

BUDGET SYSTEM LAW

(„Official Gazette of RS”, no. 54/2009, 73/2010, 101/2010, 101/2011, 93/2012, 62/2013, 63/2013 – corr., 108/2013, 142/2014, 68/2015 – other laws, 103/2015, 99/2016, 113/2017 and 95/2018)

.....
(part of the law omitted)

Definitions

Article 2*)

The following terms used in this Law shall have the following meaning:

.....
(part of the law omitted)

51a) Managerial accountability is the accountability of all levels managers with the public fund beneficiaries to carry out all tasks in a legal manner, observing the principles of economy, effectiveness, efficiency and transparency, as well as to be accountable for their decisions, actions and results to those who have appointed them or ‘transferred’ accountability to them;

51b) Public internal financial control shall mean a comprehensive system of measures for the management and control of public revenues, expenditures, assets and liabilities, established by the Government through public sector organizations for the purpose of management and control of public funds, including foreign funds, in line with the regulations, budget, and the principles of sound financial management, namely economy, effectiveness, efficiency and transparency;

51c) Financial management and control shall mean a system of policies, procedures and activities established, maintained and regularly updated by the head of an organization that, by way of risk management, provides reasonable assurance of the achievement of organization objectives in an orderly, economical, efficient and effective manner;

51d) Internal audit shall mean an activity that provides independent objective assurance and advisory activity with a view to contribute to the improvement of the organization's operation; that provides assistance in the accomplishment of the organization's objectives by assessing and evaluating risk management, review and organization management in a systematic and organized manner.

51e) Irregularity shall mean any breach of any provision foreseen in established rules or contracts, which may arise as a consequence of an action or a failure on the part of the persons employed at the public fund beneficiaries, contractors, end users and final beneficiaries, and which, as a

consequence, has or may have, an adverse effect on the achievement of goals of the public fund beneficiary and/or incur unjustified costs;

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(part of the law omitted)

VI. PUBLIC INTERNAL FINANCIAL CONTROL

Article 80

Public internal financial control shall include:

- 1) Financial management and control in public fund beneficiaries;
- 2) Internal audit in public fund beneficiaries;
- 3) Harmonization and coordination of financial management and control and internal audit performed by the Ministry of Finance – Central Harmonization Unit.

Financial management and control

Article 81

Public fund beneficiaries shall establish financial management and control, implemented through policies, procedures and activities, in order to provide reasonable assurance that their objectives will be achieved by:

- 1) Operation in conformity with regulations, internal acts and contracts;
- 2) Reality and integrity of financial and business reports;
- 3) Economical, efficient, and effective usage of funds;
- 4) Safeguarding of assets and data (information).

Financial management and control shall include the following elements:

- 1) Control environment;
- 2) Risk management;
- 3) Control;
- 4) Information and communication;
- 5) System monitoring and evaluation.

Financial management and control shall be organized as a system of procedures and responsibilities of all persons in an organisation.

Establishing, maintenance and regular updating of the financial management and control system shall be the responsibility of the head of public fund beneficiary. The head of public fund beneficiary may transfer the authority for the establishment, maintenance and regular updating of the financial management and control system to a person authorised by him/her.

The manager referred to in paragraph 4 hereof shall, in a prescribed manner, report to the Minister on the adequacy and functioning of the established financial management and control system, no later than 31 March of the current year for the previous year.

The Minister shall determine common criteria and standards for the establishment, functioning and reporting on the financial management and control system in the public sector.

Internal audit

Article 82

Public fund beneficiaries shall establish internal audit.

Head of public fund beneficiary shall be responsible for establishing and providing conditions for the adequate functioning of internal audit.

Internal audit shall be organisationally independent from the activity subject to audit, shall not be a part of any business process or an organisational part, and shall be directly accountable for its work to the head of public fund beneficiary.

Functional independence of internal audit shall be ensured by making independent decisions on: the audit area based on risk assessment, method of conducting and reporting on the audit conducted.

Based on objective evaluation of evidence, internal audit shall provide assurance on the appropriateness and functioning of the existing processes in the area of risk management, control and organisation management and whether these processes function as intended and facilitate the achievement of organisational goals.

Internal audit shall provide consultancy services which include providing advice, guidance, assistance or other services with a view to achieving added value and improving the process of organisational management, risk management and control.

Internal audit shall be performed by internal auditors.

In executing their function, internal auditors shall apply international internal audit standards, internal audit code of ethics and the principles of objectivity, competency and integrity.

Internal auditors shall maintain the confidentiality of official and business data.

The manager referred to in paragraph 1 hereof shall, in a prescribed manner, report to the Minister on the functioning of internal audit, no later than 31 March of the current year for the previous year.

The Minister shall prescribe common criteria for organizing and standards, as well as methodological guidance for the operation and reporting of internal audit and regulate in more detail the activities of internal audit in the public sector.

Harmonisation

Article 83

Harmonization of financial management and control and internal audit shall be performed by the Ministry – Central Harmonisation Unit.

Central Harmonisation Unit shall perform the following:

- 1) Central harmonisation and coordination, monitoring the implementation and reviewing the quality of financial management and control and internal audit in the public sector;
- 2) Definition of common criteria and standards for the establishment, functioning and reporting on the financial management and control system;
- 3) Definition of common criteria for the organisation and operations of internal audit in the public sector;
- 4) Keeping the registry of internal auditors in the public sector and internal audit charters;
- 5) Professional training, certification and supervision of the work of internal auditors;
- 6) Training of public sector managers and employees in the field of financial management and control, line with internationally acknowledged standards;
- 7) Consolidation of annual reports referred to in Article 81 paragraph 5 and Article 82 paragraph 10 hereof on the status of financial management and control and internal audit.

The Minister shall deliver to the Government the consolidated annual report referred to in paragraph 2 item 7) hereof.

Persons responsible for the execution of Central Harmonisation Unit tasks shall maintain the confidentiality of official and business data.

The Minister shall prescribe the program for professional education, as well as the certification conditions and procedure, and/or taking exams for acquiring the title of certified internal auditor for the public sector, professional training, development and provide guidance and instructions for the performance of activities referred to in paragraph 2 hereof.