

4 DETAILED ACTIONS

The SC during its development of the strategy and plan identified the key actions under the statutory and institutional framework. Each of the actions represents an area in which the objectives identified will lead to an improved framework for accounting and auditing in Bosnia Herzegovina and ultimately enhance the quality and reliability of corporate financial reporting. For each individual action, the objective is identified, the activities involved in this action are outlined, and the planned outcome is identified. Each action is designated as a statutory (S) or an institutional action (I). This denotes whether the action required is an action to align or amend the legislative or regulatory framework (statutory action) or an action that is about improving compliance with and enforcement of the statutory framework (institutional action)..

In identifying the actions to be delivered, institutions relevant to each action were also considered. The actions set out clear responsibilities and accountabilities for the delivery of the actions required to achieve a successful implementation phase following the acceptance of the strategy and action plan. The actions also detail other relevant stakeholders who have an important input to the activities.

The SC has identified the timescales for each of the actions. When addressing budget and resource requirements, the SC has divided requirements into external and internal resources:

- For external resources the SC has split requirements into specific areas:
 - Suitably qualified external technical assistance: This is particularly important considering the technical nature of many of the activities and the requirement to absorb international good practices. While a significant portion of such assistance will be specific to Bosnia Herzegovina, there are other instances the technical assistance can ideally be delivered through regional approaches in order to allow Bosnia Herzegovina to gain access to expertise which otherwise would not be available.
 - Regional technical assistance will allow Bosnia Herzegovina to share experiences with relevant countries in the region and deliver economies of scale in specific technical areas. The SC has identified the World Bank's Road to Europe – Program of Accounting Reform and Institutional Strengthening (REPARIS) as a vehicle for the delivery of regional technical assistance.¹⁶

¹⁶ Please refer to www.worldbank.org/reparis for additional details.

- The SC has identified the need for direct operational support to the relevant stakeholders identified in the strategy and action plan. Such operational support is primarily important in the start-up phase of certain activities and will be phased out over a period of one to three years depending on the activities.
- The SC has further identified the requirement for specific hardware, software and equipment needs as an additional important external resource requirement.
- In identifying internal support needs the SC has had regard to specific support requirements from the stakeholders considered accountable or responsible for actions (internal resources).

On page 134 of this strategy and action plan a chart has been developed to fold outward and act as an additional information source as each action is considered.

4.1 ALIGNMENT OF CORPORATE FINANCIAL REPORTING FRAMEWORK (S)

Objective

Align the corporate financial reporting requirements (in the financial and non-financial sectors) as identified in primary and secondary (state & entity) legislation with those of the *acquis communautaire*.

Description

Supply technical assistance to the Independent Commission on Accounting & Auditing and to the State and Entity Ministries of Finance to, as an immediate priority, review and harmonize the statutory framework with the relevant portions of the *acquis communautaire* including for:

- Review and amend if necessary the primary and secondary legislation to achieve compliance with the Fourth Directive on Annual Accounts (78/660/EEC), Seventh Directive on Consolidated Accounts (83/349/EEC) and Regulation (EC) No. 1606/2002 of the European Parliament and Council, specifically leveraging the thresholds allowable by the *acquis communautaire* while considering adjustments to the thresholds based, for example, on Bosnia Herzegovina’s gross domestic product based on purchasing-power-parity per capita versus the EU average.
- Supply technical assistance to the Small & Medium Sized Enterprises working group set up under the auspices of the Commission of Accounting & Auditing to develop and implement an appropriate accounting framework for Small & Medium Sized Enterprises (Adopt/or develop simplified accounting standards for SMEs). In this regard Bosnia Herzegovina should leverage the experience of comparable EU Member States in adopting SME accounting standards compliant with the principles of the Fourth Directive on Annual Accounts (78/660/EEC). Also Bosnia Herzegovina will assess whether it can leverage the SME accounting standards that are being developed by the IASB and are due for release in 2007.

Outcome

Provide a balanced approach to financial reporting requirements with a view to:

- Meet the needs of the different users of financial information such as lenders, creditors, shareholders, SMEs, and tax authorities;
- A “transposition table” showing as the basis for identifying amendments to the State and Entities Legislation;
- Providing the preparers with a set of requirements that does not impose unnecessary burdens on the corporate sector.

Key Stakeholders

Action No.	Responsibility (R)	Accountability (A)	Consult (C)	Inform (I)
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1	<p>The Commission on Accounting & Auditing</p> <p>Ministry of Finance (State)</p> <p>Ministry of Finance (FBiH)</p> <p>Ministry of Finance (RS)</p>	<p>The Commission on Accounting & Auditing</p> <p>Ministry of Finance (State)</p> <p>Ministry of Finance (FBiH)</p> <p>Ministry of Finance (RS)</p>	<p>AAARS</p> <p>SRRFBiH</p> <p>SC</p> <p>Relevant EU Member States</p> <p>World Bank</p>	<p>SMEs</p> <p>Corporate Entities</p>

Resources, Budget, Timing and Performance Indicators

External Supports Required	Internal Supports Required	Total Budget Required	Timing (Yrs)		
			0-1	1-3	3-5
<p>Suitable external technical assistance – 75,000 EUR</p> <p>Regionally coordinated support under the REPARIS program</p>	<p>The Commission on Accounting & Auditing</p> <p>Ministry of Finance (State)</p> <p>Ministry of Finance (FBiH)</p> <p>Ministry of Finance (RS)</p>	75,000 EUR	X		
<p>Performance Indicator: Improved alignment of corporate financial reporting framework with the relevant portions of the acquis communautaire, number of amendments.</p>					

4.2 Implement the Corporate Financial Reporting Framework (I)

Objective

Strengthening the framework for the adoption of accounting standards in Bosnia Herzegovina

Description

This action will support the Commission on Accounting & Auditing through:

- Support the adoption (or development) of simplified accounting standards for SMES in Bosnia Herzegovina in conjunction with Action No. 1.

- Offer technical assistance to the discussions of the working group on development of a simplified set of codes and practices for SME's to use in the period leading up to adoption of an appropriate FRSSE (Financial Reporting Standards for Smaller Enterprises).
- Offer technical assistance to the discussions of the working group on development of tax reporting for SME's – discuss whether to develop a separate approach to corporate taxation for small companies in conjunction with the tax authorities.
- Offer technical assistance to the discussions of the working group on development of a training program and instruction manuals for distribution to financial managers in SME's outlining the reporting requirements in place.
- Work with the IASB, national standards-setters and other relevant EU institutions to encourage high quality IASB's standards and their adoption in the EU.
- Address urgent issues regarding the implementation of IFRS in Bosnia Herzegovina.
- Support training and development of resources for long-term sustainability and development of this function.

Outcome

The establishment of an effective proportionate framework to enhance and maintain a corporate financial reporting framework consistent with the *acquis communautaire* and conducive to private sector development in Bosnia Herzegovina

Key Stakeholders

Action No.	Responsibility (R)	Accountability (A)	Consult (C)	Inform (I)
2	<p>The Commission on Accounting & Auditing</p> <p>Ministry of Finance (State)</p> <p>Ministry of Finance (FBiH)</p> <p>Ministry of Finance (RS)</p>	<p>The Commission on Accounting & Auditing</p> <p>Ministry of Finance (State)</p> <p>Ministry of Finance (FBiH)</p> <p>Ministry of Finance (RS)</p>	<p>AAARS</p> <p>SRRFBiH</p> <p>SC</p> <p>Relevant EU Member States</p> <p>World Bank</p>	<p>SMEs</p> <p>Corporate Entities</p>

Resources, Budget, Timing and Performance Indicators

External Supports Required	Internal Supports Required	Total Budget Required	Timing (Yrs)		
			0-1	1-3	3-5
<p>Suitable external technical assistance – 100,000 EUR</p> <p>Regionally coordinated support under the REPARIS program</p>	<p>The Commission on Accounting & Auditing</p> <p>Ministry of Finance (State)</p> <p>Ministry of Finance (FBiH)</p> <p>Ministry of Finance (RS)</p>	100,000 EUR		X	
<p>Performance Indicator: Development and availability of financial standards for SMEs</p>					

4.3 Enhancement of the IFRS Translation Process (I)

Objective

Prepare the procedures and processes to enhance the framework for the on-going translation requirements for IFRS in Bosnia Herzegovina.¹⁷

Description

The enhancement of the translation process for IFRS in Bosnia Herzegovina, including for the following:

- Assist the Commission’s IFRS translation’s committee to enhance the efficient and effective translation procedures to:
 - Co-ordinate with the translation process of ISA and assess how these processes can share resources;
 - Allow for a prompt response to the significant volume of material requiring translation; and
- Ensure the translation committee consults with the IASCF and meet the requirements of the official translation process. This will include the following key requirements:
 - Responsibilities of the Translating Body;
 - Design and implementation of a translation process;

¹⁷ The use of IFRS demands an on-going translation effort. IFRS are enhanced and improved on an on-going basis. Failure to translate leads to outdated standards being applied which has consequences such as the loss of internationally comparable financial information.

- Translation of key words; and
- Consideration of the Translating Body’s translation process.
- Develop and implement a strategy to ensure the sustainability of the translation process based on the experiences of similar sized countries in the EU (e.g. Estonia, Latvia, Lithuania, Slovenia).

Outcome

It is important that users, preparers, legislators, lawyers, educators, students and all other interested groups in Bosnia Herzegovina should have access to the IASB’s standards in their native language on an on-going basis, to allow:

- Production of internationally comparable financial information;
- Level of knowledge of IFRS to build in Bosnia Herzegovina;
- Allow for the quality of financial reporting to keep up to date with international best practice; and
- Meet the requirements of the *acquis communautaire*.

Key Stakeholders

Action No.	Responsibility (R)	Accountability (A)	Consult (C)	Inform (I)
3	The Commission on Accounting & Auditing	The Commission on Accounting & Auditing	Ministry of Finance (State) Ministry of Finance (FBiH) Ministry of Finance (RS) AAARS SRRFBiH SC Relevant EU Member States World Bank	Certified Accountants Statutory Auditors & Audit Firms

Resources, Budget, Timing and Performance Indicators

External Supports Required	Internal Supports Required	Total Budget Required	Timing (Yrs)		
			0-1	1-3	3-5
<p>Suitable external technical assistance – 25,000 EUR</p> <p>Regionally coordinated support under the REPARIS program</p>	<p>The Commission on Accounting & Auditing</p>	<p>25,000 EUR</p>	<p>X</p>		
<p>Performance Indicator: Timely issuance of translated IFRS</p>					

4.4 Supporting the IFRS Translation Process (I)

Objective

Support the Commission’s translation committee in order to allow for an effective and efficient on-going translation process to be implemented.

Description

Considering that IFRS have only been translated periodically for the last number of years, the on-going availability of translated standards will now provide for a consistent set of financial standards suitable for corporate financial reporting in Bosnia Herzegovina. The immediate and on-going availability of translated IFRS in Bosnia Herzegovina, will also allow for the adoption of best practice in financial reporting requirements as amended to reflect the on-going developments in financial instruments internationally. Support for the translation committee to initially fund the on-going translation process to include:

- Software programs to assist with the translation process based on good international practice.
- Hardware to enable the software programs on a continuous basis.
- Operational expenses associated with the translation process.¹⁸
- Capacity building and support to allow for the continuous translation of IFRS.

In addition, this action will strengthen the capacity of the appropriate translation committee to allow:

¹⁸ This action will not directly subsidize the printing costs of the IFRS volume, which will be priced on a commercial basis.

- Immediate translation and adoption of new IFRS (and exposure drafts) issued by the International Accounting Standards Board, and new interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC);
- On-going translation and adoption of new IFRS and exposure drafts issued by the International Accounting Standards Board, and new interpretations developed by IFRIC.

Outcome

On-going availability of resources to implement the strategy to develop an effective and efficient translation framework is a key part of enhancing corporate financial reporting in Bosnia Herzegovina.

Key Stakeholders

Action No.	Responsibility (R)	Accountability (A)	Consult (C)	Inform (I)
4	The Commission on Accounting & Auditing	The Commission on Accounting & Auditing	Ministry of Finance (State) Ministry of Finance (FBiH) Ministry of Finance (RS) AAARS SRRFBiH SC Relevant EU Member States World Bank	Certified Accountants Statutory Auditors & Audit Firms

Resources, Budget, Timing and Performance Indicators

External Supports Required	Internal Supports Required	Total Budget Required	Timing (Yrs)		
			0-1	1-3	3-5
Operational Support – 150,000 EUR Hardware, Software & Equipment – 100,000 EUR	The Commission on Accounting & Auditing	250,000 EUR		X	
Performance Indicator: Timely issuance of translated IFRS					

4.5 Enhancement of the Translation Process for Auditing Standards (I)

Objective

The objective of this activity is to support the Commission in enhancing the processes and procedures required to successfully translate International Standards in Auditing (ISA) and other relevant pronouncements of the International Auditing and Assurance Standards Board (IAASB) and IFAC on an on-going basis and in an effective and sustainable manner.

Description

Enhancing the translation process for ISA in Bosnia Herzegovina, including for the following:

- Assist the ISA translation’s committee to formalize the efficient and effective translation procedures to:
 - Co-ordinate with the translation process of IFRS and assess how these processes can share resources;
 - Co-ordinate with any other relevant translation projects in Bosnia Herzegovina
 - Allow for a prompt response to the significant volume of material requiring translation.
- Ensure the translation committee consults with IFAC and meet the requirements of the official translation process.¹⁹

¹⁹ Refer to IFAC Policy Statements, *Translation of Standards and Guidance Issued by IFAC*, September 2004.

- Develop and implement a strategy to ensure the sustainability of the translation process based on the experiences of similar sized countries in the EU (e.g. Estonia, Latvia, Lithuania, Slovenia).

Outcome

The on-going translation of up-to-date ISA and related pronouncements in Bosnia Herzegovina in a timely manner, allowing for the provision of the audit of financial reporting in Bosnia Herzegovina to keep up to date with international best practice. It is important that auditors, regulators, lawyers, academia, students and other interested groups in Bosnia Herzegovina should have access to the IAASB standards in their native language on an on-going basis to allow the level of knowledge ISA to build in Bosnia Herzegovina.

Key Stakeholders

Action No.	Responsibility (R)	Accountability (A)	Consult (C)	Inform (I)
5	The Commission on Accounting & Auditing	The Commission on Accounting & Auditing	Ministry of Finance (State) Ministry of Finance (FBiH) Ministry of Finance (RS) AAARS SRRFBiH SC Relevant EU Member States World Bank	Certified Accountants Statutory Auditors & Audit Firms

Resources, Budget, Timing and Performance Indicators

External Supports Required	Internal Supports Required	Total Budget Required	Timing (Yrs)		
			0-1	1-3	3-5
<p>Suitable external technical assistance – 25,000 EUR</p> <p>Regionally coordinated support under the REPARIS program</p>	<p>The Commission on Accounting & Auditing</p>	<p>25,000 EUR</p>	<p>X</p>		
<p>Performance Indicator: Timely issuance of translated ISA</p>					

4.6 Supporting the Translation of Auditing Standards (I)

Objective

Capacity building and support to the Commission on an on-going basis to allow for an up-to-date translation of the ISA and other relevant pronouncements of the IAASB and IFAC.

Description

This action will support the Commission and to fund the on-going translation process, including:

- Software programs to assist with the translation process based on good international practice.
- Hardware to enable the software programs on a continuous basis.
- Operational expenses associated with the translation process.²⁰
- Capacity building and support on an initial basis to allow for a fully up to date translation of ISA.

In addition, this action will strengthen the capacity of the ICA to allow:

- Immediate translation and adoption of new ISA (and exposure drafts) issued by the IAASB and other IFAC pronouncements; and

²⁰ This action will not directly subsidize the printing costs of the ISA volume, which will be priced on a commercial basis.

- On-going translation and adoption of new ISA and exposure drafts issued by the IAASB and other IFAC pronouncements.

This action will consider the IAASB “Clarity Project” to re-draft ISA and to develop new standards using a new style. This will have an impact on the volume of material required for translation. The IAASB developed its new drafting style based on responses to its 2004 Proposed Policy Statement and Consultation Paper on Clarity.

Outcome

The dedication of resources to the translation process of auditing standards and other relevant pronouncements of the International Assurance & Audit Standards Board (IAASB) and IFAC is a necessary investment in the auditing profession in Bosnia Herzegovina. The translated volumes of these publications will provide the building blocks on which the regulations and requirements of the auditing profession in Bosnia Herzegovina will be formed.

An enhanced translation committee, under the control of the Commission will produce on an on-going basis the translated text for auditing standards and thus provide the basic knowledge for the development of the profession that will improve the quality of auditing in Bosnia Herzegovina along with all the associated benefits that such an improvement would bring.

Key Stakeholders

Action No.	Responsibility (R)	Accountability (A)	Consult (C)	Inform (I)
6	The Commission on Accounting & Auditing	The Commission on Accounting & Auditing	Ministry of Finance (State) Ministry of Finance (FBiH) Ministry of Finance (RS) AAARS SRRFBiH SC Relevant EU Member States World Bank	Certified Accountants Statutory Auditors & Audit Firms

Resources, Budget, Timing and Performance Indicators

External Supports Required	Internal Supports Required	Total Budget Required	Timing (Yrs)		
			0-1	1-3	3-5
Operational Support – 100,000 EUR Hardware, Software & Equipment – 100,000 EUR Regionally coordinated support under the REPARIS program	The Commission on Accounting & Auditing	200,000 EUR		X	
Performance Indicator: Timely issuance of translated ISA					

Objective

To build a structure within the Commission on Accounting & Auditing to allow for an informed dissemination and discussions of the publications of the European Union relating to accounting & auditing on an on-going basis.

Description

Provide technical assistance and capacity building support to the Commission on Accounting & Auditing to allow for the dissemination and discussions of the publications of the European Union relating to accounting & auditing including

- Offer technical assistance to write summary reports on the on-going discussions with the European Union relating to the enforcement of accounting standards and other relevant discussions
- Offer support to translate relevant European Union pronouncements on accounting and auditing on an on-going basis. There is a need to translate and disseminate existing and looming EU directives specifically: -consolidated 4th directive dated 1st May 2004 (ref CONSLEG: 1978L0660 — 01/05/2004), new EU mutual recognition directive (ref Official Journal L 255, 30/09/2005 P. 0022 – 0142) and new 8th directive re auditors/quality/oversight
- Facilitate the discussions within the Commission on Accounting & Auditing on an on-going basis to allow for a build up in the knowledge base of the Commission members of the discussions within the European Union relating for example to CESRfin or Basel II.

Outcome

The building up of the knowledge base of the Commission on Accounting & Auditing relating to the evolving European Union discussion on accounting and auditing will offer significant benefit to the Bosnia Herzegovina accession strategy in the future. A considerable knowledge base within the audit profession relating to the European Union regulations would greatly assist the implementation process relating to the accounting & auditing of the *acquis communautaire*

Key Stakeholders

Action No.	Responsibility (R)	Accountability (A)	Consult (C)	Inform (I)
7	The Commission on Accounting & Auditing	The Commission on Accounting & Auditing	Ministry of Finance (State) Ministry of Finance (FBiH) Ministry of Finance (RS) AAARS SRRFBiH SC Relevant EU Member States World Bank	Certified Accountants Statutory Auditors & Audit Firms

Resources, Budget, Timing and Performance Indicators

External Supports Required	Internal Supports Required	Total Budget Required	Timing (Yrs)		
			0-1	1-3	3-5
Suitable external technical assistance – 100,000 EUR Regionally coordinated support under the REPARIS program	The Commission on Accounting & Auditing	100,000 EUR		X	
Performance Indicator: Suitable dissemination of EU publications relating to accounting & auditing in Bosnia Herzegovina					

Objective

Support the Central Bank of Bosnia Herzegovina (CBBH), the Federation of Bosnia Herzegovina Banking Agency (FBA) & the Republika Srpska Banking Agency (ABRS) to review the legislation and regulations applicable to the banking sector to ensure alignment of the legislative framework with the relevant portions of the *acquis communautaire* and to ensure consistency of banking legislation with other relevant domestic legislation.

Description

The review of the legislation and regulations applicable to the banking sector will include the following:

- Ensure consistency and predictability within the legislative framework in Bosnia Herzegovina. Further required legal enactments are primarily in the following:
 - Decision on capital management minimum standards;
 - Decision on credit risk management and assets classification minimum standards;
 - Decision on risk concentration management minimum standards;
 - Decision on financial control risk management minimum standards;
 - Decision on banking group consolidated financial reports;
- Ensure the harmonization of the regulatory requirements for example in the case of a listed financial institution in having regard to the regulatory requirements of the Securities Regulators (FBiH & RS Securities Commissions) in Bosnia Herzegovina.
- Organize the relationship between “accounting capital” and “prudential capital” as well as other key prudential and general-purpose accounting issues. In this context, the SC will have regard to (i) the guidelines on a common reporting framework (COREP)²¹ to be used by credit institutions and investment firms when they report their solvency ratio to supervisory authorities under the Capital Requirements Directive, and (ii) the guidelines establishing a standardized financial reporting framework (FINREP) for credit institutions operating in the EU. This framework enables credit institutions to use the same standardized data formats and data definitions for prudential reporting in all countries where the framework is applied, reducing the reporting burden for credit institutions that operate cross-border, and lower barriers to the development of an efficient internal market in financial

²¹ The guidelines are available at <http://www.c-eps.org/standards.htm>.

services. This is particularly important in the context of Bosnia Herzegovina where a significant portion of the banking sector is foreign owned.²²

- Revise the “chart of accounts” mandated by the Banking Agencies (FBA & ABRS) with a view to ensuring compliance with the Fourth Directive on Annual Accounts (78/660/EEC), Seventh Directive on Consolidated Accounts (83/349/EEC), Banking Accounts Directive (86/635/EEC) and Regulation (EC) No. 1606/2002 of the European Parliament and Council. In this context, the SC will have regard to modern developments in financial reporting (e.g., FINREP) rather than impose a mandatory list of accounts, which would increase costs of compliance for foreign banks and actually reduce the quality of reporting as compared to FINREP. CEBS²³ considers that eXtensible Business Reporting Language (XBRL)—rather than a chart of accounts—can be a helpful tool in constructing a standardized reporting system.²⁴
- Organize the relationship between bank supervisors, statutory auditors and commercial banks in accordance International Auditing Practice Statement (IAPS) 1004, *The Relationship between Banking Supervisors and Banks’ External Auditors*.²⁵

Outcome

Enhance the stability of the banking sector through a balanced combination of prudential supervision on the one hand and market incentives on the other hand in line with the three pillars of Basel II: (1) minimum capital requirements, (2) supervisory review of capital

²² At the end of 2004, private banking institutions accounted for 86% of total banking capital in BiH, with the share of foreign private capital in total capital coming to 67%. The five largest banks in BiH accounted for more than 64% of total banking assets at end-2003. Three of these five banks were direct subsidiaries of Austrian banks. The banking assets of the biggest bank in BiH, the Austrian Raiffeisen banka dd Bosna i Hercegovina, accounted for nearly 20% of total banking assets and the two largest banks, Raiffeisen banka dd Bosna i Hercegovina and Zagrebačka banka BH (both in foreign ownership), together accounted for about 36% of total banking assets in BiH at end-2003.

²³ The Committee of European Banking Supervisors (CEBS) advises the European Commission on banking policy issues and promotes convergence of supervisory practice across European Union. The Committee also fosters and reviews common implementation and consistent application of Community legislation.

²⁴ XBRL is a language for the electronic communication of business and financial data. It is an open standard, free of license fees, that was developed by a non-profit international consortium.

²⁵ IAPS 1004 was prepared by the International Auditing Practices Committee (IAPC) of the International Federation of Accountants, and was approved for publication by the Basel Committee on Banking Supervision and the IAPC.

adequacy and (3) public disclosure. This action will also enhance the role of the banking sector as the engine of economic growth by facilitating banking intermediation.

Key Stakeholders

Action No.	Responsibility (R)	Accountability (A)	Consult (C)	Inform (I)
8	<p>Central Bank of Bosnia Herzegovina</p> <p>Republika Srpska Banking Agency</p> <p>Banking Agency of the Federation of BiH</p>	<p>Central Bank of Bosnia Herzegovina</p> <p>Republika Srpska Banking Agency</p> <p>Banking Agency of the Federation of BiH</p>	<p>Ministry of Finance (State)</p> <p>Ministry of Finance (FBiH)</p> <p>Ministry of Finance (RS)</p> <p>The Commission on Accounting & Auditing</p> <p>AAARS</p> <p>SRRFBiH</p> <p>SC</p> <p>Relevant EU Member States</p> <p>World Bank</p>	<p>The Banking Sector</p> <p>Statutory Auditors & Audit Firms</p>

Resources, Budget, Timing and Performance Indicators

External Supports Required	Internal Supports Required	Total Budget Required	Timing (Yrs)		
			0-1	1-3	3-5
<p>Suitable external technical assistance – 300,000 EUR</p> <p>Regionally coordinated support under the REPARIS program</p>	<p>Central Bank of Bosnia Herzegovina</p> <p>Republika Srpska Banking Agency</p> <p>Banking Agency of the Federation of BiH</p>	300,000 EUR		X	
<p>Performance Indicator: European Commission Progress Report for Bosnia Herzegovina; survey of commercial banks, supervisors, statutory auditors and other users of bank annual accounts and consolidated accounts</p>					

4.9 Institutional Strengthening For Bank Supervision (I)

Objective

Support the Central Bank of Bosnia Herzegovina (CBBH), the Federation of Bosnia Herzegovina Banking Agency (FBA) & the Republika Srpska Banking Agency (ABRS) to strengthen the institutional capacity to supervise, monitor and enforce the application of IFRS in banking financial reporting.

Description

Provide capacity assistance to the CBBH, FBA & ABRS in the development of the accounting and auditing units within the supervision department. The primary responsibilities of the units would include:

- Monitor the consistent application of the requirements of the legislation, IFRS requirements and the specific prudential requirements of the CBBH, FBA & ABRS. Ensuring that guidelines regarding the recognition, measurement and disclosure requirements applicable to commercial banks are enforced.
- Implement a financial reporting approach consistent with FINREP. The introduction of IFRS in the banking sector changes the way that credit institutions using these standards prepare their published annual accounts and consolidated accounts. These changes require that the CBBH, FBA & ABRS, like peer institutions in the EU, modify its prudential financial reporting requirements, since these reporting requirements are based to a large extent on accounting data. CEBS

has developed FINREP based on the fact that IFRS, unlike the Banking Accounts Directive, do not impose a standardized reporting format, and based on calls from the banking community for a reduction of the reporting burden.

- Have due regard to the on-going pronouncements of CEBS, the Basel Committee on Banking Supervision,²⁶ IFAC, and the IASB. To facilitate this aspect, the CBBH could delegate a member of its staff to the Permanent Mission of the Bosnia Herzegovina to the EU in Brussels.
- Facilitate a transfer of knowledge between the CBBH, FBA & ABRS and the banking sector by developing a program of training for commercial bank staff.
- To build capacity with the CBBH, FBA & ABRS to ensure sufficient expertise in accounting and auditing are available.
- Prepare a human resources strategy for the CBBH, FBA & ABRS that will allow for the orderly development of resources to meet technical requirements.

Outcome

Develop the supervisory function of the CBBH, FBA & ABRS to review, monitor and control the implications of IFRS for corporate bank reporting. Additionally, since the banking sector in Bosnia Herzegovina offers probably the best structured and resourced sector in which to implement IFRS, the resources made available to the CBBH, FBA & ABRS will allow for the build-up of a national knowledge base, which will facilitate a transfer of expertise to the users within the sector and in time to the wider financial sector as a whole.

²⁶ The Basel Committee on Banking Supervision (BCBS) provides a forum for regular cooperation on banking supervisory matters. Over recent years, it has developed increasingly into a standard-setting body on all aspects of banking supervision, including the Basel II regulatory capital framework.

Key Stakeholders

Action No.	Responsibility (R)	Accountability (A)	Consult (C)	Inform (I)
9	<p>Central Bank of Bosnia Herzegovina</p> <p>Republika Srpska Banking Agency</p> <p>Banking Agency of the Federation of BiH</p>	<p>Central Bank of Bosnia Herzegovina</p> <p>Republika Srpska Banking Agency</p> <p>Banking Agency of the Federation of BiH</p>	<p>Ministry of Finance (State)</p> <p>Ministry of Finance (FBiH)</p> <p>Ministry of Finance (RS)</p> <p>The Commission on Accounting & Auditing</p> <p>AAARS</p> <p>SRRFBiH</p> <p>SC</p> <p>Relevant EU Member States</p> <p>World Bank</p>	<p>The Banking Sector</p> <p>Statutory Auditors & Audit Firms</p>

Resources, Budget, Timing and Performance Indicators

External Supports Required	Internal Supports Required	Total Budget Required	Timing (Yrs)		
			0-1	1-3	3-5
<p>Suitable external technical assistance – 200,000 EUR</p> <p>Regionally coordinated support under the REPARIS program</p>	<p>Central Bank of Bosnia Herzegovina</p> <p>Republika Srpska Banking Agency</p> <p>Banking Agency of the Federation of BiH</p>	200,000 EUR		X	
<p>Performance Indicator: European Commission Progress Report for Bosnia Herzegovina; survey of commercial banks, supervisors, statutory auditors and other users of bank annual accounts and consolidated accounts</p>					

4.10 Organizing the Relationship between Annual Accounts and Corporate Income Tax Reporting (S)

Objective

To support Entity Tax Authorities in establishing a statutory framework that provides a predictable tax base and in designing an efficient tax assessment process while reducing the compliance cost imposed on companies.

Description

Since the entity accounting & auditing law mandates the use of IFRS in the annual accounts of Public Interest Entities this action will seek to:

- Ensure that the all Entity Tax Authorities are equipped to assess the possible effects of the utilization of IFRS in annual accounts and take relevant measures to avoid any unintended consequences on tax income and hence Bosnia Herzegovina's budget, tax disputes resulting from ambiguous rules, etc.
- Assess the impact of IFRS on the degree of accounting competence required of tax inspectors. Because of differences in recognition and measurement rules, and because of varying degrees of subjectivity attaching to both under different accounting standards, the degree of competence required may differ.

In this context, Bosnia Herzegovina will draw on the experiences of relevant EU Member States in the area of taxation where IFRS is permitted/required in annual accounts (e.g., Denmark, Malta, and United Kingdom).

Outcome

Organizing an efficient relationship between annual accounts and corporate income tax reporting will result in significantly reduced compliance costs on preparers of annual accounts. It will also result in enhanced predictability in corporate income taxation and compliance with tax requirements (reduction in undetected tax fraud).

Key Stakeholders

Action No.	Responsibility (R)	Accountability (A)	Consult (C)	Inform (I)
10	Entity Tax Authorities	Ministry of Finance (State) Ministry of Finance (FBiH) Ministry of Finance (RS)	The Commission on Accounting & Auditing AAARS SRRFBiH SC Relevant EU Member States World Bank	The Insurance Sector Statutory Auditors & Audit Firms

Resources, Budget, Timing and Performance Indicators

External Supports Required	Internal Supports Required	Total Budget Required	Timing (Yrs)		
			0-1	1-3	3-5
Suitable external technical assistance –100,000 EUR Regionally coordinated support under the REPARIS program	Entity Tax Authorities	100,000 EUR		X	
Performance Indicator: Development of the relationship between tax reporting and corporate financial reporting					

Objective

To support Entity Tax Authorities in establishing an institutional framework that implements an efficient tax assessment process resulting in an effective tax assessment and enforcement.

Description

This action will include the following:

- Support to Entity Tax Authorities in implementing the regulations, systems, forms and guidelines that will allow for the linkage of the tax collection process with annual accounts produced under IFRS.
- Technical assistance to all Entity Tax Authorities to include:
 - Prepare corporate income tax reporting forms, reconciling the corporate income tax base with the net income/loss reported in the annual accounts.
 - Development of formal enforcement policies and monitoring procedures.
- Training for tax inspectors encouraging a greater knowledge of IFRS as well as the tax law for a better understanding of the mutual compliance and relationship between accounting rules and tax law.
- Investigate tax reporting for non-IFRS based users: Owners and managers aim to minimize their tax burden, which leads to pressure being exerted upon the accountants and auditors to influence the results reported in the annual accounts. This is particularly true of smaller enterprises, which may require a separate approach to corporate taxation for small companies.

Bosnia Herzegovina should draw on the experiences of relevant EU Member States in the area of taxation.

Outcome

Tax reporting in Bosnia Herzegovina currently uses a significant proportion of the accounting capabilities of the entities. Resources used to clarify, simply and co-ordinate the tax and financial reporting environments will contribute significantly to the overall importance placed on financial reporting in Bosnia Herzegovina, leading in the longer-term to enhanced financial reporting.

Key Stakeholders

Action No.	Responsibility (R)	Accountability (A)	Consult (C)	Inform (I)
11	Entity Tax Authorities	Ministry of Finance (State) Ministry of Finance (FBiH) Ministry of Finance (RS)	The Commission on Accounting & Auditing AAARS SRRFBiH SC Relevant EU Member States World Bank	The Insurance Sector Statutory Auditors & Audit Firms

Resources, Budget, Timing and Performance Indicators

External Supports Required	Internal Supports Required	Total Budget Required	Timing (Yrs)		
			0-1	1-3	3-5
Suitable external technical assistance – 250,000 EUR Regionally coordinated support under the REPARIS program	Entity Tax Authorities	250,000 EUR		X	
Performance Indicator: Development of the relationship between tax reporting and corporate financial reporting					

Objective

Ensure Bosnia Herzegovina legislation and regulations comply with the relevant portions of the *acquis communautaire* relating to financial reporting in the insurance sector and are consistent with other relevant domestic legislation.

Description

This action will include the following:

- Review and amend all legislation to ensure financial reporting requirements are in compliance with the *acquis communautaire* specifically **the Insurance Accounts Directive (91/674/EEC)** in addition to the Fourth Directive on Annual Accounts (78/660/EEC), Seventh Directive on Consolidated Accounts (83/349/EEC) and Regulation (EC) No. 1606/2002 of the European Parliament and Council;
- Review rules on capital adequacy and solvency to ensure that legislation and regulations set out suitable principles to underlie solvency regimes for insurers. The International Association of Insurance Supervisors (IAIS) sets out three principles regarding the level of solvency:
 - Principle 6 – Capital adequacy and solvency regimes have to be sensitive to risk;
 - Principle 7 – A control level is required;
 - Principle 8 – A minimum level of capital has to be specified;
- Review supervisory powers to determinant of the ability of the supervisor to, on an on-going basis, adjust minimum and control levels of solvency, both on an industry-wide and insurer-specific basis (In some jurisdictions the minimum and control levels are established by legislation, whereas in other jurisdictions the supervisor has the authority to impose alternative solvency requirements);
- Assist in developing the structures to allow for an on-going annual review of national and European legislation requirements relating to financial reporting for the insurance sector.

Outcome

The delivery of a consistent legislative and regulatory framework that supports a modernized reporting environment for the insurance industry in line with the *acquis communautaire*

Key Stakeholders

Action No.	Responsibility (R)	Accountability (A)	Consult (C)	Inform (I)
12	State & Entity Insurance Supervisors	Ministry of Finance (State) Ministry of Finance (FBiH) Ministry of Finance (RS)	The Commission on Accounting & Auditing AAARS SRRFBiH SC Relevant EU Member States World Bank	The Insurance Sector Statutory Auditors & Audit Firms

Resources, Budget, Timing and Performance Indicators

External Supports Required	Internal Supports Required	Total Budget Required	Timing (Yrs)		
			0-1	1-3	3-5
Suitable external technical assistance – 100,000 EUR Regionally coordinated support under the REPARIS program	State & Entity Insurance Supervisors	100,000 EUR		X	
Performance Indicator: European Commission Progress Report for Bosnia Herzegovina; survey of insurance supervisors, statutory auditors and other users of insurance entity annual accounts and consolidated accounts					

Objective

Develop and strengthen the state and entity insurance supervisors in order to support the enforcement of statutory review undertaken by this strategy under action 12.

Description

Supporting the state and entity insurance supervisors to establish best practice in:

- Licensing requirements – setting and monitoring the minimum amount of capital required to be licensed to write insurance business in the jurisdiction of Bosnia Herzegovina (including that a separate control level may be established for new insurers to provide for growth of new business or other risks related to their operating plans);
- Reserves – including determining whether individual Insurer’s risk profiles should be assessed to the industry solvency control level or a higher level applied, e.g., there may be non-capital-related supervisory concerns within an insurer that may cause the supervisor to require that a higher solvency level be maintained until a problem is rectified;
- Skills and capacity building within the current staff of the regulatory authority to build expertise in the area of specific reporting requirements of insurance companies including:
 - Loss triangulation (methods which elicits loss development patterns based on historical data collated in the form of basic loss development triangles);
 - Setting loss reserves;
 - Actuarial selections including the prudence of the accounting and actuarial standards;
 - Estimating Incurred But Not Reported (IBNR) claims;
 - Practices and procedures used to calculate unearned premium reserves (UEPR);
 - Estimating unexpired risk reserves (URR);

²⁷ For the pension sector consideration will be given to leveraging this action to address that sector.

- A program of training to the regulator on the impact of IFRS²⁸ on the insurance sector and in particular the specific reporting requirements of insurance companies.
- Develop guidance for the insurance sector in implementing IFRS.
 - Organize the relationship between insurance supervisors, statutory auditors and insurance undertakings, leveraging the principles set forth in IAPS 1004, *The Relationship between Banking Supervisors and Banks' External Auditors*.

This activity should have due regard to the on-going pronouncements of the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS),²⁹ the International Association of Insurance Supervisors (IAIS),³⁰ IFAC, and the IASB.

Outcome

The development state and entity insurance supervisors with the capability to monitor and to ensure compliance with the financial reporting legislation and regulations for insurance undertakings

²⁸ While this report generally recommends the application of IFRS, it is aware that its application in insurance undertakings is still under discussion. Given the scarce resources of Bosnia Herzegovina, and since the IASB is still finalizing the specific standards on insurance accounting, this report recommends that Bosnia Herzegovina observe what the EU decides before adopting full IFRS in the insurance industry. In the meantime, the Insurance Accounts Directive, and relevant adjustments made by individual Member States in its transposition would be an appropriate benchmark.

²⁹ CEIOPS is composed of high-level representatives from the insurance and occupational pensions' supervisory authorities of the EU Member States.

³⁰ IAIS represents insurance regulators and supervisors of some 180 jurisdictions and issues global insurance principles, standards and guidance papers, provides training and support on issues related to insurance supervision, and organises meetings and seminars for insurance supervisors.

Key Stakeholders

Action No.	Responsibility (R)	Accountability (A)	Consult (C)	Inform (I)
13	State & Entity Insurance Supervisors	Ministry of Finance (State) Ministry of Finance (FBiH) Ministry of Finance (RS)	The Commission on Accounting & Auditing AAARS SRRFBiH SC Relevant EU Member States World Bank	The Insurance Sector Statutory Auditors & Audit Firms

Resources, Budget, Timing and Performance Indicators

External Supports Required	Internal Supports Required	Total Budget Required	Timing (Yrs)		
			0-1	1-3	3-5
Suitable external technical assistance – 100,000 EUR Regionally coordinated support under the REPARIS program	State & Entity Insurance Supervisors	100,000 EUR		X	
Performance Indicator: European Commission Progress Report for Bosnia Herzegovina; survey of insurance supervisors, statutory auditors and other users of insurance entity annual accounts and consolidated accounts					

Objective

Ensure Bosnia Herzegovina legislation and regulations comply with relevant portions of the *acquis communautaire* relating to financial reporting for listed entities and are consistent with other relevant domestic legislation.

Description

This action will include the following:

- Review the legislation and regulations applicable to the listed entities to ensure alignment of the legislative framework with the relevant portions of the *acquis communautaire* including:
 - Regulation (EC) No. 1606/2002 of the European Parliament and Council: The Regulation requires listed companies, including banks and insurance companies, to prepare their consolidated accounts in accordance with endorsed IFRS beginning 2005. EU Member States also have the option of extending the requirements of this regulation to unlisted companies and to the production of annual accounts. Since Regulations are directly applicable and binding in all EU Member States without the need for any national implementing legislation (as opposed to Directives), Regulation No. 1606/2002 will automatically become mandatory if Bosnia Herzegovina joins the EU. However, we have had regard to Regulation No. 1606/2002 and will ensure that Bosnia Herzegovina listed companies are well equipped to meet the Regulation's requirements over the coming years.
 - Prospectus Directive (2003/71/EC): This Directive together with Regulation No. 809/2004 sets out the information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.
 - Transparency Directive for publicly traded companies (2004/109/EC): This Directive sets out minimum transparency requirements for listed companies, raising the quality of information available to investors on companies' performance and financial position.
- Ensure that Bosnia Herzegovina laws and regulations are consistent with the relevant standards issued by CESR-fin. CESR-fin is the Committee of European Securities Regulators (CESR) permanent operational group with the role of coordinating the work of CESR members in the area of endorsement and enforcement of financial reporting standards in Europe. We will have regard in

particular to Standard No. 1 on Financial Information, *Enforcement of Standards on Financial Information in Europe*, and Standard No. 2 on Financial Information, *Co-ordination of enforcement activities*.

- Ensure the harmonization of the regulatory requirements for example in the case of a listed commercial bank in having regard to the regulatory requirements of the Entity Banking Agencies.

Outcome

The delivery of a consistent legislative and regulatory framework that supports a modernized reporting environment for listed entities in line with the obligations inherent in the *acquis communautaire*.

Key Stakeholders

Action No.	Responsibility (R)	Accountability (A)	Consult (C)	Inform (I)
14	<p>Republika Srpska Securities Exchange Commission</p> <p>Federation of BiH Securities Exchange Commission</p>	<p>Republika Srpska Securities Exchange Commission</p> <p>Federation of BiH Securities Exchange Commission</p>	<p>Ministry of Finance (State)</p> <p>Ministry of Finance (FBiH)</p> <p>Ministry of Finance (RS)</p> <p>The Commission on Accounting & Auditing</p> <p>AAARS</p> <p>SRRFBiH</p> <p>SC</p> <p>Relevant EU Member States</p> <p>World Bank</p>	<p>Listed Entities</p> <p>Statutory Auditors & Audit Firms</p>

Resources, Budget, Timing and Performance Indicators

External Supports Required	Internal Supports Required	Total Budget Required	Timing (Yrs)		
			0-1	1-3	3-5
<p>Suitable external technical assistance – 150,000 EUR</p> <p>Regionally coordinated support under the REPARIS program</p>	<p>Republika Srpska Securities Exchange Commission</p> <p>Federation of BiH Securities Exchange Commission</p>	150,000 EUR		X	
<p>Performance Indicator: European Commission Progress Report for Bosnia Herzegovina</p>					

4.15 Supporting the FBiH & RS Securities and Exchange Commissions (I)

Objective

Develop and strengthen the FBiH Securities and Exchange Commission (FBiH SEC) and the RS Securities and Exchange Commission (RS SEC) in order to support the implementation and enforcement of the statutory review initiated by this strategy under the statutory action relating to Financial Reporting for Listed entities

Description

This action will include the following:

- Organizational impact study to determine and implement the most efficient and effective organization structures and resources required to make FBiH & RS Securities and Exchange Commissions effective independent administrative authorities.
- Development of appropriate strategy and policies in relation to CESR standards, such as a consistent policy of actions whereby similar actions are adopted where similar infringements are detected.
- Development of guidelines for listed companies – what each authority expects in terms of documents from issuers listed on the stock exchange.
- Development of manuals for FBiH & RS Securities and Exchange Commissions staff – how the authority will go about monitoring and enforcement of standards including methods of enforcement, ranging from pure formal checks to in-depth

substantive checking dependent upon risk assessment, actions on material misstatements, coordination of enforcement with other responsible bodies and reporting to the public.

- Establishment of a quality review/continuous improvement process for monitoring and enforcement.
- Establishment of a twinning program for each SEC with an appropriate regulator and CESR member in an existing EU Member State to facilitate the secondment of appropriately qualified staff to/from each organization to assist each SEC with:
 - Training and knowledge transfer on the implications of CESR standards both in terms of theoretical concepts and applied techniques and practice, such as a risk-based approach to monitoring and enforcement.
 - Performance of inspections and/or day-to-day supervision and guidance on monitoring and enforcement process;
- Additionally as both the FBiH & RS Securities and Exchange Commissions play a potentially vital role for shareholders of listed companies in Bosnia Herzegovina, in order to increase awareness of its role and benefits to shareholders, a campaign of awareness as part of an overall public awareness program will be undertaken.

This complete activity should have due regard to the on-going pronouncements from the European Commission, CESR-fin, the International Organization of Securities Commissions (IOSCO), IFAC, and the IASB.

Outcome

Development of the FBiH & RS Securities and Exchange Commissions to support the implementation and enforcement of the statutory review initiated by this strategy under the statutory action relating to Financial Reporting for Listed entities, to develop a culture of compliance and ultimately enhanced financial reporting for listed entities in Bosnia Herzegovina. This culture can be exported to the wider financial sector and beyond in the longer term.

Key Stakeholders

Action No.	Responsibility (R)	Accountability (A)	Consult (C)	Inform (I)
15	<p>Republika Srpska Securities Exchange Commission</p> <p>Federation of BiH Securities Exchange Commission</p>	<p>Republika Srpska Securities Exchange Commission</p> <p>Federation of BiH Securities Exchange Commission</p>	<p>Ministry of Finance (State)</p> <p>Ministry of Finance (FBiH)</p> <p>Ministry of Finance (RS)</p> <p>The Commission on Accounting & Auditing</p> <p>AAARS</p> <p>SRRFBiH</p> <p>SC</p> <p>Relevant EU Member States</p> <p>World Bank</p>	<p>Listed Entities</p> <p>Statutory Auditors & Audit Firms</p>

Resources, Budget, Timing and Performance Indicators

External Supports Required	Internal Supports Required	Total Budget Required	Timing (Yrs)		
			0-1	1-3	3-5
<p>Suitable external technical assistance – 300,000 EUR</p> <p>Regionally coordinated support under the REPARIS program</p>	<p>Republika Srpska Securities Exchange Commission</p> <p>Federation of BiH Securities Exchange Commission</p>	300,000 EUR		X	
<p>Performance Indicator: Reliability and Consistency of annual and consolidated accounts of listed entities as measured by the World Bank A&A ROSC team and CESR Standards</p>					

Objective

Ensure Bosnia Herzegovina legislation and regulations comply with relevant portions of the *acquis communautaire* relating to the publication and filing of financial information³¹ including the principle of compulsory disclosure, minimum transparency requirements and are consistent with other relevant domestic legislation.

Description

This action will include the following:

- Ensure consistency and predictability within the legislative framework within Bosnia Herzegovina.
- Ensure the harmonization of the regulatory requirements for example in the case of a listed financial institution in having regard to the regulatory requirements of the FBiH & RS Securities Exchange and Commissions and the Banking Agencies (FBA & ABRS).
- Ensure that each competent administrative authority has the necessary powers.

It also includes support activities that will review the legislation and regulations applicable to the Registry of Financial Statements in the entities to:

- Establish the principle of compulsory disclosure of financial information. The Directive concerns information of a legal nature, notably the instrument of constitution, the statutes if contained in a separate instrument, the amount of the subscribed capital, the balance sheet and the profit and loss account for each financial year, any transfer of the seat of the company, any declaration of nullity of the company by the courts, and any instrument or decision concerning the duration, winding-up or liquidation of the company.

The means of disclosure are threefold: firstly, the opening of a file on every company in an official register; secondly, publication in a national official gazette; and thirdly, an indication, on all business documents, of the legal form and

³¹ The First Company Law Directive (68/151/EEC), the Fourth Directive on Annual Accounts (78/660/EEC), and the Seventh Directive on Consolidated Accounts (83/349/EEC) apply to all companies with limited liability. They establish the principle of compulsory disclosure. The Transparency Directive (2004/109/EC) sets out minimum transparency requirements for listed companies, raising the quality of information available to investors on companies' performance and financial position.

registered place of business of the company and the register in which the file on the company is kept, together with the number of the company in that register.

In addition, Directive 2003/58/EC amending the First Company Law Directive facilitates and streamlines access by the public to company information and simplifies the disclosure formalities imposed on companies. It also requires Member States to provide for appropriate penalties in the event of non-compliance by companies.³²

- To set out minimum transparency requirements for listed companies. The SC has had regard to the disclosure requirements set forth in the Transparency Directive, which complete a package of EU Financial Services Action Plan measures, including Regulation 1606/2002 and the Prospectus Directive. Under the Directive, all securities issuers will have to provide annual financial reports within four months after the end of the financial year. Investors in shares will receive more complete half-yearly financial reports.
- Design deterrent incentives (e.g., sanctions) to ensure that compliance with the filing requirements relating to annual accounts and consolidated accounts.

Outcome

The delivery of a consistent legislative and regulatory framework relating to the publication and filing of financial information in Bosnia Herzegovina that meets the requirements of European legislation and encourages a culture of compliance.

³² Specifically, the SC will ensure Bosnia Herzegovina examines the practical implementation of the requirement to make available, from a date no later than 1 January 2007, by paper means or by electronic means as the applicant chooses, the specified disclosure documents of certain types of companies.

Key Stakeholders

Action No.	Responsibility (R)	Accountability (A)	Consult (C)	Inform (I)
16	<p>Ministry of Finance (State)</p> <p>Financial Registry of the Ministry of Finance (FBiH)</p> <p>Financial Registry of the Ministry of Finance (RS)</p>	<p>The Commission on Accounting & Auditing</p> <p>Ministry of Finance (State)</p> <p>Ministry of Finance (FBiH)</p> <p>Ministry of Finance (RS)</p>	<p>FBiH SEC</p> <p>RS SEC</p> <p>AAARS</p> <p>SRRFBiH</p> <p>SC</p> <p>Relevant EU Member States</p> <p>World Bank</p>	<p>Corporate Entities</p> <p>General Public</p>

Resources, Budget, Timing and Performance Indicators

External Supports Required	Internal Supports Required	Total Budget Required	Timing (Yrs)		
			0-1	1-3	3-5
<p>Suitable external technical assistance – 150,000 EUR</p> <p>Regionally coordinated support under the REPARIS program</p>	<p>Ministry of Finance (State)</p> <p>Financial Registry of the Ministry of Finance (FBiH)</p> <p>Financial Registry of the Ministry of Finance (RS)</p>	150,000 EUR		X	
<p>Performance Indicator: European Commission progress report for Bosnia Herzegovina</p>					

Objective

Develop and strengthen the Entity level MoF Registries of Financial Statements in Bosnia Herzegovina in order to support the design, implementation and enforcement of the principles of compulsory disclosure, minimum transparency requirements consistent with other relevant domestic legislation.

Description

This action will include the following:

- To supply to the MoF (Registries of Financial Statements) the systems and technology to allow the implementation of the policies and procedures identified in the statutory action related to the filing of financial information. These systems should:
 - Facilitate the collection of annual reports and consolidated annual reports electronically.
 - Allow the storage of annual reports and consolidated annual reports for time periods consistent with EU requirements.
 - Allow access to annual reports and consolidated annual reports electronically subject to certain safeguards.
 - Support the monitoring of compliance with the legislative requirements for the filing of annual reports and consolidated annual reports.
- Support the establishment of a system of procedures that will follow up on the detection of non-compliance with filing requirements with proper enforcement that will encourage long-term compliance.
- Support the MoF (Registries of Financial Statements) to leverage the experience of other EU Member States in ways to commercialize information based on the collected data (e.g., specific sector data, trends snapshots). However, all these activities hinge upon the collection of quality corporate financial reports, which is the primary aim of this strategy and action plan.
- Design and implement an Information Strategy and a business process review for the MoF (Registries of Financial Statements) consistent with EU filing requirements of annual reports and consolidated annual reports, analyzing the possible use of XBRL.

- Develop the data dissemination activities of the registers in light of *acquis communautaire* and the requirements of the Bosnia Herzegovina government.
- Build additional capacity to strengthen the resources of the register and to develop the enforcement activities of the MoF (Registries of Financial Statements), including for the taking actions on breaches of filing requirements.

Outcome

Contribute to a significant enhancement in the public availability of quality financial information in Bosnia Herzegovina that will:

- Meet the requirement of the *acquis communautaire* relating to the publication and filing of financial information.
- Protection of third parties (including creditors, suppliers, employees, etc.), as making annual reports and consolidated annual reports publicly available would reduce the asymmetry of information between the firm and third parties, thus making the latter less vulnerable.
- Protection of the public from potential negative economic impact (e.g., in the case of economically significant companies, where their actions and/or demise would have a significant negative impact on the local economy)
- Promote improved allocative efficiency both within firms and in the economy (e.g., managers and investors are better able to distinguish between good and bad investment opportunities and business operations.)

Key Stakeholders

Action No.	Responsibility (R)	Accountability (A)	Consult (C)	Inform (I)
17	Ministry of Finance (State) Financial Registry of the Ministry of Finance (FBiH) Financial Registry of the Ministry of Finance (RS)	The Commission on Accounting & Auditing Ministry of Finance (State) Ministry of Finance (FBiH) Ministry of Finance (RS)	FBiH SEC RS SEC AAARS SRRFBiH SC Relevant EU Member States World Bank	Corporate Entities General Public

Resources, Budget, Timing and Performance Indicators

External Supports Required	Internal Supports Required	Total Budget Required	Timing (Yrs)		
			0-1	1-3	3-5
<p>Suitable external technical assistance – 250,000 EUR</p> <p>Hardware, Software & Equipment – 750,000 EUR</p> <p>Regionally coordinated support under the REPARIS program</p>	<p>Ministry of Finance (State)</p> <p>Financial Registry of the Ministry of Finance (FBiH)</p> <p>Financial Registry of the Ministry of Finance (RS)</p>	<p>1,000,000 EUR</p>		X	
<p>Performance Indicator: European Commission progress report for Bosnia Herzegovina; Number of annual (consolidated accounts) made available to users and compliance with filing requirements (as a % of registered companies)</p>					

Objective

Support the initiation of a public body to oversee the audit profession in Bosnia Herzegovina, to include for the identification and detailed design of the operational architecture of that body³³

Description

This action will support the design of the operational architecture of an oversight body including:

- Alignment of state and entity legislation with oversight of audit profession requirements.
- Scope of oversight (e.g., education, licensing, standards setting, quality assurance, disciplinary systems).
- Competences of oversight (e.g., investigative and disciplinary powers):
 - To promote adherence to high professional standards in the auditing profession;
 - To monitor the implementation of the provisions of the law and regulations arising;
 - To review the procedure of acquiring the title certified auditor conducted by the AAARS & SRRFBiH;
 - To monitor the operations of the AAARS & SRRFBiH regarding the operations of its members, in relation to education, quality assurance system and professional ethics.
- Transparency of oversight (e.g. publication of annual work programs and activity reports).
- Funding of the oversight system secure and free from any undue influence by statutory auditors or audit firms.
- Prepare “Memoranda of Understanding” with key regulatory partners

³³ Independent oversight of the regulation of the auditing profession includes monitoring of the quality of the auditing function in relation to economically significant entities and independent oversight of the regulation of the accountancy profession by the professional accountancy bodies in accordance with Article 31-34 of the new EU Eighth Company Law Directive (sets out the rules for public oversight and regulatory arrangements between Member States).

- Preparation of guidance describing set up of arrangements at the body for quality assurance and disciplinary systems, taking into consideration:
 - Current quality assurance and disciplinary systems; and
 - Need for cooperation with the competent authorities of EU Member States whenever necessary for the purpose of carrying out public oversight responsibilities under the new Eighth EU Company Law Directive. In particular, the system will provide for the exchange of information and co-operation in investigations related to the carrying out of statutory audits.

Outcome

The establishment of an oversight body will help assure regulators, investors and the public at large that audited annual accounts and consolidated accounts can be relied upon to provide an accurate picture of the financial health of the audited companies in Bosnia Herzegovina.

Key Stakeholders

Action No.	Responsibility (R)	Accountability (A)	Consult (C)	Inform (I)
18	Ministry of Finance (State) Ministry of Finance (FBiH) Ministry of Finance (RS)	The Commission on Accounting & Auditing Ministry of Finance (State) Ministry of Finance (FBiH) Ministry of Finance (RS)	AAARS SRRFBiH SC Relevant EU Member States World Bank	Oversight Bodies in EU member states General Public Statutory Auditors & Audit Firms

Resources, Budget, Timing and Performance Indicators

External Supports Required	Internal Supports Required	Total Budget Required	Timing (Yrs)		
			0-1	1-3	3-5
Operational Support –50,000 EUR Suitable external technical assistance – 100,000 EUR	Ministry of Finance (State) Ministry of Finance (FBiH) Ministry of Finance (RS)	150,000 EUR	X		
Performance Indicator: Initiation of Oversight Body					

Objective

To assist the oversight body in the implementation of the structured processes and procedures identified through its establishment initiated by this strategy under action 19.

Description

This action will initially develop the capabilities of the oversight body including:

- Establishment of a Secretariat – Recruit and appoint staff.
- Implement resources plan for delivery of oversight body fundamental requirements (Premises, Office fit-out, IT, Stationary, Telecommunications etc.).
- Establish the detailed identification of the internal procedures and rules including voting, decision, enforcing and supervising.
- Establishment of written rules and regulations for the oversight body, which are in line with the legislation.
- Implementation of business plan to meet targets and goals relating to the financial sustainability of the oversight body.
- Sign and implement “Memoranda of Understanding” with key regulatory partners.

The action will also include the organization of a series to workshops with the selected members of the oversight body to confirm their understanding of the role and functions to the oversight body, including the public oversight requirements relating to quality assurance and disciplinary systems.

Outcome

The program of support will help to ensure that the oversight body will develop as an effective and efficient organization that will be capable of underpinning the regulatory structure of the auditing profession in Bosnia Herzegovina in the longer-term. Effective public oversight over the audit profession is a vital element in the maintenance and enhancement of confidence in the audit function.

Key Stakeholders

Action No.	Responsibility (R)	Accountability (A)	Consult (C)	Inform (I)
19	<p>Oversight Body</p> <p>Ministry of Finance (State)</p> <p>Ministry of Finance (FBiH)</p> <p>Ministry of Finance (RS)</p>	<p>The Commission on Accounting & Auditing</p> <p>Ministry of Finance (State)</p> <p>Ministry of Finance (FBiH)</p> <p>Ministry of Finance (RS)</p>	<p>AAARS</p> <p>SRRFBiH</p> <p>SC</p> <p>Relevant EU Member States</p> <p>World Bank</p>	<p>Oversight Bodies in EU member states</p> <p>General Public</p> <p>Statutory Auditors & Audit Firms</p>

Resources, Budget, Timing and Performance Indicators

External Supports Required	Internal Supports Required	Total Budget Required	Timing (Yrs)		
			0-1	1-3	3-5
<p>Operational Support – 20,000 EUR</p> <p>Suitable external technical assistance – 60,000 EUR</p> <p>Hardware, Software & Equipment – 20,000 EUR</p>	<p>Oversight Body</p> <p>Ministry of Finance (State)</p> <p>Ministry of Finance (FBiH)</p> <p>Ministry of Finance (RS)</p>	100,000 EUR		X	
<p>Performance Indicator: Publication of suitable annual report by oversight body indicating annual activity and targets met and planning for next year.</p>					

4.20 Capacity Building Support to the Oversight Function (I)

Objective

To assist the on-going and long-term oversight of the auditing profession in Bosnia Herzegovina through support to develop the capacity, experience and skills of the oversight body

Description

The action will support the on-going long-term independent oversight of the auditing profession through:

- Making international expertise available to assist the oversight body for a period.
- On-going training and development in monitoring of the quality of the auditing function.
- Establishing relationships with oversight bodies in the EU to allow for an experience transfer.
- Developing and implementing a strategy to ensure the sustainability of the oversight body based on the experiences of similar sized countries in the EU (e.g., Estonia, Latvia, Lithuania, Slovenia).

Outcome

The development of set of internal skills and experience that will give the oversight body the capability to undertake the oversight of the auditing profession in Bosnia Herzegovina in an effective and efficient manner on a consistent long-term basis.

Key Stakeholders

Action No.	Responsibility (R)	Accountability (A)	Consult (C)	Inform (I)
20	<p>Oversight Body</p> <p>Ministry of Finance (State)</p> <p>Ministry of Finance (FBiH)</p> <p>Ministry of Finance (RS)</p>	<p>The Commission on Accounting & Auditing</p> <p>Ministry of Finance (State)</p> <p>Ministry of Finance (FBiH)</p> <p>Ministry of Finance (RS)</p>	<p>AAARS</p> <p>SRRFBiH</p> <p>SC</p> <p>Relevant EU Member States</p> <p>World Bank</p>	<p>Oversight Bodies in EU member states</p> <p>General Public</p> <p>Statutory Auditors & Audit Firms</p>

Resources, Budget, Timing and Performance Indicators

External Supports Required	Internal Supports Required	Total Budget Required	Timing (Yrs)		
			0-1	1-3	3-5
Operational Support – 50,000 EUR Suitable external technical assistance – 100,000 EUR	Oversight Body Ministry of Finance (State) Ministry of Finance (FBiH) Ministry of Finance (RS)	150,000 EUR		X	
Performance Indicator: Publication of suitable annual report by oversight body					

Objective

To assist the Commission on Accounting & Auditing, the AAARS & the SRRFBiH in building sufficient capacity to increase the effectiveness of the organizations in providing the conditions to promotion the quality of audit services in Bosnia Herzegovina. The activities should support the development and enhancement of an auditing profession to enable the provision of services of consistently high quality in the public interest.

Description

In order to meet this objective the capabilities of the AAARS & SRRFBiH should be built upon which will include the following:

- Support of Secretariat in the AAARS & SRRFBiH;
- Support of a business plan to meet targets and goals relating to the financial sustainability of the AAARS & SRRFBiH;
- Support of a human resources strategy to meet targets and goals relating to the expertise available to the AAARS & SRRFBiH;

The SC will have regard to IFAC's guidance entitled *Establishing and Developing a Professional Accountancy Body*.

Outcome

The action will increase the effectiveness of the AAARS & SRRFBiH in providing the conditions to promotion the quality of audit services in Bosnia Herzegovina. The resources required to allow for the enhancement of the architecture of the AAARS & SRRFBiH and of their *modus operandi* will be effectively used if they can underpin its structures allowing for its future success. Consistency with the IFAC Statements of Membership Obligations (SMOs) will provide clear benchmarks assist the AAARS & SRRFBiH to ensure high quality performance by professional auditors.

Key Stakeholders

Action No.	Responsibility (R)	Accountability (A)	Consult (C)	Inform (I)
21	<p>Commission on Accounting & Auditing</p> <p>AAARS</p> <p>SRRFBiH</p>	<p>Ministry of Finance (State)</p> <p>Ministry of Finance (FBiH)</p> <p>Ministry of Finance (RS)</p>	<p>SC</p> <p>Relevant EU Member States</p> <p>World Bank</p>	<p>General Public</p> <p>Statutory Auditors & Audit Firms</p>

Resources, Budget, Timing and Performance Indicators

External Supports Required	Internal Supports Required	Total Budget Required	Timing (Yrs)		
			0-1	1-3	3-5
<p>Operational Support – 50,000 EUR</p> <p>Suitable external technical assistance – 100,000 EUR</p>	<p>Commission on Accounting & Auditing</p> <p>AAARS</p> <p>SRRFBiH</p>	150,000 EUR		X	
<p>Performance Indicator: Sustainable Business plan for Auditing Organizations</p>					

Objective

The enhancement of the accounting education program for auditors in Bosnia Herzegovina having due regard to the requirements of the accounting & audit legislation, the new Eighth EU Company Law Directive, IFAC International Education Standards, and the “Global Curriculum for the Professional Education of Professional Accountants” issued by the intergovernmental working group of experts on International Standards of Accounting and Reporting.

This action will include the delivery of capacity building support to allow for local expertise to develop and facilitate the on-going long-term development and implementation of an education program for statutory auditors in Bosnia Herzegovina.

Description

To provide assistance to the Commission and to the AAARS & SRRFBiH to enhance the program of education to support the development of general knowledge, intellectual skills and communication skills needed by statutory auditors. This will be achieved by enhancing the educational program for statutory auditors in Bosnia Herzegovina having due regard to:

- Articles 6, 7 and 8 of the new EU Eighth Company Law Directive;
- IFAC International Education Standard (IES) No. 1, *Entry Requirements to a Program of Professional Accounting Education*;
- IFAC IES No. 2, *Content of Professional Accounting Education Programs*;
- IFAC IES No. 3, *Professional Skills*;
- IFAC IES No. 4, *Professional Values Ethics and Attitudes*;
- IFAC IES No. 5, *Practical Experience Requirements*;
- IFAC IES No. 6, *Assessment of Professional Capabilities and Competence*;
- IFAC IES No. 7, *Continuing Professional Development: A Program of Lifelong Learning and Continuing Development of Professional Competence*;
- IFAC IES No. 8, *Competence Requirements for Audit Professionals* (draft); and
- The experiences of relevant EU Member States in establishing educational programs.

This action will support the Commission and the AAARS & SRRFBiH as follows:

- Capacity support to the professional education process to ensure that a self-sustaining program is established that meets the objectives of the general education requirements regarding the development of general knowledge, intellectual skills and communication skills needed by professional auditors.
- Assist with the transfer of knowledge from international to local expertise in the area of education and training for statutory auditors.
- Assist the Commission and the AAARS & SRRFBiH to periodically review and enhance the framework for education of statutory auditors using good international practice.

Outcome

The successful delivery of this activity will allow the Commission and the AAARS & SRRFBiH to enhance the educational process for entrants to the profession to ensure best practice and to meet international good practice and EU requirements in producing competent professional auditors. Enhancing the educational program in Bosnia Herzegovina will have a significant positive impact in supporting corporate financial reporting in Bosnia Herzegovina through improving the standard and consistency of the education framework used to train statutory auditors.

In addition this action will further build the capacity to encourage local expertise to develop the skills and experience to allow for a sustained improvement in the standard of education and examination of new entrants to the profession, thus raising the standard of auditing in Bosnia Herzegovina in the longer-term.

Key Stakeholders

Action No.	Responsibility (R)	Accountability (A)	Consult (C)	Inform (I)
22	<p>The Commission on Accounting & Auditing</p> <p>AAARS</p> <p>SRRFBiH</p>	<p>Ministry of Finance (State)</p> <p>Ministry of Finance (FBiH)</p> <p>Ministry of Finance (RS)</p>	<p>SC</p> <p>Relevant EU Member States</p> <p>World Bank</p>	<p>General Public</p> <p>Statutory Auditors & Audit Firms</p>

Resources, Budget, Timing and Performance Indicators

External Supports Required	Internal Supports Required	Total Budget Required	Timing (Yrs)		
			0-1	1-3	3-5
<p>Operational Support – 50,000 EUR</p> <p>Suitable external technical assistance – 200,000 EUR</p> <p>Regionally coordinated support under the REPARIS program</p>	<p>The Commission on Accounting & Auditing</p> <p>AAARS</p> <p>SRRFBiH</p>	250,000 EUR		X	
<p>Performance Indicator: Enhanced educational program for auditors as evidenced by meeting IFAC International Educational Standards (IES)</p>					

Objective

Enhancing the efficient and effective delivery of the Continuing Professional Education (CPE) program to ensure that the AAARS & SRRFBiH is responsive to the needs of all members and provides positive and appropriate support ensuring the continuous maintenance, development and enhancement of the professional and personal knowledge and skills that members of the AAARS & SRRFBiH require throughout their working lives. This action will include supporting capacity building within the AAARS & SRRFBiH to facilitate local knowledge developing and growing to implement on an on-going long-term basis the CPE program for members of the AAARS & SRRFBiH in Bosnia Herzegovina.

Description

This action will entail designing enhanced policies and procedures for CPE that will be consistent with the requirements of:

- Articles 13 and 30 of the new EU Eighth Company Law Directive;
- IFAC IES No. 7, *Continuing Professional Development: A Program of Lifelong Learning and Continuing Development of Professional Competence*; and
- Existing practices and experiences of relevant EU Member States.

The program should include the following support assistance:

- Enhance the structure and scope of training programs³⁴ for improving the expertise of members of the AAARS & SRRFBiH with particular emphasis on practical application of IFRS, ISA and the IFAC Code of Ethics for Professional Accountants.
- Enhancing the formal requirement of the CPE program and document a schedule of activities leading to the full implementation of CPE within the auditing profession.
- Enhancing the structure and scope of learning materials relating to practical implementation of ISA and the Code of Ethics to be used by members of AAARS & SRRFBiH.

This action will support the implementation of the enhanced CPE program as follows:

³⁴ The design of the CPE courses should allow for non-members to undertake courses that has two key advantages, it adds to the knowledge of the financial community as a whole and also could offer a valuable revenue stream to the AAARS & SRRFBiH in the longer term.

- Deliver the expertise to the AAARS & SRRFBiH to train staff to deliver programs of CPE to members, with particular emphasis on practical application of the IFRS, ISA, and the IFAC Code of Ethics for Professional Accountants.
- Deliver learning materials relating to practical implementation of ISA and the IFAC Code of Ethics for Professional Accountants to be used by members of AAARS & SRRFBiH to form the basis of the CPE training programs.
- To co-ordinate with the higher educational institutions in Bosnia Herzegovina to consider how the higher educational institutions could assist with the development of CPE programs in the longer term.³⁵
- Implement a strategy to ensure the sustainability of the CPE process based on the experiences of similar sized countries in the EU (e.g. Estonia, Latvia, Lithuania, Slovenia).
- Make available international expertise to independently assess the progress of the AAARS & SRRFBiH in this area on a regular basis.
- Capacity support for an initial period to the CPE program supporting the continuous maintenance, development and enhancement of the professional and personal knowledge and skills of members of the AAARS & SRRFBiH.
- Deliver capacity building support for the on-going implementation of the CPE program to be delivered by the AAARS & SRRFBiH.
- Assist with the transfer of knowledge from international to local expertise in the area of CPE training for statutory auditors.

Outcome

It is important that AAARS & SRRFBiH members remain competent and develop new skills to remain effective in their jobs and careers. This will help maintain members' employability and their reputation with employers, clients and the public. It will also help maintain the AAARS & SRRFBiH reputation for producing and supporting high caliber professionals. The benefit of putting resources into the design of this program will be long term. The successful development of the knowledge base of the current generation of auditors will have far-reaching effects on the quality of auditing services in Bosnia Herzegovina in the long term.

³⁵ The methods of delivery of the CPE program should be open to individual choice subject to suitable quality assurance

Key Stakeholders

Action No.	Responsibility (R)	Accountability (A)	Consult (C)	Inform (I)
23	AAARS SRRFBiH	Ministry of Finance (State) Ministry of Finance (FBiH) Ministry of Finance (RS)	Commission on Accounting & Auditing SC Relevant EU Member States World Bank	General Public Statutory Auditors & Audit Firms

Resources, Budget, Timing and Performance Indicators

External Supports Required	Internal Supports Required	Total Budget Required	Timing (Yrs)		
			0-1	1-3	3-5
Operational Support – 50,000 EUR Suitable external technical assistance – 200,000 EUR Regionally coordinated support under the REPARIS program	AAARS SRRFBiH Voluntary contribution by members of the auditing profession in Bosnia Herzegovina	250,000 EUR		X	
Performance Indicator: The number of Statutory Auditors who comply with CPE requirements					

Objective

To enhance the external quality assurance program for members of the AAARS & SRRFBiH with due regard to:

- Article 29 of the new Eighth EU Company Law Directive, which introduces the requirement for all statutory auditors and audit firms to be subject to a system of quality assurance;
- The European Commission's Recommendation of November 2000 on Quality Assurance for the Statutory Auditor in the EU;³⁶
- IFAC Statements of Membership Obligation No. 1, *Quality Assurance*.³⁷

This will primarily consist of putting in place a quality control regime, which will review and monitor the quality of the work of the audit profession on an on-going basis. For users of financial information, external quality assurance ensures a certain level of credibility of audited annual and consolidated accounts.

Description

This action will support the enhancement of the external quality control regime within the auditing profession in Bosnia Herzegovina as follows:

- The criteria to be applied for such a quality assurance system are those identified in the new Eighth EU Company Law Directive and the European Commission Recommendation of November 2000 on Quality Assurance for the Statutory Auditor in the EU. Specific requirements deal with issues such as the frequency of the quality reviews, the scope of the quality reviews and confidentiality;

³⁶ The European Commission has adopted the Recommendation setting minimum standards for external quality assurance systems for statutory audits in the EU. External quality assurance systems have developed as a check on the quality of statutory audits. The aim of quality assurance is to ensure that statutory audits are conducted in compliance with the established auditing standards and that the auditors respect ethical rules (including independence). The Recommendation lays down a comprehensive set of minimum requirements for quality assurance systems in EU Member States with a view to ensuring that all statutory auditors are covered by equivalent quality assurance systems with sufficient public oversight and published results.

³⁷ SMO 1 is to be applied by member bodies of IFAC to quality assurance review programs for their members performing certain audit engagements of financial statements. It applies whether the Member bodies carry out such programs on their own behalf, on behalf of the profession, or on behalf of governments, regulators or other agencies, or whether the programs are carried out by another body.

- The enhancement of such a program should introduce linkages between the quality assurance program and other relevant working committees of the AAARS & SRRFBiH. For example, the disciplinary program for statutory auditors should specify a deterrent outcome for not meeting the quality assurance program requirements identified under this activity. Additionally, the Education Committee should embed in its CPE programs the areas for improvement in the audit process identified by the quality assurance program.
- In addition, the system of quality assurance should be overseen by an oversight body. This includes also the supervision and ultimate responsibility in quality assurance proceedings organized by the AAARS & SRRFBiH;
- Additionally develop a strategy to ensure the sustainability of the quality assurance process based on the experiences of similar sized countries in the EU (e.g. Estonia, Latvia, Lithuania, Slovenia);

This action will support the implementation of an enhanced external quality control regime within the auditing profession in Bosnia Herzegovina considering the following:

- Reviewers must have appropriate professional qualifications and experience. Their impartiality and objectivity must be guaranteed. Resources must be allocated to the quality control system to ensure that it is credible and effective.
- The scope of the quality review should include an assessment of the internal quality control system of an audit firm with sufficient compliance testing of procedures and audit files to verify its adequate functioning.
- Capacity support for an initial period to the AAARS & SRRFBiH to allow an enhanced quality assurance program to be implemented that meets the objectives of the QA requirements regarding assuring both users and third parties of the standard of work produced by auditors and audit firms.
- Capacity building for the AAARS & SRRFBiH to enforce specific quality assurance program of requirements.

Outcome

Quality assurance is the auditing profession's principal means of demonstrating to the public and to regulators that auditors are performing at a level that meets the established auditing standards and ethical rules. Enhancing the quality assurance program will be a positive step in this direction for the auditing profession in Bosnia Herzegovina. It also allows the profession to encourage quality improvements in auditing methods.

Key Stakeholders

Action No.	Responsibility (R)	Accountability (A)	Consult (C)	Inform (I)
24	AAARS SRRFBiH	Ministry of Finance (State) Ministry of Finance (FBiH) Ministry of Finance (RS)	Commission on Accounting & Auditing SC Relevant EU Member States World Bank	General Public Statutory Auditors & Audit Firms

Resources, Budget, Timing and Performance Indicators

External Supports Required	Internal Supports Required	Total Budget Required	Timing (Yrs)		
			0-1	1-3	3-5
Operational Support – 50,000 EUR Suitable external technical assistance – 200,000 EUR Regionally coordinated support under the REPARIS program	AAARS SRRFBiH Voluntary contribution by members of the auditing profession in Bosnia Herzegovina	250,000 EUR		X	
Performance Indicator: The number of Statutory Auditors subjected to external quality assurance in Bosnia Herzegovina in a given year; the performance of the AAARS & SRRFBiH (provisionally) under the IFAC compliance program					

Objective

To enhance the disciplinary program for members of the AAARS & SRRFBiH in Bosnia Herzegovina to assure both users and third parties of the standard of work produced by auditors and audit firms is subject to the fundamental principles of quality assurance and discipline with due regard to:

- Article 30 of the new Eighth EU Company Law Directive, which sets up the general principle that Member States shall organize effective systems of investigation and effective and dissuasive sanctions, which may be civil, administrative or criminal;
- European Commission Recommendation of November 2000 on Quality Assurance for the Statutory Auditor in the EU; and
- IFAC SMO No. 6, Investigation and Discipline.

Description

This action will support the enhancement of the AAARS & SRRFBiH's disciplinary program, which should investigate and discipline misconduct,³⁸ including breaches of professional standards and rules by individual AAARS & SRRFBiH members. This action will include the following:

- Enhance the delivery of the disciplinary program specifically implementing a strategy to assist the relevant committees of the AAARS & SRRFBiH to enforce the recommendations of their quality control systems.
- Enhance the mandate for action with the imposing of sanctions on members in breach of regulations to underpin the clear consequences of breaking the by-laws of the AAARS & SRRFBiH.
- Develop the arrangements for appeals against sanctions imposed by the relevant committees of the AAARS & SRRFBiH (Disciplinary Committee's) including appeals lodged to suitable bodies (Ministry of Finance). The enhancement of the structure for the disciplinary system should include:
 - All measures imposed by the AAARS & SRRFBiH shall be made public; and

³⁸ Misconduct includes all and any of the following: criminal activity, acts or omissions likely to bring the accountancy profession into disrepute, breaches of professional standards, breaches of ethical requirements, gross professional negligence, less serious instances of professional negligence that, cumulatively, may indicate unfitness, and unsatisfactory work.

- The AAARS & SRRFBiH shall inform suitable authorities (Minister of Finance) about all imposed measures.
- Capacity support for an initial period to the AAARS & SRRFBiH to allow a disciplinary program to be enhanced to meet the objectives of the disciplinary requirements regarding assuring users of the standard of work produced by auditors and audit firms.
- Capacity building for the ICA to enforce specific disciplinary findings.
- Assist with the transfer of knowledge from international to local expertise in the area of disciplinary actions for statutory auditors.

Outcome

The benefits of the enhancement of the disciplinary systems of the AAARS & SRRFBiH will in the longer term allow for:

- Safeguarding the public interest by maintaining and enhancing the standards of conduct of members and member firms of the auditing profession;
- Proceeding expeditiously with a view to sanctions being imposed on those found guilty of misconduct, including removal of their eligibility to audit; and
- Seeking to deter future acts of misconduct through its work.

In addition the effective enhancement of the disciplinary systems will:

- Encourage compliance with auditing standards;
- Encourage professional conduct by statutory auditors;
- Assist in assuring the quality of auditing; and
- Assure the general public of the quality of the work of statutory auditors.

Key Stakeholders

Action No.	Responsibility (R)	Accountability (A)	Consult (C)	Inform (I)
25	AAARS SRRFBiH	Ministry of Finance (State) Ministry of Finance (FBiH) Ministry of Finance (RS)	Commission on Accounting & Auditing SC Relevant EU Member States World Bank	General Public Statutory Auditors & Audit Firms

Resources, Budget, Timing and Performance Indicators

External Supports Required	Internal Supports Required	Total Budget Required	Timing (Yrs)		
			0-1	1-3	3-5
<p>Operational Support – 50,000 EUR</p> <p>Suitable external technical assistance – 100,000 EUR</p> <p>Regionally coordinated support under the REPARIS program</p>	<p>AAARS</p> <p>SRRFBiH</p> <p>Voluntary contribution by members of the auditing profession in Bosnia Herzegovina</p>	<p>150,000 EUR</p>		X	
<p>Performance Indicator: The number of Statutory Auditors subjected to disciplinary procedures in Bosnia Herzegovina in a given year; the performance of the AAARS & SRRFBiH (provisionally) under the IFAC compliance program</p>					

4.26 Public Register for Statutory Auditors (I)

Objective

To assist in ensuring that a suitable electronic public register for statutory auditors and audit firms is available in Bosnia Herzegovina that will allow interested parties to determine rapidly whether a statutory auditor or an audit firm has been registered, where it is officially located and how (in the case of firms) they are organized.³⁹ This includes the provision of technical and operational resources to the AAARS & SRRFBiH to allow the public register for statutory auditors and audit firms to be enhanced and maintained and to assist the AAARS & SRRFBiH in on-going population of this public register.

Description

This action will include the following:

- Technical assistance in enhancing the process for the registry of statutory auditors in Bosnia Herzegovina fully considering the requirements of the new EU Eighth Company Law Directive;
- Technical assistance to enhance the processes and procedures to allow for an effective registry of statutory auditors on an on-going basis;

³⁹ This action will implement Articles 15 to 20 of the new Eighth EU Company Law Directive. Additionally, due regard should be given to the experience of similar EU Member States (e.g., Lithuania where a specific project is addressing some key issues that Bosnia Herzegovina now faces). Refer to FIRST Initiative, Technical Assistance for Accounting and Audit Reform Phase 2.

- Supporting the secretariat to manage the registry process i.e. updating information, dealing with public queries, and on-going maintenance of registry information taking consideration of the new EU Eighth Company Law Directive stating that the registration information must be updated without undue delay.

To increase the resources available to the AAARS & SRRFBiH to fund the registration process to include:

- Software programs to assist with the electronic registration process based on good international practice;
- Hardware to enable the software programs on a continuous basis; and
- Operational expenses associated with the initial development of the public register.
- Deliver capacity building support to the AAARS & SRRFBiH for the on-going registration of statutory auditors and audit firms in Bosnia Herzegovina;
- Make available international expertise to independently assess the public register and its contents having regard to Articles 15 to 20 of the new Eighth EU Company Law Directive; and
- Assist with the transfer of knowledge from international to local expertise.

Outcome

The supply of operational resources and expertise will allow interested parties to determine whether a statutory auditor or an audit firm has been registered, where it is officially located and how (in the case of firms) they are organized. This will help to:

- Assist in identifying persons acting without licenses;
- Allow the public to identify the proper authorities if a complaint against a statutory auditor is required to be lodged;
- Increase public confidence in registered auditors; and

Additionally resources allocated to this project will allow for the regulation of the profession on an on-going basis and help to meet requirements of the new Eighth EU Company Law Directive.

Key Stakeholders

Action No.	Responsibility (R)	Accountability (A)	Consult (C)	Inform (I)
26	AAARS SRRFBiH	Ministry of Finance (State) Ministry of Finance (FBiH) Ministry of Finance (RS)	Commission on Accounting & Auditing SC Relevant EU Member States World Bank	General Public Statutory Auditors & Audit Firms

Resources, Budget, Timing and Performance Indicators

External Supports Required	Internal Supports Required	Total Budget Required	Timing (Yrs)		
			0-1	1-3	3-5
Operational Support – 25,000 EUR Suitable external technical assistance – 75,000 EUR Hardware, Software & Equipment – 25,000 EUR Regionally coordinated support under the REPARIS program	AAARS SRRFBiH	125,000 EUR		X	
Performance Indicator: Availability of electronic register of Statutory Auditors in Bosnia Herzegovina; requests for information from these registries on an annual basis					

Objective

To ensure Bosnia Herzegovina plays a role in the international accounting and auditing community to achieve:

- Bosnia Herzegovina representation at the European and International level in order to provide its input into the development of accounting and auditing; and
- Leverage on the experience of European and International partners to gain insights into good international practices.

Description

This action will assist the AAARS & SRRFBiH to become members of European and International accountancy organizations (FEE and IFAC).

Specific activities will include:

- Design, initiate and delivery of a strategy to allow for the application to membership of the AAARS & SRRFBiH to FEE, including for the meeting of FEE obligations of a candidate body. These include the following requirements:⁴⁰
 - Principally practice the traditional activities of an accountant;
 - Having the highest professional qualifications;
 - Principally practice activities regulated by the EU Directives; and
 - Be authorized to do statutory audits without restriction, i.e. audit all the accounting documents of all categories of companies.

Additional assistance and supports include the strengthening of the SRRFBiH to meet the criteria for associate membership of IFAC to include activities that will help to establish:⁴¹

- Good standing and appropriate visibility on an international scale;
- Financial and organizational structure that supports its viability;
- An interest in IFAC and IASB and their programs, activities and pronouncements; and
- Promote IFAC and IASB's activities.

⁴⁰ Initially the SRRFBiH will likely apply for Correspondent Membership (do not meet all the membership criteria but are working towards full ordinary membership) with a longer-term strategy to obtain Ordinary Membership (have appropriate professional standards and are recognised as being substantial reputable organisations and are not governmental bodies).

⁴¹ In the longer term, the SRRFBiH will seek to establish full membership of IFAC.

Additional assistance and supports include the strengthening of the AAARS to meet the criteria for full membership of IFAC to include activities that will help to establish:

- Maintain appropriate quality control standards in accordance with International Standards on Quality Control issued by the IAASB in addition to relevant national quality control standards and conduct, to the extent not prohibited by national regulation, regular globally coordinated internal quality assurance reviews;
- Have policies and methodologies for the conduct of such audits that are based, to the extent practicable, on ISAs;
- Have policies and methodologies which conform to the IFAC Code of Ethics for Professional Accountants and national codes of ethics; and
- Agree to submit to the Secretary of the Forum an annual report, in a form approved by the Transnational Auditors Committee (TAC), indicating that it meets the membership obligations set forth above

Outcome

Meeting the membership requirements for an international organization like FEE and IFAC will have a dual purpose. Firstly the membership criteria are also the type of strategic goals that in meeting the AAARS & SRRFBiH will ensure the regulation of the profession. Furthermore the international experience of the AAARS & SRRFBiH will help drive internal improvements and allow for the efficient and effective running of the AAARS & SRRFBiH.

Key Stakeholders

Action No.	Responsibility (R)	Accountability (A)	Consult (C)	Inform (I)
27	<p>Commission on Accounting & Auditing</p> <p>AAARS</p> <p>SRRFBiH</p>	<p>Ministry of Finance (State)</p> <p>Ministry of Finance (FBiH)</p> <p>Ministry of Finance (RS)</p>	<p>SC</p> <p>Relevant EU Member States</p> <p>FEE</p> <p>IFAC</p> <p>World Bank</p>	<p>General Public</p> <p>Statutory Auditors & Accountants</p>

Resources, Budget, Timing and Performance Indicators

External Supports Required	Internal Supports Required	Total Budget Required	Timing (Yrs)		
			0-1	1-3	3-5
<p>Operational Support – 100,000 EUR</p> <p>Suitable external technical assistance – 200,000 EUR</p> <p>Regionally coordinated support under the REPARIS program</p>	<p>Commission on Accounting & Auditing</p> <p>AAARS</p> <p>SRRFBiH</p>	<p>300,000 EUR</p>			<p>X</p>
<p>Performance Indicator: Status and level of membership of FEE and IFAC</p>					

Objective

To continue the education segment of the USAID Accounting Reform Project in Bosnia and Herzegovina to improve the standard of the curriculum of accountancy modules taught within third level institutions (e.g., universities) with the ultimate aim of improving the quality of accountancy graduates produced for the profession and the general understanding of accounting by graduates in other disciplines, for example, law students. The accounting and auditing curriculum should reflect the significant changes in the accounting and auditing framework in recent years.

Description

Delivery of activities to include:

- Establish a consultative committee working with the relevant ministries and universities and representing the views of all key stakeholders (e.g. preparers, regulators, users and auditors of annual and consolidated accounts) to develop and enhance the curriculum of accounting modules, as delivered by all the relevant educational institutions, in line with the needs of a modern market economy.
- Design, initiate and establish a program led by an internationally recognized university to meet the agenda established by the consultative committee.
- Design and implement a strategy to improve the quality and availability of Bosnia Herzegovina textbooks, case studies and other training materials on ISA and IFRS, which are currently insufficient, particularly in terms of practical application of standards.

Outcome

Corporate financial reporting plays a crucial role in a well functioning modern economy. The understanding of the general public and third level students of this reality is important. This understanding is developed by a strong curriculum in accounting and auditing at the third level of education in Bosnia Herzegovina. This is important not only directly for accountancy students but for other disciplines also (e.g., business administration, law, economics) to ensure all sectors of a functioning economy can make informed decision based on reliable financial information.

The resources required to initiate a program of activities leading to the enhancement of the curriculum in accountancy will lead to an improvement in the knowledge of entrants to the auditing training programs in the long-term. Importantly also, the improved knowledge of all third level students taking an accounting module will feed into increasing the overall knowledge base relating to the importance of good corporate financial reporting.

Key Stakeholders

Action No.	Responsibility (R)	Accountability (A)	Consult (C)	Inform (I)
28	U. Sarajevo U. Srpska Sarajevo U. Banja Luka U. Brcko U. Mostar U. Mostar U. Tuzla U. Bihac	Ministry of Finance (State) Ministry of Finance (FBiH) Ministry of Finance (RS)	Commission on Accounting & Auditing AAARS SRRFBiH All Third Level Institutes SC Relevant EU Member States World Bank	General Public SMEs Corporate Entities

Resources, Budget, Timing and Performance Indicators

External Supports Required	Internal Supports Required	Total Budget Required	Timing (Yrs)		
			0-1	1-3	3-5
Suitable external technical assistance – 200,000 EUR	U. Sarajevo U. Srpska Sarajevo U. Banja Luka U. Brcko U. Mostar U. Mostar U. Tuzla U. Bihac	200,000 EUR		X	
Performance Indicator: Updated Accountancy & Audit Curriculum consistent with good international practice					

Objective

To continue the education segment of the USAID Accounting Reform Project in Bosnia and Herzegovina in supporting a core group of professors, lecturers and other educational experts who will be able to deliver and write high quality academic training and literature and in the longer-term design internationally comparable curriculum and understand practical aspects of IFRS and ISA.

Description

Delivery of activities to include:

- Design, initiate and establish a program to offer training to accounting and auditing instructors in education institutions in Bosnia Herzegovina based on the following:
 - Expertise should be provided to allow for the involvement of stakeholders from all faculties of accounting across Bosnia Herzegovina. Training should be conducted in Bosnia Herzegovina language under international expertise along with local Bosnia Herzegovina trainers who prove to have acquired competitive skills in teaching IFRS and ISA. Workshops should focus on the specific methodology of teaching IFRS and ISA aiming to build an understanding of the practical aspects of IFRS and ISA. The transfer of knowledge and skills will be made through specific methods designed to bring professors and lecturers together in interactive sessions where they can share information. It is essential that a large body of Bosnia Herzegovina professors get acquainted with IFRS and ISA and the new methodology in applying them.
 - In order to facilitate a transfer of knowledge with a recognized international institution, a secondment program shall be organized and delivered to a targeted group of lecturers or professors to be selected on a competitive basis from all faculties of accounting across Bosnia Herzegovina. The targeted trainee should be lecturers or professors with strong communication skills with proven teaching academic experience in higher education and ability to develop teaching materials.
- Build capacity within the third level education sector to continue to improve the curriculum for accountancy and auditing education.

Outcome

To enhance the capacity of Bosnia Herzegovina university professors, lecturers and other stakeholders in accounting and auditing education to design and deliver current and new courses that will use and apply IFRS and ISA.

Key Stakeholders

Action No.	Responsibility (R)	Accountability (A)	Consult (C)	Inform (I)
29	U. Sarajevo U. Srpska Sarajevo U. Banja Luka U. Brcko U. Mostar U. Mostar U. Tuzla U. Bihac	Ministry of Finance (State) Ministry of Finance (FBiH) Ministry of Finance (RS)	Commission on Accounting & Auditing AAARS SRRFBiH All Third Level Institutes SC Relevant EU Member States World Bank	General Public SMEs Corporate Entities

Resources, Budget, Timing and Performance Indicators

External Supports Required	Internal Supports Required	Total Budget Required	Timing (Yrs)		
			0-1	1-3	3-5
Operational Support – 600,000 EUR Suitable external technical assistance – 150,000 EUR Regionally coordinated support under the REPARIS program	U. Sarajevo U. Srpska Sarajevo U. Banja Luka U. Brcko U. Mostar U. Mostar U. Tuzla U. Bihac	750,000 EUR		X	
Performance Indicator: Number of secondments of lectures or professors to international universities; Updated Accountancy & Audit Curriculum consistent with good international practice					

Objective

A well-designed and implemented training program that would increase judges understanding of the importance of good corporate financial reporting and the responsibilities and rights of relevant stakeholders.

Description

Working with the Judicial and Prosecutorial Training Centres⁴² support a program of training to assist judges to:

- Summarize the underlying financial reporting principles and conventions that are fundamental to the understanding of annual and consolidated accounts.
- Describe the degree of estimation and judgment inherent in the financial reporting process.
- Distinguish between audited and unaudited annual and consolidated accounts.
- Make informed decisions on assessing the credibility of business valuations experts.
- Outline some of the issues that frequently arise in litigation involving financial information.

This training would include as a minimum:

- Annual and consolidated accounts:
 - Uses and purposes;
 - Objectives;
 - Components; and
 - Conventions and standards;
- Principles as the basis for annual and consolidated accounts:
 - Basic principles (IFRS);

⁴²The Judicial and Prosecutorial Training Centres (JPTCs) are intended to ensure delivery of sustainable, high quality, standardised induction and continued education courses for judges and prosecutors in BiH. The Organization for Security and Co-operation in Europe (OSCE) is co-ordinating capacity-building support to the Entity JPTCs in conjunction with the Council of Europe through technical and international donor assistance, whilst working to enhance financial and political support from the national authorities for these institutions. The Organization for Security and Co-operation in Europe (OSCE) plays a major role in the creation and development of a stable, peaceful, democratic and self-sustaining Bosnia and Herzegovina (BiH). The JPTC steering boards in both the RS and Federation are now operational. The directors have been appointed and in April 2003 both institutions became legally registered public bodies.

- Source and hierarchy; and
- Estimation and judgment.
- Audited annual and consolidated accounts:
 - Objectives and purpose of an audit;
 - Auditing Standards (ISA);
 - The audit report; and
 - Levels of assurance.
- Types of annual and consolidated accounts:
 - Who Uses annual and consolidated accounts;
 - Annual and consolidated accounts vs. regulatory reporting; and
 - The needs of investors and others.

Outcome

Training and support for the judiciary in the understanding of corporate financial reporting will:

- Increase awareness in the judiciary of the benefits and requirements of good corporate disclosure and transparency in respect of corporate financial reporting;
- Increase the demand by the judiciary for good corporate disclosure and transparency;
- Increase the public confidence in taking legal action if breaches of regulations have taken place;
- Increase the public demand for good corporate disclosure and transparency; and
- Reduce the risk of significant fraud by increasing the judiciary awareness of peoples' rights and responsibilities relating to corporate financial reporting.

Key Stakeholders

Action No.	Responsibility (R)	Accountability (A)	Consult (C)	Inform (I)
30	<p>Judicial and Prosecutorial Training Centres</p> <p>Ministry of Finance (State)</p> <p>Ministry of Finance (FBiH)</p> <p>Ministry of Finance (RS)</p>	<p>Ministry of Finance (State)</p> <p>Ministry of Finance (FBiH)</p> <p>Ministry of Finance (RS)</p>	<p>Commission on Accounting & Auditing</p> <p>AAARS</p> <p>SRRFBiH</p> <p>Third Level Institutes</p> <p>SC</p> <p>Relevant EU Member States</p> <p>World Bank</p>	<p>General Public</p> <p>SMEs</p> <p>Corporate Entities</p>

Resources, Budget, Timing and Performance Indicators

External Supports Required	Internal Supports Required	Total Budget Required	Timing (Yrs)		
			0-1	1-3	3-5
<p>Operational Support – 50,000 EUR</p> <p>Suitable external technical assistance – 150,000 EUR</p> <p>Regionally coordinated support under the REPARIS program</p>	<p>Judicial and Prosecutorial Training Centres</p> <p>Ministry of Finance (State)</p> <p>Ministry of Finance (FBiH)</p> <p>Ministry of Finance (RS)</p>	200,000 EUR		X	
<p>Performance Indicator: Number of Judges trained under the new program</p>					

Objective

A well-designed and implemented public awareness program that would increase the public demand for good corporate financial reporting.

Description

To increase the public awareness and confidence in financial reporting in Bosnia Herzegovina assistance should be offered to the various stakeholders to allow for a program of public awareness to include:

- Co-ordination with the May 2004 Office of the High Representative (OHR) three-part communications strategy that carefully laid the foundation for a campaign to reinforced an ongoing advocacy effort to improve the BiH business environment.
- Highlighting the rights of shareholders;
- Highlighting the requirement for statutory audit;
- Highlighting the financial advantages of a strong compliance culture;
- Increasing public awareness of the advantages of good corporate reporting;
- Promoting public awareness of the integrity, objectivity, competence, and professionalism of auditors and key stakeholders;
- Providing information, educational guidance and technical assistance to the public; and
- Promoting good disclosure and transparency in respect of corporate financial reporting.

More specifically awareness campaigns may focus on:

- For managers – Highlighting a culture of honest and open communications, refocusing internal audit onto big and more riskier issues, and encouraging a safe channel for employees to communicate serious concerns (whistle blowing); and
- For directors – Highlighting gaining a better understanding of the business, using that understanding to make a more informed and constructive challenge to management, exercising the right of access to information via internal and external auditors.

Outcome

Promoting awareness of good corporate disclosure and transparency in respect of financial reporting will in the long term lead to:

- Increased confidence in financial reporting in Bosnia Herzegovina;
- Increase the public demand for good corporate disclosure and transparency;
- Reduce the risk of significant fraud by increasing the awareness of peoples' rights and responsibilities; and
- Deepen the local knowledge of financial reporting increasing the potential investor base in Bosnia Herzegovina.

Key Stakeholders

Action No.	Responsibility (R)	Accountability (A)	Consult (C)	Inform (I)
31	Ministry of Finance (State) Ministry of Finance (FBiH) Ministry of Finance (RS)	Ministry of Finance (State) Ministry of Finance (FBiH) Ministry of Finance (RS)	Commission on Accounting & Auditing AAARS SRRFBiH Third Level Institutes SC Relevant EU Member States World Bank	General Public SMEs Corporate Entities

Resources, Budget, Timing and Performance Indicators

External Supports Required	Internal Supports Required	Total Budget Required	Timing (Yrs)		
			0-1	1-3	3-5
Operational Support – 100,000 EUR Suitable external technical assistance – 100,000 EUR	Ministry of Finance (State) Ministry of Finance (FBiH) Ministry of Finance (RS)	200,000 EUR		X	
Performance Indicator: Survey of the general publics understanding of good corporate financial reporting					