

LAW ON AUDITING INSTITUTIONS OF BOSNIA AND HERZEGOVINA

PSBiH No. 264/06

January 31, 2006

I. GENERAL PROVISIONS

Article 1

(Law Framework)

- (1) This Law regulates audit of institutions of Bosnia and Herzegovina -- goals, duties, organization, management and competencies of auditing bodies.
- (2) Audit of institutions of Bosnia and Herzegovina is performed by Auditing Office of institutions of Bosnia and Herzegovina (hereinafter referred to as: Auditing Office)

Article 2

(Definitions)

Terms applied in this Law have the following meanings:

- Auditing Office for institutions of Bosnia and Herzegovina is supreme institution for auditing, prescribed by Article 20 of this Law
- Auditor is an officer appointed by Auditor General, in writing, to implement duties and functions of Auditing Office.
- Auditor General and deputies Auditor General are persons appointed to the office in accordance with this Law;
- Budgets implies budgets of institutions of Bosnia and Herzegovina and international liabilities of Bosnia and Herzegovina;
- Budget institutions are all institutions of Bosnia and Herzegovina, including ministries of Bosnia and Herzegovina, administrative organizations and other bodies and institutions of Bosnia and Herzegovina that are financed from the budgets of Bosnia and Herzegovina;
- Institutions undergoing audit are budget institutions of Bosnia and Herzegovina auditing on which is being performed;
- BiH stands for Bosnia and Herzegovina;
- Coordination board of supreme auditing institutions is board established by Article 46 of this Law, which consists of Auditors General and deputies Auditor General of auditing institutions in Bosnia and Herzegovina;
- Confidential information is information publishing of which is contrary to public interest for the reason of safety, defense, international relations or for the reasons that would prejudice privileged personal integrity or

privileged commercial interests on any individual or institution, as stipulated by the Law or accepted in common commercial practice;

- Budget users of the first level are institutions that are financed directly from budgets of Bosnia and Herzegovina, with their own budget items. Budgets users of the second level are financed through budget users of the first level;

- Council of Ministers is Council of Ministers of Bosnia and Herzegovina and ministries and other bodies and institutions of Bosnia and Herzegovina are other budgetary institutions;

- The internal audit implies organization, policies and procedures applied in order for government programs to be supported in achieving its results, for the resources of these programs to be used consistently with named goals of organization and for the programs to be protected from frauds, inappropriate consumption and wrong management as well as for the information obtained to be reliable, collected in a timely manner, maintained and used as basis for reporting and decision-making;

- INTOSAI is international organization of supreme auditing institutions;

- INTOSAI auditing standards stand for a set of auditing standards developed by INTOSAI. These standards imply the following: Lima declaration on auditing guidelines and rules (Independence principles), auditing standards (auditing work principles) and Ethic code (values and principles of auditors);

- Competent minister is minister portfolio of which undergoes auditing;

- Parliament imply parliamentary assembly of Bosnia and Herzegovina;

- Parliamentary committee is committee competent for finances and budgets of both houses Parliament, responsible for the auditing;

- House of Parliament is each particular House of Parliament;

- Pre-audit refers to ex ante examining and ex ante certification of transactions within accounting system;

- Premises imply buildings, offices, any site and locations;

- Presidency implies presidency of Bosnia and Herzegovina;

- Public report is report that Auditing Office decides to make public;

- Quality is an extent to which auditing activities are performed, including preparation of auditing reports, in accordance with valid auditing standards, rules and regulations;

- Quality control system is set of established and coordinated activities, which are to ensure the work of Auditing Office to be in accordance with valid auditing standards, rules and regulations;

- Quality insurance is evaluation of application and functioning of projected system and measures of quality control system.

Article 3

(Goals)

- 1) Major goal of audit conduct by Auditing Office is to ensure independent opinions on budget executions and financial reports, use of resources and management of the state property by Council of Ministers, budget and public institutions in Bosnia and Herzegovina, which contributes to reliable reporting on utilization of budget resources, transparent and good quality management by public resources, expenditures and state property.
- 2) Auditing Office informs responsible institutions and the public about its findings and recommendations by timely publishing auditing reports, and by other forms of informing, if these are relevant.
- 3) Auditing Office is apolitical and it is not to support or to be in connection with any political party.

Article 4

(Control and management freedom)

In performing its duties and competencies in accordance with the Law, Auditing Office is independent and is not subject to management or control by any other entity or institution, unless otherwise stipulated by this Law.

Article 5

(Financing of Auditing Office)

1. Auditing Office prepares draft of its annual budget in accordance with the provisions of the Law on financing auditing institutions of Bosnia and Herzegovina ("Official Gazette of Bosnia and Herzegovina" No: 61/04) and delivers it to Parliamentary Commission for approval.
2. After receiving approval from Parliamentary Commission, Auditing Office delivers the draft of the budget to the Ministry of finances and treasury of Bosnia and Herzegovina in accordance with the deadlines prescribed by the Law on financing institutions of Bosnia and Herzegovina, for the purpose of its incorporation into budget.
3. Ministry of finances and treasury of Bosnia and Herzegovina, Council of Ministers and Presidency may provide its opinion on draft budget of the Auditing Office, without possibility to amend draft budgets, which was previously approved by Parliamentary Commission.
4. Auditor General approves requests to pay expenditures of Auditing Office and delivers them to the Ministry of finances and treasury of Bosnia and Herzegovina for realization.

Article 6

(Annual report on duties and external audit of Auditing Office)

1. According to the Law on financing of institutions of Bosnia and Herzegovina, Auditing Office prepares financial reports about business operations quarterly and delivers it to the Parliamentary Commission.
2. The annual report on duties (hereinafter referred to as: final report) contains financial report of Auditing Office as well, beside information on business operations of Auditing Office.

3. Auditing Office prepares its final reports in accordance with the Law on financing institutions of Bosnia and Herzegovina.

4. Parliamentary Commission appoints independent auditing firm or commission for auditing consisting of five members, who are to be experts in the sphere of auditing and accounting, for the purpose of audit of annual financial reports of Auditing Office.

5. Parliamentary Commission appoints special commission consisting of three members, with adequate experience, for the purpose of reviewing final report of Auditing Office.

6. The Commission from Paragraph (5) of this Article delivers the report on its findings, with the comments on audit findings from the auditing of financial reports of Auditing Office, to the Parliamentary Commission before Parliamentary Commission approves budget of Auditing Office.

Article 7

(Immunity and exemption from responsibility)

1. Auditors are not responsible for the acts or failures made during the course of their duties.

2. These exemptions from responsibility do not protect the auditor who is caught in the act of conducting offence during the course of his service.

3. Auditing Office will compensate all court expenditures to the personnel of the Office against whom judicial proceedings is launched for the acts or failures made while conducting their duties, in accordance with this Law, under condition that that particular person is released from guilt.

II COMPETENCIES OF AUDITING OFFICE

Article 8

(Competencies)

Auditing Office is competent for the following:

- a) financial auditing (regulated by Article 13 of this Law);
- b) performance audits (regulated by Article 14 of this Law);
- c) other specific auditing (regulated by articles 17 and 18 of this Law).

Article 9

(Lack of competence)

1) Auditing Office is not competent for pre-auditing insight or pre-auditing certification of accounting transactions, as part of accounting system.

2) Auditing Office is not competent for undertaking any activity, beyond those prescribed by this Law, if it deems these duties contrary to its duties or if its conduct would prevent fulfillment of responsibilities of Auditing Office according to this Law.

Article 10

(Auditing standards, quality control system and quality insurance system)

- 1) Auditing Office has to apply INTOSAI auditing standards and ensure for the employees of Auditing Office and other persons performing any other auditing tasks according to the Law, to work in accordance with these standards.
- 2) Auditing Office will adopt and publish standards from Paragraph 1 of this Article within three months after this Law comes into force.
- 3) Auditing standards of International Federation of Accountants (IFAC) will be used for public companies audit, as it is defined by Article 11 of this Law, if they are applicable.
- 4) Auditing Office will prepare instructions, guidelines and other documents necessary for application of auditing standards within three months after this Law comes into force.
- 5) Auditing Office is responsible for implementation of quality control system, which ensures compliance with auditing standards, rules and regulations within auditing operations, including mechanisms to ensure quality of auditing business.
- 6) Parliamentary assembly will initiate professional evaluation of work performance every fourth year, which will be financed from the budget.
- 7) State Auditing Office of another country will have priority in the process of selection of the party implementing professional evaluation.
- 8) Auditing Office publishes and delivers reports on professional evaluation to Parliamentary Commission, including the report on measures that Auditing Office has undertaken as result of evaluation process.

Article 11

(Auditing framework)

- 1) According to the provisions of this Law, competence of Auditing Office includes all public institutions of Bosnia and Herzegovina, including the following:
 - a) Parliament;
 - b) Presidency;
 - c) Council of ministers and government-financed institutions;
 - d) Extra-budgetary funds that may be projected by the Law;
- (2) Competencies include the following as well:

a) Funds in the form of a loan or a grant to Bosnia and Herzegovina ensured by international agencies and organizations for a certain institution or project in Bosnia and Herzegovina.

b) Funds ensured from the budget for any other institution, organization or body.

(3) Competencies of Auditing Office also imply the company with 50 % of state ownership share in it plus one share or more.

(4) Auditing includes all financial, administrative and other activities, programs and projects managed by one or several institutions and bodies of Bosnia and Herzegovina from this Article, including processing and revenues from sale of property, privatization and concessions.

Article 12

(Audit Planning)

(1) Every year, after consulting its deputies, Auditor General adopts annual plan of the Auditing Office for the next year, taking into consideration requests in accordance with this Law. Audit planning is delivered to Parliamentary Commission, in the form of information, before beginning of the new financial year.

2) Auditor General and his/her deputies, when developing annual plan of auditing, in accordance with provisions of this Law and adopted auditing standards, in accordance with Article 10 of this Law

Article 13

(Financial audit)

1. When conducting the audit, Auditing Office, in accordance with adopted auditing standards, reviews financial reports and accompanying accounts of institutions where audit is performed in order to evaluate whether financial imports are reliable and if the balances completely reflect results of budget execution.

2. Auditing Office evaluates whether managers of institutions of Bosnia and Herzegovina apply law and regulations, use funds for proper use; they evaluate financial management, functions of internal auditing and internal control systems.

3. Auditing Office implements previous auditing during financial year, including monitoring of application of recommendations from previous audit as well as analysis on measures undertaken based on these recommendations.

4. Auditing Office implements auditing in accordance with Paragraphs 1, 2 and 3 of this Article, annually and provides opinion on reports on execution of annual budget for every budget user from Article 11, Paragraph 1 of this Law and it reports annually on these audits in accordance with Article 16 of this Law.

5. Auditing Office performs audits annually and provides opinion on annual report on budget execution and reports on annual basis about this audit, in accordance with Article 16 of this Law.

6. Auditing Office conducts financial audits for other institutions, with exception of those named in Paragraph (4) of this Article, in accordance with annual audit plan.

7. When defining frequency and modality of audit, Auditing Office takes the following into consideration, in accordance with Paragraph (7) of this Article:

(a) Whether independent external auditors have already audited an institution and if the Auditing Office has already a proof that such audits are sufficient to secure criteria applied by Auditing Office as well;

(b) Risk evaluation.

Article 14

(Performance audit)

Auditing Office is entitled to conduct a review or examination (performance audit) of particular aspect of business operations of entire or part of institution, program or activity, with regards to cost-effectiveness, efficiency and effectiveness applied by this particular institution in utilization of its resources and to report about it in the manner prescribed by Article 16 of this Law.

Article 15

(Comments on draft report)

1) Before completing final auditing report, Auditing Office prepares draft audit, and delivers it to the manager of institution of Bosnia and Herzegovina for his further comments.

2) BiH institution comment on draft of audit report from Paragraph (1) of this Article is delivered to Auditing Office within 15 days after reception of draft report or within longer period of time, which is decided by Auditing Office. Before preparing annual reports, Auditing Offices is obliged to consider these comments, and in cases of disagreements, it is to incorporate these comments into final report.

Article 16

(Reporting on audits)

1) Auditing Office is obliged to deliver the report to the audited institution and Parliament as well. The report is simultaneously delivered to Council of Ministers and Presidency, and it may be delivered to any other competent institution as well. Once the reports are submitted, the Auditing Office will make them public.

2) Auditing Office is obliged to deliver final reports on financial audits from Article 13, Paragraph (4) of this Law to every institution audited and to the Ministry of finances and treasury of Bosnia and Herzegovina, within 90 days after submissions of annual report, at latest. Auditing Office is obliged to deliver report on audit of annual report on budget execution, as it is prescribed by Article 13, Paragraph (5) of this Law, to the parliaments within 90 days after receipt of annual report on budget execution.

3) An institution audited is obliged to deliver response to the Auditing Office and Ministry of finances and treasury of Bosnia and Herzegovina within 60 days from the receipt of auditing report, in accordance with Paragraph (2) of this Article, indicating activities undertaken by this particular institution in order to overcome weaknesses, irregularities and violations identified in auditing report.

4) Based on the findings and recommendations from annual report on audit and/or annual report on budget execution, Parliament may decrease the budget of one or more budget institutions or undertake other appropriate corrective measures.

5) Auditing Office is obliged to prepare and deliver report both to the audited institution and the Parliament within 13 days after completion of the audit, at latest, if it is about reporting on performance audit, in the context of Article 14, and special audits, in the context of Article 18 of this Law.

6) Auditing Office is obliged to collect the most important findings and recommendations from financial audits performed, performance audits and special audits in annual audit report for the Parliament. The annual audit report for the Parliament has to be delivered together with the audit report of annual report on budget execution, as its integral part, as it is a regulated in Paragraph 2. of this Law.

7) According to this Law, reports of Auditing Office are published in "Official Gazette of Bosnia and Herzegovina" and at web page of Auditing Office, with exception of confidential information, as it is stipulated by Articles 44 and 45 of this Law.

Article 17

(Additional reports to the Parliament)

1) If it deems necessary, Auditing Office may submit auditing report to the Parliament about issues from its competence.

2) Auditing Office has to delivery copy of the report, in the form of information, to the Presidency, Council of Ministers, Ministry of finances and treasury of Bosnia and Herzegovina or any other institution of Bosnia and Herzegovina, which, according to the opinion of Auditing Office, has special interest in this report.

Article 18

(Special audits)

1) Parliament or Parliamentary Commission may request from the Auditing Office to perform special audit at any time.

2) Auditing Office decides whether to conduct special audit from Paragraph 1 of this Article and informs applicant about it in writing, in accordance with the Article 16 of this Law.

Article 19

(Information to the law-enforcement officers)

1) Once it informs a manager of the institution audited, Auditing Office is obliged to inform law-enforcement officers of certain indications of significant violations, unless it impacts investigation. Under such conditions, Auditing Office is obliged to inform both Ministry of finances and treasury of Bosnia and Herzegovina and competent minister.

III. ORGANIZATION, MANAGEMENT AND COMPETENCIES

Article 20

(Auditing Office)

1. Auditing Office is supreme institution for audits of institutions of Bosnia and Herzegovina, with its headquarters in Sarajevo.
2. Auditing Office may decide to establish regional offices where these are needed and their establishment economically justified.
3. Auditing Office consists of: Auditor General, deputies Auditor General, auditing personnel (auditors) and office clerks.

Article 21

(Management of Auditing Office)

1. Auditor General manages the Auditing Office and is responsible for duties and authorizations prescribed to Auditing Office by this Law.
2. Auditor General has two deputies, who assist him/her in conducting duties of Auditing Office and, who may conduct all functions, obligations and authorizations of Auditor General, in accordance with instructions of Auditor General.
3. Auditor General appoints one of his/her deputies to manage the Office in his/her absence. This appointment may be rotated by turns between two deputies.
4. Auditor General or his/her deputies may not participate in or make decisions about audits of institutions of Bosnia and Herzegovina where Auditor General or his/her deputies used to be managers or deputy managers during the course of previous two years.

Article 22

(Organization)

1. Auditor General decides about organization of Auditing Office by the Rule book on internal organizations and job classification after consulting his/her deputies.
2. After consulting his deputies, Auditor General decides about all internal regulations, rules and procedures necessary for functioning of Auditing Office.
3. When deciding about organization of Auditing Office, Auditor General defines distribution of responsibility between him/her and his/her deputies by internal documents.

Article 23

(Conditions for Auditor General and deputies Auditor General)

1. Candidates for a position of Auditor General and deputies Auditor General must meet the following conditions:
 - a) To have graduation certificate from economic or law school or other adequate university education, the curriculum of which corresponds to the required experience in the sphere of accounting, auditing, public finances or public administration, for at least ten years;

b) Not to be sentenced for criminal offences and/or economic violations or actions not corresponding to their duties.

2. Auditor General and deputies Auditor General are obliged to apply authorities and to perform duties of Auditing Office independently and in accordance with INTOSAI auditing standards.

3. Auditor General and deputies Auditor General are subject to the Law on conflict of interest in institutions of authorities of Bosnia and Herzegovina ("Official Gazette of Bosnia and Herzegovina", No: 16/02).

Article 24

(Appointment of Auditor General and deputies Auditor General)

1. Auditor General and deputies Auditor General are appointed by the Parliament at the proposal of the Election Committee from Paragraph 4 of this Article. The proposal is based on the rank-list of candidates.

2. Election Committee from Paragraph 4 of this Article invites applications for vacancies of Auditor General and deputies Auditor General, which is published in "Official Gazette of Bosnia and Herzegovina".

3. Competent service of Auditing Office conducts all administrative and professional activities for the Election Committee from Paragraph 4 of this Article.

4. Election Committee is appointed by Parliament, and consists of six members out of which two members have to come from opposition parties. The Committee establishes whether all candidates meet requirements from vacancy announcement, evaluates candidates who meet requirements from vacancy announcement and prepares rank-list of candidates.

5. Auditor General and deputies Auditor General are appointed for the mandate of seven years, without possibility of reappointment, two months before expiry of mandate, at earliest.

6. Deputies Auditor General are appointed from amongst other two constituent people and not the one from which Auditor General is appointed to.

7. Auditor General and deputies Auditor General's appointments have to be published in "Official Gazette of Bosnia and Herzegovina".

8. Wage and wage benefit of Auditor General and deputies Auditor General are determined in the rate of the wage and wage benefit of president and deputy president of Constitutional Court of Bosnia and Herzegovina, unless otherwise prescribed by appropriate Law on wages in institutions of Bosnia and Herzegovina.

Article 25

(Replacement of Auditor General and deputies Auditor General)

1. Parliament is entitled to replace Auditor General and deputies Auditor General from duty in the following cases:

a) Voluntary resignation in writing;

b) Inability to conduct duty during the period longer than six months;

c) Due to reasons established in the Article 23 of this Law.

2. Parliament appoints new Auditor General or deputy Auditor General in cases of replacement from Paragraph 1 of this Article, for the period before the expiry of mandate of the replaced individual.

3. Appointment procedure from this Article is conducted in accordance with Article 24 of this Law.

4. The replacement of Auditor General and deputy Auditor General is published in "Official Gazette of Bosnia and Herzegovina".

Article 26

(Delegation of Authorization of Auditor General)

1. Auditor General may delegate any of his/her authorization of Auditor General to any other auditor from Auditing Office, in writing and in accordance with this Law. However, Auditor General cannot delegate his/her ultimate responsibility in any case.

2. Auditor to whom authorization is delegated has to act in accordance with all instructions of Auditor General.

Article 27

(Engagement of subcontracts to help with audit)

1. Auditing Office may engage qualified individual as subcontractor to help with duties conduct, and this person is obliged to follow and apply all valid standards and rules of Auditing Office, as it is stipulated by this Law.

IV. EMPLOYEES OF AUDITING OFFICE

Article 28

(General provisions)

1. Auditing Office is obliged to hire auditing personnel and office clerks, necessary for this Office to meet its duties. The employment has to be in accordance with article 28 through 38 of this Law.

2. Law on government employment in institutions of Bosnia and Herzegovina will not regard the employees of Auditing Office.

3. If the rights and liabilities of employees based on employment are not regulated by this Law, there are applied laws, regulations and other documents of BiH with regards to employment.

4. Structure of the employees in Auditing Office will generally reflect national structure of the population of Bosnia and Herzegovina according to the last census.

Article 29

(Duties of the employees)

1. Employees of the Auditing Office will apply and ensure compliance of the Constitution and BiH laws and will conduct tasks established by to Rule book on internal organization of Auditing Office.
2. In case employees in Auditing Office are given illegal work order, they will apply procedures established by special rule.
3. Auditing Office is obliged to establish Ethic code for the employees, based on internationally recognized INTOSAI auditing standards that employees are to apply. Employees are obliged to read Ethic code, take an oath and accept liabilities generated by Ethic code by putting their signature, which is precondition for the employment.
4. The employees will be impartial and especially will do the following:
 - a) Restrain from the acts or failures or avoid coming into conflict with duties prescribed by this Law, and especially they will restrain from public display of their political or religious beliefs;
 - b) They will neither require nor receive any profit, benefit, advantage in monetary terms or favors for the benefit of themselves or their relatives.
5. Employees are obliged to prevent confidential information from publishing, as it is prescribed by special Rule book, and such an obligation is valid after cessation of their employment with Auditing Office.

Article 30

(Rights of employees)

Employees of Auditing Office are entitled to the following:

- a) Leave and right to continue working on the same or similar duties after expiry of leave, in accordance with Article 28, Paragraph 3 of this Law;
- b) Wage and wage benefit in accordance with this Law;
- c) Incentive and support to career advance and professional development through training and in other ways;
- d) Protection of physical and moral integrity by the state, while performing in the line of duty;
- e) To be treated by his/her superiors with respect of his/her human dignity;
- f) To establish and join the Union or professional associations, in accordance with the Law and
- g) Fair and equal treatment by managers, regardless of sex, nationality, social origin, residence, religion, political and other beliefs, matrimonial or other status, age, property, disability or else.

Article 31

(Disparity)

Employees will not conduct duty, activity nor be in the position that could provoke or cause conflict of interest with his/her official duties, and especially will not do the following:

- a) Have any public duty at any public level in Bosnia and Herzegovina;
- b) Be member of administrative or other boards of political parties, nor obey instructions of political parties;
- c) Conduct activities to be compensated for, unless it is approved by Auditor General.

Article 32

(Employment)

1. If there is vacancy in Auditing Office, vacancy announcement may be invited.
2. Vacancy announcement is published at least one month before the deadlines to submit applications, in "Official Gazette of Bosnia and Herzegovina" and, at least, in one daily newspaper that are distributed at entire territory of Bosnia and Herzegovina.
3. Announcements consists of following:
 - a) Description of vacancy;
 - b) General conditions prescribed by the Law and
 - c) Special conditions for this vacancy prescribed by the Rule book on internal organizations and job classification.

Article 33

(General conditions)

1. The following are general conditions that candidate has to meet:
 - a) To have BiH citizenship;
 - b) To be older than 18;
 - c) To have adequate educational and professional qualifications, as prescribed by the Rule book on internal organization and job classification of vacancies in Auditing Office;
 - d) To be fit for work;
 - e) Not to be fired from civil service due to disciplinary measure pronounced to him/her at any level of BiH authority, three years prior to application for employment;
 - f) Not to have any criminal proceedings conducted against him/her, nor that he/she is validly sentenced to imprisonment for criminal offences, with exception of criminal offences against traffic safety, in accordance with Criminal Code;
 - g) Not to be covered by provisions from Article IX.1. of BiH Constitution.

2. Beside general conditions for employment in Auditing Office, candidate has to meet special conditions as follows: to have specific level of education and profession, years of service, special professional skills and know-how, special capabilities with regards to health and similar, which will be established by the Rule book on internal organization and job classification in Auditing Office.

Article 34

(The process of selection and appointment)

1. General Auditor appoints the Selection committee consisting of three members.
2. Selection Committee considers all applications received in a timely manner and establishes short list of the most qualified candidates.
3. Selection Committee invites all candidates from the short list to an interview.
4. An interview is conducted in compliance with principles of legality, competence, independent supervision, straightforwardness and transparency.
5. After an interview, the Selection Committee provides the Auditor General with rank-list of at least three most qualified candidates, selected by majority votes, in the form of recommendation in writing.
6. Auditor General appoints the first candidates from the rank-list that he/she is submitted by the Selection Committee. In case it is impossible to conduct this appointment for any justified reason (with reasoning submitted), the following candidate from the list will be taken into consideration.
7. Auditing Office is to keep all documents – files related to the selection process, including the vacancy announcement and applications received.
8. The party that is not satisfied may require protection of its rights or interest infraction before the competent court.

Article 35

(Disciplinary responsibility)

1. The employees are considered responsible for breach of official duty occurring as a result of the employees' guilt, in the manner prescribed by this Law.
2. Violations of official duties may be as follows:
 - a) Conduct of an activity that is considered to be a criminal offence against official duty or any other criminal offence, i.e. violation damaging the Auditing Office, making an employee unsuitable for the work in Auditing Office;
 - b) Disclosure of state, military or official secret i.e. violation of regulations on confidential issues;
 - c) Misuse of official position or exceeding one's authorities;
 - d) Failure to conduct or irresponsible and negligent conduct of activities and tasks entrusted;

- e) Refuse to conduct legal orders of immediate superior;
 - f) Undertaking activities or procedures that are contrary to the interests of Auditing Office;
 - g) Cause of major material damage on a purpose or from the utmost neglect.
 - h) Unauthorized absence from work for the period longer than 7 days.
 - i) Violation of regulations regarding work discipline in Auditing Office.
 - j) Failure to implement business operations and tasks entrusted in a timely manner and improperly.
 - k) Indecent behavior in relations with citizens, co-workers or other persons while performing official duties.
3. Responsibility for conduct of criminal offences and violations does not release an employee from responsibility, in advance, in case that this act is violation of official duty as well.
4. Disciplinary sanctions may imply:
- a) Warnings in writing;
 - b) Suspension from work;
 - c) Degrading to a lower position;
 - d) Cessation of employment.

Article 36

(Disciplinary procedures)

1. Every institution undergoing auditing may lodge a complaint to the Auditor General with regards to the work of auditors.
2. Every employee may give an initiative to initiate disciplinary procedure against an employee from Auditing Office, which is suspected to perform violation of official duty from Article 35 of this Law.
3. Auditor General will adopt Rule book to regulate the issue of disciplinary responsibility more closely, in accordance with principles of the Law on civil service in institutions of BiH and Law on criminal Procedure of BiH.

Article 37

(Wage structure)

It is the duty of Auditing Office to establish structure of wages for wage account and different wage classes, with all employees of Auditing Office categorized in it. What needs to be taken into consideration when determining wage classes are specific skills and experience that are necessary in order for employee to meet duties and responsibilities of Auditing Office and a long-term goal of harmonization of wage structure with other state institutions of BiH.

Article 38

(Employment termination)

1. Employment of an employee from Auditing Office will be terminated in the following cases:

- a) Voluntary resignation;
- b) Expiry of the contract where applicable;
- c) Acquiring legal right to retirement;
- d) Permanent inability to meet official duties due to medical condition, providing it is impossible to assign the employee to a new post in Auditing Office;
- e) Loss of citizenship of BiH;
- f) Acquiring citizenship of another country that is contrary to the Constitution of BiH and laws of BiH;
- g) Two subsequent negative evaluation of work performance;
- h) In cases when employee is sentenced for criminal offence and when due to imprisonment he/she has to be absent from work in Auditing Office for the period longer than six months, and
- i) Employee is pronounced disciplinary measure of employment cessation.

V. AUTHORIZATION TO COLLECT INFORMATION

Article 39

(Authorization to collect information)

1. Auditing Office may require from the institution audited to deliver the following within certain period of time, in writing:

- a) Any information;
- b) Any document or information, including data in electronic form, which are kept by the institution or which are under the control of the institution;

2. Auditing Office may require the following:

- a) To submit information or responses to questions in writing or orally;
- b) To have information or responses to questions verified by statement in writing or by certificate.

3. Statement or certificate is a guarantee that information or evidences that are presented are authentic and that Auditing Office may use them;

4. Institution undergoing audit is obliged to obey provisions from this Article.

Article 40

(Access to premises and documentation)

1. Auditors are entitled to do the following at any reasonable time:
 - a) To enter and stay in any premise used by institution undergoing audit;
 - b) To have full and free access to any document or other property;
 - c) To review, copy or take extracts from any document.
- 2) An auditor is not entitled to enter and stay in premises if he/she fails to present authorization in writing at the request of the user of these premises.
- 3) Writing authorization implies authorization of Auditing Office, signed by Auditor General or one of his deputies, authorizing the auditor to conduct such activities.
- 4) If an auditor enters or suggest entry into the premises, premises user is obliged to ensure all reasonable means necessary for successful performance of the activities from this Article.

Article 41

(Authorization to collect information not restricted by other laws)

Authorizations from articles 39 and 40 of this Law are not restricted by any other law.

Article 42

(Purposes to which authorization to collect information may be used)

Authorization from articles 39 and 40 of this Law may be used for the purposes or in relation with any function of the Auditing Office.

Article 43

(False statements)

An official is not to provide auditor with oral or statement in writing for which he/she is aware is a false information or misleading information with regards to significant details.

VI. CONFIDENTIALITY PROVISIONS

Article 44

(Confidentiality of information)

If an auditor obtains information during conduct of business of Auditing Office, he/she is not either to reveal the information or forward it, unless it is for the purpose of conducting business of Auditing Office or if he/she is entitled by the law to reveal or pass on such information.

Article 45

(Confidential information that are not to be incorporated in public report)

- 1) Auditing Office must not incorporate certain information in public report in the following cases:
 - a) It deems these information confidential or
 - b) If a manager of an institution undergoing audit issues a certificate stating that according to the Law and Rule books of audited institution these information are confidential.
- 2) If preconditions from Paragraph (1) of this Article are met, Auditing Office may decide to do the following:
 - a) Fail to prepare public report or
 - b) Fail to publish certain information in public report;
- 3) Auditing Office may prepare the report from Paragraph (2) of this Article as confidential information and deliver it to Parliamentary Assembly, but will not publish it.

VII COORDINATION BOARD OF SUPREME AUDITING INSTITUTIONS

Article 46

(Coordination Board)

- 1) This Law founds Coordination Board of supreme auditing institutions (hereinafter referred to as: Coordination Board), which consists of auditors general and deputies auditors general of Auditing Office of BiH, Republic of Srpska and Federation of Bosnia and Herzegovina and Herzegovina.
- 2) Coordination Board is chaired by Auditor General of Auditing Office, and it is his/her authorized representative that chairs Coordination Board in the absence of Auditor General.
- 3) Competences of Coordination Board are:
 - a) To establish consistent guides and instructions based on INTOSAI auditing standards;
 - b) To exchange professional experiences and strive to ensure consistent auditing quality;
 - c) To organize and coordinate developing activities of all three Auditing Offices;
 - d) To assign auditing responsibility for common activities;
 - e) To define representation in international bodies.
- 4) Coordination Board makes decisions by consensus. Every Auditing Office is assigned one vote.

5) Professional and administrative and technical activities for the needs of Coordination Board are conducted by Auditing Office.

6) Expenditures of Coordination Board and provision of professional and administrative and technical activities are borne jointly by auditing institutions, on basis that will be defined by Coordination Board.

Article 47

(Violation of Articles 39, 40 and 43 of this Law)

1) Legal entity may be punished for violation by fine in the amount from 5.000 KM to 50.000 KM if:

a) It violates provisions of Article 39 of this Law;

b) It does not provide auditor with all reasonable means necessary for effective application of auditing authorizations from Article 40 of this Law.

2) Natural person or person liable within legal entity, which provides auditor with false information orally or false statement in writing or such a document or oral statement that misleads under the provisions of Article 43 of this Law, will be fined in the amount from 1.000 KM to 3,000 KM.

IX. TRANSITIONAL AND FINAL PROVISIONS

Article 48

Auditing Office, established by the Law on auditing of financial business operations of BiH institutions («Official Gazette of BiH», No. 17/99), continues its activities in accordance with provisions of this Law.

Article 49

1) Procedure of appointment of Auditor General and two deputies Auditor General is launched immediately after this Law comes into force and is completed within six months after this Law comes into force, at latest.

2) Persons conducting responsibility of Auditor General and deputies Auditor General at the time this Law comes into force, continue to conduct their duties in accordance with the Law until the Parliament appoints Auditor General and two deputies Auditor General, in accordance with provision from Paragraph (1) of Article 24 of this Law.

3) Irrespective to provision from Paragraph (5) of Article 24 of this Law, person that used to act in the capacity of Auditor General or persons that used to act in the capacities of deputies Auditor General in accordance with the Law on auditing of financial business operations of BiH institutions («Official Gazette of BiH», No. 17/99), are entitled to apply for the post of Auditor General or deputy Auditor General in the procedure from Paragraph (1) of this Article.

Article 50

In case of conflict of the provisions of this Law and the provisions of other laws, these are provisions of this Law that will be applied.

Article 51

Law on auditing of financial business operations of BiH institutions ("Official Gazette of BiH», No. 17/99) cease to be valid by this Law coming into force.

Article 52

This Law comes into force the eighth day from the day it is published in "Official Gazette of BiH».

Sarajevo

Chairperson Chairperson

of House of Representatives of House of People

of BiH Parliamentary Assembly of BiH Parliamentary Assembly

dr. Nikola Špirić Mustafa Pamuk