

The authorities have yet to address the issue of the lack of financial stability and sustainability of the public broadcasting system, as the RTV fee collection rates continued to drop. Opposing political demands of the ruling political parties sidelined the discussion on adopting a new, more effective and implementable model of RTV fee collection that would strengthen the public broadcasting system, securing its political independence and financial stability.

#### 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 adoption of the law on financial management and control in the Federation entity in April and with ensuring better coordination through regular meetings of the Central Harmonisation Units and Supreme Audit Institutions Coordination Boards. Further efforts should be made with adoption of the outstanding PIFC strategies and ensuring a coherent public internal financial control (PIFC) legal framework in the country.

In the coming year Bosnia and Herzegovina should in particular:

- adopt and start implementing PIFC strategies at State level and in the *Republika Srpska* entity and ensure systematic monitoring and reporting of all PIFC strategies;
- adopt the legal framework on financial management and control in the *Republika Srpska* entity;
- ensure adequate staffing of the Central Harmonisation Units.

#### Public internal financial control

The **strategic framework** is not yet in place for the whole country. The Federation entity and the Brčko District have adopted PIFC strategies last year, but the revised strategic framework at the state level and in the *Republika Srpska* entity still needs to be adopted. Only the Federation entity has started to implement the renewed strategy paper of 2015, but monitoring and reporting on the implementation is weak.

The **Central Harmonisation Units** (CHUs) have been established at state and entity levels but not yet in the Brčko District. The CHUs' staffing is well below the authorised staffing levels, in particular at entity level where there are seven staff altogether in both CHUs. The three CHUs reconvened the CHU Coordination Board in February after a five year pause. The Board now meets regularly. The CHUs prepare and submit consolidated annual reports to their respective governments. The CHU at the state level adopted the rulebook on annual reporting on the system of financial management and control in the Bosnia and Herzegovina institutions in December. The annual reports of the CHUs at the state and *Republika Srpska* entity levels cover both financial management and the control framework and internal audit.

The concept of **financial management and control** is still at an early stage of development, and the legal framework is not yet in place for the whole country. At the state level this area is regulated by the law on budgets and at the Federation entity in the law on financial management and control, which was adopted in April. The *Republika Srpska* entity is currently preparing a law that would address this area. Delegation and managerial accountability arrangements, the distribution of management information, and the risk management and financial management of public enterprises are not applied in practice.

The legal framework for **internal audit** is now 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 weak due to lack of staffing and appropriate training and certification.

## External audit

Regarding the **constitutional and legal framework**, none of the four Supreme Audit Institutions (SAIs) — for Bosnia and Herzegovina, the two entities and the Brčko District — are anchored in the respective constitutions or the Brčko District's Statute. Their functional, operational and financial independence is addressed by the 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). The recent inclusion of the *Republika Srpska* SAI in the treasury system risks limiting the independence of its financial operations. The ban on new recruitment by the Federation Government has limited the functional and operational independence of the Federation SAI.

Concerning **institutional capacity**, the SAIs at state level and *Republika Srpska* entity level have sufficient staff. However, the SAIs of the Brčko District and especially of the Federation entity lack capacity to cover the wide scope of external audit, which is disproportionately bigger in the case of the Federation entity than at the other levels.

The cooperation among the SAIs in the Coordination Board has improved and the meetings have become more regular and frequent. As concerns the **quality of audit work**, the four SAIs aim to ensure that financial and performance audits and quality control conform to international 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. The Coordination Board of SAIs in Bosnia and Herzegovina adopted an IT development plan for 2016-2020. Increased use of information technology and sampling methodologies has improved the efficiency of audit procedures.

Concerning the **impact of audit work**, the annual reports are submitted to the legislatures regularly. They 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 follow-up by auditees to recommendations is between 50 % and 60 % at all levels. The implementation of audit recommendations is formally monitored by the SAIs at the time of the next audit. 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*. Fraud prevention is addressed under the national anti-corruption strategies. There is no formally appointed national **anti-fraud coordination service** or related network, but this role has been taken by the State Investigation and Protection Agency. It ensures **cooperation with the European Commission** and provides support to the European Commission investigators during on-the-spot checks.

## Protection of euro against counterfeiting

The country is addressing counterfeiting-related issues under its strategy for fighting organised crime. The country is a party to the 1929 International Convention for the Suppression of Counterfeiting Currency since 2009. The legislation is not yet **aligned** with the *acquis*. Regulations that define counterfeiting or identify the competent authorities and procedures to deal with counterfeit money are flawed. Medals and tokens similar to euro coins are not yet regulated. **Technical analysis** of counterfeit money, including euro banknotes and coins, is performed by the Central Bank, in the two departments (total of five employees in both departments). In addition, the entities and some cantonal ministries of interior, Agency for Forensic Examinations court experts also perform technical analysis of counterfeit banknotes. No **cooperation agreements** have been concluded yet with the Commission or the European