



**REPUBLIC OF CROATIA**  
Government of the Republic of Croatia  
Ministry of Finance

**REPUBLIC OF CROATIA**  
**2012-2013**  
**PUBLIC INTERNAL FINANCIAL CONTROL DEVELOPMENT**  
**ACTION PLAN**

Zagreb, July 2012

## TABLE OF CONTENTS

1. Introduction.....	3
2. Approach to further internal financial control system development.....	7
3. Key areas and activities for the public internal financial control system development in the Republic of Croatia for the period 2012 – 2013 .....	8
Annex: Activities implementation plan for the public internal financial control system development in the Republic of Croatia for the period 2012 – 2013.....	12

## 1. INTRODUCTION

Government of the Republic of Croatia for the needs of the public internal financial control system development adopts the Action plan of the public internal financial control system development in the Republic of Croatia for the period 2012 – 2013 (further in text: Action plan).

The public internal financial control system is comprised of financial management and control and internal audit, and its' development is in line with the standards and practice of European Union, taking into consideration the specificities of the public sector in Republic of Croatia.

Activities in development of this system also comprise the part of preparatory activities for the future membership in European Union and are monitored through the Chapter 32 – Financial control.

As a future member of European Union, the Republic of Croatia is expected to have an aligned legislative framework and implementing policies in the area of the public internal financial control system, which includes clearly set up objectives and development measures, adequate administrative capacities in terms of the number and competence. The ultimate goal is to have a system implemented in practice.

Chapter 32 – Financial control is temporarily closed in July 2010, but since it is about the continuous development process, European Commission regularly monitors the progress which is achieved and assesses the readiness of the Republic of Croatia for successful management of public funds, which especially is important for the successful management of European funds.

Activities contained in this Action plan are a follow-up of the activities performed so far and are directed towards further implementation of the long-term development objectives set by the 2009-2011 Republic of Croatia Public Internal Financial Control Development Strategy.

The main objective of the Strategy was to align and integrate the development of the public internal financial control system with the development in the budget system in order that in that way the system of internal financial control would be support in conducting the budget reforms initiated with the Budget law<sup>1</sup> from 2008.

The last three years has intensively been worked on connecting the system of the public internal financial control and the budget system which resulted with creating regulatory base which ensured firm base for this kind of aligned development.

The Law on fiscal responsibility<sup>2</sup>, adopted in November 2010 has connected the provisions of the Budget law and the PIFC Law<sup>3</sup> and by that clearly indicated on the place and the role of financial management and control system and internal audit in the budget system, especially with the aim of ensuring the fiscal responsibility.

The regulatory and methodological framework for implementation of the public internal financial control system has been additionally strengthened with the new implementing regulation which has been issued in the previous period, such as for example, the new

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<sup>1</sup> Official Gazette no. 87/08

<sup>2</sup> Official Gazette no. 139/10

<sup>3</sup> Official Gazette no. 141/06

Rulebook on financial management and control implementation in the public sector<sup>4</sup>, the Manual for internal audit and the Manual for financial management and control in the public sector, and additional instructions and guidelines.

In practical implementation the movements towards more quality financial management and control system in the previous period have been achieved through:

- Connecting the strategic and budgetary planning on the state level, including redefining program classification
- Introducing strategic planning on the local level through producing municipality development strategies
- Introducing performance indicators and system of results monitoring
- Implementing risk management in the planning processes, especially on the state level
- Detailed arrangements of authorities and accountabilities for objective implementation and for budget funds management
- Preparation of internal work procedures especially for the processes in the budget cycle
- Improving systems of records and reporting, especially in term of records of contractual obligations and integration of the Treasury system and introducing reporting on objectives and results
- Introducing the statement on fiscal responsibility and improving the manner of financial management and control system assessment by the side institutions of themselves

The activities are started towards more connected and coordinated approach in financial management and control development between the budget users of first and second/third level, that is the ministries and the agencies and local and regional self government units and their budget users.

Internal audit, whose capacities are additionally strengthened in the passed three years, has given its contribution to financial management and control system development in a manner that with its' recommendations has induced production of internal procedures and strengthening of control mechanisms where their weaknesses have been spotted. The work methodology of internal audit has additionally been improved, especially in the part of strategic planning and connecting strategic plans of internal audit with strategic plans of institution.

However, it is necessary to emphasise that the public internal financial control system development is a long-term and complex process and in the certain way represents a kind of reform in a manner and approach to the management in the public sector.

The public sector managers are required to manage the operations on the basis of the value for money principle and posses a high degree of managerial accountability.

By developing the public internal financial control system, managers need to provide reasonable assurance that public resources are being managed responsibly and transparently, in keeping with laws and regulations, as well as economically, efficiently and effectively.

This requires a hands-on approach to managing which does not focus only on the questions of *how much are we spending and do we keep the operations within the confines of the planned financial resources*. It rather deals with the question of *what for and how do we spend and what results and outcomes are we achieving*. Further, it deals with managerial

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<sup>4</sup> Official Gazette no. 130/11

accountability in terms of the manner in which the resources are being spent and results achieved.

The regulations and the work methodology which have been improved in the last three years created a sound basis for a systematic development of public sector management. This imposed an obligation on the budget users to plan strategically, manage risks, arrange the authorities and accountabilities for the achievement of objectives and management of financial resources, develop systems of records and reporting, apply self-assessment of the financial management and control system (through the Fiscal Responsibility Statement, the financial management and control system self-assessment questionnaire), use the work of internal audit by implementing recommendations they made, thereby solving the weaknesses and shortcomings detected within the financial management and control systems.

However, these are complex processes which demand significant changes in the way of management. In practice, some difficulties are encountered that slow the full implementation and the achievement of the expected effects down. These difficulties at the same time point to the areas for further improvement.

In this Action plan in the part of financial management and control, the emphasis is put on the detailed analysis of practical implementation of regulations and work methodology related to the financial management and control system in order to determine difficulties in appliance and find adequate solutions.

This is needed for the purpose of further strategic planning development towards ensuring a better connectedness between strategic and operational planning in order to make the day-to-day operations supportive of the implementation of the set strategic objectives and further development of managerial accountability. This is also needed to allow consideration of the prerequisites to be met, such as an adequate organisational structure, involvement of management in the budget planning and execution processes, the manner in which financial plans have been structured, etc., with the view to strengthening managerial accountability.

The development of financial management and control which requires active engagement of managers and their accountability for financial effects, demands also the development of organizational units for finance from the „classic controllers“ into the advisers and support to the managers for taking over the managerial accountability.

The development of managerial accountability and advisory role of finance units is a long-term and complex process, and intention is to conduct analysis in the following period to see how this relationship is being developed in practice and in which way organizational units conduct their coordinative role for financial management and control development which is demanded from them, in line with the provisions of article 6 and 7 of the Rulebook for financial management and control implementation in the public sector.

The strategic planning on the local level, introduced by the Law on regional development<sup>5</sup>, still is not linked with the budget planning on the local level, which will exactly be one of priority areas for the systematic development of financial management and control on the local level.

The risk management demands further development especially on the local level, and it will be necessary to conduct activities which will ensure integration of the risk management process in the planning processes and decision making on the local level.

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<sup>5</sup> Official Gazette no. 153/09

The control activities will be necessary to be strengthened through the development of ex-ante and ex-post controls, especially in the budget cycle processes, and with the aim of ensuring fiscal responsibility.

In the part of records and reporting system development there will be necessary to continue the activities on building accounting systems and the treasury system with the aim of ensuring the necessary information on costs, incomes, assets and liabilities.

Concerning internal auditing, the upcoming period will bring about redefinition of internal audit establishment criteria with the view to streamlining internal audit establishment with those budget users considered smaller in terms of budget funds made available to them and the number of their staff. This also goes for the second-level budget users of local and regional self-government units.

Also, the activities of internal auditors' capacity strengthening will be continued, including ensuring the necessary number of internal auditors and their competence.

Special emphasis will be put on the internal audit work quality assessment and the manners in which internal audit is used by the side of the managerial structure.

With the aim of more efficient use of audit resources, it will be continued to perform horizontal and vertical audits, which is introduced in practice with the previously mentioned Strategy.

„Horizontal audits“involve the engagement of internal auditors from several budget users on conducting audits of the same process which is conducted at them (for example public procurement, subsidies and supports, charging debts etc). Horizontal audits aim at providing an overview of control mechanisms common to or identical for several or across all budget users.

„Vertical audits“involve joint work of internal auditors from the functionally interrelated budget users. This concern auditing of processes that involve activities carried out by different but functionally related budget users from under their respective remits. For example, vertical audits could be performed in the system of health, education, judiciary, public companies and for them competent ministries, that is at those institutions which are mutually functionally connected and between which exist significant transfers of budget funds.

Central harmonization unit will continue with further development of its' coordinative role which includes active cooperation with the State Treasury, State audit office, the Ministry of administration and institutions which are involved in the system of pre accession EU funds management, especially the Ministry of regional development and EU funds, which is important for further internal financial control system development on the local level.

In addition, concerning the long-term implementation of aforementioned reforms and upon the accession of the Republic of Croatia to the European Union, there will be necessary to continue with coordination of the public internal financial control system development in the Republic of Croatia.

## **2. APPROACH TO FURTHER PUBLIC INTERNAL FINANCIAL CONTROL SYSTEM DEVELOPMENT**

The Action plan for the public internal financial control system development for the period 2012 – 2013 represents the sequence of current activities on the public internal financial control system development with the aim of successful appliance of legal framework which arranges the area of the public internal financial control in the Republic of Croatia and implementing documents (guidelines, instructions) in practice.

Activities contained in this Action plan in most parts are related to the detailed analysis of financial management and control system and internal audit work quality, for which, especially for financial management and controls, will be used for that purpose chosen pilot institutions.

Conducting analysis in pilot institutions has among others the objective to show the budget users how in a practical way, by developing individual elements within financial management and control system they can improve own management, can better use available funds and avoid risks in business. This approach to further financial management and control system development is necessary in order to budget users really understand that development of this system is primarily for the purpose of improvement of their own management and that does not represent only formal fulfilment of requests towards the Ministry of finance.

Experience gained through these analysis will be embedded in guidelines/instructions, and in line with the needs the existing regulations will be changed and updated related to the area of financial management and control, which will contribute to more easier appliance of the methodological framework for functioning of the system in practice.

Although they are not stipulated in this Action plan as the carriers of implementation of individual activities, all budget users on the state and local level are obliged to conduct activities on development of the public internal financial control system in line with the existing regulations, instructions and guidelines, while taking into consideration own specificities in business.

The development of the public internal financial control system does not represent isolated activity, in contrary demands close connectivity and coordinated approach with the development in the budget system and in the system of public administration. Therefore, besides the activities and measures contained in this Action plan, on development of the public internal financial control system will also influence activities and measures which will arise from development of the budget system, reforms in the area of public administration, further activities in direction of anti-corruption programs etc.

Activities contained in this Action plan are set up with the aim of further public internal financial control system development whose strategic settings for the following period will be defined in the Strategy of public finance development for the period 2012 – 2016, which is in the process of preparation at the moment.

Positioning of the public internal financial control system within the overall framework of public finance development will create in that manner good basis for further integrated development, better connectivity of reform processes which are conducted and achieving greater efficiency and effectiveness in practical implementation.

**In addition there are areas and activities for further public internal financial control system development elaborated in more details.**

### **3. THE KEY AREAS AND ACTIVITIES FOR THE PUBLIC INTERNAL FINANCIAL CONTROL SYSTEM DEVELOPMENT IN THE REPUBLIC OF CROATIA FOR THE PERIOD 2012 – 2013**

#### **3.1. Financial management and control development**

##### **a) Areas of financial management and control development**

Financial management and control development will be in the future period continued in direction of objectives set up in the Republic of Croatia Public Internal Financial Control Development Strategy for the period 2009 - 2011, with the emphasis on the **following areas:**

- Development of strategic planning, especially in the part of connecting strategic and operational planning, connecting strategic objectives and programs, and financial funds necessary for their implementation
- Connecting strategic planning on the local level with the budget planning
- Development of the managerial accountability and creating preconditions with the aim of establishing clear authorities and accountabilities for objective implementation and for budget funds management
- Development of the role of finance units in line with development of financial management and control
- Improvement of risk management quality on the state level, and introducing the system approach to the risk management on the local level
- Development of control mechanisms, especially in the processes of the budget cycle, including planning processes, programming processes, and producing and executing the financial plan, and in the process of procurement and contracting, with special emphasis on ex-ante controls development (for example assessment of financial impact of the proposed projects, determining financial sustainability, determining clear criteria for funds allocation etc) and ex-post controls (on-the-spot controls etc.)
- Development of records and reporting system, especially of accounting systems in order to ensure detailed information on costs, incomes, assets, liabilities and achieved results, and for the better planning and executing budget, controlling costs and creating liabilities, determining possible savings and for creating necessary rationalization and efficiency at work
- Connecting budget users of first and second level, that is ministries and agencies and units of local and regional self government and their budget users with the purpose of coordinative approach in financial management and control development

##### **b) Activities for financial management and control development**

Central harmonization unit will in cooperation with the State Treasury on the chosen pilot institutions analyze the appliance of the existing law and by-law regulation, guidelines and instructions related to strategic planning, risk management, the manner of authorities and accountabilities transfer for implementation to set objectives and for the budget funds management, the manner of coordination of financial management and control by finance units, established control mechanisms in the process of planning and executing financial plans, system of records and reporting and the manner of cooperation with the budget users in the system.

Pilot institutions will be chosen from the lines of ministries and local and regional self government units, in a manner that there will be represented institutions which have



significant budget funds, that have the second level of budget users and/or public companies in their competency with the aim to perform the analysis of relationships and the manners of cooperation with the budget users and/or public companies, and will propose the adequate model of financial management and control between connected institutions.

Based on performed analysis the difficulties in practical implementation of financial management and control system will be determined and the measures for their elimination will be proposed as well as further financial management and control development for the needs of chosen pilot institutions.

The experience gained in pilot institutions will be embedded in instructions and guidelines which prepare Central Harmonization Unit and State Treasury, and in that way will help other institutions in the public sector. Also in the case that the amendments to the existing regulations will be needed, the updating and amending of those will be proposed.

Activities related to the strategic planning on the local level, including connecting the risk management processes with the process of strategic planning, will be implemented by updating and by amendments of the Rulebook on obligated content, producing methodology and the manner of valuating county development strategies<sup>6</sup>. With that purpose Central Harmonization Unit will cooperate with the Ministry of regional development and EU funds which is competent for producing strategic planning methodology on the local (regional) level and for producing law and by-law regulations for that area.

With the aim of further training development in the area of financial management and control, there will be current training programs and target groups analyzed and the possibilities will be considered for training programs development by using funds through the project which will be proposed for financing from the structural EU funds.

### **3.2. Internal audit development**

#### **a) Areas of internal audit development**

Internal audit development in future period will be continued towards objectives set by the Republic of Croatia Public Internal Financial Control Development Strategy for the period 2009 - 2011 with the emphasis **on the following areas:**

- The rational establishment of internal audit for small budget users
- Further internal auditors capacity strengthening in the sense of ensuring adequate internal audit capacities and further strengthening of internal auditors' competence for conducting as the audits related to the national funds, and the audits related to EU funds as well
- Improving internal audit work quality with the aim of quality assurance of conducting internal audit in line with prescribed methodology and International Professional Practices Framework (IPPF)
- More efficient use of audit resources for improving financial management and control through conducting horizontal and vertical audits

#### **b) Activities for internal audit development**

- The criteria and the manners of internal audit establishment arranged by the Rulebook on internal audit of the budget users<sup>7</sup> will be redefined in a manner that

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<sup>6</sup> Official Gazette no. 53/10

<sup>7</sup> Official Gazette no. 35/08

internal audit at the budget users of first level (ministries, counties, cities) conducts internal audit also for their budget users of the second and third level, except those budget users of second and third level which will fulfil certain criteria for establishment of own internal audit unit (Criteria will be based on the level budget funds, number of employees, specificities in business etc.)

- Employing internal auditors in institutions in which are not ensured adequate capacities and conducting regular trainings for gaining professional certification
- Strengthening of internal audit competence through organization of different forms of continuous professional education
- In cooperation with Croatian institute of internal auditors to conduct preparatory activities for taking exam for gaining international certificate CGAP (Certified Government Auditing Professional) for certain number of certified internal auditors in the public sector, and to consider the financing possibilities of such activities through international project
- Central harmonization unit will conduct detailed analysis of strategic and annual plans of internal audit, audit reports of internal audit from the aspect of work methodology appliance, and in line with that will give recommendations for further improvement of internal audit work quality
- Central harmonization unit will conduct external assessment of internal audit work quality for internal audit units which are established for more than five years
- Conducting horizontal and vertical audits

### **3.3. Central harmonization unit**

Central harmonization unit will continue with strengthening of its' coordinative role in the public internal financial control system development in order to ensure aligned development with development in the budget system, with development of the public administration, unique approach to financial management and control system development for the national funds and EU funds.

All afore-mentioned includes cooperation with large number of participants, and Central harmonization unit will also in future develop cooperation with institutions which are holders of certain reforms in the public sector, and also with different professional associations with the purpose of promoting the importance of the public internal financial control system.

Of the special meaning is cooperation of Central harmonization unit with the budget users on the state and local level which should implement the financial management and control system in the daily business. The role of Central harmonization unit is to connect, that is to create networking between the budget users with the aim of exchange of experience, knowledge, spotted difficulties and weaknesses, examples of good practice etc.

By adopting the Financial management and control manual, the existing methodology connected to financial management and control is aligned with the regulations in the budget system. Therefore, in the following period the CHU activities will be directed towards the appliance of the existing regulations and work methodology in practice.

This demands individual approach, i.e. the analysis and the meetings with individual budget users in order to determine the system elements which are implemented, and especially the financial management and control areas whose implementation encounters certain difficulties, and what are the causes of the aforementioned.

While developing the coordinative role of the Central harmonization unit, the emphasis will be positioned **on the following areas:**

- Cooperation with the budget users in further public internal financial control system development
- Aligned and coordinated public internal financial control system development, which includes cooperation with the key actors in reform of the management system (with State Treasury, the Ministry of administration, the Ministry of regional development and EU funds, State audit office, institutions involved in EU funds management , Agency for the audit of EU programmes implementation system - ARPA)
- Cooperation with professional associations on strengthening of financial management and control and internal audit
- Promoting importance of the public internal financial control system by conducting activities on the project „Raising public awareness on importance of internal financial control system in the public sector in the Republic of Croatia“ financed from pre accession program IPA 2008 FPPRAC
- International cooperation with consultants within international projects and cooperation with countries in the region related to experience exchange in the area of the public internal financial control system development

### **3.4. Public Internal Financial Control Council**

The PIFC Council is an advisory body for the minister of finance whose role is giving recommendations for financial management and control and internal audit development.

The PIFC Council is still expected to be actively involved in and to be supportive of the public internal financial control system development, which includes consideration certain open questions related to the individual segments of the public internal financial control system, giving propositions for improvement in development of this system and promoting the best practices. If the PIFC Council determines through its activities that there are certain open questions on which will be necessary to adopt decisions on the level of Government of Republic of Croatia, the PIFC Council reports to the Government of the Republic of Croatia on that with the aim of taking adequate activities.

**Implementation plan of activities for the public internal financial control system development in the Republic of Croatia for the period 2012 – 2013 is contained in the Annex of this Action plan.**

**ANNEX: ACTIVITIES IMPLEMENTATION PLAN FOR THE PUBLIC INTERNAL FINANCIAL CONTROL SYSTEM DEVELOPMENT IN THE REPUBLIC OF CROATIA FOR THE PERIOD 2012 - 2013**

<b>FINANCIAL MANAGEMENT AND CONTROL</b>				
<b>Num.</b>	<b>ACTIVITIES</b>	<b>IMPLEMENTATION DEADLINES</b>	<b>INSTITUTION IN CHARGE</b>	<b>EXPECTED RESULTS</b>
1.	The choice of pilot institutions for performing financial management and control system analysis	August 2012	Ministry of Finance – Central Harmonization Unit in cooperation with the State Treasury	<ul style="list-style-type: none"> <li>• Chosen pilot institutions (ministries, counties, cities and municipalities)</li> </ul>
2.	Desk research for conducting financial management and control system analysis for the chosen pilot institutions, including: <ul style="list-style-type: none"> <li>- analysis of the Establishment and development plan of financial management and control</li> <li>- analysis of the Fiscal Responsibility Statement</li> <li>- analysis of the Annual report on financial management and control system</li> <li>- analysis of State Audit Office reports</li> <li>- analysis of the Annual report conducted audits and activities of internal audit and internal audit recommendations conducting, etc</li> </ul>	August - September 2012	Ministry of Finance – Central Harmonization Unit in cooperation with the State Treasury and pilot institutions	<ul style="list-style-type: none"> <li>• Conclusions on the current state of play of financial management and controls in pilot institutions based on available information and documentation</li> <li>• Prepared questionnaire for testing financial management and control elements in practice (in pilot institutions)</li> </ul>
3.	Analysis of financial management and control in pilot institutions with emphasis on: <ul style="list-style-type: none"> <li>- The organizational structure adequacy in a way to support objective implementation in the strategic plans and programmes determined by budget</li> </ul>	October - December 2012	Ministry of Finance – Central Harmonization Unit in cooperation with the State Treasury and pilot institutions	<ul style="list-style-type: none"> <li>• Determined manner of system functioning in practice, difficulties in implementation and measures for further development of</li> </ul>

	<ul style="list-style-type: none"> <li>- The manner in which strategic and operational plans are connected</li> <li>- The manner of identifying risks and their connection with objectives contained in planning documents</li> <li>- The manner of producing financial plan with emphasis on involvement of managers, determining the needs and deciding on priorities</li> <li>- Execution of financial plan and accountability of managers in cost and revenue control, assuming commitments, etc.</li> <li>- Internal reporting system on the achievement of objectives and budget spending</li> </ul>			financial management and control system
4.	In pilot institutions, analyse the relationship and cooperation between the first and second/third level of budget users and public enterprises under their remit, in respect of coordinating the financial management and control implementation activities	January - May 2013	Ministry of finance – Central Harmonization Unit in cooperation with the State Treasury and pilot institutions	<ul style="list-style-type: none"> <li>• Proposition of financial management and control model for related institutions</li> </ul>
5.	Implementation of determined measures for further financial management and control development on the level of pilot institutions (measures determined in the column 3 and 4)	January - December 2013	Pilot institutions	<ul style="list-style-type: none"> <li>• Conducted measures for further development</li> </ul>
6.	On the basis of the conducted analysis and conclusions reached for pilot institutions involved, adopt and/or update written instructions/guidelines for other budget users, amend and update the existing regulations on financial management and control, as needed	January - December 2013	Ministry of finance – Central Harmonization Unit in cooperation with the State Treasury and the Ministry of regional development and EU funds	<ul style="list-style-type: none"> <li>• Adopted and/or updated instructions/guidelines from the area of financial management and control</li> <li>• In line with the needs changed and updated</li> </ul>

				regulations related to financial management and control area (Rulebook on obligated content, methodology of producing and the manner of valuing of county development strategies <sup>8</sup> etc)
7.	Analysis of the role and status of the finance units in the context of implementation of coordinative role in financial management and control development in line with articles 7 and 8 of the Rulebook on financial management and control implementation	June 2013	Ministry of finance – Central Harmonization Unit in cooperation with the Ministry of administration	<ul style="list-style-type: none"> <li>• Amendments of Decree on principles for internal organization of state administration bodies<sup>9</sup> related to the role and the status of organizational units for finance and budget</li> </ul>
8.	Following the analysis of the budget users needs and the existing financial management and control training program to prepare the proposition for producing the new training programme which would be proposed for financing from the EU structural funds	November 2012 – May 2013	Ministry of finance – Central Harmonization Unit in cooperation with the Ministry of administration and the State school for public administration	<ul style="list-style-type: none"> <li>• Prepared the proposition of the training programme for financial management and control and agreed the manner of conducting programme with respected institutions</li> </ul>

<sup>8</sup> Official Gazette no. 53/10

<sup>9</sup> Official Gazette no. 154/11, 17/12

<b>INTERNAL AUDIT</b>				
<b>Num.</b>	<b>ACTIVITIES</b>	<b>IMPLEMENTATION DEADLINES</b>	<b>INSITUATION IN CHARGE</b>	<b>EXPECTED RESULTS</b>
1.	Redefining criteria of internal audit establishment at budget users in a manner that internal audit at the budget users of the first level (ministries, counties, cities) conducts internal audit also for their budget users of the second and third level, except those budget users of second and third level which will fulfil certain criteria for establishment of their own internal audit unit	September 2012 - March 2013	Ministry of finance – Central Harmonization Unit	<ul style="list-style-type: none"> <li>Amendments of Rulebook on internal audit of budget users<sup>10</sup></li> </ul>
2.	Employing internal auditors in institutions in which adequate capacities are not ensured	During 2012 and 2013	The budget users obliged to establish internal audit in which are not ensured sufficient capacities	<ul style="list-style-type: none"> <li>Increased number of internal auditors for cca 40 new ones</li> </ul>
3.	Strengthening the competence of internal auditors by participating at different kinds of continuous professional education	Continuously during 2012 and 2013	Ministry of finance – Central Harmonization Unit	<ul style="list-style-type: none"> <li>Increased number of internal auditors which have, based on the collected points determined for individual kinds of professional education defined by Instruction on continuous professional training of internal auditors in the public sector, placed in the Category 1 of active internal auditors</li> </ul>

<sup>10</sup> Official Gazette no. 35/08

				<ul style="list-style-type: none"> <li>Number of prepared certified internal auditors in the public sector for taking exam for gaining international certificate CGAP (Certified Government Auditing Professional)</li> </ul>
4.	<p>Assessment of audit methodology application through analysis of:</p> <ul style="list-style-type: none"> <li>- Strategic and annual internal audit plans</li> <li>- Audit reports</li> <li>- Quality assurance program</li> </ul>	Continuously during 2012 and 2013	Ministry of finance – Central Harmonization Unit	<ul style="list-style-type: none"> <li>Recommendations for improvement of work methodology and if needed amendments to the Manual for internal auditors(version 4.0)</li> </ul>
5.	External quality assessment of internal audit units which are established for more than five years	June - December 2013	Ministry of finance – Central Harmonization Unit and units for internal audit at which the external quality assessment will be performed	<ul style="list-style-type: none"> <li>Performed external quality assessment of internal audit and assessed performance of internal audit, with making recommendations as needed</li> </ul>
6.	Conducting horizontal and vertical audits	During 2013	Internal audit units, Ministry of finance – Central harmonization unit	<ul style="list-style-type: none"> <li>Conducted audits</li> </ul>



<b>CENTRAL HARMONIZATION UNIT</b>				
<b>Num.</b>	<b>ACTIVITIES</b>	<b>IMPLEMENTATION DEADLINES</b>	<b>INSTITUTION IN CHARGE</b>	<b>EXPECTED RESULTS</b>
1.	Cooperation with the budget users on further internal financial control system development through organization of: <ul style="list-style-type: none"> <li>- periodical meetings with financial management and control managers</li> <li>- theme meetings with internal audit units heads/internal auditors</li> <li>- visits and consultations of Central Harmonization Unit on budget users invitation</li> <li>- seminars and workshops for representatives of state and local level</li> </ul>	Continuously	Ministry of finance – Central Harmonization Unit	<ul style="list-style-type: none"> <li>• exchange of experience and good practice in the public internal financial control system development</li> </ul>
2.	Cooperation with the key actors in the management system reforms (with the State Treasury, the Ministry of administration, the Ministry of regional development and EU funds, State audit office, institutions involved EU funds management, Agency for the audit of EU programmes implementation system)	Continuously	Ministry of finance – Central Harmonization Unit	<ul style="list-style-type: none"> <li>• Harmonised and coordinated development of the public internal financial control system with the development in the budget system and with the reforms in the area of public administration</li> </ul>
3.	Cooperation with professional associations on strengthening financial management and control and internal audit	Continuously	Ministry of finance – Central Harmonization Unit	<ul style="list-style-type: none"> <li>• Organized and performed seminars/workshops in cooperation with Croatian institute of internal auditors and other professional associations, Union of</li> </ul>

				cities and counties associations etc.
4.	Implementation of the project „Raising public awareness on importance of internal financial control system in the public sector in the Republic of Croatia“ financed by pre-accession program IPA 2008 FPPRAC	June - December 2012	Ministry of finance – Central Harmonization Unit	<p>More informed managers in the public sector on importance of the public internal financial control system achieved through:</p> <ul style="list-style-type: none"> <li>• Organized conferences/seminars</li> <li>• Produced promotional materials on importance of the public internal financial control system</li> <li>• Improved communication through the Central Harmonisation Unit website</li> </ul>
5.	International cooperation with consultants within international projects and cooperation with countries in the region related to the exchange of experience in the area of the public internal financial control system development	Continuously	Ministry of finance – Central Harmonization Unit	<ul style="list-style-type: none"> <li>• Promoted Croatian experiences in the area of the public internal financial control system development</li> </ul>

<b>PIFC COUNCIL</b>				
<b>Num.</b>	<b>ACTIVITIES</b>	<b>IMPLEMENTATION DEADLINES</b>	<b>INSTITUTION IN CHARGE</b>	<b>EXPECTED RESULTS</b>
1.	Support the development of the public internal financial control system through the active participation of the members of the PIFC Council in its' work	Three times a year	PIFC Council	<ul style="list-style-type: none"> <li>• Recommendations for the public internal financial control development and reports/propositions adopted by the side of the Government of the Republic of Croatia</li> </ul>