**THE BUDGET SYSTEM**

**IN THE REPUBLIC OF CROATIA**
**- overview –**

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• Treasury System Process Improvement and Modernization Strategy 2007-2011 **lays down the budget process modernization measures**

• State Administration Reform Strategy 2008-2011 **lays down the introduction of strategic planning methods and defines strategic priorities of the Government**

**• The improvement was planned to be implemented at several different levels:**

1. at the national level - to ensure the overall fiscal discipline representing the basis of macroeconomic stability

• which requires the preparation of a long-term budget framework in order to sustain existing programs and public debt policy

1. at the interdepartmental level (ministerial level) – to ensure an effective interdepartmental allocation of resources requiring

• allocation of resources in accordance with strategic priorities of the state

• budget planning "from top to bottom" and development of a long-term budget framework are primary institutional solutions and tools to strengthen the strategic allocation of resources

1. at the program/management level – alignment of budget allocations and implementation efficiency

• requiring a balance between budget execution and budget limitations

• The 2003 Act achieved the intended goals – the establishment of fiscal discipline

• EU candidate status – the reason for legislative and institutional changes

• Aligning national legislation with EU *acquis*, Chapter 22, Regional Policy and Coordination of Structural Instruments

–possibility of long-term planning

– transfer of unimplemented projects into the following year

– greater flexibility in budget execution

–possibility of borrowing restrictions on local and county (regional) self-government units not applying to projects co-financed by EU funds

• Budget Act (Official Gazette, 87/08, 136/12 and 15/15)

• Fiscal Responsibility Act (Official Gazette, No. 139/10 and 19/12)

• Act on the Execution of the 2015 State Budget of the Republic of Croatia (Official Gazette, 148/14 and 103A/15)

• Regulation on drafting and submission of the fiscal responsibility statement and the report on the application of fiscal rules (Official Gazette, No. 78/11, 106/12 and 130/13, 19/15, 119/15)

• Instruction on detection, treatment and reporting of irregularities in budget funds management, budgetary and extra-budgetary users (Official Gazette, No. 70/12)

• Ordinance establishing budgetary and extra-budgetary users of the State Budget and budgetary and extra-budgetary users of the budgets of local and regional self-government units and on the way of keeping the Register of budgetary and extra-budgetary users (Official Gazette, No. 128/09 and 142/14)

• Ordinance on financial reporting in budget accounting (Official Gazette, No. 3/15)

• Ordinance on budget accounting and the chart of accounts (Official Gazette, No. 124/14)

• Ordinance on the procedure of borrowing and issuing guarantees and the approval of local and county (regional) self-government units (Official Gazette, No. 55/09 and 139/10)

• Ordinance on the first-half and annual report on budget execution (Official Gazette, No. 24/13)

• Ordinance on methods and requirements of the state budget execution and methods of state budget refunding and refund record keeping (Official Gazette, No. 48/11)

• **The 2009 Budget Act (Official Gazette, No. 87/08) ensured the necessary institutional framework for the further development of the public finance management system by introducing:**

– strategic planning – development of strategic plans and a three-year government program strategy

– long-term budget framework – t + 2

– greater flexibility in budget execution

– greater control of the borrowings by LCRSGU-owned legal entities

• **Amendments to the 2012 Budget Act (Official Gazette, No. 136/12) were prompted by:**

– the need to clearly define and amend certain provisions of the Act which proved to be understated

– the intention to encourage local and county (regional) self-government units to take part in energy efficiency projects

• With the entry into force of the Amendments to the Budget Act, the scope of the general government sector established by the Budget Act and the Register of budgetary and extra-budgetary users was aligned with the statistical scope defined by the European statistical methodology ESA2010, in the part defining extra-budgetary users

– all statistical reports to EUROSTAT, the statistical body of the European Commission, including the Fiscal report monitoring the fulfillment of the national debt and deficit criteria pursuant to the Maastricht Treaty, must be submitted according to the statistical scope

The medium-term budget framework arising from the provisions of the Budget Act consists of the following elements:

• medium-term macroeconomic projections, projections of revenue, expenditure, deficit/surplus and public debt

• strategic plans setting government policies and priorities for the medium term

• the «top to bottom» planning approach,

• the effect measuring system establishing goals and reports on expected and achieved results, and informs on the allocation of resources and ministerial decisions, as well as

• a budget that provides an overview of the government expenditure plans for the following year and represents the first year of the medium-term framework

• The latest amendments to the Budget Act reinforce the role of projections passed by the Croatian Parliament, i.e. the representative body of the local and county (regional) self-government units alongside the budget

– the established budget deficit for the following fiscal year may not exceed the deficit established by the projection of the Croatian Parliament, i.e. the representative body, which was passed the previous year for that fiscal year

• The strategy of Government programs for a three-year period

– new Amendments to the Budget Act replaced the Strategy of Government programs for a three-year period with the **National Reform Program and the Convergence Program**

• Economic and fiscal policy guidelines for 2015 - 2017 period

• Instructions for drafting the state budget proposal of the Republic of Croatia for 2015 - 2017 period

• Instructions for drafting the budget of local and county (regional) self-government units for 2015 – 2017 period

• The budgetary process has been aligned with EU requirements by including two key documents of the European semester – **the National Reform Program and the Convergence Program of the Republic of Croatia -** in the budget planning process

• **The Convergence Program** is designed by the Ministry of Finance and it defines the macroeconomic and fiscal framework of the Republic of Croatia for the current year and for the next three years, and it includes:

– an overview of macroeconomic developments,

– an outline of the medium-term budget framework, which includes general budget and public debt projections,

– fiscal risks and a sensitivity analysis of the general budget and public debt deficit, and surplus developments,

– qualitative and institutional features of public finances.

• **The National Reform Program**,developed by the competent ministry in charge of structural reforms and the coordination of EU funds, in cooperation with competent ministries responsible for individual structural reforms, **defines the strategic framework for the implementation of structural reforms** in the current and in the next three years

• The National Reform Program contains the main elements of the macroeconomic scenario and key **reform measures derived from strategic goals established by strategic planning**, undertaken by the government and planned for the medium term, all in accordance with the fiscal framework defined by the Convergence Program

• These two key strategic documents will replace the current strategy of government programs for the three-year period

⮚ **a process which steers ministries and other public administration bodies in a clear direction forward**

⮚ **helps institutions decide and communicate:**

⮚ what they want to achieve and

⮚ what main activities need to be undertaken in the future in order to achieve that

⮚ **strategic planning helps the Government:**

⮚ identify its most important goals, i.e. establish its priorities

⮚ steer adequate resources for priorities through the budgetary process

**⮚ a strategic plan serves a dual purpose**

1. steering the work of ministries or public administration bodies towards the achievement of crucial goals which will have the greatest impact on society

**2. representing public institutions and its citizens (providing the general public with answers to the questions of what a single ministry wants to be, what it plans to do in the future, and why)**

**Who to include and how?**

Who are we?

What are we doing now and why?

**What means and techniques should we apply?**

What do we want to be and what do we do in the future?

How do we achieve that?

Understanding the current situation and determining the desired future situation

**An effective strategy comes from a participatory approach and the use of transparent methods**

Shaping the vision statement

Strategic plan

Formulating the mission

Situation analysis

Establishing general goals

Establishing specific goals

Method of achieving established goals

NATIONAL REFORM PROGRAM

Defining indicators

Monitoring

Reporting

• Defining the vision

making an ideal future outline

• Defining the mission

the manner in which liable parties will contribute to the realization of the vision

• General goals

main goals to be achieved in the long term

• Specific goals

attainable goals to be achieved in the short/medium term

• Methods of achieving established goals

steps and activities leading to goal achievement

• Key indicators of success

measurable signs for assessing progress and results

**Specific goals**

• Expected results achieved by conducting specific activities
• Give a clear picture of the direction where the liable party is heading, what are the most important areas to be addressed in the following three years and what concrete changes are expected.

• More detailed than the general goal

• Implementation time frame is shorter

• Contribute to the achievement of the overall goal

• Indicate priorities in the allocation of resources

• Ministries and public administration bodies define up to 7 specific goals under one general goal!

• *Example: “A more* accessible health care”

**Methods of achieving established goals**

• Include groups of activities which lead to the achievement of the same specific goal

• Indicate how specific goals established by liable parties will be achieved

• The description of the specific goal must explain why that particular goal is a priority and when it will be realized

• The link with success indicators must be clear

• *Example:* “Construction of the first phase of the integrated land administration system (JIS)”

**Success indicators**

• Success indicators are objectively measurable or they are concrete signs of performed activities

• They should be defined so as to allow the assessment of conducted activities

• Good success indicators should be:

✓ specific – so that they measure what needs to be measured

✓ measurable - in terms of quality and / or quantity

✓ accessible – in terms of acceptable costs

✓ relevant – in relation to the established goal

✓ timed – so that the established goals are achieved in the given time frame

• The main characteristic of a success indicator is measurability; indicators need to be quantified or clearly and unambiguously expressed.

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| Vision |

The Ministry of the Interior and other institutions in the service of protection and rescue aim to create such conditions in society where citizens can feel free, safe, cared for and protected from all forms of violence, accidents, natural disasters and catastrophes, and the trend of negative occurrences, events and consequences should be moving towards point zero of endangerment.

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| Mission |

The purpose and mission of the Ministry of the Interior, the National Protection and Rescue Directorate, the Croatian Firefighting Association, and the Croatian Mine Action Center, is to protect and save lives, personal integrity and property, so that public security and readiness are at maximum levels.

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| Goals |

**General goal 1. Reduce the risk of criminal behavior**

Specific goal 1.1. Improve prevention and suppression of criminal behavior

Specific goal 1.2. Improve crime suppression

Specific goal 1.3. Increase road safety

Specific goal 1.4. Enhance border security, air traffic security and navigation security

Specific goal 1.5. Improve services for citizens in administrative matters

Specific goal 1.6. Enhance ministerial cooperation in the field of international security

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| **TABLE OF RESULT INDICATORS (OUTPUT)** |
| **General goal**  | **Reduce the risk of criminal behavior** |
| **Specific goal** | **Improve prevention and suppression of criminal behavior** |
| **Achievement methods** | **Result indicator** **(output)** | **Definition** | **Unit** | **Baseline**  | **Source** | **Target value (2012)** | **Target value (2013)** | **Target value (2014)** |
| 1.1.1. Development and implementation of quality preventive programs | 1.1.1.1. The number of programs for prevention activities | By increasing the number of quality prevention programs public security is improved  | Number (cumulative) | 5 | Ministry of the Interior | 10 | 15 | 12 |
| 1.1.2. Strengthen and improve the council network for crime prevention | 1.1.2.1. The number of functional councils for prevention | By increasing the number of functional councils for prevention, the network of public security subjects is strengthened  | Number (cumulative) | 170 | Ministry of the Interior | 173 | 175 | 180 |
| 1.1.3. The adoption of good prevention practice from other police forces | 1.1.3.1. International cooperation in the field of prevention established for the purposes of education and adoption of good practice  | Through education and adoption of good practice, the preventive potential of police forces is improved (strengthening capacities) | Number (cumulative) | 4 | Ministry of the Interior | 5 | 6 | 7 |
| 1.1.4. Riot prevention at sporting events |  | Reduced number of incidents at sporting events demonstrates the efficacy of prevention | Number (cumulative) | 100 | Ministry of the Interior | 90 | 80 | 70 |

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| **TABLE OF EFFECT INDICATORS (OUTCOME)** |
| **General goal** | **Reduce the risk of criminal behavior** |
| **Specific goal** | **Effect indicator (outcome)** | **Definition** | **Unit** | **Baseline level** | **Source** | **Target value (2012)** | **Target value (2013)** | **Target value (2014)** |
| **1.1. Improve prevention and suppression of criminal behavior** | **The number of reported crimes and urgent police interventions** | **The reduced number of reported crimes and urgent and necessary police interventions indicate a positive trend in the field of criminal activity prevention** | **Number** | **250** | Ministry of the Interior | **230,000** | **210,000** | **190,000** |
| **1.2.**  **Improve crime suppression** | **The number of discovered and resolved criminal offenses of corruption, organized crime, drugs and crimes committed against children and families** | **Increased number of discovered and resolved criminal activity reduces the dark figure of crime and strengthens general prevention** | **Number** | **8,120** | Ministry of the Interior | **8,320** | **8,620** | **8,820** |

• By implementing set goals and their achievement methods, certain risks which could affect goal achievement were identified

• The purpose of risk management is to reduce the range of uncertainty which could threaten the business performance of liable parties, and to anticipate the changing circumstances as well as to provide a response in time

• The risk management process includes the following steps:

✓ Risk identification and assessment

✓ Handling risk

✓ Risk management monitoring and reporting

• Due to risk management complexity we are still focused on identification and assessment

• More information: Guidelines for the implementation of the risk management process for budgetary users

• The strategic plan defines the course of action for the users

• The budget defines programs, activities and projects, and ensures the resources necessary for their implementation, and indirectly the implementation of the strategic plan as well

• Since it is impossible to implement the strategic plan without resources, the logical conclusion is that the only possible solution is to link the budget programs with the goals of strategic planning

• Therefore, strategic planning is the first step in the budget planning process

• By linking specific goals of strategic planning to budget programs, and their achievement methods to activities and projects, an unambiguous link is created which enables the monitoring of successful implementation and goal achievement

**Government program strategy**

**State budget**

**Strategic plan**

**Financial plan**

Funds allocated to

**Programs**

**Activities/projects**

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| **Specific goal** | **State budget program** | **Effect indicator (OUTCOME)** | **Specific goal achievement method** | **State budget activity/project** | **Result indicator (OUTPUT)** |
| **3.1. Resolving the fate of Homeland War missing persons**  | **4008 – DETAINED OR MISSING** | **Increasing the share of solved cases in relation to submitted requests for the search of missing persons and human remains** | **3.1.1. Gathering information** | **A522014 - Exhumation, identification and burial of the victims of the Homeland War** | **maintaining the number of collected information on missing persons and / or unregistered possible grave sites (compared to the results from the last three years)** |
| **3.2.2. Exhumation of remains from mass, individual and collective graves** | **maintaining the share of excavated graves in relation to the gathered information on possible sites of mass and individual graves** |
| **keeping the current trend regarding the number of exhumed remains in the Republic of Croatia, and human remains found in other countries and taken over** |
| **3.3.3. Processing and identification of the remains and a dignified funeral** | **522013 - Administration and management** | **increasing the share of processed human remains in relation to the number of unidentified human remains** |
| **keeping the current trend of the number of positively identified human remains** |
| **maintaining the share of buried persons in accordance with the family's wishes in relation to the number of identified human remains** |
| **3.2. Preserving the memory of the victims of World War II and its aftermath** | **Preserving the memory of the victims of World War II and soldiers** | **3.2.1. Exhumation and permanent disposal of the remains with dignity** | **A522014 - Exhumation, identification and burial of the victims of the Homeland War** | **increasing the share of remains permanently disposed with dignity in relation to the knowledge on discovered human remains/requested exhumations** |
| **3.2.2. Marking the sites of war casualties** | **increasing the number of identified and mapped sites of war casualties in relation to the current situation** |
| **Increasing the number of war casualty sites in relation to the current situation** |
| **3.2.3. Monitoring the commitment of continued care of military cemeteries** | **increasing the share of maintained military cemeteries in relation to registered military cemeteries** |

• The purpose of monitoring is to identify deviations from the plan in time, and to assess whether the planned activities will produce the desired effect for which they were established

 **Internal monitoring and reporting**

• Every liable party needs to establish a monitoring system in accordance with their specific characteristics in order to provide information on the achievement of established goals

• After making the strategic plan, the liable party must appoint a person responsible for monitoring the implementation of the strategic plan for every three-year period, and to make a decision on the appointment of the same and submit it to the Ministry of Finance

• In addition to the aforementioned decision, leaders must also decide on the delegation of authority and responsibility of the management of budget funds provided in the fiscal plan of a specific year, in order to link goals, programs and budget funds

**Reporting to the Ministry of Finance**

• The liable party reports to the Ministry of Finance based on the collected data

1. **Report on the implementation of the strategic plan achievement method**

• Submitted to the Ministry of Finance every six months and every year, but at the level of the liable party it can be used for monthly or quarterly reporting

**Report on the achievement of specific goals of the strategic plan**

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| **REPORT ON THE ACHIEVEMENT OF SPECIFIC GOALS OF THE STRATEGIC PLAN** |
| **General goal** | **Number and name** |
| **Specific goal** | **Person responsible** | **Effect indicator (outcome)** | **Unit** | **Baseline**  | **Current value** | **Target value** | **Is the specific goal being achieved according to plan YES/NO** |
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** |
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• Compiled exclusively on an annual basis, it contains only specific goals having the established target value for that year

• Pursuant to Article 16 of the Budget Act, the state budget consists of a **general and specific section**, and on the level of local and county (regional) self-government units, it includes a **development program plan**

– The general section of the budget includes the income and expenditure account and the funding account

– The specific section of the budget includes the budgetary users expenditure and expenses plan, which are presented by type and allocated to programs that include activities and projects

– The development program plan is a document for local and county (regional) self-government units, for a three-year period, which includes the goals and priorities for the development of the local and county (regional) self-government unit, linked to the organizational and program classification of the budget

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| **Goal** | **Budget program** | **Goal achievement method** | **Budget activity/project** | **Funds** | **Results indicator** | **Baseline** | **Target value** |
| **2013** | **2014** | **2015** | **2016** |
| **Goal 1.1.** | **PROGRAM X** | **Achievement method 1.1.1.** | **ACTIVITY A**  |  | **Results indicator 1.1.1.1.** |  |  |  |  |
| **ACTIVITY B** |  |
| **ACTIVITY C** |  |
| **Achievement method 1.1.2.** | **ACTIVITY D** |  | **Results indicator 1.1.2.1.****Results indicator 1.1.2.2.** |
| **ACTIVITY E** |  |
| **Objective 1.2.** | **PROGRAM Y** | **Achievement method 1.2.1.** | **ACTIVITY F** |  | **Results indicator 1.2.1.1.** |  |  |  |  |
| **ACTIVITY G** |  |
| **ACTIVITY H** |  |
| **PROGRAM Z** | **Achievement method 1.2.2.** | **ACTIVITY I** |  | **Results indicator 1.2.2.1.** |
| **ACTIVITY J** |  |
| **ACTIVITY K** |  |

The development program plan includes goals and priorities for the development of the local and county (regional) self-government unit, which are linked to the organizational and program classification of the budget

• Financial plans are drawn up by budgetary and extra-budgetary users of the state budget and the budget of local and county (regional) self-government units

• They include:

– revenues and receipts presented by type

– expenditures and expenses for the three-year period according to budget classifications

– explanations

**Summary of the scope of work**

– User name

– User name

– Legal basis

**Program summary**

– Legal and other programs

– Assessment of the necessary implementation funds

– Explanation of significant activities and projects within the program

– The starting point and indicators on which to base calculations and the assessment of funds required for the implementation of the program

– Achieved goals and results of the program in the previous year

**Organizational structure**

– Organizational chart

–Organizational chart

Main program

PROGRAM CLASSIFICATION

***The main program*** includes programs aimed at achieving

goals from the government program strategy for the three-year period

i.e. strategic documents of the local and county (regional) self-

Program

government units

***Program*** – a collection of independent, closely related activities

and projects aimed at fulfilling a common goal

Project

Activities

***Activity*** – no pre-defined time of duration

***Project*** – pre-defined time of duration

Current

Capital

***The current*** project does not increase, while the ***capital*** project

increases the value of assets on the balance sheet

1. Political system

2. Financial and fiscal system

3. Foreign policy and international assistance

4. Administrative tasks and general services of the public administration

5. Defense

6. Public security

7. Security and Intelligence

8. Judiciary

9. Agriculture, forestry, fishing and hunting

10. Regional development

11. Transport, transport infrastructure and communication

12. Economy

13. Labor market and working conditions

14. Protection and conservation of nature and the environment

15. Spatial planning and housing improvement

16. Health protection

17. Culture, religion and sport

18. Education

19. Science and technology

20. Social care

21. Pension security

22. Public debt servicing

23. Intervention programs and reserves

(1) The competent ministry defines programs, joint activities and projects for budgetary users within its jurisdiction.

(2) All activities and projects are grouped into programs, then the programs, activities and projects are applied to the Ministry of Finance or the administrative body for the finances of local and county (regional) self-government units.

(3) The ministry informs the budgetary users under its jurisdiction on the established program classification.

(4) Budgetary users can further develop activities and projects according to their needs.

(5) The main programs are established by the Ministry of Finance i.e. the administrative for the finances of local and county (regional) self-government units.

(6) Affiliation of a program to the main program is determined by divisions with the approval of the Ministry of Finance i.e. the administrative body for the finances of local and county (regional) self-government units.

Designations and names of program classifications include designations and names of programs and their components: activities and projects, while as far as state budget and the budget of local and county (regional) self-government units are concerned, they include the labels and names of main programs.

(1) The main program designation consists of three digits where the first digit is a letter from A to Z, and the other two digits are numbers ranging from 01 to 99.

 (2) The program designation consists of a four-digit number ranging from 1000 to 9999.

(3) The activity designation, the current project designation, and the capital project designation are seven-digit designations consisting of letters A (activity), T (current) or K (capital) and a six-digit number ranging from 100001 to 999999.

The Ministry of Finance, i.e. the administrative body for the finances of local and county (regional) self-government units, assigns the labels of main programs, programs, activities and projects.

1 General revenue and receipts

2 Contributions

3 Own income

4 Special purpose revenue SPENDING FLEXIBILITY

5 Assistance

6 Donations

7 Income from non-financial assets

8 Special-purpose income from borrowing



Budget classifications

**ORGANIZATIONAL**

**PROGRAM**

**FUNDING SOURCES**

**ECONOMIC**

**Total expenditure limits** by state budget divisions for funding sources: general revenue and receipts, contributions and special-purpose income from borrowing for the period 2013-2015

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|  | **(000 HRK)** |  | **Plan 2012** | **Projection****2013** | **Index****13/12** | **Projection****2014** | **Index****14/13** | **Projection****2015** | **Index****15/14** |
|  | **TOTAL** | **114.832.362** | **117.784.964** | 102,6 | **120.948.638** | 102,7 | **123.380.547** | 102,0 |
| 010 | CROATIAN PARLIAMENT | **205.000** | **134.734** | 65,7 | **136.373** | 101,2 | **141.439** | 103,7 |
| 013 | OFFICE OF THE PRESIDENT OF THE REPUBLIC OF CROATIA AFTER EXPIRATION | **995** | **948** | 95,3 | **960** | 101,2 | **973** | 101,4 |
| 015 | OFFICE OF THE PRESIDENT OF THE REPUBLIC OF CROATIA | **49.000** | **45.120** | 92,1 | **45.305** | 100,4 | **46.484** | 102,6 |
| 017 | CONSTITUTIONAL COURT OF THE REPUBLIC OF CROATIA | **30.900** | **27.875** | 90,2 | **28.236** | 101,3 | **29.395** | 104,1 |
| 018 | AGENCY FOR MARKET COMPETITION | **13.900** | **11.506** | 82,8 | **11.542** | 100,3 | **11.967** | 103,7 |
| 020 | THE GOVERNMENT OF THE REPUBLIC OF CROATIA | **161.243** | **153.528** | 95,2 | **155.298** | 101,2 | **158.473** | 102,0 |
| 025 | MINISTRY OF FINANCE | **12.005.905** | **15.952.644** | 132,9 | **18.591.418** | 116,5 | **19.285.933** | 103,7 |
| 026 | TRADE POLICY OFFICE | **15.500** | **15.777** | 101,8 | **15.899** | 100,8 | **16.477** | 103,6 |
| 027 | SECURITY AND INTELLIGENCE AGENCY | **355.000** | **331.848** | 93,5 | **332.439** | 100,2 | **344.044** | 103,5 |
| 028 | CENTRAL PROCUREMENT OFFICE | **5.757** | **5.393** | 93,7 | **5.475** | 101,5 | **5.687** | 103,9 |
| 029 | OFFICE OF STATE PROPERTY MANAGEMENT | **7.500** | **7.023** | 93,6 | **7.054** | 100,4 | **7.348** | 104,2 |
| 030 | MINISTRY OF DEFENSE | **4.780.000** | **4.426.229** | 92,6 | **4.473.872** | 101,1 | **4.619.367** | 103,3 |
| 032 | STATE OFFICE FOR CROATS ABROAD | **4.265** | **1.757** | 41,2 | **1.757** | 100,0 | **1.845** | 105,0 |
| 040 | MINISTRY OF THE INTERIOR | **4.390.000** | **4.099.247** | 93,4 | **4.121.672** | 100,5 | **4.273.378** | 103,7 |
| 041 | MINISTRY OF VETERANS | **1.144.000** | **1.104.241** | 96,5 | **1.121.291** | 101,5 | **1.144.297** | 102,1 |
| 048 | MINISTRY OF FOREIGN AND EUROPEAN AFFAIRS  |  | **595.735** | **547.372** | 91,9 | **551.529** | 100,8 | **572.047** | 103,7 |
| 049 | MINISTRY OF ECONOMY | **325.000** | **809.104** | 249,0 | **813.754** | 100,6 | **538.118** | 66,1 |
| 051 | MINISTRY OF ENTREPRENEURSHIP AND CRAFTS | **300.000** | **294.460** | 98,2 | **296.693** | 100,8 | **298.393** |  |
| 055 | MINISTRY OF CULTURE | **687.000** | **691.101** | 100,6 | **715.926** | 103,6 | **727.893** | 101,7 |
| 060 | MINISTRY OF AGRICULTURE | **3.900.000** | **3.622.193** | 92,9 | **2.983.157** | 82,4 | **2.933.254** | **3**98,3 |
| 061 | MINISTRY OF REGIONAL DEVELOPMENT AND EU FUNDS | **1.080.000** | **1.048.146** | 97,1 | **1.129.035** | 107,7 | **1.142.707** | 101,2 |

Dual limits for users

**Fiscal discipline:**

Consistent application of fiscal rules

Ensuring a medium-term budget framework

enables

**Sustainability of existing programs and the public debt policy**

Amendments to the Budget Act:

- increase the significance of projections

- introduce dual limits

• **The first limit** is set based on the funds necessary for the implementation of existing programs, i.e. activities (stemming from the regulations in force)

**- The costs of implementing existing programs (activities) =** costs of maintaining existing levels of service (taking into account expected changes in the number of users and, e.g. the current cost of capital projects which will be finished during the planned period)

• **The second limit** is determined based on the funds necessary for the implementation of **new or the change of existing** programs, i.e. activities

**- The costs of new programs** include the costs of changing the level and type of service, e.g. introducing day care centers for children in schools

Contain:

• basic economic indicators from the Guidelines

• methodology for the development of financial plans for budgetary and extra-budgetary state budgetary users

• time frame in which users (e.g. courts) submit financial plans to competent ministries (e.g. Ministry of Justice), i.e. other government bodies, who in turn submit a consolidated financial plan to the Ministry of Finance

• publication on the website of the Ministry of Finance (www.mfin.hr)

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| DEADLINES | ACTIVITY PERFORMER | ACTIVITY |
| By end of February | The Ministry of Finance in cooperation with the Ministry of Structural Reforms and Coordination of EU funds | Draw up instructions for strategic plan drafting for a three-year period and deliver it to budgetary users |
| By end of March | Budgetary users | Prepare and submit strategic plans for the three-year period |
| In late April | Government of the Republic of Croatia | Finalizes the adoption of the National Reform Program and the Convergence Program |
| By end of July | Government of the Republic of Croatia | Provides economic and fiscal policy guidelines for the three-year period |
| By August 15 | Ministry of Finance | Delivers instructions for the state budget drafting to budget and extra-budgetary users |
| September 15 | Budgetary users/extra-budgetary users and LCRSGU | Submit a financial plan proposal to the competent ministry / competent administrative body |
| By end of September | Competent ministries | Submit aligned financial plan proposals to the Ministry of Finance |
| October 15 | Ministry of Finance | Prepares a budget proposal for the fiscal year and a projection for the next two years, and submits it to the Government of the Republic of Croatia |
| November 15 | Government of the Republic of Croatia | Establishes the budget and projection proposal and submits it to the Croatian Parliament |
| End of year | Croatian Parliament | Adopts the budget for the next fiscal year and the projection for the following two years |

• The principle of transparency on the budget level was introduced by the 2003 Budget Act (Official Gazette (hereinafter: NN), No. 96/03)

– Article 4, Paragraph 2: "The development and execution of the budget is based on the principle of legality, efficiency, cost-effectiveness and transparency."

• A more precise definition was given by the 2008 Budget Act (NN, No. 87/08, 136/12 and 15/15)

– Article 4, "The budget is passed and executed in accordance with the principles of unity, budget accuracy, one year, balance, accounting unit, universality, specification, sound financial management and transparency. "

– Article 12, "The budget is passed and executed in accordance with the principle of transparency."

• The budget, budget projections and amendments to the budget, as well as the decision on temporary financing, are published in the "Official Gazette" - the official journal of the Republic of Croatia, i.e. the official gazette of the local and county (regional) self-government units.

• Semi-annual and annual reports on budget execution and the semi-annual and annual reports on the execution of the financial plan of extra-budgetary users are published on the website of the Government of the Republic of Croatia, i.e. the web sites of local and county (regional) self-government units.

• General and specific sections of the semi-annual and annual reports on budget execution and the general and specific sections of the semi-annual and annual reports on the execution of the financial plan of extra-budgetary users are published in the "Official Gazette", i.e. the official journal of the local and county (regional) self-government units.

• The following obligations have been introduced:

– Local and county (regional) self-government units and budgetary and extra-budgetary users will publish a **yearly financial report on their websites** no later than eight days after submission.

– Budgetary and extra-budgetary users who do not have their own websites will publish their yearly financial reports on the website of the competent division of the organizational classification of the state budget, i.e. the competent local and county (regional) self-government unit, no later than eight days after submission.

• The semi-annual and annual reports on budget execution include:

1. The general section of the budget which includes the income and expenditure account and the funding account on the division level of economic classification,

2. The specific section of the budget according to the organizational and program classification and on the division level of economic classification,

3. Report on the borrowing in domestic and foreign money and capital markets,

4. Report on the use of budgetary reserves,

5. Report on the issued state guarantees and government guarantees expenditure,

6. Explanation of macroeconomic indicators,

7. Explanation of revenue and receipts, expenditure and expenses,

8. General budget deficit

• The latest amendments to the Budget Act stipulate that the yearly report on state budget execution must contain a report on the implementation of the public debt management strategy

• Every budget expense and expenditure must be based on a valid bookkeeping document evidencing payment obligations

• The budget is executed in accordance with available funds and arrears.

• **The latest amendments to the Budget Act increase control of the legal and earmarked use of budget funds:**

– by prescribing the provision stipulating budgetary and extra-budgetary users and local and county (regional) self-government units implement checks of the legal and earmarked use of funds paid pursuant to special regulations

Budget execution – previous financial controls

– Stipulated by the Fiscal Responsibility Act

– During the execution of the state budget, the Ministry of Finance may carry out financial controls of the legal and earmarked use of budget funds of state budgetary users and end users

– Persons authorized by the Minister of Finance to carry out checks must report any observed suspected irregularities to the organizational unit of the Ministry of Finance conducting the budget supervision

– It is important to emphasize that these provisions also apply to local and county (regional) self-government units accordingly

• Reallocation of funds from budget items for budgetary users or between budgetary users and extra-budgetary users can be performed with up to 5% of expenditure and expenses from the budget item adopted by the Croatian Parliament, i.e. the representative body, which are reduced, if approved by the Minister of Finance, i.e. the head official, mayor or county prefect

• Budget funds may not be reallocated between the income and expenditure account and the funding account

• The latest amendments to the Budget Act provide the possibility for reallocation of up to 15% of the national participation (instead of the current 5%)

• The head official for budgetary users is responsible for:

– planning and executing their share of the budget

– collection of revenue and receipts from their jurisdiction and payment into the budget

– assuming obligations, verifying obligations, issuing payment orders charged to budget funds belonging to the body they are in charge of, and establishing the right to charge, as well as issuing payment orders in favor of budget funds

• The head official for budgetary users may authorize another person to perform his/her tasks by issuing a special decision in accordance with internal regulations

• Delegation of authority includes the transfer of responsibility but it does not exclude the responsibility of the head official

• Delegation of authority needs to be done in accordance with the principle of the separation of duties

• A yearly statement made by the head official

– of budgetary and extra-budgetary state budget users and users of the local and county (regional) self-government unit budget

– the head official of local and county (regional) self-government units

– chairman of the board of a company owned by the Republic of Croatia, i.e. one or more local and county (regional) self-government units

– the head official of another legal person established by the Republic of Croatia, i.e. one or more local and county (regional) self-government units

• confirms that they have ensured legal, earmarked and purposeful use of funds in their work and the efficient and effective functioning of the financial management and control system

**The fiscal responsibility statement** – yearly statement where the head official confirms legal, earmarked and purposeful use of funds and the efficient and effective functioning of the financial management and control system within the framework of the funds defined by the budget, i.e. the financial plan

• Form set out in Annex 1.a = with no perceived weaknesses and irregularities

• Form set out in Annex 1.b = with perceived weaknesses and irregularities

**Statement Form – Annex 1.a**

**FISCAL RESPONSIBILITY STATEMENT\*
FOR THE YEAR \_\_\_\_\_\_\_\_\_\_\_\_**

I: (name and surname, title and function), head official of (name of the local and county (regional) self-government unit/budgetary user of the state budget/extra-budgetary user of the state budget-budgetary user of the local and county (regional) self-government unit/extra-budgetary user of the local and county (regional) self-government unit, chairman of the board of a company owned by the Republic of Croatia, i.e. one or more local and county (regional) self-government units, head official of another legal person established by the Republic of Croatia, i.e. one or more local and county (regional) self-government units)

based on a completed fiscal responsibility questionnaire, available information, the result of the work of internal and external auditors and personal evaluation, confirm:

* legal, earmarked and purposeful use of funds,
* efficient and effective functioning of the financial management and control system within the framework of the funds defined by the budget, i.e. the financial plan

 *(place and date of issuance)
List of head officials (name, title and function)*

**Statement Form – Annex 1.b**

**FISCAL RESPONSIBILITY STATEMENT \*
FOR THE YEAR \_\_\_\_\_\_\_\_\_\_\_\_**

I, (name and surname, title and function), head official of (name of the local and county (regional) self-government unit/budgetary user of the state budget/extra-budgetary user of the state budget-budgetary user of the local and county (regional) self-government unit\*/extra-budgetary user of the local and county (regional) self-government unit, chairman of the board of a company owned by the Republic of Croatia, i.e. one or more local and county (regional) self-government units, head official of another legal person established by the Republic of Croatia, i.e. one or more local and county (regional) self-government units)

declare that on the basis of a completed fiscal responsibility questionnaire, available information, the result of the work of internal and external auditors and personal evaluation, I have noted weaknesses and irregularities in the following areas

 (specify the areas and questions from the fiscal responsibility questionnaire with partially affirmative or negative answers), and which will be removed in accordance with the Weaknesses and Irregularities Removal Plan.

I hereby state that the listed weaknesses and irregularities do not affect the legal, earmarked and purposeful use of funds or the efficient and effective functioning of the financial management and control system within the framework of the funds determined by the budget, i.e. the financial plan.

Based on the aforementioned, I confirm:

* legal, earmarked and purposeful use of funds,
* efficient and effective functioning of the financial management and control system within the framework of the funds defined by the budget, i.e. the financial plan.

• The statement is issued based on:

• the fiscal responsibility questionnaire

• available information

• the result of internal and external audit

• personal evaluation

• The head official encloses with the statement:

1. The completed fiscal responsibility questionnaire

2. The Weaknesses and Irregularities Removal Plan

3. Report on removed weaknesses and irregularities detected in the previous year

4. Opinion of internal auditors on the financial management and control system for the areas audited in the previous year – now the **Internal auditor’s opinion on internal control systems**

• In order for the statement to be based on objective facts, which are later subject to verification, the fiscal responsibility questionnaire must be filled out before issuing the statement

• The questionnaire is modelled on the form provided in the Regulation Annex and it contains **75 questions** related to the planning and execution of the budget and the financial plan, as well as public procurement, accounting and reporting

• **Annex 2.a**

• **For liable parties listed in the Register of budgetary and extra-budgetary users**

• Annex 2.b

• For companies and other legal persons listed in the Register of companies and other legal persons liable to issue the fiscal responsibility statement

• No changes made

**FISCAL RESPONSIBILITY QUESTIONNAIRE FOR LIABLE PARTIES LISTED IN THE REGISTER OF BUDGETARY AND EXTRA-BUDGETARY USERS FOR THE FISCAL YEAR \_\_\_\_\_\_**

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| --- | --- | --- | --- |
| **No.** | **Question** | **Answer** |  |
| **N.A** | **YES** | **NO2** | **Reference1** |
| PLANNING THE BUDGET/FINANCIAL PLAN |
| 1. | **The strategic plan was drawn up and published on the website** (to be answered by the ministries and other public administration bodies at the division level of organizational classification) |  |  |  | Link to the website |
| 2. | **Financial plan programs linked with strategic****plan goals** (to be answered by the ministries and other public administration bodies at the division level of organizational classification) |  |  |  | Related spreadsheetsThis question is not applicable to the year when the decision on the temporary financing of businesses, functions and programs of government bodies and other budgetary users for the first three months of the following year is being made |
| 3. | **Risk assessment was done for the goals from the strategic plan** (to be answered by the ministries and other public administration bodies at the division level of organizational classification) |  |  |  | Risk chart |

 The reference column is not to be filled out, it merely contains instructions on what type of evidence should the answers be based on

2 For every negative answer, indicate the weakness or irregularity in the Weakness and Irregularities Removal Plan

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| 4. | After receiving guidelines on budget drafting for local and county (regional) self-government units from the Ministry of Finance, the administrative body in charge of the finances of local and county (regional) self-government units produced relevant instructions for the drafting of the budget of local and county (regional) self-government units and submitted them to budget and extra-budgetary users of local and county (regional) self-government units. The instructions include the limits i.e. ceilings of the financial plan for budgetary users for the next fiscal year and the following two years, and they are distributed across:-the amount of funds necessary for the implementation of existing programs, i.e. activities, which stem from the currently valid regulations, and - the amount of funds necessary for the introduction and implementation of new or the change of existing programs, i.e. activities (to be answered by local and county (regional) self-government units in charge of budget and extra-budgetary users) |  |  |  |  The copy of i.e. reference to the letter and instructions |
| 5. | After receiving instructions for the drafting of the state budget proposal from the Ministry of Finance, the ministry drafted and submitted to the budgetary users under its jurisdiction the instructions with limits, i.e. ceilings of the financial plan for budgetary users for the next fiscal year and the following two years, which were distributed across:-the amount of funds necessary for the implementation of existing programs, i.e. activities, which stem from the currently valid regulations, and - the amount of funds necessary for the introduction and implementation of new or the change of existing programs, i.e. activities, and for the period of temporary financing the ministry has, after receiving instructions from the Ministry of Finance for the drafting of the state budget for the first three months of the fiscal year, drafted and submitted to the users under its jurisdiction, instructions with limits for the first three months of the fiscal year(to be answered by ministries in charge of state budgetary users) |  |  |  | The copy of i.e. reference to the letter and the instructions |

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| 6. | The financial plan of state budgetary users includes revenues and receipts presented by type, expenditures and expenses forecast for the three-year period, sorted according to budget classifications, and the explanation of the proposal of the financial plan, and for the temporary financing period, it contains the assessment of the revenues and receipts presented by type, expenditure and expenses forecast for the first three months of the fiscal year, sorted by budget classifications |  |  |  | Copy of i.e. reference to the financial plan adopted by December 31 |
| 7. | The financial plan of the budgetary user of the local and county (regional) self-government unit contains revenues and receipts presented by type, expenditure and expenses forecast for the three-year period, sorted by budget classifications, and the explanation of the financial plan |  |  |  | Copy of i.e. reference to the financial plan adopted by December 31 |
| 8. | The explanation of the financial plan of the state budgetary user and the budgetary user of local and county (regional) self-government units contains a summary of the scope of work of the budgetary user, explained programs, aligned goals, legal basis and other types of foundation on which the programs are based on, strategies and programs with documents for long-term development, starting point and indicators which serve as the basis for calculations and assessment of necessary funds for program implementation, a report on the achieved goals and results of the program based on success indicators from the jurisdiction of the budgetary user in the previous year and all other explanations and documentation |  |  |  | Copy of i.e. reference to the financial plan adopted by December 31The question is not applicable to state budgetary users for the year when the decision on temporary financing of businesses, functions and programs of government bodies and other budgetary users for the first three months of the following year is being made |
| 9. | The financial plan of the extra-budgetary user of the state budget and local and county (regional) self-government units contains revenues and receipts sorted by type, expenditures and expenses forecast for the three-year period, sorted by budget classifications and the explanation of the proposal of the financial plan, and for the period of temporary financing, the financial plan of the extra-budgetary user of the state budget |  |  |  | Copy of i.e. reference to the financial plan adopted by December 31 |

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| **10**. | The aligned proposal of the financial plan of the ministry is composed of the received and compiled proposals of financial planning of the budgetary users (to be answered by ministries in charge of state budgetary users) |  |  |  | Conduct an analysis by adding up incomes and expenditures from the financial plans of budgetary users and the incomes and expenditures from the financial plans of the competent ministry without budgetary users, and compare this to the information from the aligned financial plan |
| 11. | The annual work plan is composed in accordance with the strategic and financial plan and published on the website (to be answered by ministries and other public administration bodies at the division level of organizational classification) |  |  |  | Link to the website |
| 12. | Along with the general and specific section of the budget of the local and county (regional) self-government unit, a development program plan was submitted to the representative body to be adopted, and it includes the goals and priorities for the development of local and county (regional) self-government units linked to the organizational and program classification of the budget |  |  |  | Copy of i.e. reference to the development program plan |
| 13. | The official head of the local and county (regional) self-government unit submitted a budget and projection proposal to the representative body to be adopted within the statutory deadline |  |  |  | Copy of i.e. reference to the letter i.e. other evidence that the budget and projection proposal was submitted to the representative body |
| 14. | The adopted budget is published in the official gazette of the local and county (regional) self-government units |  |  |  | Number and title of the official gazette and date of publication |
| 15. | Along with the budget of local and county (regional) self-government units i.e. the financial plan of the state budget and extra-budgetary user for the next fiscal year, projections were made for the following two fiscal years |  |  |  | Number and title of the official gazette and date of publication for the budgets, copy i.e. reference of the financial plan adopted by December 31 for state budget and extra-budgetary usersThe question is not applicable to state budgetary users and extra-budgetary users for the year when the decision on temporary financing of businesses, functions and programs of government bodies and other budgetary users for the first three months of the following year is being made |

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| 16. | Within 30 days of the entry into force of the state budget, the head official made the decision to transfer authority and responsibility for the implementation of the strategic plan and the management of budget funds ensured by the financial plan (to be answered by the ministries and other public administration bodies at the division level of organizational classification) |  |  |  | Copy of the decision |
| 17. | The budget and the executions amendments were submitted to the Ministry of Finance within 15 days of their entry into force |  |  |  | Copy of i.e. reference to the letter |
| 18. | The local and county (regional) self-government unit was borrowing/giving consent for borrowing/guarantees pursuant to the provisions of the Budget Act and the Ordinance on the borrowing procedure and giving guarantees and consent for local and county (regional) self-government units |  |  |  | Copies of i.e. references to obtained and given consent |

Note:

All questions in the questionnaire must be answered by inserting an "X" in the relevant column.

If a question is inapplicable to the liable party, an "X" must be inserted in the N/A column.

If different questions require the same piece of evidence, such evidence may be enclosed only once.

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| --- | --- | --- | --- | --- |
|  | **No.** | **Question** | **Answer** | **Reference** |
| **N/A** | **YES** | **NO3** | **PARTIALLY**4 |
| BUDGET/FINANCIAL PLAN EXECUTION |
| 19. | The procedure for adopting contractual commitments hasbeen clearly defined and is available to allorganizational units/administrative departments |  |  |  |  | Copy of i.e. reference to the written procedure |
| 20. | Contractual commitments requiring the execution ofpayments from the budget in the upcoming yearswere assumed solely with prior consent givenby the Government of the Republic of Croatia, i.e. ahead of a municipality/mayor/county prefect, at theproposal of the Minister of Finance, i.e. the head ofthe administrative department in charge of financialaffairs (to be answered by the state budgetary users and budgetary users of local and county (regional) self-government units) |  |  |  |  | Copies of i.e. references to consents obtainedusing a sample of 20 maximum |
| 21. | Investment project commitments are assumedonly if forecast by budget projections, the financial plan and on the basis of a conducted professional evaluation and appraisal of the investment project justification and efficiency |  |  |  |  | using a sample of maximum 10 investment projects, prove the links to the budget and projections, i.e. the financial plan, and enclose copies of i.e. references to the conducted evaluations |
| 22. | Reallocations were done according to the provisions of the Budget Act (to be answered by local and county (regional) self-government units) |  |  |  |  | Copy of i.e. reference to the letter with approved reallocations |
| 22. | There is a clear procedure of revenue collection |  |  |  |  | Copy of i.e. reference to the written procedure where all types of income that is charged can be seen, as well as the payment measures to be undertaken, the time frame after which the payment measures will be used, cases where collateral needs to be acquired, monitoring payments under the measures undertaken, persons who will perform the aforementioned work, and the like.  |

3For every negative answer, indicate the weakness or irregularity in the Weakness and Irregularities Removal Plan

4For every partially affirmative answer, indicate the weakness or irregularity in the Weakness and Irregularities Removal Plan

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| 24. | All necessary measures have been taken towardsthe full and timely collection of revenues and receiptsfrom the scope of competence and payment intothe budget. |  |  |  |  | On a sample of 10% of uncollected receivables with the balance of December 31, evidence of undertaken payment measures (copies of i.e. references to relevant letters, warnings), maximum 100 |
| 25. | All earmarked revenues and receipts and own revenues of budgetary users were credited to the relevant budget of local and county (regional) self-government units, save for those exempt from the crediting obligation on the basis of the local and county (regional) self-government unit budget execution decision (to be answered by local and county (regional) self-government units having budgetary users under their remit) |  |  |  |  | Proof of payment of earmarked revenues and receipts and own income into the relevant budget and copy of i.e. reference to the decision |
| 26. | The ministry, i.e. the local and county (regional) self-government unit has been monitoring the spendingof earmarked revenues and receipts as well as ownrevenues generated by budgetary users from theirscopes of competence, which have been exemptfrom the obligation to credit them to the budget |  |  |  |  | Proof of monitoring method |
| 27. | The funds were spent in accordance with the budget and financial plan. |  |  |  |  | Report on the budget execution of local and county (regional) self-government units where it is clear no extra funds were spent other than the amount defined by the budget (apart from own and earmarked revenues and receipts pursuant to the Budget Act).Comparison of the execution and the financial plan which shows no extra funds were spent other than the amount defined by the financial plan (apart from own and earmarked revenues and receipts pursuant to the Budget Act) for budgetary and extra-budgetary users. |

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| 28. | Disbursement of funds based on credible documentation. |  |  |  |  | For every expenditure type at a level defined in the Table: Tests with question 24 given in the Questionnaire Appendix |
| 29. | Monitoring and control over earmarked disbursement of donations, aid, subsidies to the end user, and their use |  |  |  |  | Sample of 5% of the number of overall transfer and min. 5% of the overall value of transfer, maximum 100 |
| 29.1. | Copies i.e. references of the contract serving as the basis for disbursement are available |  |  |  |  | Copies of i.e. references to the contract |
| 29.2. | On the spot verification on a chosen sample of end users who received payments over 20,000.00 HRK on a yearly basis  |  |  |  |  | Controls of the number of end users (sample) who received more than 20,000.00 HRK on a yearly basis from the budget, and budgetary and extra-budgetary users |
| 29.3. | End user report on utilization of funds/project realization |  |  |  |  | Copy of i.e. reference to the report |
| 30. | All necessary checks performed during equipmentdelivery/works execution |  |  |  |  | evaluation on a sample of 5% of the total number of fixed assets purchases and a minimum of 5% of the total value of all purchases of fixed assets |
| 30.1. | Equipment delivered/works executed as contracted |  |  |  |  | Enclose relevant proof |
| 30.2. | Equipment delivered/ works executed within the contracted deadlines |  |  |  |  | Enclose relevant proof |
| 30.3. | Equipment delivered/ works executed observing the contracted quantity and quality requirements |  |  |  |  | Enclose relevant proof |
| 30.4. | Equipment delivered/ works executed at locations stipulated in the contract |  |  |  |  | Enclose relevant proof |
| 30.5. | Equipment delivered/services rendered/works executed as per contract description |  |  |  |  | Enclose relevant proof |
| 30.6. | Equipment delivered/services rendered/works executed in accordance with the design, analyses, models and contract samples |  |  |  |  | Enclose relevant proof |
| 30.7. | Equipment installed and in use |  |  |  |  |  |

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| 31. | Procedure prescribed for invoice intake, their checking in relevant organizational units/administrative departments and a timelypayment |  |  |  |  | Copy of i.e. reference to the written procedure |
| 32. | All contracts are stored and archived pursuant to the regulations on keeping archives |  |  |  |  | Copy of i.e. reference to the Ordinance on the protection and processing of archives |
| 33. | A person was appointed in charge of irregularities(to be answered by ministries and other public administration bodies at the division level of organizational classification and local and county (regional) self-government units) |  |  |  |  | Copy of i.e. reference to the appointment decision or link to the website with published data on the person in charge of irregularities |
| **PUBLIC PROCUREMENT** | Provide proof using a sample of 5% of contracts/notices/public procurement procedures executed |
| 34. | Concluded high-value procurement contracts contain instruments to secure proper fulfillment of commitments or provisions on liquidated damages |  |  |  |  | Copy of i.e. reference to contracts, specify the article which contains the provisions on instruments securing proper fulfillment of commitments or provisions on liquidated damages |
| 35. | Public contracts were concluded in accordance with the conditions specified in the tender documents and the selected bid |  |  |  |  | Copy of i.e. reference to the documentation on the conducted procedures and copies i.e. references of the contract |
| 36. | For all cases of public procurement whose estimated value is equal to or greater than HRK 200.000.00 for the procurement of goods and services, i.e. for the procurement of works equal to or greater than HRK 500.000.00, public procurement procedures were carried out in accordance with the provisions of the Public Procurement Act |  |  |  |  | Designation and date of publication |
| 37. | For public procurement procedures conducted via the Electronic Public Procurement Classifieds, relevant notices were published pursuant to the Public Procurement Act  |  |  |  |  | Designation and date of publication |
| 38. | A list of economic agents is available online (or in the official gazette or on the notice board or in some other manner) with whom the liable party i.e. the client's representative or other related persons are in a conflict of interest in terms of public procurement regulations |  |  |  |  | Website address or number and title of the official gazette or other place mark where the list is published |
| 39. | A procurement plan was adopted based on the public procurement regulations |  |  |  |  | Published procurement plan |
| 40. | At least one authorized representative with a valid certificate in the field of public procurement took part in the preparation and implementation of public procurement procedures, pursuant to public procurement regulations |  |  |  |  | Decision on the appointment of the authorized representatives of the client |

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| 41 | In the preparation of technical specifications persons other than authorized representatives of the client took part, who evaluated the offers |  |  |  |  | the names of persons who participated in the preparation of technical documentation and a copy of i.e. reference to the internal decision on the appointment of authorized representatives of the client |
| 42. | Authorized representatives of contracting authorities who submit a proposal on the selection decision were different from the persons who monitor the implementation of the contract |  |  |  |  | Copy of i.e. reference to the internal decisions on the appointment of authorized representatives of the client and names of persons who monitor the implementation of the contract |
| 43. | The client keeps a register of public procurement contracts and framework agreements containing data in accordance with public procurement regulations. |  |  |  |  | Website address where the register of public procurement contracts and framework agreements is published |
| 44. | All documentation of any public procurement procedure shall be kept for at least four years after the completion of the procurement procedure. |  |  |  |  | Copy of i.e. reference to the file sheet |
| 45. | Contracts on the procurement of public services from Annex II.B were entered into on the basis of the provisions from the Public Procurement Act |  |  |  |  | Copies of i.e. references to the procurement documentation and the concluded contracts |
| 46. | Until 31 March, the body in charge of the public procurement system has been supplied with the public procurement report for the previous year containing data prescribed in the Public Procurement Act |  |  |  |  | Copy of i.e. reference to the report |
| 47. | An act was passed which regulates the issues of procurement for the procurement of goods and services, i.e. for the procurement of works, which is not subject to the Public Procurement Act |  |  |  |  | Copy of i.e. reference to the act |

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| ACCOUNTING |
| 48. | Expenses are recorded in the general ledger based on the accrual principle (liabilities) in the reporting period to which they relate; regardless of payment |  |  |  |  | sample of up to 1 per cent of all documents on the basis of which business transactions were recorded (incoming invoices, account statements, etc.) and a maximum of 100 |
| 49. | Order forms are properly filled to see who initiated the acquisition, who approved the acquisition, which types of goods / services / works were procured, along with a detailed specification of the unit of measurement, the quantity, unit price and total price |  |  |  |  | sample of 1% of all orders, a maximum of 100 |
| 50. | The signed contracts with suppliers/service providers/work performers provide a detailed determination of the type of goods/services/works to be procured |  |  |  |  | sample of up to 5 % of all contracts and a minimum of 5 % of total contract value |
| 51. | The receipt forms, shipping forms and other relevant documents signed by the storage clerk or other person in charge of goods receipt and suppliers clearly show that quantities, condition and quality of the received goods were established upon goods acceptance. |  |  |  |  | copies of i.e. references to documents on a sample of up to 5 % of all documents |
| 52. | There are reports on the service rendered, i.e. other type of written authorization or documentation verifying service execution |  |  |  |  | copy of i.e. reference to the report or other documentation on a sample of up to 1 % of services rendered and a maximum of 100 |
| 53. | There are interim and final computing balances on the executed work in accordance with the defined work approval procedure, approved by a person or a body in charge of work supervision and approval. |  |  |  |  | copies of i.e. references to the approved interim or final balances on a sample of 5 % of all contracts |
| 54. | The received invoices contain all legally prescribed invoice elements in accordance with the primary and secondary legislation. |  |  |  |  | sample of up to 1 % of all invoices and a maximum of 100 |

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| 55. | The invoices received are referenced against the number of the order form/contract on the basis of which goods were delivered/services rendered/work executed |  |  |  |  | Sample of up to 1% of all invoices for contracts entered into under public procurement procedures, a maximum of 100 |
| 56. | The accounts contain a detailed specification of goods / services / works that fit the description and specification of goods / services / works defined in the order form i.e. contract |  |  |  |  | sample of up to 1 % of all invoices and a maximum of 100 |
| 57. | An arithmetical accuracy check was done for every invoice for the amount charged, which is indicated on the invoice. |  |  |  |  | sample of up to 1 % of all invoices and a maximum of 100 |
| 58. | Verification of the existence of a signature, stamp or other mark that may confirm the approval of the invoice for recording |  |  |  |  | sample of up to 1 % of all invoices and a maximum of 100 |
| 59. | After invoice substance check and verification of the documentation for services rendered, works executed i.e. goods procured, invoices are recorded in the general ledger according to budget classifications (to be answered by liable parties subject to budget accounting application) |  |  |  |  | sample of up to 1 % of all invoices and a maximum of 100 |
| 60. | Revenues are recorded in the general ledger at the moment in which they become available and measurable (to be answered by liable parties subject to budget accounting application) |  |  |  |  | sample of up to 1 % of all invoices and a maximum of 100 |
| 61. | For received and given non-financial asset donations, the general ledger records revenues and expenditures by estimated asset value, whereas non-financial asset transfers between the budget and budgetary users is recorded through the change in asset volume (to be answered by liable parties subject to budget accounting application) |  |  |  |  | sample of up to 5 % of all donations and a minimum of 5 % of total donation value |
| 62. | The head official for the budget/budgetary user has put an Inventory Commission in place. They defined the inventory taking date, the relevant inventory deadlines and the supply of reports with inventory lists enclosed. |  |  |  |  | copy of or reference to the inventory implementation decision |
| 63. | The Inventory Commission has published the inventory of the overall assets and liabilities, and produced an inventory list based report and submitted it to the head official. |  |  |  |  | Copy of or reference to the report |

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| 64. | Books and accounting documents are kept in keeping with the deadlines set in the Ordinance on Budget Accounting and Chart-of-Accounts (to be answered by liable parties subject to budget accounting application) |  |  |  |  | Classification code of the Ordinance on archive and record keeping i.e. adequate proof |
| 65. | The established accounting records have enabled monitoring of the use of funds based on the source of financing and programs (projects/activities) |  |  |  |  | analytical records by source of financing and programs (projects/activities) or the reference from question 23 |
| 66. | A record of all contracts has been established. |  |  |  |  | copy of i.e. reference to the relevant section of the records |
| 67. | Analytical records of fixed non-financial assets are being kept and aligned with the general ledger |  |  |  |  | copy of i.e. reference to the relevant section of the records |

Note:

All questions in the questionnaire must be answered by inserting an "X in the relevant column.

If a question is inapplicable to the liable party, an "X" must be inserted in the N/A column.

If different questions require the same piece of evidence, such evidence may be enclosed only once. Answers are not permitted in the cells highlighted in grey.

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| REPORTING 1 OTHER  |
| 68. | Deadlines and manners of submission as defined by the Ordinance on financial reporting in budget accounting were adhered to during the submission of financial reports(to be answered by liable parties subject to budget accounting application) |  |  |  | copies of i.e. references to reference pages in financial reports |
| 69. | The local and county (regional) self-government unit reported to the Ministry of Finance on borrowing/borrowing consent/guarantees pursuant to provisions in the Budget Act and the Ordinance on the borrowing procedure and giving guarantees and consent for local and county (regional) self-government units (to be answered by local and county (regional) self-government units) |  |  |  | copy of i.e. reference to the relevant letter |
| 70. | The local and county (regional) self-government unit (equalization grant user) submitted a report on the spent funds to the competent ministry or relevant public administration body in the prescribed manner and within the deadlines defined by the Regulation on the method of calculating the amount of equalization grants for decentralized functions of local and county (regional) self-government units and the decisions on the criteria and measures for ensuring the minimum public needs financial standard in primary and secondary education, social welfare, health care and firefighting activities (to be answered by local and county (regional) self-government units – holders of decentralized functions) |  |  |  | copy of i.e. reference to the relevant letter |

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| 71 | While submitting the semi-annual and annual reports on budget execution, local and county (regional) self-government units observed deadlines and provisions on report contents as defined by the Budget Act (to be answered by local and county (regional) self-government units)  |  |  |  | Copy of i.e. reference to the letter i.e. some other form of evidence that the semi-annual and annual report s were submitted to the representative body, and the number and title of the official gazette and the date of publication of the report |
| 72. | The yearly report on the execution of the budget of the local and county (regional) self-government unit was submitted to the Ministry of Finance and the State Audit Office within 15 days after being made by the representative body i.e. in case the representative body did not make it, within 60 days of the day of submission of the said report to the representative body (to be answered by local and county (regional) self-government units) |  |  |  | copy of i.e. reference to the relevant letter |
| 73 | Substantive and formal controls of the submitted Fiscal Responsibility Statements have been carried out (to be answered by the competent ministries and local and county (regional) self-government units that receive fiscal responsibility statements) |  |  |  | Copy of i.e. reference to the letter or a written one on the conducted checks |
| 74. | A risk documenting system has been established, along with the system of reports on most significant risks, and there is a clear procedure on risk management (to be answered by ministries and other public administration bodies at the division level of the organizational classification) |  |  |  | Copy of the register of risks, reports and the internal act (all three requests must be met) |
| 75. | The internal act (instructions, agreement) regulates the manner of communication, reporting and other activities connected to budgetary and extra-budgetary users under remit (to be answered by ministries and local and county (regional) self-government units with budgetary and extra-budgetary users under their remit) |  |  |  | Copy of i.e. reference to the act |

Note: All questions in the questionnaire must be answered by inserting an "X" in the relevant column.

If a question is inapplicable to the liable party, an "X" must be inserted in the N/A column.

If different questions require the same piece of evidence, such evidence may be enclosed only once.

• The strategic plan was drawn up and published on the web site

• The annual work plan was drawn up in accordance with the strategic and financial plan, and published on the web site

• The adopted budget was published in the official journal of the local and county (regional) self-government unit

• The public procurement procedures conducted via the Electronic Public Procurement Classifieds were accompanied by relevant notices pursuant to the Public Procurement Act

• A list of economic agents is available online (or in the official gazette or on the notice board or in some other manner) with whom the liable party i.e. the client's representative or other related persons are in a conflict of interest in terms of public procurement regulations

• A procurement plan was adopted in accordance with public procurement regulations

• The client keeps a register of public procurement contracts and framework agreements containing data in accordance with public procurement regulations

• Deadlines and manners of submission as defined by the Ordinance on financial reporting in budget accounting were adhered to during the submission of financial reports

• While submitting the semi-annual and annual reports on budget execution, local and county (regional) self-government units observed deadlines and provisions on report contents as defined by the Budget Act

• The yearly report on the execution of the budget of the local and county (regional) self-government unit was submitted to the Ministry of Finance and the State Audit Office within 15 days after being made by the representative body, i.e. in case the representative body did not make it, within 60 days of the day of submission of the said report to the representative body

• The questionnaire contains the columns YES, NO and PARTIALLY

• **All questions in the questionnaire must be answered by inserting an "X" in the relevant column**

• If a question is inapplicable to the liable party, an "X" must be inserted in the N/A column

• For example, if the liable party is not the public contractor/client, i.e. not subject to the application of the Public Procurement Act (Official Gazette, no. 90/11, 83/13, 143/13 and 13/14), they will answer the questions concerning public procurement procedures with "not applicable" i.e. by inserting an "X" in the N/A column

• All answers are tested on the sample and manner in which they were defined in the Questionnaire for every question in the Reference column

• **The reference column is not to be filled out, it merely contains instructions on what type of evidence should the answers be based on**.

• Consists of the weaknesses and irregularities removal plans **for every area in the Questionnaire where weaknesses and irregularities have been identified**, and it includes:

• a description of the weakness and irregularity noticed during the process of filling out the Questionnaire

• an action plan listing the necessary activities to be undertaken in order to resolve weaknesses and irregularities

• the expected date of removal for weaknesses and irregularities and data on the persons responsible for the removal of weaknesses and irregularities

• The Weaknesses and Irregularities Plan is drawn up on a special form

• A special form is filled out for every area in the Questionnaire where weaknesses and irregularities have been noticed

**REPORT ON THE REMOVED WEAKNESSES AND IRREGULARITIES FOR THE BUDGET YEAR\_\_\_\_\_\_\_\_\_**

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| **Area of concern** |
| **1. Question from the Questionnaire where weaknesses and irregularities have been identified:** |
| **1.1. Description of the weakness and irregularity with a cause analysis:** |
| [Description of the weakness and irregularity] |
| **1.2. Weaknesses and Irregularities Removal Action Plan with a list of the necessary activities and the expected date of removal for weaknesses and irregularities** |
| Activity | Expected date of removal | Person responsible | Implementation  | Explanation for the unimplemented/partially implemented activities | New expected date of removal |
| 1.2.1.1.2.2.1.2.3. |  | [name and surname, function, organizational unit] |  |  |  |

⮚ The report on removed weaknesses and irregularities detected the previous year states

⮚ whether the activities from the Weaknesses and Irregularities Removal Plan were implemented

⮚ provides an explanation for unimplemented or partially implemented activities and

⮚ establishes a new expected date of removal for weaknesses and irregularities

• A fine of 5,000.00 to 25,000.00 HRK shall be imposed on the head official for the offence of:

– not drawing up or submitting the Fiscal Responsibility Statement

– if the Ministry of Finance, competent ministries or local and county (regional) self-government units detect during Fiscal Responsibility Statement content verification that the underlying documentation of the Fiscal Responsibility Statement is inauthentic

• The budget control inspector, who identified breaches of the provisions of the act during the supervision, shall draft an indictment against the offender and file it with the competent regional office of the police department

**THANK YOU FOR YOUR ATTENTION!**