is to organize, to manage and to control the entire SAI activity. Their obligation is to: adopt the budget; adopt its rules and procedures, code of ethics, standards and guidelines; appoint the heads of audit units; deliver a report on the activities and submit it to the National Assembly for adoption. (Art.9) Furthermore, the President manages the day to day work. (Art.10)

Concerning the types of audit, the National Audit Office has multi-audit approach, since they are exerting different types of audit, namely financial, compliance, performance and ad-hoc audit (Art.12). The audit reports are sent to the audited institutions as well as to the Parliament. Moreover, the Parliament receives:

- reports with opinions on the out-turn accounts in respect of the state budget;
- reports with opinions on audits performed in respect of budget systems;
- audit reports on audits performed on the basis of a decision of the National Assembly;
- proposals for amending the applicable legislation supported by audit findings and conclusions. (Art. 59)

The National Audit Office is furthermore entitled to give recommendations to the audited institution which they have to fulfill (Art. 20); otherwise the National Audit Office can report the institution to the National Assembly, the Council of Ministers, or the Municipal Council, including proposals for further action (Art. 48). In some cases also reports to the Ministry of Finance are made.
“(1) Upon issuing a final audit report or a disclaimer of certification of a financial statement, the National Audit Office may propose to the Minister of Finance to apply Article 107 of the Public Finance Act in respect of an audited organization which violates the law or systematically fails to implement recommendations given to it, until the violations are brought to an end.

(2) Proposals referred to in paragraph 1 may not entail measures which would result in discontinuing the business of the organization concerned.” (Art. 50)

This process is part of multi-stage-process of auditing. In each audit the National Audit Office is applying following stages: a) audit planning, b) study and evaluation of internal control, c) testing, d) reporting, e) follow-up and implementation of the audit recommendations.

The audited institutions are part of the Federal Government, provincial and local governments, bodies substantially funded by the governments, entities owned or controlled by the state, by provincial or local governments. Thus, the National Audit Office audits all budgets, adopted by the Parliament or the local authorities. Furthermore, resources in extra-budgetary accounts and funds are part of the Office's mandate. Moreover, the management of the property entrusted to the budget organizations and the expenditures of the Bulgarian National Bank are in the jurisdiction of the Office. Even more, it holds the register of asset declarations submitted by senior public servants and audits the financial activities of political parties, thus performing a primary role in the fight against corruption.

2.1.4 CROATIA

In the Croatian Constitution in article 54 it is stated that the Supreme Audit Institution is the highest audit institution of Croatia. This article secures that the institution is autonomous and independent. The State Audit Institution was established in 1993 and started its work in 1994. The Supreme Audit Institution of Croatia is created according to the “Act on the State Audit Office” (Official Gazette No. 70/93, 48/95, 105/99 and 80/11).

The “Act on the State Audit Office” established a SAI according to the Westminster Model. First of all, the Parliament elects an Auditor General for 8 years with the possibility of one re-election (Art. 8). S/he is selected by the Parliament after the proposal of the Election, Appointments and Administrative Affairs Committee and after the opinion of the Finance and State Budget Committee. Moreover, the Parliament appoints the Deputy General Auditor

30 http://intosaiitaudit.org/mandates/writeups/bulgaria.htm
upon proposal of the Auditor General (Art. 11). Other indicators for the Westminster model are the strong powers and tasks of the Auditor General. S/he is supposed to organize the work of the State Audit Office, to represent the State Audit Office, pass a Strategic Plan, to make an annual program and work plan of the State Audit Office, to inform the Croatian Parliament about the work of the State Audit Office, to take decisions about his/her staff; to make sure that laws and other regulations are being implemented, to supervise the work of the State Audit Office and to take action to ensure its effectiveness. (Art. 9) But s/he is not doing her/his work alone. There is an Expert Council, which is an advisory body, consisting of the Auditor General and up to seven external members who are appointed by the Auditor General.31

This Expert Council supports the State Audit Office by its work. The performed audits of the State Audit Office can be classified as types of the financial, compliance and performance audits, since in article 7 of the above-mentioned law it is described what audits are and what purpose the State Audit Office has.

“1. For the purposes of this Act, audit shall mean the examination of documents, papers, reports, internal control systems and internal audit, accounting and financial procedures and other records to verify that financial statements present a true and fair financial position and results of financial activities in line with the accepted accounting standards and principles.

2. The audit shall also mean a procedure of examination of financial transactions in terms of legal utilization of funds.

3. The audit shall also include the assessment of economy and efficiency of operations, as well as the assessment of how effectively is meeting the general objectives or the objectives of individual financial transactions, programs and projects were met.” (Article 7)

Furthermore, the State Audit Office is obliged to deliver annual reports to Parliament (Art.6.3). Compared to the legislation of the other countries, Croatia only provides a framework for the State Audit Office compared to other states where concrete steps are described. The concrete working steps are established by Auditor General. “Detail organization and performance of work of the State Audit Office shall be regulated by the Statute and other internal normative acts passed by the Auditor General“(Art. 5) However, criticism could be voiced on the financial independence, as the SAIs budget is incorporated into the central government budget draft, upon which the Parliament decides. Concerning anti-corruption mechanisms, one critique could be that the State Audit Office cannot issue any investigations or instruct the investigative agencies.

31 www.revizija.hr
2.1.5 MACEDONIA

Before the State Audit Office of Macedonia was established, audits were conducted by the Directorate for Economic and Financial Audit with the Social Accounting Office (1991-1998). The State Audit Office however was then established in 1999, following the first law on audit in 1997. Even before the establishment first audits were conducted during 1998/99. The first Annual Report on State Audit Office operation and conducted audits was submitted to the Parliament of the Republic of Macedonia in 2000. Since 2005 the State Audit Office is not only doing financial and compliance audits, but also performance audits. In 2010, a new law was adopted. The State Audit Law (Official Gazette of RM, no. 66/2010 and 145/2010) is now regulating the external auditing of the public sector in Macedonia. “This law sets forth the conditions and the manner of conducting state audit, as well as the organization and competences of the State Audit Office”. (Art. 1) This new legislation was adopted for improving the operational and financial independence of the State Audit Office and that it becomes more effective and efficient in its state audits. Changes implemented are for example the access to information, which makes the data and documents easier accessible for the State Audit Office. It can access it directly (Art. 24 - 25). Moreover, changes were implemented concerning the budget of the SAI; it is now discussed in the Parliament separately from the State Budget in order to guarantee more independence.

The institution itself is built upon the Westminster Model, with an Auditor General elected by parliament for 9 years without the possibility of re-election (Art 4). His/her mandate contains following tasks:

- propose the budget of the State Audit Office;
- adopt the Annual Work Program of the State Audit Office;
- conduct of auditing program, but also state exam;
- decision on staff and its rights;
- establish committees and other working bodies in the State Audit Office;
- communicate with the media in order to inform the public about the work of the State Audit Office and promote the results of conducted audits; etc. (Art. 9)
Furthermore, the State Audit Office belongs to the Westminster model, since it has to report to the Parliament annually and is therefore liable to the Parliament (Art. 33). Furthermore, it has to deliver reports to audited institutions, audited in line with the Annual Program (Art. 23.1). Article 22 of the State Audit Law regulates which institutions are covered by the State Audit Office’s mandate. In that sense, following institutions are audited by the State Audit Office: the Parliament of the Republic of Macedonia, the President of the Republic of Macedonia, the budget of the Republic of Macedonia and the budgets of the municipalities, budget beneficiaries, budget spending units, public enterprises, trade companies where the state is dominant shareholder, agencies and other institutions established by law, other institutions financed by public funds, the National Bank of the Republic of Macedonia, political parties financed by Budget funds, beneficiaries of EU funds and beneficiaries of funds from other international institutions.

2.1.6 MOLDOVA

In 1994 Moldova established the Court of Accounts as its Supreme Audit Institution. The Court of Accounts was many times revised in the following years, e.g. in 2000 its structure was amended. Territorial chambers (Chisinau Territorial Chamber, Balti Territorial Chamber, Cahul Territorial Chamber and Comrat Territorial Chamber) were added which can adopt resolutions on the carried out controls. In July 2005 another amendment followed; appointment of the Court’s members was changed. The parliamentary majority selects three members and the opposition four. In 2008 the last change in the legislation was made with the “Law of the Court of Accounts“ No. 261-XVI (Official Gazette no. 237-240/864). It introduced a new model of audit with a shift from external financial control to a new system of external public audit, a new public finance management model.

Like already hinted, the “Law of the Court of Accounts“ introduces the College System of SAI. The Court of Accounts has one president and a plenary consisting of 7 members (Art. 15). Both, the President as well as the Plenary, are appointed by the Parliament for the term of five years, with reelection possible for the whole Plenary (Art.18). The President of the Court of Accounts is elected upon proposal of the Parliament President and the Plenary is selected upon proposal of the President of the Court of Accounts. Meetings of the Plenary need at least five members and decisions are only passed with four votes. Furthermore, the meetings are held publicly. The Plenary duties are:

a) to approve the policies and strategies of the Court of Accounts;
b) to adopt the draft budget of the Court of Accounts;
c) to review the audit reports;
d) to approve manuals, audit standards, regulations, and guidelines;
e) to approve multi-annual and annual Activity Programs of the Court of Accounts;
f) to approve the criteria for recruitment, testing and promotion of the staff of the Court of Accounts;
g) to appoint Directors of Departments;
h) to approve the reports, stipulated in Article 8;
i) to exercise other duties stipulated by the law." (Art. 16)

The Court of Accounts has to deliver reports annually to the Parliament. Two types of audit are conducted, namely financial and performance audit (Art. 31).

In the law, it is clearly stated how the audit should be completed. A Three-Stage-Process is described:

1. Planning Stage: The Planning stage is the first stage in the audit process. It describes the organization of the audit itself, in which way it is going to be performed. The area is determined and what acts are the most appropriate and soundest ones, according to the internal acts.

2. Audit Procedures Stage: This stage is the completion of the audit itself. It is carried out by assessing the results of the previous audits and collecting the needed audit evidence to express the audit opinion. At the end a report is drafted.

3. Reporting Stage: In the last stage, the auditors make conclusions on the financial situations of the audited entity and write the final report. (Art. 32.2)

The law furthermore describes with whom to cooperate, to whom to give reports etc. The reports are not made public. The Court of Accounts only publishes a synthesis to inform the public on its activities.

2.1.7 MONTENEGRO

The State Audit Institution of Montenegro was established in 2004, with the adoption of the “Law on State Audit Institution” (Official Gazette of the Republic of Montenegro № 28/2004).

The State Audit Institution of Montenegro can be classified to the College system, because main responsibilities are taken by the Senate (Art. 30). Besides there are

existing different auditing sectors (Art. 29). The Senate consists of five members (Art. 31); two of them have to be lawyers (Art. 32). Each of the five members leads one auditing sector. All members of the Senate as well as their President out of their midst are appointed by the Parliament, which is another indicator for the College system. Their mandate of the President lasts for nine years, with no possibility of reelection (Art. 33). However, the position in the Senate is permanent (Art. 34).

The tasks of the Senate are the adoption of an annual report, an annual audit plan, auditing standards, program and rules for the state auditor exams, and the State Audit Institution’s financial plan (Art. 38). Complementary to work of the Senate, there is also an Auditing Board (Art. 30). The Auditing Board is responsible for the auditing procedure. Two members of the Senate are part of the Auditing Board. (Art. 44) However, the audits itself are done by State Auditors who are working in the different auditing sectors which are headed by the Senate members.

The State Audit Institution’s annual audit report is presented to the Parliament and Government (Art. 18) as well as the reports on the audited institutions after their response on the findings (Art. 15). Furthermore, the State Audit Institution is allowed to undertake criminal charges if possible crime is detected during auditing (Art. 23). Having the power to bring in criminal charges is a strong measure, especially in the field of combating corruption.

Montenegro introduced a proper Law on its Supreme Audit Institution. However, implementation is still going on. The internal Rulebook of the SAI foresees 80 job positions: 65 for the tasks of auditing and 15 for administration. In 2009, there were still some position-filling issues, only 38 people were working as auditors and 13 in the administration. Most of the auditors were accountants and not lawyers, and therefore also having problems to really filing criminal charges. In order to have corruption probes really started, the Prosecution’s Office needs to read the audit reports carefully. If there would be more lawyers, criminal charges could be filed directly, since the SAI has legal obligation to file criminal charges.33 Furthermore, there were issues in its public profile, disclosure of data, vigilance over taxpayers’ money, and discretion laws.34 However, these issues were due to its young age of acting as an institution and nowadays you see advancement in these fields. There is still development evolving in the institution, in the year 2013 nine new people were employed, eight as

auditors and one in administration; making a total of 60 employees in October 2014, 47 involved in auditing and 13 in administration.\textsuperscript{35} But still not all possible positions are filled, especially when you look into the Senate which is making the main decisions, only three out of five positions are filled.

\subsection*{2.1.8 ROMANIA}

The first Court of Accounts in Romania was already established in 1864. However, the institution was abolished in 1948. From 1973 the Superior Court for Financial Control took over the task of accounting. With the revolution this was changed, the Court of Accounts got reinstalled in 1991. However, the legislation on the Court of Accounts becomes victim to the unstable environment of Romanian politics. In this regard, the Law no. 94 ”On the Organization and Operation of the Romanian Court of Accounts“ (last version: Official Bulletin no. 282/2009) has been modified and changed no less than 10 times. Furthermore, it has been challenged on grounds of non-constitutionality at the Constitutional Court 28 times. The last amendments to the law were in 2008.

The Law constitutes the Court of Accounts as a College system body compromising an 18 members-plenum with a President and two Vice-Presidents (Art. 8, 15). All members of the Plenum including the President and its Vice-Presidents are elected by the Parliament. The infrastructure of the Court of Accounts is further composed by different organs:

\begin{itemize}
  \item The Management Committee: consisting of three members, the accounts councilors. They are also part of the Plenum. Their task is evolving around human resources, personnel appointments and inquiries into cases of incompatibilities.
  \item The section for ex post financial control: Department with the duty of conducting the audit. It is divided in seven divisions which are headed by accounts councilors and staffed with financial controllers.
  \item The County Chambers of Accounts (local structures of the Court of Accounts)
  \item The Audit Authority: This organ is responsible for the external funds, especially auditing EU funds.
  \item The General Secretariat.\textsuperscript{36}
\end{itemize}

\textsuperscript{35} Annual report of State Audit Institution of Montenegro, October 2013- October 2014

The Court of Accounts has also a jurisdictional section which used to work as a specialized court of first instance and also as a court of appeal. It was dealing with financial offenses. However, after constitutional changes in 2003 all jurisdictional powers were transferred to the court system. Thus, this section was not necessary anymore. This is another sign for the legislative instability of Romania and how dependent the Court of Accounts is to politics, especially to the Parliament. The independence has always been a critical point for the Court of Accounts. By law, it should be independent. However, the Parliament can be quite influential. “1. The Court of Accounts shall autonomously decide on its activity program. 2. The controls by the Court of Accounts shall be launched ex officio and may only be stopped by the Parliament and solely when the competences set by law have been exceeded.” (Art.3)

The Court of Accounts conducts two types of audit, namely financial and performance audit (Art. 21). However, the administrative capacity shows to be insufficient and therefore impedes the performance audit, since most of the activities done by the Court of Accounts are assigned to “perform the annual discharge procedure for all public budget units.”

Concerning reporting misbehavior, the Court of Accounts submits its report annually to the Parliament (Art. 3). Yet, the Parliament is not handling these reports properly because there is no specialized body for the audit reports; usually the work is done by the budget committees in both chambers. These chambers in spite of audits have a lot of other topics to deal with. Notwithstanding that the Court of Account’s findings are properly discussed in budget preparation or general discussions of the Parliament. This can be seen in the fact that the presentation of the annual audit report was always two-years delayed, with a one-year delay in 2009.

Generally, the work of the Court of Accounts is hindered, since their recommendations are not mandatory to implement. Hence, auditing recommendations are only fruitful if the public institutions are open and willing to implement the recommended measures.


2.1.9 SERBIA


It introduces a SAI in the College System, since the State Audit Institution is having a Council consisting of five members, one president, one vice-president and three regular members (Art. 13). Overall there have to be two economists and one lawyer (Art.16). The Council is elected by the Parliament for five years, with the possibility one reelection. Decisions by the Council are only made with the majority of all members. The Council’s duties are:

1) Adopts Rules of Procedure;
2) Adopts Annual Audit Program;
3) Adopts enactment, which more precisely determines audit process;
4) Adopts Financial Plan of the Institution;
5) Establishes the final statement of accounts of the Institution;
6) Decides on objection of the auditee, upon report proposal on conducted audit process;
7) Adopts annual report and special reports;
8) Adopts other enactments of the Institution, and performs other duties stipulated by this Law and enactments of the Institution. (Art. 14)

Besides the members of the Council, part of the State Audit Institution are the Secretary General, Supreme State Auditors and State Auditors. Furthermore, the produced reports by the State Audit Institution are delivered to the audited institution and the Parliament (Art. 44). The State Audit Institution can further send the audit report to bodies who it thinks should be informed. Additionally, an annual report is sent to the Parliament (Art. 43).

The legislation describes in detail all procedural steps for performing audits and how they should be taken. When the audit process can start, the law describes what conditions are required to start auditing, how the procedure is conducted and what is happening afterward as well as when a report needs to be drafted, and to whom to send it.

Concerning anti-corruption, a direct link to the prosecution is established in the legislation.
“The Institution is required to submit without delay a request for instituting misdemeanor proceedings or criminal charges to the competent body if during the audit it uncovers materially significant actions indicating the existence of the elements of a misdemeanor or a criminal offence. The Institution is required to notify the public prosecutor of cases where damages were done to public property by an action of the subject of audit or a legal entity doing business with the subject of audit. The bodies referred to on paragraphs 1 and 2 of this Article are required to notify the Institution of their decisions.” (Art. 41)

However, this legal framework has no effect if it is not implemented. Serbia has kind of a history of being late in its establishment of the State Audit Institution and taking on its work. Firstly, the Council should have been elected no later than May 2006, six months after the adoption of the law. Instead the Council was elected in September 2007. Furthermore, the duty to pass its Rules of Procedure was again late. It should have been three months after the appointment of the Council; instead it was passed in February 2009. So it took three years after the adoption of the law to set all the formal-legal conditions for the State Audit Institution to really start its work. But these were not the only problems at the beginning, e.g. space, finances, staff etc., caused primarily by the Government and the Parliament.  

2.2 RECOMMENDATIONS ON AUDITING IN THE SECOND EVALUATION ROUND OF GRECO

In the 2nd round of evaluations, GRECO looked into the field of revision and control and its linkage to anti-corruption, especially into auditing systems. Looking into the country reports, we see that RAI member states are facing similar issues.

One of the issues is that auditors do not really know how to properly react when they are detecting corruption and fraud. They are often not properly trained in this matter. The chain between detecting corruption and reporting it to the authorities and to prosecute it is not working. The countries need to raise more awareness to this topic. Therefore, GRECO recommended primarily two things. First, countries need to introduce some training to auditors and accountants that they learn how to react if they detect corruption. Second, in order to improve this chain the different institutions need to cooperate more.

Furthermore, GRECO identified discrepancies in the abilities of state auditors and private auditors. Private auditors especially have issues in reporting their findings on corruption. So trainings especially for private auditors should be conducted and some guidelines should

be implemented in how to report corruption.

However, GRECO reports are not really giving hints into SAIs operation and what their role is in anti-corruption measures. The focus of GRECO recommendations is more to individual accountants and auditors and how their work should be fulfilled. It seems that the essential institutions which audit the public sector are not really considered. But especially the chain between detecting irregularities and following up on them is essential. Furthermore, GRECO was easily satisfied. A country introduces laws and programs, building the essential framework, but it is also important to look into the compliance with this framework. For example, GRECO recommended to Serbia to introduce a Supreme Audit Institution which they did in 2007. The institution is working properly, giving good reports etc. However, there is no effect of this establishment since. In 2012 the State Audit Institution gave 14 recommendations and only one was fulfilled entirely. So follow-ups are not working properly which cannot be satisfactory. Problems of Serbia are pretty common in the region; many countries are having issues in this concern.
3. ISSUES WITH FOLLOW-UPS

3.1 WHAT ARE REQUIREMENTS FOR A GOOD FOLLOW-UP?

It is clear that the work of the SAI is important in the field of anti-corruption, though it depends on the follow-ups of the parliaments. The figure below shows the linkages between the different institutions and which role each of the actors plays, so mainly parliament is responsible for follow-ups.

However, this can only be efficacious, if the reports are comprehensible and written properly. First of all, an auditor needs to learn to write a report; hence trainings for auditors need to be organized. There they learn in what kind of language the report needs to be written. It should be a language which is easily understandable but however well-considered, since these reports are official documents.

Nonetheless language alone does not help follow-ups. As reports are usually technically written, legislators and the media do not understand them properly, but if there is a summary at the beginning of the report, legislator can act upon. In the summary the most important findings are pointed out, legislators thus can detect them easily and do not pick up less relevant findings. These summaries are as well good for prioritizing findings, so legislators know on which to react first. Some of the RAI member states’ SAIs are making such summaries, like Albania, Bulgaria, Macedonia, Serbia and Montenegro. Unfortunately, not all SAIs give summaries in their reports.
Countries should also stick to a clear format of report and make sure that all reports have a clear structure to avoid varying quality of reports. “[For example] in Montenegro, observers were more critical of SAI report formats, stating that the individual reports of the SAI do not have a consistent structure and vary according to which member of the SAI senate wrote them, making them much more difficult to navigate for readers. Then, media and political ‘cherry-picking’ of findings was identified by the SAI as a problem.”\(^\text{41}\) Therefore, the introduction of a certain structure would be necessary, e.g. first summary, second findings, then conclusions and lastly recommendations. This type of structure is only used in Bulgaria. However, this does not mean that the other countries’ audit reports are badly structured. Often findings are represented and after each finding immediately recommendations follow. It is only important that all audit reports follow the same structure and maintain a certain quality.

Another possible tool which SAIs can use to promote follow-ups is giving some statistics and figures. Visualizing the reports with data can make the findings more comprehensible and in the same time this can encourage the general public in the work of the SAI. Numbers are likely used by the media which can cause pressure for legislators to act on. A good example is the case of Montenegro. The State Audit Institution of Montenegro provides in each of its reports a list of laws which were most often violated and a list of recommendations which were implemented in the previous year. This data led to considerable media attention in 2011, since only 13 out of 19 recommendations have been implemented a year later.\(^\text{42}\) This approach is also used in Serbia, in each audit report there is a chapter of how many recommendations were implemented, e.g. only 1 out 14 recommendations in 2012. This information is a good access point for the media to make people aware of SAIs findings.

One tool to get media on board is that the access to reports is easy. Parliaments get there copies directly, furthermore these reports are published on the website. The question is: Is this enough? According to a member of the Montenegrin SAI Senate, ”an SAI can be perfect, but it is only effective if there is proper follow-up by other institutions and pressure from the media.”\(^\text{43}\) Therefore, it would be good, besides publishing it only on the website, to write specific reports destined to the media to communicate findings more clearly. Moreover, it would be good not to forward all reports blindly, but somehow emphasize important

\(^{41}\) “Maximising the efficiency and impact of Supreme Audit Institutions through engagement with other stakeholders”, Quentin Reed, U4 issue August 2013 No.9, p.11.

\(^{42}\) “Maximising the efficiency and impact of Supreme Audit Institutions through engagement with other stakeholders”, Quentin Reed, U4 issue August 2013 No.9, p.11, 17.

\(^{43}\) “Maximising the efficiency and impact of Supreme Audit Institutions through engagement with other stakeholders”, Quentin Reed, U4 issue August 2013 No.9, p.1.
findings by flagging where in these reports suspicions of criminal acts were found.

All these measures mentioned above are things SAIs can do to enhance follow-ups. However, RAI member states all introduced SAI models which are dependent on the Parliament introducing follow-ups. But it seems like often parliaments are not really reacting on SAIs reports and recommendations. The problem is that the committees which are responsible for the hearings on the audit reports are overwhelmed with work as they are dealing with the complete state budget oversight. Such an overloaded committee cannot deal properly with the findings of the SAI. Ideally there would be a special committee with responsibility for issues of financial control. However, in RAI member countries this is not the case. For example the case of Montenegro, audit reports and the annual overall reports are discussed once a year at the same session in the Parliamentary Committee for Economic, Finance and Budget. In other cases like Croatia, discussions are held regularly and seriously in the Finance and Central Budget Committee, but there is not a proper structure of dealing with these findings and implementing recommendations. In other countries this is better handled. A special committee on controlling the use of public funds, like in Slovenia the Parliamentary Commission for Public Finance Control would know how to deal with these issues.  

Another problem which parliaments face is that discussions on the audit’s findings are happening along political party lines although audits and its recommendations should be discussed along common ground. These recommendations are general ones and do not evolve around party programs. Nevertheless, discussions on audits in the region are highly political and this is a common problem. To secure common basis in the Parliament on audit findings, SAIs can help by providing committee members with written materials to prepare them for discussions of particular audits and therefore having this materials as common basis.

But the parliaments are not the only one responsible to really conduct follow-ups. If there is clear misconduct of public funds registered, prosecution needs to act on this criminal behavior and make the responsible ones accountable. Therefore, there needs to be a link between SAI and Prosecution. In order to really react on the findings of the SAI, one institution is often not enough. Thus, cooperation among different institutions is necessary; to develop joint forces and securing that more than one institution addresses these issues.

44 “Maximising the efficiency and impact of Supreme Audit Institutions through engagement with other stakeholders”, Quentin Reed, U4 issue August 2013 No.9, p.15.

45 “Maximising the efficiency and impact of Supreme Audit Institutions through engagement with other stakeholders”, Quentin Reed, U4 issue August 2013 No.9, p.16.
irregularities, and also to increase the pressure on the wrong-doers. Countries reacted on that and cooperation agreements were concluded, so SAIs are cooperating with other state institutions, like in Macedonia with the endorsement of the “Protocol for Cooperation on the Prevention and Repression of Corruption and Conflicts of Interest” by the Ministry of Finance, Anti-Corruption Agencies, tax authority, Prosecution Office, the State Attorney, the Ministry of Interior, Financial Police etc. These agreements seem to have some effect, as more misbehavior have been reported to the Prosecution, e.g. Croatia’s SAI submitted notifications of 178 criminal acts to the prosecution in 2012. However, there is no further information from the SAI on the proceedings of these cases. Generally, there is no real statistic on how many investigations were conducted after transfer by SAIs.

The SEE 2020 Strategy First Baseline Report is giving the countries the chance to assess their progress by themselves. For the anti-corruption dimension, the quantitative indicators of revision and control were 1) number of public institutions independently audited; 2) number of investigations launched, as share of audits performed. On the first indicator mostly all countries provided numbers besides Bosnia and Herzegovina. For the second indicator, the situation is different; there are only a few countries which provided numbers, namely Macedonia, Montenegro, Moldova and Serbia. However, the provided numbers are not exactly depicting the real situation “on the ground”, so they cannot be used directly. Nevertheless, this is somehow an indicator, on the weak linkages between detecting criminal corruption cases and performing audits.

3.2 GOOD AND BAD EXAMPLE FROM THE REGION?!

This section is to give examples of good and bad practices of links between the anti-corruption institutions. Firstly, an example from Croatia which shows where the problem lies. The incident became popular under the name of Kamioni Affair in 2009. The Ministry of Defense ordered in 2004 trucks directly from the company Eurokamioni, however this was done without clear justification. The audit report on the official tender procedure foresaw 28.9 million HRK (3.7 million Euro), but in the process of direct negotiations with Eurokamioni the offer was 34.4 million HRK (4.5 million Euro) for five trucks less. These findings were neither sent to the Parliament nor to the State Attorney’s Office. Meaning the State Audit Office did not react although they find irregularities during auditing. After the affair

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46 "Maximising the efficiency and impact of Supreme Audit Institutions through engagement with other stakeholders", Quentin Reed, U4 issue August 2013 No.9, p.14.

47 "Maximising the efficiency and impact of Supreme Audit Institutions through engagement with other stakeholders", Quentin Reed, U4 issue August 2013 No.9, p.18.
became public in the media, the State Attorney’s Office requested the audit reports and criminal charges against the Minister of Defense were conducted. In the end he received four years imprisonment. However, this result could have been achieved sooner, if the SAI had reacted immediately after finding irregularities.

Regarding the follow-ups not everything is going bad in Croatia. There are also good examples showing that the link between SAI and Prosecution Office is working, e.g. the eviction of former Prime Minister Ivo Sanader. In 2008, the State Audit Institution detected some irregularities in the accounts. However, irregularities are not automatically criminal acts. But it is a good starting point to dig deeper. This digging can be even more efficient if all anti-corruption institutions work together. In the case of Sanader, USKOK (Bureau for Combating Corruption and Organized Crime), which is a branch of the State Attorney’s Office investigating in corruption and organized crime, started a probe in this. Sanader resigned in 2009, at this point however there were still no criminal charges against him. In 2010 he was indicted for corruption. He fled the country but was apprehended in Austria and then extradited to Croatia in July 2011. The criminal charges were evolving around two cases. The first, also known as Hypo-Bank Scandal, Sanader was alleged of receiving 480,000 Euro for arranging a loan from the Austrian Hypo Bank in 1995. The second charge is that he has received 10 million Euros in bribes from Zsolt Hernádi. Hernádi was the CEO of the Hungarian oil company MOL. The bribes were paid in order to secure MOL a dominant position in the Croatian oil company INA. The State Audit Institution findings were important clues in the trials, so altogether Sanader was sentenced to 10 years in prison in 2012. This case shows how irregularities detected by the SAI can lead to investigations of other anti-corruption institutions like USKOK and how audit findings can be evidence for a conviction.

In Macedonia, there is to be found another good example of successful follow-up, often referred to as “Bachilo-Case”. It is a case of misuse of state duty and illegal restitution of land. All goes back to a court ruling where the shepherd Isnifaris Xhemaili received compensation of 700,000 Euro because the Army allegedly killed 900 sheep and destroyed 1,000 containers of cheese. Most of the money out of this compensation was used to purchase property in Skopje. The purchased estate was part of the denationalization process and some individuals contested the purchase due to former ownership of their families before nationalization. However, Deputy Minister of Economy at the time, Sasha Andonovski, ruled that there was no merit to the families’ ownership claims. The money received out of a court ruling was used for an illegal restitution of land as a part of a bigger denationalization affair, often referred to as Bachilo 2 and 3. It is part of an illegally acquired 5 million Euro worth of real estate property by committing frauds and executing false mortgage contracts. Judges,
managers, notaries, lawyers and former members of secondary governmental commissions are accused of money laundering, power abuse and frauds. The State Audit Office detected in its audit report on the Ministry of Defense for 2004 some irregularities and recommended initiation of investigations which lead to revelations in the “Bachilo case”. This report was sent to the Prosecution where investigations were conducted and criminal charges initiated. In 2007 the conviction was finalized. 21 defendants in the trial were convicted altogether for 44 years imprisonment. The prime suspect, Nikola Stojmenovic, received 14 years imprisonment and Xhemaili got 4.5 years. Other notable defendants like lawyer Lence Dimcevska, ex-Deputy Economy Minister Sasha Andonovski, ex-Head of the Cadastre Office Emilija Aleksovska, the public notaries Gordana Rakocevic and Mihail Kosev and the pensioner Ordan Milanovski were all sentenced to three years.

The Bachilo case is one example where audit reports lead to suspicions and ended in the conviction of corruption, fraud and money laundering. However, it is one of few examples in Macedonia, but it is a case to build on in the future.

3.3 GOOD EXAMPLES FROM EU

These are good examples on how the links between SAI and other actors dealing with the follow-up of audit findings are established, and how it is connected to prosecuting corruption. However, good examples from the region are still very rare. So it makes sense to look into the neighborhood and see the practices the EU is providing as an example. One immediate example would be from Slovenia. Minister of Interior Katarina Kresal resigned from office after being involved in renting a house for the Slovene National Bureau of Investigation from a friend of hers. Irregularities in this rent were detected by the Court of Accounts and published afterward. The Prime Minister first reacted to the findings by expressing confidence that the minister acted appropriately. The Commission for the Prevention of Corruption also investigated in this case and discovered a conflict of interest. After publishing its findings, Kresal resigned. The resignation was only possible because the Court of Accounts and the Commission for the Prevention of Corruption worked together and joined forces.

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Looking into the member states of the EU, we can also identify practice how Supreme Audit Institutions can act not only as detectors of corruption, but in its primary role as preventer of corruption. The National Audit Office of Lithuania performed last year an audit on how public bodies carry out corruption prevention. The audit assessed whether ministries and other governmental bodies take actions in properly identifying and evaluating areas prone to corruption and moreover if they are taking necessary measures to manage and reduce risk of corruption. This audit was conducted since it is part of the anti-corruption legislation of Lithuania, where all governmental bodies are annually required to determine the probability of the occurrence of corruption. Nevertheless, most of the ministries have not evaluated their corruption risks in years or did not satisfactorily. Moreover, the National Audit Office of Lithuania found out that anti-corruption programs were not developed and implemented in a proper manner and in due time. This audit shows clearly how auditing can be an anti-corruption mechanism and how SAIs are becoming pivotal in anti-corruption, although it is not their main task.\(^\text{51}\)

The EU shows as well cases of auditing detecting corruption. In Cyprus, investigations in a corruption case are currently conducted after findings of the SAI. Under the probe was the Paphos sewerage board (SAPA) and it revealed suspicions of mismanagement of public funds. Paphos Mayor Savvas Vergas, the manager of SAPA Efthihios Malekides and the former municipal councilor Giorgos Michaelides were arrested. The charges for the three read: felony, conspiracy to defraud, fraud, bribing a state official, abusing authority, money laundering, acquiring assets through unlawful practices, interfering with a criminal investigation, theft, and corruption.\(^\text{52}\) The Audit Office of Cyprus is bringing evidence into the investigation because it identified construction mistakes and a number of irregularities in the tender and project monitoring process. The amount of money which is in question for the sewage construction project goes almost 40 million Euros over budget.

### 3.4 INTERNATIONAL EXAMPLES

Taking a global point of view, you can find more examples of how auditing leads to conviction of corruption. A pretty recent example is coming from Pakistan. The Supreme Audit Institution of Pakistan conducted an audit report on the Ministry of Foreign Affairs. The findings of this report are that the Pakistani Embassy in Bahrain allowed an illegal


and unauthorized contract for the construction of a chancery in violation of the Public Procurement Regulatory Authority (PPRA) rules. The contract is in the amount of 240 million Rupees, approximately 1.9 million Euros, and was awarded to Yathreb Contracting Company without advertising it in any national daily which is a mandatory requirement under PPRA rules. The audit results were negative, since the bidding process seemed highly dubious and in a questionable manner for the auditors. A single bidder was awarded the contract without even fulfilling the basic PPRA requirements which led to suspicion. This is only one of many other serious misappropriations of funds, embezzlement, unauthorized expenditures, excess payments, illegal award of contracts and other malpractices found by auditing of the Ministry of Foreign Affairs of Pakistan. Thus showing, auditing can be a successful tool of detecting criminal behavior.53

A similar example became recently public in Tanzania. The Parliament decided to dismiss several top officials including two cabinet ministers after audit revealed the fraudulent payment of around $120 million in state funds to a private company. The dismissal out of office was the first step in following actions after detecting this fraud after audit due to the pressure from the international community. Several key donors to Tanzania, including Japan, Canada, and the EU, have said they will halt hundreds of millions of dollars in aid until satisfactory conducting investigations. However, this example shows the link between SAI detecting fraudulent behavior and parliament acting on it by dismissing the wrong-doers.54


CONCLUSIONS

Revision and control show to be very essential anti-corruption mechanisms. The introduction of regular audits by independent agencies and requiring *ex ante* and *ex post* evaluations can be important component of preventing and detecting corruption and fraud. But this study showed that it is more complex than that. Different conditions on different levels need to be established in order for control mechanisms like audits to be functioning as anti-corruption measures.

*Supreme Audit Institutions*

First of all, different conditions must be fulfilled concerning the Supreme Audit Institutions, since SAIs are playing the key role here and therefore have to fulfill some criteria. First of all, the **institution needs to be independent**, especially on the political and financial level. Therefore, SAI’s budget should be discussed separately from State Budget in the Parliament. Moreover, other institutions should not be able to influence it. In order to secure political independence, a **clear mandate is necessary**. The clear mandate goes along a strong ethical infrastructure.55

Another important criteria is that **staff is well educated and trained**. The SAI needs competent auditors with proper training. Furthermore, they have to know to whom to refer to, if they collected enough evidence on corruption. Training is also essential to learn the newest approaches on auditing.

This is necessary, since financial and compliance auditing are not enough to detect corruption and fraud. Only conducting financial audits is not enough by itself in order to become an efficient anti-corruption measure. Hence, SAI should use a multi-audit approach, by using compliance and performance audits. **The combination of these different audit types enables SAIs in a certain way to prevent, but also to detect fraud and corruption.** New approaches favor multi-audits with focus on performance auditing and auditors need to be able to provide these new approaches, in order to have functioning anti-corruption measures. Moreover, **it is necessary not only to provide ex post auditing, but also to introduce ex ante evaluations to build a proper integrity system**, since *ex ante* evaluation is primarily preventing corruption and *ex post* is for detection of corruption.

Audit Reports

After auditing, it is necessary to properly present the findings for a good follow-up. Findings are usually presented in audit reports and there are different criteria for a good audit report. First of all, most importantly is the language of the report. Reports are often written with a careful chosen language, to be effective publicly a translation into simple language is indispensable. Therefore, **auditors should write a comprehensible report**, in order for other institutions to follow-up.

For easy follow-ups, **reports need a clear structure with summaries at the beginning** for prioritizing findings. For the reader to work properly with the report, statistics and figures are very much helpful.

Usually all reports are sent to Parliament. If there are some crucial findings in a special report, this **report should be specially flagged when sending to the Parliament or other institutions**.

Cooperation with other institutions

SAIs may play key role in the system of revision and control, but alone they cannot do anything, especially since it is not an anti-corruption institution per se. It can play a crucial role in the prevention and detection of corruption, but it is not its main task. Thus, **cooperation between different actors needs to be established**. Only by providing working connections between different branches and institutions auditing can really prevent corruption and become an efficient anti-corruption measure. Since most of the SAIs need to report to the Parliament, parliaments are the first to whom they appeal. However, parliaments are often not able to deal with these reports appropriately as workload of the responsible committee is too much. For dealing appropriately with these audit reports, parliaments should establish special committees who can properly follow-up on the SAI’s recommendations.

If SAIs detect criminal actions, a direct link to the Prosecutor’s Office is needed. Cooperation for this matter is essential between SAI and Prosecutor’s office.

In order to truly acquire results public pressure is needed. Therefore, **SAIs need to have a direct link to media and civil society**. SAIs need to publish their results and to make them available to public. As previously mentioned, reports tend to be too technical and difficult to read for non-auditors. Media and civil society are perfect to act as translators of these
reports and help SAIs to raise awareness on different issues.

Parliaments

SAIs are usually reporting to the parliaments, thus parliaments being their direct partner. Nevertheless, parliaments tend not act appropriately on the audit reports or rather have not the capacities. **Parliaments therefore should introduce a special committee for the control of public funds** which has the capacity on dealing with audit reports.

In this committee, but also in general, discussions on audit reports should not be divided along political lines. Audits are not the topic for party discussions and **hence parties should find consensus**. Consensus is need for implementing the recommendations successfully.

Ethical principles

All in all, the study showed that auditing is an important element in the integrity system of a country. On the state level, SAIs are promoting accountability and transparency. This is only possible, if SAIs apply a set of ethical principles. **SAIs thus should introduce a Code of Ethics** since the preservation of ethics and the detection of ethical violations is their task.

If all the above-mentioned conditions are fulfilled, only then there is a proper link between auditing and anti-corruption mechanisms. Countries should reassess their auditing system and look if they meet all conditions, since this is the key for revision and control becoming an efficient anti-corruption tool.
LINKS TO SUPREME AUDIT INSTITUTIONS

- Albania - http://www.klsh.org.al/
- Bulgaria - http://www.bulnao.government.bg/
- Croatia - http://www.revizija.hr/
- Moldova - http://www.ccrm.md/
- Montenegro - http://www.dri.co.me/
- Romania - http://www.curteadeconturi.ro/
- Serbia - http://www.gsr-rs.org/
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