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OVERSIGHT OF PUBLIC FINANCE IN KOSOVO

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Table of Content

I.	Introduction.....	4
II.	Oversight of Public Accounts in Kosovo	5
	a) Internal auditor.....	6
	b) Office of Auditor General.....	7
	c) Parliamentary Oversight of Public Accounts in Kosovo.....	10
	d) Inter-institutional relations on oversight of public finances	15
III.	Best Practices of Parliamentary Oversight of Public Accounts.....	17
	a) The Parliament of the UK.....	19
	b) The National Assembly of Slovenia	21
IV.	Public finances control in Kosovo in the light of best practices.....	23
V.	Recommendations	26
	Annex I - Draft Model of RoP for the Committee for Oversight of Public Finances.....	27

I. Introduction

In the last seven years of its existence the Kosovo Assembly has not managed to build genuine and sustainable systems and bodies to oversee the expenditure of public funds. While Kosovo Assembly has been praised for its institutional development, at the same time it has been criticised for not providing the forum for political debate, parliamentary oversight and scrutiny. The oversight of public finances in Kosovo Assembly is carried out through its Committee for Budget and Finance. Its role as a steward of public money is only symbolic and superficial.

Unfortunately, the situation in the region does not differ much from that in Kosovo. Although many countries in the Western Balkans have a far longer tradition of Parliamentary governance than Kosovo, these countries have not created structures by which they can hold their governments to account in regards to public expenditure. If we look at the experience of the new members to the EU, we clearly see the efforts they have made and the work they have undertaken in establishment of strong and sustainable structures of oversight.

The process of allocating resources to the disposal of the government for the implementation of its policies is carried out through a budget proposal the Government submits to the Assembly in order to approve the appropriation of the budget. However the duty of the Parliament should not and does not end with the appropriation of funds. Through oversight of expenditure of public money the Assembly should ensure good governance, transparency, effective and accountable implementation of the budget approved by it.

Oversight of public finances is one of the most important requirements in the process of EU integration. While most of the EU member countries have separate structures overseeing the public finances, the new comers in the EU family had to establish separate structures to oversee public expenditure, especially the EU financial support. Effective oversight of public finances is important for EU integration aspirations. The initiative of the Assembly of Kosovo to establish a separate body which will deal solely with public expenditure is to be applauded and it makes Kosovo the only country in the Western Balkans to have such a body.

Although there are many structures that perform oversight of accounts and performance, only the Parliament, as the highest legislative body, can hold the Government fully to account for the management and expenditure of public money. In order to clarify where Kosovo presently stands in the oversight of public finances, we are going to map the structures and institutions which deal with oversight of public finance. This paper examines the three (3) tiers related to the oversight of expenditure of budget organisations, which are involved in improving their transparency, accountability and the control of legality of their expenditure. The three tiers examined are the Internal Auditor, the Office of Auditor General and the Parliamentary structures responsible for Oversight of Public Accounts.

This paper will also look at how other parliaments function in the process of oversight of public finances. The two parliaments selected as models of comparison are the Parliament of the United Kingdom and the National Assembly of Slovenia, present good examples of parliamentary oversight of public accounts that could serve a model for the Kosovo Assembly. The UK Parliament was chosen because of its long standing history of Parliamentary oversight of public accounts, and Slovenia because of its similar history, size and application of parliamentary oversight of public accounts.

II. Oversight of Public Accounts in Kosovo

The process of oversight of public accounts and expenditure in Kosovo is carried out in three different tiers. The first tier is the internal audit, which is carried out within the public institutions that are recipients of public funds. Every budget organisation recipient of public money is obliged to have an internal auditor or procure the services of an Internal Auditor in case they do not have one.¹ The internal auditor's job is to review the expenditure of the budget organisation in light of the laws and practices for benefit of the budget organisation for which it carries out the auditing.

The second tier of oversight is the external audit, which is conducted by external institutions mandated to independently review the manner in which public institutions have managed the public funds. The Law on Public Financial Management and

¹ Law on Internal Audit, No. 02/L-74, Article 8.1

Accountability (LPFMA) provides that every budget organisation and public undertaking which is a recipient of public funds will have to undergo an independent audit process provided by the Office of the Auditor General.² The office of the Auditor General is an independent constitutional institution for economic and financial control of public institutions which reports only to the Assembly of the Republic of Kosovo.³

Finally, the third and most important tier of oversight of public finance is the Parliament. As the highest legislative body the Assembly of Kosovo, ensures the existence of an independent auditing institution, and carries out the final approval of the budget proposed by the Government and as such also carries out the duty to oversee the manner in which the budget is spent.

a) Internal auditor

Every public institution and autonomous public undertaking, recipient of the money from the Kosovo Consolidated Fund is in principle obliged to have an internal auditor.⁴ Based on the Law on Internal Audit public organisations in failure to hire internal audit officers and maintain an internal audit unit, are obliged to procure the services of an Internal Auditor. The law stipulates that in case of failure of the budget organisation to do so, based on the recommendations of the Central Harmonization Unit (CHU) the Minister of Economy and Finance shall request the Auditor General to conduct an external audit of that budget organisation.⁵

The duties of the Internal Auditor are to evaluate economic efficiency, effectiveness and the legality of expenditures, as ascribed by the CHU. Internal auditors produce quarterly and annual reports of economic efficiency, effectiveness, and legality of expenditures which are initially submitted to the manager of the Budget Organisation and then to the CHU.⁶ In case of substantial irregularities the report, upon recommendation of the manager, should be discussed by the Audit Committee,⁷ after whose approval the report

² See articles 47 and 48 of the Law on Public Financial Management and Accountability, No. 03/L048.

³ Law on the Establishment of the Office of the Auditor General of Kosovo and the Audit Office of Kosovo, No. 03/L-075.

⁴ See article 9.1 of the Law on Internal Audit, No. 02/L-74.

⁵ See article 8.2 of the Law on Internal Audit, No. 02/L-74.

⁶ See article 13.2 (g) of the Law on Internal Audit, No. 02/L-74.

⁷ According to article 5 of the Law on Internal Audit, No. 02/L-74, an Audit Committee is composed of the Chief Administrative Officer, and a least three other members of the senior management of the concerned budget organization.

is sent to the CHU which drafts annual reports for the Ministry of Economy and Finance (MEF). After the MEF has presented it to the Government for review and approval, it is sent to the Assembly for information and further deliberation.⁸ This process ensures continuous oversight of expenditure. It also ensures greater operational efficiency, budgetary and financial discipline, and legal and regulatory compliance by public sector entities.

The internal audit is performed based on the Annual Action Plan which is based on a risk analysis carried out by the internal auditors and the requests and recommendations from the management of the Budget Organisation (BO). The internal auditor's report considers the performance, management and spending of public money by the budget organisation or public undertaking and their adherence to the legally prescribed procedures. The findings are presented to the management and to the CHU; the internal auditor describes the results and provides recommendations on overcoming or amending possible violations. It is the obligation of the management to reply with an action plan which will address the recommendations provided by the internal auditor.⁹ It is worth noting that many budget organisations ask the internal auditor to audit previous recommendations issued for the same budget organisation. The internal auditor is also obliged to assign 20% of their time for the needs of the higher management in case there is a request for an ad-hoc audit or other.¹⁰

b) Office of Auditor General

The second tier of oversight is performed by the Office of the Auditor General (OAG). While the internal audit performs auditing for a budget organisation and is accountable to the government, the auditor general is mandated to audit all budget organisations and other entities in Kosovo that are either more than 50 % publicly owned or receive funding from the Consolidated Budget of Kosovo and is accountable to the Kosovo Assembly.¹¹

⁸ Interview with Mr. Kosum Aliu, director of the Central Harmonization Unit. 20 August 2009.

⁹ Interview with Naile Hoti, Director of Internal Audit of the Kosovo Customs, 28 August 2009.

¹⁰ Manual for Internal Auditing, Central Internal Audit Harmonization Unit, December 2008

¹¹ Law on the Establishment of the Office of the Auditor General of Kosovo and the Audit Office of Kosovo, No. 03/L-075, Articles 3.1 and 3.2.

In the immediate post-war period the auditing in Kosovo was carried out by the Netherlands Court of Audit, which was externally contracted by UNMIK¹² based on the provisions of the UNMIK Regulation 1999/16, which called for the assurance of proper independent auditing by the Special Representative of the Secretary General (SRSG).¹³ The Netherlands Court of Audit performed auditing services from 1999 until 2003 when UNMIK established the Office of the Auditor General based on Regulation 2002/18. According to this law the Auditor General was appointed by and accountable to the SRSG.

Since Kosovo's independence the Auditor General performs his duties based on the Constitution of the Republic of Kosovo and the Law on the Establishment of the Office of Auditor General.¹⁴ Although according to the Constitution and the Law on Establishment of the Office of the Auditor General, the Auditor General is selected by the Assembly of Kosovo, the transitional provisions therein stipulate that *"until the end of international supervision of the implementation of the Comprehensive Proposal for the Kosovo Status Settlement, the Auditor General shall be an international appointed by the International Civilian Representative"*.¹⁵

The Auditor General's duties include the conducts of Performance and the Regularity Audits. The Performance auditing is the auditing of economy, efficiency and effectiveness with which the audited entity managed its funds whilst the the Regularity Audit is the scrutinization of the financial statements and other financial records of budget organisations for the atestation of their compliance with the law. ¹⁶

The manner of auditing in Kosovo is based on the standards of the International Organization of Supreme Audit Institutions (INTOSAI), European Union (EU) and other relevant international auditing standards, as well as relevant requirements of the

¹² See the official web site of the Netherland court of Audit for more details at:

<http://www.courtsofaudit.com/dsresource?objectid=64516&type=org> (accessed on 18.08.2009)

¹³ See section 5 of the UNMIK Regulation 1999/16 on THE ESTABLISHMENT OF THE CENTRAL FISCAL AUTHORITY OF KOSOVO AND OTHER RELATED MATTERS

¹⁴ Article 136 and 137 of the Constitution of the Republic of Kosovo regulate the functioning of the Audit General Office. Similarly article 2 of the Law 03/L-075 on Establishing the Office of the Auditor General regulates the establishment and functioning of the OAG.

¹⁵ See article 157 of the Constitution of the Republic of Kosovo and article 8 of the the Law 03/L-075 on Establishing the Office of the Auditor General.

¹⁶ See article 1 of the Law on the Establishment of the Office of the Auditor General of Kosovo and the Audit Office of Kosovo.

Kosovo Board on Standards for Financial Reporting (KBSFR).¹⁷ The above mentioned standards require a set of norms to be followed by the Office of the Auditor General, thus ensuring the transparency and efficiency of public expenditure and increasing the level of accountability.

Auditing by the Office of the Auditor General conducted in the previous years was quite different from the system which is currently being introduced and implemented. According to Mr. Lage Olofsson, the Auditor General of Kosovo, previously the auditing began only after the OAG had received the Annual Financial Statements from budget organisations, which was by 30 March each year. The OAG had to pick a number of organisations to be audited during the spring, and then another batch during the summer and the ones remaining were audited in the autumn. The Final Audit Report was then submitted to the Assembly, at the latest by November.

The new cycle of audit is quite different. Under the new system, the audit starts in September of the current year. Based on the risk and materiality analysis on the Kosovo Consolidated Budget (KCB) the OAG plans for an interim audit of budget organisations. The period of interim audit ends on 30 March of the following year, and the Final Audit begins once budget organisations have submitted their Annual Financial Statements. The final draft of the Annual Financial Report of the OAG is submitted to the Assembly on the 31 August of the following year.

The OAG is aware that they lack the capacities to conduct the audit of all budget organisations. In order to tackle this the Government of the Republic of Kosovo, with the purpose of achieving European standards of financial control, has agreed to double the number of external auditors by increasing their number for 20% per year over the next 5 years.¹⁸ Unfortunately, according to the Auditor General, this increase has not happened to date, and the Assembly has not made any steps to facilitate the needs of the OAG.¹⁹

¹⁷ *Ibid* article 3 of the Law on the Establishment of the Office of the Auditor General of Kosovo and the Audit Office of Kosovo.

¹⁸ 2008 Action Plan for Implementation of the European Partnership for Kosovo.

¹⁹ Interview with Lage Olofsson, Auditor General of Kosovo, 26 August 2009.

When considering the work of the OAG one has to also note that in the past the OAG did not give an opinion in their Annual Financial Reports, however, this year the Auditor General has provided opinion. In the past only five (5) copies of reports were published and sent to the Parliament and the Government, while presently the Auditor General is planning to submit around 300 copies of reports to different relevant local and international institutions in Kosovo.²⁰

c) Parliamentary Oversight of Public Accounts in Kosovo

Parliamentary oversight of public accounts in Kosovo is a new concept and one that is developing at a dynamic pace. Since the deployment of UNMIK in 1999 and until the declaration of independence in 2008 the oversight of public accounts was under the legal authority of the SRSG. However, following the independence of Kosovo and the gradual down scale of UNMIK competences, the parliamentary oversight of public accounts entered a new phase of responsibilities, including the oversight of the expenditure of public finances. As such, Kosovo is the first country in the region of Western Balkans to take the decision of establishing such a committee. This initiative will increase Kosovo's good governance capacities and also move in the direction of EU integrations, increasing the standard of oversight by introducing a body which is to deal specifically with the oversight of public accounts.

The Kosovo Assembly, as the highest legislative body, is the final and most important tier of oversight of public finances. According to the current Rules of Procedure (RoP) in force in the Assembly the oversight of public accounts is carried out by the Committee for Budget and Finances (CBF).

The Assembly's Committee for Budget and Finance is a permanent Committee of twelve members. Its membership is composed of all the political parties represented in the Assembly and reflects the general composition of the Assembly, the majority party holding the chair position of the Committee.

It is one of the most important Committees in the Assembly as it has the power to review the Annual Budget of all Budget Organisations and is the only Committee with the power to make recommendations to the Assembly with regard to the national

²⁰ Ibid.

budget.²¹ Furthermore, this Committee is authorised to oversee the manner in which the budget was and is spent. Thus, the Committee has a dual responsibility; firstly, it is mandated to deal with all budgetary matters; and secondly, it is responsible for the review of the expenditures of the budget. The table below separates the two fields with which this committee is tasked with:²²

Parliamentary Committee for Budget and Finances	
1. Competences on budget	2. Competences on oversight of public accounts
<p>The Budget and Finance Committee shall review:</p> <ul style="list-style-type: none"> a) budgetary and financial matters; b) the annual budget of the PISG,²³ in accordance with Rule 35, paragraph 10; and c) the budgetary implications for the first and the following years reported with a draft law and make recommendations to the appropriate Functional Committee or Assembly. 	<p>The Budget and Finance Committee shall also be responsible for examining the annual reports and the audited financial statements of the Kosovo Consolidated Budget relevant to the budget of the Provisional Institutions of Self-Government and other audit reports relating to the operations of the Assembly, the President, the Government, Ministries or other activities of the Provisional Institutions of Self-Government supported directly or indirectly by the Kosovo Consolidated Budget.</p>

The Rules of Procedure (RoP) currently in use by the Kosovo Assembly were drafted under the provisions of the Constitutional Framework of the Provisional Institutions of Kosovo. However, with the promulgation of the Constitution of the Republic of Kosovo, a new set of Rules of Procedure had to be drafted. These draft Rules of

²¹ Article 35, paragraph 10 of the Rules of Procedure of the Assembly of Kosovo. Please see: <http://www.assembly-kosova.org/common/docs/Z-Rregullore%20e%20punes-anglisht-20%20maj%202005-me%20ndryshime.pdf> (accessed on 21.08.2009).

²² Rule 51 of the Rules of Procedure of the Assembly of Kosovo, which defines the mandate and duties of the Committee for Budget and Finance.

²³ After the declaration of independence, the Provisional Institutions of Self Government (PISG) ceased to exist and are now the Government of Kosovo.

Procedure have passed the first reading in the Assembly, but they have not been adopted yet, and their formal adoption is expected in the near future.²⁴

Chapter 13, article 69, of the new RoP sets out the new composition of the Assembly, to be comprised of four permanent and twelve functional committees, with the possibility of the establishment of ad hoc committees. In matters pertaining to financial issues, the new draft RoP envisages two bodies to deal with it: the permanent Committee for Budget and Finance; and the functional Committee for Oversight of Public Finance.

The duties and responsibilities of the Committee for Budget and Finance (CBF) foreseen in the new draft RoP, have increased the authorities of this committee to also deal with the monitoring of the implementation of legislation related to the work of the committees, as described below.

The second Committee established to deal with financial issues, as envisaged in the new RoP, is the functional Committee for Oversight of Public Finances (COPF). Although, as mentioned above, the new RoP has not been formally approved, the decision to establish the COPF was taken in the Assembly meeting of 24 July 2009.²⁵ The Assembly decision of 24 July does not describe the duties and responsibilities of the COPF, but duties and responsibilities of the new committee of COPF are assigned by the new RoP. The CBF is supported only by 3 permanent staffers assigned to this committee, of which only one has expertise needed for implementation of duties and responsibilities of CBF. The competences of the two committees in the new Draft Rules of Procedure of the Assembly of Kosovo are as follows:²⁶

²⁴ Interview with Mr. Naim Maloku, member of Presidency of the Kosovo Assembly. 27. 07. 2009.

²⁵ A copy of the decision made by the Kosovo Assembly in the session of 24th of July 2009 has been made available by Assembly officials.

²⁶ Draft Rules of Procedure of the Assembly of Kosovo.

<p style="text-align: center;">Committee for Budget and Finance</p>	<p style="text-align: center;">Committee for Oversight of Public Finance</p>
<p>The Budget and Finance Committee is a permanent committee.</p> <p>The Committee within its scope of work and its responsibilities shall review all issues related to the budget and finances in Kosovo. The scope of work of this committee are:</p> <ul style="list-style-type: none"> - Review the annual Budget of Kosovo and its revision; - Budgetary and financial matters; - The budgetary implications for the first and the following years reported with a draft law and make recommendations to the appropriate Functional Committee or Assembly; - Examine the annual reports and the audited financial statements of the annual budget of Kosovo; - Examine the Audit financial reports relating to the operations of the Assembly, the President, the Government and other state and public institutions of Kosovo supported directly or indirectly by the Kosovo Budget; - Report time to time, on its own initiative or after a request from the Assembly, in a plenary session on the issues falling under its scope of work; - Engage in the review of the Government programme, the manner and level of its implementation in the field of finances and gives recommendations to the Assembly; - Cooperate with the Ministry of Economy and Finance and the Government, which is obliged to provide all the information requested by the 	<p>Committee for Oversight of Public Finance is a functional committee, its scope of work is to:</p> <ul style="list-style-type: none"> - Review periodic reports of the Ministry of Economy and Finance, on the expenditure of the institutions of Kosovo; - Review the reports of the Office of Auditor General in regards to public institutions; - Oversee the implementation of the Law on Public Financial Management; - During the examination of reports, conduct informational hearings in which government officials and others are invited to report on the content of the report; - Report to the Assembly of the Republic of Kosovo, based on the Rules of Procedure of the Assembly; - Based on main findings, draft reports with recommendations and submits for review and approval to the Assembly; - On periodic basis requests reports from respective institutions on the progress achieved on the implementation of recommendations of this committee.

<p>Committee, including the reports of the minister and all other authorized persons within ministries;</p> <ul style="list-style-type: none"> - Review legislation in the fields relating to budget and finance; - The right to initiate and draft laws; - Review draft laws and substantive motions relating to them as well as the general activities of the Assembly and other institutions relating to its scope of work; - Oversight of the implementation of laws relating to its scope of work; - The committee also exercises other duties which are assigned to it by this Rules of Procedure. - Review of other issues prescribed by this Rules of Procedure and other issues which, by a special decision of the Assembly, are transferred to this Committee; 	
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The new RoP not only leaves both budgeting and oversight mandates under the competence of the CBF but also increases the level of its competencies by including monitoring and implementation of legislation. This could pose 3 major problems:

First, the duties CBF performs in planning, reviewing and monitoring of the implementation of certain laws, could directly pose a conflict with the authority to oversee the expenditure incurred by implementation of those laws. The CBF should be focused on the financial implications of new legislation; it should not be focused on the manner in which the expenditure has occurred.

Second, due to the wide ranging nature of its obligations and authorities, the CBF will not be able to properly conduct the obligations of oversight of public accounts assigned to it by the Rules of Procedure. For instance, out of 117 points which were discussed in the meetings of the Budget and Finance Committee during the first half of 2009, only 8

were related to the oversight of public finances, which makes up 6% of topics discussed. The same is true for the previous year. In 2008 the CBF only considered issues dealing with oversight of public finances on 11 separate occasions, which again is only 6% of the 183 topics discussed. What's more, issues relating to the expenditure of public finances never made the top of the agenda of this committee.²⁷ The establishment of Committee for Oversight of Public Finances will certainly change this situation, as it will be specifically tasked and authorized to deal with matters pertaining the expenditure of public funds.

Finally, and most importantly, the CBF competences as described by the new RoP create a clash of competences between the CBF and newly established COPF. The competences highlighted in the table above present a direct clash with the newly established COPF. And this clash of competences, assigned with no clarification on how to discharge them, will in all likelihood have a negative impact in the process of oversight of public accounts. The CBF is a permanent committee which takes precedence over the functional committees. Whilst the CBF is chaired and made up of majority party representatives, the COPF is chaired by the opposition; this could create a conflict of interests.

d) Inter-institutional relations on oversight of public finances

For effective oversight of public finances there needs to be a strong link between the three (3) tiers of oversight described above. The relationships between these should be regulated by law or other legal acts, but equally there also need to be strong relationships based on mutual institutional understanding and respect.

These tiers of oversight reflect the vertical and horizontal oversight of public accounts. These two vertical lines are the Government of Kosovo and the Assembly of Kosovo.

Legally the Auditor General has unlimited access to all documents of a financial nature in all budget organisations. As such its relations with the institutions under its scope of auditing are regulated in two ways. They are regulated either by law where, as stated above, the OAG has unlimited access to all the documents of financial nature in the

²⁷ Taken from Meeting Minutes published under the Committee for Budget and Finance in the official web page of the Assembly of the Republic of Kosovo. Please see <http://www.assembly-kosova.org/?cid=2,110,76&c=p>, last accessed 24 August 2009. The topics concerning the oversight of expenditure were never put as the first or even the second topic in the agenda of the CBF.

budget organisations, or by establishing an accountability culture within the budget organisations by encouraging them to be as transparent as possible, which the OAG is trying to achieve.²⁸

The OAG's primary point of contact within a budget organisation is the internal auditor. Its relations with internal auditor is regulated by law²⁹ but a positive informal relationship has also been established between the two offices.³⁰ Legally, after the completion of the required procedure to initiate the external audit, the internal audit unit is responsible for providing the external auditor with all the necessary documents and support in the process of auditing. However, this does not always work in practice and there have been cases when budget organisations did not cooperate fully with external auditors. The most recent case occurred when the external auditors were pressured by the Ministry of Transport and Post-Telecommunication to change the auditors, to the extent that auditors were expelled from the institution.³¹ In such cases the Assembly should intervene to ensure the institutional independence to OAG in the conduct of its work.

The OAG is mandated to prepare reports which detail the use of public money by the executive, but it is not mandated to enforce corrective action and track the executive's compliance with its findings. In order to achieve this, the OAG needs to be linked to a politically stronger institution within the democratic system of governance. A link with the Assembly is essential so as not to produce account and audit reports which are ignored. Based on the Constitution of the Republic of Kosovo and the law on the Establishment of the Office of Auditor General, the OAG is accountable directly to the Assembly. However, the way OAG reports are treated by the Parliament and the impact they have in the government regarding expenditure is a matter of debate.

Although there is a direct link between the internal auditors and the OAG, there is no direct link between the Assembly and the internal auditor. There is, however, an indirect link through the reports submitted to the CHU, which after approval by the government are sent to the Assembly

²⁸ Interview with Lage Olofsson, Auditor General of Kosovo, 26 August 2009.

²⁹ Law on Establishment of the Office of the Auditor General and the Kosovo Audit Office. Law No. 03/L-075, and the Law on Internal Audit. Law no. 02/L-74

³⁰ Interview with Lage Olofsson, Auditor General of Kosovo, 26 August 2009.

³¹ Koha Ditore, Saturday 22 August 2009. Ministria e Limajt Përzë Auditorët-Limaj's Ministry Expels Auditors.

The Assembly, being the ultimate authority, may request for extraordinary audits to be carried out, in addition to the regular reports the OAG is legally required to prepare. Upon a written request by the Assembly or the Government, the OAG may conduct a Regularity or Performance audit of any budget organisation. In addition, upon a written request by a donor, the OAG may conduct an audit of donated funds.³²

Unfortunately, currently neither the legal basis nor the mutual inter-institutional understanding is functioning well. The time and space given to OAG reports are only symbolic and the expulsion of an external auditor from a government institution while performing an audit clearly shows that the implementation of legal provisions is only partial at best.

One of the most essential elements of democratic government is the appropriate use of public money. The usage of public money in an accountable, effective (making sure to take into account value for money), and transparent manner is a responsibility bestowed upon the Government. The OAG can help to make sure that the process of accountability, effectiveness, and transparency are properly implemented by the government through its independent review of accounts presented to it by the government.

III. Best Practices of Parliamentary Oversight of Public Accounts

While looking into examples of how other Parliaments conduct the oversight of public finances, we have found that none of the Parliaments in the region of Western Balkans has a specific committee dealing with the oversight of public accounts.

As oversight of public finances is one of the major requirements for EU integrations, a column is included to map where each of the countries in the Western Balkans stands in this regard. The table below maps the structures dealing with the public accounts in the region of Western Balkans and their EU integration status.

³² See article 3.7 and 3.11 of the Law on the Establishment of the OAG of Kosovo and the Audit Office of Kosovo. Law No. 03/L-075.

Country	Committee	Scope of Work	EU Integration status
Albania	Committee on Economy and Finances	Budget and oversight of Expenditures	Submitted the Application for membership
Macedonia	Finances and budget committee	Budget, finances and oversight of public expenditure	Candidate Status
Croatia	Finance and Central Budget Committee	Finances, Budget, Public Accounts and Economy	Candidate status
Montenegro	Committee on Economics, Finance and Budget	Finances, Budget, Public Accounts, and Economy	Submitted the Application membership
Serbia	Finance Committee	Budget and Annual Balance	Stabilisation and Association Agreement (SAA)
Bosnia and Herzegovina	Committee for Budget and Finances	Execution and monitoring of budget execution	Stabilisation and Association Agreement (SAA)

Although the countries of the Western Balkans presented above have a longer tradition in statehood and are more advanced in the process of EU integration than Kosovo, they still make use of a single parliamentary body to deal with the budget as well as perform oversight of public accounts.

It is clear that other countries of the Western Balkans will have to establish structures for oversight of public finances as it is a requirement of the European Union that every member has in place a system of oversight of public finances. In most cases the most efficient and mostly practiced way is through a separate committee which focuses on oversight of public accounts.³³

For the purpose of giving examples of how specific parliamentary oversight of public finances function, we have concentrated on two countries which have separate parliamentary committees for public accounts. While acknowledging the fact that the following countries have additional mechanisms for oversight of public finances, this paper focuses only on the parliamentary dimension. The Parliament of the United

³³ For more information see the European Court of Auditors, www.eca.europa.eu.

Kingdom of Great Britain and Northern Ireland (UK) and the National Assembly of the Republic of Slovenia were consulted.

The UK committee for public accounts has been chosen because of its long standing history and tradition in the oversight of public finances. On the other hand the National Assembly of Slovenia has been chosen not only because it is considered a successful new member of the European Union with which Kosovo shares similarities in geography and population, but also because the Kosovo Assembly since its outset has consulted the Parliament of Slovenia in the way it was structured and also looks to it as a role model in institutional, legislative and other state building aspects.

a) The Parliament of the UK

The UK parliament is not only one of the oldest parliaments in the world, but it is one of the first parliaments to establish a special committee dealing with oversight of public accounts. It has developed a model which is being applied throughout the Commonwealth.

In the UK the Government’s budget is drafted by the Chancellor of Exchequer (Minister of Finances) and it is presented to the Parliament in a plenary session for approval. There are two important committees of the UK Parliament which then deal directly with the oversight of public accounts. They are the Committee for Public Accounts and the Public Accounts Commission. The following table shows their scope of work.

Committee for Public Accounts	Public Accounts Commission
Based on the National Audit Act 1983, the main work of the Committee is: the examination of the Reports made by the Comptroller and Auditor General (C&AG) on his value for money (VFM) studies of the economy, efficiency and effectiveness with which Government Departments and other bodies have used their resources to further their objectives	Based on the National Audit Act 1983 the main role of the Commission is: To examine the National Audit Office estimates; To consider reports from the appointed auditor of the National Audit Office; and to report from time to time.

The difference between the two bodies tabled above is that while it is in the power of the Committee for Public Accounts to review the reports produced by the National Audit Office (NAO) on the expenditure of the Government and issues recommendation on the value for money, the Public Accounts Commission has to ensure existence and proper functioning of the NAO and its independence. The Public Accounts Commission does not deal with the content of the audit reports. For the purpose of this paper we will focus only on the functions and mandate of the Committee for Public Accounts.

The initial recommendation for the establishment of this committee came in 1857, however it was not until the 1861 that the committee was established. Initially it was founded as an ad-hoc Committee, but in 1862 the Committee became a permanent Committee of the UK Parliament. The members are nominated at the beginning of each Parliament on the basis of a motion made by a Government minister, after consultation with the Opposition.³⁴

The Committee for Public Accounts, as a select committee, is comprised of 16 members of the UK Parliament which reflect the composition of the Parliament and one ex-officio member, the Financial Secretary of the Treasury. The chairman of the Committee is traditionally a member of the opposition and is always an ex Minister.³⁵

The main work of the Committee is the examination of the Reports produced by the Comptroller and Auditor General (C&AG) on his value for money studies of the economy, efficiency and effectiveness with which Government Departments and other bodies have used their resources to further their objectives. About 50 of these reports are adopted by the Committee, either by taking oral evidence or, occasionally, by sending written questions to the Government departments concerned, for further clarification. The Committee's objective is to draw lessons from past successes and failures which can be applied to future activity by the department examined or more generally.

³⁴ See the official web page of the UK Parliamentary Committee for Public Accounts at: http://www.parliament.uk/parliamentary_committees/committee_of_public_accounts/pachist.cfm (accessed on 19.08.2009). Before December 1974, members were nominated at the beginning of each Session.

³⁵ Interview with Mr. Mark Etherton, Clerk of Committee for Public Accounts, the UK Parliament. 08.09.2009.

This committee oversees the value for money of the central British Government and reviews about 2/3 of the C&AG reports and issues *desideratum's* to the government. The government then has two weeks to reply and explain the course it will take to establish the required recommendations sent to it by the Committee for Public Accounts.³⁶

b) The National Assembly of Slovenia

Within the Slovenian National Assembly there are different structures overseeing the work of the government. They are divided into Commissions, which deal with broad issues pertaining to the work of the government, and Committees, which deal with more specific issues or single departments of the government.³⁷

With regard to the budget and implementation of the Budget, the Slovenian National Assembly has two working bodies. Namely one Commission for Public Finance Control and Committee on Finance and Monetary Policy.

Their Scope of their work is:

Commission for Public Finance Control	Committee on Finance and Monetary Policy
<p>The Commission for Public Finance Control:</p> <ul style="list-style-type: none"> - controls the implementation of the state budget and the financial plans of the Pension and Disability Insurance Institute of Slovenia, the Health Insurance Institute of Slovenia, and the public institute Radiotelevizija Slovenija in terms of legality, purpose and efficiency of spending, and the accuracy of their financial statements on the basis of Court of Audit reports; - monitors the implementation of the budgets of local communities which 	<p>The Committee on Finance and Monetary Policy discusses draft laws, other acts, and issues relating to:</p> <ul style="list-style-type: none"> - public finance revenue, - the budget and public procurement, - the treasury and public accounting, - the tax and customs systems, - the financial system, - the central banking system and monetary policy, - the prevention and detection of money laundering, - gaming, - state aid

³⁶ Interview with Mr. Mark Etherton, Clerk of Committee for Public Accounts, the UK Parliament. 08.09.2009.

³⁷ Interview with Mr. Jozef Koncam, secretary to the Commission on Public Finance Control of the National Assembly of Slovenia. 21 08.2009

<p>receive financial resources to balance their accounts, and controls the intended use of resources allocated from the state budget;</p> <ul style="list-style-type: none"> - controls the implementation of financial plans and the accuracy of the financial statements of public funds, public enterprises, and public institutes founded by the Republic of Slovenia; and - reports to the National Assembly on the control performed and proposes necessary measures. 	<ul style="list-style-type: none"> - public property, - the operations of the Slovenska odškodninska družba d.d. (Slovenian Restitution Corporation) and the Kapitalska družba pokojninskega in invalidskega zavarovanja d.d. (Pension and Disability Insurance Corporation), and - other related issues dealt with by the competent ministry. <p>The Committee discusses EU affairs pertaining to its scope of work.</p>
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A committee competent for budgetary control was first established in the parliamentary term 1992 - 1996. The committee held its first meeting on 15 September 1993. Before that, parliamentary public finance control was carried out by the Committee on Finance and Credit and Monetary Policy. Following the 2000 amendments to the Rules of Procedure, the Committee on Budgetary and Other Public Finance Control was renamed the Commission for Budgetary and Other Public Finance Control, to finally become the Commission for Public Finance Control in 2007.

Most importantly the requirements posed by the EU integration process and accession of Slovenia into the EU in 2004, played a significant role in the practice of oversight of public finances.³⁸ The requirement set forth by the European Court of Auditors and the increased capacities of the Court of Audit of the Republic of Slovenia,³⁹ has further strengthened the role and efficiency of the Committee.

According to the Rules of Procedure of the Assembly of Slovenia, the Commission for Public Finance Control is comprised of 11 members and is one of the five standing parliamentary bodies, meaning it must be established in every parliamentary term. Further, the leading positions, such as the Chairperson, and the majority of the seats on the Commission for Public Finance Control are to be held by the MPs of the opposition parties.⁴⁰

³⁸ Presentation by Mr. Milan Martin Cvikl, Member of the National Assembly of Slovenia, in Istanbul February 27, 2008.

³⁹ Through twinning projects with the National Audit Office of the UK.

⁴⁰ See Article 33, Paragraph 3 of Rules of Procedure of the National Assembly (PoDZ-1) (please see <http://www.dz-rs.si/index.php?id=271&docid=34&showdoc=1>, accessed 24 August, 2009)

The notion of public control by the National Assembly of Slovenia, is a very important element in the democratic control of the Government and follows a cycle of Parliamentary oversight from the inception of the law on budget to the implementation of the same. There is evidence of strong cooperation between the Commission for Public Finance Control and the Court of Audit of the Republic of Slovenia as well as between the Commission and other state bodies responsible to report to the Commission in regards to public finance.

An important element is the reporting process of the Court of Audit to the Commission. The reporting process is achieved at three levels: meetings of the chairperson of the Commission and its specialised staff with the Court of Audit; official hearing sessions of the Commission with the Court of Audit; and the exchange of recommendations drawn by the Commission with the Court of Audit and the audited institutions. At the end of the reporting cycle the Commission employs services to monitor the implementation of the recommendations. This system ensures a greater transparency of the work of each institution and ensures accountability of the Government bodies towards the Commission and the Parliament.

IV. Public finances control in Kosovo in the light of best practices

The legal conundrum with regard to the operations of the parliamentary structures in the Kosovo Assembly has created havoc in the process of oversight. At the time of finalising this paper, and as shown above, Kosovo Assembly lacks the abilities to exercise a functional oversight of public accounts. As seen above, this function is still carried out via the Committee for Budget and Finances, which manages to only symbolically deal with oversight by including it in only about 6% of its discussions and deliberations.

As sound financial oversight is the cornerstone of good governance and is a requirement in the process of EU integrations, checks and balances have to be introduced which would ensure accountability in the utilisation of public funds and oversight of the same. Kosovo's initiative to establish a new committee, which will have an exclusive role on the oversight of public accounts, is an extraordinary first step towards meeting the requirements of good governance and requirements posed by the EU.

However, this by itself is not sufficient, particularly bearing in mind the legal background, administrative capacities and the lack of cooperation with other institutions with special emphasis on the OAG, as well as the lack of clarity of the mandate.

The UK Parliament with its long history in oversight of Public Accounts has a legacy of good parliamentary practice. The dual system in which it operates where, on the one hand, the Public Accounts Commission makes sure that proper auditing of government accounts with all necessary resources available is in place and ensures the independence of the auditing, and on the other hand, there is the Committee for Public Accounts which reviews the audited Government accounts and makes sure that the Government provides the best value of money. In addition, it is very important to point out that the Committee for Public Accounts has primacy on any matter that is the subject of the oversight of public accounts, and that the Government is required to respond in due time to the recommendations of the Committee without exception.

Closer to home, Slovenia serves as a good example for Kosovo in the area of governmental financial accountability. Kosovo and other countries in the region tend to look to Slovenia for legislative, administrative and structural guidance. The Slovenian National Assembly established the internal parliamentary structures to deal with the public accounts at an early stage in its developing statehood. However, it was only with their accession to the EU in 2004 that it became efficient. An important element in Slovenia's case is the duality of the parliamentary bodies. On one hand there are Committees whose scope is rather limited to oversight of work of a single government department or institution; on the other hand there are Commissions whose scope covers all public bodies. Thus, the scope of the Commission for Public Finance Control is an exemplary body to be taken in account for its scope of work and institutions it covers.

Although, the Kosovo Assembly has taken the first bold step in establishing the Committee for Oversight of Public Finances, as yet it is still far away from guaranteeing a fully functional system that ensures the proper oversight of public accounts. The parliament of Kosovo is still in a transitional phase with regards to the oversight of public accounts, as the legal power to select or nominate an Auditor General still lies with the international community; additionally in the Assembly there has been very little in debate or follow up on the reports of the auditor general. The Assembly needs to

prepare itself for the time when it will assume full responsibility for the selection of the Auditor General and also prove to the EU that the structures it has erected are functional and effective in conducting the oversight of public finances.

In the light of the examples presented above and regardless of who is in power Kosovo needs to establish proper structures that will ensure the existence of a public body which audits government accounts and also makes recommendations concerning value for money. The capacities of this committee should also be strengthened and the mandates between it and the Committee for Budget and Finance should be clarified by giving it primacy over all issues concerning the oversight of public accounts.

V. Recommendations

1. Because of the possibility of overlapping mandates, the Assembly should clarify the mandates of the Committee for Budget and Finance and the Committee for Oversight of Public Finance in the Rules of Procedure of the Assembly.
2. The Committee for Oversight of Public Finance should be granted the primacy on matters which are subject of oversight of public finance over any other committee of the Assembly of Kosovo.
3. The Assembly of Kosovo should ensure the independence and authority of OAG in performing its legal obligation in financial and performance audits.
4. The Government should respect the EPAP agreement of 2008 and start allocating resources in order to increase the number of auditors to the OAG based on the schedule presented in the EPAP 2008.
5. The International community should pay special attention to increasing the capacities of administrative staff of the Assembly in General and its Committees; specifically to enable them to conduct research and position papers, and organise public hearings.

Annex I - Draft Model of RoP for the Committee for Oversight of Public Finances

(1) The purpose of the COPF should be to hold the public entities to account for the lawfulness, efficiency and effectiveness with which they use public monies.

(2) These Rules of Procedure regulate the internal organization and manner of work of the Committee for Control of Public Finance (hereinafter: the Committee).

(3) The Committee operates as a functional committee of the Kosovo Assembly and performs tasks determined by Kosovo Assembly Rules of Procedure, internal Committee Rules of Procedure, and any other law or regulation dealing with control of the use of public funds.

(4) The Committee:

- a) shall consist of nine (9) members of the Kosovo Assembly who have full mandates;
- b) shall be chaired by a member of the opposition parties;
- c) Members of the committee shall be proportionally divided: four (4) from political parties in position, three (3) from political parties from the opposition (including the chairperson), and two (2) members from parties or groups representing the minority communities in Kosovo Assembly (one of whom shall be from opposition);
- d) Members of the committee shall not be members of the Committee for Budget and Finance.

(5) The Committee shall discuss:

- the annual financial statement of the state budget together with the audit report by the Office of Auditor General;
- the audit reports by the Office of Auditor General concerning the regularity of operations of direct budget users, public funds, public agencies, public enterprises, and public institutes;
- the performance reports produced by the Office of Auditor General;
- the reports by supervisory bodies of public funds, public agencies, public enterprises, and public institutes funded by the Republic of Kosovo;
- the annual and other reports produced by the Central Harmonization Units (CHUs);
- the reports produced by from the Public Procurement Regulatory Commission.

(6) Additional Tasks

- a) As a functional committee, the Committee shall discuss the annual reports on the work of the Office of Auditor General and carry out the selection of the external auditor to conduct the audit of the Office of Auditor General;
- b) The Committee shall review the budget and the needs of the Office of Auditor General necessary to carry out its duties as required by law;
- c) The Committee shall submit to the Assembly the proposals for the selection of the Auditor General.

(7) The Committee may also:

- a) Discuss the interim audit reports produced by the Office of Auditor General;
- b) On the basis of debates and hearings held, prepare reports for the Kosovo Assembly. It may propose that the Kosovo Assembly discuss report(s) and take additional measures based on the recommendations of the committee;
- c) If a discussion in the Kosovo Assembly is proposed, the Committee prepares draft decisions (measures) to be adopted by the Kosovo Assembly following the discussion;
- d) The Government is obliged to respond to the Committee recommendations within a reasonable time, no longer than (one) a month. If it should take longer than a month, then the government shall inform the committee with the reasons of such delay;
- e) All Budget Organisations are obliged to respond to any inquiries (made) by the Committee including any documents the Committee may request for the purpose of exercising its functions.