

emerging in the fixed broadband market. The overall fixed broadband penetration rate increased modestly to 11.9 %.

The agreement of September 2014 signed by the former Yugoslav Republic of Macedonia, Bosnia and Herzegovina, Montenegro and Serbia on reducing the prices of mobile roaming services came into force in July.

On **information society services**, the e-commerce and e-signature laws at State level remain unimplemented due to the absence of a supervisory body for accreditation. Administrative capacity in the Ministry of Transport and Communications remains insufficient.

On **audiovisual policy**, the country missed the 17 June 2015 international deadline for the digital switchover. Only the first phase of the digitalisation process has been completed, and only in the territory of the Federation of Bosnia and Herzegovina as Republika Srpska did not allow the equipment to be installed.

The process is jeopardised by the non-existence of the corporation which was supposed to coordinate technical aspects of digitalisation under the relevant law. The financial stability and sustainability of the entire public broadcasting system is still seriously affected, as the collection rate of the RTV tax (license fee) is continuously dropping. The current model for tax collection expired on 26 April and the authorities have not agreed yet on a new model.

4.2.7. *Financial control*

Bosnia and Herzegovina is at an **early stage** of its preparations in the area of financial control. **Some progress** was recorded with the establishment of internal audit units and the adoption of the public internal financial control (PIFC) strategy by the Federation and by Brčko District. However, the absence of a coordinated approach hampers introduction of credible reforms. Further efforts should be especially devoted to completing the strategy and legal framework at Entities level. In the coming year Bosnia and Herzegovina should in particular:

- complete the legal framework on financial management and control at Entities level;
- update, adopt and start implementation of PIFC strategies at State level and in the Republika Srpska;
- reconvene the regular meetings of the Central Harmonisation Unit Coordination Board and ensure systematic co-ordination among the SAIs.

Public internal financial control

The individual PIFC **strategies and action plans** of the institutions of Bosnia and Herzegovina and Republika Srpska need to be renewed. The Federation and Brčko District adopted strategy papers on PIFC respectively in September and in December. A formal mechanism to monitor and report on implementation of action plans is still lacking.

The **central harmonisation units (CHU)** have been established at State and Entities levels but not yet in the Brčko District. CHU staffing is well below the authorised staffing levels, in particular at the Entities level where there are six staff altogether. The CHUs act independently of each other and have not convened the CHU Coordination Board since 2011 even though it is a legal requirement. They prepare and submit annual consolidated reports to their respective governments. The annual report of the Republika Srpska CHU makes reference to developments in the financial management and control framework but the equivalent documents for the State level and the Federation deal only with internal audit. The CHUs are active in organising training. They are mainly subsidised by external assistance.

The concept of **financial management and control** is still at a very early stage of development. Legislation on this needs to be adopted at the Entities level. Delegation and accountability arrangements, the distribution of management information, and the risk management and financial management of public enterprises are insufficiently regulated. A centralised budget inspection function has not yet been established at any governance level.

The legal framework for **internal audit** is in place at all levels except in the Brčko District and is largely consistent with international standards. The criteria for establishing internal audit units have been fixed at all levels, but they are not consistent with each other. Internal audit capacity remains low. An internal audit charter is in place or being prepared by an increasing number of institutions.

External audit

Regarding the **constitutional and legal framework**, the functional, operational and financial independence of each of the four supreme audit institutions (SAIs) — for Bosnia and Herzegovina institutions, the Federation, Republika Srpska and the Brčko District — is provided for by respective laws on external audit at the State and Entities level and in the Brčko District. These are in line with the standards of the International Organisation of Supreme Audit Institutions (INTOSAI). However, none of the SAIs are anchored in the Constitutions or in the Brčko District's Statute. The State-level SAI is a full member of INTOSAI and EUROSAI. The independence of the heads of the SAIs and the deputies is sufficiently legally protected and their mandates provide for a full range of financial, regularity and performance audits of all public financial operations.

Concerning **institutional capacity**, the SAIs of the Bosnia and Herzegovina institutions and Republika Srpska have sufficient staff while the SAIs of the Brčko District and especially of the Federation lack capacity to cover the wide scope of external audit. The SAIs of the State and the Entities have adopted strategic development plans for 2014-2020.

To improve the **quality of audit work**, the Coordination Board of Supreme Audit Institutions in Bosnia and Herzegovina published amendments to the decision on transposition and application of the framework of International Standards of Supreme Audit Institutions in the country. However, cooperation among the SAIs in the Coordination Board is not systematic and needs to be improved. The four SAIs have adopted procedures that cover financial audit, performance audit and quality control, and they ensure that audit work undertaken conforms to these standards and procedures. The head of each SAI monitors the execution of the annual audit plan and submits annual activity reports to the respective parliament. Increased use of information technology and sampling methodologies has improved the efficiency of audit processes.

In Republika Srpska a department for quality control and compliance with international audit standards is operational. At the end of 2014 the Audit Office of the Institutions of Bosnia and Herzegovina established a new sector for development, methodology and quality management.

Concerning the **impact of audit work**, the annual reports are submitted to the legislatures regularly, are published online and receive wide media and public attention. The time allowed for the parliamentary committees to assess and discuss the reports is shorter than optimal but they are usually discussed in the presence of the SAIs. The implementation of audit recommendations is formally monitored by the SAIs at the time of the next audit. The SAI of Republika Srpska has set up an online database of recommendations available to the general public. The SAIs and CHUs should strengthen their cooperation to improve the internal control environment.

Protection of the EU's financial interests

Legislation is not **aligned** with the *acquis*, and no national **anti-fraud coordination service (AFCOS)** has been set up. Fraud prevention and repression are addressed under the national anti-corruption strategy. Initial steps have been taken to ensure **cooperation with the European Commission** investigators during their on-the-spot missions.

Protection of euro against counterfeiting

The country is addressing counterfeiting-related issues under its strategy for fighting organised crime. Legislation is not **aligned** with the *acquis* as it does not define counterfeiting or identify the competent authorities and procedures to deal with counterfeit money. Medals and tokens similar to euro coins are not yet regulated. The country is a party to the 1929 International Convention for the Suppression of Counterfeiting Currency since 2009. **Technical analysis** of counterfeit money, including euro banknotes and coins, is performed by the Central Bank of Bosnia and Herzegovina, which has a dedicated department with three staff. Some of the cantonal ministries of interior also have experts and equipment for undertaking technical analysis of counterfeit banknotes only. No **cooperation agreements** have been concluded yet with the Commission and the European Central Bank.

4.2.8. *Statistics*

Preparations in the area of statistics are **at an early stage** for many sectors, whereas for a limited number of sectors some level of preparation is visible. **Some progress** was achieved in the past year, notably in harmonising the statistical methodology with EU standards.

Significant efforts are needed across the board, especially to provide for the alignment of statistics with the EU *acquis*. In addressing the shortcomings outlined below, in the coming year Bosnia and Herzegovina should in particular:

- further align statistics with the European System of Accounts (ESA) 2010, in particular regarding national accounts;
- further improve cooperation, coordination and decision-making processes to develop the national statistical system in key statistical areas;
- urgently complete the processing of the census data and publish its results, in line with the International Monitoring Operation recommendations.

As regards **statistical infrastructure**, the law on Statistics of Bosnia and Herzegovina remains to be fully aligned with the principles of the European statistics Code of Practice. The position as Director of the Agency for Statistics of Bosnia and Herzegovina (BHAS) is still vacant. However, a recruitment procedure has been initiated. Cooperation in the national statistical system between BHAS and other producers and providers of statistics needs to be enhanced as well as cooperation between BHAS and the entity offices, particularly in view of applying European methodology in a harmonized way. Exchange of data between the Indirect Taxation Authority and the Agency for Statistics of Bosnia and Herzegovina (BHAS) requires further improvement BHAS is partially using Eurostat's electronic Dataflow Administration and Management Information System to send data to **Eurostat**.

Significant efforts are necessary to align **macro-economic statistics** with the European System of Accounts (ESA) 2010. The same goes for annual and quarterly National Accounts. Preparation of sector accounts has still not been completed, so annual and quarterly sector accounts are not available. Supply and use tables are not compiled regularly, nor are input-output tables produced. Fiscal notifications in line with ESA 2010 and financial accounts are not produced. Government finance statistics (GFS) are mainly produced in line with the