



**REPUBLIC OF SERBIA
MINISTRY OF FINANCE
- Central Harmonisation Unit -**

**CONSOLIDATED ANNUAL REPORT FOR THE
STATUS OF PUBLIC INTERNAL FINANCIAL CONTROL IN THE
THE REPUBLIC OF SERBIA IN 2024**

Belgrade, July 2025

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List of abbreviations

AP – Action plan for the establishment and development of a financial management and control system

AP K&M – Autonomous Province of Kosovo and Metohija

APV – Autonomous Province of Vojvodina

BEORS – Business entities owned by the Republic of Serbia

BSL – Budget System Law

CAR – The Government adopted the Consolidated Annual Report on the status of public internal financial control in the Republic of Serbia

Certification Rulebook – Rulebook on Conditions, Manner and Procedure for Taking an Exam and Obtaining a Title of Certified Internal Auditor in the Public Sector

CHU – Central Harmonisation Unit

CIAPS – Certified internal auditor(s) in the public sector

COSO – Committee of Sponsoring Organisations of the Treadway Commission

DBBs – Direct Budget Beneficiaries

GenSec – General Secretariat of the Government of the Republic of Serbia
EC – European Commission

EU – European Union

GIZ – *Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH*

FMC Manual – Manual on Financial Management and Control

IA – Internal Audit

EU PFM Facility - The project “Flexible Instrument for Public Finance Management Reform” is being implemented as part of the IPA 2021 programme

FMC – Financial Management Control

FMC Report – Annual Report on Financial Management and Control System

FMC Rulebook – Rulebook on Joint Criteria and Standards for Establishment, Functioning and Reporting on the System of financial system and control in public sector

HRMS – Human Resources Management Service

IA Report – Annual Report on Audits and IA Activities

IA Rulebook – Rulebook on Joint Criteria for Organizing and Standards and Methodological Instruction for Acting and Reporting by the Internal Audit in the Public Sector

IBBs – Indirect Budget Beneficiaries

IIA – Institute of Internal Auditors (*IIA*)

INTOSAI – International Organisation of Supreme Audit Institutions (*INTOSAI*)

IPA – Instrument for Pre-Accession Assistance

IT – Information technologies
SAI – State Audit Institution

IUPD – Internal unit for planning documents and management support

LSG – Local Self-Governments

MAFWM – Ministry of Agriculture, Forestry and Water Management

MEI – Ministry of European Integration

MoF – Ministry of Finance

MPALG – Ministry of Public Administration and Local Government

NAPA – National Academy of Public Administration

NEA – National Employment Agency

OMSI – Organisations of Mandatory Social Insurance

PAR - Public Administration Reform

PAR Reform - Public Administration Reform Strategy

PEs – Public Enterprises

PFBs – Public Funds Beneficiaries

PFMRP – Public Financial Management Reform Programme for the Period 2021-2025

PIFC – Public Internal Financial Control (*PIFC*)

PPS – Public Policy Secretariat of the Republic of Serbia

PUC – Public Utility Company

RELOF 3 Project – Local Government Finance Reform (*RELOF*)

RHIF – Republic Health Insurance Fund

Rulebook on Professional Development – Rulebook on Professional Development of Internal Auditors in the Public Sector

RS – Republic of Serbia

SCTM - Standing Conference of Towns and Municipalities

SIGMA – Support for Improvement in Governance and Management (joint initiative of the OECD and the European Union)

SIEMP – Social Insurance Fund for Military Personnel

UNDP – United Nations Development Programme

WG – Working Group

SUMMARY

The Consolidated Annual Report on the status of the PIFC contains a comprehensive analysis aimed at identifying the strengths and weaknesses of the system, on the basis of which appropriate recommendations for its improvement are made.

The report also contains information related to the activities of the CHU during the reporting period. In addition, the recommendations in the Annual Progress Reports of the European Commission for the RS in the EU accession process are monitored, as well as the results achieved and the implementation of the objectives in the relevant planning documents.

The CAR relies primarily on individual annual reports on the FMC system and annual reports on audits carried out and IA activities submitted by the beneficiaries of public funds (PFBs). The templates for the FMC and IA reports have remained largely unchanged compared to the previous year. Valuable information on the status of the PIFC is also obtained from the on-site activities to assess the quality of the FMC system and the work of IA.

The reporting rate for the FMC system increased significantly again this year with a total of 4,890 reports submitted. The most important public sector institutions of the Republic of Serbia regularly submit FMC reports. The high volume of the reports provides a basis for relevant conclusions about the status of the FMC system in the public sector of RS.

The upward trend continued for most indicators describing the FMC system in the public sector of the Republic of Serbia. Regarding the organisational set-up of the FMC system, further progress was recorded in the number of PFBs that have adopted risk management strategies and developed risk registers. The results relating to the principles and elements of the COSO framework are also increasing slightly. On the other hand, further improvements are needed in the areas of risk assessment and management of irregularities. There are still limitations when it comes to mechanisms to ensure adequate human resources. There are also problems in the area of monitoring and updating the FMC system.

In the area of internal audit (IA), there has been overall progress in terms of the number of PFBs that have established an internal audit function. The number of employees working in internal audit has also increased, as has the number of certified internal auditors. On the other hand, the number of internal auditors in ministries and established IA units in general has stagnated.

For the main weaknesses identified in the FMC and IA system, this CAR makes appropriate recommendations to address them, with a specific recommendation for the PFBs priority group (ministries, cities, BEORS and OMSI) to ensure adequate conditions for the establishment and development of the FMC system and the performance of IA at full capacity.

I INTRODUCTION

1.1 Purpose and objective

The Consolidated Annual Report on the Status of Public Sector Internal Financial Control is prepared to present to the Government of RS and the public information on the activities carried out by the PFBs and the results achieved in the process of establishing and developing the FMC system and the IA function. The aim of this report is to highlight both the good points and the shortcomings of the PIFC system, while proposing recommendations for its further development and improvement.

The BSL defines the PIFC as a comprehensive system of measures for the management and control of public revenues, expenditures, assets and liabilities established by the government through public sector organisations. The objective of PIFC is to ensure that the management and control of public funds, including foreign funds, is carried out in accordance with the regulations, the budget and the principles of good financial management, which include economy, efficiency, effectiveness and openness.

The PIFC in the public sector comprises three basic elements:

1. financial management and control;
2. internal audit; and
3. Central Unit for Harmonisation of financial management and control and internal audit.

The PIFC system is primarily based on managerial accountability, which is defined in the BSL as: the obligation of managers at all levels of PFBs to carry out all work lawfully, observing the principles of economy, efficiency, effectiveness and publicity, and to be accountable for their decisions, actions and results to the person who appointed or delegated responsibility to them.

The existing legal framework in the RS is based on international internal control standards. The FMC Rulebook states that the elements of the FMC system are aligned with the International Standards on Internal Control (by the INTOSAI), which includes the concept of the COSO framework. The IA regulations also stipulate the obligation to apply the international standards from IA¹. The regulation prescribing the PIFC's scope is listed in [Appendix 1 - Legal Framework and International Standards](#).

It should also be noted that the implementation of the PIFC is a benchmark for the conclusion of Negotiating Chapter 32 - Financial Control.

1.2 Method and methodology of the preparation of CAR

In accordance with Article 83 of the Budget System Law², the CHU, as an organisational unit within the MoF, has prepared the CAR by summarising the individual annual reports on the

¹ Institute of Internal Auditors (IIA) International Standards for the Professional Practise of Internal Auditing

² "Official Gazette of the RS", No. 54/2009, 73/2010, 101/2010, 101/2011, 93/2012, 62/2013, 63/2013 - corrigendum, 108/2013, 142/2014, 68/2015 - as amended, 103/2015, 99/2016, 113/2017, 95/2018, 31/2019, 72/2019, 149/2020, 118/2021, 138/2022, 118/2021 - as amended, 92/2023 and 94/2024).

FMC system and the annual reports on audits and IA activities submitted by PFBs. The individual reports are submitted electronically via the CHU application.

In accordance with the by-laws (IA Rulebook and FMC Rulebook), the CHU has prepared appropriate reporting forms, which take the form of questionnaires.

The template for the FMC report has remained largely unchanged compared to the previous year. In addition to the sections relating to the organisational set-up of the system and the self-assessment of the application of the principles and elements of the COSO framework, the report also contains sections dealing with issues relating to the management of irregularities and the recommendations from the CAR of the last year. In the self-assessment, for each of the 17 principles (within the 5 elements of the FMC system), the requirements that describe the functioning of the organisation in accordance with the respective principle of the COSO framework are listed exhaustively. The requirements listed are largely generic, i.e. they can be applied to any organisation to a greater or lesser extent, regardless of the activity and other specifics system. The fulfilment of all requirements describes the “ideal” FMC system. Of course, the meaning of certain requirements may vary according to the characteristics system and needs of each individual organisation. The requirements are formulated in the form of statements to be ticked (agree/confirm) if they apply to a particular organisation. Finally, based on the responses to the statements illustrating each principle, and taking into account the characteristics system and needs of its own organisation, the PFBs head gives his or her assessment (from 1 - NO to 5 - YES) of the extent to which the organisation he/she manages adequately meets the requirements, i.e., observes the stated principle.

The FMC report template is intended to serve as a diagnostic tool for managing the internal control system. PFBs can use it as a checklist to determine the status of the FMC, identify weaknesses and then make decisions on the activities to be undertaken to improve the system. The list of elements that make up the FMC report can be found in [Annex 2 - Status indicators of the FMC system](#).

An integral part of the FMC report is the Statement on Internal Controls.³ The head of PFB signs one of two versions of the Statement, depending on whether specific weaknesses in the FMC system have been identified and whether or not these weaknesses have an impact on the organisation's operations.

There are no significant changes to the submission for the IA report compared to last year. Each PFBs has access to the sections or questions relevant to its specific organisation and its IA function. The list of questions that make up the IA report can be found in the [Annex 3](#). As last year, the primary and secondary education institutions (hereinafter: educational institutions) submitted the FMC and IA reports using a template specifically adapted to the characteristics system of these organisations. This year, a special template was also created for local community offices.

To facilitate monitoring of the data listed in CAR, the PFBs have been categorised in the manner shown in Table 1.

³ More about the statement on internal controls in section [2.1.6 Statement on Internal Controls](#)

Table 1. PFBs categorisation

Level	PFB category	PFBs
Central Level	Ministries with administrative bodies in the composition	Ministries, administrations, directorates and supervisory bodies within ministries.
	Organisations of Mandatory Social Insurance (OMSI)	RHIF, SIFMP, Republic Pension fund and NEA.
	Direct budget beneficiaries (other DBBs - excluding ministries and administrative bodies in their composition)	The National Assembly of the RS and its services, President of the RS, departments and offices of the Government of the RS, specialised agencies, autonomous and independent state bodies, judicial authorities that are DBBs, administrative districts...
	Indirect budget beneficiaries (IDBs)	Schools, universities, judicial authorities other than the DBBs, centres for social work, cultural institutions... ⁴
	Business entities owned by the Republic of Serbia (BEORS)	Capital companies majority-owned by the Republic of Serbia. ⁵
	Other PFBs (excluding BEORS)	Public bodies, organisations and legal entities performing entrusted, developmental, professional and regulatory tasks of general interest, and other legal entities over which RS exercises direct or indirect control (excluding BEORS).
	Beneficiaries of RPIF	Healthcare and pharmaceutical institutions.
Local level	DPFBs	Local government agencies and services (provinces and LSGs)
	IBBs	Cultural institutions, pre-school institutions... ⁶
	Other PFBs	PUC and other legal entities over which AP or LSGs exercise direct or indirect control.

⁴ As a special reporting template was created for educational institutions (primary and secondary schools), these indirect budget beneficiaries are presented separately at central level outside the IBBs category.

⁵ See the Law on Management of Companies Owned by the Republic of Serbia ("Official Gazette of the Republic of Serbia", No. 76/2023). The list of capital companies majority-owned by the Republic of Serbia was established by the Government of the Republic of Serbia in the Decree on the Establishment of the List of Capital Companies and Minority-Owned Capital Companies ("Official Gazette of the Republic of Serbia", No. 77/2024).

⁶ As a special reporting template has been created for the local municipal offices, these indirect budget beneficiaries are treated separately, outside the IBBS category at local level.

The categorisation presented is based on the typology of PFBs list published by the Treasury Administration of the MoF⁷, and also takes into account the requirements of EC from Chapter 32 - Financial Control⁸. In view of the particular importance of the ministries and the administrative bodies in their composition, i.e., the business entities owned by the Republic of Serbia (BEORS), these categories are presented separately.

Most indicators for 2024 are presented by the listed categories of PFBs. In the section on the FMC, the results for the group of “priority PFBs” are presented separately. For the purposes of this report, this group includes ministries, OMSI, BEORS and cities. The analysis of the dynamics system of the FMC system is based on the data of PFBs that submitted reports for both 2023 and 2024.

It should be noted that in previous years CAR used the category PEs (public enterprises) at central level and not the BEORS category used this year. The entry into force of the Law on the Management of Companies Owned by the Republic of Serbia⁹ and the adoption of the Decree on the Establishment of the List of Capital Companies and Minority-Owned Capital Companies¹⁰ led to a reclassification within the CAR for 2024. The categories of PEs and BEORS differ significantly in their composition. The BEORS category includes a much larger number of organisations and its composition is very heterogeneous — it ranges from companies with only one employee and minimal financial capacity to large systems with thousands of employees, significant capital and high turnover.

In view of all this, a direct comparison of the results for the BEORS category with the results of previous years for the PE category is not possible. The same applies to the results for the “priority PFB” group, as their composition has changed.

The annual reports presented, both individually and as a whole, provide a basis of information for the management of internal control systems at micro and macro level. As the results are based on a self-assessment, the objectivity of the indicators should be treated with caution.

In addition to the results of the self-assessment, the conclusions on the state of the PIFC are also based on information resulting from the review of the quality of the FMC system and the quality of IA operations by the CHU.

In addition to presenting the status and development dynamics system of the IFKC in 2024, the CAR also contains information on the monitoring of the recommendations presented in the EC Progress Report for Serbia and the results achieved. It also covers the follow-up to the recommendations presented in the previous year’s CAR, with a review of the implementation of the objectives from the relevant planning documents.

⁷ Please refer to the Rulebook on the procedure for determining and keeping records on public funds beneficiaries and the terms and conditions for opening and closing subaccounts in the consolidated treasury account of the Treasury Administration (“Official Gazette of the RS”, No. 11/2023, 84/2023 and 103/2024).

⁸ Negotiation Chapter 32 - Financial Supervision covers four main areas: PIFC, external audit, protection of the EU's financial interests and protection of the Euro against counterfeiting.

⁹ “Official Gazette of the RS”, No. 76/2023

¹⁰ “Official Gazette of the RS”, No. 77/2024

II THE PUBLIC INTERNAL FINANCIAL CONTROL SYSTEM

2.1 Financial management and control

2.1.1 Concept and definition

The FMC is a system of policies, procedures and activities established, maintained and regularly updated by PFBs management that ensures that PFBs' objectives are properly, economically, efficiently and effectively achieved by managing risks to an appropriate degree.

The FMC system consists of the following interrelated elements:

- 1) control environment;
- 2) risk assessment;
- 3) control activities;
- 4) information and communication;
- 5) monitoring and evaluation of the system.

2.1.2 Scope of submitted reports

The FMC report for 2024 was submitted by 4890 PFBs. Of the above number, 1482 reports were submitted by primary and secondary schools, and 1074 by local communities. The high reporting rate registered last year (3779 PFBs) has increased further.

Figure 1 Number of processed FMC reports submitted by PFBs by reporting year

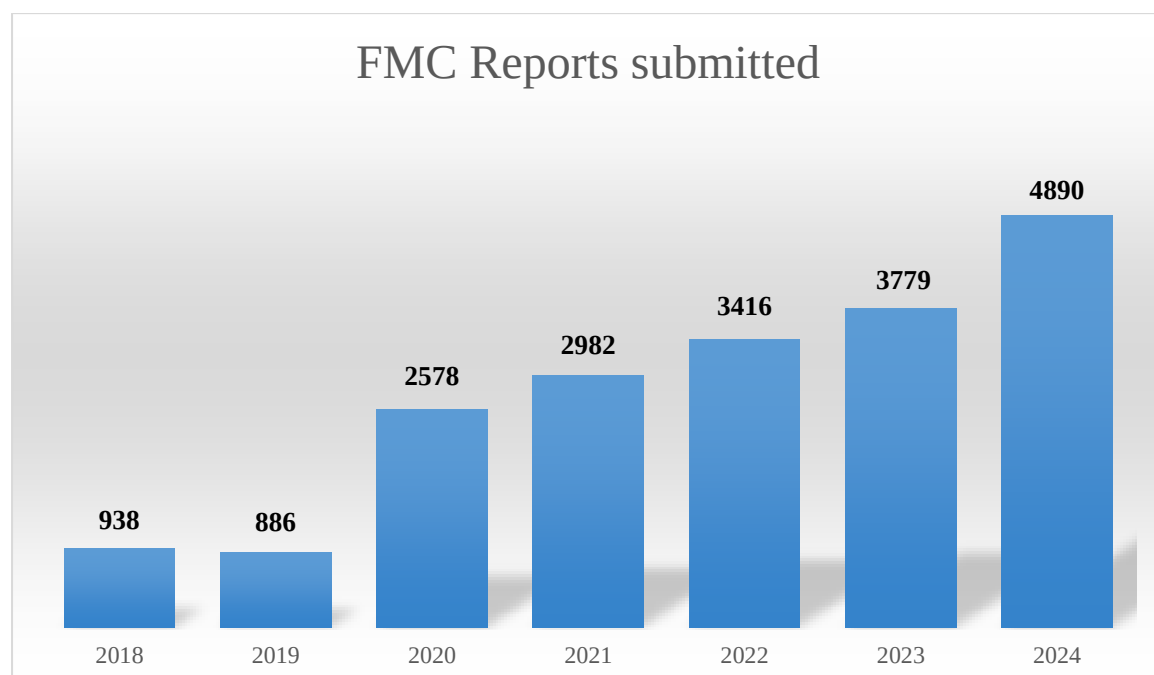


Table 2. Reporting rates of key PFBs for 2024

Public Funds Beneficiaries (PFBs)	Number of PFBs that submitted reports	Reporting rate
Ministries	25	100%
OMSI	4	100%
Independent and autonomous state authorities	8	100%
Government services and offices and special organisations	34	100%
Judicial authorities (DBB of the RS)	10	100%
Business entities owned by the Republic of Serbia (BEORS)	94	80.34%
Institutions of the AP Vojvodina	25	100%
Cities/Towns ¹¹	28	100%
Municipalities ¹²	108	92.31%

The total expenditure and costs of all DBBs at the RS level (ministries with administrative bodies in the composition, judicial bodies, directorates, offices, agencies, institutes, services...) included in the CAR for 2024 account for 99.57% of the total expenditure and expenses of the RS budget for 2024.

The cities¹³ that submitted the FMC report manage 100% of the total realised expenditure of the city budget, and the municipalities¹⁴ that submitted the FMC report manage 90.10% of the total realised expenditure of the municipal budget. BEORS, which filed the FMC report, manage 99.80% of the total revenues of the BEORS group. Other PFBs at the local level (PEs/PUCs) that submitted the FMC report manage 85.31% of the total revenue of the mentioned category. The institutions of AP Vojvodina that submitted the FMC report manage 100% of the total provincial budget.

Considered as a separate category, 86.78% of priority PFBs filed an FMC report. It should be noted that a comparison with the previous year is not possible, as the BEORS category differs significantly from the former PE category, which was included in the group of priority PFBs.

The remaining PBSs that submitted the FMC report are relatively smaller organisations with low budgets or a small number of staff, and their importance for the overview of the PIFC system in the RS is relatively less.

The analysis of the submitted reports showed that 64.52% of PFBs (excluding schools and local communities) submitted their reports with an electronic signature, while the remaining 35.48% submitted them by post. For the reports submitted by educational institutions, 75.71% submitted the report with an electronic signature, while the remaining 24.29% submitted it by post.

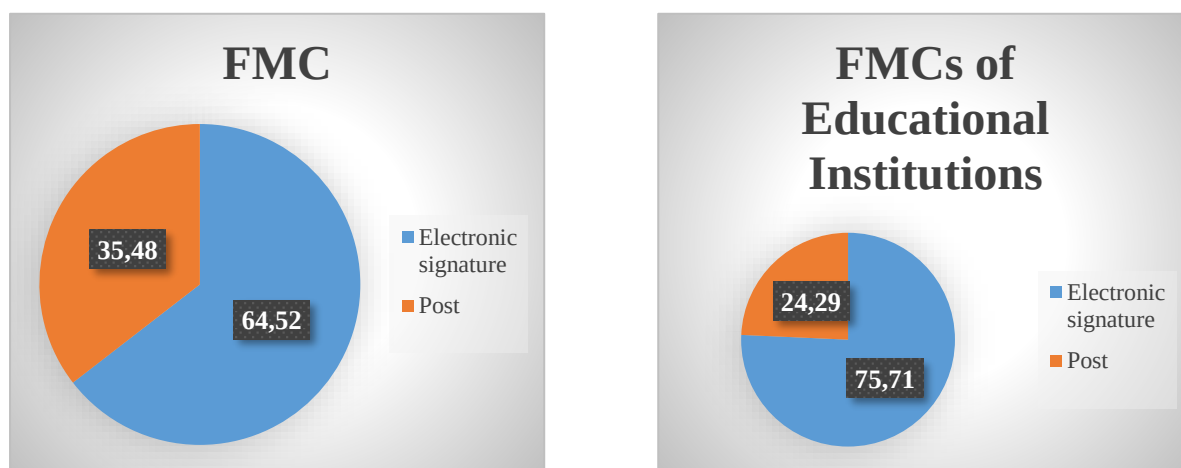
¹¹Excluding cities from the territory of the AP KiM.

¹²Excluding municipalities from the territory of the AP KiM

¹³Excluding cities from the territory of the AP KiM.

¹⁴Excluding municipalities from the territory of the AP KiM

Figure 2. FMC reports submitted by e-mail and by post



From the above data, it can be concluded that the main public sector organisations of the RS have submitted their FMC report in most cases. The high volume of the reports provides a basis for relevant conclusions about the status of the FMC system in the public sector of RS.

2.1.3 Establishment of the FMC system

Elements of establishment and development of the FMC system

The process of establishing and developing the FMC system comprises a phase of organisational set-up, followed by a phase of further implementation and development, which is carried out on the basis of the adopted activity plan of PFBs.

The implementation and development of the FMC system includes:

- appointment of the head responsible for FMC;
- the establishment of the WG to deal with the introduction and development of the FMC system;
- definition of the mission statement, vision statement and main goals of PFBs;
- preparation and monitoring of the implementation of the AP;
- adoption of a risk management strategy;
- determining the risks at level of the business process, assessing risks and their ranking, deciding how to respond to risks, i.e., establishing controls (risk management);
- listing the main processes (sub-processes) and describing the activities within these processes;
- documenting business processes and creating flowcharts;
- assessment of internal control elements, i.e., review of established controls, taking into account the most significant risks and making decisions on necessary controls and the removal of unnecessary ones;
- preparing an annual report on the establishment and updating/development of the FMC system.

Assessment of the elements for setting up the system

In the segment of the annual report relating to the establishment of the FMC system, beneficiaries provide data on: the appointment of the manager responsible for FMC, the establishment of a working group (WG) to deal with issues related to the implementation and development of the system, the adoption of the Action Plan (AP), the documentation of the business processes, adoption of a risk management strategy, development of a risk register, participation in PIFC training courses, etc.

[Annex 2 - Indicators of the status of the FMC system, within Table 1](#), provides data relating to the establishment of the FMC system, observed per PFB categories. The data in this table reveals the following: 76.22% of all PFBs that submitted annual reports appointed a FMC manager, while 74.12% established a WG for the introduction and development of the FMC system. The percentages of responses to these questions are increasing they are still better at the local level (77.58% and 73.71% for the head of FMC and WG respectively) than at the central level (74.91% and 72.07%). In the category IPBs at central level, there is a manager responsible for FMC in 78.34 cases and an established working group in 76.43% of cases.

In the OMSI category, it was also confirmed in this reporting period that all organisations have a manager and a working group for FMC. For BOERS, the percentage is 69.15% and 65.96% respectively. Ministries with administrative bodies in their composition have a better percentage on the issue of appointing a manager for FMC (91.84%), as well as establishing a working group with the task of setting up an FMC system (83.67%). Other central level DBBs lag behind on these issues (65.88% and 63.53% respectively), and the same is true for RHIF beneficiaries (65.43% and 60.49% respectively). The DBBs at the local level appointed an FMC manager in 83.33% of the cases and a WG for FMC in 85.48% of the cases, compared to 83.29 and 82.47 for the other PFBs at the local level (PEs/PUCs).

The AP was adopted by 68.17% of all PFBs, i.e., 66.90% at the central level and 69.48% at the local level. All OMSI (100%) have adopted the AP, while in the ministries with administrative bodies in their composition this percentage is 73.47. In the BOERS category, the percentage of positive responses is 64.89. At the local level, AP has 74.73% DBBs and 73.15% PFBs from the category of other PFBs at the local level (PEs / PUCs).

It should be noted that the questions in the annual questionnaire for 2024 were partially changed and accordingly the answers to certain questions led to different percentages, which is noticeable in the question on the business process mapping. In the questionnaire, the PFBs first answered the question of whether they documented business processes or not, and then whether they documented processes using the business process templates from the FMC Manual or in another way.

In 2024, 54.67% of all PFBs documented business processes, 16.84% documented some business processes, while 28.49% of PFBs did not document any processes at all. The PFBs from the OMSI category stand out with a maximum score of 100%, even for the majority of questions of PFBs that documented at least some business processes, the largest number created business process maps - 73.34% of all PFBs (69.18% for the central level and 77.66% for the local level). This percentage is high in the category of other PFBs at the local level (PEs/PUCs) - 81.44% and when it comes to local government units - 91.08%. In BOERS, every fourth PFB has done documentation by preparing a business process map. Ministries with administrative bodies in their composition achieved a result of 91.30% in the business process mapping. In the category of RHIF beneficiaries, the percentage is 51.74.

A risk management strategy was adopted by 71.34% (71.12% at central and 71.61% at local level), and a risk register was created by 58.27% of all PFBs (56.81% at central and 59.76% at local level). The OOSOs have the highest percentage when it comes to the adoption of strategies and the development of risk registers (100%). The situation is not yet satisfactory for the other DBBs at central level (57.65% and 50.59%) and for the IBBs with 70.71% and 56.15%. The situation is better for ministries with the administrative bodies in the composition (85.71% and 81.63%). The BEORS category shows weaker results (63.83% and 62.77%). At local government level, 89.25% and 77.42% of local governments (DBBs at local level) have adopted a risk management strategy or created a risk register.

Article 21a of the Regulation on principles for internal organisation and systematization of workplaces in ministries, special organisations and government services¹⁵ prescribes the obligation for ministries, bodies within ministries and special organisations to designate an internal unit for planning documents and management support. By the end of 2024, the commitment was fulfilled by 40.00% of ministries, 37.50% of administrative bodies and 60.00% of specialised agencies, which corresponds to 44.93% of organisations in total.

Introduction of the FMC system at organisational level in priority PFBs

Ministries, OMSI, BEORS and local self-government authorities at the city level have a special responsibility in establishing and developing the FMC system, considering their budgets and overall capacities, i.e., their greater importance and overall influence on the RS flows. Ministries and cities are also expected to initiate and concretely support the process of FMC and IBBs system development in their area of responsibility, as the group of PFBs just mentioned faces the greatest challenges in this area, mainly due to limited internal capacities.

Having regard to the foregoing, hereinafter the CAR presents a more detailed overview of the establishment of the FMC system in PFBs in the aforementioned four categories. The main focus is on the following three basic activities: 1) the documentation of business processes, 2) the development of a risk management strategy and 3) creation of a risk register.

a) The OMSI category is taking the lead in all segments related to the introduction of FMC at organisational level, with a 100% share of beneficiaries.

b) Table 3 shows the main parameters of the establishment of the FMC system in the ministries.

¹⁵ Regulation on the principles of the staff establishment and internal regulation in ministries, special organisations and government services ("Official Gazette of the RS", No. 81 of 4 September 2007 - revised text, No. 69 of 18 July 2008, No. 98 of 12 October 2012, No. 87 of 4 October 2013, No. 2 of 16 January 2019, and No. 24 of 19 March 2021)

Table 3. The parameters of establishment of the FMC system in Serbia

Ministries	Business processes documented 2024	Risk Management Strategy 2024	Risk Register 2024
Ministry of Finance	✓	✓	✓
Ministry of Economy	✓	✓	✓
Ministry of Environmental Protection	✓	✓	✓
Ministry of Construction, Transportation and Infrastructure	✓	✓	✓
Ministry of Mining and Energy	✓	✓	✓
Ministry of Justice	✓	✓	✓
Ministry of Public Administration and Local Self-Government	✓	✓	✓
Ministry of the Interior	✓	✓	✓
Ministry of Defence	✓	✓	✓
Ministry of European Integration	✓	✓	✓
Ministry of Health	✓	✓	✓
Ministry of Labour, Employment, Veteran and Social Affairs	✓	✓	✓
Ministry of Sports	✓	✓	✓
Ministry of Rural Welfare	✓	✓	✓
Ministry of Tourism and Youth	✓	✓	✓
Ministry of Information and Telecommunications	✓	✓	✓
Ministry of Agriculture, Forestry and Water Management	✓	✓	✗
Ministry of Internal and Foreign Trade	✓	✓	✓
Ministry of Human and Minority Rights and Social Dialogue	✓	✗	✗
Ministry of the Foreign Affairs	✓	✗	✗
Ministry of Education	✓	✓	✓
Ministry of Family Welfare and Demography	✗	✓	✗
Ministry of Culture	✓	✓	✓
Ministry of Science, Technological Development and Innovations	✓	✓	✓
Ministry for Public Investment	✓	✗	✗

As can be seen, only one ministry did not document its business processes. On the other hand, three ministries did not develop a risk management strategy and five do not have a risk register.

Considering the importance of ministries, they are expected to have higher standards compared to other categories of PFBs, so the indicators are not entirely satisfactory.

(v) As for the BEORS category, 94 out of a total of 117 organisations in this category submitted their FMC reports (80.34%). Business processes were documented in 73.40% of the BEORS.

63.83% of the BEORS organisations have a risk management strategy and 62.77% of BEORS created a risk register.

(g) The status of the basic components of the organisational establishment of the FMC system at city level is shown in Table 4.

Table 4. The parameters of establishment of the FMC system in Serbia

Cities/Towns	Business processes documented 2024	Risk Management Strategy 2024	Risk register 2024
Belgrade	✓	✓	✓
Novi Sad	✓	✗	✓
Niš	✓	✓	✓
Subotica	✓	✓	✓
Kragujevac	✓	✓	✓
Kruševac	✓	✓	✓
Vranje	✓	✓	✓
Kikinda	✓	✓	✓
Pančevo	✓	✓	✓
Sremska Mitorvica	✓	✓	✓
Pirot	✓	✓	✓
Požarevac	✓	✓	✓
Prokuplje	✗	✓	✓
Jagodina	✓	✓	✓
Užice	✓	✓	✓
Zrenjanin	✓	✓	✓
Bor	✓	✓	✓
Čačak	✗	✓	✓
Vršac	✓	✓	✓
Šabac	✓	✓	✓
Sombor	✓	✓	✓
Novi Pazar	✓	✓	✓
Loznica	✗	✓	✓
Valjevo	✓	✓	✗
Leskovac	✓	✓	✓
Kraljevo	✓	✓	✓
Smederevo	✓	✓	✗
Zaječar	✓	✓	✓

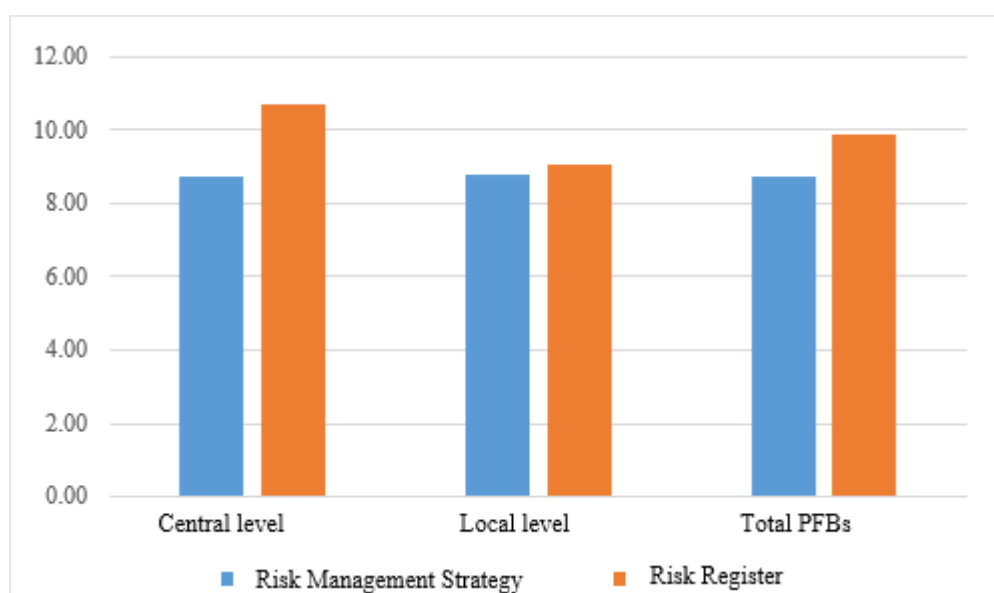
In the towns of Prokuplje, Čačak and Loznica, the business processes were not documented. Only the City of Novi Sad does not have a risk management strategy, while the cities of Valjevo and Smederevo lack a risk register.

The pace of establishment of the FMC system in Serbia

Annual changes in the organisational establishment of the FMC system are monitored through the supervision of PFBs at both central and local level, which report regularly. Regarding the business process maps, it is not possible to compare the indicators for 2023 and 2024 due to changes in the FMC reporting issues related to the documentation of business processes.

When analysing the growth rates of all PFBs in the RS in the period 2023-2024, further progress can be seen. An increase of 5.44% and 5.13%, respectively, was recorded in the part of the organisational establishment of the system, which entails the appointment of FMC heads and setting up WGs. The greatest progress was made in the adoption of risk management strategies (8.75%) and the development of risk registers (9.86%), as shown in Figure 3.T

Figure 3. Growth rates (in %) of the proportion of PFBs that introduced a risk management strategy and developed risk registers in the period 2023-2024



At central level, progress in the development of risk registers is most evident in the other DBB categories with 16.22% and BEORS with 15.91%.

At the local level, the development of risk registers increased by 9.05%, most significantly in IBBs (11.92%), while it is 8.42% in the other PFBs.

Priority PFBs in terms of organisational establishment of the FMC system, despite already having relatively high percentages compared to other PFB categories, continue to develop key documents and improve FMC tools. In these PFBs, an increase of 7.59 in the adoption of the AP, 9.30% in the adoption of the risk management strategy and 10.00% in the development of risk registers was observed.

Significant progress of 5.77% can be seen in the proportion of PFBs in which the tasks of individuals and working groups and the deadlines for their execution were defined when it comes to the establishment and development of the FMC system. The proportion of utilisation of the FMC Manual as part of the activities to establish and develop the internal control system also increased by 4.18%.

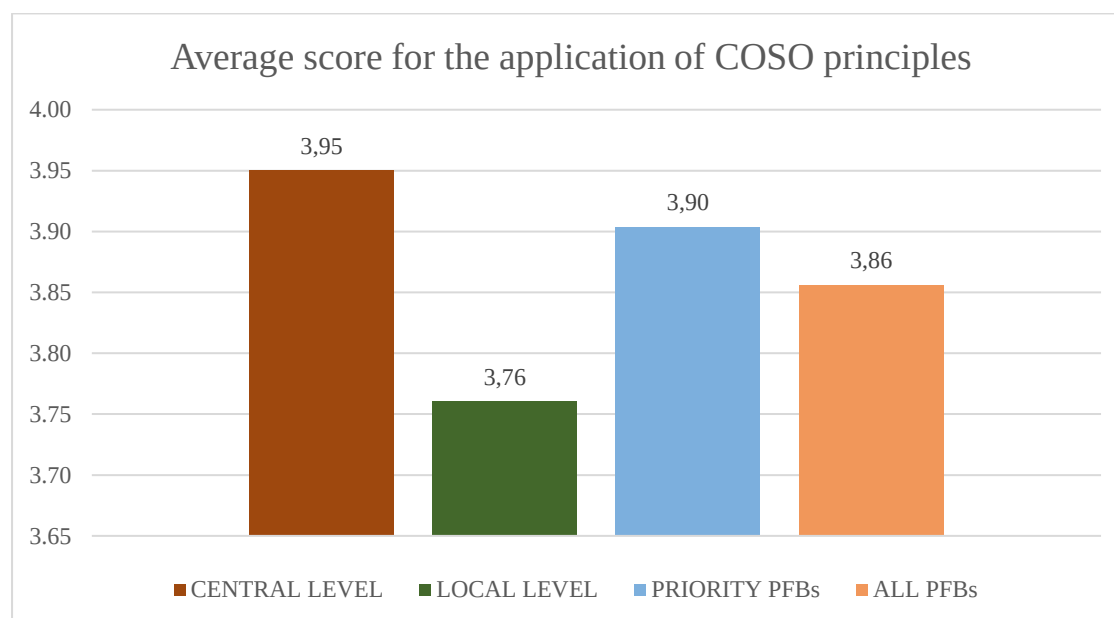
The positive trend in the development of the internal control system as a tool for decision-making, obtaining accurate and timely information, quality planning and monitoring of work and results achieved or mitigating the negative consequences of threatening circumstances continues, considering that growth was achieved in almost all individual questions from this part of the questionnaire. One exception is the question on the obligation to set up analytical units, where we recorded a negative growth rate (-2.90%). The reason for this is the decrease in the category of ministries (from -16.67%), i.e. the fact that 40.00% of members in this category answered yes, compared to last year when this percentage was 48.00%.

2.1.4 Self-assessment – the COSO framework

In this section, we look at the results (based on the average values of PFBs' self-assessment) and the percentage of implementation of each requirement according to the principles and elements of the COSO framework.

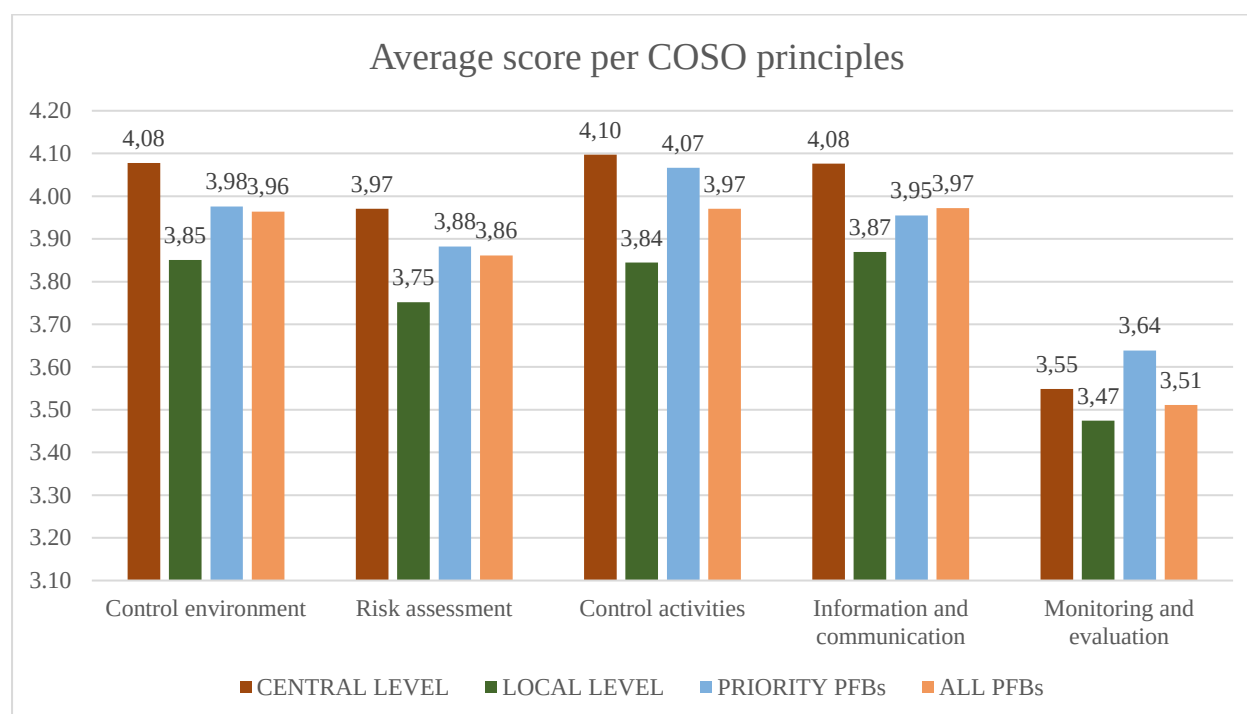
The PFBs rated the level of application of the COSO principles with an average of 3.86, indicating that they believed that the system still had room for improvement (the range of average scores by principle is between 3.51 and 4.38). The primary beneficiaries scored the existing system at 3.90 (3.60 - 4.46). At the central level, the average score is 3.95 (ranging from 3.46 to 4.47), while at the local level, the average is slightly lower at 3.76 (3.40 to 4.30).

Figure 4. Average rates for the application of COSO principles for the central level, local level, priority beneficiaries and all PFBs



The lower average score for the application of COSO principles in PFBs at local level was influenced by the significantly lower average score for the last element of the COSO framework – monitoring and supervision. An overview of the average scores of the FMC system by COSO elements for the central level, the local level, the priority beneficiaries and all PFBs is shown in the following graph.

Figure 5. Average scores of the FMC system by COSO element for the central level, local level, priority users and all PFBs



- 1) **The control environment** as the first COSO element represents the internal organisation and creates discipline, thus providing the basis for the establishment and functioning of the FMC system. It refers to the definition of standards, processes and structures in the organisation. The average score for this element is 3.96 and is the third highest scoring element of the COSO framework, just behind the Control and Information and Communication elements (which have the same score of 3.97). The highest average score for this element is recorded at the central level with 4.08.

The indicators for each of the principles of this element are listed below:

- (a) The level of demonstrated commitment to integrity and ethical values was rated 4.04.

Standards of conduct (a code of conduct that complies with the organisation's regulations, ethical standards and values) were defined by 88.82% of PFBs' heads. 82.82% of PFBs informed their employees, external partners of the organisation and service users/citizens about these standards, 79.69% ordered action in case of non-compliance, while as many as 81.49% of PFBs monitor compliance. Appropriate measures in the event of possible non-compliance with standards of conduct (for instance: interview, warning, admonition, disciplinary measures, dismissal, etc.) are applied by 87.49% of PFBs. Only 43.70% of PFBs organise regular training for employees and especially for new employees in the area of integrity, ethical values and organisational culture. In 74.38% of PFBs, potential conflicts of interest, corruption and the way of acting are defined by rules, while 83.46% have established clear rules for whistleblowing to report suspicions related to violations of regulations and human rights, the exercise of public authority against the purpose for which it was entrusted, threats to life, public health, safety and the environment, and the prevention of major damage. 64.57 of PFBs have a

mechanism in place to report, centralise and adjudicate suspected cases of corruption, fraud, financial reporting errors, procurement irregularities, mishandling of equipment, misrepresentation and misinformation and other irregularities. 45.80% of PFBs analyse data on compliance with standards of conduct and update/improve policies, communication, training, prevention and detection mechanisms and actions in case of breaches of standards of conduct as needed. An extremely high percentage of PFB heads - 91.32% - lead by example through their own behaviour, compliance with laws, regulations, internal actions, standards of conduct, leadership style, their professional attitude and commitment, etc. Nevertheless, the percentage of PFBs management that has allocated resources (competent staff, time, attention and other resources) to the development of the FMC could and should be higher than the current 61.61%.

The average rating for this principle is 3.74, which is the lowest rating within the first COSO element. b) The requirement for independent, competent and effective oversight applies more to companies and institutions than to public authorities.

75.45% of PFBs have a supervisory authority/body (supervisory/administrative board) and 60.90% supervise/monitor the functioning of all components of the FMC (they deal with ethics system, resources, objectives and plans, risks, controls, reporting, system weaknesses, operations and functioning of the organisation). 71.51% of PFBs assessed that they were composed of competent people with complementary knowledge and experience who could objectively and critically analyse the functioning of the organisation. According to the assessment, 93.50% of supervisory authorities/boards are composed of members who are not in a conflict of interest. 73.53% analyse potential weaknesses and make suggestions to improve the quality of management. High-risk areas (high monetary value transactions, complex operations, etc.) are monitored by 49.21% of supervisory authorities/bodies.

c) Organisational structure with defined lines of authority and responsibility - this principle provides information on how management defines the organisational structure, reporting lines and corresponding responsibilities in order to achieve the objectives. This is the highest scoring principle, not only within this element, but when we look at all elements of the COSO Framework, and its score is 4.38.

92.97 of PFBs created an organisational structure suitable for managing the organisation and achieving its objectives, while 90.23% of PFBs clearly defined the competencies, areas of work and responsibilities of internal organisational units. A high percentage of PFBs – 82.39% - have defined management responsibility for achieving objectives and managing risk. 75.24% of PFBs have established clear horizontal and vertical reporting lines that ensure the appropriate exercise of authority and responsibility and an appropriate flow of information for the management of the organisation and the achievement of objectives. 98.11% of PFBs have job descriptions for each position, and even 97.64% of PFBs have all employees know their roles and responsibilities in the organisation. Clear rules for the delegation of authority exist in 77.93% of PFBs. In 82.31% of PFBs, management delegates authority and responsibilities, and 75.66% of PFBs adapt the organisational structure as necessary to address new circumstances and identified weaknesses.

d) Organisational structure with defined authorities and responsibilities – the fourth principle relates to the organisation's commitment to attracting, developing and retaining competent employees and is rated 3.88.

In almost all PFBs, the level of knowledge and skills required for each position has been defined, i.e. this percentage is 97.94%. The verification of qualifications, knowledge and previous work experience of applicants for a position is carried out in 76.26% of PFBs, the competences of employees are regularly checked/assessed in 54.37%, an adequate number and structure of employees is in place in 56.26% of PFBs. Employee training needs are analysed by 68.08% of PFBs, training materials for each employee are available in 69.28% of PFBs, 87.28% of PFBs ensure the development of employees' competences (training, seminars, study trips, etc.), while only 22.88% of PFBs have a mechanism for attracting and retaining qualified employees. 42.72% of PFBs monitor and analyse staff turnover and take appropriate action. Plans and procedures for managing staff turnover and absenteeism are in place in 57.63% of PFBs. The practise of handing over duties for all positions is implemented in 61.35% of PFBs, while 64.10% of PFBs regularly assess potential future staff changes.

e) The principle of establishing individual employee responsibility for the fulfilment of assigned tasks received an average rating of 3.78.

The individual responsibility of all heads for the achievement of objectives and for the implementation of projects and activities for which they are authorised is clearly defined in 87.79% of PFBs and as many as 98.33% of employees are familiar with their work tasks. Performance measures and incentive mechanisms for the fulfilment of work tasks are defined in 52.87% of PFBs, while the effectiveness of these measures and mechanisms is regularly evaluated and necessary adjustments are made in 37.62% of PFBs. Only 46.27% of PFBs regularly assess work performance, with results at the local level particularly low, at just 31.46%. In 53.04% of PFBs, employees are promoted according to their job performance, and the percentage is slightly lower when it comes to promoting employees in the organisation based on clear and known criteria that take past job performance into account (52.06%). PFB management assesses the level of workload/pressure that employees are exposed to and excessive workload is distributed in 63.75% of PFBs. The result could indicate that although staff workload is regularly monitored, i.e., excessive workload is distributed, there are not yet systemic mechanisms in place that would enable this measurement and appropriate allocation of resources.

2) **Risk management** entails the identification, evaluation and response to potential events and situations that could negatively affect the achievement of PFBs' objectives. The average score for this element is 3.86 (3.97 at the centre level). The scores for the individual principles of the second COSO element are shown below:

a) Setting clear objectives - i.e., the principle where we monitor how the organisation sets objectives that are clear enough to enable the identification and assessment of risks associated with those objectives. The average score for this principle is 4.13 and it is both the highest scoring principle of this element and the second highest scoring principle of all COSO elements.

High percentages are evident in all statements, as follows: In 79.48% of cases, the organisation's strategic objectives are aligned with objectives from public policy documents; in 80.16% of PFBs, operational objectives are derived from strategic objectives; and 63.97% of organisations have defined specific, measurable, achievable, relevant and time-bound objectives (according to the "S.M.A.R.T." principle). However, among PFBs where the objectives form the basis for resource allocation, the percentage remains relatively modest at 61.05%. A high percentage of PFBs — a full 92.05% — have projected and planned revenues

and expenditures in line with their stated objectives. Additionally, 63.54% of organisations report an acceptable level of deviation from set objectives, while 91.13% have targets aligned with laws, regulations, and professional standards.

b) The principle – Identification and analysis of risks to the achievement of set objectives, together with consideration of available management options (i.e. possible responses to risks), i.e. the way in which the organisation identifies and analyses risks that may affect the achievement of its objectives, received an average score of 3.70 and is the lowest scoring principle within this element.

Identify and assess risks that: jeopardise the achievement of operational (business) objectives is performed by 77.59% of PFBs; result in untimely, incomplete or inaccurate reporting (financial and non-financial), i.e. reporting is not in accordance with laws, regulations and relevant standards (accounting standards, etc.) and the needs of the organisation is carried out by 78.79% of PFBs; leading to non-compliance with laws and other regulations - 84.53%; and those that may threaten the organisation's resources/assets – 79.18%. However, 10.93% of PFBs do not carry out any of the above activities related to risk identification and assessment (rising to around 13% for priority organisations). Only 61.10% of PFBs carry out regular risk identification and assessment at all levels and in all organisational units. In addition, only 67.64% of heads regularly receive information about risks, while in 65.17% of PFBs risks are regularly discussed in management meetings. For 65.81% of PFBs, risk assessment implies an assessment of the probability of occurrence and an evaluation of the impact of the risk, while 71.12% of PFBs believe that the most important risks are clearly defined. The management of 64.95% of PFBs makes the decision on how to respond to risks (treat, tolerate, transfer/share or eliminate/abandon the risky target) based on the risk assessment, the potential impact and the cost of risk mitigation. In 63.54 of PFBs, tasks for implementing risk responses are delegated, while a similar proportion — 63.41% — set deadlines for implementing these decisions. The percentage of PFBs that monitor the results of risk mitigation activities to an acceptable level is 60.33%. A lower percentage — 53.94% — have documented the identified risks, their assessment and the chosen risk response (e.g., in a risk register). It is necessary for PFBs to update their risk registers regularly (at least once a year) and appropriately in the event of relevant new circumstances. However, the current percentage is 60.96%, which is still insufficient. Regarding the statements on this principle, 12.13% of PFBs do not take any action, which is a relatively high percentage. Although this is the lowest scoring principle within this element, the figures indicate that although PFBs are paying some attention to risk, this is still not sufficient.

(v) The principle requiring organisations to assess the risk of fraud received an average score of 3.81.

As many as 72.02% of PFBs assess the risk of intentionally false and incomplete financial and non-financial reporting, and 67.18% assess the risk of unauthorised intentional appropriation, use or misappropriation of the organisation's assets. 65.38% of PFBs assess corruption risk, while 63.50% develop an integrity plan. It is important to point out that 10.80% of PFBs do not take any of the above actions, which emphasises the need to find ways to reduce this percentage in the coming period.

g) Change management, i.e., the principle that describes the way how an organisation identifies and evaluates external and internal changes that could have a significant impact on the internal control system — received an average score of 3.81.

On the assertion that the identification and assessment of risks in the organisation implies monitoring and analysis (identification, assessment and consequences): 88.60% of PFBs affirmed change in external regulatory environment; change in external physical environment (natural disasters, etc.) – 69.37% of PFBs; change in the market - 60.58% of PFBs; emergence of new technologies - 62.43% of PFBs; significant changes in the way the organisation carries out its activities (change in the functional model/business model, introduction of new technologies, etc.) – 59.94%; change in the management of the organisation - 64.61%; change in the number and structure of employees - 79.09%; changes in the status of the organisation - 50.17% and changes in the organisational structure and reporting lines - 56.60% of PFBs, while 7.50% of PFBs did not identify and assess any risks related to this domain of changes. Responsibilities for anticipating and identifying relevant changes in the external environment were delegated in 38.52 of PFBs. 84.32% of PFBs regularly inform the relevant persons or bodies about internal and external changes that could significantly affect the achievement of objectives and the functioning of the organisation, according to current needs and circumstances. However, 14.40% of PFBs stated that none of the above measures were taken, which is a worrying figure.

3) The third COSO element — control activities — aims to reduce risks to an acceptable level and is implemented through policies and procedures. These activities help to ensure business continuity and are carried out throughout the organisation, at all levels and in all functions by all employees in accordance with defined processes and job descriptions. This element received the highest average score of 3.97 and ranks second of all COSO components together with the *information and communication* element. The PFBs at central level stand out with an average score of 4.10, while the local level continues to lag behind with an average score of 3.84. The scores for all three principles within this element are shown below:

(a) The principle that a public sector organisation selects and develops control activities (policies, procedures, measures, activities, processes, rules) that help reduce the risk to the achievement of goals to an acceptable level was rated 3.93.

A total of 89.16% of PFBs confirmed that they identified and described their operational processes (i.e., the business processes that are directly aligned with the fulfilment of the organisation's core purpose). Supporting processes (such as finance, HR, IT support, etc.) were identified and described by 85.56% of PFBs, while 83.20% identified management processes (e.g., planning, control). However, 5.83% of PFBs did not identify or describe any of the above processes. Only 64.82% of PFBs identified the parts of the business processes where control activities were required. A higher — though still insufficient — percentage (76.74%) identified the key business processes, while only 60.28% defined appropriate personnel profiles for the selection, development and implementation of control activities. Exactly 50.21% of PFBs selected and developed control measures for all risks that management had decided to address in this way. A total of 44.82% of PFBs assess the effectiveness and efficiency (i.e., impact/benefits and costs) of the different types of control measures.

47.81% of PFBs use a mix of different types of controls, e.g., preventive and detective or manual and automated controls. 52.96% of PFBs set deadlines for the implementation of certain control activities, while 63.54% have documented control activities (e.g. business process maps, written procedures, etc.)

– although this percentage should ideally be higher. A relatively high percentage — 72.41%

of PFBs — report that there are also undocumented control activities in the organisation, i.e. unwritten procedures are used. In 72.19% of PFBs there are control activities at different levels within the organisation. On the other hand, 6.90% of PFBs have not implemented any of the above-mentioned measures, which is a relatively high percentage. In 71.38% of PFBs, there are measures in place to ensure that the same person does not simultaneously perform two or more of the following tasks: proposing, authorising, executing and recording business transactions (principle of segregation of duties). In 45.63% of PFBs, alternative control mechanisms (e.g., increased monitoring, another pair of eyes, etc.) were introduced in cases where an appropriate segregation of duties could not be implemented. The “four-eyes principle” — where a transaction or report is reviewed by someone other than the person who originally processed or prepared it — is applied in 71.17% of PFBs. A high percentage — 76.65% of PFBs — have defined procedures and rules to ensure information security, while 85.35% have defined procedures and rules to ensure that only authorised persons have access to physical, financial and other resources. 90.23% of PFBs perform regular reconciliation of assets with accounting records, and 63.80% have established business continuity plans for unforeseen circumstances (e.g., fire, flood, epidemic, power failure, state of war).

b) The principle related to the selection and development of control activities within the technological infrastructure received the highest average score within this element at 4.09.

Percentage of PFBs that have selected and developed: control activities to ensure the completeness, accuracy, and availability of information through IT data processing is 80.85%. Control activities aimed at protecting the confidentiality and integrity of information (e.g. unauthorised modification or manipulation, theft, damage, etc.) are in place in 79.26% of PSEs. Control activities focused on ensuring the procurement, maintenance, and development of IT infrastructure are implemented in 70.74% of PSEs. Control activities that ensure access to IT infrastructure is limited exclusively to authorised users in line with assigned responsibilities are present in 80.51% of PSEs. Procedures that ensure the continuity of IT operations, including protection against data loss, are in place in 67.40% of PSEs. Notably, 7.07% of PFBs did not indicate having implemented any of the above. When it comes to IT systems and applications, control mechanisms during data entry are in place in 88.90% of PSEs, during data processing in 86.08%, and during the output of information in 80.85% of PSEs. A relatively high percentage of PFBs have no integrated control mechanisms in IT systems, specifically it amounts to 8.61%.

c) The principle of implementing control activities through policies (defining expectations) and procedures (implementing those policies) was rated 3.89 and is the lowest rated principle of this element.

A total of 89.03% of PFBs confirmed that the organisation had policies and procedures (written or unwritten) that supported the implementation of management decisions and policies. In addition, 74.34% reported that policies and procedures were established for the business processes and daily activities of employees in which control activities were embedded. Documented/written procedures for key business processes exist in 80.68% of PFBs, while in 75.02% of PFBs procedures for key processes clearly define specific steps/actions and their sequence. In 68.34% of PFBs, it is clearly defined at which point or in which phase of a business process or transaction a control activity is performed. In addition, 74.21% of PFBs specify who is responsible and accountable for the performance of each control activity. A total of 72.45% of PFBs stated that control activities were performed in practice in a timely manner and in accordance with established procedures, while 71.55% confirmed that the responsible

persons used to take prompt corrective action, i.e., rectify errors or omissions identified during the performance of control activities. In only 41.60% of PFBs is it clear how exceptions are recorded and reported, i.e., cases of authorised deviations from established procedures. Half of PFBs regularly review their control activities and redesign them if necessary; however, this percentage should certainly be higher. It should also be noted that 4.97% of PFBs do not carry out any of the above measures.

4) **Information and communication** - the principles of the fourth COSO element relate specifically to the need for the organisation to a) obtain or generate and use relevant and quality information, in other words to communicate, both b) internally and c) externally, all information relevant to internal controls. The average score for this element is 3.97 and is therefore together with the element on control activities the highest rated element in the self-assessment. At 4.08, the central level recorded the highest average score in this area.

a) The principle of obtaining, generating and utilising relevant and high-quality information is rated at 4.04.

A total of 79.56% of PFBs confirmed that they had identified information that was relevant to the organisation's operations and the functioning of the internal control system. Specific information needs of organisational units and employees were identified in 75.88% of PFBs, while 62.38% of organisations regularly identify and assess changes in information needs. When collecting and processing information, 85.09% of PFBs take into account past compliance with regulations on personal data protection, etc., and 67.01% of organisations have identified relevant and reliable internal and external data sources. Only 52.57% of PFBs carry out a cost-benefit analysis when procuring and using information to set up and maintain the information and communication system. 73.69% of PFBs have a data processing system that ensures the quality of information (adequate, up-to-date, timely, accurate and complete).

82.90% of organisations have a system in place that allows employees who need information to easily access it, while 86.93% of PFBs have measures in place to prevent unauthorised access to information (protection of various levels of confidentiality/sensitivity). A high percentage — 88.30% of PFBs- ensure the long-term storage of information, and 59.43% regularly evaluate and improve their system for collecting, processing and distributing information as needed. On the other hand, 3.17% of PFBs have not taken any of the above measures.

b) The principle of internal communication, how the organisation communicates information internally, including objectives and responsibilities/tasks related to internal controls, received an average score of 4.02, making it the highest scoring principle of the fourth COSO element.

An effective and efficient system of written, electronic and verbal communication that enables employees to obtain the information they need internally to fulfil their duties is affirmed by 92.07% of PFBs. Newly hired employees and those in new positions are familiarised with their duties and responsibilities through training, instructions, policies, procedures, mentoring and similar measures in 90.36% of PFBs, while 94.00% of PFBs report that employees are informed about the organisation's objectives. Regular reporting to management on target achievement, revenue, execution of financial and other plans, available resources, liabilities, receivables and reasons that prevent or hinder the achievement of planned targets is practised by 90.02% of PFBs. Urgent and critical information is passed on immediately in 91.77% of PFBs. Special communication channels for complaints, comments and the reporting of suspected irregularities - while maintaining anonymity and confidentiality (including internal

whistleblowing) — have been set up in 73.78% of PFBs. However, a centralised collection of information on non-compliant behaviour (including suspected irregularities, complaints, etc.) exists in only 44.04% of PFBs, which is still insufficient despite the progress made this year, as the number of PFBs regularly reporting such issues has increased by 4.59. A slightly higher percentage - 46.49 of PFBs - analyse/assess information on non-standard conduct by persons who are independent in relation to the persons whose conduct is the subject of the report. The percentage of PFBs that regularly assess the adequacy of the existing communication system (procedures, methods, etc.) and make any necessary improvements is 54.41. Only 1.20% of PFBs have confirmed that none of the above systems are in place.

c) The principle on external communication - how the organisation communicates with external parties/stakeholders on matters relevant to the operation of the FMC system was rated 3.85 and is the lowest rated principle within the COSO element on *information and communication*.

An effective and efficient system for the external communication of timely and relevant information that ensures the necessary proactive transparency to government departments, the civil sector, service users, citizens and other external stakeholders (including the publication of important documents on the website, etc.) has been established in 89.33% of PFBs. Procedures or rules for approving official external communications (such as reports, announcements, statements, etc.) prior to their publication are established in 76.52% of PFBs. Open communication channels through which service users, citizens, business partners and other external stakeholders can directly submit and receive information, make complaints and comments (customer service/support, etc.) are in place in 82.69% of PFBs. Specialised communication channels for reporting suspected irregularities while maintaining anonymity and confidentiality (such as whistleblowing, etc.) are available in 61.48% of PFBs. In 68.59% of PFBs, management receives and considers information from external sources that is relevant for the FMC as well as for the achievement of organisational objectives. Only 37.40% of Executive Board/Supervisory Board receive information on the results of the FMC system assessments performed by external organisations/individuals and updates on changes in laws and regulations. Existing procedures and methods of external communication are regularly reviewed and improved or updated in 51.37% of the PCBs if necessary. Only 3.81% of PFBs have not taken any of the above measures.

5) **Monitoring and evaluation** of the FMC system remains the lowest rated element of the COSO framework, as in previous periods. Across all PFBs, the average rating is 3.51.

a) The principle relating to ongoing and/or specialised assessments to determine whether the internal control components (elements of the FMC system) are properly established and functioning received an average rating of 3.59.

Compliance with procedures and the actual implementation of control activities in practise is monitored by 83.12% of PFBs. Whether control activities are functioning as intended is monitored by 76.86% of PFBs. The achievement of employees' objectives and the objectives of their respective organisational units is monitored by heads in 90.49% of PFBs, while 96.49% of PFB heads monitor compliance with laws and regulations. In 88.00% of organisations, management receives regular and timely information from employees about the achievement (or non-achievement) of work tasks, risks, irregularities and similar issues. In 78.32 of PFBs, the reasons for non-achievement of objectives are analysed, while only 23.82% carry out a self-assessment of the FMC system independently of the annual reporting process. Exceptions or deviations from established procedures and rules are reviewed for justification by 36.46% of

PFBs, and in cases where exceptions occur frequently, 36.42% of heads take appropriate action (e.g., revising procedures, issuing warnings). Information security and/or IT infrastructure assessments were conducted in 41.73 of PFBs during the reporting period. In 44.26% of PFBs, the implementation of the measures defined in the FMC action plan is monitored and the reasons for deviations are analysed. External audits (by the State Audit Institution and/or an independent auditing firm) were carried out in 35.00% of PFBs.

b) The principle of analysing and communicating identified weaknesses is the lowest rated COSO principle and received a score of 3.43.

73.44% of PFBs have confirmed that the organisation collects and analyses all information relevant to the FMC from all available sources (both internal and external). In addition, 60.28% have confirmed that information on identified deficiencies or weaknesses of the FMC is promptly communicated to management, while only 29.69% of PFBs have confirmed that this information is made available to the supervisory or executive board. Internal audit recommendations are considered in 34.19% of PFBs, an increase of 11.23% among those that report regularly and were subject to an audit during the reporting period. When reviewing the recommendations of the external audit, the situation is slightly more favourable, 54.33% of PFBs take them into account. Only 45.67% of PFBs communicate information about identified deficiencies or weaknesses in the FMC system to those responsible for remedying them, and only 42.20% analyse and identify the causes of these identified deficiencies. Inadequate procedures or control activities are identified and changes are proposed (e.g. revising procedures, eliminating ineffective controls or introducing new control activities) in 44.77% of PFBs. In 75.54 of PFBs, employees can make suggestions for improving the FMC system, and in 41.60% of PFBs, prompt organisational measures are defined to rectify system deficiencies. Recommendations from internal audits are implemented promptly in 31.58% of PFBs, while recommendations from external audits are implemented promptly in 50.04% of PFBs. Timely measures to remedy identified deficiencies in the FMC system (regardless of the recommendations of internal or external audits) are confirmed by 46.49% of PFBs. The implementation of corrective actions for deficiencies and weaknesses is monitored by 54.07% of the PFBs, and if appropriate corrective actions are not implemented in a timely manner, top management is informed in 44.47% of the PFBs. In relation to this principle, 8.18% of PFBs indicated that none of the above actions were taken, which is a significant proportion. The data indicates that the audit function, particularly internal audit, is not yet sufficiently recognised within the system and that more attention should be paid to this issue in the coming period.

Concluding observations:

- Overall, a greater focus on monitoring and improving the internal control system is required across all elements of the COSO framework.
- There is room for improvement in the regular organisation of employee training on integrity, ethical values and organisational culture, as well as in ensuring adequate staffing for the functioning and development of the FMC system. Significant limitations are evident in human resources policies, with around half of the PFBs reporting problems in assessing employee competences, ensuring adequate staffing levels and structure, mechanisms for attracting and retaining qualified staff and monitoring and measuring performance. In addition, employee turnover is insufficiently analysed and no appropriate measures are taken. While a slightly higher number of organisations consider procedures for the turnover and absence of heads and other employees, this is

still insufficient - especially in terms of establishing a consistent practise for handover of tasks across all positions. As most control activities are carried out by employees, greater attention needs to be paid to HR policies.

- There is a need to further strengthen the capacity of supervisory bodies (management/supervisory boards) and involve them more in monitoring the functioning of all components of the of PFBs. Particular attention should be paid to the finding that supervisory bodies have very limited direct communication with both internal and external auditors and to the indicator showing that less than half of them are involved in monitoring high-risk areas (e.g. high-value transactions, complex operations, etc.).
- The risk assessment component continues to receive low scores. Risk documentation as part of the development of risk management strategies and the maintenance of risk registers is still unsatisfactory. Consequently, both the control activities to minimise risks and the allocation of responsibilities for their implementation are questionable. The monitoring and updating processes are also inadequately represented.
- Considering the fact that one tenth of PFBs indicate that they still do not apply any of the recommended methods for identifying, analysing, evaluating and assigning controls and responsibilities for risk mitigation, it can be concluded that the entire element of the COSO framework related to *risk assessment* requires greater attention.

It is evident that the FMC system in the public sector can still be significantly improved.

It is also encouraging that a large number of PFBs (83.46%) use the FMC Manual and 67.22% use the Guidelines for Risk Management when establishing and developing internal control systems in their organisations. The FMC Guidelines for Small Users of Public Funds are used by 44.69% of organisations, while the Guidelines for Managerial Accountability are used by 40%. In contrast, the Guidelines for Delegation and Performance are used to a lesser extent (24.72% and 12.81% respectively).

All these indicators give cause for optimism that the situation in this area is moving in a positive direction. To ensure that the FMC system is properly understood, accepted and implemented, the Central Harmonisation Unit (CHU) will continue to develop methodological tools and organise training in this area in the coming period.

2.1.5 FMC in primary and secondary educational institutions

A consolidated report on the status of the PIFC was used for primary and secondary schools. The FMC report contains statements specifically tailored to educational institutions to help them more easily recognise their strengths and weaknesses, understand what is necessary for the effective functioning of the internal control system and use this knowledge to improve those areas that require further development. The Internal Audit (IA) report for schools contains only a few targeted questions that are sufficient to assess IA activities in these organisations.

A total of 1,482 reports were submitted, a decrease of 108 reports compared to 2023. In percentage terms, 83% of primary and secondary schools in the Republic of Serbia submitted their reports, compared to 89% in 2023.

As in the previous year, the report was most often prepared operationally by school headmasters (43.45%) and the WG for FMC (38.80%), which indicates that school management understands the purpose and importance of self-evaluation as part of the annual reporting process. Practise has shown that it is best if the report is prepared by the management and not by other individuals who may not be familiar with all the activities of the institution.

Taking into account the scope of the regulations governing the operation of educational institutions, the mandatory nature of the required documentation, the existence of a School Board and the diversity of business processes and operational rules within schools, it can be concluded that the level of FMC system implementation is satisfactory. However, there is room for improvement in the areas related to the documentation of specific business processes and the development of risk management strategies for those schools that have not yet created this document (65.92% of schools currently have a risk management strategy).

2.1.6 Statement on internal controls

Article 20 of the of the FMC Rulebook prescribes that the Head of PFB shall provide a Statement on Internal Control as an integral part of the FMC annual report (hereinafter: the Statement). PFBs are required to submit the Statement starting from 1 January 2021.

The Statement on Internal Control should contribute to raising the level of heads' awareness of their role and tasks and to strengthening the concept of managerial accountability, which was previously recognized as one of the challenges in the establishment and development of the FMC system.

PFBs heads can select one of the three Statement options offered.

The first option, if no weaknesses in the system have been identified, confirms that the internal control system is operating effectively and efficiently and that the organisation is managed in accordance with the principles of legality, regularity and good financial management.

The second option confirms that there are certain weaknesses in the system of internal controls which will be remedied as soon as possible and that, despite the weaknesses identified, the system of internal controls is operating effectively and efficiently and the organisation is managed in accordance with the principles of legality, regularity and good financial management.

The third option confirms that there are weaknesses in the internal control system that may have a negative impact on compliance with the principles of legality, regularity and sound financial management and that these weaknesses should be addressed as soon as possible.

Of the total number of Statements submitted, the first option was chosen by 3,064 (62.66%) heads of PFBs, the second option by 1,758 (35.95%), while only 68 (1.39%) confirmed that there were weaknesses in their internal control system and thus chose the third option.

For PFBs excluding educational institutions and local communities, the analysis showed that 60.20% of the Statements submitted were signed under the first option, 37.83% under the second option and 1.97% under the third option.

The analysis of the Statements submitted by schools showed that 79.62% of head masters signed the first option, 20.04% signed the second option and only 0.34% signed the third option.

2.1.7 FMC from the perspective of PFBs

The FMC report form also contains a section with open questions in which the PFBs can state:

- the main problems and weaknesses in the establishment and development of the FMC system;
- planned activities of PFBs;
- proposed activities for systemic improvement of internal controls;
- proposed topics system for training in the area of FMC.

PFBs, belonging to all categories, emphasise:

- a lack of human resources both in terms of structure and number of staff, an overload of existing human resources, a high staff turnover and an underdeveloped recruitment and retention policy both for the implementation and development of the FMC system and for the optimal functioning of the organisation, partly caused by the still existing moratorium on employment;
- inadequate training of heads and employees to whom tasks relating to the FMC have been delegated;
- insufficient awareness and understanding by managers at all levels and employees of the need, purpose, importance and benefits of the internal control system;
- the need to establish working groups, appoint FMC coordinators, develop action plans, delegate authority and responsibilities, etc.;
- the need for training and workshops and the development of methodological materials and tools adapted to the different types of users and the specificities of organisations, the nature of their activity and structure (e.g., healthcare system, cultural institutions, social protection, pre-school institutions, etc.);
- the need for more exchange of experiences between the same categories of PFBs and networking of people operationally involved with the FMC system is highlighted;
- a recognised need for workshops that focus on the development and implementation of FMC tools, such as business process maps, flowcharts and internal procedures, the definition of organisational objectives according to the S.M.A.R.T. principle and linking them to risk identification, as well as the creation of risk management strategies, risk registers and action plans.

Among the planned activities, PFBs emphasise

- that they will pay greater attention to the functioning and updating of the FMC in the coming period. These include: appointing FMC heads and forming working groups, developing procedures that clearly define responsibilities and segregation of duties, establishing procedures for specific business processes and ensuring their mutual harmonisation, continuing the risk management process that has been initiated, and implementing and enforcing control measures.
- planning of training sessions in the area of FMC, but also in other areas with a view of staff development.

As suggestions for further improvement of the FMC and as potential topics system for training, PFBs propose:

- the further development of methodological guidelines in the area of irregularities
- the adaptation of training programmes and FMC questionnaires, e.g., in the areas of culture, healthcare, social protection, pre-school education and others.
- the need for better cooperation, commitment, and support from the DBBs and/or the founders and the IBBs in terms of financial and human resources;
- the creation of a common platform for the exchange of experiences to improve the field of PIFC;
- suggesting topics system for training or webinars in the areas of risk management, the creation of procedures, and the updating of APs (based on several practical examples).

2.1.8 Management of Irregularities

The introduction of irregularity management in public sector organisations is an important tool for PFBs heads to monitor the FMC system, further optimise FMC processes and reduce the risk of misuse of public funds.

The definition of irregularities is found in Article 2, paragraph 1, item 51d) of the Budget System Law (BSL): “An irregularity is any breach of a legal or contractual provision resulting from an act or omission by employees of a public funds beneficiaries, contractors, end users and end recipients, which has or could have an adverse effect on the achievement of the objectives of the public funds beneficiaries and/or causes unjustified costs.”

In addition, Article 18 of the FMC Rulebook provides that PFB Heads are required to establish a system for detecting, recording and acting upon reports of suspected irregularities in the organisation they manage, as well as a system for reporting on the management of irregularities, and the head is also required to take precautions to reduce the risk of irregularities.

The irregularity management system enables the management of PFBs to receive and verify information on the possible existence of irregularities so that they can react appropriately in cases where the achievement of objectives may be jeopardised. Heads, managers, employees or third parties shall report deviations, inconsistencies or breaches of rules that constitute an irregularity or give rise to a reasonable suspicion that an irregularity has occurred, irrespective of its extent and significance and whether committed intentionally or negligently.

Table 5. Management of irregularities in 2023 and 2024

	PFBs (excluding educational institutions), in %		Educational Institutions in %	
	2023	2024	2023	2024
The suspicion of irregularities has been confirmed	8.49	8.48	5.16	4.79
Confirmed irregularities are resolved as follows	96.77	97.47	98.79	97.18
Method for resolving irregularities*:				
1 Within the organisation	62.90	58.03	60.98	60.87
2 Outside the organisation	0.54	0.52	1.22	2.90
3 Within and outside the organisation	33.87	40.41	35.37	36.23

*Organisations that did not respond to this question account for the remaining percentage up to the full 100%.

Comparing the years 2023 and 2024, the percentage of institutions with no confirmed suspicion of irregularities remains roughly the same. A large proportion of institutions (over 95%) responded to confirmed irregularities in both reporting years. As in the previous year, the institutions most frequently resolve irregularities internally. This indicates a willingness to take appropriate measures to ensure that the functioning of the institution is not jeopardised.

2.1.9 Reviewing the quality of the FMC system

The assessment of the quality of the FMC system includes the verification of the compliance of the internal actions of PFBs with the rules and regulations in relation to the COSO framework and the confirmation of the objectivity of the self-assessment carried out through the annual reporting. In addition, the degree of the organisation's commitment to achieving its objectives and results is assessed. Through this activity, the CHU supports management in establishing an efficient and effective internal control system.

In 2024 and 2025, the assessment of the FMC system was carried out in the following ministries

- Ministry of Education,
- Ministry of Public Administration and Local Government,
- Ministry of Human and Minority Right,
- Ministry of the Foreign Affairs and
- Ministry of Agriculture, Forestry and Water Management,

Taking into account the individual findings and conclusions drawn during the evaluation, it was found that the current state of development and implementation of the FMC system in the ministries where the evaluation was carried out is at a similar stage of development and implementation. The well-established and developed internal control system in the Ministry of Public Administration and Local Self-Government is particularly emphasised as an example of good practise.

Based on the assessment, specific measures to further improve the FMC system were proposed in the individual reports.

The assessment of the quality of the FMC system is an activity that clearly demonstrates the need to adopt certain systemic recommendations. To further improve the FMC system, it is desirable that the recommendations made in the FMC system quality assessment reports are implemented in order to establish and maintain the continuity and improvement of internal controls within the organisation itself.

During the FMC system assessment activities, certain measures were identified that each ministry should implement consistently and continuously. In addition to fulfilling the minimum formal requirements in terms of the existence of the FMC system and the mandatory documentation, it is important to hold regular meetings of the FMC working group to ensure continuous awareness-raising, knowledge sharing and information exchange in the area of FMC, all with the aim of further developing the system. It is also necessary to update the documentation on the implementation and further development of the FMC system at set intervals and to revise it in the event of significant internal or external changes - particularly changes to the legal and regulatory framework.

Business process maps or other forms of process documentation used to describe workflows serve as a tool to provide a clear overview of how, where and by whom a business process is carried out, who owns for the process, who is responsible for certain activities - in particular controls - which risks have been identified within the process and how these risks are monitored. In addition to the existence of procedures already developed for specific areas of work, process maps can also serve as a tool for simpler and more transparent implementation and application of internal controls. It is important that this approach is consistently applied in all ministries where such a need has been identified - especially with regard to the documentation, maintenance and subsequent updating of business processes.

It is necessary to strengthen the professional capacities of all employees and to continuously monitor whether the number, quality and expertise of employees are sufficient to carry out all planned activities. More attention should also be paid to the mechanisms for attracting and retaining employees and evaluating their performance at an individual and organisational level.

The evaluation has also shown that it is necessary to harmonise the strategic and operational objectives within the ministries as a basis for the preparation of the financial plans, so that the objectives of the financial plan are aligned with those of the medium-term plan.

In PFBs, the concept of managerial accountability requires that responsibility for performance is exercised within clearly assigned or delegated authority, with the focus of managerial accountability being on performance outcomes and not just compliance. In addition to the existing delegation of authority, efforts should continue to further delegate tasks to the lowest appropriate levels in accordance with applicable regulations to reduce the burden on top management and establish a reporting system based on delegated responsibilities.

The management of irregularities within an organisation is one component through which the system for preventing and detecting errors or irregularities can be strengthened, thereby improving the internal control system as a whole.

Accordingly, in those ministries where such a mechanism has not yet been established, it is recommended to ensure a timely and effective mechanism for reporting irregularities, responding to reported cases and reporting on actions taken.

During the process of assessing the quality of the FMC system, the CHU made the same series of recommendations for improvement at system level to all ministries in which the assessment was carried out:

- The annual reports on the status of the FMC system, which are to be completed and submitted to the CHU by 31 March for the previous year, should be prepared by persons who are also members of the working group for the establishment and development of the FMC system. In addition, the answers in the questionnaire must be clear, precise and well-defined in accordance with the formulated questions.
- Before signing the Statement on Internal Control, it is necessary for the head of the institution to review all the weaknesses identified in the report, the results of the internal audit and the external audit reports, as well as the status of implementation of the relevant recommendations. The head should also analyse the systemic errors and weaknesses, as this forms the basis for the correction and elimination of the identified deficiencies, which should then be included in the activities planned for the next update of the action plan.
- It is recommended that managers at all levels- especially members of the FMC working group, FMC coordinators, if appointed, internal auditors and other relevant staff - familiarise themselves with and complete the video training on FMC and IA prepared by the CHU and available on the NAPA platform.

2.2 Internal audit

Status and organisation

The Budget System Law, and the IA Rulebook as well as PIFC planning documents prescribe that the Republic of Serbia shall have a decentralised internal audit system in place.

The decentralised internal audit system requires all public fund beneficiaries to have the internal audit function in place. The IA Rulebook sets out criteria for the establishment of the IA function and stipulates that the National Assembly, the High Judicial Council, the High Prosecutorial Council, the ministries, the Republic Health Insurance Fund, the Republic Pension and Disability Insurance Fund, the Social Insurance Fund for Military Insurance, the National Employment Office and other PFBs with more than 500 employees must set up a separate, functionally independent organisational unit for IA. If the IA is set up as a separate internal audit unit, it must have at least three internal auditors, of which one is the head of the internal audit unit.

Other public fund beneficiaries may establish internal audit as follows:

- by establishing an independent internal audit unit;
- by establishing a joint internal audit unit for internal audit of two or more public funds beneficiaries;
- by concluding an agreement with other public funds beneficiaries on performing internal audit services.
- by conducting an internal audit by the competent direct beneficiary of the funds of the Republic of Serbia, an autonomous province or a local self-government unit in accordance with the plan of that internal audit unit.

Exceptionally, where there are no conditions for organising an internal audit unit, the tasks of IA unit may be discharged by an internal auditor employed with the PFB, or internal auditor the internal auditor with whom the contract for the performance of these tasks was concluded.

2.2.1 Scope of internal audit

The IA report form contains general data on PFBs, data on the IA unit and internal auditors, on the application of standards and the methodology of the work of IA, proposals for the development of the IA system and an overview of the audit engagements performed for the provision of assurance services with the number of recommendations made for specific types of recommendations as well as the number of audit engagements performed for the provision of advisory services.

According to the data processed, a total of 1642 PFBs submitted the IA report for 2024.

This section of the report shows the scope of IA analysed in the most important PFBs¹⁶, in terms of the budget they have and the number of staff. The scope of IA is primarily analysed according to the scope of the budget of a given category of FMC. It should be noted that the official records of FMC of the Treasury Administration, in some cases includes the accounts

¹⁶ For the purposes of this report, in the presentation of the status of IA in PFBs, the “most important” institutions refer to the group of direct budget beneficiaries at central level, OMSI, LSGs and BEORS.

of individual institutions and public sector organisations in addition to the organisational parts, so that the analysis of the scope of IA cannot be based only on the number of FMCs included in the said records.

The statutory IA function is implemented either by creating IA positions as part of the staffing plan or by concluding an agreement on the provision of IA services.

The criterion used to assess the degree of IA coverage is the establishment of a so-called functional IA, i.e. an IA function that is set up in one of the following ways: 1) PFB employs at least one employee who performs IA tasks; 2) PFB has concluded an agreement for the provision of IA services by the IA department of another PFB; 3) PFB has concluded a contract for the provision of IA services by the CIAPS; or 4) PFB has established an internal audit function together with another PFB, in which at least one internal auditor is employed.

Table 6. Scope of IA function per PFB categories

PFB category	Total number of PFBs by category	Number of PFBs with functional IA	% of PFBs with functional IA of the total number of PFBs	% of the coverage of the budget by functional IA per PFB category	Number of PFBs that have a full IA unit with at least three auditors	% PFBs with the staffed IA unit
Ministries with constituent administrative bodies ¹⁷	29	22	76%	94%	10 of 29 mandatory	34%
Other DBBs at the central level ¹⁸	56	27	48%		1 of 6 mandatory	17%
OMSI	4	4	100%	100%	3 of 4 mandatory	75%
APV	1	1	100%	100%	1 of 1 mandatory	100%
Cities ¹⁹	28	26	93%	97%	9 of 28 mandatory	32%
Municipalities ²⁰	117	49	42%	48%	-	-
BEORS	117	42	36%	98%	10 from 16	62%
Total:	297	156	53%	/	34 from 84	40%

The DBBs at central level²¹ with an established function IA unit cover about 94% of the total planned expenditure and budget expenditure of DBBs of the RS for 2024. The mentioned budget also includes the budgets of the IBBs, which are subordinate to the DBBs at central government level.

¹⁷ This category includes IA in 25 ministries and the special IA established in four administrations (the Treasury Administration, the Tax Administration and the Customs Administration and the Agrarian Payments Administration in the Ministry of Agriculture, Forestry and Water Management).

¹⁸ Excluding administrative districts, DBBs under section II of IBBs, the General Secretariat and government agencies.

¹⁹ Excluding cities from the territory of the AP KiM.

²⁰ Excluding General from the territory of the AP KiM

²¹ DBBs at the central level: National Assembly, Presidency, Government, governmental offices, ministries, judiciary bodies, special organisational units and independent bodies. This category is presented without administrative districts.

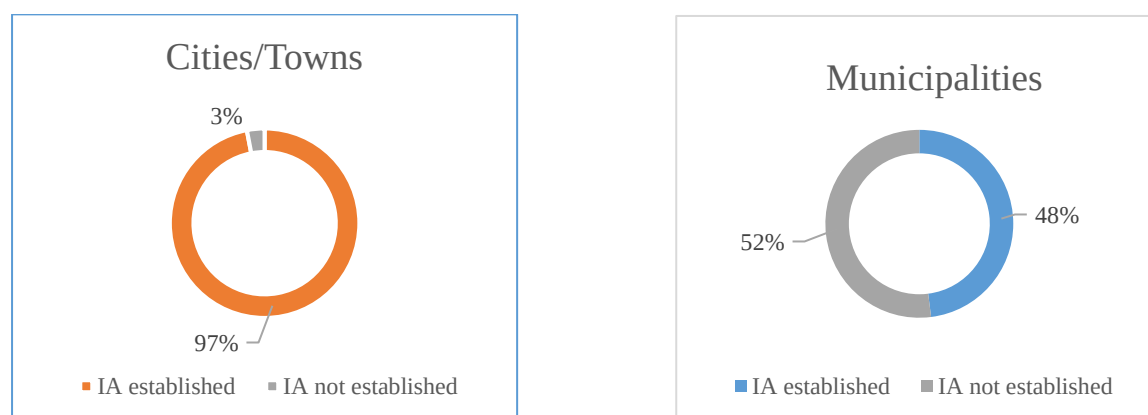
As regards the OMSI and their budgets, 100% of their budget is covered by functional IA, i.e., internal audit is established and active in all four PFBs in this group.

APV has established a functional IA unit which performs the IA functions in DBBs and IBBs of the APV.

When it comes to LSG group, which consists of cities and municipalities, the conclusion is that the situation in cities is significantly better than in municipalities. 26 of a total of 28 cities²² have a functional IA, which is an increase compared to last year accounting for 97% of the total expenditures realised of this group in 2024. Municipalities are stagnating when it comes to setting up an internal audit system. Only 49 municipalities have a functioning internal audit system, which covers a total of 48% of the expenditure carried out for 2024 in this category of PFBs.

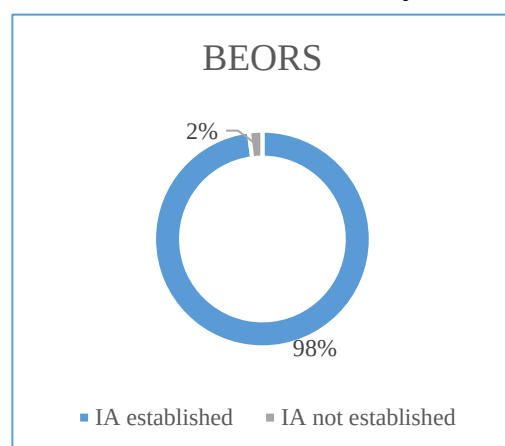
The following Figures show the IA functions of the cities and municipalities in 2024.

Figures 6 and 7 Internal audit coverage of expenditure incurred by cities and municipalities in 2024



Out of a total of 117 BEORS, 42 have a functioning IA, which corresponds to 36%. However, these units account for 98% of the total revenue in this category for 2024, as shown in Figure 8.

Figure 8. Coverage of total revenues of BEORS by the IA function in 2024



²²Excluding cities from the territory of the AP KiM.

Looking at the group of the most important PFBs, Table 6 shows, where applicable, the staffing status of IA units in PFBs that are required to have an independent internal audit function with at least three auditors under the current regulations of IA. Compared to the previous year, there has been a stagnation in the staffing of the internal audit units. As 60% of PFBs that are required to have their own IA unit do not meet the minimum staffing requirements for internal auditors, these units are unable to cover a sufficient number of operational areas within the scope of the organisation's responsibilities with their audit assignments.

From the analysis of the data presented, the following can be concluded:

- The APV category fulfils the prescribed number of internal auditors in accordance with the Rulebook on Internal Audit.
- In the category of OMSI, 3 out of 4 PFBs have the required number of internal auditors.
- In the category of ministries with administrative bodies in composition, 34% have an IA unit with at least three internal auditors, which is at the same level as in the previous year.
- Nine ministries do not have a single internal auditor.
- According to the IA reports received, 93% of cities have a functioning IA, which is an increase compared to the previous year. In accordance with the IA Rulebook, towns are obliged to have a fully staffed IA unit, but 32% do not fulfil this obligation;
- In the BEORS category, 16 entities are required to establish an IA function in accordance with the Rulebook on Internal Audit, and 10 of them fulfil this requirement.
- Other DBBs, as well as municipalities, do not have a satisfactory coverage by functional IA.

2.2.2 The Internal Audit Function

In 487 PFBs, IA is normatively implemented and it is functional in 435.

Below you will find a detailed overview of the number of organisations within the various categories of PFBs that have established an IA function.

Central Level

Table 7. Number of established IA, systematised and filled internal auditor positions in PFB institutions at central level in 2024

PFBs		Reports submitted	Normative IA	Functionally established IA	Systematised working posts	Post filled out
Central Level	Ministries with administrative bodies in the composition	29	29 ²³	22	129	61

²³ This number includes normatively established IA function in 25 ministries (according to the annual reports submitted) and separate IA function in four administrations (Treasury Administration, Tax Administration and Customs Administration in the Finance Ministry and Agrarian Payments Agency in the Ministry of Agriculture, Forestry and Water Management).

OMSI	4	4	4	43	27
Other PFBs	77	30	27	46	23
IBBs ²⁴	32	21	32	28	19
BEORS	77	38	42	148	99
Other PFBs	86	48	48	106	77
Beneficiaries of RHIF	212	102	83	182	78
Total	517	272	258	682	384

IA is normatively established in 25 ministries and 4 administrations within ministries, and functionally in 18 ministries and in 4 administrations within the ministries, with 129 internal auditor positions systematised and 61 filled. IA is established in all OMSI, both at normative and functional level; 32 internal auditor posts systematised, and 27 internal auditors perform IA function. For all other PFBs at the central level - with the exception of the ministries with administrative bodies and OMSI - the IA function was formally established in 239 units and functionally established in 232. A total of 510 internal audit positions have been systematised, with 296 internal auditors currently performing audit tasks.

Based on the data provided for PFBs at central level, there has been a 5% increase in the number of formally established IA functions and an 11% increase in the number of functionally established IA functions. The number of systematised posts has also increased by 21%, as has the number of IA posts filled by 6% in 2024 compared to 2023. This progress is primarily the result of growth within the RHIF beneficiary category, i.e., public health facilities, the “other” PFB category and the reclassification of PEs to BEORS category. There has also been an increase in the number of individual CIAPS contracts based on contracts for the provision of internal audit services.

Ministries

All ministries submitted their IA reports. A total of 90 internal audit positions have been systematised in the ministries, with 42 internal auditors currently performing IA tasks, which is the same number as in the previous year. Only one employee is systematised in the Ministry of Rural Welfare and the Ministry of Science, Technological Development and Innovation.

Table 8. IA function, by ministry, in 2024

Name of the ministry	Normative IA	Functional IA	Number of internal auditors
Ministry of Finance	Yes	Yes	3
Ministry of Economy	Yes	Yes (contract)	0
Ministry of Agriculture, Forestry and Water Management	Yes	Yes	2

²⁴ These are indirect budget beneficiaries (IBBs) at the central level that have established their own, independent internal audit functions and not IBBs in which the internal audit function is performed by the direct budget beneficiary, pursuant to Art. 5(3) of the Rulebook on IA and with no educational institutions.

Ministry of Environmental Protection	Yes	No	0
Ministry of Construction, Transportation and Infrastructure	Yes	Yes	1
Ministry of Mining and Energy	Yes	Yes	2
Ministry of Internal and Foreign Trade	Yes	Yes	1
Ministry of Justice	Yes	Yes	3
Ministry of Public Administration and Local Self-Government	Yes	Yes	3
Ministry of Human and Minority Rights and Social Dialogue	Yes	No	0
Ministry of the Interior	Yes	Yes	9
Ministry of Defence	Yes	Yes	5
Ministry of the Foreign Affairs	Yes	No	0
Ministry of European Integration	Yes	Yes	2
Ministry of Education	Yes	Yes	2
Ministry of Health	Yes	Yes	3
Ministry of Labour, Employment, Veteran and Social Affairs	Yes	Yes	1
Ministry of Family Welfare and Demography	Yes	Yes (contract)	0
Ministry of Sports	Yes	Yes	1
Ministry of Culture	Yes	Yes	3
Ministry of Rural Welfare	Yes (one auditor)	No	0
Ministry of Science, Technological Development and Innovations	Yes (one auditor)	No	0
Ministry of Tourism and Youth	Yes	No	0
Ministry of Information and Telecommunications	Yes	Yes	1
Ministry for Public Investment	Yes	No	0

Functional IA unit has been established in 18, and only 7 employs at least three internal auditors, being the minimum prescribed by law. As in the previous reporting period, the Ministry of Foreign Affairs, the Ministry of Environmental Protection, the Ministry of Human

and Minority Rights and Social Dialogue, the Ministry of Rural Care, the Ministry of Science, Technological Development and Innovation, the Ministry of Tourism and Youth and the Ministry of Public Investment still do not have a functioning IA function. The Ministry of Economy and the Ministry of Family Care and Demography have concluded agreements with the CIAPS to take on internal audit tasks as a transitional solution until internal audit staff are hired in the organisational structure.

The reason given by the ministries for this state of affairs was the lack of suitable staff for redeployment within the organisation, low salaries in the public sector compared to the private sector for this volume of work, and natural attrition, which led to the departure of internal auditors from the public sector and made it difficult to recruit new auditors.

Local level

Table 9. Number of internal audits in place, systematised and filled internal auditor positions at PFBs of local self-government in 2024.

PFBs		Reports submitted	Normative IA	Functional IA	Systematised work posts	Post filled out
Local level	LSG DBBs	142	112	76	224	124
	LSG IBBs ²⁵	381	0	5	0	0
	Other PFBs (PUCs, etc.) whose founder is the local government	281	103	96	157	110
	Total	804	215	177	381	234

Of the 142 reports received from APV, the City of Belgrade, towns and municipalities, 112 LSG DBBs have a normatively established IA function and 76 LGS DBBs have a functionally established IA. The total number of systematised IA posts is 224, and the number of filled posts is 124.

According to the data presented, the number of normative internal audit units at PFBs level has increased by 9% and the number of functional internal audit units by 23% compared to 2023. The number of systematised internal audit positions has also risen by 16, while the number of filled internal audit positions has stagnated. The increase in functionally established audits is

²⁵ These are indirect budget beneficiaries (IBBs) at the local level that have established their own, independent internal audit functions and not IBBs in which the internal audit function is performed by the direct budget beneficiary, pursuant to Art. 5, paragraphs 3 and 4 of the IA Rulebook

primarily due to the commissioning of internal auditors on the basis of contracts to carry out internal audit tasks.

As shown in Table 4, APV has produced a normative and functional IA function in accordance with the IA Rulebook. As for the cities, they have all submitted their annual reports for 2024. Six towns have not established normative IA units in accordance with the Rulebook on Internal Audit, i.e., they do not have the minimum of three systematised positions in the internal audit unit. Two towns, Leskovac and Jagodina, have not established internal audit units at all.

The Town of Leskovac has concluded an agreement with the CIAPS to take over the IA tasks as an interim solution until its own IA unit is established. In addition, 9 out of a total of 28 towns do not have a staffed IA unit with at least three internal auditors.

The towns of Jagodina and Čačak have not established a functioning IA function, while the Town of Leskovac has concluded an agreement with CIAPS to take over the IA tasks as an interim solution until a dedicated IA unit is established

Table 10. IA function in key PFBs at local level in 2024

Name of public funds beneficiary	Normative IA	Functional IA	Number of auditors
AP Vojvodina	Yes	Yes	5
The City of Belgrade	Yes	Yes	18
Novi Sad	Yes	Yes	5
Niš	Yes	Yes	3
Subotica	Yes	Yes	2
Kragujevac	Yes	Yes	6
Novi Pazar	Yes	Yes	5
Kruševac	Yes	Yes	1
Vranje	Yes	Yes	3
Kikinda	Yes (it is not in compliance with the IA Rulebook)	Yes	1
Pančevo	Yes	Yes	2
Sremska Mitrovica	Yes (it is not in compliance with the IA Rulebook)	Yes	1
Loznica	Yes	Yes	1
Pirot	Yes	Yes	3
Požarevac	Yes	Yes	2
Prokuplje	Yes	Yes	2
Jagodina	No	No	0

Užice	Yes	Yes	3
Zrenjanin	Yes	Yes	2
Bor	Yes (it is not in compliance with the IA Rulebook)	Yes	2
Valjevo	Yes	Yes	2
Čačak	Yes	No	0
Leskovac	No	Yes (contract)	0
Vršac	Yes	Yes	1
Kraljevo	Yes	Yes	3
Šabac	Yes (it is not in compliance with the IA Rulebook)	Yes	1
Smederevo	Yes (it is not in compliance with the IA Rulebook)	Yes	1
Sombor	Yes	Yes	2
Zaječar	Yes (it is not in compliance with the IA Rulebook)	Yes	1

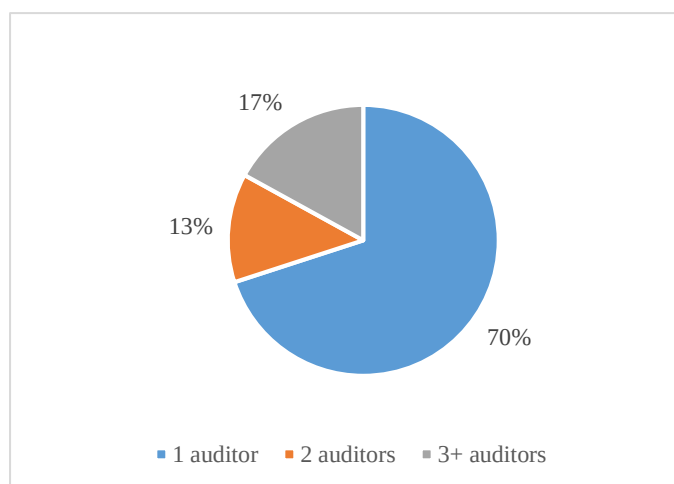
NUMBER OF AUDITOR WITH PFBs

Table 11 shows the total number of PFBs, at the level of the entire public sector that have a functional IA and at least one filled internal auditor position.

Table 11. Overview of the total number of PFBs that established the IA function with systematised and filled internal auditor posts

PFBs		1 auditor	2 auditors	3 and more auditors
Central Level	Ministries with administrative bodies in the composition	5	5	10
	OMSI	1	0	3
	Other PFBs	11	3	2
	IBBs	13	3	0
	BEORS	16	3	10
	Other PFBs	21	4	7
	Beneficiaries of RHIF	54	6	4
	Total	121	24	36
Local level	LSG DBBs	54	8	10
	IBBs LSG	0	0	0
	Other PFBs (PUCs, etc.) whose founder is the local government	51	9	10

PFBs		1 auditor	2 auditors	3 and more auditors
	Total	105	17	20
Total at the local and central level		226	41	56
Total		323		



Graph 9. Percentage of PFBs with established IA function, by number of auditors in 2024

Out of 435 PFBs that have formally established an internal audit function, 323 have employed internal auditors. Of all PFBs that have established an internal audit function with at least one employee entrusted with internal audit tasks, 70% have one internal auditor, 13% have two internal auditors and 17% have three or more internal auditors (Figure 9). Compared to the previous year, the proportion of PFBs with only one internal auditor has fallen slightly and the proportion of PFBs with two internal auditors has risen slightly. The number of employees in the IA units has stagnated compared to the previous year, which indicates ongoing difficulties in increasing staff numbers, whether due to retirements, transfers to other positions or employees leaving the organisation.

The most frequently cited reasons for having only one employee responsible for the IA, or for unfilled internal auditor positions include employment restrictions, a shortage of highly qualified staff, low salaries in the public sector, competition from the private sector and natural attrition.

The main challenges in setting up IA is the recruitment of internal auditors or redeployment of existing staff, for whom PFBs are responsible. In this regard, the CHU will continue to analyse the causes and make appropriate proposals to solve this problem

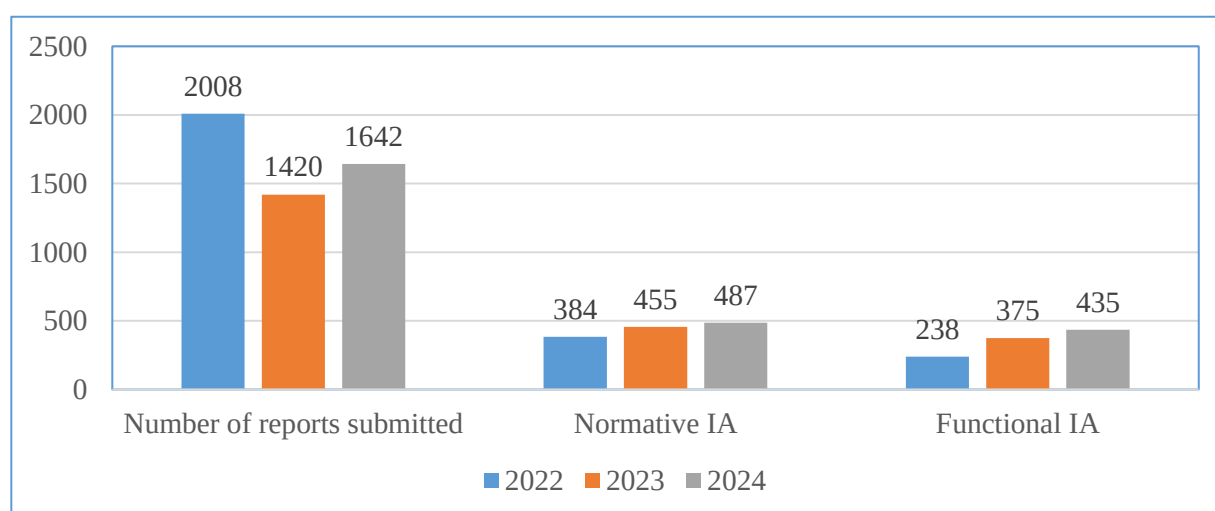
The requirements from Standard 1300 - Quality Assurance and Improvement Programme cannot usually be met because the IA units are not adequately staffed. In 36% of the established IA units, the manager of the IA unit has developed a programme to assure and improve the quality of IA activities, and an internal assessment is carried out by 46% of the IA units. Vacant posts, i.e., an employee in the IA unit and the vacant position of the head of the IA unit, were

cited as reasons for not implementing the programme to ensure and improve the quality of IA activities and internal evaluation of IA.

The IA Rulebook stipulates that the head of PFBs can form an audit committee as an advisory body for internal control and internal audit issues. A separate law requires BEORS that qualify as medium and large legal entities under the Law on Accounting to establish an audit committee. An audit committee, which serves as an advisory body for internal audit matters, has been established in 29 companies, mainly in the category of BEORS and other central level companies.

Figure 10 shows the number of internal audit reports submitted and the number of internal audit functions established in the PFBs. The number of PFBs with an internal audit function has risen steadily and totalled 435 in 2024.

Figure 10. Number of internal audit reports submitted and number of PFBs with normative and functional internal audit functions by year²⁶.



The data presented shows that the IA function is normatively established at 487 PFBs, representing an 7% increase in 2024 compared to the previous year. In addition, 435 PFBs have established the IA function, which is a 16% increase compared to 2023.

Table 12. The number of PFBs that submitted IA reports and established IA with systematised and staffed internal auditor positions in 2024.

PFBs	Reports submitted	Normative IA	Functional IA	Systematised working posts	Post filled out
Central Level	838	272	258	686	384
Local level	804	215	177	381	234
Total in the RS	1642	487	435	1067	618

²⁶ The number of IA Reports submitted does not account for the reports of the educational institutions. They are separately observed in this Report.

Graph 11. Number of systematized and filled internal audit positions in the PFBs and the number of CIAPS in the period 2022–2024

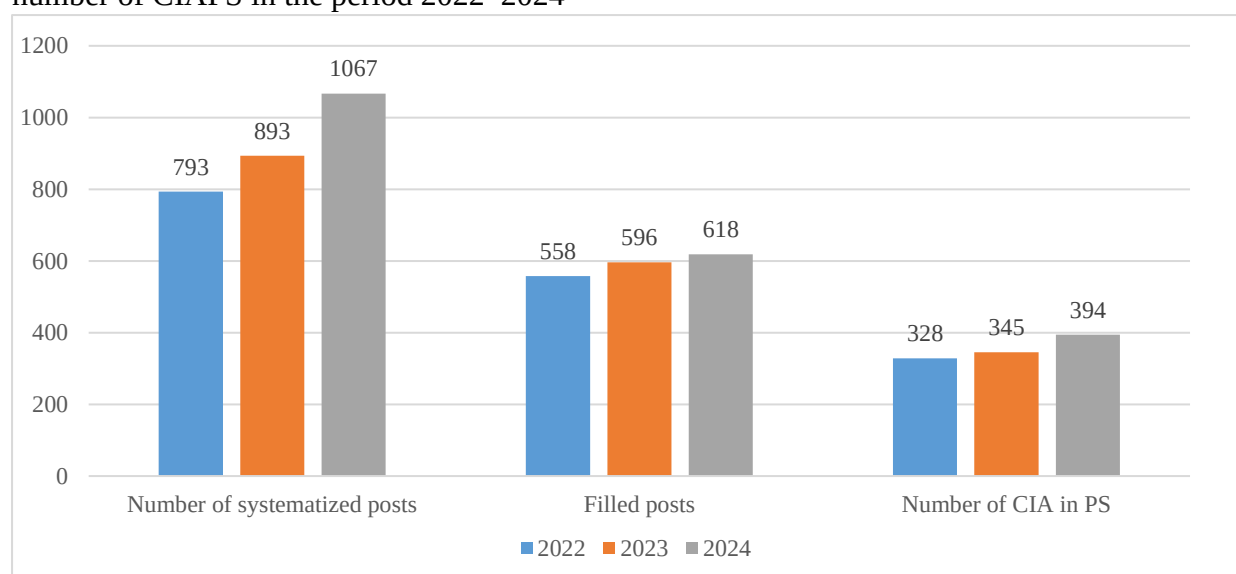


Figure 11 shows the number of systematized and filled internal audit positions in the PFBs for the years 2022, 2023 and 2024 as well as the number of CIAPS in the same period.

It can also be noted that the number of systematised posts increased by 19% and the number of filled posts increased by 4% in 2024 compared to 2023. Overall, all indicators show a positive trend in the development of the IA function in the past period. However, within the categories of ministries, OMSI and other DBBs at central level, a stagnation in the number of internal auditors can be observed. The main reasons for this are primarily the natural fluctuation of internal auditors and an insufficient influx of new staff.

Of the 618 internal auditor positions filled, 394 public sector internal auditors have become CIAPS, which corresponds to a certification rate of 64%.

Table 13. Total number of PFBs that have normatively established IA with systematised and filled posts in 2022, 2023 and 2024

	Number of PFBs with normative IA	Number of PFBs with functional IA	Systematized working posts	Post filled out	Number of CIAPS
Total in the RS in 2022	384	238	762	559	328
Total in the RS in 2023	455	375	893	596	345
Total in the RS in 2024	487	435	1067	618	394

As shown in Table 9, according to the IA reports received, in 487 PFBs where the IA function was established normatively, an IA unit was formed in 39%, in 53% the jobs for internal auditors were systematised and in 8% of PFBs the IA function was established on the basis of an agreement with other PFBs that have an IA unit, by forming a joint IR unit or by assigning persons to carry out the audit. It can be observed that the dominant way of setting up the IA

function is through the employment of an internal auditor, and the setting up of IA through an agreement on auditing by the IA unit of another PFBs or an agreement on the establishment of a joint unit is not sufficiently represented.

Table 14. Number of PFBs with normatively established IAs, by IA set-up in 2024

The method of normative establishment of the IA function	Number of PFBs
IA Unit	189
Agreement on the implementation of IA by another PFB	13
Joint IA unit	2
Internal auditor	257
Other (outsourcing internal auditors under a service contract)	26
Total:	487

2.2.3 Planning and Evaluation of Performance

According to the IA Rulebook, IA is conducted on the basis of the strategic plan and annual work plan approved by the Head of PFB and the individual audit engagement plan approved by the audit manager.

At the end of each audit engagement, an audit report is prepared which includes a summary, the objectives and scope of the engagement, findings, recommendations and conclusions, which may include comments from the head of the audited entity.

2.2.4 Overview of Performed Assurance Services

The head of internal audit is responsible for implementing the annual IA plan, for supervising the implementation of each individual engagement and for approving the final audit report. Any change in the annual internal audit activity plan must be approved by the Head of PFB.

Table 15. Number of planned, follow-up, implemented and unimplemented audits in 2024, by type of PFB

PFBs		Number of assurance services in 2024			
		Planned assurance services	Follow-up assurance services (on demand)	Implemented assurance services	Unimplemented assurance services ²⁷
Central Level	Ministries with administrative bodies in the composition	82	9	85	6
	OMSI	38	0	37	1
	Other PFBs	49	2	42	9
	IBBs	49	2	42	9
	BEORS	192	18	189	21
	Other PFBs (excluding BEORS)	156	9	145	20
	Beneficiaries of RHIF	134	15	112	37
	Total	700	55	652	103
Local level	LSG DBBs	196	16	175	37
	IBBs LSG	7	0	4	3
	Other PFBs (PUCs, etc.) whose founder is the local government	191	26	159	58
	Total	394	42	338	98
Total in the RS		1094	97	990	201

In 2024, according to the reports submitted on the work of IA, a total of 1094 assurance services were planned, 97 follow-up assurance services were started at the request of the Head of PFB, 990 assurance services were carried out, while 201 planned assurance services were not carried out (18.40% of the total number of planned assurance services²⁸).

The IA reports identify the following most common reasons for the deviation from the execution of the annual work plan of IR in 2024:

1. reduction in the number of staff in the IR and departures of internal auditors to other positions;
2. insufficient maturity of IA (newly established IA unit);
3. internal auditors are still in training.

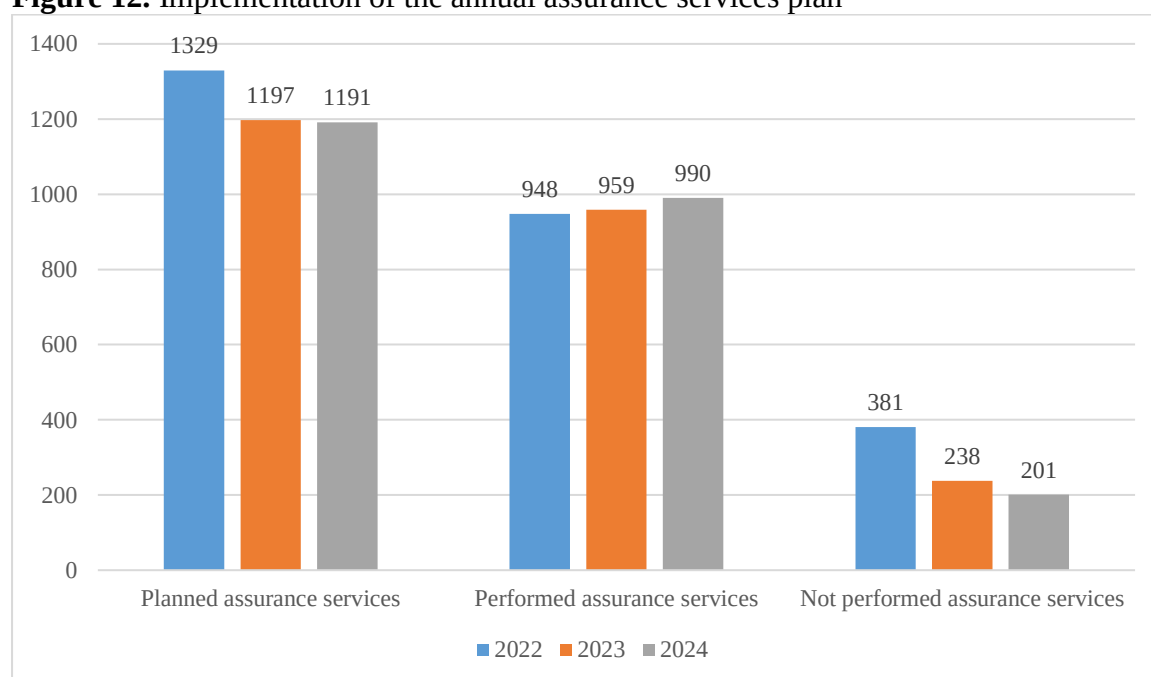
²⁷ Engagements that were either not implemented or were in progress at the date of reporting.

²⁸ The number of planned assurance services includes assurance services that were subsequently planned on demand.

Table 16. Overview of the number of assurance services by year and relative changes in the number of assurance services compared to the previous year over a three-year period

Year	Total number of assurance services in 2022, 2023 and 2024					
	Planned assurance services ²⁹		Implemented assurance services		Unimplemented assurance services ³⁰	
The total in 2022	1329	20%	948	10%	381	59%
The total in 2023	1197	-10%	959	1%	238	-38%
The total in 2024	1191	-0.5%	990	3%	201	-16%

Figure 12. Implementation of the annual assurance services plan



As can be seen from Chart 12 and table 16, the number of audit services not performed has fallen slightly compared to 2023, which could indicate an improvement in the internal audit planning process.

2.2.5 Status of Internal Audit Recommendations

The internal auditors made a total of 6022 recommendations to improve business processes and reduce identified risks to an acceptable level.

²⁹ The number of planned assurance services includes assurance services that were subsequently planned on demand.

³⁰ Including ongoing audits.

Table 17. Overview of the number of recommendations, by area and by year

Area of recommendations ³¹		Number of recommendations in 2022	Number of recommendations In 2023 2019	Number of recommendations In 2024
1	Internal Rules and Procedures	↑3195	↓2954	↑2964
2	Planning	↓265	↑306	↓249
3	Incomes and revenues	↑142	↓84	↑114
4	Public procurement and contracting	↑495	↑574	↓553
5	Employees, salaries and fringes	↑494	↓382	↑412
6	Payments and transfer of funds	↓163	↑200	↓169
7	Accounting records and financial reporting	↑708	↑748	↓706
8	Information system	↓226	↑236	↑283
9	Recommendations of the main business activity of PBFs	↑800	↓637	↓572
TOTAL		↑6488	↓6121	↓6022

↑- Increase compared to the previous year

↓- Decrease compared to the previous year

Table 17 shows a decrease of just over 1.6 in the total number of recommendations in 2024 compared to 2023. Looking at the individual areas, there was an increase in the number of recommendations relating to internal regulations and procedures, revenue and income, employees, salaries and remuneration, and information systems (a new trend in the area of auditing, for which CJH has organised training in recent years). The data suggests that more attention should be paid to the area related to core activities, as there has been a decrease in these recommendations over the past two years.

Table 18. Implemented and non-implemented recommendations by PFB category in 2024

No.	PFBs	Number of recommendations	Recommendations implemented	Unimplemented recommendations
1	Ministries with administrative bodies in the composition	1049	616 (59%)	433 (41%)
2	OMSI	188	164 (87%)	24 (13%)
3	Other PFBs	121	50 (41%)	71 (59%)
4	IBBs	192	105 (55%)	87 (45%)

³¹ The areas and nature of the recommendations correspond to the official forms of IA reports submitted by the PFBs.

No.	PFBs	Number of recommendations	Recommendations implemented	Unimplemented recommendations
5	BEORS	1329	867 (65%)	462 (35%)
6	Other PFBs (excluding BEORS)	663	294 (44%)	369 (56%)
7	Beneficiaries of RHIF	596	341 (57%)	255 (43%)
Total at the central level		4138	2437 (59%)	1701 (41%)
1	LSG DBBs	1075	492 (46%)	583 (54%)
2	Other PFBs (PUCs, etc.) whose founder is the local government	799	358 (45%)	441 (55%)
3	IBBs LSG	10	4 (40%)	6 (60%)
Total at the local level		1884	854 (44%)	1030 (56%)
Total in the RS		6022	3291 (55%)	2731 (45%)

Table 18 shows the recommendations provided and implemented in 2024. Of the total 6022 recommendations made in 2024, all PFBs implemented a total of 3291 recommendations, representing 55% of the total recommendations made. Since this indicator speaks of the implementation of recommendations in the same reporting period in which the recommendations were made, it is also necessary to take into account recommendations made at the end of the reporting period whose implementation will objectively only be possible in the next reporting period. The percentage of non-complied recommendations is 45%. The main reasons given for the non-implementation of the recommendations are a lack of attention, time and human resources to implement the recommendations made within the auditee, insufficient commitment from management and staff and the failure to submit reports on the implementation of the recommendations in accordance with the implementation plans signed by the auditees.

The highest percentage of unimplemented recommendations is found in the category of ministries with administrative bodies in their composition as well as DBBs of local government bodies and other PFBs (PUCs and the similar) established by local authorities. This indicates an insufficient understanding of the importance of addressing identified weaknesses in business processes.

2.2.6 Internal audit consulting services

Audit processes of the provision of consulting services are carried out in the areas of risk management, control and management processes, and the content of the audit plans and the method of reporting are determined in advance with the Head of PFBs. The International Standards for Professional Practise of IA explicitly define audit engagements for the provision of advisory services. The standards provide that the IA manager should consider accepting consulting services based on the contribution of those services to improving the organisation's operations, enhancing risk management and adding value to the organisation, and all accepted consulting audit services must be included in IA's work plans.

Table 19. Overview of consulting services provided by PFBs in 2024

No.	PFBs	Number of consulting services in 2022	Number of consulting services in 2023	Number of consulting services in 2024
1	Ministries with administrative bodies in the composition	16	23	28
2	OMSI	0	18	1
3	Other PFBs	23	22	25
4	IBBs	4	8	15
5	BEORS	30	27	29
6	Other PFBs (excluding BEORS)	21	19	31
7	Beneficiaries of RHIF	68	55	92
Total at the central level		172	172	221
1	LSG DBBs	42	30	23
2	IBBs LSG	0	1	0
3	Other PFBs (PUCs, etc.) whose founder is the local government	32	75	26
Total at the local level		74	106	49
Total in the RS		246	278	270

Table 20. Overview of consulting services in the period 2022-2024

Year	Number of completed consulting services
2022	246
2023	278
2024	270

Based on the IA reports submitted, 270 IA consulting services were provided in 2024, a decrease of about 3% from the previous year. At central government level, the number of consulting services has increased, while it has decreased at local government level. The reduced number of internal audit consulting services at the local level indicates the need to raise awareness of the benefits of such services.

The internal audit report also contains a section with the internal auditors' opinion on the status of the FMC system during the reporting period. According to the reports submitted, the greatest weakness was found in the area of control activities, followed by risk management, and the least weakness stems from the control environment element. Most of the weaknesses identified relate to the lack of establishment, inadequacy and non-compliance with the business procedures.

2.2.7 Internal audit activity performance review

The CHU carried out quality assessments of the work of internal audit in eight PFBs for the period from 1 October 2023 to 30 September 2024. The consolidated report on the quality assessment of internal audit work was submitted to the Minister of Finance and published on the website of the Ministry of Finance.

The quality review was performed in the following PFBs:

- PE “Pošte Srbije”, Belgrade
- University Hospital Centre
- Ministry of Finance - Tax Administration,
- “Državna lutrija Srbije”, d.o.o. Belgrade
- “Jugoimport - SDPR” PE
- The City of Belgrade
- The City of Kragujevac
- The Town of Novi Pazar

The review covered compliance with the requirements for the establishment of IA, audit coverage, competence and training of IA, functional and organisational independence of IA, IA charter and code of ethics system, knowledge of IA standards, IA strategic and annual plans, implementation of IA methodologies in audit engagements, IA risk management, internal quality control, need for future training and membership of professional associations.

The quality assessment of the work of IA in the Town of Novi Pazar was carried out by a team led by the CHU. The peer review method was used, in which CIAPS from Elektrodistribucija Srbije and Čačak General Hospital also participated.

In all PFBs covered by the review, the IA function was established by designating IA positions in the internal organisation and job systematisation acts in accordance with the Rulebook on Internal Audit. Internal audit units with three or more internal auditor positions were systematised in all units except one with less than 500 employees, where the IA function was established with a single independent auditor, and in another PFB the IA unit had only the head of the unit as a staffed position. A lack of qualified staff and low salaries were cited as the main reasons for the unfilled positions.

In total, these organisations have systematised 109 IA posts, with 60 auditors employed as of 30 September 2024. All of them hold the CIAPS certification, with the exception of two who are currently in the process of certification.

It is necessary for the PFBs to allocate personnel for IA tasks according to their capacity to maintain the continuity of this function, ensuring that it can effectively serve as a tool for heads to support organisational management.

IA established at PFBs included in the review are functionally and organisationally independent units reporting directly to the head of PFBs, as prescribed in the regulation on the internal organisation and systematisation of workplaces. The IA reports directly to the head of PFBs and is directly accountable to him/her for its work. The plans of the IA, the work of the IA and the reports on the IA carried out and on the work of the IA are separate and independent from other parts of the organisation.

All IA units have an internal audit charter signed by the head of PFBs and the head of the IA unit, which clearly defines the rights and duties of the head of PFBs and the internal auditors. In one PFB, the IA Charter had not been signed by the current signatories, but the procedure for updating the signatories has been initiated. The Charters are published on the organizations' intranet or internet pages

All IA units have an IA Code of Ethics signed by internal auditors. These Codes of Ethics are also published on the organizations' intranet or internet pages. Internal auditors in the PFBs included in the review apply the internal audit working methodology and are familiar with the IIA Standards.

Both the strategic and annual internal audit plans have been approved by the heads of the respective PFBs.

When preparing plans, internal auditors consult with top management, but usually verbally at meetings or through electronic communication (e-mail) and do not always have an audit trail for the conclusions reached. Due to a lack of justification, in some cases, the link between the selected audit topics system and auditees in the annual plans and the strategic internal audit plan is not clear.

Certain limitations were also expressed in the IA's individual plans, where there was a change in the staffing structure due to the departure of experienced internal auditors and the recruitment of new auditors involved in the training process.

When preparing plans, it is necessary to document each step in the preparation of the plans and make the adopted plans available to PFBs' senior managers. When preparing the plans, consultations with all senior managers. In addition, the planned audit-time for the consultancy assignments must be shown. In this way, the awareness of the function of IA is raised to a higher level within the organisation and contributes to strengthening the awareness of all managers and employees of the need to implement all activities in the internal control system.

While working, internal auditors should follow working methodology from the IA Rulebook in the public sector. Each individual audit engagement is carried out on the basis of a prepared plan and an audit report is prepared for each engagement, which should be supported by working papers. Some IA units have been found to have deficiencies in linking working papers, mostly when audit files are created in mixed paper and electronic form. The storage of audit documents in electronic form is also not fully guaranteed.

In the observed period, IA units did not provide any consulting services.

Internal control of the quality of IA's work is carried out through constant supervision by the head of the IA unit and periodic reviews. IA units with multiple staff members, the constant supervision is implemented through a regular work, whereas the units with an insufficient number of internal auditors within the IA unit, mostly omit this procedure or only formally implement it (the head of the IA unit is also the auditor who performed the audit) and is not consistently formalised and documented. In addition, the quality assurance and improvement programme for internal audit has been developed and is being implemented in two internal audit units, while it is in the initial preparation phase in the other units and regular self-assessments have not yet been carried out.

Internal auditors express the need for training as part of the annual plans. In direct communication, during the review, they expressed the need for practical training for performance audits and IT system audits, and also the need for direct exchange of experience with colleagues from other countries. They also pointed out that they were often prevented from attending certain trainings because the organisations' budgets did not include funds for this purpose.

In order to improve the quality of the work of IA it is necessary:

- that the PFBs provide a staff member for the IA affairs within the limits of their staffing possibilities in order to ensure the continuity of this function
- document each step in the preparation of the plans and make the adopted plans available to all PFBs' heads.
- improve the connection and storage of working documents when audit files are created in mixed paper and electronic form;
- consistent implementation of internal control over the quality of IA work.

2.2.8 Recommendations and proposals of PFBs for further development of IA

The most frequently mentioned proposals and suggestions for improving the work of IA in the individual annual reports are mainly:

- to continue and strengthen the education, additional training and professional development of internal auditors through the organisation of seminars, training courses and workshops, as well as through professional literature;
- to organise a greater number of training sessions through the CHU to provide more opportunities for continuous professional development of internal auditors;
- to increase the exchange of experiences and good business practises with colleagues from the region through cooperation with the CHU, domestic and foreign experts, international and national institutions and associations;
- to strengthen the promotion of IA and raise awareness of its importance, especially among heads of PFBs;
- for the CHU to systematically consider all factors relating to the filling of posts for internal auditors and the retention of existing staff;
- to consider improving the financial status of internal auditors taking into account the degree of their responsibility, the complexity of the business and the working conditions;
- to amend the Rulebook on the continuing professional development of CIAPS with regard to the unequal scoring system for the evaluation of the work of internal auditors working within IA units compared to those working as independent auditors;
- to make a proposal that, through amendments to laws or other legal acts in the area of civil servants' remuneration, internal auditors in the public sector be placed on an equal footing with the SAI in order to recognise the importance and role of internal audit in the public sector;
- to consider the possibility of adopting a specific law that would regulate all matters related to internal auditing;
- to enable the existence of a module/software to automate the audit processes and track the implementation of recommendations.

The PFBs proposal is that it is necessary for the CHU to allow internal auditors to accumulate the prescribed points for organised professional development, as the CHU has limited resources for independent funding of training.

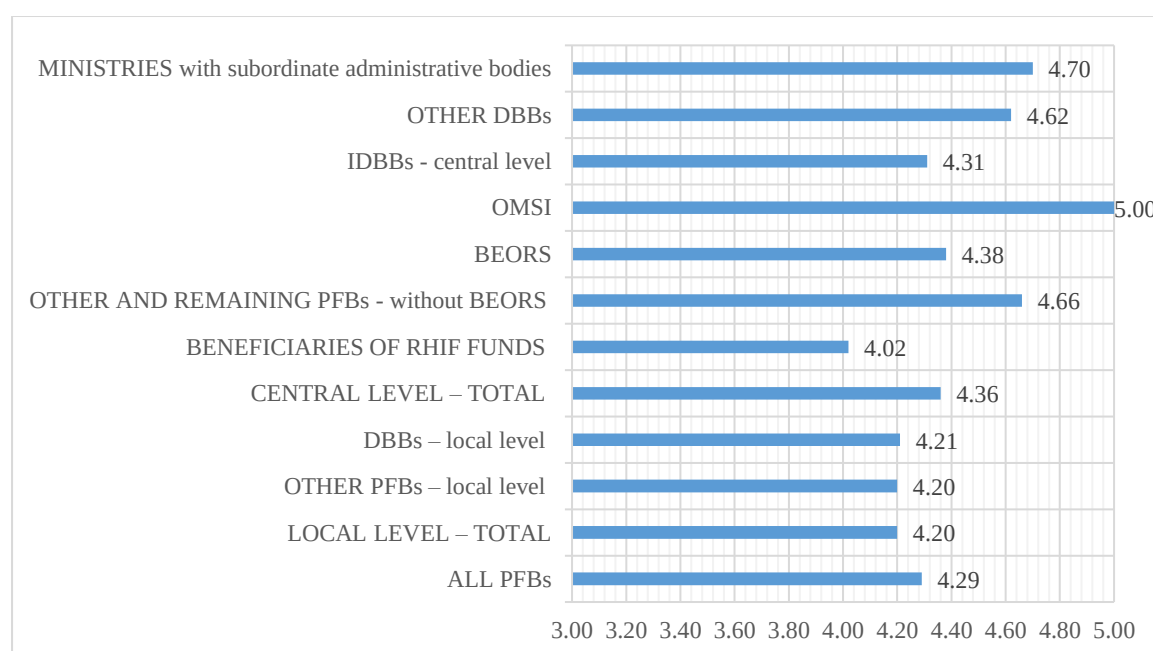
In the proposals for training, i.e., conducting workshops and seminars, a smaller number of PFBs have indicated the area where additional training is needed.

2.2.9 Status of internal auditing from the perspective of the public funds beneficiaries

The status of IA was considered from the perspective of the perception of heads of PFBs who had at least one employed internal auditor in terms of the contribution of this function to the achievement of organisational objectives, the adequacy of existing IA capacity and the current status of internal auditors compared to other positions within the organisation. Questions were also asked about activities carried out and planned to improve internal auditing.

Across all PFBs, the average rating of managers' satisfaction with the contribution of IA to the achievement of organisational objectives is 4.29 (4 – partially satisfied, 5 – completely satisfied). As can be seen in Figure 13, the average rating in all categories of PFBs is above 4, which was also the case last year. The highest rating is given by the heads of OMSI, which is probably related to the fact that these organisations have generally built up the greatest capacity for IA. The lowest average rating of 4.02 was recorded in healthcare and pharmaceutical organisations. So, there is still room for improvement, both in the area of efficiency and effectiveness (increasing the actual positive impact of IA) and in changing the perception of heads of PFBs. In this respect, work should focus on strengthening the capacity of the IA and concentrating its work on the most important issues of the functioning of the organisation and meeting the needs of citizens. In addition, more effective communication between management and IA is often needed to help heads understand the achievements, but also the potential positive impact of the services provided by this function.

Figure 13. Evaluation of the contribution of IA to achieving the organisation's objectives



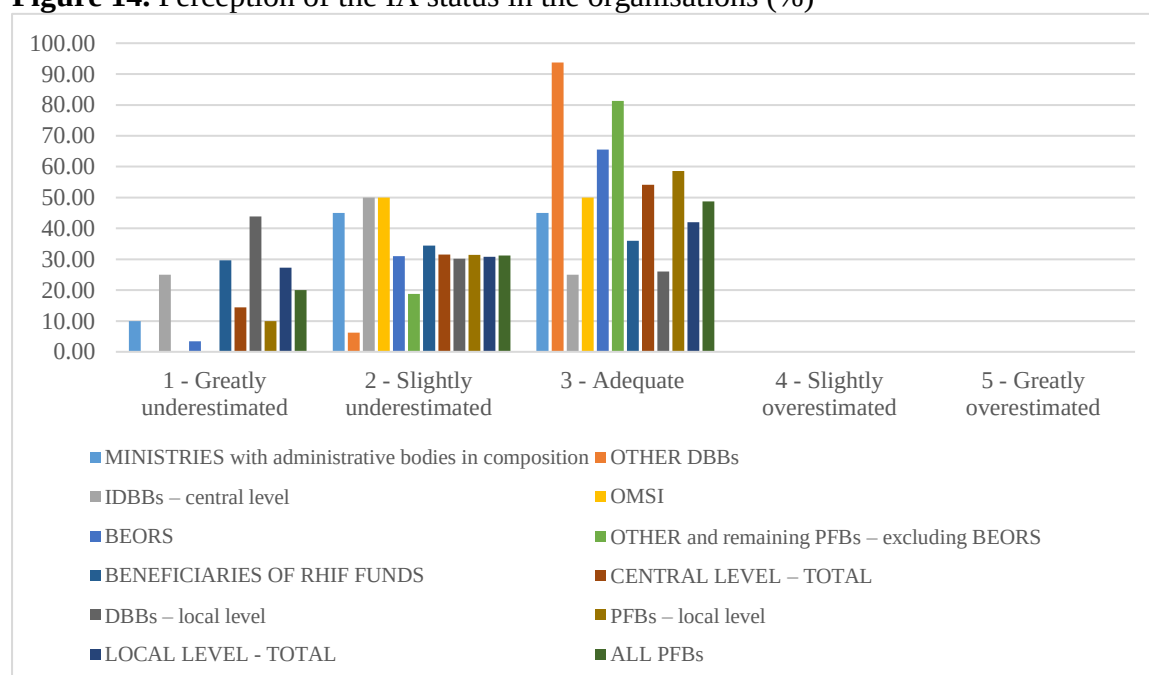
Heads of PFBs that have hired internal auditors consider the existing internal audit capacity to be adequate in 65% of cases. Managers of central and local level business entities (BEORS and local PUCs/PEs) and other IBBs at central level are the most satisfied, considering the number and structure of IA staff adequate in more than 80% of cases. On the other hand, 70% of ministries with administrative bodies in the composition and 75% of OMSI consider additional investment necessary according to their heads.

In 2024, 13% of PFBs hired new internal auditors. Slightly more activity was seen in ministries with administrative bodies in the composition, where internal auditor positions were filled in 30% of cases. However, given that the number of internal auditors in this category of PFBs did not change significantly, these additional recruitments were mostly aimed at replacing existing staff. It is worth noting that in last year's report, ministries with administrative bodies in the composition presented more ambitious plans. 85% of these PFBs announced activities aimed at hiring new internal auditors. This year, 80% of them are still planning new hires, while a total of 37% of all PFBs have announced the same intention. Fifty percent of OMSI also plan to address identified staff shortages by hiring new internal auditors. However, it is important that these new hires go beyond simply maintaining the current number of internal auditors and instead contribute to strengthening internal audit capacity.

The difficulties in increasing internal audit staffing levels are at least partly due to the common practise of requiring applicants to hold the title certified internal auditor in the public sector as a hiring requirement. This requirement is made by around 40% of all PFBs and is more widespread at central level than at local level. It is particularly worrying that two thirds of ministries with administrative bodies in the composition and three out of four OMSI fall into this group. The number of CIAPS remains relatively low and they are extremely difficult to find on the labour market. The practise of requiring certification may be due to a lack of knowledge or misunderstanding of the fact that certification is obtained retrospectively while working in PFBs. For its part, the CHU has already taken steps in this area by producing materials to help identify suitable internal audit staff in organisations. Further efforts are needed to improve communication with the heads of PFBs in order to remove this self-imposed obstacle. Of course, it would be worrying if the requirement for CIAPS certification were found to be used as an excuse for inadequate internal audit staffing or for non-compliance with the legal requirement to establish the IA function. In such cases, additional emphasis must be placed on strengthening the motivation for the proper establishment of the IA function. The CHU will continue its efforts to develop appropriate policies, provide training, promote IA as a valuable function and monitor and report on the situation on the ground - particularly with regard to the main PFBs.

One of the main reasons often cited for the lack of internal auditors in the public sector is that the profession is not perceived as sufficiently attractive. In this context, Chart 14 shows the views of PFB management on the status of IA in terms of professional rank and corresponding salary compared to other positions within the organisation, taking into account the skills required, the complexity of the role and the level of authority required.

Figure 14. Perception of the IA status in the organisations (%)



Almost half of PFBs (48.77%) state that the status of IA in their organisation is appropriate. No head of PFB considers the status of IA to be overrated. The most favourable status- most frequently rated as appropriate - is reported by PFBs in the categories of other DBBs at central level, other PFBs at central level, and BEORS. On the other hand, almost three quarters of local self-governing authorities (DBBs – local level) feel that their IA function is underrated. Similarly, three out of four OMSI see IA status as more or less underrated. The percentage of RHIF beneficiaries who consider IA status to be adequate has risen from 28% to 36% in the last year.

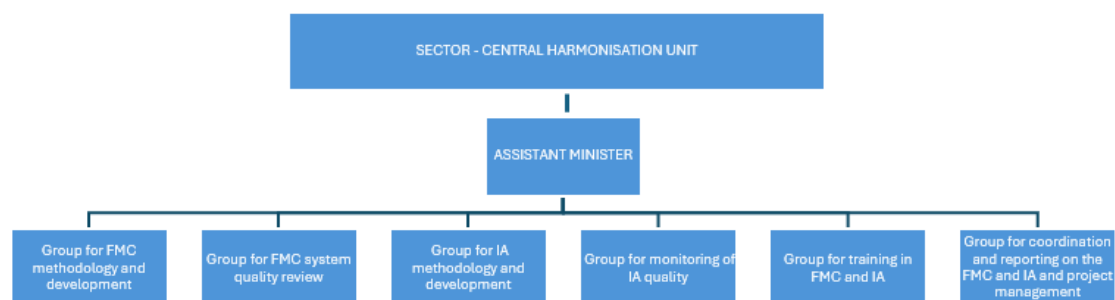
A considerable number of managers are therefore of the opinion that the status of the IA needs to be improved. However, the question arises as to whether they have all the necessary tools to adequately remunerate the position of internal auditor and make it more attractive- especially given the constraints imposed by regulations and the public sector pay system. In this regard, the CHU will continue to work on improving the employment and legal status of internal auditors in the public sector in the coming period.

In conclusion, heads of PFBs that have established an IA function are aware of the importance of this function and its positive impact on the achievement of organisational objectives. Positive experiences are the best advertisement and an incentive for the further development of IA in the public sector, especially in those organisations where it has not yet been established or where capacity is insufficient.

III ACTIVITIES AND PROGRESS ATTAINED

This section of the report deals with the third pillar of the PIFC system, in particular the activities carried out by the CHU over the past period and the progress made in this area.

The CHU represents the third pillar of the PIFC, which is institutionally part of the MoF and performs government administrative tasks related to the harmonisation and coordination of FMC and IA in the public sector. As at 31 December 2024, the CHU had 11 permanent employees, including the Assistant Minister, while 3 people were employed on fixed-term basis. In 2024, changes to the Rulebook on the internal organisation and job systematisation of the Ministry of Finance established a new internal unit within the CHU that deals with coordination, reporting and project management in the areas of FMC and IA. In addition, the CHU hired 13 additional individuals under contracts for work performed outside of an employment relationship. These individuals hold the title of CIAPS and have the necessary qualifications and experience to provide professional support to candidates during the practical part of the training to obtain this title.



The CHU is either responsible for the implementation or the main partner for all parts related to the PIFC and management responsibility, and therefore reports regularly on the progress in the mentioned areas in the framework of:

1. Public Administration Reform Strategy of the Republic of Serbia for the period from 2021 to 2030 with the accompanying Action Plan for the period from 2023 to 2025,
2. Public Financial Management Reform Programme for the period from 2021 to 2025 with the accompanying Action Plan,
3. Programme for Improving Public Policy Management and Regulatory Reform for the period from 2021 to 2025 with the accompanying Action Plan,
4. Programme for the Reform of the Local Self-Government System the period from 2021 to 2025 with the accompanying Action Plan
5. Roadmap for Improving Managerial Responsibility in the State Administration of the Republic of Serbia

Through a proactive approach, the CHU has implemented most of the activities foreseen in the Action Plan of the PFM Reform Programme 2021–2025 ahead of the deadlines set.

The report on the implementation of the Public Financial Management Reform Programme 2021–2025 for the year 2024 is available at the following link <https://mfin.gov.rs/dokumenti2/program-reforme-upravljanja-javnim-finansijama-pfm>.

In addition to working on the mentioned planning documents, CHU also performs regular tasks such as: the continuous improvement of the regulatory-methodological framework, the certification of internal auditors and the training of PFBs staff, the monitoring of changes in international standards and principles and best practises in the field of PIFC.

The area of PIFC was further strengthened in 2024. Communication with PFBs was improved, in particular through the provision of guidance and the initiation of mutual cooperation between PFBs, all aimed at developing the FMC system and the IA function.

In the past period, the legal framework for the FMC and IA was improved. In 2024, the CHU focused on implementing the provisions of the internal audit regulations in relation to internal mentoring, with the aim of obtaining the title of CIAPS.

In addition, the CHU emphasised the improvement of basic training on FMC and IA and the continuous professional development of internal auditors.

Efforts to assess the quality of the FMC system and the performance of IA units also continued. In addition, in order to gain a better understanding of the conditions on the ground and to guide the CHU's activities accordingly, regular one-day training sessions were held for PFBs in the area of PIFC.

Based on the analysis of the data from the annual reports on the status of the PIFC and the feedback from the PFBs, it was concluded that the improvement of the FMC and IA questionnaires has contributed to a better understanding of the internal control systems in the organisations and to an easier identification of weaknesses that need to be addressed in the coming period. Due to the specific needs of certain groups of PFBs, such as educational institutions, a special analysis of the submitted data was carried out and presented in the CAR for 2023. In addition, the IA questionnaire included a section that allowed managers to provide information on the position of internal auditors in their respective PFBs. This approach served as the basis for the preparation of a consolidated FMC and IA questionnaire for 2024, intended for local communities, which represent a large group of specific PFBs.

Among the activities that have attracted attention in the past period and are valuable for the CHU staff is the review of the quality of the FMC system and the work of the IA units at the PFBs.

The CHU carries out ongoing promotional activities, mostly through the organisation of events and training, to raise awareness of the importance and mandatory nature of establishing internal control systems. The CHU also publishes guidelines to support implementation, promote better understanding and facilitate self-study of the internal control system. These materials are available on the website of the Ministry of Finance.

A video training on the FMC, aimed at FMC managers and coordinators, has been uploaded on the NAPA platform. A video training course on IA has also been made available. These training courses can be attended by PFBs to familiarise themselves with these areas and to prepare for the certification training for internal auditors conducted by the CHU to obtain the title Certified Internal Auditor in the Public Sector (CIAPS). The video training courses have been available on the NAPA platform since September 2024. By the deadline (30 June 2025), a total of 1,829 participants had completed these training courses.

In the past period, preparatory work was carried out to adapt to the new Global Internal Audit Standards. With the support of experts, the CHU carried out an analysis of the consistency between the existing regulations and the revised IA standards and developed a corresponding action plan for implementation.

It is planned to develop software solutions for both FMC and IA, which will contribute to improvements in the maintenance of the internal auditor database, the management of training and mentoring activities and the automation of internal audit processes.

In addition, the CHU regularly monitors the implementation of the recommendations from the EC Progress Report and the CAR recommendations from last year.

According to the Annual Progress Report for 2024³² for Chapter 32, the Republic of Serbia is moderately prepared in this Chapter, with limited progress made in this reporting period, particularly in the ongoing implementation of the PIFC.

The status of the EC's recommendations as well as more detailed information can be found in [Annex 6 - Recommendations from the EC Serbia Report for 2024](#) of this document.

The status of the EC's recommendations as well as more detailed information can be found in [Annex 7 - Recommendations from the CAR on PIFC for 2023](#) of this document.

3.1 Improvement of the PIFC regulatory and methodological framework

The amendments to the BSL in 2024 aimed to further develop and implement the PIFC through the following measures:

- ensuring a uniform approach to the organisation of the IA function at the level of local self-government units, standardising work-related aspects and ensuring a uniform status for the heads of IA units;
- prescribing that IA has unrestricted access to all organisational data, while allowing organisational management to protect the confidentiality of IA reports where necessary in accordance with applicable data protection regulations;
- establishment and maintenance of a public register by the CHU containing harmonised data on the established IA function in PFBs, the contracted internal auditors and other relevant information;
- introduction of sanction provisions requiring budget beneficiaries and OMSI to comply with the obligations laid down in the law, including the establishment and proper functioning of IA and the timely submission of reports on the functioning of IA and the state of the FMC system.

The amendments to the BSL, which entered into force on 28 November 2024 (“Official Gazette of the RS”, No. 94/2024), in particular the introduction of penal provisions, are intended, in the medium term, to raise awareness among public sector managers of the importance of internal controls and monitoring functions. They also aim to safeguard the independence of the IA function and ensure continuity in the management of IA units at local level. Furthermore, these changes are also intended to speed up the process of establishing the IA function and promote regular and timely reporting.

The 2024 annual reporting questionnaire on the status of the FMC system has been revised in the section on the organisational structure of the FMC, particularly with regard to how public sector organisations have met the requirement to document business processes. In addition, the categorisation of PFBs has been adapted to the law regulating management of business entities owned by the RS. As a special questionnaire for educational institutions was introduced in

³² https://www.mei.gov.rs/upload/documents/eu_dokumenta/2024/izvestaj_24.pdf

2023, this is the first year in which the results can be monitored based on these responses. Following the same approach, a tailor-made questionnaire for local communities was developed in 2024, as this group has a special organisational structure and status within the category of PFBs.

3.2.2 Improvement of the Managerial Accountability Concept

This is a fundamental principle in the PIFC and was introduced into the system by the BSL and elaborated in detail in the FMC Rulebook. It also represents an important pillar of the public administration reform. There are two main forms of managerial accountability: legal accountability (compliance) and performance-related accountability (results-oriented).

The measures and activities under the PAR Strategy, in particular Specific Objective 6, aim to create the right environment and conditions for progress in accountability and transparency.

As part of the Regulatory Reform and Improved Public Policy Management Programme for the period 2021-2025, the introduction of analytical units at national level was planned. Support for this initiative included the development of Guidelines for the Establishment, Job Descriptions and Necessary Competences for Staff.

In terms of managerial accountability, activities are planned to produce analyses, map the current situation in public administration and formulate concrete recommendations for three key elements (delegation of responsibility, clear separation of accountability among institutions and performance measurement at institutional level).

On 26 December 2024, the Government adopted the Roadmap for Further Improvement of Managerial Accountability in the Public Administration of the Republic of Serbia. The adoption followed numerous meetings of the Government Working Group, which includes representatives from: the General Secretariat, the Secretariat for Legislation, the PPS, MEI, the MoF, the MPALSG, the HRMS and NAPA.

The Roadmap for Managerial Accountability encompasses three thematic areas, each with clearly defined objectives, activities, deadlines, responsible institutions, and sources of verification. The first thematic area — *Organisational and regulatory improvements* — focuses on enhancing delegation within ministries and improving coordination between the Government and ministries. The broad area of *performance management* forms the second thematic area and includes activities to improve reporting, systemic management of organisational performance cascading from the government level, stabilising thematic sectors, supporting the establishment of analytical units and management dashboards, managing performance at the individual level and improving the coordination of multiple strategic documents relevant to the Board. *Organisational culture* is the third thematic area and encompasses the continued promotion of internal control and IA as essential management tools. Additionally, this area includes activities focused on the professional development of managers in the principles of good and responsible corporate governance.

In line with the objective of this document - “*Confirming Financial Management and Control and Internal Audit as Support to Management*”, and the subgoal, “*Familiarising managers with the advisory services that internal audit should provide*”, the CHU has informed PFBs about aspects of internal audit work that can reinforce the concept of managerial accountability within their organisations. The IA in the public sector is an important part of the concept of managerial

accountability. This function “adds value” by not only analysing and reporting on past events, but also “looking forward” by identifying areas for improvement and encouraging best practise. In this way, IA helps to promote improved management standards, better governance and decision-making processes and more effective use of taxpayers’ money. The IA has two main functions: It provides audit and consulting services to the organisation. In addition, during the reporting period, PFBs were informed about the availability of a video training course on FMC on the NAPA platform, which is aimed at FMC managers and coordinators.

The roadmap covers the period up to the end of 2027. It is intended to be used as a flexible document and updated as required.

3.3 Training

In November 2024, the CHU organised and conducted two Basic training sessions in FMC. A total of 61 participants received certificates of attendance for the training course.

The basic training on FMC was modernised and improved in 2023. The participants' evaluations showed that the new approach and modernisation had a positive impact on their assessment of the training. This training was therefore continued in 2024 with ongoing improvements.

With regard to the one-day training courses for managers and/or employees in the public sector, which are organised and conducted by the CHU at the request of PFBs, four one-day workshops were held in 2024:

- PE “Gradsko Stambeno” (managers of organisational units and employees – 14 participants);
- Republic Health Insurance Fund (managers of organisational units and employees – 28 participants);
- Administrative Court (managers of organisational units and employees – 12 participants);
- Deposit Insurance Agency (managers of organisational units and employees – 14 participants);

The total number of participants in the aforementioned one-day training courses was 68.

The basic training on IA was held in January, October and November 2024. A total of 132 participants received certificates of attendance, enabling them to continue with the internal auditor training required to obtain the title of CIAPS.

Video training sessions

The collaboration between the CHU and the NAPA continued in 2024, with a series of training courses on PIFC remaining an integral part of NAPA’s training programme. Although access to NAPA’s e-learning platform is primarily intended for employees of the state administration, NAPA has also enabled access for employees of other PFBs, based on information provided by the CHU.

Given the high demand for training, particularly among PFBs managers, and the complexity of the topics they need to understand, the CHU has endeavoured to develop modern, concise,

professional, and relatively short training courses. These are specifically tailored to the needs of managers and are designed to be permanently accessible to them.

The training courses were published on the NAPA e-learning platform in October 2024.

Table 21. Number of participants who completed video trainings in 2024

Title of training	Manager		Total number of participants
	Yes	No	
Training for managers – Financial Management and Control	42	53	95
Training for internal auditors	13	46	59
Total	55	99	154

Training for certified internal auditors in the public sector

With the support of a project, the CHU carried out training courses on “Performance auditing” for internal auditors at central and local level. A total of 110 auditors from central and local government took part in these training courses, which were held in four separate sessions.

In line with the changes to the Internal Audit Standards, the CHU organised a major event/training for around 366 internal auditors in the public sector in December 2024 (189 participants attended in person and 177 participated online). The event was organised with the support of the UNDP project. The aim was to present the revised Global Internal Audit Standards to internal auditors and explain how these changes would affect their work. In addition, the CHU presented its plan for the coming period regarding further improvements and adjustments to the new Global Internal Audit Standards, which will come into force in January 2025.

3.4 Certification of Internal Auditors

During 2024, two examination cycles were held, during which a total of 87 candidates attained the title of CIAPS. The examinations were held in June - (35 candidates) and December 2024 - (52 candidates).

3.5 Continuous Professional Development of Certified Internal Auditors in the Public Sector

The Professional Development Rulebook lays down the fields and forms of professional training for certified internal auditors in the public sector, and the criteria for the recognition of professional training. This Rulebook prescribes that CIAPS are to submit a professional development report for the previous year to the CHU by 31 January each year. A CIAPS must earn at least 50 professional development points per year, of which at least five must be earned through organised professional development. A CIAPS who does not fulfil this requirement must submit a statement in his or her report explaining the reasons for not fulfilling the professional development obligation in accordance with the provisions of this Rulebook.

In cases where a CIAPS is absent for more than half of the year (for health reasons, maternity leave, etc.) or has been entrusted with internal audit duties for less than six months, he or she is not obliged to submit a report for that year. Then, by 31 January of the current year for the previous year, the CHU is to receive a notice of inability to meet the professional development requirements of an approved internal auditor in the public sector using the Form 2, which is part of the above-mentioned Rulebook.

A CIAPS who enters into employment with another PFB as an internal auditor during one calendar year is required to submit information about the change of employer to the CHU using the Form 3 within 15 days of the date of the change.

The CHU maintains records of the professional development of CIAPS and publishes them on the CHU/Ministry of Finance website.

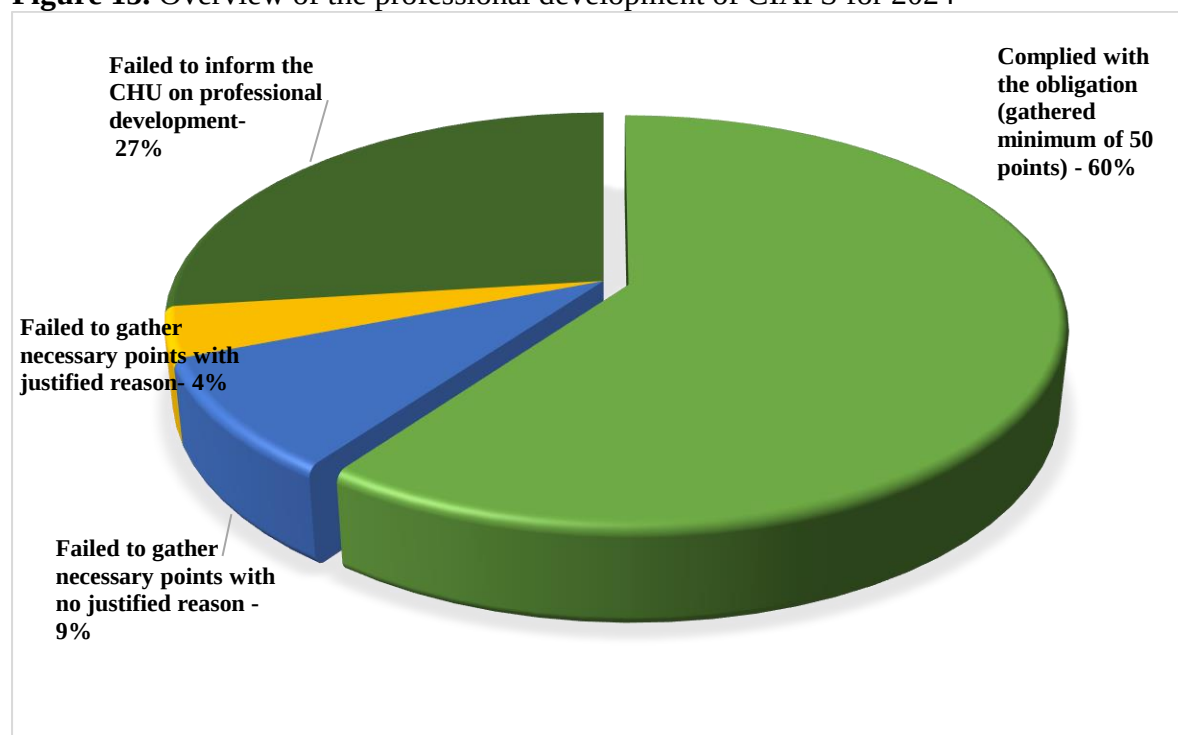
Since its establishment, the CHU has certified 686 CIAPS. The total number of CIAPS performing internal audit tasks until 31 December 2024 is 394.

For the year 2024, 323 CIAPS reported their professional development to the CHU (using Forms 1, 2 or 3). Of this number, 286 CIAPS were employed in the public sector and actively performing internal audit duties.

Of the employed CIAPS who reported their professional development (286), 237 earned at least 50 points during the reporting period. Forty-nine did not achieve the required number of points, of which 13 provided an explanation for non-compliance using the prescribed form. One hundred and eight CIAPS did not fulfil their obligation to report their professional development to the CHU.

Three CIAPS provided information about a change of employer.

Figure 15. Overview of the professional development of CIAPS for 2024



3.6 PIFC system quality review in PFBs

Quality reviews of the FMC system and of the performance of IA units at PFBs have become a regular activity of the CHU to which significant resources are devoted. Given that they provide insights that are significant for FMC and IA, these quality reviews are presented in this report ([2.1.9 Reviewing the Quality of the FMC System](#) and [2.2.7 Internal Audit Activity Performance Review](#)). Apart from the specific recommendations for the PFBs in which the quality of the work of the IA and the FMC system was reviewed, both activities are valuable for the CHU staff, who in direct contact with the PFBs can see more clearly the scope of their educational activities and can convince themselves on the spot of the objectivity of the reports they receive from the PFBs.

3.7 International Cooperation and Projects

The donor community continues to provide substantial support for PIFC through activities aimed at its further development.

In 2024, the following activities were carried out with project support:

- The “**EU PFM Facility**” project, implemented by UNDP, made a significant contribution to the ongoing development of the PIFC. During this reporting period, the project provided valuable support in revising regulatory and methodological materials in line with the updated Global Internal Audit Standards.
- The “**Public Finance Reform – Agenda 2030**” project, **a collaboration between the Ministry of Finance (MFIN) and German Development Cooperation, implemented by GIZ**, has continued to play an important role by supporting the implementation of planned activities set out in strategic documents. During the reporting period, with support from the project, the CHU developed an *e-learning*

course on IT internal auditing for internal auditors in the public sector. In addition, the project has continued to provide support for amendments to the legal framework in the area of PIFC.

- The successful cooperation with the **RELOF3** project supported by the Swiss government, which aims to support local self-governments in applying the principles of good governance and supervision of local public enterprises, was continued. Project activities aim to strengthen managerial accountability and performance management, improve lines of accountability and control in the LSG system, and develop new, innovative models, tools and programmes to improve public financial management. An innovative tool, the managerial accountability Index, was developed for the local level and is to be further improved.
- Direct support for LSGs in the field of IA within the framework of the **EU Exchange 6 Programme**, implemented through the Standing Conference of Towns and Municipalities (SCTM), was provided throughout 2024 based on cooperation agreements concluded with six LSGs selected in 2023. As with FMC, the technical support for introducing or improving the IA function covered both organisational and coordination aspects, as well as the development and improvement of the documentation framework, in accordance with applicable regulations, standards and methodology. Additionally, following amendments to the Rulebook on Internal Audit at the end of 2023, an agreement was reached between the CHU and SCTM to provide parallel and joint support, including mentorship for internal auditors from the participating LSGs. Most direct support for IA under the EU Exchange 6 Programme was completed by the end of 2024, while comprehensive support within the RELOF 3 project is ongoing and will continue in selected LSGs.
- **SIGMA** remains an important partner of the CHU, with cooperation continuing throughout 2024. SIGMA prepared the 2024 Monitoring Report on Public Administration Reform in the Republic of Serbia. The document provides valuable insight into the current state of public administration reform and identifies areas requiring further attention to support continued development and improvement.

The trainings conducted in coordination with the CHU partners are detailed in part [3.3 Trainings](#).

IV WEAKNESSES AND RECOMMENDATIONS

Based on reports submitted by PFBs and insights gained from assessing the quality of the FMC system, the quality of IA work, and other regular activities, the CHU identifies weaknesses and provides recommendations for the further development and improvement of the PIFC system.

Although the findings in this report indicate steady progress in nearly all key aspects of the FMC system and the IA function, it is important to highlight certain weaknesses and issue recommendations to address them.

The role of priority PFBs is particularly important for evaluating the effectiveness of internal control systems and driving their improvement. Given the need to maintain high performance in relation to FMC indicators, as well as the observed stagnation and the initially insufficient number of IA units within PFBs, **specific recommendations** have been directed towards them.

All ministries, cities/towns, OMSI and BEORS are expected to report regularly on the status of their FMC systems and the functioning of their IA units. Furthermore, by the end of 2025, they should have adopted a risk management strategy, documented key business processes, developed a risk register, and established IA function in accordance with the law and the relevant by-laws of the MoF.

4.1 Financial Management and Control

The following **weaknesses** have been identified in the public sector of the RS;

- 1) Although the most significant institutions in the RS, which also account for the largest portion of the national budget, regularly report to the CHU, the regulatory framework requires all PFBs to submit reports. These reports form the basis for assessing the state of the FMC system within individual PFBs and contribute to its improvement, both at the level of individual institutions and in a consolidated manner across the entire public sector. Within the group of priority PFBs, some BOERS failed to submit a report on the state of their FMC system.
- 2) Available data suggest that human resource management poses the greatest challenge, primarily due to limitations in the existing mechanisms for attracting and retaining qualified personnel. In addition, business continuity is not fully ensured, as a significant number of PFBs lack succession plans and do not yet practise the formal handover of duties. It is necessary to continue developing the system of individual accountability, particularly in performance measurement, incentive mechanisms, and the prevention of excessive workload placed on employees. From the perspective of internal controls, it is well established that excessive workload often results in the circumvention of controls and increases the likelihood of errors.
- 3) Some progress has been observed in applying principles related to risk assessment. However, it must be emphasised that this process, although inherently continuous, is in some cases perceived as a one-time activity, lacking necessary adjustments or updates, and without appropriate responses to internal and external changes. Moreover, risk registers are insufficiently used as practical tools in the day-to-day operations of organisations. In many cases, PFBs have not defined measures for mitigating identified risks, and where such measures exist, they are either not implemented or not updated regularly.
- 4) The process-based approach to management remains insufficiently implemented in public sector organisations.
- 5) Mechanisms for reporting, centralised recording, and decision-making regarding suspected corruption, fraud, financial reporting errors, procurement irregularities, improper handling of equipment, misrepresentation, provision of false information, and other irregularities have not been adequately established.
- 6) The FMC system in the public sector tends to be rigid and is not sufficiently monitored, adapted, or improved to meet actual needs. Consequently, it loses its preventive function and becomes an administrative burden.
- 7) In PFBs with a supervisory body, such as a management or oversight board, these bodies are not fully involved in monitoring and improving the FMC system.

The following **general recommendations** are made to address the weaknesses identified:

1. Managers at all levels, especially members of working groups, FMC coordinators, where appointed, internal auditors, and other employees should familiarise themselves with and complete the video training courses on FMC and IA developed by the CHU and made available via the NAPA platform.
2. All PFBs that have not yet done so should begin reporting on their FMC systems and IA activities.
3. For human resource management, mechanisms should be established to attract and retain qualified personnel. PFBs should also develop succession plans and establish the practice of formal handovers of duties.
4. Organisations are advised to document at least their key business processes, identifying and describing each in terms of its objective, output, responsible personnel, workflow, and related input and output documentation.
5. Each PFBs should adopt a risk management strategy and prepare a risk register. This register must be regularly updated in line with changing circumstances and actively used in the organisation's day-to-day operations. The use of the Guidelines for Risk Management prepared by the CHU is strongly encouraged.
6. For risks that management has determined require treatment, it is necessary to define and implement appropriate risk mitigation measures.
7. PFBs should also establish an adequate system for managing irregularities, using the Guidelines for Management of Irregularities. In this context, the following steps are essential:
 - a) Establish a secure communication channel for reporting suspected irregularities, including the option for anonymous reporting. This channel should be accessible to both employees and external parties.
 - b) Designate a person responsible for recording and regularly updating the irregularities database.
 - c) Ensure that irregularities are reviewed and resolved at the organisational level, for example, by forming a dedicated committee.
 - d) Report irregularities to the competent authorities when resolution at the organisational level is not possible.
 - e) As part of the self-assessment of the FMC system, analyse the updated irregularities database to identify systemic issues affecting the functioning of the organisation.
8. It is necessary to improve the dynamics of the FMC system. To properly assess and enhance the system during the FMC **self-assessment process**, it is advisable to identify and discuss the following points within the FMC Working Group, via email, or through checklists:
 - the rate of implementation of risk mitigation measures;
 - whether the irregularities database indicates systemic problems and what those problems are;
 - whether all current internal policies and procedures are known and accessible to relevant employees;
 - whether the existing procedures are adequate from the perspective of their owners, including a review of relevant findings of IA, SAI audits, and external audits, as well as accepted risk mitigation measures;
 - and whether these procedures are actually being followed.

Identified weaknesses in the system should be addressed in the upcoming period through an Action Plan for improving the FMC system.

9. If the organisation has a supervisory or management board, it is necessary to present the FMC system report and the IA activity report to its members so they are informed about any system weaknesses and can monitor their remediation. Additionally, the supervisory or management board should take a position on the adequacy of current internal audit staffing levels and encourage management to ensure an appropriate number of internal auditors are employed.

4.2 Internal audit

Despite the stable trend in the development of IA, certain **weaknesses** have been identified:

- Among ministries, the number of employed internal auditors remained unchanged compared to the previous year. Of the 25 ministries, the IA function has been established in 18. In two of these, IA activities are performed under contracts with CIAPS as a transitional solution until full-time staff are hired. Only seven ministries currently employ the legally required minimum of three internal auditors.
- In the category of cities/towns, out of a total of 28, the IA function has been established in 26. In one of these towns, IA activities are performed under a contract with a CIAPS as a transitional solution until permanent staff are hired for IA positions. Only eight towns employ the minimum prescribed number of three internal auditors.
- Among all PFBs with internal auditors, 83% employ fewer than three. This raises concerns about their ability to fully comply with IA standards.
- When preparing audit programmes, internal auditors consult with senior management; however, these consultations most often occur verbally during meetings or via electronic communication (e.g., email). As a result, auditors do not always retain a formal audit trail of the conclusions reached during these consultations. Due to a lack of justification, in some cases, the link between the selected audit topics and auditees in the annual programmes and the strategic internal audit plan is not clear.
- The number of systematised positions for IA activities has increased faster than the number of filled positions, indicating difficulties in attracting and retaining qualified personnel. Additionally, there has been a decline in the number of candidates applying for basic IA training.
- A significant number of IA units have no quality assurance and improvement programme in place and do not fully evaluate the work of IA apart from regular monitoring by the head of the IA unit. The reasons for such a situation include vacant posts, i.e. there is only one employee in the IA unit or the vacant post of the head of the IA unit, and it is not possible to apply periodical self-assessment;
- A significant percentage of unimplemented recommendations are due to the limited human resources of the auditees and the lack of attention and commitment of their heads and staff of the auditees.

The following **recommendations** are made to address the weaknesses identified:

- In accordance with the IA Rulebook, the PFBs should harmonise the systematisation, job descriptions and number of staff members for the internal auditor posts and to fill the internal auditor posts. The number of internal auditors required is determined by the PFBs on the basis of the risk assessment, the scope and complexity of the business processes, the volume of assets at its disposal and the number of employees.
- Due to the continued stagnation in the number of internal auditors within established internal audit units, and the evident imbalance between systematised positions and those currently filled, it is essential that PFBs take timely action to reallocate existing staff and recruit new personnel to perform IA function. Furthermore, internal audit positions should be appropriately recognised and valued in internal job systematisation rulebooks and job descriptions, taking into account the complexity of the work, the level of responsibility involved, and the requirement for certified professional qualifications. For vacant IA positions, it is not necessary to require possession of the CIAPS certificate as a prerequisite, since the exam is intended to be passed during employment.
- During the preparation of audit programmes each step should be documented, and the final approved programmes should be made available to the senior management of the PFBs.
- Managers of IA units should adopt a quality assurance and improvement programme and conduct internal quality assessments of IA work, in line with the Rulebook on Internal Audit and the recommended Model for Internal Quality Assessment of Internal Audit Units.
- Given the significant number of unimplemented recommendations across all categories of PFBs except for OMSI, it is necessary to include follow-up audits in annual internal audit work plans to verify the implementation of issued recommendations.
- Additionally, the linking and storage of audit working papers must be improved, especially where audit files are maintained in a mixed format, both paper and electronic.

CONCLUSION

The development of a sound PIFC system is not merely a requirement of the EU accession process, but above all, a crucial step towards ensuring transparent, efficient, and effective use of public funds, ultimately aimed at better meeting the needs of the citizens of the Republic of Serbia. In this context, the CAR for the status of PIFC serves as an indispensable tool in the public administration reform process. The analysis of the system's status, presented in the report, provides a solid basis for decision-making, particularly in identifying and implementing appropriate measures to improve the PIFC system both at micro and macro levels.

A continued upward trend in the number of submitted FMC reports was observed. The report for 2024 was submitted by 4,890 PFBs. The total expenditures and outflows of DBBs at the national level (including ministries with administrative bodies in the composition, judicial authorities, directorates, offices, agencies, institutes, and services), as covered by the CAR report for 2024, represent 99.57% of the total expenditures and outflows of the national budget for that year. Regarding priority PFBs, the most significant institutions report regularly. This

year, all ministries, OMSI, cities/towns, and the largest business entities, which form the new category of BEORS, have submitted their reports. The remaining, mostly smaller organisations within this category still need to join the reporting process.

BEORS are included in this CAR as a new category, replacing the previous category of public enterprises, which traditionally performed well. With the addition of new members to this category, it will be essential for them to provide timely and accurate reports to the CHU in future. The law governing state-owned business entities places special emphasis on improving corporate governance, which is expected to drive progress in internal controls being an important aspect of achieving organisational goals.

In connection with digitalisation efforts, there is a growing use of electronic signatures for submitting reports and Statement on Internal Controls. Two-thirds of PFBs have submitted their FMC reports using electronic signatures.

Overall, the positive trend in the development of the internal control system continues, with growth observed across almost all individual indicators.

Regarding the organisational establishment of the FMC system, there is an increase of over 5% in the number of PFBs that have appointed a manager responsible for FMC and established FMC working group. A planned approach to establishing and developing the FMC system (AP) is present in just under 70% of PFBs, showing an increase of 8.43% in this area. A risk management strategy has been adopted by 71.34% of PFBs, with an 8.75% rise among organisations that report regularly. Despite a 9.85% improvement in the preparation of risk registers among regularly reporting PFBs, risk registers have been established in less than 70% of all PFBs, which remains insufficient. Business processes are documented, at least partially, in about 70% of cases. In three-quarters of organisations, the documentation of business processes is carried out through the development of business process maps.

The highest-rated segment of the FMC system is the adequacy of the organisational structure, with clearly defined authorities and responsibilities. This forms the most important foundation of managerial accountability within the organisation. The next highest-rated principle concerns the clear definition of organisational objectives, which serves as the first step in assessing risks associated with those objectives. These are the COSO principles, which are formative and serve as prerequisites for many other indicators.

The principle regarding the selection and development of control activities within the technological infrastructure segment is also highly rated. This is further supported by findings from IA reports, which show a significant increase in IT audits conducted. This progress is directly attributed to the efforts of the CHU to strengthen the capacities of CIAPS through IT audit training in recent years, a focus that aligns with the new Global Internal Audit Standards.

The evaluation of the quality of the FMC system, as a regular activity of the CHU, is aimed at providing a more detailed and thorough analysis of the system's status, offering concrete recommendations for improving the internal control system. This activity provides insight into the current state based on evidence, thereby confirming the reliability of the submitted annual reports. In the previous period, assessment efforts focused primarily on ministries, where a satisfactory level of FMC system implementation was identified, although with certain reservations regarding irregularity management and system continuity, particularly succession planning, to prevent reliance solely on individual enthusiasm.

The greatest weaknesses in internal control systems across the public sector were identified in human resource management, supervisory and management board activities, risk assessment, irregularity management, and the monitoring and updating of the FMC system. Appropriate recommendations have been provided to address these weaknesses.

It is encouraging that an increasing number of PFBs are using the methodological tools prepared by the CHU to establish and develop their internal control systems. Specifically, 83.46% of PFBs use the FMC Manual, while 67.22% apply the Guidelines for Risk Management.

All these indicators give cause for optimism that the situation in this area is moving in a positive direction. To ensure that the FMC system is properly understood, accepted and implemented, the Central Harmonisation Unit (CHU) will continue to develop methodological tools and organise training in this area in the coming period.

Analytical units, whose establishment is mandated within ministries, administrative bodies in the composition, and special organisations, are expected to improve coordination of activities related to the development of internal control systems. These units are also expected to strengthen managerial accountability and place greater emphasis on performance management. Particular benefits are expected in ministries overseeing a large number of public PFBs, as analytical units facilitate integrated management across the entire sector.

Although staffing capacities in IA have shown steady growth, they remain insufficient. The number of systematised internal audit positions increased by 19%, while the number of filled positions rose by only 4% in 2024 compared to 2023. Overall, there is a positive trend in the development of the IA function in the previous period, as evidenced by progress across nearly all indicators. However, within the categories of ministries, OMSI and other DBBs at central level, a stagnation in the number of internal auditors can be observed. The main reasons for this are primarily the natural fluctuation of internal auditors and an insufficient influx of new staff.

A slight decrease in the number of unexecuted assurance engagements has been recorded compared to 2023, which may indicate an improvement in the IA planning process. However, a more in-depth external quality assessment of IA work, conducted in the Republic of Serbia through peer reviews and/or by the CHU, has revealed certain shortcomings in last year's sample of organisations, particularly regarding the documentation of information relevant to the planning process.

Data suggest that the heads of PFBs with established IA functions are aware of the importance of this function and its positive impact on achieving organisational objectives. Positive experiences and clear demonstrations of IA's contribution to effective management serve as the best promotion and motivation for further strengthening IA within the public sector, especially in organisations where it has not yet been established or remains underdeveloped.

During this period, the CHU certified 87 CIAPS. With the support of experienced auditors and following specialised mentor training, an IA mentoring model was implemented, showing excellent results. The CHU has also enhanced its mentoring capacity by engaging additional CIAPS, thereby reducing the waiting time for candidates to be assigned a mentor for the practical part of internal audit training.

One year after the implementation of amendments to the two key internal audit rulebooks, the first positive effects are clearly visible, most notably, an increase in the number of certified internal auditors and established IA functions.

In the upcoming period, the CHU will focus on aligning the regulatory and methodological framework with the new Global Internal Audit Standards, which came into effect in January 2025.

Video trainings on FMC and an introduction to IA, developed by the CHU in the previous period, have been successfully launched. The CHU continues to demonstrate strong results in implementing the measures and activities defined in the PFMRP, as well as the Roadmap for enhancing managerial accountability in the public administration of the Republic of Serbia, both of which the CHU helped to develop and continues to support. In this context, a large number of PFBs' managers have responded positively to the Government of Serbia's initiative and have viewed the video trainings on FMC in impressive numbers.

It is important to emphasise that the key factor in advancing the PIFC system is the commitment of the PFBs, particularly their leadership, on whom the greatest responsibility rests.

ANNEXES

Annex 1. Legal framework and international standards

REPORTING REQUIREMENTS

Pursuant to Article 83. of the BSL, the CHU in the Ministry of Finance is tasked with consolidating the individual annual reports of PFBs on the status of FMC system and IA function, and the finance minister submits the Consolidated Annual Report to the Government.

The procedure for the preparation of the Consolidated Annual Report is prescribed by the Budget System Law and stemming by-laws.

Pursuant to Article 81 of the BSL, the Head of PFB is required to report to the Minister of Finance on the adequacy and functioning of the FMC system by March 31st of the current year, while Article 19 of the FMC Rulebook specifies that the reporting entities are required to report by responding to the questionnaire in the Forms prepared by the CHU.

With regard to the IA, Article 82 of the BSL prescribes that the Head of PFB is obliged to report to the Minister of Finance on the functioning of the IA system in the required manner by 31 March of the current year for the previous year. In addition, Article 32 of the IA Rulebook clarifies that the head of internal audit prepares an annual report on the internal audit activity based on a questionnaire prepared by the CHU and published on the website of the Ministry of Finance. In doing so, the head of internal audit unit is to be submitted the annual report to the Head of PFB by 15 March of the current year for the previous year, while the Head of PFB, in turn, submits the report to the CHU, no later than 31 March of the current year for the previous year.

PIFC PLANNING DOCUMENTS

Strategic framework (planning documents):

- 1) Public Administration Reform Strategy of the Republic of Serbia for the period from 2021 to 2030 and the accompanying Action Plan for the period 2021- 2025 (“Official Gazette of the RS” No. 42/21 and 9/22);
- 2) Public Finance Management Reform Programme for the 2021–2025 period with Action Plan (“ Official Gazette of the RS”, No. 70/21 and 116/23-15);
- 3) Programme for the Reform of the Local Self-Government System in the Republic of Serbia for the 2021–2025 period with Action Plan (“Official Gazette of the RS”, No. 73/2021);
- 4) Programme for Enhancing Public Policy Management and Regulatory Reform with Action Plan for the period from 2021- 2025 (“Official Gazette of the RS", No. 113/2021).
- 5) Roadmap for Improving Managerial Responsibility in the State Administration of the Republic of Serbia (Conclusion of the Government 05 Number: 33712089/20242 of 26 December 2024

FINANCIAL MANAGEMENT AND CONTROL

National legislation

- 1) The Budget System Law (“Official Gazette of the RS”, No. 54/09, 73/10, 101/10, 101/11, 93/12, 62/13, 63/13-corrigendum, 108/13, 142/14, 68/15- other law, 103/15, 99/16, 113/17, 95/18, 31/19, 72/19, 149/20, 118/21, 118/21 - other law. 92/23 and 94/24)
- 2) Rulebook on Joint Criteria and Standards for Establishment, Functioning and Reporting on the System of financial system and control in public sector (“Official Gazette of the RS”, No. 89/19),
other regulations relevant to the establishment of the FMC system are as follows:
- 3) Law on Civil Servants (“Official Gazette of the RS” 79/05, 81/05-corrigendum, 83/05-corrigendum, 64/07, 67/07-corrigendum, 116/08, 104/09, 99/14, 94/17, 95/18,157/20, 142/22, 13/2025 – Decision of the CC and 19/2025);
- 4) The Labour Law (“Official Gazette of the RS“, No. 24/05, 61/05, 54/09, 32/13, 75/14, 13/17- CC Decision, 113/17 and 95/18 – authentic interpretation);
- 5) Law on Public Procurement (“Official Gazette of the RS” 91/19 and 92/23);
- 6) Law on Salaries of Civil Servants and State Employees (“Official Gazette of the RS”, No. 62/06, 63/06-corrigendum, 115/06-corrigendum, 101/07, 99/10, 108/13, 99/14, 95/18, 14/2022 and 14/25);
- 7) Law on Salaries in State Bodies and Public Services (“Official Gazette of the RS”, No. 34/01, 62/06-other law, 63/06-corrigendum other law, 116/08-other law, 92/11, 99/11-other law, 10/13, 55/13, 99/14, 21/16-other law, 113/17-other law, 113/17-other law, 95/18 – other law, 86/19 – other law, 157/20 – other law, 123/21 – other law and 19/2025);
- 8) Law on Public Enterprises (“Official Gazette of the RS”, No. 15/16 and 88/19);
- 9) Law on Management of Companies Owned by the Republic of Serbia (“Official Gazette of the Republic of Serbia”, No. 76/2023) number 76/ 23);
- 10) Regulation on Reimbursement of Expenses and Severance Pay for Civil Servants and Employees (“Official Gazette of the RS”, No. 98/07-consolidated text, 84/14, 84/15 and 119/23);

- 11) Regulation on Budget Accounting (“Official Gazette of the RS”, No. 125/03,12/06 and 27/20);
- 12) Rulebook on common bases, criteria, and tasks for the activity of financial departments of direct budget beneficiaries (“Official Gazette of the RS”, No. 123/03),
- 13) Rulebook on the standard classification framework and Chart of Accounts for the budget system (“Official Gazette of the RS”, No. 16/16, 49/16, 107/16 и 46/17, 114/17, 20/18, 36/18, 93/18, 104/18, 14/19, 33/19, 68/19, 84/19, 151/20, 19/21, 66/21, 130/21, 11/22, 26/23, 83/23, 118/23, 105/2024 and 12/2025);
- 14) Rulebook regulating the preparation, compilation, and submission of financial statements of budget beneficiaries, beneficiaries of funds of mandatory social insurance organisations and budget-based funds (“Official Gazette of the RS”, No. 18/15,104/18, 151/20, 8/21, 41/21, 130/21, 17/22 and 23/25);
- 15) Rulebook on the use of funds from sub-accounts or other accounts of the consolidated treasury account of the Republic, and on the reporting procedures for investments by budget funds beneficiaries and compulsory social insurance organisations (“Official Gazette of the RS”, No. 3/04-9, 140/04-31, 1/06-3, 111/09-94).

International principles and standards

The existing legal framework in the Republic of Serbia ensures compliances with most international internal control standards. The FMC Rulebook stipulates that the elements of the FMC system shall be determined in accordance with international internal control standards and aligned with the Guidelines for Internal Control Standards for the Public Sector issued by the International Organisation of Supreme Audit Institutions – INTOSAI, and the COSO Framework.

INTERNAL AUDIT

Concept and definition

The Budget System Law (BSL) and the IA Rulebook define internal auditing (IA) as an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. IA helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Based on an objective assessment of evidence, the IA provides assurance on the adequacy and functioning of existing risk management, control and governance processes in the organisation, in other words, it shows whether these processes are functioning in the manner envisaged by the management and whether they are facilitating the achievement of the organisation's objectives.

Consulting services provided by the IA typically consist of advice, guidance, trainings, assistance or other services designed to add value and improve the governance, risk management and control processes in the organisation, without the internal auditors assuming managerial accountability.

According to the PIFC concept developed by the European Commission, internal audit (IA) is a function performed by an authorized, organisationally, and functionally independent IA unit or an internal auditor within the organisation. Organisational independence implies that internal

audit is independent of the activity it audits, that it is not part of any business process, or organisational part, and that it directly reports on its work to the head of the organisation. Functional independence implies that internal audit makes independent decisions, based on risk assessment, on the internal audit area, methodology, and reporting.

The IA performs independent, professional, and systematic assessments of management and control systems, which implies the review of all functions and business processes in an organisation.

Legal basis and international standards

The legal framework that regulates internal audit includes the following:

- 1) The Budget System Law, Official Gazette of the RS”, No. 54/09, 73/10, 101/10, 101/11, 93/12, 62/13, 63/13-corrigendum, 108/13, 142/14, 68/15-д other law, 103/15, 99/16, 113/17, 95/18, 31/19, 72/19, 149/20, 118/21, 118/21 - other law, 138/22, 92/23 and 94/2024);
- 2) Rulebook on Joint Criteria for Organizing and Standards and Methodological Instruction for Acting and Reporting by the Internal Audit in the Public Sector (“Official Gazette of the RS”, No. 99/11, 106/13 and 84/23);
- 3) Rulebook on Conditions, Manner and Procedure for Taking an Exam and Obtaining a Title of Certified Internal Auditor in the Public Sector (“Official Gazette of the RS”, No. 9/14 and 84/23);
- 4) Rulebook on Professional Development of Internal Auditor in the Public Sector (“Official Gazette of the RS”, No. 15/19);
- 5) International Standards for the Professional Practice of Internal Auditing (Institute of Internal Auditors) / Global Internal Audit Standards 2024 (IIA)

Article 82 of the of the Budget System Law prescribes that a public fund beneficiary is obliged to introduce the internal audit function, as an organisationally independent function directly accountable to the head of the public funds beneficiary for its work.

The manner of introducing, maintaining, and developing the IA system is regulated in more detail in the following by-laws:

- 6) the IA Rulebook prescribes the manner in which an IA unit is organized and set up within the public fund beneficiary, the field of work i.e., the tasks to be accomplished, standards and methodology of internal audit as a functionally independent organizational unit, rights, duties and responsibilities of IA heads and internal auditors, conditions for performing the work of the IA head and internal auditors, as well as planning, implementation and reporting on internal audit;
- 7) the Certification Rulebook lays down the requirements for taking the exam, the manner and procedure for taking the exam and the records on candidates who have passed the internal auditor exam;
- 8) the Professional Development Rulebook lays down the fields and forms of professional training for certified internal auditors in the public sector, and the criteria for the recognition of professional training.

Annex 2. Indicators of the status of the FMC system

Table 1. Parameters of the establishment of the FMC system observed by PFB categories

ESTABLISHMENT OF THE FINANCIAL MANAGEMENT AND CONTROL (%)													
	CENTRAL LEVEL							LOCAL LEVEL				PRIORITY	TOTAL
	MINISTRIES with administrative bodies in the composition	OMSI	OTHER DBBs (other DBBs - without ministries and their constituent	INDIRECT PFBs	beers	OTHER PFBs - EXCLUDING BEORS	BENEFICIARIES OF RHIF FUNDS	CENTRAL LEVEL - TOTAL	LSCS - DBBs	INDIRECT - DBBs	OTHER PFBs	LOCAL LEVEL - TOTAL	
Has a designated official been appointed to oversee financial management and control?	91.84	100.00	65.88	78.34	69.15	81.48	65.43	74.91	93.33	72.51	83.29	77.58	76.22
Has a working group been established, led by the manager responsible for financial management and control, to address issues related to the implementation and development of the financial management and control system?	83.67	100.00	63.53	76.43	65.96	80.56	60.49	72.07	85.48	69.77	82.47	76.21	74.12
Has an action plan (activity plan) been adopted for the establishment and development of the financial management and control system?	73.47	100.00	61.18	69.84	64.89	75.93	56.79	66.90	74.73	65.76	73.15	69.48	68.17
Have the tasks of the persons responsible for financial management and control, the working group, and the deadlines for their implementation been defined?	93.88	100.00	68.24	76.78	67.02	79.63	61.32	73.19	80.65	70.58	78.63	74.68	73.91
Is the Manual for Financial Management and Control of the Central Harmonization Unit of the Ministry of Finance being used for the establishment of the FMC system?	100.00	100.00	75.29	87.52	73.40	89.81	75.72	83.79	89.78	77.81	88.77	83.12	83.46
Are any of the methodological tools available on the website of the Ministry of Finance – Central Harmonization Unit being used for the establishment and further development of the FMC system?													
Guidelines for Management of Irregularities	61.22	100.00	44.71	52.17	55.32	57.41	56.38	53.79	58.06	48.39	53.70	51.58	52.66
Guidelines for Risk Management	85.71	100.00	61.18	70.02	69.15	75.93	65.43	69.66	78.49	56.75	71.78	64.88	67.22
Guidelines for Managerial Accountability	59.18	100.00	35.29	40.38	46.81	53.70	41.15	42.90	48.92	28.30	46.03	37.08	39.97
Guidelines for Delegation System	44.90	75.00	23.52	22.53	36.17	39.81	26.75	27.33	37.63	12.86	30.14	22.17	24.72
FMC Guidelines from Small Public Funds Beneficiary	32.65	0.00	48.24	47.14	32.98	43.52	32.10	41.81	31.18	54.66	43.56	47.49	44.69
Guidelines for Performance	26.53	75.00	18.82	10.40	13.83	20.37	13.17	13.71	18.28	9.65	12.60	11.94	12.81
None of the above	2.04	0.00	20.00	14.04	27.66	17.59	24.69	17.59	16.67	22.35	15.07	19.18	18.38
In the past five years, have managers and employees responsible for financial management and control attended FMC training organised by the Central Harmonisation Unit?	48.98	75.00	38.82	18.20	29.79	29.63	25.93	24.83	43.55	16.40	25.48	23.53	24.16
In the past five years, have managers and employees responsible for financial management and control attended FMC training not organised by the Central Harmonisation Unit?	53.06	100.00	43.53	36.69	37.23	46.30	37.86	40.78	65.59	30.23	51.78	42.54	41.65
Have you documented your business processes?													
YES	89.90	100.00	57.65	51.65	61.70	70.37	44.86	55.00	73.66	42.28	65.21	54.39	54.67
Some business processes have been documented	4.08	0.00	18.82	17.33	11.70	18.52	25.93	18.28	10.75	17.36	14.52	15.43	16.84
NO	6.12	0.00	23.53	31.02	26.60	11.11	29.22	26.72	15.59	40.35	20.27	30.18	28.49
Please specify how you have documented business processes.													
Business process maps	91.30	75.00	67.69	73.87	75.36	66.67	51.74	69.18	91.08	69.00	81.44	77.66	73.34
Other documents, methods, or approaches in which the business process description includes the objective and outcome, responsible persons, process flow, and input and output documentation	8.70	25.00	32.31	26.13	24.64	33.33	48.26	30.82	8.92	31.00	18.56	22.34	26.66
Your organisation has:													
Risk Management Strategy	85.71	100.00	57.65	70.71	63.83	77.78	73.25	71.12	89.25	64.31	75.07	71.61	71.34

Risk Register	81.63	100.00	50.59	56.15	62.77	73.15	45.27	56.81	77.42	50.00	67.40	59.76	72.19	58.27
Integrity Plan	79.59	100.00	57.65	72.79	51.06	56.48	87.65	71.90	71.51	36.66	62.47	50.21	65.81	60.97
Rulebook on Internal Organisation and Job Systematisation	100.00	100.00	100.00	98.09	82.98	94.44	98.35	96.81	92.47	94.16	95.62	95.40	87.74	96.10
Mid-term Organisation Plan	55.10	50.00	31.76	18.20	29.79	40.74	29.63	26.29	33.87	18.65	44.38	29.07	38.06	27.68
None of the above	0.00	0.00	0.00	0.52	12.70	3.70	0.82	1.81	3.23	1.61	2.19	2.05	7.74	1.93
Annual Report on the FMC Status has been prepared by:														
FMC Manager	16.3	25.00	23.53	29.64	35.11	37.04	33.33	30.52	33.87	32.64	45.21	36.74	30.32	33.68
FMC Working Group	63.27	75.00	37.65	45.41	29.79	47.22	33.33	42.07	43.01	39.55	36.44	39.13	40.00	40.57
PFB Head	4.08	0.00	17.65	14.73	14.89	3.70	13.58	13.19	7.53	16.88	9.59	13.13	12.26	13.15
Other employee	16.33	0.00	21.18	10.23	20.21	12.04	19.75	14.22	15.59	10.93	8.77	11.00	17.42	12.60
In accordance with Article 21a of the Decree on the Principles of Internal Organisation and Job Systematization in Ministries, Special Organisations, and Government Services, have you designated an internal unit for planning documents and management support? (This question applies to ministries, subordinate bodies, and special organisations.)	38.78	/	60.00	/	/	/	/	44.93	/	/	/	/	/	44.93

Table 2. Indicators of the status of the FMC system according to the elements and principles of the COSO framework

Principle 1 Organisation is demonstrating its commitment to integrity and ethical values														
	CENTRAL LEVEL								LOCAL LEVEL					
	MINISTRIES with administrative bodies in the composition	OMSI	OTHER DBBs (other DBBs - without ministries and their constituent	INDIRECT PFBs	BEORS	OTHER PFBs (EXCLUDING BEORS)	BENEFICIARIES OF RHIF FUNDS	CENTRAL LEVEL - TOTAL	LSGs - DBBs	INDIRECT PFBs	OTHER PFBs	LOCAL LEVEL - TOTAL	PRIORITY PFBs	TOTAL
The management has set the standards of conduct (code of conduct consistent with the organisation's regulations, ethical standards and values).	95.92	100.00	88.24	93.93	74.47	91.67	97.12	92.50	97.31	82.64	83.29	85.17	83.87	88.82
Employees, external partners of the organisation and users of services/citizens and are informed about rules of conduct.	85.71	100.00	84.71	89.95	77.66	85.19	88.48	87.67	90.86	74.76	76.99	78.01	83.87	82.82
Measures are prescribed in the event of non-compliance with the rules of conduct.	85.71	100.00	84.71	87.87	64.89	84.26	84.77	84.74	82.80	73.31	72.88	74.68	76.13	79.69
Compliance with the rules of conduct is monitored.	91.84	100.00	87.06	90.47	61.70	86.11	82.72	85.95	84.95	76.69	73.70	77.07	74.19	81.49
Appropriate action is taken for non-compliance with the rules of conduct (examples: interview, warning, admonition, disciplinary action, dismissal, etc.)	97.96	100.00	89.41	93.07	84.04	87.04	93.42	91.81	89.78	82.64	80.82	83.21	88.39	87.49
Trainings on integrity, ethical values and organisational culture are regularly organised for employees and especially for new employees.	75.51	100.00	68.24	51.65	34.04	46.30	45.68	50.86	47.85	35.53	32.60	36.57	48.39	43.70
The rules define possible conflicts of interest, corruption and courses of action.	87.76	100.00	76.47	85.96	56.38	77.78	81.07	81.21	80.65	61.41	71.51	67.60	68.39	74.38
Clear rules on whistleblowing have been established to report suspicions regarding the violation of regulations and human rights, the improper exercise of public authority, threats to life, public health, safety and the environment, and the prevention of major damage.	95.92	100.00	83.53	89.95	71.28	87.96	90.12	88.10	82.26	74.44	84.66	78.86	80.65	83.46
There is a mechanism to report, record in one place and decide upon suspected cases of corruption, fraud, financial reporting errors, irregularities in contracting, mishandling of equipment, misrepresentation and provision of false information, and other irregularities.	71.43	100.00	71.76	74.35	55.32	71.30	72.84	71.98	56.45	55.63	61.37	57.54	60.65	64.74
Data on compliance with the Rules of Conduct are analysed regularly and policies, communications, training, prevention and detection mechanisms and actions in the event of breaches of the Rules of Conduct will be updated/improved as necessary.	65.31	100.00	61.18	53.03	36.17	56.48	46.09	51.81	36.02	42.60	37.26	39.90	44.52	45.80
Management, through its own conduct, compliance with laws, regulations and internal actions, norms of behaviour, the way it is managing, its professionalism and commitment, etc., acts as a role model for others	93.88	100.00	95.29	94.45	95.74	95.37	92.59	94.31	90.32	87.46	88.77	88.32	96.13	91.30
Management has identified adequate resources (competent staff, time, attention, and other resources) for the development of the FMC	75.51	100.00	64.71	65.68	64.89	76.85	48.97	63.62	61.83	57.56	62.19	59.68	69.68	61.61
None of the above.	0.00	0.00	2.35	0.52	3.19	1.85	0.41	0.95	0.54	2.89	1.92	2.22	1.94	1.59
In accordance with the answers given above to Principle 1 (Question 5.1) and taking into account the characteristics and needs of your organisation, assess whether the organisation demonstrates an appropriate commitment to integrity and ethical values:	4.57	5.00	4.28	4.22	3.82	4.15	4.02	4.16	4.12	3.87	3.87	3.91	4.10	4.04

Principle 2 The supervisory authority/body is independent of the management and monitors the internal control system (FMC) - only PFBs that have a supervisory/management board qualify														
Supervisory authority/body (supervisory/administrative board):	CENTRAL LEVEL								LOCAL LEVEL					TOTAL
	MINISTRIES with administrative bodies in the composition	OMSI	OTHER DBBs (other DBBs - without ministries and their constituent admin. bodies)	INDIRECT PFBs	BEORS	OTHER PFBs - EXCLUDING BEORS	BENEFICIARIES OF RHIF FUNDS	CENTRAL LEVEL - TOTAL	LSCS - DBBs	INDIRECT - DBBs	OTHER PFBs	LOCAL LEVEL - TOTAL	PRIORITY PFBs	
exists in your organisation;	/	75.00	2.35	48.01	39.36	70.37	98.35	54.66	/	98.23	92.60	81.42	25.81	75.45
supervises/monitors the functioning of all FMC components (deals with ethics, resources, goals and plans, risks, controls, reporting, system weaknesses, operations and functioning of the organisation);	/	75.00	50.00	64.98	72.97	56.58	67.36	65.46	/	59.74	54.44	57.80	75.00	60.90
they are composed of competent persons with complementary knowledge and experience who can objectively and critically analyse the functioning of the organisation;	/	75.00	100.00	72.92	83.78	86.84	73.64	75.71	/	62.19	80.47	68.69	85.00	71.51
assembles members who are not in a conflict of interest;	/	75.00	100.00	94.95	91.89	96.05	95.82	95.27	/	92.48	92.01	92.15	92.50	93.50
analyses possible weaknesses and makes suggestions to improve the quality of management;	/	50.00	100.00	76.17	81.08	84.21	75.31	77.13	/	71.19	71.01	71.10	80.00	73.53
has formed the audit board/ audit committee;	/	0.00	0.00	5.05	67.57	18.42	4.18	9.94	/	1.80	4.73	2.83	62.50	5.69
maintains direct communication with internal audit;	/	25.00	50.00	6.50	43.24	32.89	14.23	14.98	/	5.73	15.98	9.42	42.50	11.62
maintains direct communication with external audit;	/	0.00	0.00	7.22	48.65	22.37	8.79	11.99	/	4.58	24.26	11.73	45.00	11.75
monitors high-risk areas in particular (transactions with a high monetary value, complex transactions, etc.);	/	75.00	50.00	53.07	70.27	72.37	51.05	55.84	/	43.70	46.75	44.82	72.50	49.21
none of the above.	/	25.00	0.00	0.00	0.00	0.00	0.00	0.00	/	0.00	0.00	0.00	0.00	0.00
In accordance with the answers to Principle 2 above (question 6.1) and taking into account the characteristics and needs of your organisation, assess whether the organisation's supervisory body/board adequately demonstrates independence from management and oversees the development and functioning of the FMC:	/	3.75	5.00	3.68	3.72	3.88	3.80	3.73	/	3.71	3.80	3.74	3.72	3.74

Principle 3 Management establishes the organisational structure, reporting lines and corresponding competencies and responsibilities to achieve the objectives														
	CENTRAL LEVEL								LOCAL LEVEL					
	MINISTRIES with administrative bodies in the composition	OMSI	OTHER DBBs (other DBBs - without ministries and their constituent admin. bodies)	INDIRECT PFBs	BEORS	OTHER PFBs - EXCLUDING BEORS	BENEFICIARIES OF RHIF FUNDS	CENTRAL LEVEL - TOTAL	LSCS - DBBs	INDIRECT - DBBs	OTHER PFBs	LOCAL LEVEL - TOTAL	PRIORITY PFBs	TOTAL
An organisational structure has been created that is suitable for managing the organisation and achieving its objectives.	100.00	100.00	92.94	95.32	81.91	96.30	95.06	94.31	90.86	90.68	93.70	91.65	89.03	92.97
Clearly defined competences, work areas and responsibilities of the internal organisational units.	100.00	100.00	88.24	93.07	76.60	96.30	94.65	92.33	90.32	85.37	91.78	88.15	83.87	90.23
Management responsibilities and the achievement of objectives as well as risk management are defined.	91.84	100.00	74.12	81.98	80.85	87.96	87.65	83.53	84.41	79.58	82.47	81.24	85.16	82.39
Clear horizontal and vertical reporting lines have been established to ensure appropriate exercise of authority and responsibility and adequate flow of information and management of the organisation and achievement of objectives.	91.84	100.00	76.47	81.80	74.47	82.41	79.84	80.95	72.04	69.29	68.77	69.57	80.65	75.24
There is a job description for each position.	100.00	100.00	98.82	99.31	93.62	96.30	99.59	98.62	95.70	98.07	97.81	97.61	95.48	98.11
All employees of the organisation are familiar with their duties and responsibilities.	100.00	100.00	97.65	98.09	96.81	97.22	98.35	98.02	95.70	97.75	97.26	97.27	97.42	97.64
There are clear rules for delegation of authority.	95.92	100.00	78.82	83.88	69.15	81.48	82.30	82.33	82.26	73.79	68.77	73.57	78.71	77.93
Management delegates authority/competence.	91.84	100.00	84.71	83.54	70.21	90.74	87.24	84.40	86.56	77.81	81.10	80.22	78.71	82.31
If necessary, the organisational structure is adapted to new circumstances and identified weaknesses.	77.55	100.00	71.76	75.22	69.15	85.19	82.30	77.07	76.88	74.12	73.42	74.34	75.48	75.66
None of the above.	0.00	0.00	1.18	0.17	3.19	0.93	0.00	0.52	1.61	0.64	0.27	0.68	1.94	0.60
In accordance with the answers given above to Principle 3 (Question 7.1) and taking into account the characteristics and needs of your organisation, assess whether the organisation's management has established an appropriate organisational structure, reporting lines and adequate competencies and responsibilities:	4.80	5.00	4.47	4.49	4.26	4.53	4.40	4.47	4.34	4.27	4.34	4.30	4.46	4.38

Principle 4 The organisation demonstrates its commitment to attracting, developing, and retaining competent employees													
	CENTRAL LEVEL							LOCAL LEVEL				PRIORITY PFBs	TOTAL
	MINISTRIES with administrative bodies in the composition	OMSI	OTHER DBBs (other DBBs - without ministries and their constituent admin. bodies)	INDIRECT PFBs	BEORS	OTHER PFBs - EXCLUDING BEORS	BENEFICIARIES OF RHIF FUNDS	CENTRAL LEVEL - TOTAL	LSGS - DBBs	INDIRECT - DBBs	OTHER PFBs	LOCAL LEVEL - TOTAL	
The level of knowledge and skills required for each position has been determined.	100.00	100.00	92.94	99.31	92.55	98.15	98.77	98.10	96.77	98.71	96.71	97.78	97.94
Qualifications, knowledge and previous work experience of job applicants are reviewed.	100.00	100.00	90.59	83.71	74.47	83.33	81.48	83.71	93.55	65.43	62.19	68.88	76.26
The competencies of staff are reviewed/assessed regularly.	100.00	75.00	94.12	69.15	37.23	66.67	57.20	66.98	88.17	31.99	35.07	41.86	54.37
There is an appropriate number and structure of staff.	42.86	50.00	51.76	60.66	69.15	70.37	56.38	59.91	52.69	51.61	54.25	52.60	56.26
The training needs of employees are analysed.	87.76	100.00	75.29	73.48	55.32	71.30	71.19	72.16	63.44	66.56	60.00	64.02	68.08
There is a record of training for each staff member.	89.80	100.00	81.18	76.95	59.57	72.22	74.90	75.60	66.67	67.20	53.97	63.00	69.28
is ensured (training sessions, seminars, study tours, etc.).	97.96	100.00	94.12	91.68	76.60	93.52	88.07	90.34	90.86	82.80	83.29	84.23	87.28
There is a mechanism to recruit and retain qualified staff.	32.65	25.00	37.65	26.52	18.09	46.30	27.57	28.97	20.43	14.63	18.63	16.79	22.88
Staff turnover is monitored and analysed, and appropriate action is taken.	65.31	100.00	60.00	44.54	57.45	69.44	53.50	51.98	39.25	23.63	47.40	33.50	42.72
There are plans and procedures in place in case of turnover and absence of managers and other staff.	63.27	100.00	56.47	71.40	41.49	62.96	59.26	64.31	58.60	53.05	43.56	50.98	57.63
There is a practise of handing over duties for all positions.	73.47	100.00	67.06	62.56	52.13	60.19	72.43	64.48	53.76	59.49	58.36	58.23	61.35
Future staffing needs are identified on a regular basis.	69.39	100.00	68.24	73.14	64.89	63.89	80.66	72.76	61.29	55.79	52.33	55.58	64.10
None of the above.	0.00	0.00	1.18	0.17	3.19	0.93	0.00	0.52	1.08	0.64	0.27	0.60	0.56
In accordance with the answers to Principle 4 (Question 8.1) and taking into account the characteristics and needs of your organisation, assess whether the organisation manages its human resources appropriately:	4.29	4.00	4.19	4.08	3.63	4.02	3.97	4.03	3.85	3.73	3.69	3.73	3.88

Principle 5 The organisation established a system of individual accountability of staff for the performance of assigned FMC tasks														
	CENTRAL LEVEL								LOCAL LEVEL					TOTAL
	MINISTRIES with administrative bodies in the composition	OMSI	OTHER DBBs (other DBBs - without ministries and their constituent	INDIRECT PFBs	BEORS	OTHER PFBs - EXCLUDING BEORS	BENEFICIARIES OF RHIF FUNDS	CENTRAL LEVEL - TOTAL	LSGS - DBBs	INDIRECT - DBBs	OTHER PFBs	LOCAL LEVEL - TOTAL	PRIORITY PFBs	
Clearly defined individual responsibility of all managers for the achievement of objectives and for the implementation of projects and activities for which they are authorised.	95.92	100.00	85.88	90.47	87.23	90.74	88.07	89.66	87.10	86.66	84.11	85.93	90.97	87.79
Employees are familiar with their work tasks.	100.00	100.00	96.47	99.13	95.74	97.22	97.94	98.28	97.85	98.87	97.81	98.38	97.42	98.33
and incentive mechanisms for the fulfilment of work tasks are defined.	73.47	50.00	74.12	64.82	46.81	69.44	55.56	62.84	60.22	37.14	44.11	42.97	54.19	52.87
ectiveness of work performance measures and incentive mechanisms is regularly evaluated and adjusted as necessary.	65.31	50.00	57.65	52.34	29.79	49.07	38.27	48.19	47.85	22.67	24.11	27.11	41.29	37.62
The work performance of employees is evaluated on a regular basis.	95.92	75.00	87.06	61.87	56.38	50.00	50.21	61.21	80.11	18.33	29.04	31.46	69.03	46.27
punished) according to the work performance achieved.	87.76	75.00	77.65	61.35	62.77	75.93	60.91	65.09	37.63	26.05	68.49	41.09	61.29	53.04
promotion (advancement) of employees in the organisation is based on clear and known criteria, taking into account past work performance.	93.88	25.00	90.59	67.42	37.23	59.26	49.79	63.19	62.90	34.57	40.82	41.01	52.26	52.06
Management assesses the level of workload/pressure faced by employees and any excessive workload is redistributed.	75.51	100.00	75.29	72.96	65.96	71.30	58.85	69.66	48.39	59.00	60.82	57.89	65.81	63.75
None of the above.	0.00	0.00	1.18	0.52	4.26	0.93	1.65	1.12	1.61	0.64	1.64	1.11	2.58	1.11
In accordance with the answers to Principle 5 (Question 9.1) and taking into account the characteristics and needs of your organisation, assess whether the organisation has established an adequate system of individual accountability:	4.49	4.00	4.36	4.10	3.53	3.98	3.71	4.00	3.78	3.46	3.63	3.57	3.77	3.78

2. Risk assessment

Principle 6 The organisation establishes objectives that are sufficiently clear to enable the identification and assessment of risks associated with those objectives														
	MINISTRIES with administrative bodies in the composition	CENTRAL LEVEL							LOCAL LEVEL					TOTAL
		OMSI	OTHER DBBs (other DBBs - without ministries and their constituent	INDIRECT PFBs	BEORS	OTHER PFBs - EXCLUDING BEORS	BENEFICIARIES OF RHIF FUNDS	CENTRAL LEVEL - TOTAL	LSGS - DBBs	INDIRECT - DBBs	OTHER PFBs	LOCAL LEVEL - TOTAL	PRIORITY PFBs	
Strategic goals are aligned with goals from public policy documents.	91.84	100.00	75.29	77.64	68.09	81.48	82.30	78.71	89.25	76.69	81.64	80.22	78.71	79.48
Operational objectives are derived from strategic objectives.	91.84	100.00	77.65	78.51	78.72	87.04	85.19	81.29	82.80	76.05	82.19	79.03	83.87	80.16
The goals are specific, measurable, achievable, realistic, and timely (according to the SMART principle).	87.76	100.00	74.12	59.27	61.70	74.07	66.26	64.74	68.28	59.32	67.12	63.17	72.26	63.97
The objectives are the basis for the allocation of resources.	75.51	100.00	74.12	56.85	53.19	68.52	69.14	62.41	59.68	54.98	67.67	59.68	61.94	61.05
Income and expenditure are projected and planned in accordance with the organisation's established objectives.	93.88	100.00	87.06	92.72	87.23	90.74	95.47	92.33	91.40	94.37	95.07	94.12	90.32	93.23
The organisation determines the acceptable degree of deviation from the defined objectives	67.35	75.00	65.88	61.87	55.32	72.22	65.02	63.53	58.06	66.08	61.92	63.51	60.65	63.54
The objectives are in accordance with laws and other regulations as well as professional standards.	95.92	100.00	87.06	92.72	90.43	97.22	90.12	92.16	90.86	89.55	90.68	90.11	92.26	91.13
None of the above.	0.00	0.00	8.24	2.25	5.32	1.85	1.65	2.67	2.69	1.93	1.64	1.96	3.87	2.31
In accordance with the answers to Principle 6 (Question 10.1) and taking into account the characteristics and needs of your organisation, assess whether the organisation has adequately defined its objectives:	4.47	4.75	4.18	4.19	4.03	4.27	4.09	4.18	4.06	4.02	4.18	4.08	4.19	4.13

Principle 7 The organisation identifies and analyses risks that may affect the achievement of objectives														
	CENTRAL LEVEL								LOCAL LEVEL				PRIORITY PFBs	TOTAL
	MINISTRIES with administrative bodies in the composition	OMSI	OTHER DBBs (other DBBs - without ministries and their constituent	INDIRECT PFBs	BEORS	OTHER PFBs - EXCLUDING BEORS	BENEFICIARIES OF RHIF FUNDS	CENTRAL LEVEL - TOTAL	LSCS - DBBs	INDIRECT - DBBs	OTHER PFBs	LOCAL LEVEL - TOTAL		
There is an identification and assessment of risks that can:														
jeopardise the achievement of operational (business) objectives;	97.96	100.00	76.47	77.99	75.53	86.11	76.13	78.97	80.11	70.10	84.66	76.21	83.23	77.59
lead to untimely, incomplete or inaccurate reporting (financial and non-financial), i.e. lead to reporting not in accordance with laws, regulations and relevant standards (accounting standards, etc.) and the needs of the organisation;	95.92	100.00	80.00	81.28	73.40	88.89	79.42	81.55	81.18	72.03	80.27	76.04	81.29	78.79
lead to non-compliance with laws and other regulations;	97.96	100.00	88.24	87.18	76.60	90.74	83.95	86.55	89.25	79.42	84.38	82.52	84.52	84.53
jeopardise the resources/property of the organisation;	91.84	100.00	77.65	81.28	71.28	87.04	80.66	81.12	83.33	72.99	81.37	77.24	80.65	79.18
none of the above.	2.04	0.00	11.76	8.15	19.15	5.56	10.29	9.22	8.06	16.56	8.22	12.62	12.90	10.93
Identification and assessment of risks is carried out regularly at all levels and in all parts of the organisation.	85.71	100.00	56.47	68.11	51.06	75.00	59.67	65.60	55.38	56.91	56.71	56.61	61.29	61.10
The organisation's management regularly receives information about risks.	83.67	100.00	57.65	72.27	56.38	76.85	71.19	70.69	64.52	63.02	66.03	64.19	65.81	67.44
Risks are regularly discussed in management meetings.	75.51	100.00	54.12	67.59	54.26	78.70	70.37	67.59	61.83	61.25	65.75	62.75	60.65	65.17
assessment of the probability of occurrence and an assessment of the impact of the risk.	91.84	100.00	67.06	69.67	62.77	79.63	61.73	69.22	66.67	58.04	67.67	62.40	70.97	65.81
The most important risks are clearly defined.	95.92	100.00	67.06	72.79	61.70	81.48	70.37	72.84	76.88	63.18	76.16	69.39	74.19	71.12
Management makes decisions on how to respond to risks (treatment, tolerance, transfer/participation, removal/elimination of the risk target) based on the risk assessment, impact, and cost of reducing the risk level.	89.80	100.00	67.06	67.42	60.64	75.93	67.49	68.71	64.52	58.20	64.66	61.21	69.03	64.95
Tasks (powers and responsibilities) are delegated for implementing the response to the risk.	87.76	100.00	65.88	65.51	53.19	75.93	64.61	66.38	68.82	57.40	62.19	60.70	65.16	63.54
Deadlines are set for the implementation of the decision.	89.80	100.00	67.06	67.76	46.81	75.00	66.26	67.41	68.82	58.04	56.99	59.42	61.29	63.41
The results of activities to reduce the risk to an acceptable level are monitored.	83.67	100.00	62.35	63.78	46.81	70.37	60.08	63.10	58.60	56.59	58.63	57.54	61.29	60.33
Identified risks, their assessment and the chosen risk response are documented (e.g., risk register).	83.67	100.00	50.59	54.94	56.38	68.52	46.50	55.60	70.97	43.57	57.53	52.26	68.39	53.94
The organisation updates the risk register regularly (at least once a year) and in an appropriate manner in the event of relevant new circumstances.	62.50	75.00	74.42	61.11	67.80	75.95	51.82	62.97	52.09	63.34	57.72	59.06	63.39	60.96
None of the above.	2.04	0.00	15.29	10.23	24.47	6.48	9.05	10.78	5.38	18.65	8.77	13.47	16.13	12.13
In accordance with the answers to Principle 7 (questions 11.1 and 11.2) and taking into account the characteristics and needs of your organisation, assess whether the organisation adequately defines and assesses the risks:	4.20	4.75	3.78	3.88	3.43	4.00	3.60	3.80	3.70	3.52	3.70	3.60	3.70	3.70

Principle 8 The organisation takes into account fraud risks													
	CENTRAL LEVEL								LOCAL LEVEL				TOTAL
	MINISTRIES with administrative bodies in the composition	OMSI	OTHER DBBs (other DBBs - without ministries and their constituent admin. bodies)	INDIRECT PFBs	BEORS	OTHER PFBs - EXCLUDING BEORS	BENEFICIARIES OF RHIF FUNDS	CENTRAL LEVEL - TOTAL	LSGS - DBBs	INDIRECT - DBBs	OTHER PFBs	LOCAL LEVEL - TOTAL	PRIORITY PFBs
The risk of intentionally inaccurate and incomplete financial and non-financial reporting is assessed.	95.92	100.00	77.65	76.26	58.51	83.33	70.37	75.26	72.04	70.42	64.38	68.80	70.32
The risk of unauthorised intentional appropriation, use or alienation of the organisation's assets is assessed.	81.63	100.00	71.76	69.67	52.13	76.85	70.78	69.91	68.82	64.95	61.37	64.45	65.81
The risk of corruption is assessed.	89.80	100.00	71.76	73.14	45.74	72.22	69.96	70.86	66.13	58.68	58.90	59.93	60.65
The organisation has an integrity plan.	75.51	100.00	61.18	76.26	51.06	59.26	88.07	74.05	76.34	40.19	63.01	53.03	67.10
None of the above.	0.00	0.00	14.12	5.89	28.72	7.41	2.88	7.59	6.99	17.52	11.51	13.98	17.42
In accordance with the answers to Principle 8 (Question 12.1) and taking into account the characteristics and needs of your organisation, assess whether the organisation adequately assesses fraud risks:	4.45	5.00	4.08	4.07	3.35	3.91	3.95	3.99	3.83	3.57	3.61	3.62	3.77

Principle 9 The organisation identifies and assesses external and internal changes that could significantly affect the internal control system													
	CENTRAL LEVEL								LOCAL LEVEL				TOTAL
	MINISTRIES with administrative bodies in the composition	OMSI	OTHER DBBs (other DBBs - without ministries and their constituent admin. bodies)	INDIRECT PFBs	BEORS	OTHER PFBs - EXCLUDING BEORS	BENEFICIARIES OF RHIF FUNDS	CENTRAL LEVEL - TOTAL	LSGS - DBBs	INDIRECT - DBBs	OTHER PFBs	LOCAL LEVEL - TOTAL	PRIORITY PFBs
The identification and assessment of risks in your organisation includes monitoring and analysis (identification, assessment and consequences) of:													
changes in the external regulatory environment (changes in laws, regulations, standards, etc.);	100.00	100.00	91.76	92.03	87.23	93.52	90.12	91.72	88.17	81.99	90.14	85.51	90.97
changes in the external physical environment (natural disasters, etc.);	73.47	100.00	56.47	63.60	72.34	77.78	74.07	67.84	73.12	66.24	77.53	70.84	74.19
changes in the market;	69.39	75.00	49.41	47.14	68.09	82.41	71.19	58.36	51.08	58.36	76.16	62.75	65.16
the emergence of new technologies;	81.63	100.00	64.71	57.02	59.57	81.48	75.31	65.09	59.68	60.61	58.36	59.76	66.45
significant changes in the way the organisation carries out its activities (change in functional model/business model, introduction of new technologies, etc.);	73.47	100.00	55.29	59.79	42.55	70.37	71.19	62.16	52.15	60.77	55.34	57.72	51.61
change in the management of the organisation;	83.67	100.00	67.06	61.87	62.77	66.67	72.84	66.12	69.35	63.02	60.00	63.09	72.90
change in the number and structure of staff;	95.92	100.00	82.35	82.15	72.34	76.85	85.19	82.16	81.72	74.76	75.34	76.04	82.58
changes in the status of the organisation;	55.10	50.00	42.35	43.33	55.32	58.33	63.79	50.43	46.77	53.38	45.48	49.87	59.35
change in organisational structure and reporting lines;	85.71	100.00	63.53	55.29	61.70	63.89	61.32	59.91	63.44	51.29	51.78	53.37	70.97
none of the above.	0.00	0.00	7.06	5.03	5.32	5.56	5.35	5.09	5.91	12.86	6.85	9.89	3.23
Tasks such as forecasting and identifying relevant changes in the external environment have been delegated.	48.98	100.00	36.47	37.78	42.55	55.56	39.51	40.78	37.10	36.82	34.79	36.23	47.74
The responsible persons/organisation are informed regularly and as needed/circumstances about internal and external changes that may significantly influence the achievement of the objectives and the functioning of the organisation.	89.80	100.00	83.53	86.48	81.91	86.11	84.36	85.60	88.71	81.03	83.56	83.03	87.10
None of the above.	8.16	0.00	14.12	12.65	18.09	12.04	14.40	13.28	9.68	17.85	14.52	15.52	12.90

In accordance with the answers to Principle 9 (Questions 13.1 and 13.2) and taking into account the characteristics and needs of your organisation, assess whether the organisation adequately identifies and assesses external and internal changes:	4.22	4.50	3.85	3.92	3.65	4.05	3.88	3.91	3.76	3.68	3.70	3.70	3.87	3.81
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3. Control activities

Principle 10 The public sector organisation selects and develops control activities (policies, procedures, measures, activities, mechanisms, rules) that help reduce the risk to the achievement of objectives to an acceptable level														
	CENTRAL LEVEL								LOCAL LEVEL				PRIORITY PFBs	TOTAL
	MINISTRIES with administrative bodies in the composition	OMSI	OTHER DBBs - without ministries and their constituent	INDIRECT PFBs	BEORS	OTHER PFBs - EXCLUDING BEORS	BENEFICIARIES OF RHIF FUNDS	CENTRAL LEVEL - TOTAL	LSCS - DBBs	INDIRECT - DBBs	OTHER PFBs	LOCAL LEVEL - TOTAL		
The following key business processes have been identified and described in the organisation:														
operational processes (business processes directly aimed at fulfilling the organisation's purpose of existence / delivery of goods and provision of services to citizens / satisfaction of citizens' needs);	100.00	100.00	83.53	87.00	80.85	89.81	91.36	88.02	92.47	89.39	90.68	90.28	87.74	89.16
support processes (finance, HR, IT support, etc.);	95.92	100.00	88.24	88.39	74.47	90.74	90.95	88.36	89.78	81.51	81.37	82.78	84.52	85.56
management processes (planning, control, etc.);	95.92	100.00	78.82	83.88	70.21	84.26	87.24	83.71	84.41	82.80	81.64	82.69	81.29	83.20
none of the above.	0.00	0.00	10.59	4.85	17.02	5.56	4.12	5.95	3.23	5.31	7.67	5.71	10.32	5.83
Business processes with the biggest impact on realization of organization's goals (key business processes) have been identified.	97.96	100.00	71.76	76.60	86.17	90.74	81.07	80.26	76.34	71.86	73.97	73.23	86.45	76.74
Parts of the business processes requiring controls and activities have been identified.	83.67	100.00	62.35	67.76	59.57	79.63	65.43	68.10	65.59	59.65	62.74	61.55	67.74	64.82
Appropriate personnel (person profile) and selection, development and implementation of control activities have been established.	71.43	75.00	55.29	63.26	47.87	77.78	65.43	63.62	61.29	54.34	59.18	56.95	58.71	60.28
The selection and development of control activities is carried out for all risks for which management has decided to treat them as such.	69.39	100.00	45.88	51.47	42.55	61.11	48.15	51.47	48.39	49.84	47.67	48.93	53.55	50.21
of the effectiveness and efficiency (efficacy/benefits and costs) of the different types of control measures is carried out.	48.98	75.00	43.53	45.41	37.23	53.70	45.68	45.69	37.10	48.23	40.00	43.90	43.23	44.82
The control activities selected and developed include a mix of controls, such as preventive and detective, i.e. manual and automatic.	69.39	100.00	43.53	48.70	36.17	61.11	45.68	48.88	46.24	46.46	47.40	46.72	50.97	47.81
Deadlines are set for the implementation of specific control activities.	69.39	100.00	49.41	56.33	40.43	68.52	53.50	55.78	50.54	50.80	48.77	50.13	53.55	52.96
Control activities in the organisation are documented (process plans, written procedures, etc.).	87.76	100.00	61.18	63.43	64.89	76.85	66.67	66.47	75.81	51.45	68.49	60.61	76.13	63.54
Undocumented control activities are carried out in the organisation, i.e. there are unwritten procedures that are applied.	83.67	75.00	78.82	70.88	77.66	79.63	72.02	73.62	74.73	70.74	70.14	71.18	83.87	72.41
Control activities exist at different levels in the organisation.	83.67	100.00	72.94	74.70	65.96	85.19	75.72	75.52	72.58	64.79	73.97	68.88	74.19	72.19
None of the above.	0.00	0.00	5.88	6.41	5.32	3.70	4.94	5.43	6.45	9.32	7.67	8.35	3.23	6.90
One and the same person does not perform two or more of the following tasks at the same time: proposing, authorising, executing and recording business changes (segregation of duties).	97.96	100.00	70.59	71.23	63.83	77.78	68.72	71.90	83.87	68.97	67.40	70.84	75.48	71.38
In the event that it is not possible to implement an appropriate segregation of duties in the organisation, an alternative control mechanism is introduced (e.g. increased monitoring, another pair of eyes, etc.).	57.14	75.00	55.29	43.85	48.94	69.44	49.38	49.31	46.24	37.30	47.67	41.94	50.97	45.63
The transaction/report is checked/reviewed before execution by a person who did not originally process or prepare the transaction ("dual control principle").	89.80	100.00	82.35	71.75	61.70	78.70	74.49	73.79	76.88	66.56	67.67	68.54	72.26	71.17
Procedures and rules for ensuring information security are defined.	85.71	100.00	84.71	85.44	70.21	79.63	81.07	82.76	75.27	68.81	71.23	70.59	77.42	76.65
Procedures and rules have been established to ensure that only authorised persons have access to material, financial and other resources.	91.84	100.00	88.24	91.51	78.72	91.67	89.71	89.91	85.48	80.71	78.63	80.82	85.81	85.35
The assets are regularly reconciled with the accounting data.	97.96	100.00	90.59	92.03	86.17	95.37	93.00	92.24	86.56	87.94	89.59	88.24	89.68	90.23
Plans have been drawn up to ensure business continuity in the event of unforeseen circumstances (e.g. fire, flood, epidemic, power failure, martial law).	53.06	100.00	47.06	68.46	43.62	62.04	73.25	64.74	76.88	61.41	58.08	62.83	57.42	63.80
None of the above.	0.00	0.00	2.35	0.87	4.26	1.85	0.82	1.29	1.08	3.38	3.29	2.98	2.58	2.14
In accordance with the answers to Principle 10 above (questions 14.1, 14.2 and 14.3) and taking into account the characteristics and needs of your organisation, assess whether the organisation selects and develops control activities appropriately:	4.31	4.75	4.14	4.08	3.65	4.05	3.93	4.03	3.99	3.80	3.83	3.84	3.95	3.93

Principle 11 The organisation selects and develops general control activities in the technological infrastructure segment														
	CENTRAL LEVEL								LOCAL LEVEL					
	MINISTRIES with administrative bodies in the composition	OMSI	OTHER DBBs (other DBBs - without ministries and their constituent	INDIRECT PFBs	BEORS	OTHER PFBs - EXCLUDING BEORS	BENEFICIARIES OF RHIF FUNDS	CENTRAL LEVEL - TOTAL	LSGS - DBBs	INDIRECT - DBBs	OTHER PFBs	LOCAL LEVEL - TOTAL	PRIORITY PFBs	TOTAL
The following control activities have been selected and developed:														
control activities that help ensure the completeness, accuracy and availability of information through IT data processing;	85.71	100.00	77.65	84.58	67.02	88.89	88.89	84.05	85.48	73.47	80.82	77.66	77.42	80.85
control activities designed to protect the confidentiality and integrity of information (unauthorised modification/manipulation of data, theft, corruption, etc.);	85.71	100.00	82.35	84.58	75.53	89.81	87.65	84.91	84.41	68.33	77.26	73.66	81.94	79.26
control activities aimed at ensuring the process of procurement, maintenance and development of the infrastructure of IT;	83.67	100.00	82.35	74.35	57.45	85.19	83.13	76.90	69.35	61.74	67.12	64.62	70.97	70.74
control activities that ensure access to the infrastructure of IT exclusively for authorised users in accordance with responsibilities;	93.88	100.00	87.06	85.79	79.79	88.89	89.71	86.90	84.41	68.33	78.90	74.17	86.45	80.51
procedures that ensure the continuity of operation of the IT infrastructure, i.e. protection against data loss, etc.;	77.55	100.00	70.59	72.10	59.57	83.33	74.90	72.93	77.42	52.89	69.32	61.89	71.61	67.40
none of the above.	2.04	0.00	7.06	5.03	10.64	2.78	0.82	4.40	2.69	13.02	7.67	9.72	7.10	7.07
Control mechanisms are built into IT systems and applications when:														
entering data;	100.00	100.00	89.41	92.20	85.11	92.59	97.12	92.84	92.47	80.87	88.22	85.00	89.68	88.90
data processing;	97.96	100.00	90.59	89.60	80.85	91.67	95.06	90.69	90.32	76.85	84.93	81.50	86.45	86.08
output of information;	93.88	100.00	84.71	86.14	75.53	89.81	88.48	86.38	84.41	70.90	78.36	75.36	83.23	80.85
none of the above.	0.00	0.00	9.41	5.37	13.83	6.48	0.41	5.17	3.76	15.59	10.14	12.02	9.03	8.61
In accordance with the answers given above to Principle 11 (Questions 15.1 and 15.2) and taking into account the characteristics and needs of your organisation, assess whether the organisation adequately selects and develops control activities in the technological infrastructure segment:	4.55	5.00	4.16	4.28	3.99	4.37	4.25	4.26	4.20	3.76	4.04	3.91	4.23	4.09

Principle 12 The organisation carries out control activities in accordance with the policies that define expectations and through the procedures by which those policies are implemented														
	CENTRAL LEVEL								LOCAL LEVEL				PRIORITY PFBs	TOTAL
	MINISTRIES with administrative bodies in the composition	OMSI	OTHER DBBs (other DBBs - without ministries and their constituent	INDIRECT PFBs	BEORS	OTHER PFBs - EXCLUDING BEORS	BENEFICIARIES OF RHIF FUNDS	CENTRAL LEVEL - TOTAL	LSGS - DBBs	INDIRECT - DBBs	OTHER PFBs	LOCAL LEVEL - TOTAL		
The organisation has established policies and procedures (written and unwritten) that support the implementation of management decisions and instructions.	97.96	100.00	82.35	89.77	86.17	92.59	91.36	89.91	91.94	87.46	87.40	88.15	90.97	89.03
The organisation has established policies and procedures for business processes and standard activities of members that include control activities.	89.80	100.00	70.59	77.64	68.09	79.63	75.31	76.64	80.11	68.17	74.52	72.04	76.13	74.34
Procedures for key business processes are documented/written.	91.84	100.00	74.12	85.44	67.02	86.11	81.89	82.76	86.56	76.69	77.81	78.60	78.06	80.68
Procedures for key processes clearly define specific steps/actions and their sequence.	95.92	100.00	74.12	80.42	63.83	83.33	77.37	78.97	77.96	68.81	71.51	71.10	75.48	75.02
It is clear at which point in time, in which phase of the business process or transaction the control is carried out.	95.92	100.00	64.71	70.71	71.28	77.78	69.14	71.81	72.58	63.02	64.11	64.88	78.71	68.34
For each control activity, it is defined who is responsible and accountable for its implementation.	93.88	100.00	68.24	78.34	73.40	80.56	74.49	77.33	76.34	69.29	71.51	71.10	81.94	74.21
In practise, control activities are carried out promptly in accordance with the procedures.	95.92	100.00	70.59	78.86	57.45	78.70	72.84	76.03	74.73	68.97	65.75	68.88	71.61	72.45
Competent and responsible persons carry out the control activities in a timely manner, i.e. they correct the errors/violations found during the implementation of the control activities.	81.63	100.00	68.24	72.96	72.34	79.63	75.72	74.22	77.96	64.15	72.33	68.88	79.35	71.55
It is known how exceptions, i.e. cases of approved deviations from the established rule, are to be recorded and reported.	48.98	100.00	37.65	46.45	32.98	52.78	42.80	44.83	35.48	43.89	30.41	38.36	38.06	41.60
Control activities are reviewed regularly and redesigned as necessary	75.51	100.00	47.06	50.61	40.43	68.52	54.73	53.28	47.31	46.62	47.12	46.89	50.97	50.04
None of the above.	0.00	0.00	11.76	3.47	8.51	6.48	4.12	4.74	2.15	5.79	5.75	5.20	5.16	4.97
In accordance with the answers given above to Principle 12 (Question 16.1) and taking into account the characteristics and needs of your organisation, assess whether the organisation adequately carries out control activities using policies and procedures:	4.43	5.00	3.79	4.05	3.77	4.08	3.91	4.00	3.98	3.74	3.75	3.78	4.01	3.89

4. Information and communication

Principle 13 The organisation acquires, creates, and uses relevant, high-quality information														
	CENTRAL LEVEL							LOCAL LEVEL					PRIORITY PFBs	TOTAL
	MINISTRIES with administrative bodies in the composition	OMSI	OTHER DBBs (other DBBs - without ministries and their constituent	INDIRECT PFBs	BEORS	OTHER PFBs - EXCLUDING BEORS	BENEFICIARIES OF RHIF FUNDS	CENTRAL LEVEL - TOTAL	LSGS - DBBs	INDIRECT - DBBs	OTHER PFBs	LOCAL LEVEL - TOTAL		
Information that is important to the organisation's business and the functioning of the FMC has been identified.	97.96	100.00	74.12	81.63	76.60	86.11	72.02	79.83	88.17	77.49	77.81	79.28	84.52	79.56
The specific information needs of organisational units and staff have been identified.	85.71	100.00	78.82	76.95	77.66	80.56	76.54	77.84	80.11	73.47	71.51	73.91	81.29	75.88
The organisation regularly identifies and assesses information needs.	65.31	100.00	61.18	62.56	60.64	68.52	60.49	62.67	61.83	66.08	55.34	62.06	67.74	62.38
Prior compliance with personal data protection regulations, etc. is taken into account when collecting and processing information.	97.96	100.00	89.41	89.25	73.40	84.26	85.19	87.07	86.56	83.28	81.10	83.12	82.58	85.09
The organisation has identified relevant and reliable internal and external data sources.	79.59	100.00	69.41	68.98	64.89	75.00	71.19	70.26	65.05	64.95	61.10	63.77	73.55	67.01
The benefits and costs of obtaining and using information in establishing and maintaining the information and communication system are assessed.	59.18	75.00	52.94	54.77	54.26	58.33	56.79	55.60	46.77	52.73	45.48	49.53	56.13	52.57
The data processing system provides high quality (adequate, timely, accurate and complete) information.	85.71	100.00	70.59	77.99	63.83	80.56	79.84	77.33	72.04	68.33	72.05	70.08	74.19	73.69
The organisation has a system in place to make information readily available to staff who need it.	89.80	100.00	84.71	85.27	75.53	87.96	87.24	85.34	83.87	77.97	83.01	80.48	81.29	82.90
Unauthorised access to information is prevented (protection of different levels of confidentiality/sensitivity of information).	97.96	100.00	84.71	92.03	82.98	90.74	90.95	90.69	89.25	81.35	83.29	83.21	89.03	86.93
The storage of information over a long period of time is guaranteed.	93.88	100.00	85.88	92.72	77.66	89.81	92.18	90.69	89.25	83.76	87.95	85.93	84.52	88.30
The system for collecting, processing, and distributing information is regularly evaluated and improved as necessary to ensure the quality of the information.	71.43	100.00	62.35	63.78	48.94	69.44	66.67	64.05	54.84	55.95	52.88	54.82	58.06	59.43
None of the above.	0.00	0.00	7.06	1.21	7.45	3.70	2.47	2.59	1.61	4.34	3.84	3.75	4.52	3.17
In accordance with the answers given above to Principle 13 (Question 17.1) and taking into account the characteristics and needs of your organisation, assess whether the organisation acquires, creates and uses relevant, high-quality information:	4.45	5.00	4.06	4.21	3.81	4.20	4.05	4.15	4.08	3.92	3.92	3.94	4.06	4.04

Principle 14 The organisation communicates information internally, including the objectives and responsibilities/duties of the FMC area														
	MINISTRIES with administrative bodies in the composition	OMSI	OTHER DBBs (other DBBs - without ministries and their constituent	CENTRAL LEVEL					LOCAL LEVEL				PRIORITY PFBS	TOTAL
				INDIRECT PFBS	BEORS	OTHER PFBS - EXCLUDING BEORS	BENEFICIARIES OF RHIF FUNDS	CENTRAL LEVEL - TOTAL	LSGS - DBBs	INDIRECT - DBBs	OTHER PFBS	LOCAL LEVEL - TOTAL		
There is an effective and efficient system of written, electronic and oral communication that enables staff to obtain internally the information they need to do their jobs.	100.00	100.00	94.12	96.01	80.85	96.30	93.83	94.40	89.78	89.71	89.86	89.77	87.74	92.07
New staff and staff in new posts are introduced to their roles and responsibilities (training, instructions, policies, procedures, mentoring... are provided).	93.88	100.00	91.76	92.89	91.49	93.52	94.24	93.10	93.01	85.85	87.95	87.64	91.61	90.36
Employees are familiar with the goals of the organisation.	95.92	100.00	95.29	96.19	80.85	90.74	91.36	93.36	93.01	95.66	93.70	94.63	85.16	94.00
Regular reports are prepared for management (achievement of objectives, revenues, execution of financial and other plans, available funds, commitments, claims, reasons preventing the achievement of what was planned, etc.).	100.00	100.00	89.41	92.37	85.11	90.74	92.18	91.72	91.40	88.59	86.30	88.32	90.97	90.02
Urgent and critical information is passed on quickly.	95.92	100.00	91.76	95.15	87.23	92.59	93.42	93.71	89.25	90.19	89.59	89.86	90.97	91.77
There are specific communication channels for complaints, objections, reports of suspected irregularities, etc., which ensure anonymity and confidentiality (internal whistleblowing, etc.).	79.59	100.00	68.24	80.94	70.21	75.00	82.72	78.97	73.12	66.24	70.41	68.63	76.13	73.78
There is centralised collection of information on non-standard behaviour (including suspected irregularities, complaints, etc.).	51.02	100.00	37.65	49.74	32.98	45.37	53.91	48.19	31.72	43.25	38.36	39.90	40.65	44.04
There is an analysis/assessment of information on non-standard behaviour by persons who are independent in relation to the persons whose behaviour is the subject of the report.	46.94	100.00	38.82	50.61	41.49	50.00	57.61	50.43	33.33	46.95	39.73	42.54	43.87	46.49
The adequacy of the existing communication system (procedures, methods, etc.) is assessed in advance and, where appropriate, the necessary improvements are made.	69.39	100.00	63.53	61.01	38.30	72.22	59.67	60.60	49.46	50.96	43.01	48.25	52.26	54.41
None of the above.	0.00	0.00	2.35	0.00	6.38	1.85	0.41	0.95	1.08	1.13	2.19	1.45	3.87	1.20
In accordance with the answers given above to Principle 14 (Question 18.1) and taking into account the characteristics and needs of your organisation, assess whether adequate internal communication is in place in the organisation:	4.29	5.00	4.12	4.20	3.78	4.10	4.10	4.14	3.91	3.95	3.84	3.91	3.95	4.02

Principle 15 The organisation communicates with external parties/stakeholders on issues relevant to the functioning of the FMC													
	CENTRAL LEVEL							LOCAL LEVEL				PRIORITY PFBs	TOTAL
	MINISTRIES with administrative bodies in the composition	OMSI	OTHER DBBs (other DBBs - without ministries and their constituent	INDIRECT PFBs	BEORS	OTHER PFBs - EXCLUDING BEORS	BENEFICIARIES OF RHIF FUNDS	CENTRAL LEVEL - TOTAL	LSCS - DBBs	INDIRECT - DBBs	OTHER PFBs	LOCAL LEVEL - TOTAL	
An effective and efficient external communication system for timely and relevant information has been established, ensuring the necessary proactive transparency towards government authorities, the civil sector, beneficiaries of services, citizens, and other external stakeholders (important documents are published on the website, etc.).	97.96	100.00	90.59	90.29	82.98	89.81	92.18	90.43	91.40	86.98	88.77	88.24	89.33
There is a procedure/rule for approving official external communications (reports, notices, announcements, etc.) before information is made public.	87.76	100.00	76.47	85.62	61.70	78.70	72.43	79.74	72.58	77.01	67.40	73.32	76.52
There are open communication channels through which beneficiaries of services, citizens, business partners and other external stakeholders can directly contact and receive information, raise complaints and objections, etc. (customer service/support).	91.84	100.00	81.18	83.54	73.40	79.63	84.36	82.76	87.63	78.94	86.30	82.61	82.69
There are special communication channels for reporting suspected irregularities, etc., which guarantee anonymity and confidentiality (whistleblowing, etc.).	75.51	100.00	63.53	68.63	55.32	70.37	66.67	67.33	65.59	49.52	61.10	55.67	61.48
Management receives and considers information from external sources that is relevant to FMC and the achievement of the organisation's objectives.	79.59	100.00	71.76	70.02	65.96	78.70	68.31	70.78	71.51	64.63	66.85	66.41	68.59
The Executive Board/Supervisory Board receives information on the results of the FMC assessment carried out by external organisations/persons, information on amendments to laws/regulations, etc.	4.08	75.00	7.06	29.98	28.72	42.59	48.56	32.33	8.60	49.84	46.85	42.37	37.40
Existing procedures and methods of external communication are regularly analysed and, if necessary, improved/updated.	65.31	100.00	49.41	52.69	50.00	69.44	54.32	54.83	45.70	50.00	45.48	47.91	51.37
None of the above.	0.00	0.00	8.24	1.91	9.57	3.70	3.29	3.36	2.15	4.98	4.11	4.26	3.81
In accordance with the answers given above to Principle 15 (Question 19.1) and taking into account the characteristics and needs of your organisation, assess whether the organisation communicates adequately with external parties/stakeholders:	4.18	5.00	3.85	4.00	3.63	4.04	3.86	3.94	3.84	3.72	3.76	3.76	3.85

5. Monitoring (Oversight) and Evaluation

5. Monitoring (Oversight) and Evaluation														
Principle 16														
The organisation selects, develops, and conducts ongoing and/or specific assessments to determine whether competent internal controls (FMC elements) are in place and operating														
	CENTRAL LEVEL								LOCAL LEVEL				TOTAL	
	MINISTRIES with administrative bodies in the composition	OMSI	OTHER DBBs (other DBBs - without ministries and their constituent	INDIRECT PFBs	BEORS	OTHER PFBs - EXCLUDING BEORS	BENEFICIARIES OF RHIF FUNDS	CENTRAL LEVEL - TOTAL	LSCS - DBBs	INDIRECT - DBBs	OTHER PFBs	LOCAL LEVEL - TOTAL		PRIORITY PFBs
Monitoring is carried out to see whether staff adhere to procedures and carry out their duties, i.e. whether control activities are actually carried out in practise.	95.92	100.00	82.35	88.04	68.09	88.89	83.54	85.52	84.41	81.19	78.08	80.73	78.71	83.12
Managers and other staff monitor whether control activities are working as intended.	87.76	100.00	76.47	80.94	62.77	86.11	76.95	79.14	75.81	74.28	74.52	74.60	71.61	76.86
Managers monitor the achievement of the objectives of the staff and the parts of the organisation they manage.	100.00	100.00	91.76	93.93	90.43	93.52	90.95	93.10	93.01	85.53	89.32	87.89	93.55	90.49
Managers monitor compliance with laws and regulations.	100.00	100.00	91.76	97.92	92.55	98.15	98.35	97.24	98.39	95.02	95.62	95.74	95.48	96.49
Management receives regular/timely information from staff on the fulfilment (or non-fulfilment) of work tasks, risks, irregularities, etc.	97.96	100.00	84.71	92.89	81.91	87.96	86.01	89.74	87.63	85.85	86.30	86.27	87.10	88.00
The reasons for possible non-achievement of targets are analysed.	85.71	100.00	83.53	80.94	74.47	87.96	79.42	81.21	75.81	75.40	75.34	75.45	79.35	78.32
During the reporting period, a self-assessment of the FMC was conducted (independent of the annual reporting process).	28.57	25.00	27.06	26.86	18.09	27.78	16.87	24.22	29.03	23.79	19.73	23.36	23.23	23.82
It is assessed whether the exceptions identified, i.e. deviations from established procedures and rules, are justified.	48.98	75.00	42.35	38.47	31.91	54.63	39.51	40.52	33.87	32.15	32.05	32.40	34.19	36.46
Should the exceptions accumulate, the management also takes action here (e.g. designation of procedures, drawing attention).	51.02	100.00	42.35	36.57	38.30	53.70	46.09	41.55	37.63	26.53	36.16	31.29	41.29	36.42
During the reporting period, an assessment of the security of information and/or the infrastructure of IT was carried out.	55.10	100.00	52.94	45.93	46.81	49.07	43.62	46.90	50.00	33.76	34.52	36.57	53.55	41.73
The implementation of the activities foreseen in the FMC action plan is monitored and the reasons for possible deviations from the action plan are analysed.	57.14	75.00	50.59	45.93	54.26	55.56	38.27	46.81	43.55	39.71	44.11	41.69	58.06	44.26
An internal audit function has been established.	57.14	100.00	35.29	12.82	45.74	51.85	32.51	27.07	54.30	12.38	34.25	25.83	60.65	26.44
An internal audit was conducted in the organisation during the reporting period.	42.86	100.00	34.12	10.40	40.43	37.96	26.34	22.16	37.10	13.02	31.23	22.51	49.03	22.32
An external audit was conducted during the reporting period (SAI and/or an external audit by an independent audit firm).	59.18	100.00	21.18	10.92	54.26	56.48	17.28	23.10	79.57	22.03	72.33	46.80	64.52	35.00
None of the above.	0.00	0.00	8.24	0.87	6.38	1.85	0.41	1.81	1.08	2.25	2.19	2.05	3.87	1.93
In accordance with the answers given above to Principle 16 (Question 20.1) and taking into account the characteristics and needs of your organisation, assess whether the organisation adequately monitors and assesses the functioning of the FMC:	3.98	4.25	3.61	3.69	3.40	3.79	3.43	3.63	3.77	3.45	3.59	3.54	3.64	3.59

Principle 17 The organisation assesses the FMC's vulnerabilities and reports in a timely manner to those charged with taking corrective action, including senior management and the supervisory/management board													
	CENTRAL LEVEL							LOCAL LEVEL				PRIORITY PFBs	TOTAL
	MINISTRIES with administrative bodies in the composition	OMSI	OTHER DBBs (other DBBs - without ministries and their constituent	INDIRECT PFBs	BEORS	OTHER PFBs - EXCLUDING BEORS	BENEFICIARIES OF RHIF FUNDS	CENTRAL LEVEL - TOTAL	LSCS - DBBs	INDIRECT - DBBs	OTHER PFBs	LOCAL LEVEL - TOTAL	
The organisation collects and analyses all information relevant to the FMC from all available sources (internal and external).	85.71	100.00	70.59	79.20	62.77	87.96	65.43	75.52	73.66	72.51	68.22	71.36	73.44
Information on identified deficiencies/weaknesses of the FMC is provided to management in a timely manner.	79.59	100.00	49.41	68.28	50.00	74.07	53.50	63.45	58.60	59.49	52.60	57.20	60.28
Information on identified deficiencies/weaknesses of the FMC is made available to the supervisory/management board.	2.04	75.00	5.88	24.26	26.60	41.67	38.27	26.90	9.14	36.01	38.08	32.40	29.69
The recommendations of the internal audit are taken into account.	65.31	100.00	35.29	23.57	41.49	44.44	30.04	31.21	56.99	31.67	36.44	37.17	34.19
The recommendations of the external audit are taken into account.	85.71	100.00	45.88	28.77	75.53	62.96	50.62	44.22	93.55	45.98	80.82	64.36	54.33
Information on identified deficiencies/weaknesses of the FMC is provided to those responsible and accountable for remediating the deficiencies/weaknesses of the FMC.	75.51	100.00	43.53	44.54	45.74	61.11	41.15	46.90	61.83	38.75	45.48	44.50	45.67
Identified deficiencies in the FMC (errors, omissions, illogicalities, limitations, etc.) are analysed and the causes identified.	71.43	100.00	48.24	42.81	43.62	64.81	44.86	47.16	53.23	29.10	43.29	37.34	42.20
Inappropriate procedures/control activities are identified and changes are proposed (change of procedures, cancellation of ineffective and inefficient control activities, introduction of new control activities).	81.63	100.00	55.29	46.10	48.94	73.15	51.03	52.24	55.38	28.46	43.56	37.43	44.77
The employees can give their proposals for the improvement of the FMC.	95.92	100.00	75.29	79.90	61.70	75.00	64.61	75.17	80.65	75.08	75.07	75.96	75.54
The organisation's response (appropriate actions) to address the deficiencies/weaknesses of the FMC is determined in a timely manner.	61.22	100.00	40.00	44.71	38.30	53.70	38.27	44.22	47.85	37.14	37.81	39.05	41.60
Accepted recommendations of the internal audit (if any) are implemented promptly.	61.22	100.00	32.94	21.14	42.55	41.67	30.86	29.66	53.76	27.01	34.25	33.50	31.58
Accepted recommendations of the external audit (if any) are implemented promptly.	83.67	100.00	44.71	28.25	73.40	58.33	46.50	42.33	86.56	38.75	75.34	57.72	50.04
Actions to eliminate observed deficiencies/weaknesses of the FMC (not related to the implementation of internal and/or external audit recommendations) are carried out in a timely manner.	81.63	100.00	48.24	45.75	46.81	61.11	46.09	49.22	55.91	36.82	49.59	43.82	46.49
The implementation of actions to eliminate deficiencies/weaknesses is monitored.	85.71	100.00	54.12	53.55	57.45	67.59	58.85	57.84	62.90	42.28	57.81	50.38	54.07
In the event that adequate actions to eliminate deficiencies/weaknesses are not implemented in a timely manner, the top management is informed about this.	69.39	100.00	45.88	42.46	50.00	56.48	49.38	47.41	50.54	34.73	48.77	41.60	44.47
None of the above.	0.00	0.00	16.47	7.63	11.70	5.56	11.11	8.79	4.30	9.00	6.85	7.59	8.18
In accordance with the answers given above to Principle 17 (Question 21.1) and taking into account the characteristics and needs of your organisation, assess whether the organisation adequately assesses and reports on the FMC's weaknesses:	4.06	4.75	3.46	3.49	3.30	3.68	3.23	3.46	3.70	3.30	3.43	3.40	3.43

Table 3. Overview of the results of irregularity management (in %)

IRREGULARITIES MANAGEMENT														
	CENTRAL LEVEL								LOCAL LEVEL					
	MINISTRIES with administrative bodies in the composition	OMSI	OTHER DBBs (other DBBs - without ministries and their	INDIRECT PFBs	BEORs	OTHER PFBs - EXCLUDING BEORs	BENEFICIARIES OF RHIF FUNDS	CENTRAL LEVEL - TOTAL	LSGS - DBBs	INDIRECT - DBBs	OTHER PFBs	LOCAL LEVEL - TOTAL	PRIORITY PFBs	TOTAL
Have your suspicions of irregularities been confirmed?	10.20	25.00	7.06	6.93	12.77	12.04	13.99	9.57	11.29	5.63	8.49	7.42	12.26	8.48
Are the confirmed irregularities rectified?	80.00	100.00	100.00	100.00	100.00	100.00	100.00	99.10	95.24	91.43	100.00	95.40	100.00	97.47
Confirmed irregularities have been rectified:														
within the organisation	25.00	100.00	83.33	55.00	41.67	69.23	50.00	54.54	75.00	62.50	54.84	62.65	47.37	58.03
outside the organisation	0.00	0.00	0.00	2.50	0.00	0.00	0.00	0.91	0.00	0.00	0.00	0.00	0.00	0.52
within and outside the organisation	75.00	0.00	16.67	37.50	58.33	30.77	50.00	42.73	25.00	37.50	45.16	37.35	52.63	40.41

Annex 3. Form for the annual report on audits and internal audit activities

(header of public funds beneficiary)

ANNUAL REPORT ON AUDITS AND INTERNAL AUDIT ACTIVITIES

For the year of 2024

1. GENERAL INFORMATION ON THE PUBLIC FUNDS BENEFICIARY:	
1.1. Full name of public fund beneficiary (PFBs) and the address of head office:	
1.2. Head of PFB (job title, first and last name):	
1.3. Unique identification number of public fund beneficiary (UINPFB) from the List of public fund beneficiaries	
1.4. Total amount of planned expenses in the reporting period (for the public fund beneficiary), in RSD:	
1.5. Planning total number of positions filled within the public fund beneficiary ³³ , as at 31 December	

³³ From the general enactment of the public fund beneficiary.

1.6. Total number of positions filled within the public fund beneficiary, as at 31 December:	
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2. GENERAL DATA ON THE ESTABLISHMENT OF INTERNAL	
2.1 In the RS public sector, there are several modalities for the establishment of the internal audit function. The following companies are expressly required to set up their own internal audit function: 1) beneficiaries of public funds that have more than 500 employees, 2) National Assembly of the Republic of Serbia, 3) Ministries, 4) High Judicial Council, 5) High Prosecutorial Council, 6) Republic Health Insurance Fund, 7) Pension and Disability Insurance Fund, 8) Social Insurance Fund for Military Personnel, 9) National Employment Agency, 10) direct budget beneficiaries of the Republic of Serbia that have indirect budget beneficiaries under their jurisdiction (with the exception of direct budget beneficiaries that have the status of an authority in the composition of another direct budget beneficiaries), 11) autonomous provinces, 12) the City of Belgrade 13) towns, 14) municipalities with more than 500 employees in the municipal administration with municipal budget funds and other public fund beneficiaries under the jurisdiction of the municipality. Do you belong to this group of public fund beneficiaries?	Yes ☐ No ☐
2.2 Are you direct budget beneficiaries?	Yes ☐ No ☐
2.2.1. If you answer YES, please indicate how many public fund beneficiaries are under your jurisdiction:	
2.3 Does the general internal enactment provide for one or more employees at the workplaces for the internal auditing tasks?	Yes ☐ No ☐
2.3.1. If the answer to the previous question is YES, please indicate in the table the planned (systematised) number of employees in internal audit positions.	
Job title	Planned (systematised) number of employees

2.4 Is the internal audit unit planned under the general internal enactment?	Yes ☐ No ☐
2.5 Does your organisation employ one or more employees (permanently or temporarily) in internal audit positions?	Yes ☐ No ☐
2.5.1. If the answer to the previous question is YES, please indicate the number of employees in internal audit positions in your organisation as of 31 December:	
2.6 Please indicate the number of employees performing internal audit tasks in your organisation who hold the Certified Internal Auditor in the Public Sector certificate as of 31 December:	
2.7 Indicate the number of trainees that your organisation has registered for training to become an accredited internal auditor in the public sector (including trainees whose training process started before the reporting period and is still ongoing):	- theoretical - practical

3. MODALITY OF SETTING UP THE INTERNAL AUDIT FUNCTION

3.1 The next question (3.2) relates to the way internal audit is carried out in your organisation and not all questions are relevant to everyone. To answer only relevant questions, your answer to this question will determine which sections of the report you will have access to (which questions you can answer) and which you cannot.

☐ I understand that the answer to the following question will depend on which sections of the report/questionnaire we will have access to for the purpose of answering.

3.2 The internal audit is carried out in your organisation in one of the following ways:

- 1) ☐ An internal auditor (either permanently or temporarily) is employed by the organisation (either as an independent auditor or within the internal audit unit).
- 2) ☐ We have entered into an agreement with another public fund beneficiary to perform internal audit functions (the internal audit tasks are performed by the internal audit unit of another public fund beneficiary under the agreement).
- 3) ☐ We have concluded an agreement on the establishment of a joint internal audit unit with another public fund beneficiary/beneficiaries.
- 4) ☐ We have concluded a contract for the performance of internal audit tasks with an certified internal auditor in the public sector/legal entity providing audit services (where an certified internal auditor in the public sector is engaged).
- 5) ☐ The internal audit tasks are carried out by the internal audit unit of the competent direct budget beneficiary in accordance with its own work plan.
- 6) ☐ None of the above.

3.2.1. If the answer is “none of the above”, please indicate the reason why no internal audit has been introduced in your organisation?

4. GENERAL INFORMATION ON THE INTERNAL AUDIT UNIT AND INTERNAL AUDITOR

4.1 Name of the internal audit unit /first and last name of internal auditor ³⁴ :	
4.2 Head of internal audit unit (job title, first and last name):	
4.3 Telephone number of the internal audit unit/internal auditor:	
4.4 Email address of the internal audit unit/internal auditor:	

5. INTERNAL AUDIT STAFF CAPACITIES

5.1 Has the head of the internal audit unit been appointed?	Yes ☐ No ☐			
5.1.1. If the answer is YES, does the head of internal audit meet the requirements to perform tasks of the head of internal audit unit prescribed under Article 21 and 22 of the Rulebook on Joint Criteria for Organizing and Standards and Methodological Instruction for Acting and Reporting by the Internal Audit in the Public Sector ("Official Gazette of the RS", No. 99/2011, 106/2013 and 84/2023)?	Yes ☐ No ☐			
5.2 Staffing level (fill rate) and pay grades for the internal audit unit/ internal auditor positions (enter in numerical format):				
Job title	Planned (systematised) number of employees	Filled number of employees	Job coefficient	Base salary amount (December) – gross amount

³⁴ Only if the internal audit unit is not in place.

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5.3 In the table in the SPECIAL SECTION, please provide a list of the first name, last name, and job title of all employees involved in internal audit activities during the reporting period. Additionally, for employees who hold the Certified Internal Auditor in the Public Sector³⁵ designation, indicate their certificate numbers.

6. INTERNAL AUDIT ACTIVITIES - IMPLEMENTATION IN THE PARENT ORGANISATION	
6.1 Did your internal audit unit/your internal auditor provided assurance services (conducted internal audits) in your organisation during the reporting period?	Yes ☐ No ☐
6.1.1. If the answer is YES, indicate the number of provided assurance services (internal audits performed):	
6.2 Were there any recommendations based on assurance services provided (audits performed) in your organisation during the reporting period?	Yes ☐ No ☐
6.2.1. If the answer is YES, indicate the number of recommendations made:	
6.3 Did your internal audit unit provide assurance services to your organisation during the reporting period?	Yes ☐ No ☐
6.3.1. If the answer is YES, indicate the number of consulting services provided:	
6.4 In the table in the SPECIAL SECTION, provide information on the assurance services provided (audits performed) in your organisation during the reporting period.	
6.5 Provide information in the table in the SPECIAL SECTION on the consulting services provided in your organisation during the reporting period.	

7. ACTIVITIES OF INTERNAL AUDIT - INTERNAL AUDIT IS CARRIED OUT WITH OTHER PUBLIC FUND BENEFICIARIES WITHIN ITS JURISDICTION	
7.1 If your organisation is a direct budget beneficiary that has users of public fund beneficiaries under its jurisdiction, does your internal audit unit also conduct internal audits within the other public fund beneficiaries within its jurisdiction (in accordance with the provisions of the regulations governing the establishment and organisation of internal audit in the public sector of the Republic of Serbia)?	Yes ☐ No ☐
7.1.1. If the answer is YES, please enter in the table the UINPFB and the names of the public fund beneficiaries for which your internal audit unit conducts audit engagements based on its	

³⁵ The filing number of the certificate awarded to a certified public sector internal auditor is to be entered only for staff engaged in internal audit-related work who have acquired this title in line with the Rulebook on the requirements and procedure for taking the exam for acquiring the title of certified internal auditor in the public sector ("Official Gazette of the RS", No. 9/2014 and 84/2023).

jurisdictions (assurance and/or consulting services) during the reporting period, as well as the number of assurance services, recommendation and consulting services:

UNIPFB	Name of public funds beneficiary	Number of assurance services	Number of recommendations	Number of consulting services

7.1.1. If the answer is NO, state the reason:

7.2 In the table in the SPECIAL SECTION, please list the data on the assurance services (audit) (if any) provided by your internal audit units to the public fund beneficiaries in your jurisdiction during the reporting period.

7.3 In the table in the SPECIFIC PART, please list the data on the consulting services (if any) provided by your internal audit units to the public fund beneficiaries in your jurisdiction during the reporting period.

8. INTERNAL AUDIT ACTIVITIES - INTERNAL AUDIT PROCEDURES PERFORMED WITH ANOTHER PUBLIC FUND BENEFICIARIES UNDER THE AGREEMENT (to be completed by public fund beneficiaries who are service providers)

8.1 Have you concluded an agreement on the basis of which your internal audit unit carries out internal audit work for another public fund beneficiary? Yes ☐ No ☐

8.1.1. If the answer is YES, please indicate in the table UINPBF and the names of the public fund beneficiaries with whom you have concluded such an agreement, as well as data on audit engagements (if any) in the reporting period:

UNIPFB	Name of public funds beneficiary	Number of assurance services	Number of recommendations	Number of consulting services

9. INTERNAL AUDIT ACTIVITIES ARE PERFORMED BY INTERNAL AUDIT UNIT OF THE OTHER PUBLIC FUND BENEFICIARY UNDER THE AGREEMENT (to be completed by public fund beneficiaries who are service recipients)

9.1 If you have concluded an agreement with a public fund beneficiary on the performance of internal audit work by the internal audit unit of this public fund beneficiary, please enter in the table the UINPFB and the name of this public fund beneficiary as well as the number and date of the agreement:

UINPFB	Name of public funds beneficiary	Number of contracts	Date of contract

9.2 Have assurance services (audits) been rendered in your organisation under this agreement during the reporting period? Yes ☐ No ☐

9.2.1. If the answer is YES, please indicate the number of assurance services rendered:

9.3 Were there any recommendations based on assurance services provided (audits performed) in your organisation during the reporting period? Yes ☐ No ☐

9.3.1. If the answer is YES, indicate the number of recommendations made:

9.4 Have consulting services been rendered in your organisation under this agreement during the reporting period? Yes ☐ No ☐

9.4.1. If the answer is YES, indicate the number of consulting services provided:

9.5 In the table in the SPECIAL SECTION, please list the data on the assurance services (audits) performed in your organisation during the reporting period by the internal audit unit of another public fund beneficiary under the agreement (if any).

9.6 In the table in the SPECIFIC PART, please list data on consulting services provided in your organisation during the reporting period by the internal audit function of another public fund beneficiary under the agreement (if any).

10. INTERNAL AUDIT ACTIVITIES ARE CARRIED OUT BY THE JOINT INTERNAL AUDIT UNIT

10.1 If you have concluded an agreement with a public fund beneficiary on the establishment of a joint internal audit unit, please indicate in the table the UNPFB and the names of all public fund beneficiaries with whom you have concluded the agreement, as well as the number and date of the agreement:

UINPFB	Name of public funds beneficiary	Number of contracts	Date of contract

10.2 Have assurance services (audits) been rendered in your organisation under this agreement during the reporting period? Yes ☐ No ☐

10.2.1. If the answer is YES, please indicate the number of provided assurance services (audits performed):

10.3 Were there any recommendations based on assurance services provided (audits performed) in your organisation during the reporting period?	Yes ☐ No ☐
10.3.1. If the answer is YES, indicate the number of recommendations made:	
10.4 Have consulting services been rendered in your organisation under this agreement during the reporting period?	Yes ☐ No ☐
10.4.1. If the answer is YES, indicate the number of consulting services provided:	
10.5 In the table in the SPECIAL SECTION, please list the data on the assurance services (audits) performed in your organisation during the reporting period by the joint internal audit unit of another fund beneficiary under the agreement (if any).	
10.6 In the table in the SPECIFIC PART, please list data on consulting services provided in your organisation during the reporting period by the joint internal audit unit of another fund beneficiary under the agreement (if any).	

11. INTERNAL AUDIT IS CARRIED OUT ON THE BASIS OF THE AGREEMENT CONCLUDED

11.1 If you have concluded an internal audit agreement with a certified internal auditor in the public sector/legal entity providing auditing services, please state the first and last name of the internal auditor, the certificate number of the certified internal auditor responsible for the audit and the name of the legal entity providing internal audit services:

Number	First name	Last name	Number of certificates of certified public sector internal auditors	Name of legal entity providing internal audit services

11.2 Executed contract

- ☐ for individual auditing engagements (assurance services and/or consulting services)
- ☐ for a determined period of time (for instance one year)
- ☐ both.

11.3 Have assurance services (internal audits) been rendered in your organisation under this agreement during the reporting based on the agreement:	Yes ☐ No ☐
11.3.1. If the answer is YES, indicate the number of provided assurance services (internal audits performed):	

11.4 Were there any recommendations based on assurance services provided (internal audits performed) in your organisation during the reporting period based on the agreement?	Yes ☐ No ☐
11.4.1. If the answer is YES, indicate the number of recommendations made:	
11.5 Have consulting services been rendered in your organisation by IA under the stated agreement during the reporting period:	Yes ☐ No ☐
11.5.1. If the answer is YES, indicate the number of consulting services provided:	
11.6 In the table in the SPECIAL SECTION, please list the data on the assurance services (internal audits) performed in your organisation during the reporting period under the agreement (if any).	
11.7 In the table in the SPECIFIC PART, please list data on consulting services provided in your organisation during the reporting period under the agreement (if any).	

12. INTERNAL AUDIT IS CARRIED OUT BY THE INTERNAL AUDIT UNIT OF THE COMPETENT DIRECT BUDGET BENEFICIARY

12.1 If your internal audit activities are performed by the internal audit unit of the competent direct budget beneficiary, were internal audits performed in your organisation on this basis during the reporting period?	Yes ☐ No ☐
12.1.1. If the answer is YES, please indicate the name of the institution from which the internal auditors who carried out the IA at your organisation during the reporting period (there may be several institutions, indicate them all):	
12.2 If internal audits were conducted at your organisation by the competent direct budget beneficiary, how many recommendations were made as part of these audits?	
12.3 The internal audit unit of the competent direct budget beneficiary has the possibility to render a consulting service at your request. Were such consulting services provided during the reporting period?	Yes ☐ No ☐
12.3.1. If the answer is YES, please indicate the name of the direct budget beneficiary whose internal auditors rendered consulting services at your request during the reporting period	

13. INTERNAL AUDIT STATUS

13.1 Is the internal audit unit/the internal auditor organisationally and functionally independent within the public fund beneficiary?	Yes ☐ No ☐
13.1.1. If the answer is NO, please state the reason:	

13.2. Does the internal audit unit/internal auditor directly and exclusively report to the head of the public funds beneficiary?	Yes ☐ No ☐
13.2.1. If NO, please state to whom it reports and the reason why:	
13.3 Is performing internal audits the sole task of internal audit?	Yes ☐ No ☐
13.3.1. If NO, please specify which other tasks are performed by the IA and state the reason:	
13.4 Internal auditors have full, free, and unlimited right of access to:	
a) all documentation and records	Yes ☐ No ☐
b) data and information on all data carriers	Yes ☐ No ☐
c) the manager of the public funds beneficiary	Yes ☐ No ☐
d) staff (managers and employees)	Yes ☐ No ☐
e) material assets	Yes ☐ No ☐
13.5 If the answer is NO, please state the reason:	

14. COMPLIANCE WITH INTERNAL AUDIT STANDARDS AND METHODOLOGIES	
Compliance with the Manual for Internal Auditors	
14.1 Do internal auditors use the Manual for Internal Audit developed by the Central Harmonization Unit?	Yes ☐ No ☐
14.2. Do internal auditors use other manuals, in addition to the Manual for Internal Audit developed by the Central Harmonization Unit?	Yes ☐ No ☐
14.2.1. If the answer is YES, please state the title of the manual and reason to use it:	
14.3 In performing individual audits, internal auditors fully adhere to the phases of the auditing procedure envisaged in the Manual for Internal Audit developed by the Central Harmonisation Unit?	Yes ☐ No ☐
14.3.1. If the answer is NO, please state the reason:	
Internal Audit Charter	
14.4 Did the Head of PFB and the head of IA unit/internal auditor sign the internal auditors' charter?	Yes ☐ No ☐
14.4.1. If the answer is Yes, please attach the scanned Charter with all Annexes.	
14.4.1. If the answer is NO, please state the reason:	
14.5 Is the Charter consistent with the amendments to the rulebook governing the work of internal audit (extension of the scope of the audit)?	Yes ☐ No ☐
Compliance with internal audit standards and the Internal Audit Code of ethics system	

14.6 Do internal auditors adhere to international internal audit standards in performing internal audits?	Yes ☐ No ☐
14.6.1. If the answer is NO, please state the reason:	
14.7 Did all internal auditors sign the Internal Audit Code of ethics system?	Yes ☐ No ☐
14.8 Do internal auditors comply with the principles and rules of the Internal Audit Code of ethics system in their work?	Yes ☐ No ☐
14.8.1. If NO, please state the reason and cases of non-compliance:	
Use of methodological tools of the Central Harmonization Unit	
14.9 Please mark which of the above-mentioned methodological tools, which are available on the website of the Ministry of Finance - Central Office for Harmonisation, you use when conducting the internal audit:	
1) ☐ Model for the internal quality review of the performance of internal audit units; 2) ☐ Tools for auditing IPA funds of the European Union; 3) ☐ Guidelines for Auditing Cross-Sectoral Programmes and Projects – “horizontal audit” 4) ☐ Tools for implementing IT system and IT system data security audits at PFBs 5) ☐ Guidelines for Provision of Consulting Services ☐ 6) None of the above.	
14.10 Did internal audit utilise additional services from external experts in any area in 2024?	Yes ☐ No ☐
14.101 If the answer is YES, please state the areas:	

15 STRATEGIC AND ANNUAL INTERNAL AUDIT PLANS	
15.1 Was the internal audit strategic plan developed based on risk assessment?	Yes ☐ No ☐
15.1.1. If the answer is NO, please state the reason:	
15.2 If the internal audit also performs internal audit work for other public fund beneficiaries, ex-officio under its competence or on the basis of the agreement, are these public fund beneficiaries also included in the risk assessment?	Yes ☐ No ☐
15.3 Was the internal audit strategic plan approved by the head of the public funds beneficiary?	Yes ☐ No ☐
15.3.1. If the answer is NO, please state the reason:	
15.4 Is the strategic plan for internal auditing available internally for top management (individually forwarded, published in the internal newsletter) or externally for the management of public fund beneficiaries under the jurisdiction (published on the organisation's Intranet pages, forwarded information by letter, e-mail and the similar.)?	Yes ☐ No ☐
15.5 Is the Annual Internal Audit Plan developed based on the internal audit strategic plan?	Yes ☐ No ☐

15.5.1. If the answer is NO, please state the reason:	
15.6 Is the annual internal audit plan approved by the public funds beneficiary manager?	Yes ☐ No ☐
15.6.1. If the answer is NO, please state the reason:	
15.7 Did the last amendment to the Rulebook on Joint Criteria for Organizing and Standards and Methodological Instruction for Acting and Reporting by the Internal Audit in the Public Sector ("Official Gazette of the RS", No. 99/2011, 106/2013 and 84/2023) expand the scope of auditees in your case?	Yes ☐ No ☐
15.7.1. If the answer is yes, how have these amendments affected your plans? (please mark all the correct answers) ☐ We have included an extended scope of beneficiaries in the strategic plan ☐ We have included an extended scope of beneficiaries in the annual plan ☐ None of the above	
15.8 Is the annual internal audit plan available to top management individually forwarded, published in the internal newsletter) or externally for the management of public fund beneficiaries under the jurisdiction (published on the organisation's Intranet pages, forwarded information by letter, e-mail and the similar.)?	Yes ☐ No ☐

16. EXECUTION OF THE ANNUAL INTERNAL AUDIT PROGRAMME (public fund beneficiaries enter data relating to plans/activities for their own organisation. In exceptional cases, where they are direct budget beneficiaries whose internal audit unit performs internal audit work for other public fund beneficiaries in their jurisdiction, summary data are entered covering plans/activities for the parent organisation and plans/activities for the organisation in which they perform audit work, in the jurisdiction)	
16.1 Total number of planned assurance services (audits) according to the annual programme for the reporting period (excluding "follow-up" audits):	
16.2 Total number of additionally planned ("on request") assurance services (audits) for the reporting period (excluding "follow-up" audits):	
16.3 Total number of completed assurance services (audits) for which final audit reports were prepared during the reporting period (excluding "follow-up" audits):	
16.4 Reasons for not completing the planned number of assurance services during the reporting period (please specify):	
16.5 Total number of counselling services performed for which reports were prepared during the reporting period:	
16.6 Are the audit reports and consulting service reports regularly sent to the manager of the public funds beneficiary?	Yes ☐ No ☐

16.7 Does the responsible person in the audited entity complete and decide on the recommendations follow-up plan which lists the accepted recommendations and actions to be taken, persons responsible and deadlines?	Yes ☐ No ☐
16.7.1. If the answer is NO, please state the reason:	
16.8 Does the internal audit unit/internal auditor keep records of the recommendations made in the audit reports along with data necessary for monitoring follow-up?	Yes ☐ No ☐
16.8.1. If the answer is NO, please state the reason:	
16.9 Number of assurance services conducted to monitor the implementation of recommendations (“follow-up” audits) during the reporting period:	
16.10 Number of follow-up audits in the reporting period:	

17. NUMBER OF RECOMMENDATIONS GIVEN AND NUMBER OF RECOMMENDATIONS IMPLEMENTED DURING THE REPORTING PERIOD (public fund beneficiaries enter data relating to plans/activities for their own organisation. In exceptional cases, where they are direct budget beneficiaries whose internal audit unit performs internal audit work for other public fund beneficiaries in their jurisdiction, summary data are entered covering plans/activities for the parent organisation and plans/activities for the organisation in which they perform audit work, in the jurisdiction)	
17.1 Total number of recommendations issued from all assurance services rendered (audits performed) during the reporting period.	
17.2 Number of accepted recommendations from all assurance services during the reporting period:	
17.3 Number of rejected recommendations from all assurance services during the reporting period:	
17.4 Number of accepted recommendations given during the reporting period that were implemented by 31 December 2024:	
17.5 Number of accepted recommendations from 2024 that had not been implemented by 31 December 2024, but for which the implementation deadline had not yet expired:	
17.6 Number of accepted recommendations from 2024 that had not been implemented by 31 December 2024, and for which the implementation deadline had expired:	
17.7 If there are accepted but unimplemented recommendations from 2024 for which the deadline has expired, please specify the reasons for non-implementation:	

18. IMPLEMENTATION OF RECOMMENDATIONS GIVEN DURING THE REPORTING PERIOD (public fund beneficiaries enter data relating to plans/activities for their own organisation. In exceptional cases, where they are direct budget beneficiaries whose internal audit unit performs internal audit work for other public fund beneficiaries in their jurisdiction, summary data are entered covering plans/activities for the parent
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organisation and plans/activities for the organisation in which they perform audit work, in the jurisdiction)	
18.1 Number of recommendations provided in the previous reporting period (in 2023) that were implemented in the reporting period (in 2024):	
18.2. If there are unimplemented recommendations from previous reporting periods in this reporting period for which the deadline for implementation has expired, please state the reasons for non-implementation:	

19. AUDIT COMMITTEE	
19.1 Has an audit committee been established as an advisory body on internal audit issues?	Yes ☐ No ☐
19.2 Is the audit committee composed of independent members, with appropriate professional qualifications?	Yes ☐ No ☐
19.3 Does the audit committee examine and advise on the preliminary opinion for the draft charter, strategic and annual internal audit plan before approving the plan?	Yes ☐ No ☐
19.4. Does the audit committee review and provide advice on the implementation of the annual internal audit plan?	Yes ☐ No ☐
19.5 Specify the duties of the audit committee:	

20. CONTINUOUS PROFESSIONAL DEVELOPMENT OF CERTIFIED INTERNAL AUDITORS	
20.1 Does the public funds beneficiaries' internal audit keep records on professional training of certified internal auditors in accordance with Article 10, paragraph 2 of the Rulebook on Professional Development of Internal Auditor in the Public Sector ("Official Gazette of the RS", No. 15/2019)?	Yes ☐ No ☐

21. ASSESSMENT OF THE QUALITY OF INTERNAL AUDITORS' WORK (to be completed by public fund beneficiaries who have an internal audit function)	
21.1 Has the head of internal audit established a programme for assessing the quality of the performance of the internal audit unit?	Yes ☐ No ☐
21.2 Does the head of internal audit carry out internal reviews (continuous reviews and periodic self-assessments) pursuant to Art. 19(2) of the Rulebook on Joint Criteria for Organizing and Standards and Methodological Instruction for Acting and Reporting by the Internal Audit in the Public Sector ("Official Gazette of the RS", No. 99/2011, 106/2013 and 84/2023)?	Yes ☐ No ☐
21.2.1. If the answer is NO, please state the reason:	
21.3 Was an external performance review carried out in the public fund beneficiaries in the last five years in accordance with Art. 19(3) of the Rulebook on Joint Criteria for Organizing and Standards and Methodological	Yes ☐ No ☐

Instruction for Acting and Reporting by the Internal Audit in the Public Sector (“Official Gazette of the RS”, No. 99/2011, 106/2013 and 84/2023)?	
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22. RECOMMENDATIONS FROM THE CONSOLIDATED ANNUAL REPORT FOR THE PREVIOUS YEAR³⁶

22.1 Are you acquainted with the content of the recommendations made to public funds beneficiaries in the Consolidated Annual Report for the 2023?	Yes ☐ No ☐
22.2 Are you implementing the recommendations provided in the internal audit field in the Consolidated Annual Report for the previous year that concern your organisation?	☐ Yes ☐ No ☐ Recommendations do not refer to our organisation
22.2.1. If the answer is NO, please state the reason:	

23. PROPOSALS FOR THE DEVELOPMENT OF INTERNAL AUDIT
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23.1 Briefly state which activities you planned or implemented for the development of internal audit in your organisation:
23.2 Your proposals for the development and improvement of internal audit (general):
23.3 NOTES:

24. INTERNAL AUDIT OPINION ON THE LEVEL OF FINANCIAL MANAGEMENT AND CONTROL DEVELOPMENT IN YOUR ORGANISATION (to be responded by the public fund beneficiaries for which assurance/internal audit services were provided during the reporting period)
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24.1 State the internal audit opinion on the level of financial management and control in the reporting period based on assurance services provided (enter up to three key findings):

³⁶ The text of the Consolidated Annual Report for 2023 is available on the following website: <https://mfin.gov.rs/o-ministarstvu/konsolidovani-godinji-izvetaj>

25. THE POSITION OF THE MANAGER OF THE USER OF PUBLIC FUNDS ON THE STATUS OF INTERNAL AUDIT IN YOUR ORGANISATION	
25.1 <i>The purpose of internal audit</i> is to assist the organisation in achieving its objectives by assessing and evaluating the organisation's risk management, controls and governance in a systematic and disciplined manner. With this in mind, please rate on a scale of 1 to 5 how satisfied you are with the contribution that internal audit makes to your organisation:	☐ 1 – Completely dissatisfied ☐ 2 – Partially dissatisfied ☐ 3 – Neither satisfied nor dissatisfied ☐ 4 – Partially satisfied ☐ 5 – Completely satisfied
25.1.1. Please elaborate the score:	
25.2 Does your organisation's internal audit unit have sufficient personnel capacity (number of internal auditors employed) to carry out the work of internal auditing?	Yes ☐ No ☐
25.2.1. If the answer is NO, please state the reason:	
25.3 Were there any additional appointments to the position of internal auditor in your organisation in 2024?	Yes ☐ No ☐
25.4 Are you planning to hire/transfer employees/engage additional external employees to perform internal audit activities?	Yes ☐ No ☐
25.4.1. If the answer is NO, please state the reason:	
25.5 Internal auditor training takes a lot of time and in most cases, the certificate of a certified internal auditor in the public sector of the RS is obtained while working at an internal auditor's workplace. Internal auditing can also be carried out by candidates for the title of certified internal auditor in the public sector. Possession of this certificate, which is listed as a mandatory requirement for filling the position of internal auditor, can be a limiting factor in the search for quality personnel. Have you listed passing the examination to obtain the title of certified internal auditor in the public sector as a required qualification for filling internal auditor position?	☐ Yes ☐ No ☐ For some YES, for Some NO
25.6 The existing status of internal auditors in terms of title and associated salary in relation to other positions in the organisation and in terms of the expertise, complexity of work and authority required:	☐ 1 – greatly underestimated ☐ 2 - slightly underestimated ☐ 3 - adequate

	☐ 4 - slightly overestimated ☐ 5 – greatly overestimated
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(signature of the head of the internal audit/internal auditor)	(signature of the manager of the public funds beneficiary and stamp)
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SPECIAL PART

1. OVERVIEW OF ASSURANCE SERVICES PERFORMED (AUDITS)³⁷									
List all audits performed in the reporting period along with the number of recommendations by type of recommendation and key recommendations for each audit.									
Audit number, date and name:									
Number of recommendations per recommendation type ³⁸ :									
1	2	3	4	5	6	7	8	9	Total
Recommendations: ³⁹									
Audit number, date and name:									
Number of recommendations per recommendation type									
1	2	3	4	5	6	7	8	9	Total
Recommendations:									
Audit number, date and name:									
Number of recommendations per recommendation type:									
1	2	3	4	5	6	7	8	9	Total
Recommendations:									

³⁷ Table 2 can be copy-pasted, as needed, to include all assurance services performed (audits).

³⁸ State number of recommendations per type of recommendation (area): **1- Internal rules and procedures; 2 – Planning; 3 – Income and revenues; 4 – Public procurements and contracts; 5 – Payroll; 6 – Payments and transfer of funds; 7 – Accounting and financial reporting; 8 – Information systems.**

³⁹ Recommendations from the audit summary report.

2. OVERVIEW OF ASSURANCE SERVICES PERFORMED (AUDITS) (the table can be copied)									
List all audits performed in the reporting period along with the number of recommendations by type of recommendation and key recommendations for each audit.									
Audit number, date and name:									
Number of recommendations per recommendation type:									
1	2	3	4	5	6	7	8	9	Total
Recommendations:									
Audit number, date and name:									
Number of recommendations per recommendation type:									
1	2	3	4	5	6	7	8	9	Total
Recommendations:									
Audit number, date and name:									
Number of recommendations per recommendation type:									
1	2	3	4	5	6	7	8	9	Total
Recommendations:									

3. OVERVIEW OF CONSULTING SERVICES PROVIDED⁴⁰

List all consulting services provided in the reporting period, with a brief description from the report on consulting services.

Number, date and title of the advisory service report:

Brief description from the advisory service report:

Number, date and title of the advisory service report:

Brief description from the advisory service report:

Number, date and title of the advisory service report:

Brief description from the advisory service report:

Number, date and title of the advisory service report:

Brief description from the advisory service report:

Number, date and title of the advisory service report:

Brief description from the advisory service report:

Number, date and title of the advisory service report:

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Number, date and title of the advisory service report:

Brief description from the advisory service report:

Number, date and title of the advisory service report:

Brief description from the advisory service report:

Number, date and title of the advisory service report:

Brief description from the advisory service report:

Number, date and title of the advisory service report:

Brief description from the advisory service report:

⁴⁰ New rows can be added to Table 4 according to the needed, i.e., number of consulting services performed.

4. OVERVIEW OF CONSULTING SERVICES PROVIDED (new table cells can be added if necessary)
List all consulting services provided in the reporting period, with a brief description from the report on consulting services.
Number, date and title of the advisory service report:
Brief description from the advisory service report:
Number, date and title of the advisory service report:
Brief description from the advisory service report:
Number, date and title of the advisory service report:
Brief description from the advisory service report:
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Number, date and title of the advisory service report:
Brief description from the advisory service report:
Number, date and title of the advisory service report:
Brief description from the advisory service report:
Number, date and title of the advisory service report:
Brief description from the advisory service report:

5. LIST OF INTERNAL AUDIT STAFF**(new table cells can be added if necessary)⁴¹**

No.	First name	Last name	Job title	Number of certificates of certified public sector internal auditors
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				

⁴¹ Add new rows to Table 5 according to needs, i.e., the number of internal audit employees.

Annex 4. Statement on Internal Controls

Name of public funds beneficiary

Annex 1a

Statement on Internal Controls for *year*⁴²

Pursuant to the Rulebook on joint criteria and standards for establishment, functioning and reporting on the financial management and control system in the public sector, and based on the performed self-assessment from the Internal Control Self-assessment Questionnaire which is a part of the Annual Report on the Financial Management and Control System for *year*, as well as internal audit report, report of the State Audit Institution, external audit report⁴³, for *year*, as well as other available information

I, First and last name, Title of Head of PFB

I declare that the internal control system is effective and efficient, and that the organisation is managed in accordance with the principles of legality, regularity and sound financial management.

place,
date

(signature of a head
of public funds beneficiary)

First and last name of a PFB Head
Title of Head of PFB

Name of public funds beneficiary

Annex 1b

⁴² Internal Control Statement form submitted in case of weaknesses identified in the internal control system.

⁴³ If the audits concern the reporting period.

Statement on Internal Controls for year⁴⁴

Pursuant to the Rulebook on joint criteria and standards for establishment, functioning and reporting on the financial management and control system in the public sector, and based on the performed self-assessment from the Internal Control Self-assessment Questionnaire which is a part of the Annual Report on the Financial Management and Control System for year, as well as internal audit report, report of the State Audit Institution, external audit report⁴⁵, for year, as well as other available information

I, *First and last name, Title of Head of PFB*

I declare that, despite the identified weaknesses, the internal control system is effective and efficient, and that the organisation is managed in accordance with the principles of legality, regularity and sound financial management.

Identified weaknesses in the internal control system are eliminated as quickly as possible.

place,
date

(signature of a head
of public funds beneficiary)

First and last name of a PFB Head
Title of Head of PFB

Name of public funds beneficiary

Annex 1c

⁴⁴ The internal control statement form, which is submitted when certain weaknesses have been identified in the internal control system that do not affect compliance with the principles of legality, regularity and sound financial management.

⁴⁵ If the audits concern the reporting period.

Statement on Internal Controls for year⁴⁶

Pursuant to the Rulebook on joint criteria and standards for establishment, functioning and reporting on the financial management and control system in the public sector, and based on the performed self-assessment from the Internal Control Self-assessment Questionnaire which is a part of the Annual Report on the Financial Management and Control System for year, as well as internal audit report, report of the State Audit Institution, external audit report⁴⁷, for year, as well as other available information

I, *First and last name, Title of Head of PFB*

I hereby state that there are weaknesses in the system of internal controls⁴⁸ that can negatively affect compliance with the principles of legality, regularity and sound financial management. Identified weaknesses in the internal control system are eliminated as quickly as possible.

place,
date

(signature of a head
of public funds beneficiary)

First and last name of a PFB Head
Title of Head of PFB

⁴⁶ The internal control statement form, which is submitted when certain weaknesses have been identified in the internal control system that might negatively affect compliance with the principles of legality, regularity and sound financial management.

⁴⁷ If the audits concern the reporting period.

⁴⁸ Scores from the Internal Control Self-Assessment Questionnaire that you are not satisfied with, weaknesses pointed out by audits or observed in the organisation itself, etc.

Annex 5. Recommendations from the EC Serbia Report 2024

The CHU regularly monitors the implementation of recommendations made by the EC in the frame of the process of accession in the context of Chapter 32 – Financial control. In this reporting period, Serbia is moderately prepared in the area of financial control.

The most important recommendation for PIFC for 2024 are the following:

Recommendation 1	Improve implementation results and ensure full consistency of the legal framework for internal control in the public sector (PIFC) with the general legal framework.
Status	Realised.
Follow-up	An analysis of the coherence between the PIFC regulations and other horizontal regulations has been conducted. The overall conclusion is that a high degree of coherence between these two groups of regulations has been established. It is emphasised that the COSO internal control framework, in all its components, has been unequivocally accepted and well incorporated into the legal system of the Republic of Serbia. Accordingly, the entire PIFC regulatory framework is considered adequate.
Recommendation 2	Establish an effective internal audit function in all central budgetary institutions (a repeated recommendation from the European Commission's Annual Progress Reports on Serbia for 2022 and 2023). Ensure that all institutions required to establish an internal audit unit do so, and provide a sufficient number of auditors.
Status	Implementation in progress.
Follow-up	Amendments to the BSL came into effect on 28 November 2024. The most significant changes, in terms of expected impact, concern the introduction of penalty provisions. These amendments aim to raise awareness among public sector management of the importance of the internal control system, ensure the independence of the IA function at the local government level, maintain continuity in the leadership of IA units, and accelerate the establishment of the IA function and regular reporting processes. At the central government level, the insufficient number of auditors in the ministries is particularly striking. The status of staffing at IA at the PFBs is regularly monitored through the IA reports, and CAR makes recommendations for the establishment and staffing of IA capacities at the PFBs. The data presented shows that the IA function is normatively established at 508 PFBs, representing an 12% increase in 2024 compared to the previous year. In addition, 435 PFBs have established the IA function, which is a 16% increase compared to 2023.
Recommendation 3	Improve capacity to implement internal control standards, including risk management, at central and local levels and incorporate elements of internal control into the administrative culture of the public sector (repeated recommendation from the 2022 AND 2023 EC Report).

Status	Implementation in progress.
Follow-up	Of the total number of PFBs that submitted reports, 77.63% stated that they were familiar with the content of the recommendations to further develop and improve the FMC system in the public sector made in the CAR for the past year. 49% report that they implement the given recommendations, 11% do not implement them, and 40% state that the recommendations do not apply to them. Year 2024: Data (%) on the establishment of the FMC system for priority PFBs: – FMC Manager – 76.22%; – Working Group – 74.12%; – Action Plan – 68.17%; – Documentation of business processes – 54.67%; – Documentation of some business processes – 16.84%; – Risk Management Strategy – 71.34%; – Risk Register – 58.27%. Growth compared to 2023 among those who regularly report: FMC Manager: +5.44%; Working Group: +5.13%; Action Plan: +8.43%; Risk Management Strategy: +8.75%; Risk Register: +9.86%. In line with amendments to IA standards, the preparation of regulatory and methodological materials is underway. Guidelines for the Establishment and Operation of Analytical Units have been prepared, with plans to pilot them in selected ministries in the upcoming period.
Recommendation 4	It is necessary to ensure in practise that the establishment of an irregularity reporting system for budget users is in line with the Guidelines for Management of Irregularities.
Status	Implementation in progress.
Follow-up	For detailed information, please refer to Section 2.1.8 Management of Irregularities
Recommendation 5	Address weaknesses in the management of performance and lines of accountability between independent bodies and their parent institutions, as part of existing efforts under the public administration reform framework (repeated recommendation from the 2022 AND 2023 EC Annual Progress Report).
Status	Implementation in progress.
Follow-up	In developing the roadmap for improving managerial accountability, it was proposed to address the key elements of this issue in this document and raise them to the level of WG within the Government. For detailed information, please refer to Section 3.2. Improvement of the Managerial Accountability Concept.
Recommendation 6	It is necessary to fully establish the analytical units in the ministries.
Status	Implementation in progress.
Follow-up	As part of the PFM RP for the period 2021-2025, the introduction of analytical units at national level was planned. Support for this initiative included the development of Guidelines for the Establishment, Job Descriptions and the Necessary Competences for Staff.

	Within the framework of the “EU PFM Facility” project, an Analysis of the strategic and regulatory framework for establishing analytical units has been prepared. This includes a review of existing analytical units, with conclusions and recommendations for improving the framework and facilitating the establishment of fully functional analytical units. A document titled Guidelines for the Establishment and Operation of Analytical Units has been prepared, and the piloting of analytical units in selected ministries is expected in the coming period.
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There are additional recommendations from the European Commission’s Annual Report that are more operational in nature, and the CHU is continuously working on their implementation.

Annex 6. Recommendations from the CAR on PIFC for 2023

The recommendations from the Consolidated Annual Report on PIFC relate to the FMC system and IA function and are regularly followed-up.

P. 1 It is necessary for the PFBs to continue to create and regularly update the AP for the continuous improvement of the FMC system. Specifically, this means that in addition to the self-assessment questionnaires that PFBs fill-in annually, they should identify, among other things, the segments of the FMC system that should be improved in the coming period based on the scores obtained.

Status Perennial recommendation. Partial progress.

The AP has been adopted by 68.17%, an improvement over 2023, when adoption was 65.11%. Adoption at the central level is 66.90%, and at the local level, 69.48%. All OMSI (100%) have adopted the AP. Ministries with administrative bodies in the composition performed noticeably better on this issue (73.47%) compared to BEORS (64.89%), where the percentage is lower due to changes in the categorisation of PEs previously described. Therefore, year-to-year comparisons in this category are not meaningful. The percentage of responses from DBBs (74.73%) and PUCs (73.15%) at the local level regarding the adoption of the AP has remained essentially unchanged.

P. 2 It is still necessary to pay attention to the issue of ensuring adequate potential of human resources and to continue to develop a sustainable policy of recruitment and retention and to improve the system of promotion, reward and professional development.

Status Perennial recommendation.

INDICATORS FOR MONITORING THE RECOMMENDATION 2	Increase / decrease in %	total % PFBs
The organisation has adequate number and structure of employees	+1.08	56.26
The PFB has ensured attraction and retention of the competent staff	+0.65	22.88
The system for promoting employees in the organisation is transparent and based on performance	-2.95	52.06
Appropriate motivation mechanisms have been introduced in the organisation	-0.56	53.04

The organisation has created conditions for the development of employees' competencies	-0.06	87.28
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P. 3 There is a need to continue to work continuously on improving risk management using the guidance and tools available on the CHU website. In this context, the PFBs should adopt a risk management strategy. For the ongoing risk management process, it is necessary to establish and regularly update a risk register and to develop and implement control measures that reduce risks to an acceptable level. This is particularly important given that this obligation is enshrined in the FMC system regulations.

Status Perennial recommendation. Progress.

INDICATORS FOR MONITORING THE RECOMMENDATION 3	Increase / decrease in %	total % for all PFBs
The PFB uses the Guidelines for Risk Management	+6.52	67.22
The Risk Management Strategy has been adopted.	+8.75	71.34
The Risk Register has been developed.	+9.86	58.27
Control activities are being selected and developed.	+1.74	50.21
The organisation has established policies and procedures for the business processes and day-to-day activities of employees that include the control activities	+1.92	74.34
In practise, control activities are performed in a timely manner in accordance with the procedures	+2.67	72.45

P. 4 It is necessary to improve the implementation of procedures that ensure the continuity of IT infrastructure operations, i.e., protection against data loss, etc.

Status Perennial recommendation. Partial progress.

INDICATORS FOR MONITORING THE RECOMMENDATION 4	Increase / decrease in %	total % for all PFBs
Procedures have been selected and developed to ensure the continuity of IT infrastructure operations and protection against data loss.	+3.13	67.40

P. 5 All PFBs should use the FMC Manual and the extensive methodological tools in FMC and managerial accountability prepared and published by the CHU.

Status Perennial recommendation. Progress.

INDICATORS FOR MONITORING THE RECOMMENDATION 5	Increase / decrease in %	total % for all PFBs
The PFB uses CHU manual for the establishment and development of the FMC system	+4.18	83.46
The PFB uses the Guidelines for Management of Irregularities	+9.24	52.66
The PFB uses the Guidelines for Risk Management	+6.52	67.22
The PFB uses the Guidelines for Managerial Accountability	+5.09	39.97
The PFB uses the Guidelines for Delegation System	+12.86	24.72
The PFB uses FMC Guidelines for Small Public Funds Beneficiary	+6.50	44.69
The PFB uses the Guidelines for Performance	NP	12.81

P. 6 In addition, it is necessary that the PFBs refer their heads and employees to the video trainings prepared by the CHU, which can be found on the NAPA platform.

Status Continuous. Progress.

For further details please refer to [3.3. Training sessions](#)

P. 7 It is necessary to improve:
(a) the way in which organisations deal with the remediation of identified deficiencies in the system of internal controls;
b) the way in which information on non-conforming behaviour (suspected irregularities, complaints, etc.) is recorded; and

Status Perennial recommendation. Partial progress.

Although there has been significant growth in certain indicators, the situation is still not satisfactory.

INDICATORS FOR MONITORING THE RECOMMENDATION 7	increase/ decrease in %	total % for all PFBs
Information about identified deficiencies or weaknesses in the FMC system is promptly provided to management.	+4.75	60.28
Information about identified deficiencies or weaknesses in the FMC system is delivered to those responsible and competent for addressing them.	-1.02	45.67
Identified deficiencies in the FMC system (errors, omissions, inconsistencies, limitations, etc.) are analysed and root causes are determined.	+3.60	42.20
The organisation's response (appropriate actions) aimed at addressing deficiencies or weaknesses in the FMC system is determined in a timely manner.	-1.87	41.60
Actions to eliminate identified deficiencies or weaknesses in the FMC system, regardless of the implementation of internal or external audit recommendations, are carried out promptly.	+5.20	46.49
The implementation of actions to eliminate deficiencies/weaknesses is monitored	+3.68	54.07
In the event that adequate actions to eliminate deficiencies/weaknesses are not implemented in a timely manner, the top management is informed about this	+2.32	44.47
There is a centralised recording of information about behaviour that is not in accordance with the standards, including suspicions of irregularities, complaints, etc.	+4.59	44.04
The analysis/assessment of information on non-standard is being conducted by persons who are independent in relation to the persons whose conduct is the subject of the report	+2.69	46.49
The employees can give their proposals for the improvement of the FMC system	+5.38	75.54

P. 8 An overview of the results achieved by the main organisations that received the recommendation in the CAR in 2023 to start regular reporting and the development of the FMC system, as well as the following documents: Business Process Maps, Risk Management Strategy and Risk Register.

Status Partially implemented recommendation.

Monitoring the implementation of the recommendations from the previous CAR and the Government's conclusion:

PFBs	Reports submitting	Risk Management Strategy	Risk register	Business Process Maps
ministries				
Ministry of Education				✓
Ministries Science, Technological Development and Innovations		✓	✓	✓
Ministry of the Foreign Affairs		✗	✗	
Ministry of Internal and Foreign Trade		✓	✓	
Ministry of Family Welfare and Demography		✓	✗	✗
Ministry of Human and Minority Rights and Social Dialogue		✗	✗	
Ministry of Culture		✓		
Ministry for Public Investment		✗	✗	
Ministry of Agriculture, Forestry and Water Management		✓	✗	
Towns				
Smederevo			✓	
Kraljevo			✓	
Zaječar				✓
Loznica				✗
Novi Pazar		✓	✓	✓
Leskovac				✓
Valjevo			✗	✓
PEs				
” Mreža Most”			✓	✓
“Državna lutrija Srbije”, d.o.o.		✗	✗	✓
“Metohija”, d.o.o.				✗
D.o.o. Tvrđava Golubački grad Golubac.			✓	✓
“Srbijavoz” a.d.		✓	✓	
a.d. “Elektroprivreda Srbije”			✗	
“Stara Planina”			✗	
PE “Resavica“			✗	
“National Park Kopaonik”	✓	✓	✗	✗
Nature park “Mokra Gora” d.o.o.	✗			
Water Management Company “Sava”	✓			
Water Management Company “Šajkaška” d.o.o.	✓			
Water Management Company “Erozija”	✗			
“Sibnica” d.o.o.		✓	✓	✓
“Tamiš dunav” d.o.o.		✗		

*Empty fields in the table indicate that the institutions did not have any recommendations on these three documents in 2023

** The symbol ✓ indicates that the document was created/adopted in this organisation

*** The symbol ✗ indicates that the document was not created/adopted in this organisation

P. 9. PFBs should in accordance with the obligations under Article 3 to Article 6 of the IA Rulebook establish the IA function, to harmonise the systematisation, job descriptions and number of staff members for the internal auditor posts and to fill the internal auditor posts. Priority institutions from among individual ministries and cities/towns are listed, which should fulfil this obligation as quickly as possible.

Status Perennial recommendation. Partial progress.

Based on the data on PFBs at central level, we can see that there has been a 7% increase in the number of normatively established IA functions, a 16% increase in the number of functionally established IA functions, and a 19% increase in the number of systematised IA positions, but also a 4% increase in the number of filled positions for IA in 2024 compared to 2023.

According to the data presented, in the PFBs at the local self-government level, in 2024, compared to 2023, there is an increase of 9% in the number of IA functions established normatively and 23% in the number of IA functions established functionally, an increase of 16% in the number of systematised posts and 14% in the number of internal auditor posts filled. For further details on the follow-up and implementation of this recommendation, please refer to [Annex 2.2 - Internal Audit](#)

P. 10. Due to the decrease in the number of internal auditors in the established internal audit units and the disproportion between the number of systematised internal auditor positions and the number of internal auditors, it is necessary for the PFBs to immediately initiate the process of reallocating existing staff and recruiting new staff for internal audit tasks. For vacant internal auditor positions, it is not necessary to require passing the CIAPS as a prerequisite, as the exam is taken during employment in the position.

Status Perennial recommendation. No progress observed.

For further details please refer to [2.2.9. Status of internal auditing from the perspective of the public funds beneficiaries](#)

P. 11. Considering the large percentage of unimplemented recommendations in all categories of PFBs except OMSI, it is necessary to include audits in the annual work plans of the internal audit for subsequent verification of the implementation of the given recommendations ("follow up" audits).

Status Perennial recommendation. Partial progress.

For detailed information, please refer to [2.2.5 Status of Internal Audit Recommendations](#)

P. 12. Heads of internal audit units, which are functional, should adopt a quality assurance and improvement programme and conduct an internal IA performance review in accordance with the recommended existing internal performance review model for internal audit units.

Status Perennial recommendation. Partial progress.

Follow-up is carried out continuously through the annual reporting process.

For detailed information, please refer to Section [2.2.7 Internal Audit Activity Performance Review](#)