



GOVERNANCE

BASEL INSTITUTE ON GOVERNANCE

Transparency Days 2007

State Audit and Budget Transparency

Belgrade, Serbia, 6 and 7 March 2007

Organised by the Anti-Corruption Council of Serbia and the Swiss Embassy in Serbia, in cooperation with the Basel Institute on Governance

Objective

The principal objective of the two-day event organised by the Anti-Corruption Council of Serbia and the Swiss Embassy in Belgrade in cooperation with the Basel Institute on Governance, is to enhance awareness and understanding of the crucial role of supreme audit institutions in combating corruption and ensuring budget transparency. This is of particular importance in Serbia where no such institution has yet been set up, despite the fact that the law that provides for it has already been passed. In doing so, the conference also intends to reinforce and strengthen knowledge about basic budgetary and financial management procedures. As such, the Belgrade Transparency Days seek to inform Members of Parliament, representatives of concerned ministries and government agencies, the media and other civil society groups about the impact of misguidance of and lack of control over public expenditure, and to provide more information on potential remedies.

During these two days, participants receive theoretical and practical know how in the field of budget oversight and their potential role therein, with a particular emphasis on the role of state audit institutions. Additionally, they will learn about the importance of access to relevant information and best practices examples. As a related outcome, the transparency days will allow to forge contacts with experts and specialised institutions from abroad and as such establish formal and informal long-term partnerships. Sustainability and long-term impact of the event will also be fostered by making expert contributions available on the internet.

Draft Agenda:

Tuesday 6 March 2007

09h00-10h00

Opening

MR WILHELM MEIER, AMBASSADOR OF SWITZERLAND IN SERBIA

Opening remarks

MRS VERICA BARAC, PRESIDENT, ANTI-CORRUPTION COUNCIL OF SERBIA

Public finance transparency and state audit in Serbia: Challenges for the fight against corruption

MARCELLO FARAGGI, JOURNALIST

Keynote speech

10h00-11h00

Opening plenary

BOŽIDAR ĐELIĆ, FORMER MINISTER OF FINANCE OF SERBIA

Control of budget spending in Serbia – present situation and perspectives

PROF DR YVAN LENGWILER, INSTITUTE OF ECONOMICS, UNIVERSITY OF BASEL, SWITZERLAND

The political economy of controlling corruption

RADOJKO OBRADOVIĆ, FORMER VICE-PRESIDENT OF THE PARLIAMENTARIAN BOARD FOR FINANCES

Update on the status of establishing a supreme audit institution in Serbia

The introductory session will seek to establish the fundamental principles and functions of state audit, including in its relation to the fight against corruption, to transparency and accountability of public administration, as well as when considered from an economic perspective. Participants will further be updated on the status of establishing a supreme state audit in Serbia.

11h00-11h30

Coffee break

11h30-12h45

Budget transparency as a fundamental prerequisite

IAN HAWKESWORTH, ADMINISTRATOR, BUDGETING AND PUBLIC EXPENDITURE DIVISION, OECD

Introducing the basic budget cycle: OECD Best Practices for Budget Transparency

BOŽIDAR RAIČEVIĆ, PROFESSOR AT THE BELGRADE FACULTY OF ECONOMY

Budget transparency

A comprehensive, transparent and timely budget process is a key prerequisite to ensure transparency of public finance and to facilitate the work of external audit. This session will briefly seek to introduce participants to the full budget cycle (budget formulation, timing, execution, evaluation, etc.) in order to illustrate its particular complexity and comprehensiveness and the risks and opportunities deriving there from for budget transparency and the work of state audit. In a second step, this session will look at particular challenges in ensuring transparency throughout this budget cycle in Serbia.

12h45-13h45

Lunch

13h45-15h15 **Conditions for a successful audit**

IGOR SOLTES, PRESIDENT OF THE COURT OF AUDIT, SLOVENIA
Systems and institutions to ensure the independence of auditors in Slovenia

KURT GRÜTER, DIRECTOR, SWISS FEDERAL AUDIT OFFICE
Avoiding overlapping tasks between control organs – cooperation with the national parliament

DEJAN POPOVIĆ, PROFESSOR AT THE BELGRADE FACULTY OF LAW
Conditions for a successful audit

State audit institutions play an important role in the monitoring of the budgetary process. It is unfortunately not always the case that the professional bodies that review and evaluate fiscal activities are able to do their job. Lack of independence is often said to be one of the key reasons for inefficiency of external audit, as well as lack of (financial and in-kind) resources, knowledge and experience. Furthermore, coordination and cooperation with a number of other concerned state institutions are keys to ensuring proper functioning of external audit. Consequently, this session will evaluate some of the formal, material and political conditions for ensuring the effective functioning of state audit, as well as the nature and best practice of relations between state audit and the Parliament.

15h15-15h30 *Coffee break*

15h30-18h00 **Public procurement**

PIERRE-CHRISTIAN SOCCOJA, CENTRAL SERVICE FOR CORRUPTION PREVENTION, FRANCE
Typologies of corruption in public procurement

PREDRAG JOVANOVIĆ, DIRECTOR, PUBLIC PROCUREMENT OFFICE, SERBIA
Transparency in and external control over public procurement processes in Serbia

SAŠA VARINAC, PRESIDENT OF Commission for the Protection of Tenderers' Rights
Typologies of corruption in public procurement in Serbia

LJUBISAV JOLOVIĆ, MINISTRY OF FINANCE, MEMBER OF THE WORKING GROUP FOR DRAFTING LAW ON NATIONAL AUDIT OFFICE
Mechanisms of external audit in determent of corruption in public procurement in Serbia

SLOBODAN GAVROVIĆ, MINISTRY OF FINANCE, HEAD OF AUDIT SECTION
Linking between internal and external audit in order to suppress corruption in public procurement in Serbia

This session will seek to provide participants with the indispensable references on public procurement from the point of view of external control and audit over procurement activities. Notably, it will distinguish the different types of procurement, identify the particularly critical stages of public procurement and the typologies of irregularities, and discuss the technicalities of setting up appropriate control mechanisms that allow state audit to play a preventive and deterring role to corruption and fraud in public procurement.

Wednesday 7 March 2007

09h00-10h45 Transparency at the public-private interface: Enhancing Serbia's attractiveness for domestic and foreign investment

PROF DR YVAN LENGWILER, INSTITUTE OF ECONOMICS, UNIVERSITY OF BASEL, SWITZERLAND

The rationale of transparent public finances – impacts on economic growth

MRS ALENKA PODBEVSEK, CEO, SOCIUS CONSULTING INC.

Keeping the books clean in the private sector - preventing corruption in public licensing

KATA ŠKARIĆ JOVANOVIĆ, PROFESSOR AT THE BELGRADE FACULTY OF ECONOMY

Keeping the books clean in the private sector

MILAN KOVAČEVIĆ, CONSULTANT FOR FOREIGN INVESTMENTS

Influence of corruption on foreign investments

The interdependence of corruption, lack of transparency and the level of investment has been widely acknowledged and is often considered one of the prime motivations for governments to combat corruption. Furthermore, it is estimated that in many countries as much as one third of public investment is being wasted because of corruption. Enhancing transparency, and in particular with regard to public finance, are thus of key relevance to promoting economic growth and long-term development.

This session will elaborate on these points and identify elements in a country's investment strategy particularly prone to fostering corruption or perception of lack of transparency. As public as well as private investment often involves numerous interactions at the public-private interface, be it through shared investment projects or when using various types of public infrastructures by the private sector, this session will further elaborate the need for transparency in public services with a high level of public-private contract, such as public licensing and, on the other hand, discuss measures that need to be taken in the private sector to contribute to transparency and accountability.

10h45-11h00 *Coffee break*

11h00-12h30 State audit and privatisation

PROF GUSZTAV BAGER, DIRECTOR GENERAL, RESEARCH AND DEVELOPMENT INSTITUTE, SUPREME AUDIT ORGANISATION OF HUNGARY

Guidelines for best practices for the audit of privatisations (INTOSAI Working Group on the Audit of Privatisation)

JELISAVETA VASILIĆ, ANTI-CORRUPTION COUNCIL, GOVERNMENT OF SERBIA; AND EXPERT COUNSELOR, SERBIAN PRIVATISATION AGENCY

Privatisation in Serbia – challenges and opportunities

Continuing at the level of particular exposure to corruption due to enhanced public-private contacts, this session will seek to identify particular challenges in the process of privatisation. Privatisation of public property in general, and in transition countries in particular due to the sheer size and speed of the operation, poses enhanced challenges to the endeavour of enhancing transparency and accountability. In the present situation in Serbia, due to the lack of a specialised supreme audit institution, the risks of fraud and corruption in this process are heightened. The setting up of the State Audit Institution is therefore crucial. This session will discuss the particular works of an external audit institution in the process of privatisation, in order to prepare the audience for this work when the respective institution will start operating.

12h30-13h30 *Lunch*

13h30-15h15 **Audit of political party financing**

IGOR SOLTES, PRESIDENT OF THE COURT OF AUDIT, SLOVENIA
Preventing fraud in political party financing in Slovenia

MIROSLAVA MILENOVIĆ, CERTIFIED ACCOUNTANT, MEMBER OF THE AMERICAN ASSOCIATION OF CERTIFIED ANTI MONEY LAUNDERING SPECIALISTS AND CERTIFIED FRAUD EXAMINER
Rules for proper accounting of political party finances

NINA BULATOVIĆ, KPMG
Transparency at the public-private interface

VLADIMIR GOATI, ANTI-CORRUPTION COUNCIL, GOVERNMENT OF SERBIA
Reports on political party financing from the last parliamentary elections in Serbia

Political parties are in surveys from around the world rated to be among the most corrupt institutions within a state structure. Modalities for financing and accounting of political parties are often unclear. Proper accounting rules for political parties are a central first step in ensuring transparency and accountability of the finances of political parties. Depending on the system for political party financing, the role and responsibilities of audit of political party finance further varies. This system will seek to establish the basic principles for transparency in political party financing, and clarify the role of the external auditor in this context.

15h15-15h30 *Coffee break*

15h30-16h30 **The way forward for Serbia – Recommendations, and Closing**

IGOR SOLTES, PRESIDENT OF THE COURT OF AUDIT, SLOVENIA

PROF GUSZTAV BAGER, DIRECTOR GENERAL, RESEARCH AND DEVELOPMENT INSTITUTE, SUPREME AUDIT ORGANISATION OF HUNGARY

FRANCOIS-ROGER CAZALA, PRINCIPAL ADMINISTRATOR, SUPPORT FOR IMPROVEMENT IN GOVERNANCE AND MANAGEMENT IN CENTRAL AND EASTERN EUROPE (SIGMA), OECD

PIERRE-CHRISTIAN SOCCOJA, CENTRAL SERVICE FOR CORRUPTION PREVENTION, FRANCE

IAN HAWKESWORTH, ADMINISTRATOR, BUDGETING AND PUBLIC EXPENDITURE DIVISION, OECD

KURT GRÜTER, DIRECTOR, SWISS FEDERAL AUDIT OFFICE

MILIĆ MILOVANVIĆ, PROFESOR EKONOMSKOG FAKULTETA, SAVET ZA BORBU PROTIV KORUPCIJE

Based on the discussions over the two day event, experts from Serbia, the OECD, France, Hungary, Slovenia and Switzerland will be invited to comment on the current situation in Serbia and to recommend a number of priority measures that the Government of Serbia may wish to consider in establishing efficient external audit and ensuring transparency of public finance.

16h30 **Closing**

MR WILHELM MEIER, AMBASSADOR OF SWITZERLAND IN SERBIA

MRS VERICA BARAC, PRESIDENT, ANTI-CORRUPTION COUNCIL OF SERBIA