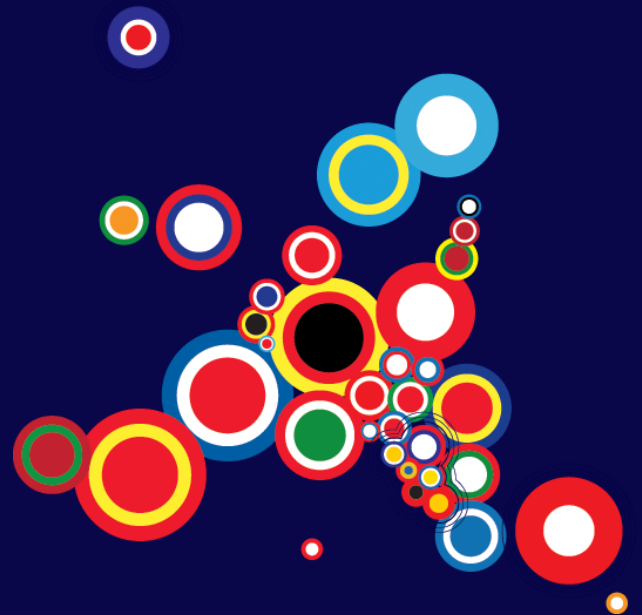




## INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA II) 2014-2020

### BOSNIA AND HERZEGOVINA

#### Improving Public Internal Financial Control (PIFC)



#### **Action summary**

The present Action is to be seen as a continuation of the reforms in Public Financial Management carried out to date. Accordingly, the Action will build on the achievements of the previous supports provided by the EU to strengthening Public Financial Management in BiH and in particular the Public Internal Financial Control (PIFC) framework and institutions at all levels of Bosnia and Herzegovina.

The Action will provide additional support to accountability and good governance in public finance and support enhancing financial management and control in day-to-day operations at all levels of BiH.

<b>Action Identification</b>	
<b>Action Programme Title</b>	Country Action Programme on Bosnia and Herzegovina 2015
<b>Action Title</b>	Improving Public Internal Financial Control (PIFC)
<b>Action ID</b>	IPA 2015/037-888.1/Bosnia and Herzegovina/Public Financial Management
<b>Sector Information</b>	
<b>IPA II Sector</b>	Democracy and governance
<b>DAC Sector</b>	15111 Public Finance Management
<b>Budget</b>	
<b>Total cost</b>	2 000 000 EUR
<b>EU contribution</b>	2 000 000 EUR
<b>Management and Implementation</b>	
<b>Method of implementation</b>	Direct
	EU Delegation to Bosnia and Herzegovina
<b>Location</b>	
<b>Zone benefiting from the action</b>	Bosnia and Herzegovina
<b>Specific implementation area(s)</b>	N/A
<b>Timeline</b>	
<b>Deadline for conclusion of the Financing Agreement</b>	31 December 2016
<b>Contracting deadline</b>	3 years following the date of conclusion of the Financing Agreement, with the exception of the cases listed under Article 189(2) Financial Regulation
<b>End of operational implementation period</b>	6 years following the date of conclusion of the Financing Agreement.

## 1. RATIONALE

The public financial management (PFM) system in Bosnia and Herzegovina (BiH) reflects the provisions of the country's Constitution that was drawn up as part of the internationally agreed 1995 Dayton Peace Agreement. The institutions at the central government level are governed by the BiH Council of Ministers; each of the two Entities has its own government and extra-budgetary funds. The main fiscal competencies in Bosnia and Herzegovina lie with the Entities. The FBiH Cantons, with their own respective executive, legislative, and judicial branches have a large fiscal autonomy (Annex 2). The decentralised and highly complex political and institutional structure of BiH complicates decision-making, which remains fragmented and reflects the division of competencies between different institutions at State, Entity and District levels.

Over the years and despite the absence of an overarching PFM reform strategy, some isolated improvements were made at all of the levels. The budget process has been reformed in 2006 with the introduction of mid-term expenditure frameworks (MTEF) to replace the previous one-year planning approach. The introduction of the Fiscal Council<sup>1</sup> in 2008 set a policy coordination mechanism to channel the authority for fiscal policy and balance the individual administrative units' objectives and contribute to the overall macroeconomic stability in BiH.

As for financial management and control (FMC), a Treasury single system and related computerisation (Oracle platform) was introduced in BiH in 2002. The Treasury single system has been progressively introduced in FBiH cantons and in local treasuries in the RS. It serves to perform records on-line and ultimately generate reconciled fiscal data and reports.

### PROBLEM AND STAKEHOLDER ANALYSIS

In accordance with Article 90 of the Stabilisation and Accession Agreement<sup>2</sup> (SAA) signed in 2008 and entered into force on 1 June 2015, Bosnia and Herzegovina (BiH) has committed to cooperate with the EU in the field of audit and financial control by establishing:

- Financial management and control systems (FMC);
- Functionally independent internal audit (IA);
- Establishing and strengthening Central Harmonisation Units (CHU) for FMC and IA;
- Independent external audit systems, Supreme Audit Institutions (SAI).

In the time between SAA signature and entry into force, BiH made some progress under this article. The CHUs were established, the SAIs were already functional, the legal framework for internal audit was largely completed, while the framework for FMC is still pending. At the level of the Institutions of BiH, the Law on Financing BiH Institutions has been modified to include provisions regarding PIFC responsibilities, coordination of FMC and internal audit (See Annex 1). In the Federation of BiH, the legal framework for PIFC includes Internal Audit Law and FMC Law (in parliamentary procedure), separately from the Law on Budgets. Republika Srpska has a Budget System Law and Internal Audit Law adopted (regarding the PIFC) and FMC Law in preparation.

The development of PIFC actually started in 2008. Three Central Harmonising Units (CHUs) and a Coordination Board of the three CHUs have been established (See Annex 2). In 2010 the State institutions and the entity governments adopted their respective PIFC policy papers. In RS, a "Strategy for establishing and developing PIFC" adopted in 2010 is still in force. A PIFC strategy was adopted by the Brcko District government for the first time at the end of 2014, while a new FBiH PIFC Strategy 2015-2018. was adopted by the FBiH Government in August 2015.

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<sup>1</sup> Fiscal Council composition: Three Prime Ministers+ Three Ministers of Finance + •Governor of the Central Bank (non-voting member)+ Representative of Brcko District (non-voting member). Fiscal Council Advisory Group: Secretary to the Council of Ministers + Experts from the Ministries of Finance and the District of Brcko

<sup>2</sup> SAA - ARTICLE 90 - Audit and Financial Control Cooperation: Cooperation between the Parties shall focus on priority areas related to the Community acquis in the field of public internal financial control (PIFC) and external audit. The Parties shall, in particular, cooperate – through elaborating and adopting relevant regulation – with the aim of developing PIFC, including financial management and control and functionally independent internal audit, and independent external audit systems in Bosnia and Herzegovina, in accordance with internationally accepted control and audit standards and methodologies and EU best practices. Cooperation shall also focus on capacity building and training for the institutions with the purpose of developing PIFC as well as external audit (Supreme Audit Institutions) in Bosnia and Herzegovina, which also includes the establishment and strengthening of central harmonisation units for financial management and control and for internal audit systems.

A Coordination Board of the three Central Harmonisation Units is a requirement from the laws on internal audit for the Institutions of BiH and the FBiH. The main function of the CHU Coordination Board is to coordinate the legal framework and training programmes in relation to FMC and internal audit to ensure a harmonised approach towards PIFC development at all administrative levels in BiH.

This Board was established between the three CHUs' heads and was meeting on a monthly basis and agreed some key principles and underlying PIFC documents. It ceased its regular meetings in November 2011 and has not formally reconvened since. However, the CHU Directors cooperate well on technical issues and a new way of formalising their coordination would need to be proposed.

A model for independent Internal Audit (IA) structures in the respective institutions has been prepared, as well as rulebooks on criteria for the establishment of the Internal Audit Units and criteria for employing the internal auditors. The procedural framework has advanced as evidenced by the development of Audit Charters and Code of Ethics and audit manuals.

In late 2014, EC DG Budget made an assessment of the PIFC monitoring and evaluation in BiH, concluding that none of the four levels have adopted an up to date PIFC Policy/Strategy Paper to guide PIFC implementation. In the report, DG Budget also noted that the perception of internal control was almost exclusively related to financial transaction control (legality and regularity): FMC focuses only on control of the budget as its target and does not extend to the overall sound financial management. As a matter of fact, currently there are no processes or procedures aiming to ensure efficiency and effectiveness of public expenditure. Moreover, managerial accountability does not appear to be accepted or applied across the administration: DG Budget noted the lack of managerial accountability throughout the budget, affecting the proper functioning of internal audit.<sup>3</sup>

In all three governments, respective Ministries of Finance are the competent authorities responsible for the development and implementation of PIFC policies, or for the establishment and implementation of the internal audit function and FMC system in budget organisations. CHUs are responsible for co-ordinating between all institutions in connection with the implementation of PIFC action plans and for monitoring their implementation. The legal framework for budget varies considerably between different levels of government. This, among other things, means that each of the three levels of government currently has a different budget calendar and a different way of preparing the budget, accounting and reporting, as well as different chart of accounts. The state budget is funded exclusively from the share of indirect tax revenues. The Budget Department in the Ministry of Finance and Treasury is fully responsible for budget preparation. There is also a Donor Coordination Forum organised by the Ministry of Finance and Treasury of BiH.

The needs identified at all levels of the BiH structure encompass the following points to focus on within the present Action:

- Complete the legislative framework for FMC/PIFC across the whole of BiH (and better aligning it with EU standards), as well as standards, procedures and systems and their implementation and monitoring of implementation;
- Support the establishment of the CHU in the Brcko District and support the strengthening of human resources in the existing CHUs taking into consideration gender equality objectives;
- Update PIFC policy papers and/or their accompanying action plans where needed;
- Enhance awareness raising and communication on PIFC in the entire public sector. This may be linked to fighting corruption and will help to optimise the distribution of responsibilities, delegation of authorities and accountability within public organisations;
- Develop trainings in BiH institutions on mapping of business processes and development of risk register of BiH institutions, involving monitoring and reporting of implementation of IA procedures;
- Develop, at all levels of the governments, the capacities of managers, operational staff and internal auditors to implement the PFM systems and procedures compliant with EU requirements on a day-to-day basis. Capacity building measures shall enhance the skills of the current staff (advanced levels of knowledge), anticipate and address the needs of future staff and include operational and hands-on support notably within pilot audits<sup>4</sup> ensuring gender balance whenever possible;

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<sup>3</sup> Report of the Budget fact-finding mission to BiH (September – October 2014) DG Budget – Public Internal Financial Control and External Audit - PIFC Policy, Strategy and Legislative Framework

<sup>4</sup> *This has already been initiated within the project Strengthening Public Financial Management in Bosnia and Herzegovina*

- Further develop training programmes for internal auditors, certification schemes and their continued education for the whole of the public sector respecting gender equality objectives;
- Provide the respective bodies in charge of PIFC at all levels of BiH with access to IT solutions, tools and relevant equipment, notably for development of annual reports in the sphere of IA and FMC;
- Support the development of FMC in public enterprises starting from upgrading the legal frame (bylaws and other enactments) up to developing and implementing ad-hoc methodologies for them;
- Strengthen capacities to audit EU funds, protect EU financial interests and fight fraud involving EU funds.

#### **RELEVANCE WITH THE IPA II STRATEGY PAPER AND OTHER KEY REFERENCES**

The **Indicative Strategy Paper for BiH (ISP)** recalls that governance and public administration reform are key priorities of the Enlargement Strategy.

The focus of IPA II assistance will be on the implementation of principles of good governance and improving the public sector management, in particular to strengthen economic management, public financial management, public service delivery and administration reform, as well as combat corruption.

The Indicative Strategy Paper presents as expected results of the IPA II support “*improved capacities for public financial management, including more efficient revenue administration and collection, budget preparation and execution, public debt management, public procurement, public internal financial control and external audit. Systematic follow-ups to external audits, prepared by independent audit institutions*”.

The **Progress Report 2014** notices that there has been little progress in the area of financial control and preparations are at an early stage and have yet to be started in the area of the protection of the EU’s financial interests. Hence, significant further efforts are needed to implement PIFC at all levels.

The EU requirements regarding PIFC are set out in the negotiation Chapter 32 Financial Control, i.e.:

- Adoption of internationally agreed and EU compliant principles, standards and methods of public internal financial control;
- Application of internal control systems over the entire public sector, including for the spending of EU funds, protection of EU financial interests and fight against fraud involving EU funds;
- Existence of effective and transparent financial management and control systems (including adequate ex-ante, ongoing and ex-post financial control or inspection);
- Functionally independent internal audit systems and relevant organisational structures (including central co-ordination through CHU);
- An operationally and financially independent external audit organisation to assess, amongst others, the quality of the PIFC systems.

In line with **Article 111 of the SAA**<sup>5</sup>, the Action has a major institution building component which is intended to optimise the main features and aspects related to the development of the public service (legal, institutional and administrative structures) and financial control for ultimately complying with the membership criteria. The Action shall contribute to addressing political and economic criteria.

**According to SIGMA 2014 Report**, the following relevant priority targets are proposed for Bosnia and Herzegovina for 2020:

1. A robust annual budget system that is based on a medium-term budgetary strategy and includes all sectors, in conformity with EU standards; a public internal financial control system (PIFC) for the entire public sector, in compliance with EU principles, standards and methods; effective parliamentary oversight, supported by an operationally and financially independent Supreme Audit Institution (SAI).
2. The public procurement system, including public-private partnerships (PPPs)/concessions, is in place and fully operational, in accordance with EU rules and good international practice. Public

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<sup>5</sup> SAA – ART. 111 - Public Administration Reform: Cooperation will aim to further the development of an efficient and accountable public administration in Bosnia and Herzegovina, building on the reform efforts undertaken to date in this area. Cooperation in this area shall focus mainly on institution building, in line with European Partnership requirements, and will include aspects such as the development and implementation of transparent and impartial recruitment procedures, human resources management and career development for the public service, continued training, the promotion of ethics within the public administration and the strengthening of the policy making process. Reforms will take due account of fiscal sustainability objectives, including aspects of fiscal architecture. Cooperation shall cover all levels of public administration in Bosnia and Herzegovina.

procurement operations provide value for money, are sustainable under budgetary limitations and projections, and stimulate economic growth. Contracting authorities, economic operators and civil society have confidence in the fairness and integrity of the system. Corruption and fraud have been significantly reduced.

These priorities still remain valid.

### **Principles of Public Administration**

A high-level conference held in Brussels on 12 November 2014 introduced the European Commission's reinforced approach to public administration reform in the Enlargement process and launched the Principles of Public Administration developed jointly by the EC and OECD/SIGMA.

The Principles were well received and welcomed by the Western Balkans countries and Turkey as a good framework for structuring a dialogue on public administration reform with the European Commission, but also for guiding, prioritising and monitoring the national reform process. The countries also committed to work with SIGMA in conducting country reviews which will set baseline values for indicators included in the monitoring framework. Country reviews will be submitted to the European Commission as an input for the annual Progress Report and will be available in autumn 2015.

### **SIGMA 2015 Baseline Measurement for BiH**

The Baseline Measurement was conducted to gather information on the 2014 situation in the countries of the region, using the same methodology. For the area of Public Financial Management in BiH, the indicator 'Extent to which the operational framework for FMC is complete, in place and applied' was marked with 1, and the indicator 'Extent to which the operational framework for internal audit is designed and in place' with a 3. The aim of this Action will be to help improve these values and reach the highest possible assessment after the Action is implemented.

### **SECTOR APPROACH ASSESSMENT**

Commissioned by DG Enlargement, a study called 'Mapping Sector Strategies' was carried out in February 2014. The PAR sector achieved the highest score out of the 6 sectors assessed in BiH. The score was 47.97 out of 56. The PAR sector with PARCO as coordinating institution was considered ready for sector approach with some improvements.

The PAR as a sector, the 2006 PAR Strategy and the 2012 Revised Action Plan 1 contain public finances as a separate heading. PIFC actions were planned under this heading a long time ago as when the Strategy was first drafted. However, with the increased emphasis on PFM under the new enlargement strategy, and with the growing importance of PFM for national governments in times of fiscal crises, an up-to-date, timed and costed PFM reform plan becomes indispensable. Such a plan should be part of the overall Strategic Framework for PAR until 2020.

PIFC as a subset of PFM is embedded in separate strategy papers and action plans that the CHUs are in charge of implementing.

### **LESSONS LEARNED AND LINK TO PREVIOUS FINANCIAL ASSISTANCE**

The EU has supported the development of PIFC in BiH through two projects: "Support to the introduction of Public Internal Financial Control in Bosnia and Herzegovina" (2010 to 2012) and "Strengthening Public Financial Management in Bosnia and Herzegovina (2012 - 2015)".

A Result-Oriented Monitoring (ROM) mission covered the first project "Support to the introduction of PIFC in BiH (2010 to May 2012)". In the ROM report two risks identified in the earliest stages of the project as having a high likelihood of materialisation: "(1) the ability of the administrations to recruit and retain skilled staff, and (2) the lack of cooperation between the three governments, with the Coordination Board not perceived as an authority" are still relevant. The ROM report also mentioned that "As for cooperation between the three governments, the issue is related to the different legal bases for the establishment of the Coordination Board. The retention of staff is directly linked to the fact that the internal auditors do not have very competitive salaries."

Both previous projects confirmed that the key success element was the participative and consultative approach they took towards addressing individual and specific needs of each of the different administrative

levels in BiH that are at different stages of development of their legal frameworks and capacities. Such approach will be taken in the design of particular activities, with regards to e.g. number of trainees to come from each of the administrative levels, their prior knowledge on the subject, trainings attended and similar. Training materials used under the previous Actions should be used as much as possible and be built upon in order to maintain the continuity in the approach.

Other donors have also provided support such as:

- Technical assistance to all Ministries of Finance to implement a comprehensive, integrated medium-term budget planning and preparation framework: project Strengthening Public Expenditure Management (SPEM) (2005-2011) funded by the UK Department for International Development (DFID);
- Strengthening capacities for strategic planning and policy development to improve linkages between planning and budgeting, developing three-year strategic plans with indicators, deadlines and related budgets: technical assistance to 13 ministries at the state and entity level within the project "Strengthening National Capacities for Strategic Planning and Policy Development (SPPD)" (2009-2011) funded by the United Nations Development Programme (UNDP);
- Support establishing internal audit in public enterprises and support to and SAIs: project "Partnership for Advancing Reforms in the Economy" (PARE) (2008-2013) funded by the United States Agency for International Development (USAID).

## 2. INTERVENTION LOGIC

### LOGICAL FRAMEWORK MATRIX

OVERALL OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS (*)	SOURCES OF VERIFICATION	
To contribute to the reform of the public financial management by enhancing capacities to implement public financial management and control at all levels of BiH structure.	Progress made towards meeting accession criteria in the area of public financial management	ELARG – Progress report Regular reviews by the other international organisations relevant in the area of public finance-most notably the -International Monetary Fund and World Bank, including PEFA assessment.	
SPECIFIC OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS (*)	SOURCES OF VERIFICATION	ASSUMPTIONS
To improve accountability and good governance in public finance and to enhance financial management and control in day-to-day operations at all levels of BiH.	Progress made towards comprehensiveness of information included in Budget Documentation Progress made towards effectiveness of Internal Audit	Consolidated reports on FMC and Internal audit PEFA Assessment	
RESULTS	OBJECTIVELY VERIFIABLE INDICATORS (*)	SOURCES OF VERIFICATION	ASSUMPTIONS
<b>Result 1:</b> Legal framework, internal control standards, manuals and written procedures for the development, implementation and monitoring of internal control tools and measures further enhanced in line with EU standards and practices all over BiH structure	Amendments to existing laws and regulations adopted EC positive opinion on proposed regulations and their implementation Number of further improved FMC and Internal Audit manuals and procedures in line with EU standards and practices	Regulatory Impact Assessments Primary and secondary legislation National official publications <i>Official Gazette</i> Annual reports of MoFs on state and entity level	All stakeholders actively involved in a coordinated approach to key legislation and harmonisation of institutional settings and procedures
<b>Result 2:</b> CHUs and Coordination Board fully operational, awareness on financial management controls optimised and IA capacity for performing external quality control enhanced	Number of Capacity building activities of the CHUs and Coordination Body Number of Awareness raising activities	CHUs consolidated reports Training reports Media reports	
<b>Result 3:</b> Capacities to implement the PIFC enhanced all over the BiH structure	Number of staff trained in FMC and IA Strategic and annual internal audit plans prepared and implemented Number of pilot audits implemented	Training lists Training reports including gender disaggregated data Study visit reports; Training material and regular meeting programmes Participating records and training evaluation records;	



<p><b>Result 4:</b> The process of reporting and the preparation of the Annual consolidated report on IA and in the sphere of FMC updated and improved</p>	<p>Software on reporting and preparation of the Annual consolidated report on IA and in sphere of FMC fully developed and in use Number of staff trained for usage of software solutions</p>	<p>Trainee satisfactory survey Press articles NGO reports Activity Reports including gender disaggregated data</p>	<p>Communication strategies adopted Communication strategies allocated means and resources for their implementation IT solution is technically feasible</p>
ACTIVITIES	MEANS	OVERALL COST	ASSUMPTIONS
<p><b>Activities to achieve Result 1:</b> 1.1 Upgrade the legal framework and policies 1.2 Enhance the implementation and monitoring of the implementation of legal framework and policies <b>Activities to achieve Result 2:</b> 2.1 Capacity building of the CHUs and Coordination Body 2.2. Awareness raising activities <b>Activities to achieve Result 3:</b> 3.1. Develop and deliver trainings on FMC and IA 3.2. Perform pilot audits <b>Activities to achieve Result 4:</b> 4.1. Design IT solutions for updating and improving the process of reporting and the preparation of the Annual consolidated report on IA and in the sphere of FMC 4.2. Implementation of the proposed IT solutions</p>	<p>1 Service Contract</p>	<p>2 000 000 EUR</p>	<p>Institutional settings defined and staff available to benefit from the TA Technical Assistance accepted at all levels as a partner in the implementation of the PIFC strategies</p>

## **ADDITIONAL DESCRIPTION**

With the purpose of supporting accountability and good governance in public finance and enhancing financial management and control in day-to-day operations at all levels of BiH, the Action will take on board further enhancement, update and harmonisation as needed of the legal framework (primary and secondary legislation), policies and PIFC strategies down to the level of cantons and local governments, in order to comply with internationally recognised principles and standards (**Result 1**).

Moreover, it will be made in a way that CHUs and Coordination Board are fully operational: awareness on financial management control is optimised as well as external quality control of IA is developed.

In this framework, the Action will develop the capacities of the CHUs to update as needed the FMC and internal audit methodologies and related framework documents, based on evolving practices, lessons learned during the implementation of audits and recommendations that may be received (e.g. from SIGMA, DG Budget). The Action will also support at an operational level the CHUs (on-the-job) with their monitoring and reporting functions and procedures, including the preparation of consolidated reports. The Action will develop the system of external quality control of IA. (**Result 2**).

The complex structure of BiH, the number of public organisations across different government levels (central, cantonal, municipal, public enterprises, and extra-budgetary funds) and turn-over of elected officials require that awareness raising is recurrently enhanced. Communication measures including presentations for managers will be then implemented.

Also, the update of FMC and IA Training Needs Analysis and training programmes will have to be undertaken, in order to provide advanced training for staff in place and involve trained trainers in delivering training to newly appointed staff ensuring that women and men are equally represented whenever possible. New trainers will therefore be trained to ensure the sustainability of institutional capacities. Training methods will include international exchange of experience and study visits to gain access to advanced systems in the field of PIFC. Learning from countries having recently been through reforms of the budget systems and introduction of the PIFC will be proposed.

More specifically, capacity building on FMC and IA will be two core activities:

1. Training on FMC: training will address the needs of managers and financial officers across the country regardless of their level of knowledge and experience (beginners, intermediate, advanced). The training will encompass the most recent FMC procedures and methodologies and will mix theory and practice. Trainings will take into consideration specific needs of women and men.
2. Training on Internal audit: the Action will extend training of internal auditors to new comers and provide advance training to former staff as relevant. Specific needs will be detected during the training needs analysis (e.g. IT audit, performance audit, etc.). The Action will also pursue the implementation of the certifications schemes for Internal Auditors depending on the selected model for certification of internal auditors in the public sector. On this issue, the Action will support the CHU for developing continuing professional education.

Moreover, pilot audits will be used as a main tool for on-the-job training. Beside system audits, the pilot audits will be performed to cover a wide range of specific areas (e.g. IT audits, performance audits, etc) and more complex types of internal audit work. Within this specific framework, the CHUs and the bodies concerned by the management of EU funds will be trained for the process of performing internal control of EU funds, including pre-accession funds (**Result 3**).

To respond to the needs of having IT tools for the CHUs, the FMC and the IA Units at all levels, the Action will develop and implement IT solutions (software) in the context of updating and improving the process of reporting and the preparation of the Annual consolidated report on IA and in the area of FMC. (**Result 4**)

### **3. IMPLEMENTATION ARRANGEMENT**

#### **ROLES AND RESPONSIBILITIES**

The institutional stakeholders involved in the Action are numerous and their mandates are being refined as the institutional settings evolve, especially at district and canton level. They include:

- CHUs and the Coordination Board of CHUs
- Ministries of Finance and Treasuries of BiH, Federation of BiH, Republika Srpska
- Government of Brcko District / Brcko District Directorate for Finance
- Internal audit units at all levels and appointed and to-be-appointed internal auditors
- Units responsible for budget preparation, budget execution, financial management and internal control systems at all levels
- Supreme Audit Institutions
- Macro-economic Analysis Unit (MAU) of the Governing Board of the Indirect Tax Authority
- Directorate of Economic Planning (DEP)
- Fiscal Council and its Advisory Group
- Parliamentary Assemblies and Parliamentary Committees
- Office of the Coordinator for Public Administration Reform (PARCO)
- Civil Service Agencies of the three levels of government
- Associations certifying internal auditors
- Association of Internal Auditors / Association of Accountants and Auditors of RS
- Public Procurement Agency
- Anti-corruption Agency / Anti-corruption bodies

The direct stakeholders and the main beneficiaries of the Action are the CHUs. Their coordination with the listed stakeholders is on a regular basis as part of their daily operation so no additional coordination will be needed for the purpose of the Action.

#### **IMPLEMENTATION METHOD(S) AND TYPE(S) OF FINANCING**

The Action will be managed under direct management by EU Delegation to Bosnia and Herzegovina.

The Action will be implemented through one Service Contract. A Steering Committee composed of the main beneficiary institutions will be set to supervise the Action.

### **4. PERFORMANCE MEASUREMENT**

#### **METHODOLOGY FOR MONITORING (AND EVALUATION)**

Specific Steering Committees set up by the beneficiary institutions involved will monitor the implementation of respective set of activities. The Action will be regularly monitored by EU Delegation to BiH paying due attention to the gender component as well. Results-Oriented Monitoring may be made available for an external monitoring of the Action.

The Commission may carry out a mid-term, a final or an ex-post evaluation for this Action or its components via independent consultants, through a joint mission or via an implementing partner.

In case a mid-term or final evaluation is not foreseen, the Commission may, during implementation, decide to undertake such an evaluation for duly justified reasons either on its own decision or on the initiative of the partner. The evaluations will be carried out as prescribed by the DG NEAR guidelines for evaluations. In addition, the Action might be subject to external monitoring in line with the EC rules and procedures set in the Financing Agreement.

**INDICATOR MEASUREMENT**

<b>Indicator</b>	<b>Baseline</b>	<b>Milestone 2017(3)</b>	<b>Target 2020 (4)</b>	<b>Final Target (year) (5)</b>	<b>Source of information</b>
<b><i>CSP indicator</i></b> Progress made towards meeting accession criteria in the area of public financial management					EC Annual Progress Report
<b><i>Action outcome indicator1</i></b> Progress made towards comprehensiveness of information included in Budget Documentation	<b>(2013) B</b>	B	A	A	<i>PEFA Assessment-World Bank</i>
<b><i>Action outcome indicator 2</i></b> Progress made towards effectiveness of Internal Audit <sup>6</sup>	<b>(2013) C+</b>	C+	B	B	<i>PEFA Assessment-World Bank</i>
<b><i>Indicator 1</i></b> Amendments to existing laws and regulations adopted	<b>(2010) 0</b>	Draft Amendments to existing laws and regulations prepared	Amendments to existing laws and regulations adopted	Amendments to existing laws and regulations adopted	<i>Action progress Reports Official Gazette FBiH</i>
<b><i>Indicator 2</i></b> EC positive opinion on proposed regulations and their implementation	<b>(2010) 0</b>	EC positive opinion on proposed draft regulation obtained	EC positive opinion on proposed regulation obtained	EC positive opinion on proposed regulation	<i>Reports/ Letters to EC EU progress reports</i>
<b><i>Indicator 3</i></b> Number of further enhanced FMC and Internal Audit manuals and procedures in line with EU standards and practices	<b>(2010) 0</b>	at least 2	At least 4	4-8	<i>Official Gazette BiH Official Gazettes of all levels ( FBiH, RS, Brcko district)</i>
<b><i>Indicator 4</i></b> Number of Capacity building activities of the CHUs and Coordination Body	<b>(2010) 0</b>	As per Action Work plan not less than 20%	As per Action Work plan not less than 100%	100%	<i>Action progress Reports, minutes</i>
<b><i>Indicator 5</i></b>	<b>(2011)</b>	20% As per Action	100% As per Action	100% As per project Work	<i>Media reports(e.g.</i>

<sup>6</sup> Coverage and quality of internal audit function as well as frequency of distribution of audit reports and extent of management response to IA findings

Number of awareness raising activities	<b>0</b>	Work plan in accordance with EU PRAG Visibility manual	Work plan in accordance with EU PRAG Visibility manual	plan in accordance with EU PRAG Visibility manual	<i>Annual PIFC Awareness Raising Conference), Action progress reports</i>
<b>Indicator 6</b> Number of trained staff on FMC and IA (percentage of staff working in the FCM and IA units)	<b>(2010)</b> 0	50%	90%	95%	<i>Activity reports Number of issued certificates</i>
<b>Indicator 7</b> Strategic and annual internal audit plans prepared and implemented	<b>(2010)</b> <b>at least 50% of plans prepared</b>	60%	90%	98%	<i>Annual internal audit reports</i>
<b>Indicator 8</b> Number of pilot audits implemented	<b>(2012)</b> 0	60%	100%	100%	<i>Pilot audit reports</i>
<b>Indicator 9</b> Software on reporting and preparation of the Annual consolidated report on IA and in sphere of FMC fully developed and in use	<b>(2010)</b> 0	Technical specification prepared and approved	Software developed and operational	Software operational	<i>Action reports</i>
<b>Indicator 10</b> Number of staff trained for usage of software solutions	<b>(2010)</b> 0	0%	100%	100%	<i>Action reports Training reports</i>

(1) This is the related indicator as included in the Indicative Strategy Paper (for reference only)

(2) The agreed baseline year is 2010 (to be inserted in brackets in the top row). If for the chosen indicator, there are no available data for 2010, it is advisable to refer to the following years – 2011, 2012. The year of reference may not be the same either for all indicators selected due to a lack of data availability; in this case, the year should then be inserted in each cell in brackets. The baseline value may be "0" (i.e. no reference values are available as the Action represents a novelty for the beneficiary) but cannot be left empty or include references such as "N/A" or "will be determined later".

(3) The milestone year CANNOT be modified: it refers to the mid-term review of IPA II.

(4) The target year CANNOT be modified.

(5) This will be a useful reference to continue measuring the outcome of IPA II support beyond the 2014-2020 multi-annual financial period. If the Action is completed before 2020 (year for the performance reward), this value and that in the 2020 target column must be the same.

## **5. CROSS-CUTTING ISSUES**

### **EQUAL OPPORTUNITIES AND GENDER MAINSTREAMING**

This Action will be implemented in line with two key laws in BiH, such as:

- the Law on Gender Equality and
- the Law on the Prohibition of Discrimination.

More precisely, the Law on Gender Equality prohibits discrimination on the grounds of gender and sexual orientation. Equal representation of men and women is considered attained when one sex is represented with at least 40 per cent in bodies at all levels of authority in BiH (state, entity, cantonal and municipal levels). Within the framework of the Action, the same proportion will be ensured as far as beneficiaries, targets and recipients of the activities will be concerned.

When relevant, gender mainstreaming in the Action will be focused in:

- equal opportunity for participation of women in public administration;
- non-discriminatory legal and policy frameworks.

Gender sensitive language will be maintained throughout the project cycle. It will be ensured that the Action management will have adequate capacities to enhance women's participation in project activities and work towards gender equality objectives. Collection of gender sensitive data will be upgraded ensuring i) better use of the existing data, ii) better collection of data which exists in the institutions (if any), iii) better procession and cross tabulation of data (i.e. age and sex, sex and education, etc.), iv) better accessibility and timeliness of data (on-line), v) better interpretation of statistical data, vi) organizing some additional surveys, if needed. In general, a gender perspective will be maintained ensuring that the results of the project impact positively on gender equality as well.

### **ENVIRONMENT AND CLIMATE CHANGE (AND IF RELEVANT DISASTER RESILIENCE)**

This Action will have very limited impact on the environment.

As a consequence of activities undertaken under this Action, the environment, health or security will not be endangered.

### **ENGAGEMENT WITH CIVIL SOCIETY (AND IF RELEVANT OTHER NON-STATE STAKEHOLDERS)**

This Action Document has been submitted for consultation to Civil Society Organisations.

In general terms, the engagement of civil society will be ensured as a complementary activity and be carried out in line with the assistance already provided by IPA II (Civil Society Facility).

When it comes to the implementation of this specific Action, all envisaged activities will be open to cooperation and setting of synergies with CSOs and other non-state stakeholders. In this way, the Action shall contribute to ensuring that the civil society gains more confidence in the fairness and integrity of the public finance management.

Moreover, the engagement of civil society will be addressed in supporting an overall environment that is conducive to civil society development as being effective and accountable independent sphere of policy making: the watchdog role played by civil society will be of utmost importance in this respect.

The EU and other donors support CSOs active in the fight against corruption. This will continue and synergies will be set between the present Action and the fight against corruption.

### **MINORITIES AND VULNERABLE GROUPS**

Participation in project activities will be guaranteed on the basis of equal access regardless of racial or ethnic origin, religion or belief, disability, sex or sexual orientation.

Enhanced public finance leads to a general improvement in the socio-economic environment of BiH, which will be particularly beneficial for minorities and vulnerable groups.

Good governance will be strengthened. Public awareness campaigns will help to enhance transparency and empower minorities and vulnerable groups to participate in and contribute to proper use of public funds. This will enhance civic responsibility among these groups which are often marginalised and socially excluded.

## **6. SUSTAINABILITY**

The sustainability of results will be achieved through ensuring that the implementation of PIFC strategies designed by the BiH authorities themselves are implemented by their own bodies, with technical assistance providing advisory and hands on support, but without substituting the public administration.

The high involvement of stakeholders in strategy design and implementation will create ownership and long-term links and commitment among partners. The harmonisation, coordination and monitoring of PFM over the respective levels of the BiH structure will continue to function as the main instrument for discussing needs and creating consensus around enhancing public finances. Moreover, successful measures will serve as an example, encouraging the adoption and adaptation of good practice, tested methods and solutions to different contexts. In this respect, the CHUS and Coordination Board should take up the role of coordinator and initiator of methodologies and new initiatives for good governance.

## **7. COMMUNICATION AND VISIBILITY**

Communication and visibility will be given high importance during the implementation of the Action. The implementation of the communication activities shall be the responsibility of the beneficiary, and shall be funded from the amounts allocated to the Action.

All necessary measures will be taken to publicise the fact that the Action has received funding from the EU in line with the Communication and Visibility Manual for EU External Actions. Additional Visibility Guidelines developed by the Commission (DG NEAR) will have to be followed.

Visibility and communication actions shall demonstrate how the intervention contributes to the agreed programme objectives and the accession process. Actions shall be aimed at strengthening general public awareness and support of interventions financed and the objectives pursued. The actions shall aim at highlighting to the relevant target audiences the added value and impact of the EU's interventions and will promote transparency and accountability on the use of funds.

It is the responsibility of the beneficiary to keep the EU Delegation and the Commission fully informed of the planning and implementation of the specific visibility and communication activities.

The Action will put particular emphasis on the dissemination of best-practices and exchange of information in order to increase the impact of results and bring a multiplier effect. The Action will develop communication messages and tools adapted to the targeted audience, i.e.: public sector, business sector, general public, media, etc.

The beneficiary shall report on its visibility and communication actions in the report submitted to the IPA monitoring committee and the sectorial monitoring committees.

## **LIST OF ANNEXES**

**Annex 1 – List of reference documents**

**Annex 2 - Additional information on structures and institutions**



## Annex 1 -List of reference documents

### Strategic documents

#### *State level*

- Global framework of fiscal balance and policies in Bosnia and Herzegovina 2014-2016 – in force
- Economic and Fiscal Programme 2014-2016 – in force
- Budget Framework Document of BiH Institutions 2014-2016 – in force
- The strategy for the implementation of PIFC in the institutions of BiH 2009-2014 – in force
- Global framework of fiscal balance and policies 2015-2017 – in preparation
- Budget Framework Document of BiH Institutions 2015-2017 – in preparation
- Business Strategy ITA BiH 2012-2016 – in force
- The program of public investment of BiH institutions 2014-2015 – in force
- The program of public investment of BiH institutions 2015-2016 – in preparation

#### *The Federation of BiH*

- The Public Internal Financial Control (PIFC) Development Strategy in the Federation of Bosnia and Herzegovina 2015-2018<sup>7</sup> - in force
- The Public Internal Financial Control Development Strategy of the Federation of BiH for the period 2015-2018 – Draft prepared

#### *Republika Srpska*

- The proposal of the Program and Action plan to improve the development of accounting and auditing profession in the RS 2012-2014 – in force
- Strategies for introducing "*International Agreement for capital measurement and capital standards*" BASEL II from 2009 and Amendments to the Strategy for the introduction of "*International Agreement for capital measurement and capital standards*" BASEL II for the period 2013-2018 – in force
- RS PIFC Strategy
- Improving supervisory practices for the period 2014-2019 – in preparation

#### *Brcko District*

- PAR Strategy 2006-2014 – in force
- Action Plan 1 2006-2011
- Revised Action Plan 1 2011-2014 – in force

### **Status<sup>8</sup> of related regulations, rulebooks and manuals (cut –of date July 2015)**

- Law on financing of BiH institutions (OG) 42/12 and 96/12 OG
- Laws on Internal Audit
- FBiH –Law on Budget
- RS – Law on Budget System

<b>Level</b>	<b>Framework</b>	<b>State level</b>	<b>FBiH</b>	<b>RS</b>
<b>Internal audit</b>				
<b>1. Internal audit law</b>	<u>Largely harmonised</u>	Adopted; Published in „Official Gazette BiH“, Number 27/08 and 32/12	<u>Adopted in 2008</u> <u>“Official Gazette FBiH”, Number 47/08,</u> <u>Draft amendments</u>	<u>Adopted in 2008</u>

<sup>7</sup> Adopted by the FBiH Government in August 2015

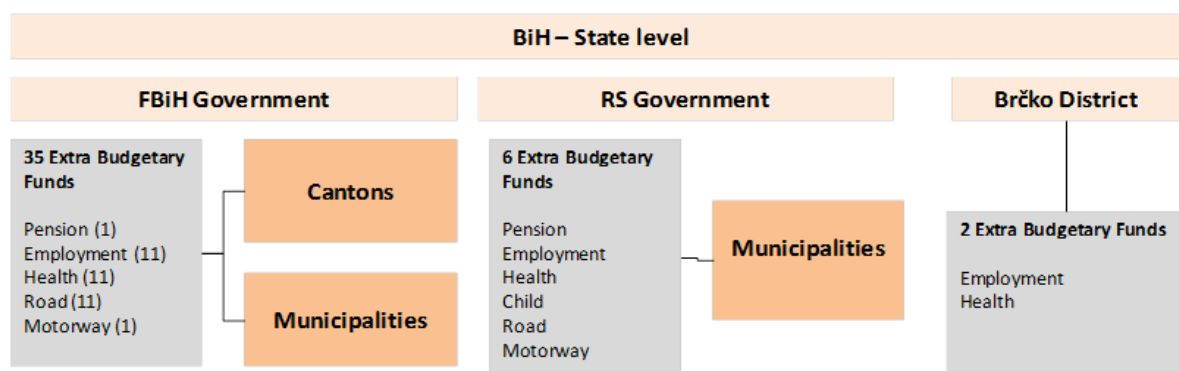
<sup>8</sup> Source: Progress Report 15 October 2013 to 14 January 2014 – Project “Strengthening Public Financial Management in Bosnia and Herzegovina” Contract N° 2012/308-992:

<u>Level</u>	<u>Framework</u>	<u>State level</u>	<u>FBiH</u>	<u>RS</u>
			<u>adopted by Parliament of FBiH in July 2015.</u>	
<b>2.</b> <u>Internal audit manual</u>	<u>Adopted by Coordination Board on 30 June 2011</u>	<u>Adopted: „Official Gazette BiH“, number 82/11</u>	<u>Adopted: “Official Gazette FBiH”, Number 13/12, amendments : “Official Gazette FBiH”, Number 93/13, “Official Gazette FBiH”, Number 106/14</u>	<u>Published in February 2012</u>
<b>3.</b> <u>Internal audit Code of Ethics</u>	<u>Adopted by Coordination Board in 2011</u>	<u>Adopted : „Official Gazette BiH“, number 82/11</u>	<u>Published: “Official Gazette FBiH”, Number 93/13,</u>	<u>Adopted in 2011</u>
<b>4.</b> <u>Internal audit charter</u>	<u>Adopted by Coordination Board in 2012</u>	<u>Adopted : „Official Gazette BiH“, number 82/11</u>	<u>Adopted: “Official Gazette FBiH”, Number 13/12in 2012</u>	<u>Adopted in 2012</u>
<b>5.</b> <u>Internal audit standards</u>	<u>Not applicable</u>	<u>Adopted : „Official Gazette BiH“, number 82/11</u>	<u>Published: “Official Gazette FBiH”, Number 93/13,</u>	<u>Adopted as part to Internal Audit manual</u>
<b>6.</b> <u>Rulebook on Criteria establishing Internal Audit Units</u>	<u>Not applicable</u>	<u>Adopted : „Official Gazette BiH“, number 49/12</u>	<u>Adopted: “Official Gazette FBiH”, Number 82/13, amendments adopted: “Official Gazette FBiH”, Number 74/14</u>	<u>Submitted to the Minister of Finance in 2012</u>
<b>7.</b> <u>Rulebook on Qualifications of internal auditors</u>	<u>Not applicable</u>	<u>Adopted „Official Gazette BiH“, number 81/12 , 99/14</u>	<u>Adopted: “Official Gazette FBiH”, Number 85/13, amendments adopted: “Official Gazette FBiH”, Number 90/14</u>	<u>Updated in June 2015 and submitted to the Minister of Finance</u>
<b>8.</b> <u>Internal audit certification scheme</u>	<u>Prepared by technical assistance and circulated</u>	<u>Adopted „Official Gazette BiH“, number 7/15</u>	<u>Adopted in November 2014 “Official Gazette FBiH”, Number 90/14</u>	<u>Submitted to the Minister of finance in june, 2015.</u>
<b>FMC</b>				
<b>1.</b> <u>FMC Law</u>	<u>Approved by DG Budget in 2011</u>	<u>Enacted in 2012 (Law on Financing) „Official Gazette BiH“, number 42/12</u>	<u>Draft Law adopted by Parliament of FBiH in July 2015.</u>	<u>Draft Law prepared in 2011, should be updated by the end of 2015 and adopted</u>

<u>Level</u>	<u>Framework</u>	<u>State level</u>	<u>FBiH</u>	<u>RS</u>
				in 2016r
2. <u>FMC Manual</u>		Adopted, “Official Gazette BiH“, number 98/14, www.mft.gov.ba	Draft prepared	
3. <u>FMC Rulebooks</u>			Guidelines for establishing and strengthening Internal Control in budget (2005) need to be updated	Rulebook on internal controls needs to be updated
4. <u>Internal control standards</u>		Adopted, Published “Official Gazette BiH”, number 61/14	Draft prepared	

## ANNEX 2 - Additional information on structures and institutions

### Fiscal structure



### Central Harmonisation Units

- **State level:** since July 2010, the CHU has been located in the BiH Ministry of Finance and Treasury and is headed by a Director. It has adopted its Internal Organisation Rules, while its responsibilities, based on Internal Audit Act, the Council of Ministers and Ministries Act and the BiH Council of Minister’s Decision Establishing the CHU include: establishing and developing FMC, establishing and developing IA, drafting the legal framework, preparing by-laws, applying the standards, ensuring quality control, enhancing cooperation between the internal auditors and the management.
- **FBiH:** the CHU is located in the FBiH Ministry of Finance and is headed by an Assistant Minister since March 2011.
- **RS:** the CHU is located in the Ministry of Finance of RS, based on the Law on the Internal Audit in the Public Sector of Republika Srpska, and is headed by a Director. The RS CHU reports directly to the RS Minister of Finance. It is organised over four departments dealing respectively

with: Information and Communication, FMC Regulation and Supervision, Internal Audit Regulation and Supervision and Training Programs and Certification.

CHU staffing continues to be below systematisation, i.e. the allocated number of staff, in all the State and Entity CHUs.

### **Central Harmonisation Unit Coordination Board**

The Coordination Board of the three Central Harmonisation Units is a law requirement from the laws on internal audit for the Institutions of BiH and the FBiH, but is not required the RS internal audit law. The main function of the CHU Coordination Board is to coordinate the legal framework and training programmes in relation to FMC and internal audit to ensure a harmonised approach towards PIFC development at all administrative levels in BiH. The Board was meeting regularly for two years but ceased in November 2011 on formal pretexts. A modality needs to be found to revive this coordination structure under the umbrella of this Action.

### **Internal Audit – state of play as at mid-2015**

#### **BiH Institutions**

**Out of 17 Internal Audit units required by the criteria, all17 have been set up, however they are not fully equipped with personal.**

No..	Name of Institution R.	Projected Internal Auditors in the unit	Number of institutions covered by the IAU
1.	Ministry of Defense of Bosnia and Herzegovina	4	1
2.	Ministry of Foreign Affairs of Bosnia and Herzegovina	3	1
3.	Management Board of the Indirect Taxation Authority of Bosnia and Herzegovina	4	1
4.	Border Police of Bosnia and Herzegovina	2	1
5.	State Investigation and Protection Agency, SIPA,	2	1
6.	Intelligence and Security Agency of Bosnia and Herzegovina	2	1
7.	The Agency for Identification Documents, Registers and Data Exchange of Bosnia and Herzegovina IDDEEA	2	1
8.	Directorate for Coordination of Police Bodies *	2	1
9.	Department of common affairs of the Institutions of BiH	2	1
10.	Parliamentary Assembly of Bosnia and Herzegovina for the following institutions	2	6
	Parliamentary Assembly of Bosnia and Herzegovina		
	Agency for prevention and coordination of fight against corruption		
	Agency for Personal Data Protection in BiH		
	Office of the Appeal Review on Public Procurement		
	Central Election Commission of Bosnia and Herzegovina		
11.	Ministry of Justice of Bosnia and Herzegovina for the following institutions:	3	7
	The Ministry of Justice of Bosnia and Herzegovina		
	Attorney General of Bosnia and Herzegovina		
	Implementation Unit of the Project construction of the Institute for execution of sanctions, detention and other measures of BiH		
	The High Judicial and Prosecutorial Council of Bosnia and Herzegovina		
	The Court of Bosnia and Herzegovina		
	The Prosecution of Bosnia and Herzegovina		
	The Constitutional Court of Bosnia and Herzegovina		
12.	Ministry of Civil Affairs of Bosnia and Herzegovina for the following institutions:	3	10
	The Ministry of Civil Affairs of Bosnia and Herzegovina		
	Agency for anti-doping control BiH		
	Agency for Medicines and Medical Devices BiH		
	Agency for preschool, primary and secondary education in BiH		

	Agency for Labor and Employment in Bosnia and Herzegovina		
	Agency for Development of Higher Education and Quality Assurance in B & H		
	State Regulatory Agency for Radiation and Nuclear Safety BiH		
	Commission to Preserve National Monuments		
	Centre for Information and Recognition of Qualifications concerning Higher Education in BiH		
	Mine Action Centre Bosnia and Herzegovina BH MAC		
13.	Ministry of Security of Bosnia and Herzegovina for the following institutions:	2	5
	Ministry of Security of Bosnia and Herzegovina		
	Agency for Police Support		
	Agency for forensics		
	Agency for education and professional training of staff		
	Service for Foreigners' Affairs of Bosnia and Herzegovina		
14.	Ministry for Human Rights and Refugees of Bosnia and Herzegovina for the following institutions:	2	4
	The Ministry of Human Rights and Refugees		
	Missing Persons Institute of Bosnia and Herzegovina		
	Institution of Human Rights Ombudsman		
	Return Fund of Bosnia and Herzegovina		
15.	The Ministry of Communications and Transport of Bosnia and Herzegovina for the following institutions:	2	4
	The Ministry of Communications and Transport of Bosnia and Herzegovina		
	Agency for postal traffic of Bosnia and Herzegovina		
	Directorate of Civil Aviation of Bosnia and Herzegovina		
	Communications Regulatory Agency		
16.	Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina for the following institutions:	3	14
	Ministry of Foreign Trade and Economic Relations		
	Agency for Food Safety of Bosnia and Herzegovina		
	Agency for market control over Bosnia and Herzegovina		
	Agency for Promotion of Foreign Investment		
	The Institute for Accreditation of Bosnia and Herzegovina		
	Institute of Intellectual Property		
	Institute of Metrology of Bosnia and Herzegovina		
	Institute for Standardization of Bosnia and Herzegovina		
	Institution of Ombudsman for Consumer Protection in BiH		
	Veterinary Office of Bosnia and Herzegovina		
	Office for harmonization and coordination of payments in agriculture and rural development		
	Commission for concessions of Bosnia and Herzegovina		
	Competition Council of Bosnia and Herzegovina		
	Administration of Bosnia and Herzegovina for Plant Health		
17.	Ministry of Finance and Treasury of Bosnia and Herzegovina for the following institutions:	4	15
	The Ministry of Finance and Treasury		
	Civil Service Agency of Bosnia and Herzegovina		
	The Public Procurement Agency of Bosnia and Herzegovina		
	Insurance Agency in Bosnia and Herzegovina		
	Agency for Statistics of Bosnia and Herzegovina		
	ABH		
	The General Secretariat of the Council of Ministers		
	Directorate for European Integration		
	Directorate for Economic Planning		
	Office of the Coordinator for Public Administration Reform		

Memorial Srebrenica - Potocari		
The Civil Service Appeals		
BiH Presidency		
Office for Legislation		
CHU MFT		

## Republika Srpska

**Out of 73 Internal Audit units required by the criteria, 27 have been set up**

No.	Institution	Number of auditors (2013)
1	Ministry of Finance	3
2	Ministry of Culture and Education	1
3	Ministry of Family, Youth and Sports	1
4	Ministry of Labor and War Veterans	1
5	Ministry of Agriculture, Forestry and Water Management	1
6	Ministry of Justice	1
7	Ministry of Administration and Self-Administration	1
8	Office of the President	1
9	Children Protection Funds	1
10	Health Insurance Fund	5
11	Pension Insurance Funds	6
12	Employment Fund	1
13	City of Banja Luka	1
14	City of Bijeljina	1
15	City of Doboj	3
16	Municipality Derвента	1
17	Municipality Zvornik	2
18	Municipality Gacko	1
19	Municipality Ugljevik	1
20	Municipality Istočno Sarajevo	1
21	Municipality Prnjavor	1
22	Municipality Laktaši	1
23	General Hospital Doboj	2
24	Clinical Center Banja Luka	3
25	Health Care Center	1
26	Agency for Agrarian Payment (Ministry of Agriculture)	1
27	University of Banja Luka	1
	<b>TOTAL</b>	<b>44</b>

<b>Federation of BiH including lower levels</b>	Institutions obliged to set up internal audit	Internal audit unit with more than one internal auditor	Internal audit unit with one or no internal auditors	One internal auditor (no unit)	Internal audit performed by ad hoc commissions or internal controller	Internal audit non-existent	Internal audit function exists in some form	Internal auditors
Federation of BiH								
Ministries and other bodies	18	3	7	2	2	4	14	15
Off-budget funds	3	1	1	0	-	1	2	7
Other users	0	0	0	0	0	0	0	0
Cantonal level								
Ministries of the 10 cantons	10	3	4	0	0	3	7	13
Off-budget funds	15	4	1	5	0	5	10	14
Other users	0	2	0	0	0	0	2	5
Municipalities and Cities	27	1	4	7	2	13	14	15
<b>Total</b>	<b>73</b>	<b>14</b>	<b>17</b>	<b>14</b>	<b>4</b>	<b>24</b>	<b>49</b>	<b>69</b>