

**REPORT ON THE IMPLEMENTATION OF THE PUBLIC
FINANCIAL MANAGEMENT REFORM PROGRAMME 2021-2025
FOR 2023**

Ministry of Finance

April 2024

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INTRODUCTION

The Public Financial Management Reform Programme 2021-2025 (PFMRP), which was adopted by the Government of the Republic of Serbia on 24 June 2021, represents a strategic framework for planning and implementing reform processes in public financial management subsystems in the area of “public sector”¹, with the aim of achieving a more balanced and sustainable budget, reducing the level of public debt, strengthening financial management and control and improving the process of external control of public finances. After the successful implementation of the previous PFMRP, which covered the period from 2016 until 2020², a road map for the implementation of reforms was established, which is adequately aligned with the umbrella Public Administration Reform Strategy for the period 2021-2030 and other public policy documents that are directly related to the PFMRP.

In consultation with the members of the Working Group on Preparation, Monitoring and Reporting on Implementation of the 2021-2025 PFMRP (hereinafter: the PFMRP Working Group), as well as international partners, the need was recognised to amend the 2021-2025 PFMRP for the period from 2023 until 2025. This process was carried out during 2023. After consultations with all stakeholders, including the European Commission and SIGMA, the Programme amendments were adopted by the Government on 25 December 2023.

The report for the year 2023 (hereinafter: Report on the Implementation of the PFMRP) was prepared by the PFMRP Working Group.

Seven out of ten 2021-2025 PFMRP activities that have been foreseen in the PFMRP Action Plan for 2023 were successfully implemented, while three activities were not implemented within the prescribed deadline. Both effect indicators at the level of the PFMRP general objective, which refer to real GDP growth and public debt, have been achieved. Out of seven performance indicators at the level of specific objectives, six were achieved. Out of 30 result indicators at the level of measures, 22 have been achieved, four have not been achieved, while data are not yet available for four.

¹ In accordance with the Regulation on the Methodology for Public Policy Management, Public Policy and Regulatory Impact Analysis and Content of Individual Public Policy Documents („Official Gazette of the RS“, 8/19).

² PFMRP 2015-2020, PFMRP 2021-2025 and all implementation reports can be found on the MoF website: <https://mfin.gov.rs/dokumenti2/program-reforme-upravljanja-javnim-finansijama-pfm>

CONSOLIDATED OVERVIEW

During 2023, the values of the effect indicators were met at the level of the 2021-2025 PFMRP general objective. Namely, the indicator related to real GDP growth has been met (2.5% of target value, estimate of the National Bank of Serbia (NBS) and the Statistical Office of the Republic of Serbia (SORS) for 2023 amounted to 2.5%), as well as the indicator of the general level government debt in GDP (from 53.3 % of target value, exceeded by 1.0 p.p. and amounted to 52.3%).

Estimated GDP growth in the forthcoming period is 3.5% in 2024, 4.5% in 2025 and 4.5% in 2026.

Net exports, Fixed investments, Changes in supplies, Government spending, Private spending, GDP



* Процена НБС

*NBS estimate

Chart 1: GDP flow and growth in the period from 2014 until 2023

The share of public debt in GDP was reduced to 52.3% at the end of 2023, which is better than expected in relation to the performance indicator at the general objective level.

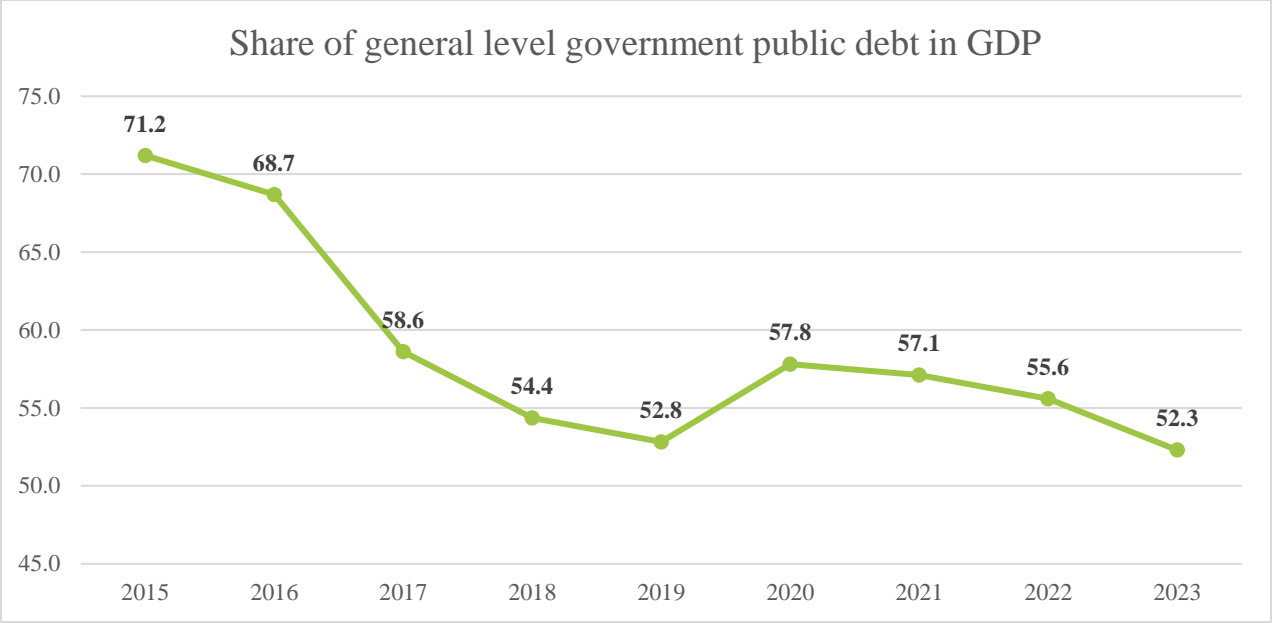


Chart 2: Share of general level government public debt in GDP

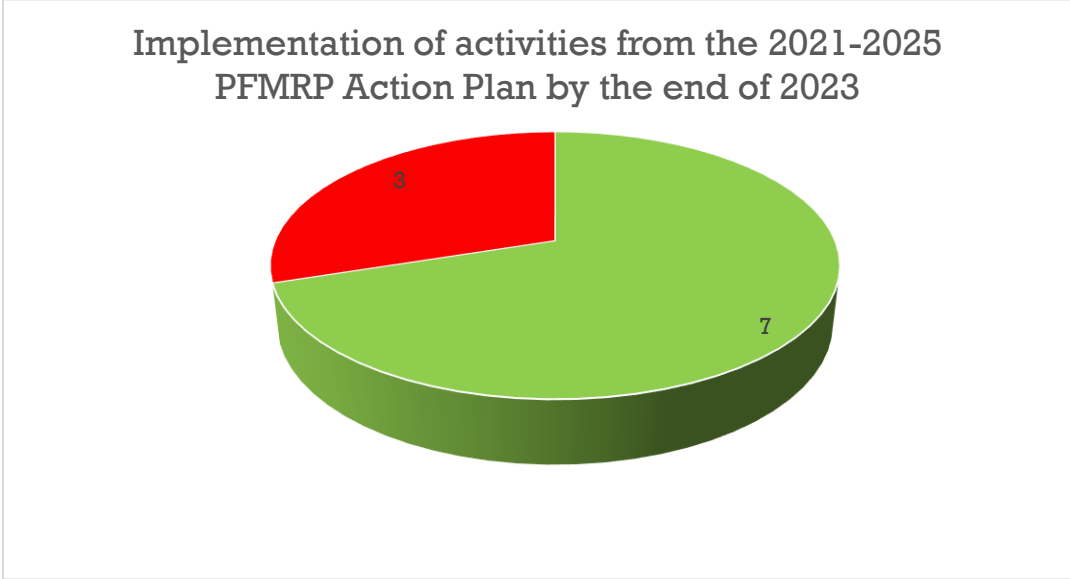


Chart 3: Implementation of activities from the 2021-2025 PFMRP Action Plan by the end of 2023

Cumulatively, the implementation of activities in the first two years amounts to 26 implemented activities out of 39 envisaged, while the implementation of the majority of unrealised activities is ongoing.

Implementation of activities from the 2021-2025 PFMRP Action Plan in the first three years of the Programme implementation

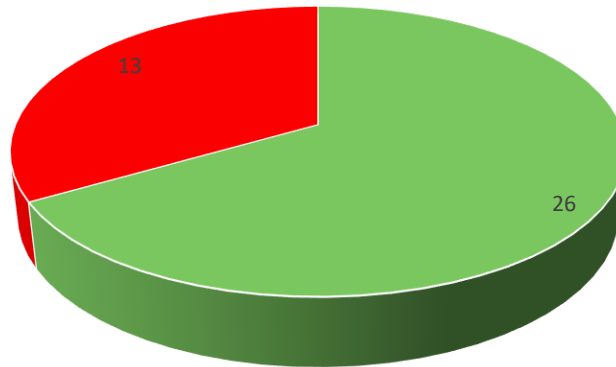
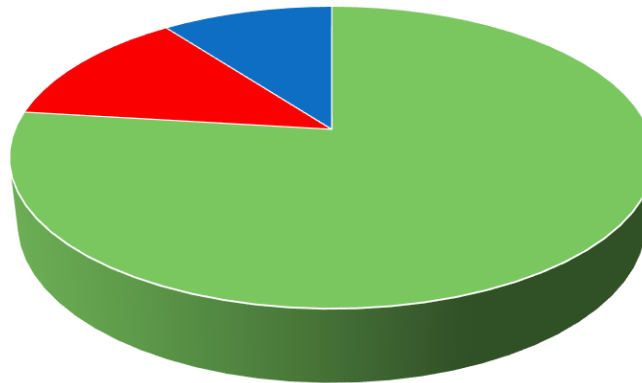


Chart 4:

Implementation of activities from the 2021-2025 PFMRP Action Plan in the first three years of the Programme implementation

During 2023, the realisation of 39 indicators was monitored, at the level of the general objective, specific objectives and results. A total of 30 indicators have been achieved, five indicators have not been achieved, while data are not yet available for four indicators.

Fulfilment of indicators in 2023



■ Испуњено - 30 ■ Неиспуњено - 5 ■ Још нису доступни подаци - 4

Fulfilled – 30 Unfulfilled- 5 Data not yet available – 4

Chart 5: Fulfilment of performance indicators in 2023

In 2023, progress was made in areas related to programme budgeting, capital project management, fiscalization, budget inspections, internal audits and accounting in the public sector. Also, work was done on further improvement in the areas of analysing the uniform programme budget structure for local self-government units, changing the business processes of the Tax Administration, strengthening the medium-term public debt management strategy, regulation and capacity building of the Public Internal Financial Control (PIFC).

In the area of public expenditure budgeting, workshops were held in the previous period concerning the analysis of the programme budget and the use of performance indicators. The recommendations for improvement offered to the budget beneficiaries are incorporated in the Instructions of the Ministry of Finance for the budget preparation for 2024 with projections for 2025 and 2026. Furthermore, activities within the analysis of the uniform programme budget structure of local self-government units were completed. In addition to programme budgeting, activities continued in 2023 on harmonising regulations with normative acts of the European Union regarding the budget preparation process.

In 2023, the trend of increasing the number of prepared medium-term plans continued compared to the previous period. In the 2023-2025 planning cycle, 26 medium-term plans of medium-term planning entities were adopted, which enabled full realisation of the activity of providing mentoring support for the development of medium-term plans at the national level.

The Public Policy Secretariat held a series of internal trainings for employees who were involved in the development of the medium-term plan of certain medium-term planning entities, and also provided direct support to the coordinators of the development of medium-term plans in medium-term planning institutions.

In addition to the support provided in the development of new medium-term plans, the Public Policy Secretariat also provided direct support for the development of progress reports in the implementation of medium-term plans for 2022. In this regard, 17 reports out of 22 adopted medium-term plans for the 2022-2024 planning cycle, were prepared and published.

In connection with medium-term planning at the local level, a progress was made in the number of adopted medium-term plans compared to the previous cycle. For the 2023-2025 planning cycle, 26 LGUs adopted their medium-term plans, compared to seven of them in the previous cycle. Apart from the general support provided by the Public Policy Secretariat, the Standing Conference of Towns and Municipalities (SCTM), through the *EU Exchange 6 Programme*, supports LGUs selected through public calls for the development of medium-term plans.

Public investment management remains one of the priorities of the Ministry of Finance, so in 2023, the main focus was on the development of ideas for completion and improvement of the legal framework related to capital project management, the ultimate goal of which is a single list of priority capital projects in the Republic of Serbia. As a result, at the proposal of the Ministry of Finance, the Government of the Republic of Serbia adopted the Regulation on Capital Projects (“Official Gazette of the RS”, 79/2023). The centralised capital projects database *PIMIS* has become operational and users are enabled to enter data. Bearing in mind the changes resulting from the new Regulation, continuous work was done on improving the functionality and upgrading of the *PIMIS* information system.

In addition to this, the Department for Fiscal Risks Monitoring of the Ministry of Finance continued its work on improving the environment for efficient fiscal risks management, where special emphasis remains on the energy sector. Also, based on the adopted methodology for monitoring fiscal risks arising as a result of natural disasters, a Protocol on cooperation was signed with the Ministry for Public Investment of the Republic of Serbia, in order to realise coordinated joint activities to improve cooperation in the area of analysis and monitoring of risks from natural and other disasters.

As part of the *TAMP* project in 2023, the Tax Administration implemented the Business Process Reengineering activity by adopting the final report on the implementation of the project “Consulting services for the business process reengineering, including the training of trainers for the introduction of new functions in the organisational units of the Tax Administration of the Republic of Serbia (TARS)”. Additionally, the preparation of the documents titled “Plan for introducing the new business model for TARS with an Action Plan” was completed. At the same time, in connection with the procurement of a commercial off-the-shelf IT solution for the purposes of TARS (*COTS*), the final version of the request for quotation document, made according to the final remarks and suggestions of the World Bank, was accepted. Also, in 2023, intensive work was done on the project “Consulting services for the institutional development of the TARS human resources function”.

Within the *IPA 2021: EU PFM Flexible Facility*, financed by the European Union, the Tax Administration has been approved for a project related to component 1- Strengthening the legislative and institutional framework and capacity of the Ministry of Finance and the Tax Administration to meet the EU pre-accession requirements for the development of the VAT Information Exchange System (*VIIES* system). Activities continued on the establishment of an electronic dispatch note system by announcing a public procurement and concluding a contract with a supplier in November 2023.

In the course of 2023, the Customs Administration Project Team continued their work, while the consortium continued their activities on the project regarding the Improvement of the Electronic Transit System by introducing the NCTS phase 5 - software development, with accompanying subsystems and improvement of the risk management system. All necessary testing of the software functioning in Joint Transit have been successfully completed. At the end of 2023, the final software testing for freight forwarders was carried out, as well as a check-up of the testing and production environment. The NCTS Phase 5 went into production on 28 January 2024.

During 2023, the Tobacco Administration Project Team worked on defining the new functionalities of the Integrated Information System, which will be established through the upgrade of this system in 2024 and 2025.

The general level government public debt in GDP decreased from 57.1% at the end of 2021 to 52.3% at the end of 2023. In addition, the development of the domestic government securities market continued, while Eurobonds in the amount of 1.75 billion US dollars were issued on the international market.

In the field of public procurement in 2023, the efforts of the Public Procurement Office were aimed at improving the Public Procurement Portal by expanding the functionality for contracting authorities and bidders, as well as at strengthening capacity in terms of increasing knowledge and preparation for taking exams for public procurement officers, as well as the enforcement of the Law on Public Procurement and use of the Portal.

Strengthening the capacity of the Office for the Audit of the European Union Fund Management System was one of the priorities in 2023. The amendment to the Regulation on establishing the Office for the Audit of the European Union Fund Management System and the new Rulebook on the internal organisation and systematisation of jobs were adopted. Activities within the purview of this Office were successfully implemented within the *PLAC III* Project. The *twinning light* project “Further strengthening the capacities of the Serbian Audit Authority” was prepared and approved, which is to be implemented in 2024.

According to the previous plan, within the European Union Fund Management System, during 2023, the programme closure process, according to the model of decentralised management from the 2007-2013 perspective, was completed and the programme closure process within the 2014-2020 *IPA* perspective commenced. The management and control system is largely adapted to the 2021-2027 perspective (*IPA III*) and based on that, the Republic of Serbia has been entrusted with tasks related to the budget execution, for the management of the EU funds, from the financial allocation for 2021 and 2022 and the same is expected for all financial allocations within the 2021-2027 perspective (*IPA III*).

Employees within the system of indirect management of the EU funds attended trainings organised by the National Academy of Public Administration in 2023, in order to improve their knowledge regarding the indirect management of the EU funds.

The area of inspection in the previous year was characterised by the enforcement of the Law on Budget Inspection and the establishment of more effective inspection over the enforcement of laws and other regulations in the area of intended and legal use of public funds and material - financial operations. Additionally, trainings from the adopted special training programme for the employees of the Budget Inspection Department were conducted through specific trainings and workshops, and budget inspectors were taken over from the autonomous province and local self-government units, thus fulfilling the goal of providing the foreseen number of inspectors. In cooperation between the Human Resources Management Service and the Network of Inspectors of Serbia, certain measures were taken to attract and retain new staff for inspection work.

In 2023, the Central Harmonisation Unit (CHU) Department of the Ministry of Finance was focused on improving the legal framework in the area of internal financial control in the public sector, as well as on the modernisation of training in this area. Work on the modernisation of training led to the introduction of a new concept of basic training for financial management and control (FMC) and a new concept of basic training for internal audit (IA) was prepared. In order to bring the area of internal control closer to as many public sector employees as possible, video trainings were prepared, which were intended for managers, FMC coordinators and internal auditors. The work on reviewing the quality of the FMC system and assessing the quality of the work of the internal audit units continued, and with the

support of the projects, the CHU organised trainings and workshops with the aim of providing professional development and education for internal auditors.

As part of the further improvement of the accounting system in the public sector, in 2023 the Treasury Administration was still committed to implementing the Public Sector Accounting Improvement Plan in stages, and during 2023 the translation of the International Public Sector Accounting Standards – (*IPSAS*) was provided. The *IPSAS* translation was completed and published by Serbian Association of Accountants and Auditors (SAAA), which is a member of the International Federation of Accountants (*IFAC*), under the title: “Financial reporting under the cash basis of accounting”, in April 2023, based on the Agreement concluded in February 2023, between SAAA and *IFAC*. Also, with the aim of harmonising the accounting regulations of the Republic of Serbia with international accounting standards and best practices, the Monitoring Committee for the enforcement of the International Public Sector Accounting Standards, which has a supervisory role in this process, was established and it took an active part in monitoring the enforcement of the International Public Sector Accounting Standards.

The Treasury Administration has recognised the importance of compliance of the legal regulations in the field of accounting with the International Public Sector Accounting Standards – (*IPSAS*), so that in the forthcoming period it is expected to harmonise the legal regulations for the cash basis and to adopt the Accounting Policy for financial reporting, in accordance with *IPSAS* for the cash basis.

In 2023, the State Audit Institution of Serbia (SAI) fulfilled four out of five result indicators. In the mentioned period, **306** audit reports were prepared, and with this, the SAI increased the representation of operational audits (compliance and performance) in the SAI Annual Audit Programme for 2023. In October 2023, SAI presented the Audit Report on the final account of the Republic of Serbia Budget for 2022 at the 38th Session of the Parliamentary Committee on Finance, State Budget, and Control of Public Spending.

Three sessions of the Parliamentary Committee on Finance, State Budget, and Control of Public Spending were held outside its seat, in Golubac on 14 July, in Donji Milanovac on 16 October and in Zaječar on 18 October 2023.

The biggest challenges in the implementation of measures and activities in 2023 were presented in the framework of the corresponding measures from the Action Plan, and they relate to the greatest extent to the building of administrative capacities, the provision of necessary financial resources for the implementation of activities that are not financed from the Budget of the RS, as well as timely engagement of consultants with whose support certain activities were carried out.

The available information on the financial resources that were used for the implementation of the activities were presented within individual measures. For certain activities, such information are not available, in case the activities have been implemented through donor support.

Example of success under specific objective 1:

The number of prepared medium-term plans has increased, thus providing an additional contribution to the implementation of the planning system reform at the national level, by connecting public policies with the budgeting process, in accordance with the fiscal strategy and the medium-term expenditure framework.

Example of success under specific objective 2:

The business process reengineering activity, which was successfully implemented in 2023, is the basis for the introduction of the new TARS business model. The key novelties that the new business model will bring are as follows:

Single account for the payment of public revenues and the possibility to pay from abroad in foreign currency

Automatic distribution of payments according to new settlement rules

Functional centralisation and abolition of local jurisdiction

Digitalisation of all services for taxpayers

Automation and connection of processes through automatic procedures.

Example of success under specific objective 3:

The Human Resources Management Service has created special announcements of vacant positions for inspection jobs on all leading social networks.

Example of success under specific objective 4:

- Amendments to the rulebook regulating the area of internal audit were adopted

- Improved questionnaire for annual reporting on the state of play of the FMC system

- Modernised training concept and prepared video trainings in the field of FMC and IA

Example of success under specific objective 5:

Prepared drafts amendments to relevant national regulations for their harmonisation with IPSAS for the cash basis.

The translation of the International Public Sector Accounting Standards (IPSAS) has been provided.

The translation of IPSAS was completed and published by SAAA in April 2023.

Example of success under specific objective 6:

Three sessions of the Parliamentary Committee on Finance, State Budget, and Control of Public Spending were held outside its seat, in Golubac on 14 July, in Donji Milanovac on 16 October and in Zaječar on 18 October 2023.

AGGREGATE OVERVIEW

Efficient public financial management is the basis for sustainable economic development and contributes to the macroeconomic stability of the country. The economic policy moves of the Government of Serbia so far have led to an accrued GDP in 2023 of 69.5 billion euros, while the plan is to reach 74.9 billion by the end of 2024. Cumulative GDP growth in Serbia, in the period from 2018 until 2023, was 22.2%.

In addition to GDP growth of 2.5% and a stable public debt of 52.3% of GDP, at the end of 2023, **stability on the labour market and salaries growth were preserved. The inflow of foreign direct investments reached 4.5 billion euros in 2023.**

At the same time, **the unemployment rate was 9.1%, while a record 2.3 million people were employed.**

In the first two months of 2024, the republic's budget surplus was achieved in the amount of 5.3 billion dinars, which exceeds the budget planning by 52 billion dinars, considering that the deficit was planned in the amount of 46.7 billion dinars. In February, a deficit of 24.9 billion dinars was reached.

In February, revenues were collected in the amount of 158.6 billion dinars, of which tax revenues amounted to 140.6 billion dinars. The largest share of tax revenues refers to the payment of VAT in the amount of 69.1 billion dinars and excise duty in the amount of 38 billion dinars. Non-tax revenues reached the amount of 17.5 billion dinars, and the inflow of donations in February amounted to 0.4 billion dinars.

Expenditures were executed in the amount of 183.5 billion dinars. Expenditures for employees amounted to 39.9 billion dinars, transfers of compulsory social insurance organisations (CSIO) (Pension and Disability Insurance Fund (PDIF), Republic Health Insurance Fund (RHIF), Serbian National Employment Service (SNES), Social Insurance Fund for Military Personnel (SOVO) amounted to 30.4 billion dinars, interest payments amounted to 24.8 billion dinars, capital expenditures amounted to 22.6 billion dinars, expenditures for social protection amounted to 13.9 billion dinars, while expenditures for goods and services amounted to 13.3 billion dinars.

At the level of the state sector, a fiscal surplus in the amount of 10.5 billion dinars and a primary fiscal surplus in the amount of 61.5 billion dinars were recorded in the first two months.

By implementing the activities that are an integral part of the PFMRP after the adoption of the Programme amendments, the public financial management system was additionally strengthened, which will contribute to its stability, predictability and resilience, which is very important in crisis situations. In this way, a stable basis is created for the further implementation of structural reforms in other areas as well, while the economy is provided with a stable business environment.

Finally, the realisation of the 2021-2025 PFMRP in 2023, as well as the macroeconomic indicators mentioned above, confirms the trend that leads to the fulfilment of the PFMRP general objective which is reflected in the realisation of a sustainable budget with a stable public debt in relation to GDP, assisted by better financial management and control, internal audit process and connecting budget planning with Government policies.

The biggest risks for the PFMRP implementation in the forthcoming period are related to overcoming the impact of crisis situations, such as the conflict in Ukraine and the energy crisis. The timely realisation of the planned reform measures, the strengthening of interdepartmental cooperation, in order to further strengthen the synergy between the various segments of the public finance system, as well as the provision of appropriate financial resources for their implementation, are of utmost importance.

The Working Group on Preparation, Monitoring and Reporting on the Implementation of the 2021-2025 PFMRP participated in the preparation of the Report on the Implementation of the PFMRP in 2023. The PFMRP Technical Secretariat will enter the results of the implementation into the Integrated Information System (IIS) database. The exchange of information has been carried out to the greatest extent electronically, and for the purpose of joint work and preparation of the final version of the Report, a workshop was held in the period 27-29 March 2024, with the support of the “Public Finance Reform- 2030 Agenda” project, implemented by *GIZ*.

The main results and indicators from this Report are contained in the 2023 Annual Report on the Implementation of the Public Administration Reform Strategy 2021-2030.



Figure 1: Working Group on Preparation, Monitoring and Reporting on the Implementation of the 2021-2025 PFMRP at the workshop for the finalisation of the Report on the Implementation of the PFMRP in 2023

Presented below is an overview of the achieved progress in 2023, according to the specific objectives of the PFMRP:

Progress achieved under Specific Objective I

The outcome indicator at the level of specific objective I, which refers to the information on the performance regarding the provision of public services, which is measured through the PEFA assessment for the Republic of Serbia, has not been determined for the year 2023, during the PFMRP preparation, given that the next PEFA assessment will be carried out in the period up to the end of the PFMRP implementation (by the end of 2025).

As part of the measure for further improvement of the programme budget in 2023, additional workshops were organised, where all objectives and performance indicators of budget beneficiaries were analysed, which were defined during the preparation of financial plans for 2023 with projections for 2024 and 2025.

In order to build capacities related to the preparation and obligations of the EU member states during the budget preparation process, a workshop was organised where a consultant from the Republic of Croatia presented his experience in the process of the EU accession and budget preparation. In cooperation with the French Development Agency (AFD), the budget sector prepared a methodology for marking green projects in the budget, which was adopted in December 2023. In cooperation with the IMF, an Action Plan for Strengthening the Medium-Term Expenditure Framework was developed and adopted.

Medium-term planning, as a key instrument of institutions for connecting public policies with budget planning, in accordance with fiscal constraints and the medium-term expenditure framework, was further improved. The Public Policy Secretariat continued to provide support to those medium-term planning entities through internal trainings and direct mentoring support. The majority of medium-term planning entities managed to maintain continuity in the preparation of medium-term plans, while a certain number of new institutions prepared their medium-term plans for the first time. In addition, a progress has been made when it comes to the number of prepared reports on the implementation of medium-term plans.

Public investment management is one of the key priorities of the 2021-2025 PFMRP. Bearing in mind that fact, the Department for Fiscal Risks Monitoring, the Capital Projects Evaluation and Monitoring Division, based on the analysis of the practical application of the current legal framework that regulates the procedure for the preparation, evaluation and selection of capital projects, continuously worked during 2023 on the development of the new legal framework, with the aim of further improving the process of evaluation and selection of capital projects.

As a result of that process, on 14 September 2023, the Government of the Republic of Serbia, at the proposal of the Ministry of Finance, adopted the Regulation on Capital Projects, which comprehensively and systematically prescribes the procedure for defining the goal, adequate preparation, objective evaluation and selection of the capital project, as well as its proper implementation and impartial reporting on the impact of the implemented capital project, all with the aim of effective and efficient management of public funds. On the basis of the regulation in question, four rulebooks were adopted, which more closely regulate the implementation of the regulation provisions, thus significantly facilitating the implementation of the project cycle. The rulebook governing the project documentation

prescribes the content of the project documentation forms, which significantly unified and simplified the procedure for all project cycle participants.

In relation to the previous legal framework, the regulation in question contains different criteria for the division and classification of capital projects, taking into account the estimated costs for its implementation, the source of financing and the level of government implementing the capital project, with the aim that all capital projects that may have significant implications at the national, provincial or local level, be proposed, evaluated, selected and monitored in a unique way.

When it comes to the *PIMIS* information system, it went into production in June 2023, and immediately before the system was put into operation, the Ministry of Finance had held training for the *PIMIS* users. By means of establishment and operationalisation of the *PIMIS* information system, the following results have been achieved: improvement of the speed and efficiency of business processes in the area of capital projects monitoring, which used to be monitored manually; simpler access and authorisation system, with minimisation of errors during data entry; the possibility of statistical calculations, etc. During 2023, activities were carried out concerning the *PIMIS* upgrade and finalisation, as well as the improvement of functionality, in accordance with the new regulation. The goal is to automatise the process and to focus on the analysis and evaluation of capital projects, as well as the prediction of possible impacts on the RS Budget.

Applying the previous legal framework that regulated the subject matter of capital projects, the Republic Commission for Capital Investments has held a total of nine sessions since its establishment, of which one constitutive session was held in 2023, in accordance with the newly elected Government of the Republic of Serbia, as well as one extraordinary session.

Additionally, the Department for Fiscal Risks Monitoring participated in negotiations with the International Monetary Fund, where progress in the field of capital project management was set as one of the objectives for the signed arrangement, while the collaboration with the World Bank and the French Development Agency continued on improving the process of management of capital project and fiscal risks in the Republic of Serbia from the point of view of green transition and more efficient control of public expenditures in this area, which are set as significant objectives to strive for.

Progress achieved under Specific Objective II

Actual revenues and expenditures of the general level government budget on an annual basis are in the range of 4.9% of those projected in the fiscal strategy, which fulfils the first indicator at the level of specific objective two. Annual public debt servicing costs (interest payments - net amount) as a % of GDP amount to 1.8%, which fulfils the second performance indicator at the level of a specific objective. The value of the indicators is better than planned as a result of a stable macroeconomic environment and an adequately implemented fiscal policy. The performance indicator related to the average time of an open procedure was achieved and is 47 days, which is better than the target value of 46 days. By switching to electronic procurement, the duration of the open procedure was shortened.

The reform of the work of the Tax Administration in the Republic of Serbia is recognised as one of the most important reform processes, not only in the field of the public finance system, but also in the process of modernisation of the entire public administration system.

During 2023, the central activity of the Tax Administration of the Republic of Serbia (TARS) was focused on the implementation of the Tax Administration Transformation Programme for the period 2021-2025. In 2023, the Final report on the implementation of the project “Consulting services for the business process reengineering, including the training of trainers for the introduction of new functions in the organisational units of the Tax Administration of the Republic of Serbia (TARS)” was adopted and the preparation of the documents titled “Plan for introducing the new TARS business model with an Action Plan” was completed. At the same time, in connection with the procurement of a commercial off-the-shelf IT solution for the purposes of TARS (*COTS*), the final version of the request for quotation document was accepted. At the end of 2023, after a thorough analysis of the bids and impressions from the mandatory presentation of their product by potential bidders, the evaluation committee carried out an evaluation and formed a ranking list.

Also, in 2023, intensive work was done on the project “Consulting services for the institutional development of the TARS human resources function“. The continuous work of the E&Y consultants with the Tax Administration representatives resulted in the adoption of strategically important documents. Due to the major reform changes that the Tax Administration is to face, the project objective is to strengthen the strategically important function of human resources, to strengthen leadership and management skills, to introduce a modern concept of human resources management through the adoption of the Strategy, through the business process reengineering of human resources, which will monitor the results of the project Business process reengineering of basic functions, through the improvement of existing software for human resources. The aforementioned activities are carried out through the Tax Administration Modernisation Project (*TAMP*) and are financed by the World Bank loan.

The Tax Administration of the Republic of Serbia had significant support from international experts, in particular the IMF experts in the following areas: VAT gap estimation, outstanding tax liabilities, TARS reorganisation, in accordance with the adopted business model, further changes in the form of the organisational structure, preparation for data migration to the *COTS*, key performance indicators, implementation of the IMF recommendations, increase of expressive power and further development of key performance indicators (KPI).

In February 2023, the project was launched titled: *EU PFM Flexible Facility* within IPA 2021, financed by the European Union and implemented by a consortium led by the UNDP. The Tax Administration has been approved for a project within component 1 - Strengthening the legislative and institutional framework and capacity of the Ministry of Finance and the Tax Administration to meet the EU pre-accession requirements for the development of the VAT Information Exchange System (*VIES* system).

Regarding the Global Forum information exchange standards in 2023, the expert assessment of the Republic of Serbia on the fulfilment of the information exchange standards on request was completed and it was rated “fulfilled to a great extent”.

The continuation of the reform in the area of electronic invoicing goes in the direction of the introduction of the electronic dispatch note system - an electronic commercial document that confirms the delivery of the product. This document in the electronic version will be considered as proof that the delivery of the goods was successful, in the same way as the printed delivery note. In 2023, after the technical specification of the software solution was successfully developed, a decision was made to establish the electronic dispatch note system as a module of the E-invoice

system. In this regard, a public procurement was announced in November 2023, after which a contract with the supplier was concluded.

In the course of 2023, the Customs Administration Project Team and the consortium continued their activities on the project regarding the Improvement of the Electronic Transit System by introducing the NCTS phase 5 - software development, with accompanying subsystems and improvement of the risk management system. All necessary testing of the software functioning in Joint Transit have been successfully completed. At the end of 2023, the final software testing for freight forwarders was carried out, as well as a check-up of the testing and production environment.

Moreover, in 2023, the Customs Administration was committed to the development of capacities for the full implementation of the European Union regulations in the area of Traditional Own Resources, therefore within the project "Support to the Ministry of Finance under the Public Administration Reform Sector (PAR) Contract" which is financed from IPA 2015 and was implemented by *KPMG*, the following documents were prepared:

- "Comparative analysis of the existing legal framework of importance for the EU Traditional Own Resources System and recommendations for the full implementation of the EU regulations on TOR and the necessary amendments";
- „ *Ex-ante* assessment of the CA administrative capacities for the full implementation of the TOR system”;
- „Assessment of training needs of customs officers for the EUTORS”;
- „Guide for the implementation of the EUTORS based on the best practice of the EU member states “.

During 2023, the Tobacco Administration was committed to continuing the development of digitalisation and in this respect, activities were carried out on defining the new functionalities of the Tobacco Administration Integrated Information System, which will be established through the upgrade of this system in 2024 and 2025.

Due to the geopolitical instability because of the conflict in Ukraine, there has been an increase in inflation at the global level and a significant increase in borrowing costs on the international financial market in the last two years. Despite the very challenging circumstances that required additional financial expenditures for the state, the credit rating of all three rating agencies remained unchanged. In order to minimise financing costs during 2023, part of the funds were provided by the IMF. In addition, the development of the domestic government securities market continued, while Eurobonds in the amount of 1.75 billion US dollars were issued on the international market. The overriding goal was to secure funds under the most favourable circumstances, considering the extremely intensive growth of interest rates at the global level, so for this reason, the share of dinar debt was reduced. Despite this increase in interest rates, the share of interest in GDP remained at the planned level and amounted to 1.8% in 2023.

In the field of public procurement in 2023, two new versions of the Public Procurement Portal were designed and released and each of them brings some new opportunities to contracting authorities and bidders. The Public Procurement Office worked on capacity building of contracting authorities and bidders, in terms of the enforcement of the Law on Public Procurement and the use of the Public Procurement Portal, through the organisation of trainings on various topics, with a special focus on public procurement that includes environmental (green public procurement) and social aspects. Furthermore, the Office also conducted several trainings for the preparation of the public procurement officer exam,

with the aim of improving the knowledge and understanding of public procurement procedures among persons dealing with public procurements.

The legislative framework in the field of public procurement was further improved by the adoption of the Law on Amendments to the Law on Public Procurement (“Official Gazette of the RS”, number 92/23), which was adopted on 27 October 2023. Amendments to the Law on Public Procurement are aimed at increasing the transparency, efficiency and cost-effectiveness of public procurement procedures, greater environmental impact, in accordance with the goals defined by the Green Agenda for the Western Balkans, strengthening competition on the public procurement market, reducing the risk of irregularities in the system of public procurement, as well as increased controls by authorised institutions.

Progress achieved under Specific Objective III

Specific objective III contains two performance indicators at the specific objective level. The first performance indicator at the level of specific objective III refers to the percentage of adopted and implemented recommendations given by the audit authority to entities subject to indirect management of the EU funds, where the target value for 2023 was 60%, while the achieved value was 64%, which makes the performance indicator fulfilled.

The second indicator refers to the average number of illegalities and irregularities per inspection in relation to the total number of performed inspections, where the target value for 2023 was 2, while the achieved value was 2.5, which means that the performance indicator was not fulfilled, bearing in mind that the indicator passport foresees a possible deviation of 10%. During the first year of operation of the centralised budget inspection of the supervised entities, where the inspections were completed in 2023, a total of 475 illegalities and irregularities were determined, which amounts to an average of 2.5 illegalities and irregularities per inspection. Over the long haul, the goal of the budget inspection is to increase the number of conducted inspections, their more efficient and cost-effective implementation through the reduction of the number of illegalities and irregularities found.

In 2023, the Governmental Audit Office of the EU Funds was committed to strengthening the institutional structure and building administrative capacities, in order to make the audit of the EU control system more efficient and effective. Harmonisation of the legal framework and organisational structure was carried out, in accordance with the competences and tasks performed by the Office. A comprehensive analysis was also conducted, in order to develop a staff retention policy. A positive practice of using the EU development aid continued through the implementation of projects and participation in professional meetings at various levels, which result in the transfer of knowledge and experience from the EU member states for the purpose of improving their own capacities.

One of the priorities of the Department for the EU Funds Management was to build capacities in order to strengthen the financial management system, control of the use of funds, as well as the management of risks and irregularities. Besides, the programme closure process from the 2007-2013 IPA perspective, i.e. the IPA 2013 Programme “Assistance to Institutions and Capacity Building” was completed and the process of preparation for the programme closure process from the 2014-2020 IPA perspective commenced. During 2023, the programme closure process for the Cross-Border Cooperation Programmes Serbia-Montenegro 2014 and 2015 and Serbia-Bosnia and Herzegovina 2014 and 2015 commenced. During 2023, employees in the structure of indirect management of the EU funds attended trainings provided by the NAPA in a

typical form, as well as in the form of a webinar. The use of a database of digital, audio-visual and graphic materials called “NAPA News”(NAJA Infoteka), which also contains information on IPA funds, contributes to the availability and quality of training organised by the NAPA. It thus contributes to improving the knowledge of employees within the system of indirect management of the EU funds. The trainings were attended by a large number of employees, which further improved the knowledge of the entire IPA funds management system, which was one of the main goals of the National Authorising Officer Support Department within the Department for the EU Funds Management.

Another priority of the Department for the EU Funds Management was the development of an IT system that should ensure the improvement of work processes in institutions involved in the indirect management of the EU funds. In this regard, the second and third phases of the IT system development were implemented in 2023. Data migration to the IT system is underway.

The field of inspection in 2023 was characterised by the enforcement of the Law on Budget Inspection and the establishment of more effective inspection over the enforcement of laws and other regulations in the area of intended and legal use of public funds and material - financial operations.

In accordance with the adopted Law on Budget Inspection, the enforcement of which began on 1 January 2023, during 2023, by-laws necessary for the enforcement of this law were adopted, as follows: the Rulebook on the form and manner of performing internal control in budget inspection, published in the “Official Official Gazette of the RS”, number 6/2023, the Rulebook on Amendments to the Rulebook on the manner and actions of the budget inspection in performing oversight of implementation of the Law on the deadlines for settling liabilities in commercial transactions published in the “Official Gazette of the RS”, number 13/2023 and the Rulebook on the procedures for the supervision of the execution of public procurement contracts published in the “Official Gazette of the RS”, number 110/2023), with the beginning of enforcement as of 1 January 2024.

During 2023, in accordance with the accompanying legal framework, the following acts were adopted: the Instructions on the actions of the budget inspection in the selection of beneficiaries of public funds, contracts and risk assessment for the implementation of inspection over the execution of public procurement contracts and amendments were made to the Strategic Plan of the Budget Inspection of the Ministry of Finance for the period 2021-2026.

In order to build the administrative and functional capacities of employees, a special training programme for employees in the Budget Inspection Department for the year 2023 was adopted. Additionally, with the aim of uniform behaviour of budget inspectors in performing inspection in the territory of the Republic of Serbia, lectures and workshops within the special training programme for employees in the Budget Inspection Department for 2023 were conducted.

Progress achieved under Specific Objective IV

The performance indicator at the level of specific objective IV refers to the improvement of the implementation of the internal financial control system in the public sector. The progress related to the PIFC was identified within the EC progress report on the Republic of Serbia for a specific year. The performance indicator was successfully achieved, which can be seen in the European Commission's progress report on the Republic of Serbia, whereby Serbia is moderately prepared in this chapter, with some progress made in the continuous implementation of the PIFC.

The entire area of the PIFC continued to strengthen in 2023 as well. By analysing the results and weaknesses that were identified in the previous period and presented in the Consolidated Annual Report for 2022, they confirmed that the strategic planning for the period up to 2025 was appropriately conducted, that all planned activities were aimed at improving the PIFC and are integrated within valid planning documents, as well as through the regular work of the CHU.

During 2023, the emphasis was placed on communication with public funds beneficiaries (PFBs) at the central and local level, in order to properly understand the importance of the establishment and development of the FMC system and the IA function.

Special emphasis in the previous period was on changing the legal regulations in the field of internal audit, in order to achieve greater coverage of the IA function, while at the same time taking care to achieve a better effect, in accordance with the limited number of internal auditors. Moreover, the adopted changes should speed up and simplify the process of certification of internal auditors in the public sector.

In addition to working on changes to legal regulations, in 2023 the CHU employees worked intensively on training modernisation, which resulted in the introduction of a new concept of basic training for FMC and IA. In order to bring the field of internal control closer to as many employees as possible in the public sector, video trainings have been prepared, which are intended for managers, FMC coordinators and internal auditors. The aforementioned trainings will be available to PFBs in the following period.

Regarding the transfer of training from the CHU to NAPA, with the support of the KPMG Project, a legal analysis of the situation with 3 possible scenarios was prepared. According to the requirements of PFBs, the CHU continuously holds one-day trainings in the field of FMC for employees and managers. In this way, employees can understand the concept of FMC in the best possible way and clarify any doubts regarding the establishment and development of the system, as well as how to apply the principles of the COSO framework in their organisation.



Figure 2: Basic FMC training

The FMC report form was improved in the previous period, the structure and manner of filling out the questionnaire were changed, which enabled users to more clearly assess the application of the principles of the COSO framework in their organisation and to identify the weaknesses of their FMC system.

In this regard, when it comes to the annual reporting on the state of play of FMC in the RS, it can be concluded that the most important public sector institutions of the RS have submitted FMC reports in the largest number of cases and based on the analysed data and the feedback from PFBs, it can be concluded that the change of the questionnaire contributed to a better understanding of self-assessment and easier recognition of weaknesses in the system among PFBs themselves, which will have to be remedied in the forthcoming period. For PFBs at the local level, informative seminars realised by the CHU with the support of the SCTM (*EU Exchange 6 Programme*) during February 2023 were also significant, exactly with the aim of presenting the changes in the FMC report form and the manner of filling it out. Similar hybrid and online trainings were held for central level institutions in cooperation with the *GIZ* Project.

In this reporting period, a specialised questionnaire form was created for annual reporting on the state of play of the PIFC in schools with the support of the “*EU PFM Facility*” project implemented by the UNDP.

In connection with the aforementioned changes in the regulation in the field of IA, the report forms on the work of the IA among PFBs were also optimised. The forms themselves have been adapted to the IA modality that is present, which significantly facilitated and accelerated the filling out of the report and thus the data processing by the CHU.

The novelty compared to previous years, when it comes to raising awareness of the PFBs about the importance of the introduction and development of the PIFC in the RS, is that since the reporting period for 2022, the Government's conclusion regarding the Consolidated Annual Report on the state of play of the PIFC in the RS has been enhanced with an additional obligation for the PFBs, which refers to the obligation to report to the CHU within a certain period on the implementation of the activities that have been assigned to them.

Quality assessment of the FMC system and the work of the IA units among PFBs have become regular tasks of the CHU to which significant resources are dedicated. In addition to the specific recommendations intended for PFBs, in which the quality assessment of the work of the IA and FMC system was carried out, both activities are valuable for the CHU employees who, in direct contact with beneficiaries in the field, can gain a clearer picture of the level of establishment of the FMC and IA, to review the scope of their educational activities, as well as to analyse the objectivity of the reports that come from PFBs.

As in the previous period, the CHU is dedicated to the organisation of trainings for PFBs. The Central Harmonisation Unit with the support of the “Public Finance Reform- 2030 Agenda” project and in cooperation with the German development cooperation implemented by the *GIZ*, organised training in 2023 with the aim of improving and acquiring the knowledge of internal auditors. The trainings are provided by the Programme for continuous professional development of internal auditors.

With the support of the SCTM (through the *EU Exchange 6 Programme*) and the RELOF 3 project, at the end of the year, two workshops were held for internal auditors at the central and local level, where the CHU representatives presented amendments to the rulebooks regulating the field of IA. The purpose of the workshops was for internal auditors to become familiar with the amendments and to

analyse their implementation in practice within their organisations. A workshop/meeting with the same purpose was also held for internal auditors of institutions at the central level, organised by the CHU.

Progress achieved under Specific Objective V

The outcome indicator at the level of a specific objective, which reads "Financial report prepared and presented to the Ministry of Finance of the Republic of Serbia, in accordance with the IPSAS requirements for the cash basis" does not have a target value for the 2023, since 2024 will be the first year in which this indicator will be measured. During 2023, the translation of the International Public Sector Accounting Standards – (IPSAS) for the cash basis was provided. The translation was completed and published by the Serbian Association of Accountants and Auditors (SAAA), which is a member of the IFAC. In order to reduce the risk of failing to fulfil this outcome indicator, the Monitoring Committee for the enforcement of the IPSAS, as well as other stakeholders were involved, with the aim of amending the relevant national regulation and adopting the accounting policy.

Public sector accounting reform and the transition to accrual accounting is a process that requires gradual and long-term implementation, therefore it is of great importance to provide an adequate starting point, which is to strengthen the accounting system on the cash basis, in accordance with international accounting standards. In order to further improve the entire public sector accounting system, during 2023, the translation of the International Public Sector Accounting Standards – (IPSAS) for the cash basis was provided, in accordance with the adopted Regulation on the enforcement of International Public Sector Accounting Standards (Regulation)³. A draft Rulebook on the method of preparation, compilation and submission of financial reports of the budget funds beneficiaries, the beneficiaries of compulsory social insurance organisations funds and budget funds was prepared, as well as a draft accounting policy for financial reporting, in accordance with the IPSAS for the cash basis, which were analysed during 2023, in order to be adopted in 2024 and enable the achievement of Specific Objective V.

On the other hand, the basic prerequisite for the adequate implementation of the accounting reform, i.e. the adoption of international reporting practices, is the competence of accountants and managers in the public sector. In this regard, one of the priorities in 2023 was the analysis of the professional competence of accountants, and accordingly, at the proposal of the Committee, budget funds beneficiaries and beneficiaries of funds of compulsory social insurance organisations (CSIO) were surveyed. The purpose of this analysis was to determine the total number of employees in accounting jobs, as well as those who hold a certificate issued by the SAAA.

Progress achieved under Specific Objective VI

The outcome indicator at the level of specific objective VI, which refers to the number of reviewed audit reports in 2023, has been fully met. There were 251 audit reports of the State Audit Institution which were reviewed by the Parliamentary Committee on Finance, State Budget, and Control of Public Spending.

When it comes to the indicator "Number of reviews for quality control and quality assurance", the target value of 28 was exceeded by conducting 32 reviews. The share of

3 „Official Gazette of the RS“, number: 144/22

operational audits in the Annual SAI Audit Programme was also exceeded, from the targeted 46% to the achieved 70.83%

In 2023, the State Audit Institution also made efforts to further improve the method of working, in order to increase the number of operational performance audits and the scope of public funds audited in accordance with the Audit Programme. In this regard, the SAI produced 306 audit reports in 2023. By conducting audits of public funds, the SAI contributes to the oversight and control of the eligible spending of budget funds, which is one of the key elements of a transparent and efficient public finance system. In order to increase the number of operational performance audits and the scope of public funds audited, the SAI invested additional efforts in 2023 in optimising the organisational structure by announcing a competition for hiring new staff.

The holding of the sessions of the Parliamentary Committee on Finance, State Budget, and Control of Public Spending and the sessions of the Sub-Committee for Reviewing SAI Audit Reports continued in 2023. The purpose of holding sessions where audit reports on financial statements, operational compliance and operational performance of audited entities were discussed, is to raise awareness at the central and local levels of government about the importance of the SAI audit findings and recommendations, as well as about the role of parliamentary oversight over public finances, which has been significantly enhanced since the adoption of the previous PFM RP.

The Parliamentary Committee on Finance, State Budget, and Control of Public Spending fully met and exceeded the target value determined by the Action Plan, that is, it considered 251 SAI audit reports. Additionally, the target value was achieved when it comes to the performance indicator at the level of the measure, which refers to the holding of the Committee session at which recommendations for amendments to the law will be considered, in the presence of the SAI and the Ministry of Finance.

Accepting the recommendations of the Report on the Public Expenditure and Financial Accountability Assessment (*PEFA*) regarding the holding of a public hearing on the occasion of the presentation of the Budget Bill and the Bill on the Final Account of the Budget, the Committee included activity 6.2.3 in the Action Plan for the implementation of the 2021-2025 PFM RP. Organising a public hearing on the occasion of the presentation of the Budget Bill and the Bill on the Final Account of the Budget. This activity was introduced in the Action Plan to enable greater participation of the public, civil society organisations and other stakeholders. It was concluded that the Committee should continue with the practice of holding such public hearings in the future, since the involvement of representatives of civil society, embassies, international financial organisations and state authorities contributed to a better understanding of challenges and finding quality solutions, as well as increasing the transparency of the entire process. After the public hearing, the Bill on the Final Account of the Budget for 2022 and the Report on the Final Budget Account Audit for 2022 were considered both during the regular legislative procedure at the Committee session and at the plenary session of the National Assembly.

With regard to the external oversight of public finances within the purview of the State Audit Institution (SAI), the priority in 2023 was to optimise the organisational structure of the SAI, with the aim of increasing the number of operational performance audits and audit coverage of public funds. In the Report on the work of the SAI for the year 2022, the SAI presented the effects achieved by the actions of audited entities, in conformity with the recommendations provided by the SAI in the period 2020-2022. In this period, financial effects, savings, i.e. increase in revenues, in the amount of 9.62 billion dinars were achieved. When this is compared with 897 million, which the SAI executed in 2022, it means that **for every dinar invested in the work of the SAI, 11 dinars were returned to**

the Budget of the Republic of Serbia. Moreover, in 2022, effects were realised based on the harmonisation of business operations with regulations for over 18.95 billion dinars and the recording of assets and liabilities of over 255 billion dinars. The largest part of assets and liabilities refers to recorded liabilities of direct and indirect beneficiaries of the Budget of the Republic of Serbia. In 2023, the SAI prepared 306 audit reports, which is an increase of almost 8% compared to 2022, when 284 reports were prepared. Additionally, the SAI continuously works on improving the system for monitoring the implementation of recommendations and auditing the regularity of corrective measures introduced for that purpose. In 2022, the SAI gave a total of 2743 recommendations to audited entities, namely: 1084 in the audit of financial statements, 680 in the audit of operational compliance, 280 in the audit of operational compliance of corrective measures, 260 in the audit of financial statements and operational compliance, 198 in the audit of operational compliance and performance and 241 in the audit of operational performance⁴.

The Parliamentary Committee on Finance, State Budget, and Control of Public Spending and the sessions of the Sub-Committee for Reviewing SAI Audit Reports continued to perform their control function during 2023, for the purpose of their further development, their activities were expanded. The target values from the Action Plan were fully met, and for some indicators, such as the number of audit reports reviewed by the SAI, the target values have been exceeded. The practice of holding sessions where audit reports on the consolidated financial statements of the final budget account for cities and local governments were considered, continued in 2023, and special sectoral reports prepared by the SAI and submitted to the National Assembly were also deliberated. Besides, on 20 October 2023, a public hearing was organised on the occasion of the presentation of Budget Bill and the Bill on the Final Account of the Budget. In addition to the representatives of the Ministry of Finance, who presented the solutions contained in the aforementioned bills, the public hearing was also attended by other MPs, as well as representatives of the SAI, the Fiscal Council, the NBS and representatives of numerous civil society organisations.

⁴ Report on the work of the SAI for the year 2022 <https://dri.rs/godisnji-izvestaji-o-radu>

SPECIFIC OBJECTIVE I – CAPACITY FOR BUDGET PLANNING AND PUBLIC INVESTMENT MANAGEMENT IMPROVED

Achievements in the previous period

In the previous period, efforts were made to further improve the programme budget at the national and local levels. As a form of additional support for the preparation of the LSG budget, in accordance with the amendments to Annex 5 of the Instructions and the software requirements for Information System for Budget Execution of Autonomous Provinces and Local Governments (*ISIB AP JLS*), based on the consultations of the Ministry of Finance and SCTM, the form/template of the Decision on the LSG Budget was updated and delivered to all LSGs in a timely manner, through the SCTM Local Finance Network. In October 2021, four instructional webinars were held for all LSGs (a total of 206 representatives from 102 LSGs participated), with the aim of guiding the quality preparation of Budget Decisions for 2022, based on the SCTM findings and analysis of LGU budget documents from previous years, the SAI and MoF findings and recommendations based on good practices from the aspect of programme budgeting, but also capital and medium-term planning, gender-responsive budgeting and ensuring budget transparency. The same concept of capacity building of LGUs was continued in the following year, therefore, within the *EU Exchange 6 Programme*, instructional webinars intended for all LGUs were held in October 2022, in order to provide guidance for the quality preparation of Budget Decisions for 2023.

In July 2022, the Minister of Finance, on the basis of the adopted Unique Methodology for Monitoring Fiscal Risks in the Republic of Serbia, namely the Methodology for Monitoring Fiscal Risks Arising from the Operations of Public Enterprises, signed a Protocol on cooperation with the Minister of Economy, in order to achieve coordinated joint activities to improve the work of public enterprises. On 16 December 2022, the Government of the Republic of Serbia adopted the Regulation on Amendments to the Regulation on the Capital Project Management (“Official Gazette of the RS”, number 139/22), which improved the legal framework for the management capital projects, by also incorporating in that process the environmental factors impact assessment (flora and fauna, soil, water, air, climate and landscape, material and cultural assets, etc.) and their mutual interaction.

With regard to the planning system reform related to medium-term planning, significant progress was achieved in the previous period, which is reflected in the continuous increase in the number of planning entities who adopt their medium-term plans, as well as the number of employees who are trained to participate in this process. The process of medium-term planning is of great importance for the establishment of efficient preparation and connection of the budget with the adopted public policies.

Achievements in 2023

Achieved outcome indicators at the specific objective level

The outcome indicator at the specific objective level is not envisaged for measurement in 2023.

Measure 1.1: Enhancement of the Programme budget

- Within measure 1.1, there are three indicators of results, and within the framework of the Action Plan it is envisaged that all three indicators of results will be realised in 2022. Indicator - The developed analysis of the implementation of the programme budget was fulfilled through the improvement of the Instructions for preparing the 2023 budget with projections for 2024 and 2025. Result indicator- The analysis of the uniform structure of the programme budget of the local self-government units was not fulfilled in 2022, but it was fulfilled in 2023, through the analysis of the uniform structure. When it comes to the analysis of the application of the programme budget at the local level, it is relevant to note that in 2023, the monitoring continued of the application of the basic methodological requirements by local self-governments, which the SCTM has been reporting on in time intervals since 2015. In this sense, the result noted in the previous reporting period was also confirmed, i.e. that 94% of LSGs appropriately applied the basic requirements of programme budgeting in the budget decisions for 2023, which also confirmed the sustainability of the improvement achieved in relation to the indicator of 87 % for the previous year 2021 (as the reference base year of the PFMRP). This improvement may be largely attributed to the continuous joint efforts and support activities of the MoF and SCTM through project activities, advisory support and capacity building. Thus, among other things, during September and October 2023, as part of the EU Exchange 6 Programme, instructional seminars intended for all LSGs were held with the aim of guiding the quality preparation of budget decisions for 2024.⁵
- The improvement of IT support for budget preparation continued in 2023 through the improvement of the functionality of the unified information system for budget preparation, execution and accounting (*SPIRI*).

Financing of the measure

The measure has been financed in accordance with the PFMRP AP from the Budget of the RS and from donor funds of the German Official Development Assistance, which is implemented through the *GIZ* project “Public Finance Reform- 2030 Agenda”, as well as through the IPA 2015 project “Support to the Ministry of Finance under the Public Administration Reform Sector (PAR)

⁵ As in previous years, the instruction was given on the basis of SCTM findings and analysis of LSGs budget documents from previous years, findings of the SAI and MoF and recommendations based on good practices from the aspect of programme budgeting, but also capital and medium-term planning, gender-responsive budgeting and ensuring transparency budget. The emphasis was also placed on reporting on the performance of budget programmes, which is an important input element for the preparation and transparency of the budget, as well as the preparation of the LSGs final account. One segment of the seminar is dedicated to the presentation of the new Regulation on Capital Projects. Six one-day seminars were held (of which four were live regional seminars held in Belgrade, Novi Sad, Kragujevac and Niš and two were in online format - webinars) and at least 237 representatives from 101 LSGs participated (via single registration, the webinar was simultaneously attended by several representatives of individual LSGs, so only the minimum number of registered participants was given for records).

Contract”. When it comes to a part of complementary activities related to the local level, in 2023, they were mainly financed from the funds of the EU Exchange 6 Programme (IPA 2019).

Plans in the forthcoming period

In the following period, further work is planned to improve the programme budget and performance indicators. Over the long haul, until the end of the PFM RP, the plan is to determine the programme structure for compulsory social insurance organisations and their beneficiaries, as well as workshops for beneficiaries at all levels of government. Specifically, when it comes to further capacity building regarding the application of programme budgeting at the local level in the upcoming period, a support is planned in coordination with the MoF and SCTM within the EU Exchange 6 Programme and through other cooperation activities for all local self-governments, through annual instructional seminars and advisory support.

Measure 1.2: Improving the capacity related to the preparation and obligations of the EU member states during the budget preparation process

- Measure 1.2 contains two result indicators, as follows: the Analysis of the budget preparation process of the EU member states and the number of study visits. **Both result indicators were not realised during 2023, but a training was held for employees in the budget sector about the EU budget preparation process.**

Financing of the measure

The measure has been financed from the RS Budget and donor funds.

Key challenges

- Administrative capacity building of the Budget Department and budget beneficiaries in the area of budget preparation of the EU member states.

Plans in the forthcoming period

- In the forthcoming period, further activities are planned on the analysis of the budget preparation process of the EU member states and the obligations of the Republic of Serbia, as well as activities on the training of employees in the Ministry of Finance and budget beneficiaries.

Measure 1.3 - Improvement of medium-term planning:

The number of adopted medium-term plans of those medium-term planning entities at the national level in 2023 was 26, thereby fulfilling the target value.

In 2023, the trend of increasing the number of prepared medium-term plans compared to the previous period continued. In the 2023-2025 planning cycle, 26 medium-term plans of medium-term planning entities were adopted, thus the activity of providing mentoring support for

the development of medium-term plans at the national level was fully realised and the indicator at the measure level⁶ was fulfilled 100% (26/26).

Target value

Achieved value

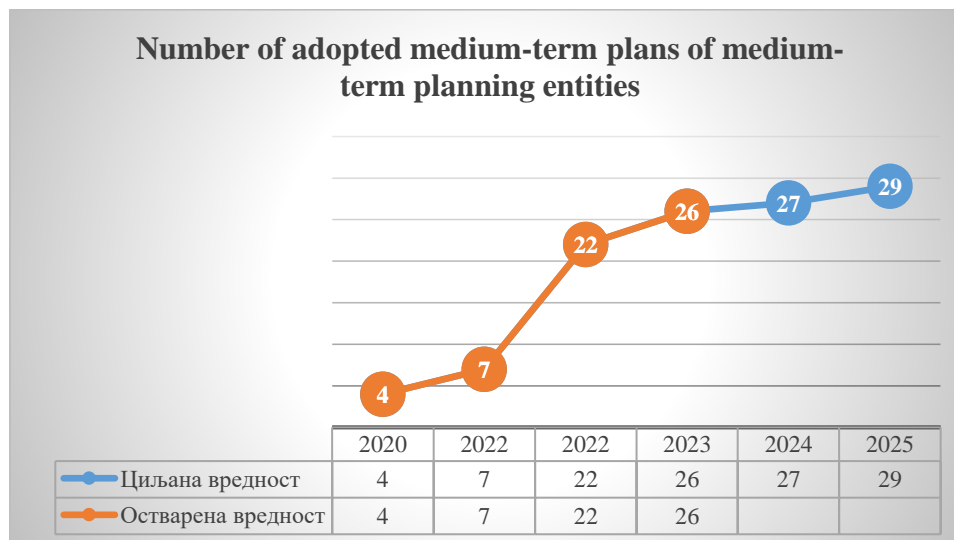


Chart 6: Number of adopted medium-term plans of medium-term planning entities

In the 2023-2025 planning cycle, there were institutional and organisational changes due to the formation of the Government at the end of 2022, but the majority of medium-term planning entities maintained the continuity of medium-term planning and the five new institutions developed their medium-term plans.

By maintaining continuity in the preparation of medium-term plans and increasing the number of new medium-term plans, a significant contribution was made to the implementation of the planning system reform at the national level, especially in the preparation of the budget in accordance with the fiscal strategy and the medium-term expenditure framework. Additionally, the adopted medium-term plans, as important management instruments of medium-term planning entities, significantly improve the public administration transparency in the implementation of public policies.

The Public Policy Secretariat held a series of internal trainings for employees who were involved in the development of the medium-term plan of certain medium-term planning entities, and also provided direct support to the coordinators of the development of medium-term plans in medium-term planning institutions.

In addition to the support provided in the development of new medium-term plans, the Public Policy Secretariat also provided direct support for the development of progress reports in the

⁶ The number of adopted medium-term plans of medium-term planning entities at the national level, with the target value for 2023: 26 and the achieved value for 2023: 26

implementation of medium-term plans for 2022. In this regard, 17 reports out of 22 adopted medium-term plans for the 2022-2024 planning cycle were prepared and published.

In connection with medium-term planning at the local level, a progress was made in the number of adopted medium-term plans compared to the previous cycle. For the 2023-2025 planning cycle, 27 LGUs adopted their medium-term plans, compared to seven of them in the previous cycle. In addition to the general support provided by the Public Policy Secretariat, the SCTM, through the *EU Exchange 6 Programme*, completed expert support for the development of 10 medium-term plans (LGUs-beneficiaries selected according to the first programme competition from 2022), and included 10 new LGUs-beneficiaries (selected according to the competition held in the first half of 2023) for the next cycle.

Financing of the measure

- The measure has been financed from the regular funds from the RS Budget, realised with the own capacities of the Public Policy Secretariat.
- Financing of support for the development of medium-term plans at the local level, as a complementary activity during 2023, was implemented through the *EU Exchange 6 Programme*.

Key challenges

A potential challenge in the implementation of the measure in 2024, as in the previous period, could be the insufficient capacity of institutions and difficulties in establishing an efficient way of coordination in the process of developing a medium-term plan within individual institutions, and also at the level of local self-governments. A certain number of institutions are still not motivated to develop medium-term plans, especially institutions that still do not have an overarching sectoral strategy. The formation of a new government may lead to a change in the number of medium-term planning entities and changes in their organisational structures, which may cause challenges in maintaining continuity in the preparation of medium-term plans for the next planning cycle.

Plans in the forthcoming period

The Public Policy Secretariat, in accordance with its capacities, will continue to provide methodological support to medium-term planning entities, who express their interest in this type of support. Special attention will be paid to those entities who are creating their medium-term plans for the first time. Moreover, efforts will be continued to prepare progress reports for 2023 for all adopted medium-term plans, as well as to improve reporting capacities for the next year. At the local level, during 2024, the provision of professional support will continue in ten new LGUs, which have been awarded support packages within the *EU Exchange 6 Programme*.

Measure 1.4: Improvement of the system for efficient management of capital projects

- The target values of the result indicators for the measure of the capital project percentage included in the budget, subject to and evaluated in accordance with the methodology governing capital projects, were not foreseen for 2023. With regard to the training of civil

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Указ о постављењу на дужност изванредног и опуномоћеног амбасадора Републике Србије у Народној Демократској Републици Алжир	3
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Уредба о капиталним пројектима	3
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Figure 4: Image of the publication of the Regulation on Capital Projects in the Official Gazette

- During 2023, one constitutive session was held in accordance with the new members of the Government of the Republic of Serbia, as well as one extraordinary session of the Republic Commission for Capital Investments. Bearing in mind that a new Regulation on Capital Projects was adopted in 2023, the Decision on the establishment of the Commission for Capital Investments (“Official Gazette of the RS”, number 119/2023) was adopted. The establishment and further upgrading of the PIMIS information system, in accordance with the adopted legal framework, will enable simpler and more efficient data preparation and reporting to the Commission for Capital Investments. Through participation in the EU Exchange 6 Programme, the Ministry of Finance monitors the implementation of the professional support package for the improvement of planning and budgeting of capital projects, which were awarded to 9 cities and municipalities, based on a public call in the first half of 2022, while according to the second call conducted in the first half of 2023, 11 new LGUs were included for this type of support. In order to introduce functional multi-year capital budgeting, the support is based on the logic of the Regulation that regulates the management of capital projects and the requirements of the Budget System Law, but with consideration (proposals) of capital projects, regardless of the amount of the estimated budget (costs), therefore also for the so-called, small-scale projects. In this sense, we are working with the LGUs-beneficiaries on the development of procedures for internal coordination, proposal of ideas for capital projects, their prioritisation and evaluation and inclusion in the budget.
- The *PIMIS* information system (abbr. *PIMIS* stands for *Public Investment Management Information System*) went into production in June 2023, and immediately before the system was

put into operation, the Ministry of Finance had held training for the *PIMIS* users. Authorised proponents registered to work in *PIMIS* and data entry by users was continuous. During 2023, tasks were being carried out concerning the *PIMIS* upgrading and introducing additional functionalities, in accordance with the new Regulation on Capital Projects. By means of establishment and operationalisation of the *PIMIS* information system, the following results have been achieved: improvement of the speed and efficiency of business processes in the area of monitoring capital projects, which used to be monitored manually; a complete cycle of project monitoring from the project idea to the project completion; simplified access and authorisation system, with minimisation of errors during data entry; the possibility of statistical calculations, etc.

- During 2023, tasks were being carried out concerning the *PIMIS* finalisation and improvement of its functionality. The Capital Projects Evaluation and Monitoring Division tested the information system and with its suggestions and comments, it guided the process for the purpose of its improvement, while at the same time, activities were being carried out concerning the training of all employees in the Capital Projects Evaluation and Monitoring Division for working in the *PIMIS* and the preparation of planned trainings for users - authorised proponents. The goal is to automate the entire process and to focus on the analysis and evaluation of capital projects, as well as the prediction of possible negative impacts on the RS Budget, i.e. fiscal risks that arise due to inadequate planning or deviations from the project implementation plan.

Figure 5:

Registration number 00000000	TIN 00000000	Registration date: 21 April 2023
Administration Managing users accounts and security privileges	Projects Creating a new project, review and management of existing projects	Project lists Creating project lists Creating projects list, review and management of project lists
Codebooks Review of codebooks	Reports Review of reports	

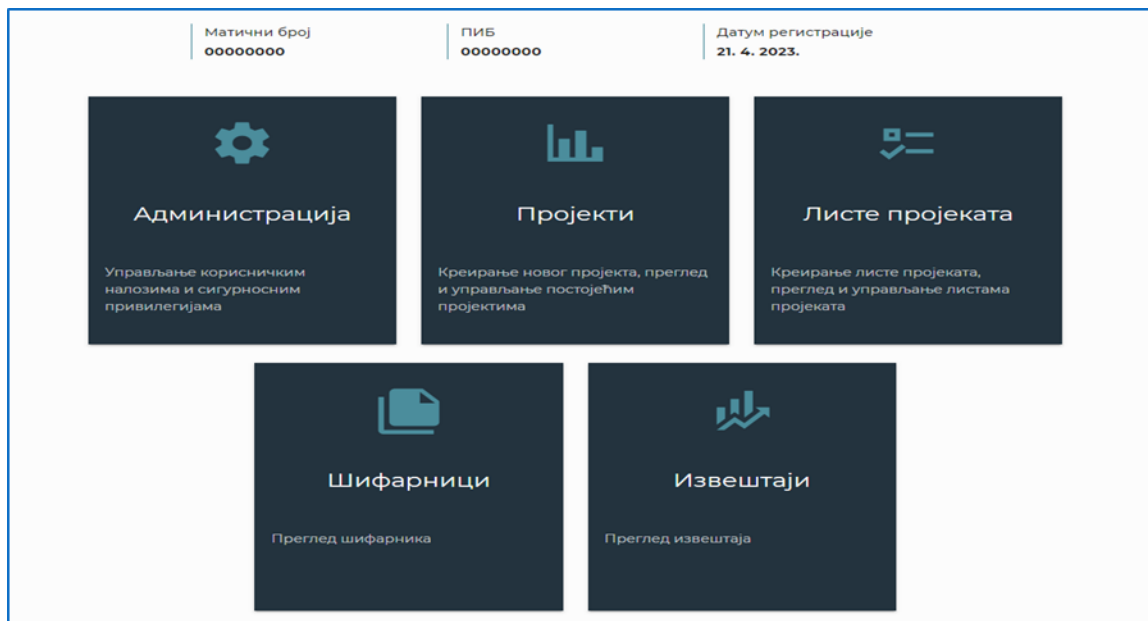


Figure 5: *PIMIS* Information System



Figure 6: Conducted training in the MoF for the users of the *PIMIS* Information System

- When it comes to staff capacities, employees attended training for the “Cost-benefit analysis” (organised by the German Agency for International Cooperation), which contributed to a better understanding of this complex matter and opened up opportunities for further improvement of the existing system for efficient management of capital projects and fiscal risks. The systematisation of jobs was amended in 2023 and the Department for Evaluation and Monitoring of Capital Projects was formed, within which there are two groups.
- Employees from the Capital Projects Evaluation and Monitoring Division are accredited lecturers at the National Academy of Public Administration and provide training on the topic “Evaluation and monitoring of capital projects”, as well as training on the topic “PM₂ methodology for project management”. In addition, the annual training programme includes training on the topic “Working in the centralised capital projects database (*PIMIS*)”. Two employees from the Capital Projects Evaluation and Monitoring Group, who are members of the Interdepartmental Working Group for Public Finance Reform, for the purpose of achieving the goals of the Green Agenda, were part of a study trip to Paris on the topic of “Green Budgeting”.



Figure 7: Training “Evaluation and monitoring of capital projects” held in the premises of the National Academy of Public Administration.

Financing of the measure

- The measure is financed in accordance with the planned funds within the 2021-2025 PFMRP Action Plan, from the RS Budget and within regular allocations. Support activities related to the local level are financed mainly from the funds of the *EU Exchange 6 Programme (IPA 2019)*.

Key challenges

- Establishing adequate cooperation and a unified system for managing capital projects is a long-term and complex process, but significant efforts are continuously made to improve communication and coordination of participants in the process. A special challenge is securing and synchronising appropriate donor projects, which are available for the purpose of supporting this process (WB, IMF, IPA and bilateral projects).

Plans in the forthcoming period

- In 2024, the Capital Projects Evaluation and Monitoring Division will continue to increase its capacities and train employees, apply the adopted legal framework, and further develop and upgrade the “*PIMIS*” information system. In accordance with the systematic changes to the legal framework, it will be possible to access the planned activities - the production of handbooks and reports.
- In accordance with the adopted General training programme for civil servants for the year 2024, it has been foreseen that employees from the Capital Projects Evaluation and Monitoring Division who are accredited for the implementation of trainings, will carry out the trainings titled “Evaluation and Monitoring of Capital Projects”, “*PM₂* methodology for project management” and “Working in the centralised capital projects database (*PIMIS*)”, all with the aim of raising awareness of the importance and need of project planning in public

administration. In accordance with the adopted sectoral programme of continuous professional development of the LGUs employees for 2024, realisation of regional accredited training cycles for all LSGs on the topic of “Capital budgeting in the LGUs” through the SCTM within the *EU Exchange 6 Programme*, is envisaged for the beginning of the year, while during the year, the implementation of targeted professional support packages will be continued, which were allocated to 11 new LGUs.

Measure 1.5: Strengthening the capacities of the Department for Fiscal Risks Monitoring

- The 90% target value of the result indicator related to the staffing of systematised jobs in the Department for Fiscal Risks Monitoring in 2023, was achieved, considering that 16 out of 17 systematised jobs have been filled, of which five persons were hired based on contracts on temporary and occasional jobs until the announcement and completion of the internal or public competition.
- The 90% target value of the result indicator related to the employees’ training level in 2023, was achieved, since two basic trainings in the field of “Financial statements analysis” were held.
- The 20% target value of the result indicator related to the training level of employees in the Department for Fiscal Risks Monitoring (advanced level of training) in 2023, was achieved, given that one advanced training on the topic “Financial statements analysis” was held.
- In June 2023, based on the adopted methodology for monitoring fiscal risks arising as a result of natural disasters, a Protocol on cooperation was signed with the Ministry for Public Investment, in order to realise coordinated joint activities to improve cooperation in the area of analysis and monitoring of risks from natural and other disasters.
- During 2023, consultations with representatives of the World Bank continued with the aim of improving Altman's Z-score model, risk quantification, as well as structuring of future reports.

Financing of the measure

- The measure is financed in accordance with the planned funds within the 2021-2025 PFMRP Action Plan, from the RS Budget and within regular allocations.

Key challenges

- Staff challenges concerning the training of civil servants, the need for continuous, advanced training.

Plans in the forthcoming period

- Continuous updating and improvement of the application of the model for monitoring fiscal risks based on the single methodology, as well as organising training sessions for employees in the Department, both by national educators (NAPA) and by external partners, through which employees in the Department will also gain insight and in the best international practice.
- Formalisation of cooperation with key participants from whom data is collected in the form of signing the Protocol on cooperation.

SPECIFIC OBJECTIVE II – EFFICIENT COLLECTION AND MANAGEMENT OF BUDGET FUNDS

Achievements in the previous period

The central activity of the TARS in the previous period was focused on the implementation of the Tax Administration Transformation Programme for the period 2021-2025 and implementation of the Tax Administration Modernisation Project (TAMR). In addition to this, a new model of fiscalization was successfully implemented as of 1 May 2022. The Tobacco Administration established a unified system of registers that integrates nine registers and three record lists, in order to improve the efficiency of the services provided by the Tobacco Administration and moreover, activities were carried out to raise the awareness of entities operating in the tobacco market who submit their requests electronically and through the eGovernment portal, which contributed to the reduction of expenses of economic entities and time savings. In 2022, the Customs Administration procured equipment and software for the implementation of the *NCTS* phase 5 system. The public debt ratio at the end of 2022 was reduced to 55.6% and despite unfavorable circumstances on the international market, the credit rating of the Republic of Serbia in this period remained unchanged. In 2021, the enforcement of the Law on Public Procurement continued, through upgrading of the new Public Procurement Portal with new functionalities, creation of practical tools (instructions, guidelines, tender documentation models), such as Green Public Procurement Guidelines, as well as by strengthening the operational capacities of the Public Procurement Office.

Achievements in 2023

Achieved outcome indicators at the specific objective level

During 2023, it was envisaged to measure three outcome indicators at the level of a specific objective. The actual revenues and expenditures of the annual general level government budget were in the range of 5% of those projected in the fiscal strategy, thereby fulfilling this indicator. Annual public debt servicing costs (interest payments - net amount) as a % of GDP, amounted to 1.8%, thereby fulfilling this indicator. The average duration of the open procedure was 47, which also made this indicator fulfilled, bearing in mind that the permissible deviation of one day is defined in the indicator passport.

Measure 2.1: Efficient collection of budget revenues under the competence of the Tax Administration

Measure level indicator (result indicator)

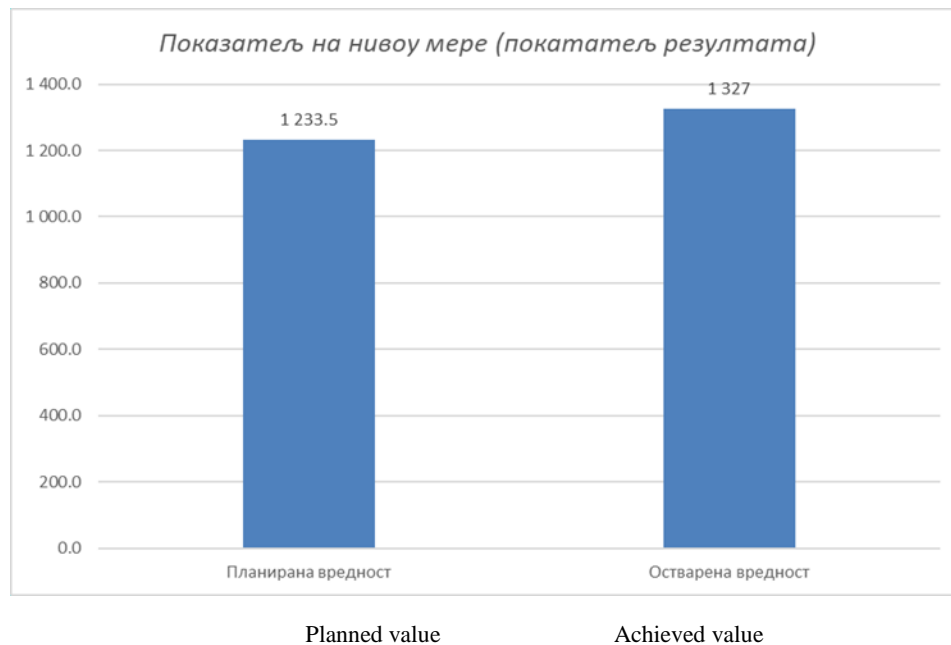


Chart 7: Achieved value of collection (income tax, profit tax, gross domestic VAT, gross excise duty) in 2023 in billions of RSD

- The result indicator related to the efficient collection of budget revenues under the jurisdiction of the TARS - the percentage of the collection realised in relation to the approved budget estimate (income tax, profit tax, gross domestic VAT, gross excise duty) has been met. According to the projection based on the Budget Law for 2023, it was necessary to collect 1,233.5 billion dinars of the most important budget revenues. The **realised collection is 1,327 billion dinars, the realisation index is 107.6%**.
- During November 2023, the IMF conducted an analysis of the comprehensive reform, considering the organisational structure, further development of human resources and the success of the implementation of the 2021-2025 Tax Administration Transformation Programme.
- **Business processes reengineering of basic functions.** The activity foreseen in the 2021-2025 PFMRP was completed with the adoption of the Final report on the implementation of the Business Process Reengineering project on 20 November 2023 at the session of the Committee for the Transformation Programme Implementation.
- In the implementation phase, key activities were focused on the preparation of the following documents:
 - Gap analysis reports regarding gaps between the existing TARS business model and international best practice (gap analysis),

- General business model report,
- Business process design reports with addendums and presentations,
- Report on the implementation plan of the proposed new TARS general business model with the general action plan for the implementation of the general business model (Implementation Plan and Action Plan) and
- training programme and knowledge transfer plan, as well as training preparation, organisation and implementation.

The general objective of the business process reengineering is the construction of a new TARS business model through the optimisation of existing and the introduction of new business processes, in accordance with the best international practice.

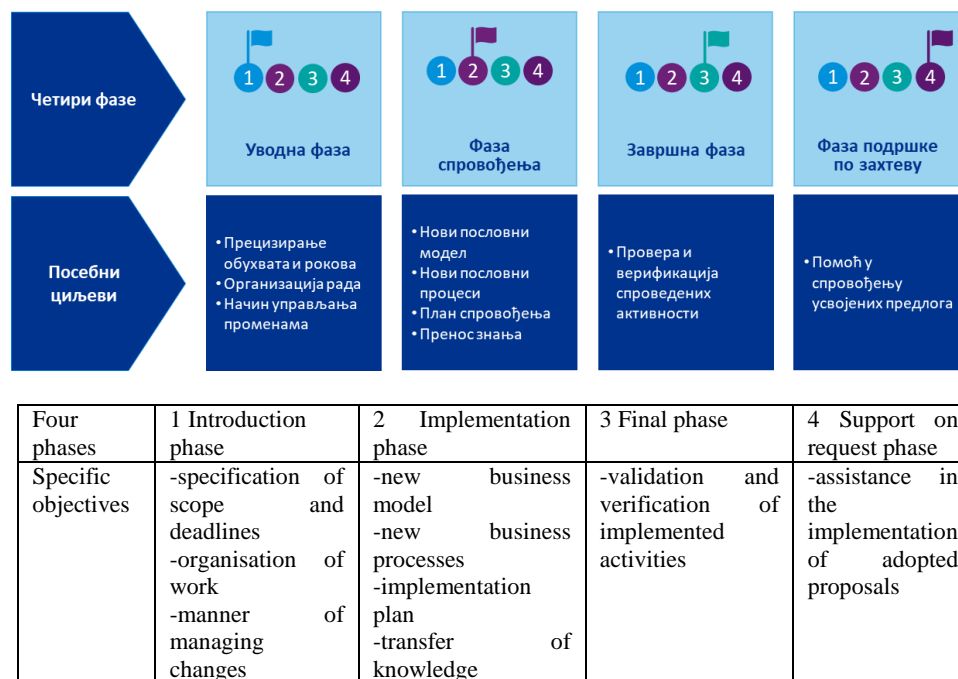


Figure 8: Business process reengineering phases

Within the framework of the TARS project, the consultant *KPMG*, which is implementing the project “Process reengineering and subprojects identification” in the first half of 2023, implemented trainings for the Tax Administration employees, in order for them to acquire the knowledge necessary for managing the project of introducing the Tax Administration new business model. The trainings were attended by employees who were identified as agents of change in the future work on the Tax Administration reform.

In September 2023, the Committee for the Transformation Programme Implementation adopted the document titled “Plan for the introduction of the new TARS business model with an Action Plan”.

In the second half of the year, the formation of the management organisational structure began.

For the purpose of introducing a new business model and in order to familiarise with the expected changes in the Tax Administration and the necessary changes in business processes, exchange of data or changes in regulations from the domain of the said institutions, meetings were held with third parties (PDIF Fund, SNES, Ministry of Health, Ministry of Interior, NBS, Statistical Office of the RS (SORS), Customs Administration, Tobacco Administration, Directorate for Agrarian Payments, Treasury Administration, Republic Geodetic Authority (RGA), Serbian Business Registers Agency (SBRA), Central Registry of Compulsory Social Insurance (CRCSI).

Enhancement of ICT infrastructure – *COTS*.

- In January 2023, activities were initiated within the project of introducing a commercial off-the-shelf solution for the needs of TARS, by holding a workshop, aimed at making an optimal decision on the structure and number of functional requirements and the relationship between the evaluation of functional requirements and the price of a commercial off-the-shelf solution, from the point of view of both the Tax Administration as a beneficiary, as well as from the point of view of the World Bank as the funder of the project.
- With the KPMG support, and in cooperation with the IMF, according to the World Bank procedures, a request for quotation with technical specifications was prepared. The request for quotation was made, in conformity with good international practice, taking into account the interests and specificities of the Tax Administration. After intensive consultations between the Tax Administration, the Central Fiduciary Unit, the KPMG, the IMF and the World Bank, the final version of the request for quotation and technical specifications was adopted at the eighth session of the 50th Committee for the Tax Administration Transformation Programme Implementation, held on 13 June 2023.
- In parallel with the above-mentioned activities, the Evaluation Committee worked on the consideration and assessment of the received applications in the procedure of initial pre-selection of bids for the procurement of a commercial off-the-shelf solution. At the end of the year, after a thorough analysis of the bids, the Evaluation Committee formed the final ranking list of bidders.



Figure 9: COTS project implementation phases and specific objectives of each phase

Six phases	1 Introduction phase	2 RfQ preparation phase	3 Response to bidders phase	4 Bid evaluation phase	5 Negotiation phase	6 Final phase
Objectives	-activity implementation plan -deadlines -organisation of work	-preparation of the RfQ according to the standard WB document: RfQ for IS: design, procurement and commissioning	-support to the TARS Evaluation Committee in the preparation of responses to bidders' requests for clarifications	- support to the TARS Evaluation Committee in making informed decisions in the evaluation process	-support to the TARS in negotiations with the selected bidder	-validation and verification of implemented activities

- In February 2023, the project was launched titled: *EU PFM Facility* under IPA 2021, financed by the European Union and implemented by a consortium headed by the UNDP. The Tax Administration was approved for a project within component 1 - Strengthening the legislative and institutional framework and capacity of the Ministry of Finance and the Tax Administration to meet the EU pre-accession requirements for the development of the VAT Information Exchange System (*VIES* system). The Tax Administration Project Team that will participate in the project has been formed.
- Regarding the Global Forum information exchange standards in 2023 the expert assessment of the Republic of Serbia on the fulfilment of the information exchange standards on request was completed and it was rated “fulfilled to a great extent”.

Improvement of the human resources management function through the development of the human resources strategy and improvement of the existing information system for human resources management. During 2023, the meetings of the Working Group representatives for work with the hired E&Y consultant were intensified, in order to prepare the documents provided for in the project assignment:

- The documents Presentation of the best international practices in the field of human resources management and Comparative Analysis on the difference between the existing and the desired organisational state of play of the TARS were adopted, including a presentation.

- A workshop was held for the Tax Administration top management on the topic “Strategic management”, the conclusions of which represent the starting point for the development of the future Tax Administration Human Resources Strategy.
- In the third quarter, the Technical Specification for the enhancement of the *HRMIS* was submitted, as well as the Draft Tax Administration Human Resources Strategy of the Republic of Serbia for the period 2023-2028 and Draft Job Catalogue .
- The consultant delivered a Training needs assessment results analysis, based on a survey conducted among employees in the TARS Human Resources Department.
- In October 2023, the Tax Administration Human Resources Strategy of the Republic of Serbia for the period 2023-2028 was adopted.
- In December 2023, the final version of the document Business process reengineering of human resources function was adopted.
- The draft Training needs assessment results and the Four-Year Staffing Plan were delivered and presented, the preparation of which was preceded by individual interviews with the managers of Departments and Divisions, in order to develop a staff plan.
- In December 2023, a training of trainers programme was held, the aim of which was to train employees in the Human Resources Department to independently conduct trainings related to the field of human resources.
- With support from the German Agency for International Cooperation (*GIZ*) the implementation commenced of the “Employer Branding” project, as well as the “Employees Satisfaction Survey” project, which aimed to present the Tax Administration on the market as a desirable employer.
- Also, the implementation of the “Employees Satisfaction Survey” project commenced, in the framework of which several meetings were held with representatives of the *GIZ* and the research agency IPSOS, with the aim of analysing the problems that appeared in the previous research project and considering the questions regarding the content of the questionnaire, procedures, technological possibilities and training for the future taking over of this activity by the employees of the Tax Administration, as well as deadlines for implementation.
- In 2023, with the support of the the “Public Finance Reform- 2030 Agenda” project, implemented by the *GIZ*, the Ministry of Finance continued its work on the development of the electronic dispatch note system through the analysis of the administrative and legal framework for the establishment of the first phase of the system and the development of the technical specification of the software solution.
- In November 2023, a tender was announced for the procurement of services for upgrading the E-invoice system through the creation of new modules, which includes the establishment of an electronic dispatch note module, as well as the procurement of a cloud environment for the E-invoice system in the State Data Centre in Kragujevac.

Financing of the measure

The measure is financed from the Budget of the RS, the World Bank, the IPA Programme, the German Agency for International Cooperation -*GIZ* and other donor sources. A total of RSD 98,989,051.63 was spent for the implementation of this measure (TARS) in 2023.

Key challenges

- Insufficient IT resources and staff capacities with the necessary domain knowledge for the implementation of the reform and the new business model.
- Lack of human resources and knowledge necessary for the functioning of new information exchange systems

Plans in the forthcoming period

- The implementation of a new business model is envisaged, which was preceded by the business process reengineering;
- Key novelties after the introduction of the new business model will be:
 1. Single account for the payment of public revenues and the possibility to pay from abroad in foreign currency
 2. Automatic distribution of payments according to the new settlement rules
 3. Functional centralisation and abolition of local jurisdiction
 4. Digitalisation of all taxpayers services
 5. Automation and connection of processes through automatic procedures
- Continuation of the procurement procedure for the commercial off-the-shelf solution
- Commencement of the implementation of the new business model, which was preceded by the business process reengineering.
- Continuation of the procurement procedure for the commercial off-the-shelf solution
- Creating VAT gap analysis and correlation tables for Chapter 16
- Analysis of data protection and administrative cooperation
- Seminars on current and future *VIES* trends
- Various trainings on the EU directives on VAT and administrative cooperation
- Report to the Global Forum on the compliance with the recommendations received in the Expert evaluation report.
- In connection with the improvement of the human resources function, the next steps are in accordance with the project task, the preparation of the 2023-2028 Action Plan for the Human Resources Strategy is expected, as well as the improvement of the *HRMIS* with the aim of complete digitalisation and automation of human resources business processes.
- Establishment of the electronic dispatch note module within the E-invoice system.

Measure 2.2 Modernisation of business processes at the Tobacco Administration

By means of amendments to the 2021-2025 Public Financial Management Reform Programme and the 2021-2025 Action Plan, which refer to the period 2023 - 2025, the activity of establishing new functionalities of the integrated information system is envisaged, with the aim of automating business processes and improving the efficiency of providing services to economic entities that operate on the tobacco and tobacco products market.

Financing of the measure

The measure is fully financed from the Budget of the RS.

Key challenges:

Timely provision of financial resources for the planned upgrade of the information system

Plans in the forthcoming period:

- A further upgrade of the established integrated information system of the Tobacco Administration is foreseen, which envisages the upgrade of existing modules, in order to integrate with the e-Excise system and the introduction of new functionalities by creating a web portal for submitting reports of economic entities entered in the registers and records of the Tobacco Administration.

Measure 2.3 Strengthening administrative capacities of the Customs Administration

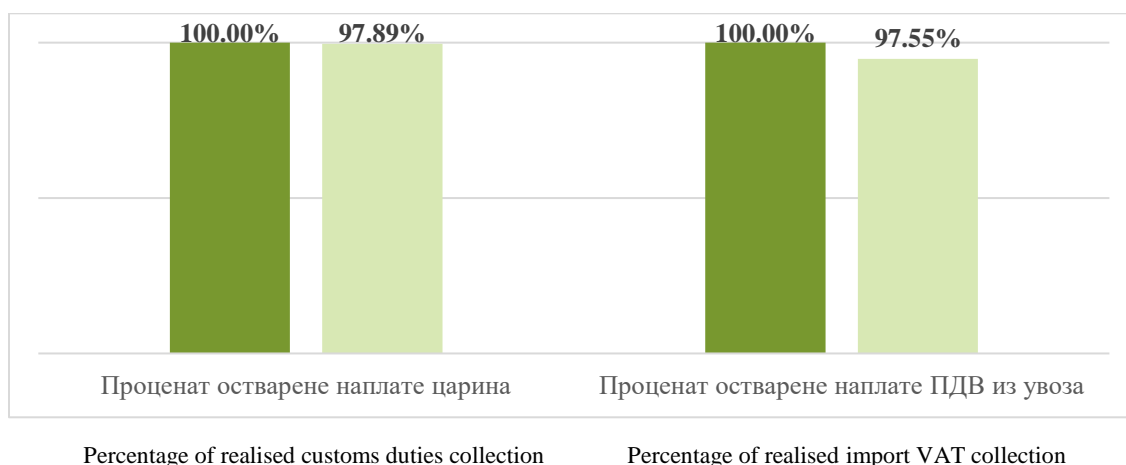


Chart 8: Percentage of planned and realised collection in 2023

The result indicator related to revenue collection in relation to the projected budget estimate is as follows: 97.89% for customs duties and 97.55% for import VAT. Although the achieved results did not reach the target value of 100%, customs duties collection is 2.27% higher than in 2022, i.e. 1.8 billion dinars, while import VAT is lower by 4.24%, i.e. 29, 9 billion dinars. The result indicator has been fulfilled due to the permissible deviation in the amount of 5%.

- In 2023, the work continued on the *NCTS* phase 5 phase- software development, so that by the end of the year the system was brought to the final testing phase before being released into the production environment.
- Within the framework of the project “Support to the Ministry of Finance under the Public Administration Reform Sector (PAR) Contract”, trainings were implemented to build capacity for effective ex-post controls, determination of customs value and preferential origin and classification of goods, as well as training in the area of Traditional Own Resources.
- When it comes to Capacity building for effective ex-post controls (determination of customs value, preferential origin and classification of goods), this activity is carried out continuously. Instructions/explanations regarding the correct application of regulations in the area of customs value, classification of goods and origin are regularly submitted. The Customs Administration prepares and implements the Annual Plan for ex-post control.

In the course of 2023, part of the equipment necessary for the work of the Customs Laboratory was acquired from the regular budget funds and in accordance with the Budget Law (a new device was acquired). The technical-technological modernisation of the customs service and the high level of automation and paperless operations of the Customs Administration, in accordance with the EU information standards is connected with the implementation of several significant projects: the implementation of automated import and export systems (AIS-AES) and the customs decisions system (CDS), as well as introduction of the integrated tariff management system (ITMS). In 2023, began the implementation of the project Introduction of automated import and export systems and customs decisions system (AIS/AES/CDS). In October 2023, the IT equipment was handed over in accordance with the contract.

As part of the capacity building for the full implementation of the EUTOR regulation (*TSSEU* in Serbian) and reporting on the EU revenues, regular simulations of the allocation of funds to A and B accounts were carried out in 2023.

Financing of the measure:

The project “Implementation of Automated Import and Export Systems (AIS-AES) and Customs Decisions System (CDS)” is financed from EU funds, with national co-financing of 15% for the Procurement Contract for the project “Implementation of Automated Import and Export Systems (AIS-AES) and Customs Decisions Systems (CDS)”- IPA 2020. In 2023, RSD 13,426,860.04 was spent from the RS budget, while RSD 97,802,165.70 was spent from donor funds (IPA).

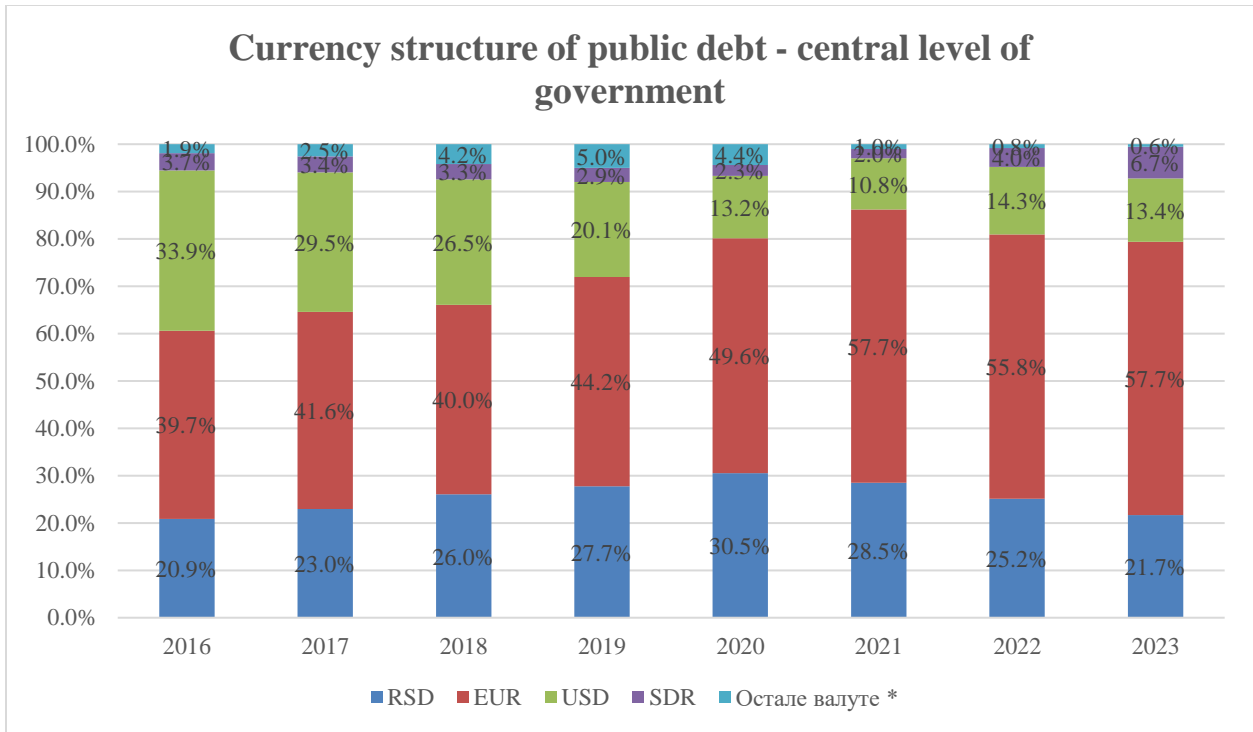
Key challenges:

- For the full implementation and establishment of the guarantee management system - *GMS* - system at the national level, the implementation of these segments within the framework of the establishment of automated import and export systems is also important, where a “transitional” customs decisions system should be developed and implemented, including the guarantee management component, which will function only at the national level. It is expected that the *GMS* component should support the process of guarantee registration, guarantee monitoring and guarantee release.

Plans in the forthcoming period:

- Further implementation of the project for the introduction of automated import and export systems (AIS-AES) and customs decisions system (CDS)
- Further improvement of transit guarantees within the *NCTS* system
- Continuous simulation of postings to A and B accounts, as well as implementation of the the Ex-post control annual plan.

Measure 2.4 Efficient public debt management



Other currencies

Chart 9: Currency structure of public debt - central level of government

The result indicator related to the share of debt in domestic currency in the total public debt - the central level of government, was achieved and amounted to 21.7%, which is 1.2 p.p. above the target value, which was 20.5%.

- During 2023, the active public debt management continued, in order to ensure financing under the most favourable conditions, while simultaneously reducing the risk and increasing the maturity of the public debt.
- The development of the domestic government bond market continued, despite the very unfavorable circumstances on the financial market and the rapid and sudden growth of interest rates.
- In order to minimise financing costs in such unfavourable circumstances during 2023, part of the financing was provided by the IMF and in addition to issuing government bonds on the domestic market, Eurobonds were also issued on the international market in the amount of 1.75 billion US dollars.

Financing of the measure: The measure has been financed from the IPA and other donor funds. In 2023, no funds were envisaged for the implementation of the planned activities.

Key challenges:

- The challenges identified in this process are related to the lack of financial resources in case the donor community is not interested in financing these activities.

Plans in the forthcoming period:

- In the forthcoming period, the plan is to continue working on enhancing the medium-term public debt management strategy by creating a risk management model and upgrading the existing information system (PDMS) with a developed risk management module and the use of business intelligence tools, in order to improve reporting.

Measure 2.5 Improvement of the online public procurement system

- **The value of the result indicator related to the number of bids under the public procurement procedure for 2023 was 2.5⁷ which means that this result indicator was not achieved**, bearing in mind that the target value was 2.8.
- During the year 2023, two new versions of the Public Procurement Portal were developed and published and each of them brings some new opportunities to contracting authorities and bidders. These technical improvements of the Portal relate to the functionality of easier finding of similar procurement procedures for economic entities, the functionality of advanced search and viewing of the list of all bidders on the Public Procurement Portal, as an extension of the process of registering new users and changing the data of existing user accounts for economic entities.
- The capacities of the Office were further strengthened so that, as of 31 December 2023, a total of 38 civil servants and 6 persons were employed in the Office based on contracts on temporary and occasional jobs. In order to build the capacities of the contracting authorities and bidders, the Office organised trainings on various topics, such as: application of the Law on Public Procurement, use of the Public Procurement Portal, preparation for the public procurement officer exam, use of the public procurement learning platform for contracting authorities and bidders, social and environmental procurement, etc. During 2023, a special emphasis was also placed on the presentation, for the needs of judges, prosecutors and the police, of the provisions of the Law on Public Procurement, as new functionalities of the Public Procurement Portal. During the organisation of trainings and workshops, the Office was supported by the *SIDA*, *NALED*, *UNDP*, *USAID*, and the Serbian Chamber of Commerce.

Financing of the measure: The measure is financed from the Budget of the Republic of Serbia, IPA and other means of international aid.

Key challenges:

- The key challenge in the forthcoming period will be further capacity building of contracting authorities and bidders.

⁷ Please find more information about the average number of bids in public procurement procedures, in relation to the type of public procurement subject, in the 2022 Public Procurement Annual Report in the Republic of Serbia, prepared by the Public Procurement Office and which can be found at the following link: [file:///C:/Users/PC/Downloads/Godisnji%20izvestaj-2022%20\(1\).pdf](file:///C:/Users/PC/Downloads/Godisnji%20izvestaj-2022%20(1).pdf).

- Raising the awareness of contracting authorities and bidders regarding the implementation of public procurements that include environmental (green public procurement) and social aspects.

Plans in the forthcoming period:

- A further upgrade of the Portal is planned in the forthcoming period. The capacity building of the PPO will continue with the organisation of trainings for contracting authorities and bidders.

SPECIFIC OBJECTIVE III - BUDGET DISCIPLINE AND TRANSPARENT USE OF PUBLIC FUNDS IMPROVED

Achieved outcome indicators at the specific objective level

Target value for 2023

Achieved value for 2023

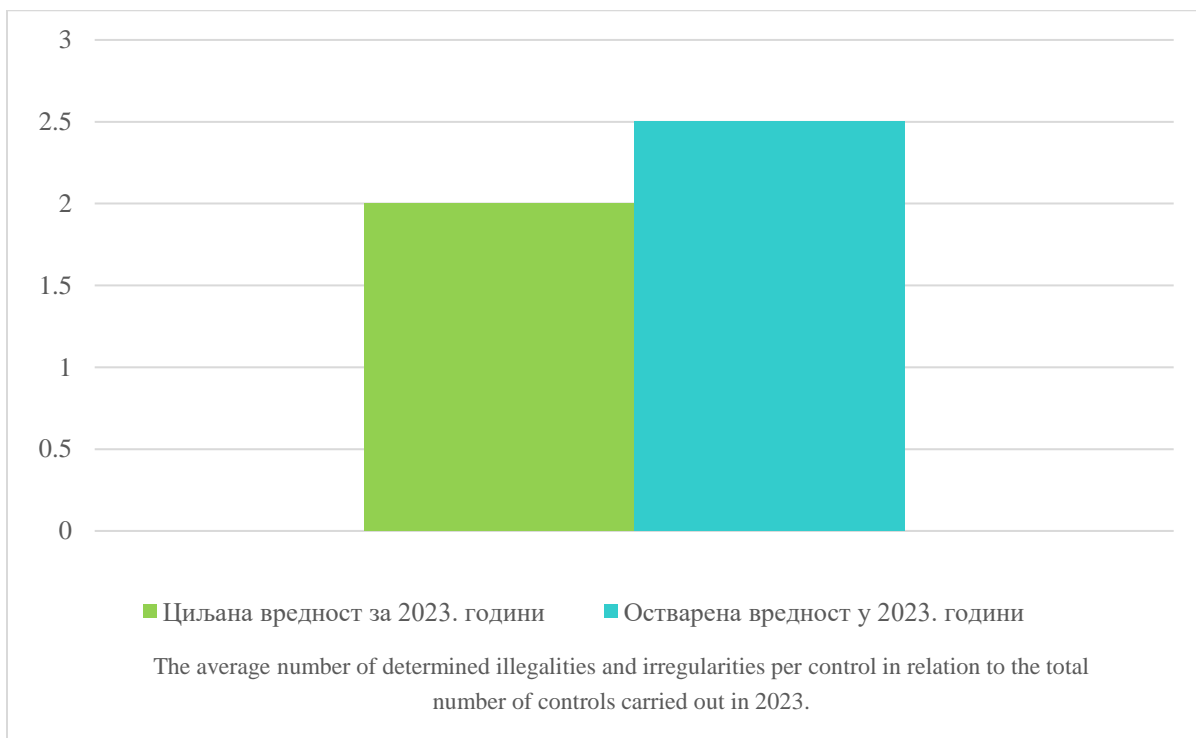
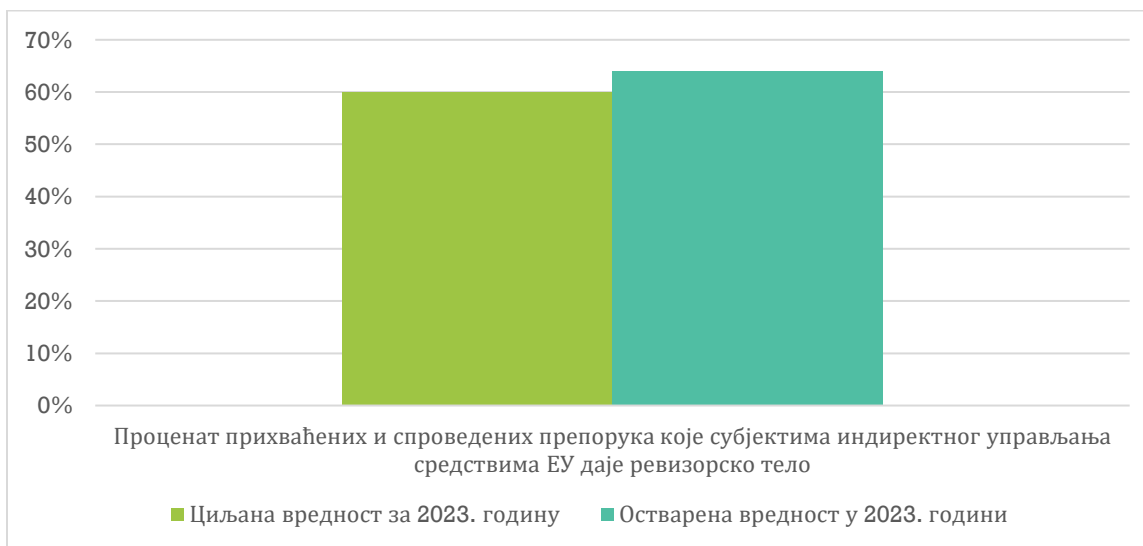


Chart 10: The average number of determined illegalities and irregularities per controlled entity



Target value for 2023

Achieved value for 2023

Chart 11: Percentage of adopted and implemented recommendations given to entities of indirect management of the EU funds by the audit authority

Achievements in the previous period:

Capacity building of the Office for the Audit of the EU Fund Management System was one of the priorities in the previous period. The focus was on improving the institutional, organisational and human resources structure, as well as maintaining and strengthening the existing human resources capacities. In the area of managing EU funds, substantial investments were made in human resources through work on the development of a staff retention policy, the adoption of a new rulebook on the systematisation of jobs and a large number of targeted trainings. Also, within the entire system, special attention was paid to the prevention and resolution of irregularities, as well as raising the awareness of employees on this topic, which gave visible results. The area of inspection and protection of budget funds was improved by strengthening the legislative framework with the adoption of the new Law on Budget Inspection in December 2021, as well as by strengthening the capacity for performing inspection. In this regard, the budget inspection has adopted eleven expert-methodological instructions for performing inspection by areas of supervision. Additionally, trainings from the adopted training programme for budget inspectors were carried out through specific trainings and workshops and new staff were recruited, thus reaching the goal of securing the envisaged number of inspectors.

Achievements in 2023

Measure 3.1 – Establishing a base for strengthening the institutional and administrative capacities of the Governmental Audit Office of EU Funds, which enable effective audit of the EU control system

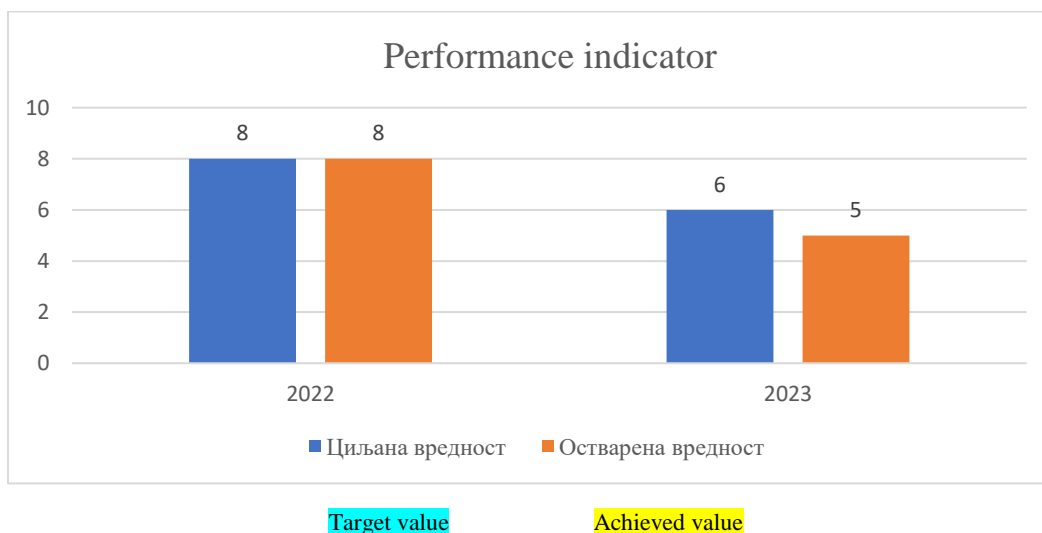


Chart 12: Number of high and medium risk findings of the Office by the EC auditors⁸

⁸ The data for the result performance indicator were obtained based on the latest available data of the DG NEAR Ref. Ares(2023) 7329126

- The result performance indicator at the level of this measure is “The number of EC audit findings in relation to the number of implemented audit recommendations”. The target value of this performance indicator in 2023 was achieved and exceeded, more precisely, out of the predicted 6 audit findings, at the end of 2023 there were 5 open findings, therefore the achieved performance indicator was better than the planned that measures success and progress in this area.
- In September 2023, an amendment to the Regulation on establishing the Office for the Audit of the European Union Fund Management System was adopted, which established the relevant legal framework and defined the competences of the Office.
- In order to harmonise the legal framework and internal organisational structure, a new Rulebook on the internal organisation and systematisation of jobs was prepared in November 2023, to which the Government assented on 25 January 2024. The Rulebook provides for the formation of a new internal organisational unit - the Internal Audit Group, which initiated the establishment of the internal audit function in the Secretariat General and administrative and professional services of the Government of the Republic of Serbia.
- During 2023, all activities within the *PLAC III* project, in the area of negotiation chapters 32 and 22, were successfully completed, including the training of all employees for the application of relevant audit standards and procedures in the context of *IPA III*.
- In November 2023, a programme for the implementation of mentoring audits commenced, in which 11 employees of the Office participated, with the aim of professional training and obtaining a certificate for a certified internal auditor in the public sector.
- A proposal for a *twinning light* project “Further strengthening the capacities of the Serbian Audit Authority” was prepared and approved. The selection of partners for the project implementation was carried out in the European Union Delegation in December 2023 and the contract was signed in January 2024.
- In the area of human resources management, a comparative analysis of workload, organisational structure and motivational levers was conducted. On the basis of this analysis, the development of a policy for attracting and retaining qualified staff commenced.
- During 2023, the employee structure was improved by filling several key positions. A new director was designated and a deputy director was appointed, three senior adviser positions were filled and another person with the senior adviser competencies was hired.
- In addition to the trainings organised for civil servants within the National Academy of Public Administration, employees attended numerous trainings focused on the areas of highly professional and specialised knowledge and skills. The Central Harmonisation Unit of the Ministry of Finance organised basic training for internal auditors in April 2023, which was attended by four employees, as well as training for financial management and control, in November 2023, which was attended by two employees.
- During the year, the Office representatives participated in several international events dedicated to the exchange of knowledge and experience between the *IPA* countries and the EU member states, discussion on the most common problems and good practice examples, challenges and other important issues:

- International workshop for institutional development of operational programmes, organised by *TAIEX*
- Workshop on methodological challenges and possibilities of public procurement for *INTERREG IPA* programmes, organised by the European Commission
- Conference of the *IPA* audit authorities, organised by the Audit Authority of Montenegro
- Second regional conference of audit authorities of the *IPA* countries, organised by the Audit Authority of Turkey.

Financing of the measure

Financing of this measure is envisaged from the RS Budget and donor assistance (*IPA/EU*). No additional financial resources were used for the implementation of activities in 2023.

Key challenges:

- Lack of an adequate staff retention policy, bearing in mind the need to prevent the staff outflow, through systemic reforms in the human resources management;
- The increased workload in the new programme perspective *IPA 2021-2027* requires the admission of new employees, adequate, timely replacement and training of staff for employees who are about to retire;
- Responsible persons in management positions (director and deputy director) are appointed in an acting status.

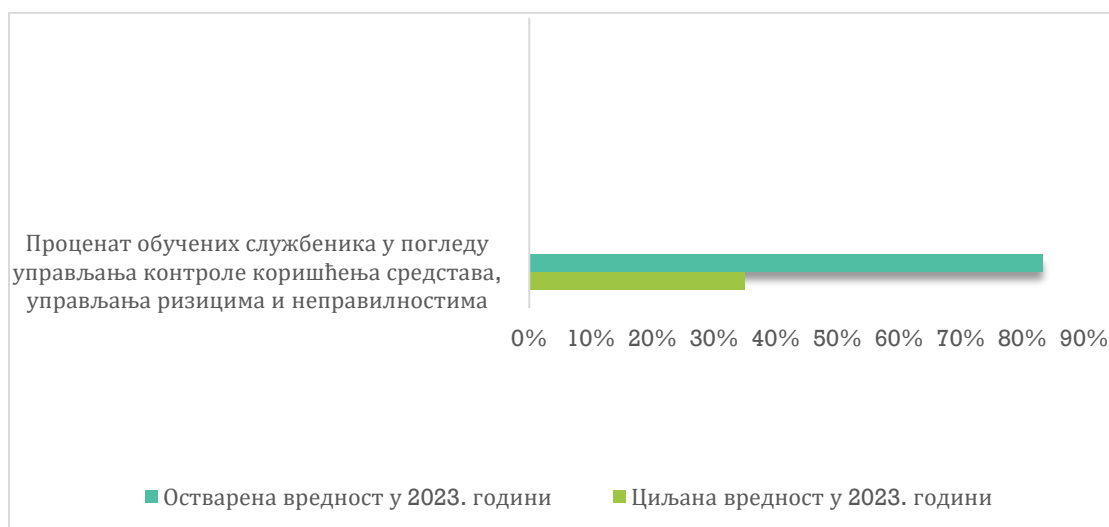
Plans in the forthcoming period:

- Additional strengthening of the Office's administrative capacity, by hiring new, highly competent staff, as well as professional training of existing employees and certification in the field of audit and audit related fields, in order to provide relevant recommendations for the *IPA* structure to improve the decentralised/indirect management of EU pre-accession funds, as well as for the implementation of programmes and projects financed from *IPA* funds;
- Completion of the Internal Audit Group and establishment of the internal audit function of the Secretariat General and administrative and professional services of the Government of the Republic of Serbia;
- Realisation of a twinning light project aimed at further capacity building the Office through improvement of work procedures and handbooks and professional training of employees;
- Preparation of an action plan and implementation of planned measures within the framework of the developed staff retention policy;
- Implementation of interventions within the framework of two multi-year operational programmes aimed at strengthening the administrative capacities of the Office, including the implementation of financial measures for staff retention;
- Implementation of new measures that will be adopted at the national level for governmental authorities and services, in which, in accordance with their scope, state administration tasks are performed, related to the management of the European Union's pre-accession assistance funds;
- Further strengthening of the Office's administrative capacities aimed at assuming new obligations arising from:

Chapter 22 - Regional development - cohesion policy⁹;
Chapter 11 - Rural development - certification body and
Chapter 24 - Justice, Freedom and Security¹⁰.

Measure 3.2: Strengthening the system for more efficient and effective management of EU funds

- The value of the planned indicator related to the **percentage of trained officers in terms of management, control of the use of funds and management of risks and irregularities** has been achieved. The target value of the indicators for 2023 was 35%, having in mind the fact that these indicators are observed cumulatively over the years. The assessment was made on the basis of the total number of employees within the system who attended available trainings, which was 833. Considering that one employee attends several trainings during the year, it is estimated that one employee attends an average of three trainings per year, which amounts to 53.27% of trained officials in the IPA programme management/implementation activities. Together with the value of 30% from 2022, this makes 83.27%, which means that the target value of the indicator has been achieved. It should be noted that the achieved value of indicators in 2023 is significantly higher than the planned, due to the introduction of additional mandatory trainings for all employees, pertaining to the implementation of the *IPA III* programme perspective 2021-2027.



⁹ 3rd COMMISSION STAFF WORKING DOCUMENT Republic of Serbia Report for the year 2021 dated 19 October 2021 - CLUSTER 5: RESOURCES, AGRICULTURE AND COHESION: „The Republic of Serbia is invited to implement the action plan to meet the requirements of the EU cohesion policy and to improve the capacity to manage the indirect management programmes under EU pre-accession assistance“.

¹⁰ 4th ACTION PLAN FOR CHAPTER 24 dated 24 May 2017 - 2.1.6. RECOMMENDATION: 6 - assessment of administrative capacities, training needs and infrastructure for asylum support and the use of the Asylum, Migration and Integration Fund, if necessary, by the date of accession - activity 2.1.6.7. - development of the structure and responsibility of the Audit Authority, with the aim of harmonising with the EU acquis on migration and asylum.

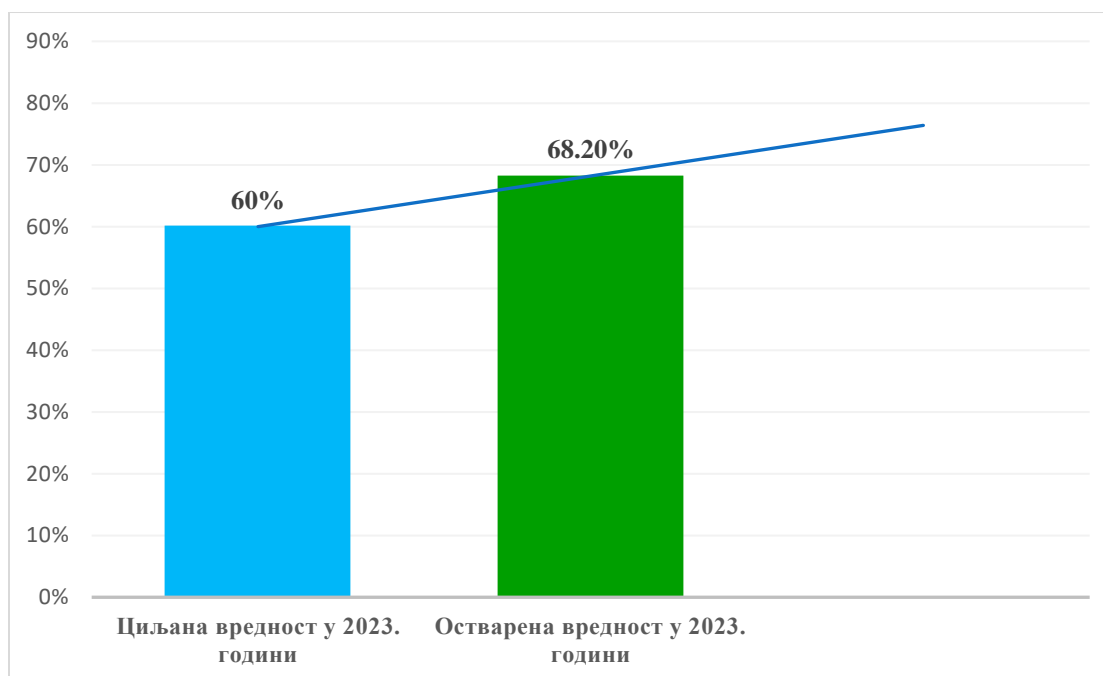
-percentage of trained officers in terms of management, control of the use of funds and management of risks and irregularities

Achieved value in 2023

Target value in 2023

Chart 13: Percentage of trained officers

- The indicator value related to the **performed on-site inspections of the public funds beneficiaries** has been achieved, considering that all on-site inspections that were planned and adopted by the annual plan of on-site inspections have been carried out. During 2023, 25 on-site inspections were carried out, namely: six regular inspections within the framework of national action programmes and cross-border cooperation programmes, 13 accreditation checks within the framework of national action programmes and *IPA III* operational programmes, as well as six on-site inspections within the *IPARD* programme.
- The indicator related to the **“Percentage of irregularities identified during the first instance control”** had a target value of 60%, whereby 22 cases of irregularities were reported in 2023, out of which 15 cases of irregularities were confirmed, which makes the target value of the indicator for 2023 achieved (68.2%).



Target value in 2023

Achieved value in 2023

Chart 14: Percentage of irregularities identified during the first instance control

- Preparation of the Regulation on the management of the European Union's Pre-Accession Assistance Programmes within the Instrument for Pre-Accession Assistance (*IPA III*) for the period 2021-2027: In December 2022, the Law on the Ratification of the Financial Framework Partnership Agreement between the European Commission and the Republic of Serbia, represented by the Government of the Republic of Serbia, was adopted

concerning the rules for the implementation of financial assistance from the Union to the Republic of Serbia under the instrument for pre-accession assistance (*IPA III*), thus creating opportunities for the adoption of the Regulation, which entered into force on 21 April 2023.

- During 2023, a significant number of trainings were held, both in the form of webinars and in the regular form. The trainings were held in order to build the capacities of all relevant participants in the process of managing the EU funds, in order to ensure a more comprehensive protection of the EU financial interests, as well as the budget of beneficiaries. During 2023, the following trainings were held in order to build capacities in the system of indirect management of the EU funds:
1. Organised by the National Academy of Public Administration:
 - Project cycle management
 - Methodology for project management
 - Works contracts - *PRAG*
 - Supply contracts – *PRAG*
 - Grant contracts
 - *FIDIC* suite of contracts
 - Securing funding from various available sources
 - Financial management in the context of the indirect management and control system of the *IPARD* programme
 - Planning of the *IPA* resources and national participation in the context of the indirect management system
 - Exemption from VAT and customs duties in indirect management
 - Horizontal issues for horizontal office holders
 - Irregularities in the *IPA* context
 - Conducting an internal audit in the *IPA* context
 - Programming and creating programme documents
 - Introduction to the EU Cohesion Policy
 - EU Cohesion Policy – planning and programming
 - Programming and creation of multi-annual *IPA* operating programmes *Window 3/Window 4*
 - EU Cohesion Policy *Window 3/ Window 4*.
 2. Organised under the Technical Assistance Project *DIS 4*:
 - Project cycle management
 - Project cycle management– Service contracts.
 3. Organised by the German Agency for International Cooperation *GIZ*:
 - Introduction to the EU Cohesion Policy
 - EU Cohesion Policy – planning and programming (*Window 3*)
 - Creation of multi-annual *IPA* operating programmes (*Window 3*)
 - EU Cohesion Policy – planning and programming (*Window 4*)
 - Creation of multi-annual *IPA* operating programmes (*Window 4*).
 4. Organised under the Technical Assistance Project *PPF10*:

- Workshop on procedures for implementing the *IPA III* Cross-Border Cooperation Programme
- Workshop on procedures for implementing annual and multi-year programmes
- Workshop on changes in the management and internal control system within the perspective of 2021-2027
- Workshop on procedures for implementing operational programmes - information security
- Workshop on the topic of programme procedures for the implementation of the *IPA III* Cross-Border Cooperation Programme.

The first contract for the *IPA MIS* was signed in February 2021. The second contract for the *IPA MIS 2*, aimed at integrating additional work processes, as well as the *IPA III* perspective, was signed in October 2022. All three stages of the contract have been implemented. Data migration from the accounting system is currently underway.

Financing of the measure:

The measure was financed with regular funds from the national budget, as in the previous period, while donor funds for the organisation of trainings were also provided by the above-mentioned projects. There is a possibility of continuing to use the EU financial resources through a potential technical assistance project and funding opportunities with the support of the *TAIEX* and from other sources will also be considered.

Key challenges

- Due to the time period required for the recruitment and training of staff, there is a risk of delays in all relevant business processes, as well as a risk in terms of quality performance of business processes. It is important to note that in the forthcoming period, priority will be given to these issues.

Plans in the forthcoming period

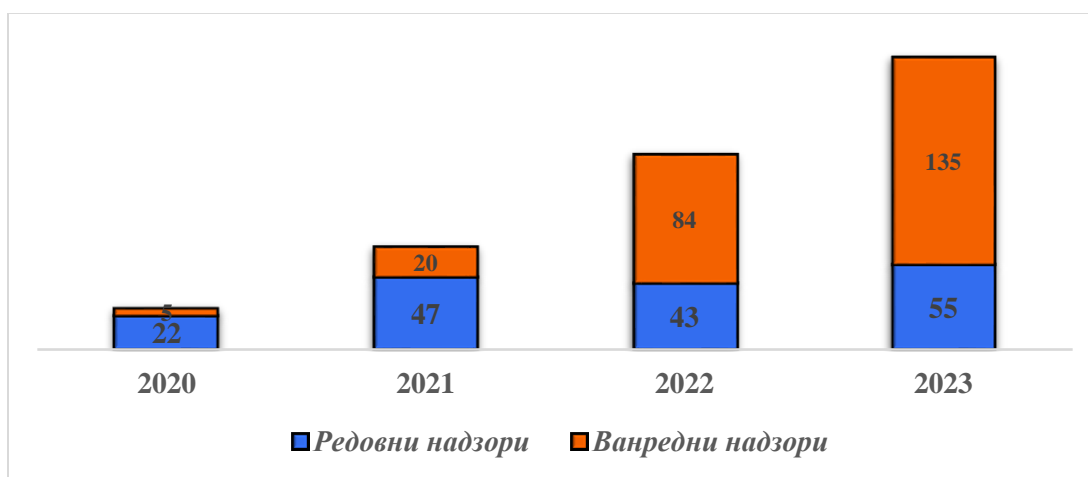
- Capacity building within the structures for managing the EU funds, which includes possible study visits, in order to successfully manage/implement programmes from the EU funds for the period 2021-2027 and prepare for future structural funds.
- Further improvement of procedures for indirect management of the EU funds in accordance with possible new guidelines and auditor findings.
- Continuation of the programme closure process from the IPA 2014-2020 perspective in next fiscal year.

Measure 3.3 - Increasing the efficiency and effectiveness of inspection control

- Within this measure, two performance indicators are defined. The **first performance indicator at the measure level is the total number of performed inspections.**
- In 2023, a total of 190 inspections were carried out, which is 49.6% more compared to the previous year, while compared to 2021, this ratio increased by 183.6%, and compared to 2020, it increased by 603.7%, which is presented in Table 1. and Chart 15.

Comparative overview of the number of performed inspections in the period 2020 - 2023				
Year	2020	2021	2022	2023
Number of performed inspections	27	67	127	190

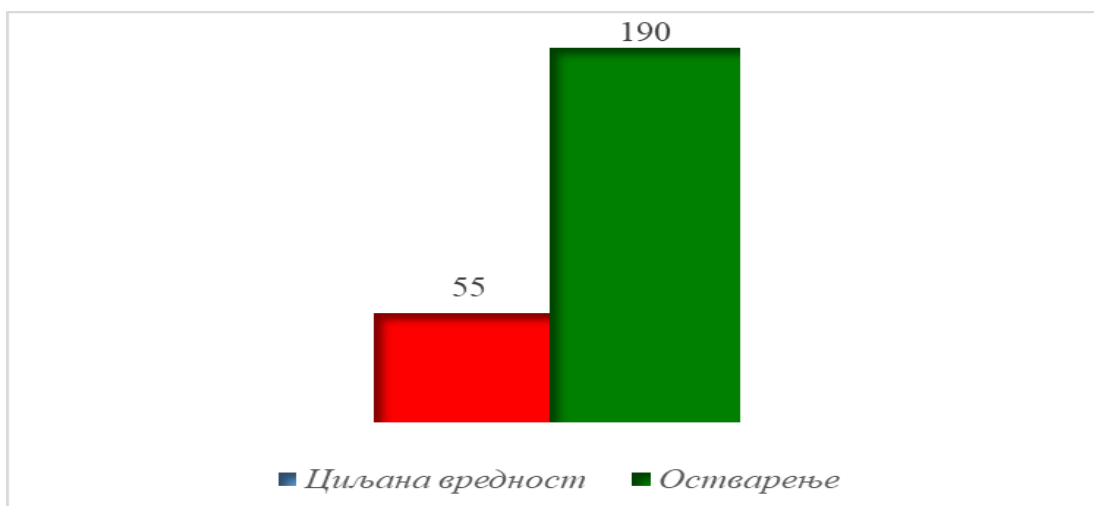
Table 1.



Regular inspections Extraordinary inspections
Chart 15: Number of performed inspections (regular and extraordinary)

The target value for the year 2023 of this performance indicator is projected in the amount of 55 inspections.

In the course of 2023, the Budget Inspection carried out inspections of 190 entities and carried out 135 inspections according to the plan, i.e. 345% relative to the planned number of inspections were carried out, which is presented in Chart 16.

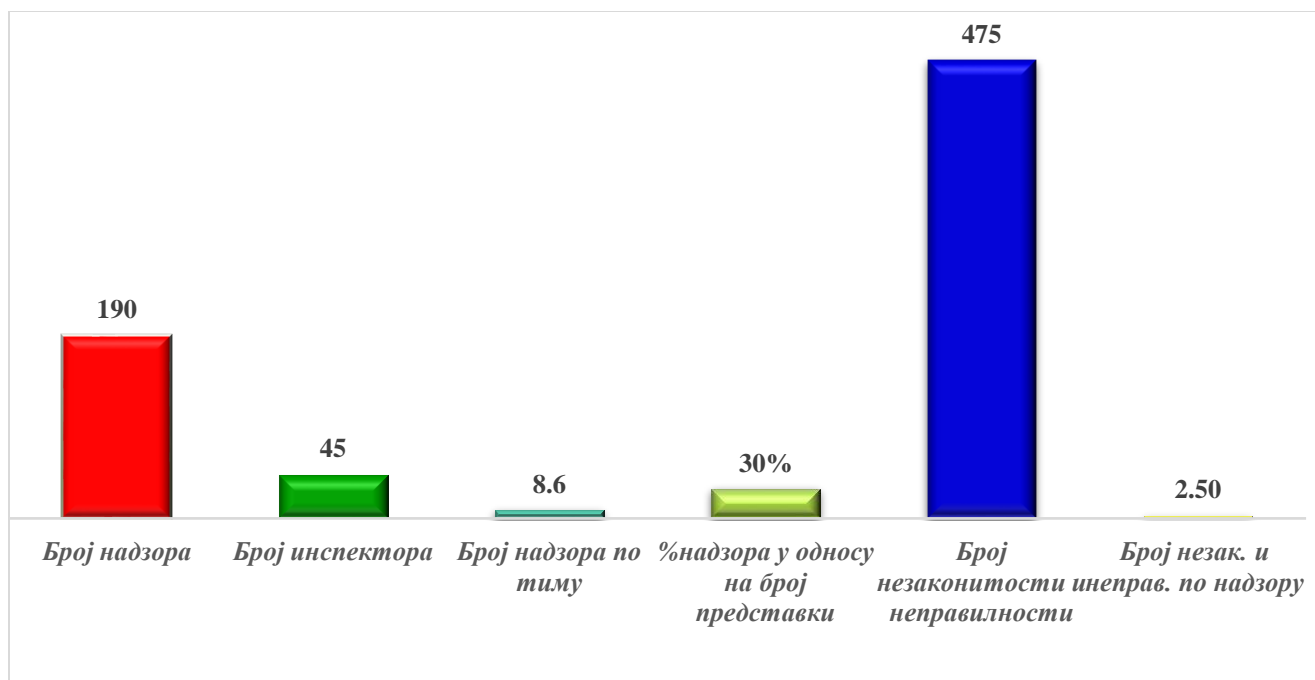


Target value Realisation
 Chart 16: Total number of performed inspections in 2023

- **Another performance indicator of the budget inspection at the measure level is the percentage of planned and implemented inspections in the current year relative to the number of reports, petitions, complaints and requests for inspections in the previous year.**
- The target value for the year 2023 of this performance indicator is projected as 20% of planned inspections relative to the number of reports, petitions, complaints and requests for inspections in 2022.
- In the course of 2022, the Budget Inspection received a total of 181 reports, petitions, complaints and requests for inspection from authorities, organisations, legal entities and natural persons in connection with findings and suspicion of irregularities and illegalities in the handling and use of budget, i.e. public funds.
- The actual value of this performance indicator for the year 2023 is 30% of the planned and implemented inspections, relative to the number of reports, petitions, complaints and requests for inspections received during the year 2022.
- Please find below an overview of the elements for evaluating the results of the work of the budget inspection in 2023, which is presented in Table 2. and Chart 17.

Overview of performance indicators and elements for evaluating the results of the work of the Budget Inspection in 2023	
Indicator name	Value
Number of inspections	190
Number of inspectors	45
Number of inspections per team	8.6
Percentage of conducted inspections in relation to the number of petitions	30%
Number of illegalities and irregularities	475
Number of illegalities and irregularities per inspection	2.5

Table 2.



Number of inspections Number of inspectors Number of inspections per team % of inspections in relation to the number of petitions Number of illegalities and irregularities Number of illegalities and irregularities per inspection

Chart 17. Overview of elements for evaluating the results of the work of the Budget Inspection in 2023

- In order to efficiently carry out inspections, the following normative acts were adopted in 2023: the Rulebook on the form and method of performing internal control in budget inspection, published in the “Official Gazette of the RS”, number 6/2023, the Rulebook on amendments to the Rulebook on the procedures of budget inspection in performing supervision over the enforcement of the Law on deadlines for the settlement of monetary obligations in commercial transactions, published in the “Official Gazette of the RS”, number 13/2023 and the Rulebook on the manner of supervision over the execution of public procurement contracts published in the “Official Gazette of the RS” number 110/2023, with the enforcement date as of 1 January 2024. The Instruction on the procedure of the budget inspection in the selection of public funds beneficiaries, contracts and risk assessment for the implementation of inspection supervision over the execution of public procurement contracts was also adopted and amendments were made to the Strategic Plan of the Budget Inspection of the Ministry of Finance for the period from 2021 to 2026.
- Bearing in mind the specific needs falling within the scope and competence of the Budget Inspection during the year 2023, trainings were conducted from the Special training programme for employees in the Budget Inspection Department for the year 2023, adopted by the Minister's Decision number: 153-01-00037/2023-26, in particular: Thinking Preferences, Communication Skills, Team Spirit, Business Ethics, How to Create a Collaborative Environment, Questions and Answers, Meeting Management and Negotiation Skills.
- In accordance with the planned Budget Inspection capacity building and the improvement of knowledge and skills of employees during 2023, other trainings for budget inspectors were conducted in the form of trainings and workshops, namely: Application of the

methodology for selecting public procurements for inspection based on risk assessment, Monitoring public procurement procedures, Control of execution of public procurement contracts, Implementation of the electronic invoice system and others.

- As part of the project “Civil Service Training for the 21st Century in the Republic of Serbia”, the managers of the Budget Inspection Department completed the “Strategic Leadership for Quality in Public Administration” training programme.
- In the forthcoming period, the plan is to strengthen the capacity and functionality of the work of the Budget Inspection, professionally develop budget inspectors and other Budget Inspection employees by conducting continuous education. Further development of the Budget Inspection capacity, improvement of employees' competencies, i.e. their knowledge, skills and abilities, through trainings and workshops, will enable the improvement of the work of the Budget Inspection, all with the aim of efficient inspection.
- The planned activity of securing the required number of inspectors in 2023 was realised. The obligation to centralise the Budget Inspection from the negotiation chapter 32-Financial Control was implemented on 1 January 2023, with the commencement of the enforcement of the Law on Budget Inspection, therefore the number of budget inspectors exceeds 42. During 2023, 45 budget inspectors performed inspection tasks.
- In 2022, preparatory actions for the centralisation of the Budget Inspection were carried out by taking over budget inspectors from autonomous provinces and local self-government units, and budget inspection groups of the Ministry of Finance were formed in Belgrade, Novi Sad, Kragujevac and Niš.
- In 2023, securing of the required number of inspectors will continue in accordance with the Rulebook on internal organisation and systematisation of jobs in the Ministry of Finance of December 2022.
- In addition to increasing the average number of inspections carried out per inspector, the Budget Inspection centralisation also aims at administrative and functional capacity building of the budget inspection, which was achieved by the implementation of the HR-related measures, that is, in the specific case, by taking over budget inspectors and other civil servants in executive positions that meet the conditions for performance of inspection, as well as through professional development of budget inspectors and other employees in the Budget Inspection through continuous education.

Financing of the measure:

Funds for financing the measure are provided from the Budget of the Republic of Serbia.

Key challenges:

Implementation of the complete reform of the Budget Inspection through the administrative and functional capacity building of the Budget Inspection and the standardised procedures of the Budget Inspection in carrying out inspection in the territory of the Republic of Serbia.

Plans in the forthcoming period :

- In 2024, plans include the amendments to the Rulebook on special elements of risk assessment, the frequency of inspection i.e. control based on risk assessment and special elements of the inspection i.e. control plan, within the purview of the Budget Inspection (“Official Gazette of the RS”, number 63/ 2018).

- The plan is to strengthen the capacity and functionality of the work of the Budget Inspection, professionally develop budget inspectors and other Budget Inspection employees by conducting continuous education.

SPECIFIC OBJECTIVE IV – APPLICATION OF THE INTERNAL FINANCIAL CONTROL SYSTEM IN THE PUBLIC SECTOR IMPROVED

Achievements in the previous period

In the previous period, the Department- Central Harmonisation Unit focused its activities on communication with the PFBs at the central and local level, amendments to regulations in the field of internal audit, as well as on the modernisation of the concept of basic training in FMC and IA.

The outcome indicator at the level of a specific objective which reads “identified progress related to the PIFC within the EC progress report for the Republic of Serbia for a specific year” was achieved.

Measure 4.1: Improved FMC system in public sector institutions.

- The values of the result indicators at the measure level are not yet available and will be available when the Consolidated Annual Report on the state of play of the PIFC for 2023 is prepared.
- Particular attention in the previous year was paid to the preparation of a new, more modern training concept for the CHU.
- Video trainings for managers, coordinators for the FMC and introductory trainings for internal auditors were prepared and will become part of the NAPA platform.
- A new form was created for annual reporting on the FMC system with the aim of making it more understandable and useful as a tool for managing the internal control system. Moreover, a specialised form for annual reporting on the FMC system intended for schools was created. In order to familiarise the PFBs with the new questionnaire form for the FMC, in the first quarter of 2023, trainings were held in connection with the annual reporting on the state of play of the PIFC for 2022. Trainings for the local level were held (with the support of the EU Exchange 6 Programme) by creating regional groups of LGUs in several

cities - Novi Sad, Niš, Belgrade (at the training held in Belgrade, online participation was also possible for all interested LGUs).

- The review of the FMC quality for the year 2022 was carried out in 2023 for the following public funds beneficiaries: Public Enterprise “National Park Tara”, Public Enterprise “National Park Fruška Gora”, Public Enterprise for the Development of Mountain Tourism “Stara Planina”, Public Enterprise “National Park Đerdap”, Public Enterprise “National Park Kopaonik”.
- An analysis of the PIFC regulations coherence with other horizontal regulations was developed.
- The *EU Exchange 6* programme is financed by the EU within the national IPA Programme 2019 and is implemented in the direct management mode by the Delegation of the European Union (DEU). Within the third Programme Component - Better incorporation of the PIFC features in LSGs operations and linking with local planning and budgeting frameworks, in the period from 8 February to 10 March 2023, a public call was published for local governments for granting support for the establishment or improvement of the FMC system and/or IA functions. A total of 22 LSGs applications were received. A total of five local self-governments were selected for the establishment/improvement of the FMC system, as follows: Boljevac, Srbobran, Lajkovac, Vrbas and Tutin. The support was provided in accordance with the FMC and IA principles and standards elaborated through the domestic regulatory framework, good practices and based on methodological materials and guidelines of the CHU.
- RELOF prepared an innovative instrument, the Management liability index for the local level, which will be further improved

Financing of the measure:

The implementation of activity 4.1.5 was financed from donor funds of the project *Exchange 6 - Standing Conference of Towns and Municipalities*. Activity 4.1.6 is financed with the donor support of KPMG and with the donor support of Switzerland and the Local Finance Reform Project RELOF3.

Key challenges:

- Lack of the CHU capacity.
- Frequent institutional changes and turnover of PFBs managers and FMC coordinators.
- Insufficiently developed managers' awareness of the importance and benefits of the introduction of the FMC and the establishment of the IA function.

Plans in the forthcoming period:

- Additional activities related to the improvement of local self-government capacity for the establishment and implementation of internal control.
- Capacity building of the CHU employees for ISO standards and COSO.
- Improvement of risk management at the PFBs priority group at the central level

Measure 4.2: Improved internal audit function in the public sector in accordance with international standards and principles

- The result indicator at the level of measure 4.2 has been changed and now reads as follows: “The number of external quality assessments of the work of internal audit units within the institutions of public funds beneficiaries with a gradual increase in the number of peer reviews within the total number of reviews”. The target value for 2023 was 6 performed external quality assessments and it was achieved.
- Amendments to the rulebook regulating the area of internal audit were adopted on 5 October 2023. The purpose of the amendments in the field of internal audit was to ensure greater coverage of the internal audit function of the public sector of the Republic of Serbia by specifying certain criteria related to the establishment of the internal audit function among the PFBs, by increasing the concentration of internal auditors in key state authorities, as well as building training capacities and speeding up the certification process of internal auditors. After the adoption of the amendments, workshops were held with cities and municipalities in the first half of December (the CHU in cooperation with RELOF 3 and EU Exchange 6) dedicated to the most important novelties and with a focus on the new modality for establishing the internal audit function by conducting internal audits by the competent direct budget funds beneficiary and the specifics of the application of this modality at the local level. The adopted amendments do not fundamentally deviate from the model of decentralised financial management and control and internal audit accepted in the negotiating position of Chapter 32 - Financial Control. The contribution is reflected in the better implementation of the PIFC recommendations from the EC's annual reports, concerning the administrative capacity building for the implementation of internal control, the strengthening of management liability and the public financial management, the specification of the criteria for the establishment of internal audit, by more efficient use of existing resources and the increase of the certification process efficiency.
- For the reporting period that refers to the year 2022 and was carried out in the previous year, six quality assessments of work of the IA units were carried out, one of which was carried out according to the peer review methodology. The quality assessment was carried out in the following organisations: RHIF, PDIF, SNES, Ministry of Public Administration and Local Self-Government (MPALSG) (peer review), MI, Ministry of Agriculture, Forestry and Water Management (MAFWM). The adoption and implementation of the rulebook, which should prescribe the oversight of the IA work, is directly related to the provision of a sustainable financing model of the peer review. Information related to the year 2023 will be presented in the following reporting period.
- A total of six Exchange 6 local self-governments were selected as part of the call for the provision of professional support to LSGs for the establishment/improvement of the IA function: Trstenik, Odžaci, Kanjiža, Tutin, Golubac, Sombor.
- A Programme for continuous training of internal auditors has been prepared (linked to activity 4.4.4)



Figure 10.

Financing of the measure:

The implementation of activity 4.2.4 was financed from donor funds of the *Exchange 6* project - Standing Conference of Towns and Municipalities. The realisation of activity 4.2.5 is continuously carried out with the donor support of the German Development Cooperation implemented by the *GIZ*.

Key challenges:

- The number of internal auditors in the RS public sector is still not sufficient for optimal coverage of the internal audit function of the PFBs.
- Improving the legal employment status of internal auditors.

Plans in the forthcoming period:

- Analysis of the application of the existing methodological framework and its improvement (e.g. for performance audits, information security audits, advisory services, etc.)
- Improving the function of audit committee/audit commissions
- Holding regular meetings (*networking*) with internal audit managers
- Involvement in the preparation of the amendment of the regulation that will enable the sustainability of the external quality assessment of work of the IA, according to the peer review method.
- Improving the legal employment status of IA

Measure 4.3: Enhancement of public internal financial control (PIFC) monitoring

- The indicator of achieved results for this measure is the functional IT system for IC. The value for 2023 was defined and is expected to be measured only in 2025.
- In 2023, a contract was signed on the maintenance of the PIFC reporting software application.

Financing of the measure:

- The activity related to the full application of electronic reporting through the web application is financed from the Budget of the Republic of Serbia and donor funds.

Key challenges:

- In addition to the automation of reporting, due to the large influx of PFBs who report, support for the reporting process requires significant human capacities of the CHU to provide the necessary support to PFBs when using the web application for reporting on the state of play of the PIFC.

Plans in the forthcoming period:

- Improving the functionality of the existing application for annual reporting, modules for improving the work of the CHU application, training.

Measure 4.4: Modernisation of the training system in the PIFC field

- A legal analysis of the situation regarding the transfer of training from the CHU to NAPA was prepared, which identified three possible options for transferring the implementation of the PIFC training. At the previous insistence of the NAPA and MPALSG, the analysis was focused on the scope of CHU.
- The indicator of achieved results related to the number of training participants in the field of internal controls organised by the NAPA has been changed and now reads as follows “Number of e-learning trainings in the field of PIFC” and for the year 2023 it was achieved. When it comes to the indicators related to the percentage of authorised internal auditors who have obtained the prescribed number of points within the framework of continuous professional development and the percentage of certified internal auditors in priority PFBs - the values for 2023 were not defined and are expected to be measured only in 2025.
- In the course of 2022, the creation of a new, more modern concept of basic trainings organised by the CHU commenced and in 2023, video trainings were prepared for managers, coordinators for the FMC and internal auditors.
- The CHU continued with the practice of providing relevant training aimed at the professional development of internal auditors. In the second quarter of 2023, training was held for internal auditors on the topic “Competencies for the work of internal auditors in the public sector and tools for evaluating competencies.” In the fourth quarter of 2023, trainings were held that consisted of two parts. The first part of the training was related to the topic “Provision of consulting services in internal audit”, while the second part included the topic “Risk assessment for internal auditors in the public sector”. Trainings were organised in the following cities: Belgrade, Niš, Kragujevac and Novi Sad.

Financing of the measure:

The main donor support is provided by the project “Support to the Ministry of Finance under the Public Administration Reform Sector (PAR) Contract” implemented by the *KPMG*. The implementation of activity 4.4.4 is continuously carried out with the donor support of the German Development Cooperation implemented by *the GIZ*.

Key challenges:

- Lack of the CHU capacity.
- Cooperation with the NAPA regarding transfer of trainings.

Plans in the forthcoming period:

- Improving the certification of internal auditors.
- Modernisation of training and training materials in the field of PIFC (expansion of the e-learning module)
- Preparation and implementation of training for internal auditors through the Programme for continuous professional development of internal auditors in the public sector.

SPECIFIC OBJECTIVE V -PUBLIC ACCOUNTING WITH THE APPLICATION OF THE INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS) IMPROVED

Achieved outcome indicator at the specific objective level

The outcome indicator at the specific objective level is not foreseen in 2023.

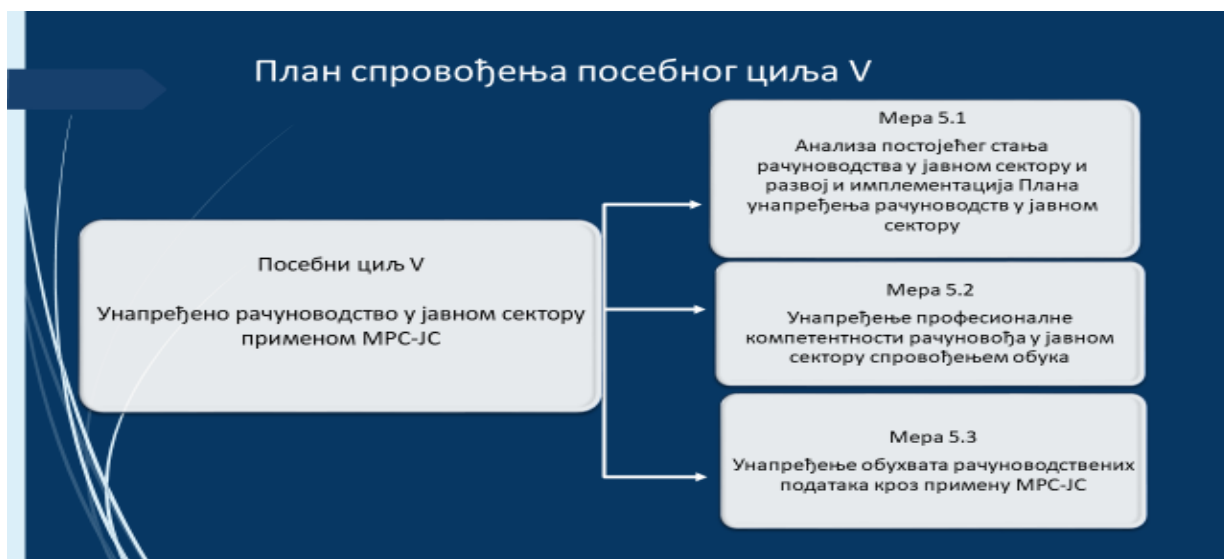
Achievements in the previous period

In the previous period, the Commission for monitoring the application of international public sector accounting standards was formed and cooperation was established with the Serbian Association of Accountants and Auditors (SAAA), in order to ensure the translation of the IPSAS. In order to improve the competence of accountants in the public sector, trainings and workshops were organised in previous years.

The measure level indicator was realised in 2021.

Achievements in 2023

Measure 5.1 - Analysis of the current situation in public sector accounting and development and implementation of the Public Sector Accounting Improvement Plan



Specific objective V implementation plan	
Specific objective V Advanced public sector accounting using the IPSAS	Measure 5.1 Analysis of the current state of play of the public sector accounting and development and implementation of the Public Sector Accounting Improvement Plan
	Measure 5.2 Improvement of professional competence of accountants in the public sector through adequate trainings
	Measure 5.3 Improvement of coverage of accounting data through the application of international public sector accounting standards

Figure 11: Specific objective V implementation plan

- In order to further improve the entire public sector accounting system, the Treasury Administration continued the phased implementation of the Public Sector Accounting Improvement Plan during 2023¹¹.
- A translation of the International Public Sector Accounting Standards – (*IPSAS*) was provided by the Serbian Association of Accountants and Auditors (SAAA) (*IFAC* member).

Financing of the measure: The amount of 5,833,332.96 dinars were spent for the implementation of the activities within the measure from the planned financial resources from the Budget of the Republic of Serbia for the Commission work.

Key challenges:

- The activities provided for in the Plan are continuous and chronologically determined. Failure to implement the initial activities, which the Plan foresees, would cause difficulties in the later stages of the Plan's implementation.

¹¹<https://www.trezor.gov.rs/files/documents/regulations/ostala%20dokumenta/Reforma%20ra%20C4%8Dunovodstva/Plan%20unapre%20C4%91enja%20ra%20C4%8Dunovodstva%20u%20javnom%20sektoru%20u%20Republici%20Srbiji.pdf>

- Failure to establish the continuity of the work of the Commission for monitoring the application of international public sector accounting standards (Commission) would lead to the breaking of the deadlines defined by the 2021-2025 PFMRP Action Plan.
- The establishment of inadequate communication in the system of information and submission of proposals to the Commission, in connection with the work defined in Article 75a of the Budget System Law, would make it impossible to implement the following activities foreseen in the 2021-2025 PFMRP Action Plan.

Plans in the forthcoming period:

- Adopted Public Sector Accounting Improvement Plan, formed Commission for monitoring the application of international public sector accounting standards, which will contribute to the implementation of the Regulation on the application of International Public Sector Accounting Standards, to the strengthening of the public sector accounting system, enabling the creation of a precise framework and a plan for further reform steps that have to be implemented, in order to bring the accounting system in line with international standards in the best possible way.
- Continued work of the formed Commission to perform tasks defined by Article 75a of the Budget System Law.

Measure 5.2 - Improvement of professional competence of accountants in the public sector through adequate trainings

- **The target value of the result indicator was met in 2022 and it was 100%, according to the plan and it refers to the share of employed accountants in the public sector who have undergone training in the improvement of public sector accounting.**

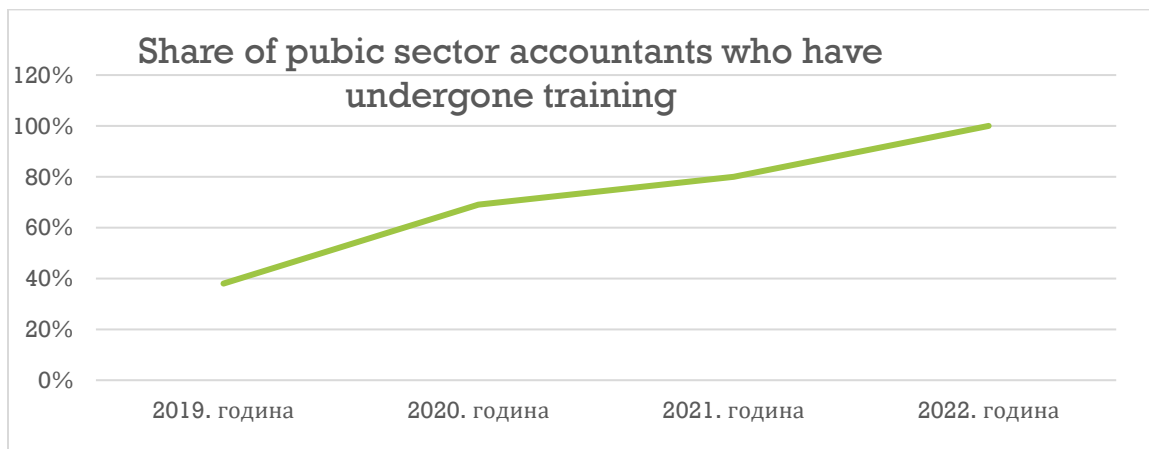


Chart 18: Percentage of public sector accountants who have undergone training in the improvement of public sector accounting

- Preparatory activities for the introduction of certification were discussed at the Commission session. At the proposal of the Commission, beneficiaries of the budget funds and compulsory social security funds were surveyed. The purpose of this analysis was to determine the total number of employees in accounting jobs, as well as of those who hold a certificate issued by the SAAA. Based on the processed data of the beneficiaries who

responded to the survey, the results showed that the total number of employees in accounting jobs is 7,412, of which 1,006 hold the SAAA certificate. (Table 2.)

- One of the key priorities for improving the entire accounting system is certainly strengthening the professional competence of public sector accountants.
- Improving the professional competence of accountants, as well as managers in the public sector, is one of the conditions for the adoption of international reporting practices, in accordance with the *IPSAS*.

Budget and CSIO funds beneficiaries	Total number of employees in accounting jobs	Number of employees holding the SAAA certificate
Republic level	4,870	763
Local self-government units	2,298	208
CSIO funds beneficiaries	244	35
Total	7,412	1,006

Table 2: Survey on the number of employees in accounting jobs and the number of employees holding the SAAA certificate.

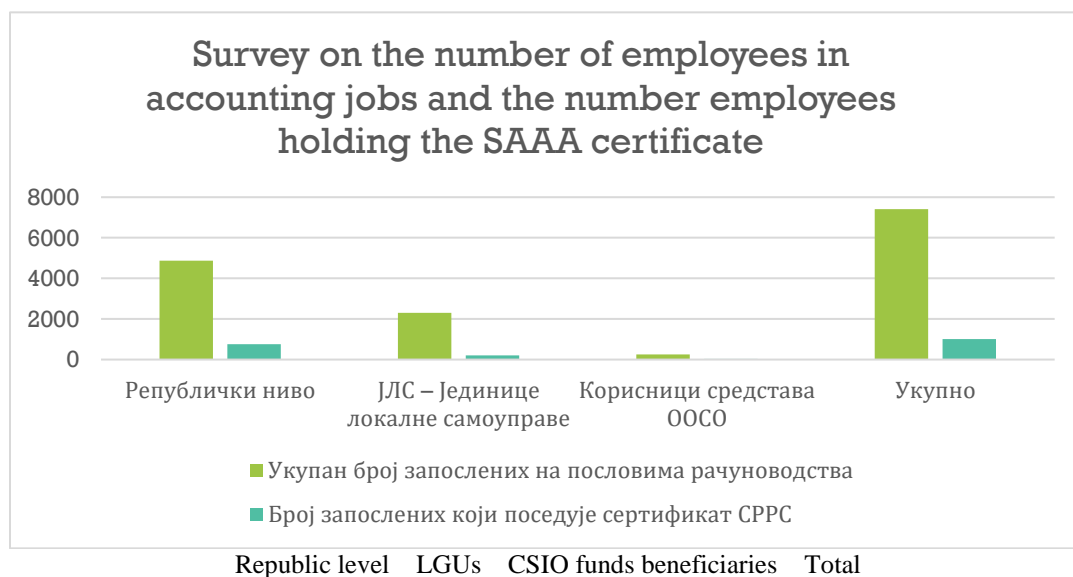


Chart 19: Survey on the number of employees in accounting jobs and the number of employees holding the SAAA certificate

Financing of the measure: No financial resources were required for the implementation of the activities within the measure.

Key challenges

- Institutional problems in implementing certification.

Plans in the forthcoming period

- It is envisaged that the Commission for monitoring the application of international public sector accounting standards will adopt the National education standard for professional accountants, in order to facilitate the acquisition of the knowledge required for the application of the *IPSAS*, and thus the strengthening of human resources capacities in the field of accounting. It is necessary to define the certification method, as well as professional accounting job titles, all under the Public Sector Accounting Improvement Plan.
- By the end of 2025, the certification of approximately 200 public sector accountants is envisaged, with precise criteria for the selection of the specified number of accountants.

Measure 5.3 - Improvement of coverage of accounting data through the application of international public sector accounting standards

- The result indicator “Draft financial statement prepared and presented to the Ministry of Finance of the Republic of Serbia, in accordance with the *IPSAS* requirements for the cash basis” did not have a target value for the year 2023.
- The prepared drafts were discussed and analysed at the Commission sessions, as follows:
 - Amendment to the Rulebook on the method of preparation, compilation and submission of financial statements of budget funds beneficiaries, beneficiaries of funds of compulsory social insurance organisations and budget funds;
 - Rulebook on accounting policies for financial reporting in accordance with the *IPSAS* for the cash basis.
- Due to the need to adopt the Rulebook on the method of preparation, compilation and submission of financial statements of budget funds beneficiaries, beneficiaries of funds of compulsory social insurance organisations and budget funds and the Rulebook on accounting policies at the same time, the Rulebook on accounting policies was not adopted in the 4th quarter of 2023. The realisation of the activities related to the mentioned rulebooks is expected by the end of the 3rd quarter of 2024.

Funding of the measure: No financial resources were required for the implementation of the activities within the measure.

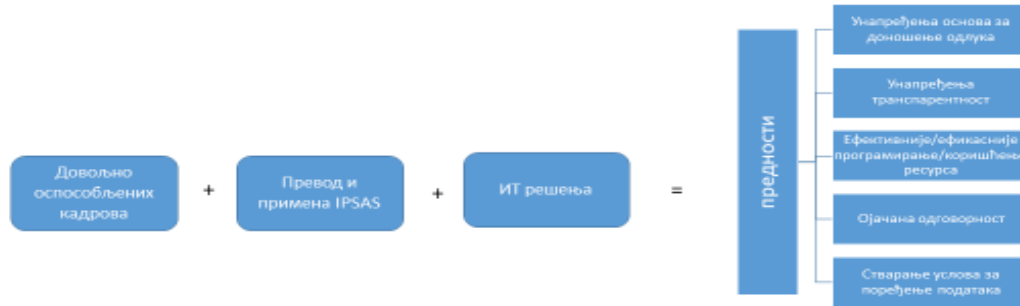
Key challenges:

- Although the accounting data on revenues and expenditures maintained in the General Treasury Ledger enable timely and complete reporting on budget transactions for direct and part of indirect beneficiaries, which are included in the budget execution system, it is necessary to adopt relevant regulations, in order to obtain a better quality statement on the cash basis in accordance with the *IPSAS*.

Plans in the forthcoming period:

- In the forthcoming period, the Treasury Administration will be focused on improving the completeness and coverage of accounting data through the adequate introduction of accounting standards, as well as their presentation in financial statements on the cash basis in accordance with the *IPSAS*, which aims to further develop the comprehensiveness of the Final Account.
- By the end of 2024, the plan is to adopt the prepared draft regulations and legal regulations for mutual alignment and harmonisation with the *IPSAS*. The abovementioned steps will

ensure further harmonisation of accounting regulations in the Republic of Serbia with the *IPSAS*, strengthening the cash basis on the one hand and gradually moving to accrual accounting, on the other.



Sufficient number of trained staff	+ Translation and application of the IPSAS	+ IT solutions	=Advantages	Improved decision-making basis
				Enhanced transparency
				More effective/efficient programming/use of resources
				Enhanced accountability
				Creating conditions for data comparison

Figure12: Importance of the *IPSAS* application

SPECIFIC OBJECTIVE VI - EXTERNAL OVERSIGHT OF PUBLIC FINANCES ENHANCED

Achievements in the previous period

In the previous period, the State Audit Institution made efforts to further improve the way of working in order to increase the number of audits of operational performance and the scope of public funds audited, in accordance with the Audit Programme. In addition to the efforts invested in expanding the scope of public funds through auditing, significant attention was paid to the improvement of methodological acts and guidelines for the auditing of financial statements, as well as the operational compliance and performance. The following methodological acts were adopted: amendments to the Methodological rules and guidelines for auditing financial statements

in order to harmonise them with the Law on the State Audit Institution, standard codes and audit standards; the Guidelines for strategic planning and reporting, the Guidelines for auditing consolidated financial statements (groups), new Methodological rules and guidelines for auditing financial statements and operational compliance, as well as the new Guidebook on the implementation of the ex-post audit procedure.

Progress in the field of external audit has been confirmed by the *SIGMA* and the World Bank, which can be seen on the basis of the highest external audit scores in the Public Expenditure and Financial Accountability Assessment Report (PEFA) and the *SIGMA* Assessment Report of the Republic of Serbia for 2021, as well as in the Open Budget Survey for 2021.

In the previous period, sessions were held at which reports on financial statements audits, operational compliance audits and operational performance audits of audited entities were discussed, raising awareness at the central and local levels of government about the importance of audit findings and the SAI recommendations, as well as about the role of parliamentary oversight over public finances, which has been significantly strengthened since the adoption of the previous PFMRP.

Moreover, public hearings were held on the occasion of the presentation of the Budget Bill and the Bill on the Final Account of the Budget for 2020.

The significance of the joint efforts of the National Assembly and the SAI is also reflected in the consideration of the SAI's Work Report for 2020 at the plenary session of the National Assembly in October 2021, after which the National Assembly adopted a conclusion recommending the Government to act within its powers to ensure implementation of the SAI recommendations.

Achievements in 2023

Achieved outcome indicators at the specific objective level

The number of reviewed audit reports in 2023 was 251, which exceeded the value of the outcome indicators at the specific objective level.

Measure 6.1 – Improving the scope, quality and impact of external audits (in accordance with the SAI Strategic Plan)

- Out of five result indicators at the level of measure 6.1, in 2023, four were fulfilled, while the value was not met for one indicator. In particular, for the result indicator related to the number of audit reports, the value was fully met, since out of the planned 263 audits within the Audit Programme for 2023, **306** were conducted (including 41 audit reports on responsive reports and 2 consolidated reports). This resulted in exceeding the target value for the year 2023, which was 280. For the result indicator related to the number of employees, **320** were realised from the planned target value of 388, which means that this target value was not met. For the indicator “Number of the following areas covered by operational performance audits: **social protection, general public services, defence, public law and order, economic affairs, environmental protection, housing and community affairs, health care, recreation, sports, culture and religion, education**”,

the target value of **eight (8)** was achieved, that is, the indicator was fulfilled. When it comes to the indicator “Number of quality control and quality assurance reviews”, the target value of **28** was exceeded by conducting **32** reviews, which also resulted in fulfilling the indicator. Finally, for the indicator related to the share of operational audits (compliance and performance) within the annual SAI Audit Programme, the target value was 46%, while **70.83%** was achieved, therefore this result indicator was also exceeded.

- In the previous period, the emphasis was on optimisation of the SAI's organisational structure, all with the aim of increasing the number of audits of operational performance and coverage of public funds by audit. The audit of a larger number of entities was made possible by increasing the scope and quality of the SAI audit, which leads to the strengthening of the external audit impact and thus to the improvement of transparency and stability of the complete public finance system.
- For the entities within the Audit Programme for 2023, the SAI conducted audits of financial statements, operational compliance audits, as well as combined audits of financial statements and operational compliance, combined operational compliance and performance audits and operational compliance audit of corrective measures according to reports on audits carried out in previous years.
- In 2023, the SAI produced 306 audit reports. Also, 87 reports on the operational compliance audits, 77 reports on the audit of financial statements, 62 reports on the audit of financial statements and operational compliance audits, 20 reports on the operational compliance and performance audits, 19 reports on the operational performance audits, as well as 41 reports on the audit of responsive reports.
- Share of operational audits (compliance and performance) within the annual SAI Audit Programme was **47.35%**. When the percentage of combined audits (**23.48%**) is added to these percentages, you could say that the SAI conducted **70.83%** of operational audits in 2023.
- In the previous period, in public procurement audits, the SAI mainly examined the regularity of the public procurement procedure itself, from the planning and implementation of public procurement to the conclusion and execution of contracts. The question of the public procurement performance was discussed in only few reports on performance audits. Acknowledging the problem that the issue of public procurement performance can influence the efficient and responsible management of public funds to the greatest extent possible and in accordance with its Strategic Plan for the period 2019-2023, i.e. with sub-objective 2.4: Ensuring proper management of public procurements in the public administration, the SAI started in 2022 with combined operational compliance and performance audits of public procurement operations. An additional incentive to achieve the objective is the observation of public procurement at the level of groups of potential entities (ministries, local self-governments, health institutions...). Combined public procurement audits were conducted at the level of local self-government units on the topic of public procurement planning efficiency and at the level of students' standard institutions on the topic of public procurement management. The implementation of these audits made it possible to evaluate public procurements both at the level of the complete unit (local self-governments and students' standard institutions), according to all significant identified risks, whether they arose from ineffectiveness or irregularities, as well as at the level of individual audited entities. In this way, the SAI prepared 20 reports on this topic in 2023.

Such reporting will reach the general public and enable the initiation of the necessary changes.

- Operational performance audits cover **eight different areas**:

No.	SAI Strategic Plan		Audit title
	Objective	Sub-objective/Area	
1.	2	2.5 Improve public management and use of information technology (IT)	Report on operational performance audit Information system in public city transport
2.	2	2.5 Improve public management and use of information technology (IT)	Information system effectiveness Registry and Exercise of Rights (RER) in the Republic Health Insurance Fund
3.	2	2.5 Improve public management and use of information technology (IT)	Management of the SAP ERP financial information system of the City of Belgrade
4.	1	1.1 General public services	Operational planning in ministries
5.	2	1.6 Housing and community affairs	Efficiency of debt collection in public companies that provide utility services to beneficiaries
6.	1	1.5 Environmental protection	Effectiveness of measures to protect water from pollution in order to improve water quality (SDG 6.3)
7.	1	1.6 Housing and community affairs	Efficiency of the procedure for issuing permits for the construction and use of facilities
8.	1	1.4 Economic affairs	Food safety in the Republic of Serbia
9.	1	1.3 Public law and order	Management of public shelters in the Republic of Serbia
10.	1	1.4 Economic affairs	Management of suspension bridges in the Republic of Serbia
11.	1	1.7 Health care	National Programme for the Early Detection of Breast Cancer
12.	1	1.4 Economic affairs	Improving tourism in the Republic of Serbia
13.	1	1.0 Social protection	The effectiveness of the work of social work centres in providing social and family legal protection
14.	2	2.3 Establish and maintain a good control environment for all public funds beneficiaries	The efficiency of the Audit Commission's work at public companies founded by the Republic of Serbia

No.	SAI Strategic Plan		Audit title
	Objective	Sub-objective/Area	
15.	2	2.3 Establish and maintain a good control environment for all users of public funds	Effectiveness of establishing internal financial control in local self-government units
16.	1	1.1 General public services	Sustainable Development Goals: The readiness of the Republic of Serbia to implement Agenda 2030
17.	1	1.0 Social protection	Establishing gender-responsive budgeting in the Republic of Serbia

Table 3: Areas covered by operational performance audits

- In 2023, the SAI performed **32 reviews** for the purpose of quality control and assurance.
- The SAI had **320** employees at the end of 2023, of which 5 were members of the Council, 282 were employed in audit services, 32 were employed in audit support positions, as well as one employee in the Internal Audit Service.
- On 15 September 2023, the SAI's Work Report for 2022 was deliberated at the 32nd session of the Parliamentary Committee on Finance, State Budget, and Control of Public Spending. On the occasion of the consideration of this Report, the Committee determined the Proposed Conclusion which it submitted to the National Assembly for consideration and adoption.
- On 20 October 2023, the SAI presented the Report on the Audit of the Final Account of the Budget of the Republic of Serbia for the year 2022 at the 38th session of the Parliamentary Committee on Finance, State Budget, and Control of Public Spending, as part of the public hearing “Presentation of the Budget Bill” for the year 2023 and the Bill on the Final Account of the Budget the Republic of Serbia for the year 2022“.
- Three sessions of the Parliamentary Committee on Finance, State Budget, and Control of Public Spending were held outside the seat, in Golubac on 14 July, in Donji Milanovac on 16 October and in Zaječar on 18 October 2023.
- These sessions are aimed at raising awareness at both the central and local levels of government about the importance of the audit findings and the SAI recommendations, as well as about the role of parliamentary oversight over public finances.
- The SAI continuously improves the monitoring of the implementation of recommendations and audits of the compliance of corrective measures have been introduced for this purpose. The Law on the SAI stipulates that the audited entity is obliged to take measures to eliminate established irregularities and inefficiencies. A corrective measure is a measure taken by the audited entity to eliminate a certain irregularity or inefficiency in its operations or to reduce the risk of future occurrence of an irregularity or inefficiency. According to the Law on the SAI, the ex-post audit procedure ends with the issuance of the ex-post audit report, which is usually issued within 4-5 months from the issuance of the audit report. After issuing the ex-post audit report, recommendations with a longer deadline for elimination are observed and the SAI has no mechanism to react in case they are not

implemented, except for the implementation of a new audit. In order to strengthen the influence of the SAI and control the sustainability of implemented corrective measures, i.e. acting on recommendations, this type of audit was introduced as well, which will have a positive impact on the future level of implementation of recommendations.

- The following documents are published on the SAI website for each audit: audit report, report summary, responsive report of the audited entity (in case the responsive report is not credible, the report on the responsive report audit is also published), ex-post audit report, as well as the register of recommendations and all that in order to increase transparency. The responsive report of the audited entities contains the identified irregularities and corrective measures taken by the audited entities, i.e. the action according to the recommendations given by the SAI. Ex-post audit reports contain an assessment of each individual corrective measure, an opinion as to whether the corrective measures are satisfactory and a conclusion as to whether the audited entity violates the obligation of good business conduct or a more serious form of violation of the obligation of good business conduct in case the corrective measures are unsatisfactory. Since 2019, the SAI has been publishing a register of recommendations on its website, so that information is available to all stakeholders, regarding the stages of implementation of recommendations - actioned according to the recommendation, partially actioned, pending, determined deadline for implementation and not actioned.

Funding of the measure

The measure is financed from budget funds.

Key challenges

- The main challenge faced by the SAI during the implementation of measure 6.1 is the objective circumstance that the consent of the competent authority for the new engagement of the SAI for the year 2023 was obtained late. As a result, competitions for the admission of new persons were launched starting in August 2023 and will be completed in February 2024.

Plans in the forthcoming period

- Continuation of the implementation of activities, in accordance with the SAI Strategic Plan for the period 2024-2028, the Audit Programme for the year 2024, as well as in accordance with the activity plan coordinated with the competent Parliamentary Committee on Finance, State Budget, and Control of Public Spending.

Measure 6.2 – Ensuring efficient Parliamentary oversight of public finances

Indicators at the measure level have been fulfilled, bearing in mind that during 2023, the Annual SAI's Work Report was considered with the adoption of a proposed conclusion, as well as that the session/meeting of the Committee for the Review of Recommendations for Amendments to the Law was held in the presence of the SAI and the Ministry of Finance.

Achievements in 2023

- Having in mind that the activities determined by the previous Revised Public Financial Management Reform Programme gave more than positive results, the Parliamentary Committee on Finance, State Budget, and Control of Public Spending and the Subcommittee for the Review of the SAI Audits Reports, continued the activities from the previous period, but realising new possibilities for the further development of its control function, the activities were also expanded.
- During 2023, the Parliamentary Committee on Finance, State Budget, and Control of Public Spending, from the point of view of meeting the set value for the performance indicator at the specific objective level, fully met and exceeded the target value determined by the Action Plan, i.e. it reviewed 251 audit reports of the State Audit Institution.
- In 2023, while fulfilling its legal obligations, the Committee reviewed the Annual SAI's Work Report for 2022, paying special attention to the recommendations that the State Audit Institution highlighted, in order to eliminate the observed irregularities. Based on the aforementioned recommendations, the Committee established a proposed conclusion regarding the review of the Annual SAI's Work Report. Thereby, the target value for 2023 was fully met when it comes to the performance indicator at the measure level- review of the Annual SAI's Work Report, including the adoption of the proposed conclusion;
- The Committee also achieved the target value for the year 2023 when it comes to the performance indicator at the measure level, which refers to the holding of the Committee session/meeting where recommendations for amendments to the law will be considered in the presence of the State Audit Institution and the Ministry of Finance.
- In 2023, in addition to its legislative activity, the Committee held three sessions outside the National Assembly until the end of 2023, during which the Subcommittee also held its sessions and at which the reports were deliberated on the audit of the consolidated financial statements of the final budget account for cities and local self-governments where the sessions were held (Golubac, Donji Milanovac and Zaječar). In addition, reports on the audit of financial statements and operational compliance for individual economic entities and other public funds beneficiaries were discussed at these sessions. In addition to the representatives of the State Audit Institution and the Ministry of Finance, these sessions, were also attended by representatives of municipal and city authorities, who, in a direct conversation, were able to express their opinion and decide on detected irregularities, as well as to consult on measures for their elimination. Other special, sectoral reports prepared for 2022 by the State Audit Institution and in accordance with the law, submitted to the National Assembly were discussed at the sessions outside the seat. The State Audit Institution representatives reported to the Committee that the audit revealed a large number of irregularities, in terms of unreliable accounting records, failure to use auxiliary ledger, poor functioning of internal control, inventory of assets and public procurement. In the audit reports, recommendations were given with measures to eliminate the observed irregularities of the audited entities - public funds beneficiaries were given deadlines for their elimination. Thereby, in 2023, the Committee fully implemented activity 6.2.1. Strengthening the control function of the National Assembly by organising sessions/meetings of the Committee and Subcommittee for the Review of the SAI Audits Reports.
- In 2023, the Parliamentary Committee on Finance, State Budget, and Control of Public Spending issued a proposed conclusion for adoption of the Report on the SAI's Work Report for 2022.

Based on the recommendations of the State Audit Institution contained in the Report on the SAI's Work Report for 2022, the Committee submitted to the National Assembly a proposed conclusion for adoption for the Government to undertake measures within its purview to ensure the implementation of the recommendations of the State Audit Institution, primarily by proposing to the National Assembly to enact appropriate laws, i.e. by making amendments to by-laws that it passes independently, as well as regulations within the purview of the ministries that are specifically pointed out in the Report. Based on the very recommendations for amendments to the law that the State Audit Institution indicated in its Work Report and which the Institution also defined in a special submission filed to the National Assembly and the Government, the Parliamentary Committee on Finance, State Budget, and Control of Public Spending held sessions outside the seat of the National Assembly, in the presence of representatives of the Institution and the Ministry of Finance, discussed the recommendations for amendments to the law. It was concluded that in this way, through direct dialogue, the largest number of problems could be solved, i.e., that this type of discussion resulted in the accurate identification of critical problems and acting on the largest number of recommendations. With these activities, the Committee fully met the target value for 2023 when it comes to both indicators of measure 6.2 (Consideration of the Annual SAI's Work Report with the adoption of a proposed conclusion, as well as holding of the session/meeting of the Committee for the Review of Recommendations for Amendments to the Law in the presence of the SAI and the Ministry of Finance).

- Taking into account the recommendations of the *PEFA* assessment for the RS, the Committee also included the activity 6.2.3 Organising a public hearing on the occasion of the presentation of the Budget Bill and the Bill on the Final Account of the Budget, in the Action Plan for the implementation of the 2021-2025 PFM RP. This activity was introduced in the Action Plan to enable greater participation of the public, civil society organisations and other stakeholders. In addition to the representatives of the Ministry of Finance, who presented the solutions contained in the aforementioned bills, the public hearing, which was held on 20 October 2023, was also attended by other MPs, as well as representatives of the SAI, the Fiscal Council, the NBS and representatives of numerous civil society organisations. All the participants of the public hearing agreed that problems could be better understood in this way and that quality solutions could be achieved through participation in a dialogue such as this one. It was concluded that the Committee should continue with the practice of holding such public hearings in the future. After the public hearing, the Bill on the Final Account of the Budget for 2022 and the Report on the Final Budget Account Audit for 2022 were considered both during the regular legislative procedure at the Committee session and at the plenary session of the National Assembly. By holding such public hearings, the Committee met the target value for 2023 when it comes to activity 6.2.3. from the Action Plan.
- Sessions of the National Assembly of the Republic of Serbia and sessions of all working bodies, press conferences, public hearings, activities of the Speaker of the National Assembly and other events can be followed live via the National Assembly website (live stream) or a recording of the broadcast can be accessed via the archive on the website, thus providing access to the media and interested non-governmental organisations and third parties.

Key challenges:

- Extending the time required for the preparation of laws and other by-laws.

Plans in the forthcoming period

- The Committee will carry out effective parliamentary oversight over public finances by monitoring the implementation of the measures specified in the conclusion of the National Assembly regarding the adoption of the SAI's Work Report. The implementation of the measures mentioned in the conclusion of the National Assembly refers to the preparation of new regulations and by-laws or amendments to the relevant regulations mentioned in the SAI Annual report, which the Government should submit to the National Assembly for consideration and adoption.
- In addition to the Annual SAI's Work Report, the Committee will consider all individual, sectoral reports of the SAI, in order to gain a more complete insight into the regularity of financial reporting, operational compliance and performance of the actions of the public funds beneficiaries, with the effects and efficiency of the implementation of recommended measures.
- The Committee will also monitor the implementation of the National Assembly conclusion, the execution of which is the responsibility of the Government, through the Consolidated Annual Report on the state of play of the PIFC prepared by the Ministry of Finance.
- At meetings of the Committee and Subcommittees, when the SAI reports or other matters of importance for the control function are deliberated, the Committee will ensure the presence of the SAI president, Council members and supreme state auditors – the SAI department heads, the Ministry of Finance representatives and, if necessary, will ensure the presence of the representatives other relevant authorities, organisations and institutions, in order to determine further directions of work and determine the most expedient measures for action at the highest professional level of reporting and discussion.
- The practice of holding sessions outside the National Assembly seat will continue, where reports on the audit of financial reporting, operational compliance and performance of municipalities and cities will be discussed, with the presence of the representatives of the SAI and local authorities. Depending on the established agenda, the Ministry of Finance representatives will also be invited to the meetings of the Committee held outside the seat.
- The practice of holding sessions/meetings of the Committee for the Review of Recommendations for Amendments to the Law in the presence of the SAI and the Ministry of Finance will continue, bearing in mind that it has been observed that in that way, the key challenges in reaching consensus regarding certain legal solutions are detected in the fastest and most effective manner.
- In agreement with the SAI President, Committee will also consider the Report on the audit of the final account of the Budget of the Republic of Serbia, along with the Bill on the Final Account of the Budget.
- The Committee will continue to organise public hearings in the National Assembly, on the occasion of the presentation of the Budget Bill and the Bill on the Final Account of the Budget for the following year, so that MPs and other participants could ask questions and receive timely information.

RISK MANAGEMENT

Table 4. Risk analysis for the implementation of the 2021-2025 PFMRP and mitigating measures during 2023

Key risks	Risk assessment	Probability rating	Risk mitigating measure	Measures undertaken during 2023	Responsible for the risk
Political commitment of the PFMRP	High	Low	The PFMRP is adopted by the Government. Annual reports on the implementation of the PFMRP are adopted by the Government.	<p style="text-align: center;">FULLY IMPLEMENTED</p> <p>The 2021-2025 PFMRP was adopted by the RS Government on 24 June 2021.</p> <p>Amendments to the 2021-2025 PFMRP for the period 2023-2025 were adopted by the Government of the RS on 25 December 2023.</p> <p>The report on the realisation of the Programme for the year 2022 was prepared within the deadline provided by law.</p>	Ministry of Finance
Involvement of all relevant institutions and stakeholders in the implementation of the PFMRP	High	Low	All relevant parties are involved in the process of drafting, monitoring and reporting on the progress of the PFMRP. A transparent process of reporting to stakeholders on the achieved results is provided.	<p style="text-align: center;">FULLY IMPLEMENTED</p> <p>In March 2023, a workshop was held for the Working Group in order to finalise the Report on the Programme Implementation in 2022.</p> <p>In September 2023, a workshop was held for the Working Group for the finalisation of the Amendments to the 2021-2025 Public Financial Management Reform Programme for the period 2023-2025.</p> <p>In November 2023, a dialogue on the public financial management policy was held, where progress in all areas of the Programme</p>	All relevant institutions

				during 2022 and proposed amendments for the period 2023-2025 were presented.	
Inadequate human resources capacities to implement the PFMRP	High	Medium	Filling of vacancies in accordance with the systematisation of jobs.	PARTIALLY IMPLEMENTED Some institutions that identified this risk strengthened their human resources capacities during 2023, but there is still a need for additional activities in this area.	All relevant institutions
Insufficient funds for financing the PFMRP	High	Medium	Planning the necessary appropriations in the state budget. Bilateral and donor support planning.	FULLY IMPLEMENTED During 2023, a separate donor meeting was not organised for the area of public financial management reform, but cooperation with existing donors continued and appropriate support was provided through a larger number of projects that will be available to beneficiaries in the upcoming period.	All relevant institutions
Inadequate, disconnected and incompatible IT systems	Medium	Medium	Further investments in IT infrastructure and an improved system of coordination between institutions. More intensive cooperation with the Office for Information Technologies and e-Government.	PARTIALLY IMPLEMENTED In 2023, the implementation continued of the Digitalisation Development Plan in the field of finance for the period 2021-2025, which represents a strategic framework for improving the connectivity of IT systems. A larger number of projects in the field of digitalisation are being implemented. Efforts to harmonise the IT system will be continued in the forthcoming period.	All relevant institutions

The global pandemic of the disease COVID-19	medium	medium	Realistic planning of reform activities, especially for the first two years of the PFMRP implementation.	FULLY IMPLEMENTED	All relevant institutions
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*** During the preparation of the Report, the risk assessment was again carried out and it was determined that there were no changes in the wording of risks and their assessment, as well as measures to mitigate risks.**

Activities and indicators that were measured in 2023 are marked with the appropriate color:

Green - fulfilled values

Red - unfulfilled values

Blue - data not yet available

TABLE OF IMPLEMENTATION OF THE ACTION PLAN OF THE PUBLIC FINANCIAL MANAGEMENT REFORM PROGRAMME FOR 2023

GENERAL OBJECTIVE: TO ACHIEVE A SUSTAINABLE BUDGET WITH A STABLE RATIO OF PUBLIC DEBT TO GDP THROUGH BETTER FINANCIAL MANAGEMENT AND CONTROL, AUDITING AND INTEGRATION OF BUDGET PLANNING WITH GOVERNMENT POLICIES

Indicator(s) at general objective level (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2023	Achieved value	Reasons for deviation
Realistic GDP growth	Percent (%)	Fiscal Strategy, Economic Reform Programme	/	2.5%	2.5%	The value of the effect indicator has been achieved
General government debt level in GDP	Percent (%)	Fiscal Strategy, Economic Reform Programme	/	53.3%	52.3%	The value of the effect indicators is better than planned as a result of a stable macroeconomic environment and adequately implemented fiscal policy

SPECIFIC OBJECTIVE I - CAPACITY FOR BUDGET PLANNING AND PUBLIC INVESTMENT MANAGEMENT IMPROVED

Indicator(s) at specific objective level (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2023	Achieved value	Reasons for deviation
Performance information for the provision of public services	Rating	PEFA Assessment for the Republic of Serbia	C+	/	/	The outcome indicator was not planned for monitoring in 2023

Measure 1.1: Enhancement of the programme budget

Institution responsible for implementation (coordination of implementation) of the measure: Ministry of Finance - Budget Department

Implementation period: 2021-2025

Measure type: Informative and educational

Indicator(s) at measure level (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2023	Achieved value	Reasons for deviation
Analysis of the programme budget implementation performed	Number	Analysis performed	0	/	/	

Analysis of the uniform structure of the programme budget of local-self government units performed	Number	Analysis performed	0	/	/	
A uniform programme structure for mandatory social welfare organizations and their beneficiaries established	Number	Budget System Law	0	/	/	
Activity name:	Deadline for completion of activity	Institution responsible for implementation	Achieved progress	Challenges and next steps	Risk analysis	Budget
1.1.1 Analysis of programme budget implementation and use of performance indicators	Q4 2022	Ministry of Finance	The activity has been implemented.			
1.1.2 Analysis of the uniform structure of the programme budget of local self-government units	Q4 2022	Ministry of Finance	The activity has been implemented.	The work on the analysis has been completed		
1.1.3 Establishing a uniform programme structure for mandatory social welfare organisations and their beneficiaries	Q4 2025	Ministry of Finance	Realisation was not planned for 2023.			
1.1.4 Workshops and trainings for all users at all levels of government	Q4 2025	Ministry of Finance	Realisation was not planned for 2023.			
1.1.5 Study visit for enhancing the performance report	Q4 2022	Ministry of Finance	The activity has not been implemented.			
<i>Measure 1.2: Improving the capacity related to the preparation and obligations of the EU member states during the budget preparation process</i>						
<i>Institution responsible for implementation (coordination of implementation) of the measure: Ministry of Finance - Budget Department</i>						
<i>Implementation period: 2021-2025</i>				<i>Measure type: Institutional management organisational</i>		
Indicator(s) at measure level (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2023	Achieved value	Reasons for deviation

An analysis of the budget preparation process of EU member states performed	Number	Analysis performed	0	1	0	The result indicator has not been achieved
Number of study visits	Number	Report on study visits	0	2	0	The result indicator has not been achieved
Activity name:	Deadline for completion of activity	Institution responsible for implementation	Achieved progress	Challenges and next steps	Risk analysis	Budget
1.2.1 Analysis of the budget preparation process of the EU member states and obligations of the Republic of Serbia during budget preparation	Q4 2023	Ministry of Finance	• Realisation is in progress			
1.2.2 Training of employees in the Ministry of Finance and direct budget beneficiaries	Q4 2025	Ministry of Finance	The activity has not been implemented.			
1.2.3 Study visit	Q4 2025	Ministry of Finance	The activity has not been implemented. Realisation was not planned for 2023			
<i>Measure 1.3: Improvement of medium-term planning</i>						
<i>Institution responsible for implementation (coordination of implementation) of the measure: Republic Public Policy Secretariat</i>						
<i>Implementation period: 2021-2025</i>				<i>Measure type: Informative and educational</i>		
Indicator(s) at measure level (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2023	Achieved value	Reasons for deviation

Number of adopted and medium-term plans of the mid-term planning institutions at the national level	Number	Websites of mid-term planning institutions	22 (7,2021)	26	26	The result indicator has been achieved
Activity name:	Deadline for completion of activity	Institution responsible for implementation	Achieved progress	Challenges and next steps	Risk analysis	Budget
1.3.1 Mentoring support for the development of medium-term plans of mid-term planning institutions at the national level	Q4 2025	PPS	Mentoring support is continuously provided to those medium-term planning entities at the national level, which contributes to the continuous increase in the number of adopted MTPs	Lack of institutional capacity and frequent changes in the institutional and organisational structure of medium-term planning entities, PPS continues to provide support for the new planning cycle	With the formation of a new Government, there may be organisational and staff changes, which will result in the loss of continuity in the drafting of MTPs	Regular budget funds of the PPS
1.3.2 Preparation of an analysis of the degree of harmonisation of medium-term plans with public policy documents in the relevant areas of planning	Q4 2025	PPS				
<i>Measure 1.4: Improvement of the system, for efficient management of capital project</i>						
<i>Institution responsible for implementation (coordination of implementation) of the measure: Ministry of Finance - Department for Fiscal Risks Monitoring</i>						
<i>Implementation period: 2021-2025</i>				<i>Measure type: Regulatory</i>		
Indicator(s) at measure level (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2023	Achieved value	Reasons for deviation

Capital projects that are included in the Budget of the Republic of Serbia, that are subject to and have been evaluated according to the methodology regulating capital projects	Percent (%)	Budget System Law/Report for RCCI	0	0	0	The result indicator has been achieved.
Trained civil servants from project management units at the level of line ministries and other institutions	Number	Report on held workshops - NAPA/other institutions where trainings are held	0	2	3	The result indicator was achieved.
Activity name:	Deadline for completion of activity	Institution responsible for implementation	Achieved progress	Challenges and next steps	Risk analysis	Budget
1.4.1 Amendments to the legal framework in line with identified weaknesses in implementation	Q4 2022	Ministry of Finance	The activity has been implemented.	/		
1.4.2 Development of a training programme for relevant participants in the capital project management process	Q4 2023	Ministry of Finance	All the necessary activities that are a prerequisite for the establishment and realisation of trainings at NAPA have been carried out.	Realisation of trainings at NAPA in accordance with the training programme.		
1.4.3 Preparation of a public report on the status of capital projects monitored in accordance with the methodology	Q4 2025	Ministry of Finance	Realisation was not planned for 2023.			
1.4.4 Development of a Manual with capital project management methodology (design, prepress, proofreading, content consulting)	Q4 2024	Ministry of Finance	Realisation was not planned for 2023			
1.4.5 Development of an information system for capital project management	Q4 2021	Ministry of Finance	The activity has been implemented			
1.4.6 Upgrade of an information system for capital project management	Q2 2024	Ministry of Finance	Realisation was not planned for 2023.			

1.4.7 Improving the skills of employees in the field of project management, sustainable project management, including the preparation and review of cost-benefit analysis	Q4 2025	Ministry of Finance	Realisation was not planned for 2023.			
1.4.8 Completing the legal framework in terms of including aspects of the impact of capital projects on the environment and climate change	Q1 2024	Ministry of Finance	Realisation was not planned for 2023.			
Measure 1.5: Strengthening the capacities of the Department for Fiscal Risks Monitoring						
Institution responsible for implementation (coordination of implementation) of the measure: Ministry of Finance - Department for Fiscal Risks Monitoring						
Implementation period: 2021-2025				Measure type: Institutional management organisational		
Indicator(s) at measure level (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2023	Achieved value	Reasons for deviation
Systematised positions in the Department for Fiscal Risks Monitoring filled	Percent (%)	Ministry of Finance Fact Sheet	33%	90%	94%	The result indicator was achieved.
Trained employees in the Department for Fiscal Risks Monitoring	Percent (%)	Report on conducted trainings	0%	90%	100%	The result indicator was achieved.
The Fiscal Strategy includes a section that addresses quantified key fiscal risks	Adopted/not adopted	Official Gazette of the RS	/	/		
Trained employees in the Department for Fiscal Risks Monitoring (advanced level of training)	Percent (%)		10%	20%		Data not yet available

Activity name:	Deadline for completion of activity	Institution responsible for implementation	Achieved progress	Challenges and next steps	Risk analysis	Budget
1.5.1 Training for employees of the Ministry of Finance	Q4 2023	Ministry of Finance	The activity has been implemented			
1.5.2 Develop methodologies for the Group for monitoring fiscal risks related to public sector operations	Q4 2021	Ministry of Finance	The activity has been implemented			
1.5.3 Develop methodologies for the Group for monitoring other fiscal risks - natural disaster risks and litigations	Q4 2021	Ministry of Finance	The activity has been implemented.			
1.5.4 Improvement and standardisation of fiscal risk reporting	Q4 2024	Ministry of Finance				
1.5.5 Improvement of skills for employees in the field of financial analysis, cost-benefit analysis and analysis in the field of risk monitoring of climate-induced natural disasters	Q4 2024	Ministry of Finance				
1.5.6 Familiarisation with the best international practices related to monitoring and reporting on fiscal risks (through study trips, workshops, etc.)	Q4 2024	Ministry of Finance				
SPECIFIC OBJECTIVE II:EFFICIENT COLLECTION AND MANAGEMENT OF BUDGET FUNDS						
Indicator(s) at specific objective level (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2023	Achieved value	Reasons for deviation
Actual revenues and expenditures of the general government budget on an annual basis are within the 5 percent rate of the fiscal strategy projections.	Percent (%)	Fiscal Strategy	Within the 5 percent rate	Within the 5 percent rate	Within the 5 percent rate	The outcome indicator was achieved

Annual costs of public debt servicing (interest payments - net amount) as percent of GDP	Percent (%)	Annual Activity Report of the Public Debt Administration	1.9%	1.8%	1.8%	The outcome indicator was achieved.
Average duration of open proceedings	Day	Annual report on public procurements	52	46	44	The outcome indicator was achieved.
<i>Measure 2.1: Efficient collection of budget revenues under the competence of the Tax Administration</i>						
<i>institution responsible for implementation (coordination of implementation) of the measure: Ministry of Finance-Tax Administration</i>						
<i>Implementation period: 2021-2025</i>			<i>Measure type: Institutional management organisational</i>			
Indicator(s) at measure level (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2023	Achieved value	Reasons for deviation
Percent of realised collection in relation to the approved budget estimate (income tax, profit tax, gross domestic VAT, gross excise duties)	Percent (%)	Budget System Law and Tax Administration Report	110.9	100	107.6	The result indicator was achieved. The value is better than planned due to higher revenue collection than expected
Activity name:	Deadline for completion of activities	Institution responsible for implementation	Achieved progress	Challenges and next steps	Risk analysis	Budget

2.1.1 Re-engineering of basic function business process	Q3 2023	Tax Administration	The activity has been implemented	The beginning of the implementation of the New Business Model through the adopted document "Plan for the introduction of the new TARS business model with an Action Plan".	The activity has been fully implemented in accordance with the Action Plan	RSD 44,504,814.26 The World Bank
2.1.2 Introduction of a new fiscalization system	Q3 2022	Tax Administration				
2.1.3 Enhancement of ICT infrastructure - COTS (commercial off-the-shelf solution)	Q4 2025	Tax Administration	The activity implementation is in progress	Beginning of the COTS solution implementation	Lack of capacity to implement COTS solutions	RSD 43,340,398.51 The World Bank
2.1.4 Harmonisation of the legislative framework and preparation of technical specifications for the implementation of information exchange systems according to the EU standard (indirect taxation exchange systems and direct taxation exchange systems), as well as compliance with the recommendations of the Global Forum for the Implementation of the International Standard for Information Exchange at Request and for Automatic Exchange	Q4 2025 (end of project planned for Q4 2027)	Tax Administration	Within the IPA 2021: EU PFM Facility, financed by the European Union, the Tax Administration has been approved for a project related to component 1 - Strengthening the legislative and institutional framework and capacity of the Ministry of Finance and the Tax Administration to meet the EU pre-accession requirements for the development of a VAT information exchange system (VIES system). Activities planned in this project	- Preparation of the VAT gap analysis and correlation tables for chapter 16 - Analysis of data protection and administrative cooperation - Seminars on current and future trends in VIES - Various trainings on the EU directives on VAT and administrative cooperation	Lack of capacity for adequate application of the VIES system	The project is financed from the IPA 2021 funds

			<p>include: Activity 1.1. Preparation of recommendations for further harmonisation of national legislation relevant to support the implementation of the VIES system</p> <p>Activity 1.2. Preparation of a strategy for the development of the VIES system</p> <p>Activity 1.3. Developing a technical specification for the VIES system</p> <p>The project is implemented by a consortium led by the UNDP, and the official start of the project was in February 2023. The key expert leading the project is Mr. Birger Nere, elected on 1 November 2023. The duration of the project is 4 years. The Tax Administration project team was formed that will participate in the project.</p>			
2.1.5 Improving the human resources management function by developing human resources strategy and enhancing the existing information system for human resources management	Q4 2024	Tax Administration	Activity implementation in progress	In connection with the improvement of the human resources function, the next steps are in accordance with the project task, the preparation of the Action Plan for the Human Resources Strategy 2023-2028 is expected, as well as the improvement of the HRMIS in order to fully digitalise and automate the business processes of human resources.	Currently, there are no obstacles for the successful implementation of the activity	RSD 11,143,838.86 The World Bank

2.1.6 Introduction of electronic delivery note system - analysis of the legal and administrative framework, and preparation of procurement documents	Q4 2023	Ministry of Finance	The activity has been carried out.	Development of technical specifications of hardware and software solutions for the electronic dispatch note system and preparation of procurement documentation	Successful preparation of adequate technical specifications of hardware and software solutions, together with a successfully implemented analysis of the legal and administrative framework	GIZ donor funds
2.1.7 Introduction of the electronic delivery note system – introduction of IT systems	Q4 2025	Ministry of Finance	The prerequisite for commencing with this activity is the implementation of activity 2.1.6			
2.1.8 Introduction of an IT system for management of immovable property of the Ministry of Finance and its Administrations	Q4 2024	Ministry of Finance	Realisation was not planned for 2023			
2.1.9 Development of a communication strategy for the introduction of the electronic dispatch note system	Q4 2024	Ministry of Finance	Realisation was not planned for 2023.			

<i>Measure 2.2: Modernisation of business process at the Tobacco Administration</i>						
<i>Institution responsible for implementation (coordination of implementation) of the measure: Ministry of Finance - Tobacco Administration</i>						
<i>Implementation period: 2021</i>				<i>Measure type: Informative and educational</i>		
Indicator(s) at measure level (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2023	Achieved value	Reasons for deviation
A uniform registry system established.	Number	Minutes on handover of public procurement subjects	/	/	/	The result indicator was achieved in 2021.
All employees of the Tobacco Administration have been trained to work in a uniform registry system	Percent (%)	Lists of participants in trainings	/	/	/	The result indicator was achieved in 2021.

<p>% of economic entities operating in the tobacco and tobacco products market and using the electronic services of the Tobacco Administration</p>	<p>Percent (%)</p>	<p>A uniform registry system Case registry</p>	<p>0%</p>	<p>60%</p>	<p>65%</p>	<p>The result indicator has been achieved</p>
<p>Established new functionalities within the Integrated Information System of the Tobacco Administration</p>	<p>Number</p>	<p>Minutes on handover of public procurement subjects</p>	<p>/</p>	<p>/</p>	<p>/</p>	
<p>Activity name:</p>	<p>Deadline for completion of activities</p>	<p>Institution responsible for implementation</p>	<p>Achieved progress</p>	<p>Challenges and next steps</p>	<p>Risk analysis</p>	<p>Budget</p>

2.2.1 Establishment of a uniform registry system that will consolidate all registers and record lists in order to enhance the efficiency of service provision by the Tobacco Administration	Q4 2021	Tobacco Administration	The activity has been fully implemented			
2.2.2 Strengthening the human resources capacities of the Tobacco Administration and other partner institutions	Q4 2021	Tobacco Administration	The activity has been fully implemented			
2.2.3 Increasing the digital awareness of economic entities operating in the tobacco and tobacco products market	Q4 2021	Tobacco Administration	The activity has been fully implemented			
2.2.4 Upgrade of the Integrated Information System of the Tobacco Administration	Q4 2025	Tobacco Administration	Realisation was not planned for 2023.			
<i>Measure 2.3: Strengthening administrative capacities of the Customs Administration</i>						
<i>Institution responsible for implementation (coordination of implementation) of the measure: Ministry of Finance - Customs Administration</i>						
<i>Implementation period: 2021-2025</i>				<i>Measure type: Institutional management organizational</i>		
Indicator(s) at measure level (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2023	Achieved value	Reasons for deviation

Percent of realised collection of customs duties and VAT from imports in relation to the approved budget estimate.	Percent (%)	Budget System Law and the Customs Administration Fact Sheet	Customs duty 102.29% VAT 101.15%	Customs duty 100% VAT 100%	Customs duty 99.89 (- VAT 97.55 (-1.05%)	Customs collection is 2.27% higher than in 2022, while VAT on imports is 4.24% lower compared to 2022, taking into account the permitted deviation, the result indicator has been achieved.
Activity name:	Deadline for completion of activities	Institution responsible for implementation	Achieved progress	Challenges and next steps	Risk analysis	Budget
2.3.1 Improving the process for financial security of customs debt	Q4 2024	Customs Administration	The activity implementation is in progress	Further improvement of transit guarantees within the NCTS system	Currently, there are no obstacles for the successful implementation of the activity	In 2023, the activity in question was not financed.
2.3.2 Capacity development for full-fledged implementation of EUTOR (TSSEU) regulations and reporting on EU revenues	Q4 2025	Customs Administration	The activity implementation is in progress	Creation of a simulation for posting to A and B accounts	Currently, there are no obstacles for the successful implementation of the activity	-
2.3.3 Capacity building for effective ex-post controls, determination of customs value and preferential origin and classification of goods	Q4 2025	Customs Administration	The activity implementation is in progress	Continuous implementation of the Annual Plan for ex-post controls.		The activity is implemented from regular budget funds, in accordance with the Budget Law
2.3.4 Modernisation of the Customs Laboratory	Q4 2025	Customs Administration	The activity implementation is in progress	Provision of adequate premises for the Customs Laboratory	Lack of budget funds for providing adequate space	In 2023, the activity in question was not financed.
2.3.5 Preparatory activities aimed at improving the management and public sale of seized customs goods and the development of special-purpose customs warehousing infrastructure	Q4 2025	Customs Administration	For the said activity, the commencement of the implementation was not planned for 2022.			

2.3.6 Roll-out of the import and export automated systems (AIS-AES) and management systems (CDMS))	Q4 2025	Customs Administration	The activity implementation is in progress	Implementation of the projects "Implementation of the Automated Import/Export Systems (AIS-AES) and Custom Decision Management System (CDMS)"	Insufficient coordination with other Customs Administration projects.	In 2023, it was financed with an amount of 13,426,860.04 dinars from the RS Budget and 97,802,165.70 dinars from the EU funds.
2.3.7 Introduction of an integrated tariff management system (ITMS)	Q4 2025	Customs Administration	For the said activity, the commencement of the implementation was not planned for 2023.	The implementation of the project is expected to commence in the first half of 2023	Insufficient capacity in respect of consultants who will provide assistance and capacities of the Customs Administration	
2.3.8 Procurement of a warehouse for customs data storage (data warehouse)	Q4 2024	Customs Administration	For the said activity, the commencement of the implementation was not planned for 2023.	The implementation of the project is expected to commence in the first half of 2023	<ul style="list-style-type: none"> - In the first three quarters of 2024, to prepare all the necessary documentation for the tender for the procurement of software and the procurement of hardware, to conduct public procurement according to the UNDP rules - In the last quarter of 2024, to start with the implementation of the contract, i.e. by implementing DWH software and hardware. <p>Implementation of DWH software by June 2026</p> <ul style="list-style-type: none"> - Implementation of DWH hardware 6 months after contracting. 	The project is completely financed by EU funds.

Measure 2.4: Efficient public debt management						
Institution responsible for implementation (coordination of implementation) of the measure: Ministry of Finance - Public Debt Administration						
Implementation period: 2022-2024					Measure type: Institutional management organisational	
Indicator(s) at measure level (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2023	Achieved value	Reasons for deviation
The share of domestic currency debt in total public debt - the central level of government	Percent (%)	Quarterly reports of the Public Debt Administration	30.5%	20.5%	21.7%	The result indicator has been achieved.
Activity name:	Deadline for completion of activities	Institution responsible for implementation	Achieved progress	Challenges and next steps	Risk analysis	Budget
2.4.1 Strengthening the medium-term public debt management strategy by developing risk management model	Q4 2024	Public Debt Administration	The activity has not been implemented within the stipulated period, but its implementation is in progress. Finalisation of the activity depends on the commencement with the activity 2.4.4	Continuation of consultants' work on model development.	Delay in model creation by consultants. Model implementation in the PDMS.	-
2.4.2 Implementation of a pilot project for the introduction of the Primary Dealer system and further development of the domestic bond market	Q4 2025	Public Debt Administration	The implementation of the activity has not yet commenced	Commencement of implementation within the defined period.	Lack of funds, market conditions.	-
2.4.3 Upgrading the existing information system (PDMS) – using business intelligence tools, to improve reporting	Q4 2025	Public Debt Administration	The implementation of the activity has not yet commenced	Commencement of implementation within the defined period.	Lack of funds.	-
2.4.4 Upgrading the existing information system (PDMS) with a developed risk management module.	Q4 2025	Public Debt Administration	The implementation of the activity has not yet commenced	Commencement of implementation within the defined period.	Lack of funds Complexity of model implementation.	-

<i>Measure 2.5: Improvement of the online public procurement system</i>						
<i>Institution responsible for implementation (coordination of implementation) of the measure: Public Procurement Office</i>						
<i>Implementation period: 2021-2025</i>					<i>Measure type: Institutional management organisational</i>	
Indicator(s) at measure level (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2023	Achieved value	Reasons for deviation
Number of bids per public procurement procedure	Number	Annual report on public procurements	2.5	2.9	2.4	The result indicator has not been achieved
Database of contracts on the Portal	0 – No database 1 – established database	Public Procurement Portal	0	/	/	
Activity name:	Deadline for completion of activities	Institution responsible for implementation	Achieved progress	Challenges and next steps	Risk analysis	Budget
2.5.1 Upgrading the Public Procurement Portal with new functionalities	Q4 2025	Public Procurement Office	The activity implementation is in progress. During 2023, two new versions of the Public Procurement Portal were developed.	A further upgrade of the Portal is planned	Implementation of the project under IPA III, upon which the dynamics of the Portal's upgrade largely depends	The activity is being implemented with the help of international aid

2.5.2 Creating a mobile application for the Public Procurement Portal	Q4 2021	Public Procurement Office	The activity has been implemented			3,570,000.00
2.5.3 Strengthening the capacity of the Public Procurement Office	Q1 2021	Public Procurement Office	The activity has been implemented			
2.5.4 Delivering trainings for contracting authorities and bidders	Q4 2025	Public Procurement Office	The activity implementation is in progress. During 2023 , the PPO organised several trainings for contracting authorities and bidders.	Continued implementation of trainings for contracting authorities and bidders	Lack of funds for the implementation of trainings	The activity is being implemented from regular budget funds and international aid funds of the SIDA, USAID, and UNDP.
2.5.5 Development and adoption of a public policy document for the development of public procurement for the period 2024-2028	Q4 2023	Public Procurement Office				

SPECIFIC OBJECTIVE III - BUDGET DISCIPLINE AND TRANSPARENT USE OF PUBLIC FUNDS IMPROVED								
Indicator(s) at the level of the Specific Objective (outcome indicator)	Unit of measure	Source of verification	Initial value		Target value for 2023	Achieved value	Reasons for deviation	
Average number of illegalities and irregularities per control against the total number of performed controls	Number	Annual Activity Report of the Budget Inspection	2		2	2.5	The outcome indicator has not been fulfilled, and bearing in mind that 2023 is the first year of operation of the centralised budget inspection	
Percent of adopted and implemented recommendations given to the entities with indirect management of EU funds by the audit body	Percent (%)	Annual audit report	0		60%	64%	The outcome indicator was not fulfilled 2023..	
<i>Measure 3.1: Establishing a base for strengthening the institutional and administrative capacities of the Governmental Audit Office of EU Funds which System, which enable an effective audit of the EU control system</i>								
<i>Institution responsible for implementation (coordination of implementation) of the measure: Governmental Audit Office of the EU Funds</i>								
<i>Implementation period: 2021-2023</i>					<i>Measure type: Institutional management organisational</i>			
Indicator(s) at measure level (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2023	Achieved value	Reasons for deviation		
Number of EC audit findings against the number of implemented audit recommendations	Number	European Commission Report	16	6	5	The result indicator has been achieved		

Activity name:	Deadline for completion of activities	Institution responsible for implementation	Achieved progress	Challenges and next steps	Risk analysis	Budget
3.1.1 Developing a staff retention policy to ensure adequate and stable administrative capacities of the Office	Q4 2025	HR Management Service	The implementation is in progress.	Implementation of selected measures for staff retention.	Lack of funds, continued outflow of staff Intended steps: Intensify the hiring of missing personnel Postponing the start of project implementation Intended steps: Intensification of cooperation with the project team of the EU Delegation	Budget of the Republic of Serbia Donor funds (EU)
3.1.2 Strengthening the capacity of the Governmental Audit Office of EU Funds to ensure an efficient system of control and audit of EU funds in line with the EU legislative framework	Q4 2025	Governmental Audit Office of EU Funds, Ministry of European Integration	In 2023, the <i>twinning light</i> project was approved, which will be implemented in 2024	Postponing the start of project implementation as support under IPA 2023 would be untimely, taking into account the goal of the project proposal.	Outflow of staff Intended steps: Intensification of cooperation with the project team of the EU Delegation.	Donor funds (EU)
Measure 3.2: Strengthening the system for more efficient and effective management of the EU funds						
Institution responsible for implementation (coordination of implementation) of the measure: Ministry of Finance - Sector for EU Funds Management						
Implementation period: 2021-2025				Measure type: Institutional management organisational		
tor(s) at measure level (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2023	Achieved value	Reasons for deviation
Adopted enactments aimed at staff retention policy	Number	Official Gazette of the RS	0	/	/	
Percent of trained civil servants in terms of managing	Percentage (%)	Reports on conducted	9.5%	35%		The result indicator has been achieved.

the control of the funds utilisation, risk and irregularity management		trainings			83.27%		
On-site inspections carried out at the public funds beneficiaries	Number	Annual plans for on-site inspections of relevant IPA bodies	9	6	25	The result indicator has been achieved.	
Percent of irregularities identified during the first instance control	Percent (%)	AFIS-IMS reporting system, Annual progress reports on the IPA Programme implementation, Management declarations	75%	60%	68.2%	The result indicator has been achieved	
Percentage of business processes supported by the IT system	Percent (%)	Reports on the IT system functioning	0	0	0	/	
Activity name:	Deadline for completion of activities	Institution responsible for implementation	Achieved progress	Challenges and next steps		Risk analysis	Budget
3.2.1 Development of new operating procedures, methodological guidelines and other supporting tools for institutions responsible for the management and implementation of the EU funds, in order to increase the efficiency of controls and reduce the administrative burden	Q4 2024	Ministry of Finance, Sector for EU Funds Management	During 2023, procedures were adopted for the implementation of the IPA III perspective	The next steps will consist of further improvement of the procedures in accordance with the legislative framework and possible audit findings for the IPA III financing perspective.			Funds are provided from the state budget and the Technical Assistance Project <i>DIS4</i>
3.2.2 Establishment and implementation of continuous professional and on-site trainings related to system	Q4 2025	Ministry of Finance, Sector for EU Funds	The activity implementation is in progress.	During 2024, NAPA shall organise trainings in			Funds are provided from the budget and the Technical Assistance Project <i>DIS4</i> , and the budget of the National Academy of Public Administration

management and supervision, financial management, control of the use of funds, risk and irregularity management		Management		accordance with the approved plan, which will be available to employees. Also, various possibilities for the funding of trainings from donor funds shall be explored				
3.2.3 Ensuring an adequate number of staff and capacity building in terms of expanding the scope and quality of on-site inspections and performing supervisory functions among public funds beneficiaries	Q4 2025	Ministry of Finance, Sector for EU Funds Management	The activity implementation is in progress	Ensuring an additional number of employees through various employment modalities (temporary engagement of staff, internal and public competitions) and staff retention. Training of employees regarding the expansion of the scope and quality of on-site inspections and the performance of supervisory functions			Funds are provided from the state budget	
3.2.4 Improving the information system intended to support business processes for system management and contract implementation and use of funds	Q4 2025	Ministry of Finance, Sector for EU Funds Management	The activity implementation is in progress	Data migration is expected to be finalised by the end of 2024			Funds are provided from the state budget	
Measure 3.3: Increasing the efficiency and effectiveness of inspection control								
Institution responsible for implementation (coordination of implementation) of the measure: Ministry of Finance - Budget Inspection Department								
Implementation period: 2021-2025					Measure type: Institutional management organisational			

Indicator(s) at measure level (result indicator)	Unit of measure	Source of verification	Initial value	Target value for 2023	Achieved value		Reasons for deviation
Total number of Inspections performed	Number	Annual Activity Report of the Budget Inspection	29	55	190		The result indicator has been achieved. The value is better than expected due to greater efficiency of inspection.
Percent of planned controls in relation to the number of complaints, applications and control requests received	Percent (%)	Annual Activity Report of the Budget Inspection	12%	20%	30%		The result indicator has been achieved. The value is better than expected due to greater efficiency of inspection.
Activity name:	Deadline for completion of activities	Institution responsible for implementation	Achieved progress	Challenges and next steps		Risk analysis	Budget
3.3.1 Adoption of methodological instructions on the manner of the Budget Inspection work by areas of control	Q4 2021	Ministry of Finance - Sector for Budget Inspection	The activity has been implemented				Donor funds (GIZ) - expert consulting assistance was provided in the preparation of methodological instructions
3.3.2 Professional development of budget inspectors and other employees in the Budget Inspection through continuous education	Q4 2025	Ministry of Finance - Sector for Budget Inspection	The activity implementation is in progress.	Strengthening the capacities and functionality of the work of the Budget Inspection, as well as the professional development of budget inspectors and other employees in the Budget Inspection through continuous education			
3.3.3 Providing the required number of inspectors– 50 in 2025	Q4 2025	Ministry of Finance - Budget Inspection Department	During 2023, 45 budget inspectors performed inspection tasks.	Continued provision of the required number of inspectors			

				shall continue in accordance with the Rulebook on Internal Organisation and Systematisation of Jobs in the Ministry of Finance of December 2022.				
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<p>3.3.4 Amendments to the Budget System Law and bylaws of the Budget Inspection / Adoption of the Law on Budget Inspection</p>	<p>Q1 2022</p>	<p>Ministry of Finance - Budget Inspection Department</p>	<p>In December 2021, the Law on Budget Inspection was adopted, by which the obligation to pass the law was fulfilled, and with that, the centralisation of Budget Inspection from the Negotiation Chapter 32-Financial control. The implementation of the Law commenced on 1 January 2023, and in accordance with it, the Budget Inspection functions only at the national level.</p> <p>Drafting the Rulebook on Internal Supervision of the Budget Inspection</p> <p>Developing the methodology on risk assessment in conducting supervisions in the field of public procurement</p>				<p>Donor funds (GIZ) - expert consulting assistance was provided in the drafting of the Law on Budget Inspection</p>
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Amendments to
the Strategic
Plan of Budget
Inspection of
the Ministry of
Finance for the
period 2021-
2026.

SPECIFIC OBJECTIVE IV - APPLICATION OF THE INTERNAL FINANCIAL CONTROL SYSTEM IN THE PUBLIC SECTOR IMPROVED

Indicator(s) at the level of the Specific Objective (outcome indicator)	Unit of measure	Source of verification	Initial value		Target value for 2023	Achieved value	Reasons for deviation	
Identified progress related to PIFC within the EC Progress Reports for the Republic of Serbia for a specific year	1. Early stage of preparedness 2. Certain level of preparedness 3. Moderate preparedness 4. Good level of preparedness	EC Report on Serbia for a specific year (Chapter 32)	Moderately prepared, with good progress achieved in 2019		Moderate preparedness	Moderate preparedness	The outcome indicator has been achieved	
<i>Measure 4.1: Improved FMC system in public sector institutions</i>								
<i>Institution responsible for implementation (coordination of implementation) of the measure: Ministry of Finance-Department- Central Harmonisation Unit</i>								
<i>Implementation period : 2021-2025</i>					<i>Measure type: Institutional management organisational</i>			
Indicator(s) at measure level (outcome indicator)	Unit of measure	Source of verification	Initial value		Target value for 2023	Achieved value in 2023	Reasons for deviation	
Percent of priority PFBs ¹² reporting on the state of the FMC system	Percent (%)	Consolidated annual report	91.49		93		The data is obtained from individual beneficiaries' reports, compiled within the Consolidated Annual Report on the PIFC. Data for 2023 will be available after the adoption of the Consolidated Annual Report for 2023.	
Percent of priority PFBs ¹³ that compiled the Risk Register	Percent (%)	Consolidated annual report	63.95%		71		The data is obtained from individual beneficiaries' reports, compiled within the Consolidated Annual Report on the PIFC. Data for 2023 will be available after the adoption of the Consolidated Annual Report for 2023.	
Activity name:	Deadline for completion of activities	Institution responsible for implementation	Achieved progress	Challenges and next steps		Risk analysis	Budget	2025
4.1.1 Cooperation with the Budget Department regarding the enhancement of the performance management of the organisation (link to the PAR Strategy, measure 4.1.2)	Q4 2025	Ministry of Finance-CHU	The activity implementation is in progress.					1

¹² Ministries, compulsory social insurance organisations, public enterprises that perform activities of public interest and operate in accordance with the Law on Public Enterprises, cities. Please note: the composition of the category of ministries and PEs is variable

				Lajkovac, Vrbas and Tutin.								
4.1.6 Development of analysis of the PIFC regulations coherence with other horizontal regulations	Q4 2023	Ministry of Finance-CHU	The activity has been implemented.					KPMG to add amounts.				-
Measure 4.2. Improved internal audit function in the public sector in accordance with the international standards and principles												
Institution responsible for implementation (coordination of implementation) of the measure: Ministry of Finance - Department - Central Harmonisation Unit												
Implementation period: 2021-2025						Measure type: Institutional management organisational						
Indicator(s) at measure level (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2023		Achieved value	Reasons for deviation					
The number of external quality assessments of the work of internal audit units within public funds beneficiaries institutions with a gradual increase in the number of peer reviews within the total number of reviews.	Number	External quality assessment report	8	6		6	The indicator has been achieved..					
Activity name:	Deadline for completion of activities	Institution responsible for implementation	Achieved progress	Challenges and next steps		Risk analysis	Budget					
4.2.1 Analysis of the application of the existing methodological framework and its improvement (e.g. for performance audits, advisory services, etc.)	Q4 2025	Ministry of Finance-CHU	The activity implementation is in progress..									6 . 0 0 0 *
4.2.2 Preparation and implementation of the Programme for continuous training of internal auditors (link to activity 4.4.4)	Q4 2022	Ministry of Finance-CHU	The activity has been implemented					The programme was prepared by the CHU employees.				-
4.2.3 Staffing of internal audit (promotion of the profession, tools for recruitment and selection of internal auditors, proposal for improvement of the professional position of internal auditors, etc.)	Q4 2022	Ministry of Finance-CHU	The activity has been implemented.					USD 62.184,00				-

4.2.4 Support to the establishment and enhancement of IA at the local level ¹⁷	Q4 2025	Selected LGUs	The activity implementation is in progress.	A total of six (6) local self-governments were selected as part of the Call for the provision of technical assistance to the LSGs (<i>Exchange 6</i>) for the establishment/improvement of the IA function: Trstenik, Odžaci, Kanjiža, Tutin, Golubac, Sombor.		The commitment of the LGUs management, access customisation for beneficiaries		-	
4.2.5 Introduction of external quality assessment according to the peer review method (training and certification of evaluators, adoption and implementation of the External Quality Assessment Programme)	Q2 2025	Ministry of Finance-CHU	The activity implementation is in progress..	Adoption of the Rulebook and commencing with the peer review		Risk – failure to provide fees for IAs performing this type of review	Due to donor policy, the total amount of spent funds is not known.	2 . 5 2 0	2
4.2.6 Analysis of the implementation and potential improvement of the existing legal framework in order to optimise the organisation of internal audit and reporting to the IA (Support for the implementation of amendments to the Rulebook for IA)	Q4 2025	Ministry of Finance-CHU	The activity implementation is in progress	Implementation of the rules in the field of IA and possible additional amendments.		Adapting to a new way of working - Preparation and introduction of new procedures		3 . 6 0 0 *	2

¹⁷ A more detailed description of the planned activity is established under the PRLSS 2021-2025 within the framework of Specific Objective 2: Improvement of the local self-government financing system, within the framework of special measure 2.4: Intensive development of the PIFC system at the local level, while in respect of the Programme and its Action Plan, they are shown in order to complete the insight into all the activities undertaken at the local level in the area of PIFC, and funds for this will not be planned or will reports be made within the Action Plan of this Programme, but within the PRLSS Action Plan 2021-2023. In accordance with that, the activities from measure 2.4, of Specific Objective 2 under PRLSS AP, i.e. activities No. 2.4.2, 2.4.3, 2.4.5 and parts of activities 2.4.7 and 2.4.8, have been integrated in this activity

<i>Measure 4.4: Modernisation of the training system in the PIFC field</i>									
<i>Institution responsible for implementation (coordination of implementation) of the measure: Ministry of Finance- Department - Central Harmonisation Unit</i>									
<i>Implementation period: 2021-2022</i>					<i>Measure type: Institutional management organisational</i>				
Indicator(s) at measure level (result indicator)	Unit of measure	Source of verification	Initial value	Target value for 2023		Achieved value	Reasons for deviation		
Number of e-learning trainings in the field of PIFC	Number	NAPA reports on conducted trainings	0	4		4	The result indicator has been achieved.		
Percent of authorised internal auditors who have collected the required number of points during the continuous professional development	Percent (%)	Consolidated annual report	58.1%	/		/	The result indicator did not have a target value in 2023.		
Percent of certified internal auditors in priority PFBS ¹⁸	Percent (%)	Consolidated annual report	80 %	/		/	The result indicator did not have a target value in 2023.		
Activity name:	Deadline for completion of activities	Institution responsible for implementation	Achieved progress	Challenges and next steps		Risk analysis	Budget		
4.4.1 Protocol on cooperation between the NAPA and CHU in connection with the implementation of training in the field of PIFC	Q4 2023	Ministry of Finance-CHU	The activity has been implemented.	The document Plan for the transfer of competences from training activities from the CHU to NAPA has been prepared.		Adapting to a new way of working			
4.4.2 Improvement of the certification process for internal auditors	Q4 2025	Ministry of Finance-CHU	The activity implementation is in progress..	Amendments to the rulebook regulating this area were adopted.		Adapting to a new way of working	3 . 6 0 0 *		
4.4.3 Modernisation of training and training materials in the field of	Q4 2025	Ministry of Finance-CHU	The activity implementation	A new basic training concept has been prepared. Video trainings were created for		Insufficient human resources	1 . 8		

PIFC (expansion of e-learning modules)			n is in progress.	PFB managers, as well as for FMC coordinators and internal auditors		capacity of the CHU	
4.4.4 Preparation and implementation of trainings for internal auditors through the Programme for continuous professional development of internal auditors in the public sector Link to measure 4.2.2	Q4 2025	Ministry of Finance-CHU	Trainings are conducted continuously.	The Programme for continuous professional development of internal auditors in the public sector has been prepared, and accordingly, trainings are being prepared in the upcoming period.			

SPECIFIC OBJECTIVE V - PUBLIC ACCOUNTING WITH THE APPLICATION OF THE INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS)

Indicator(s) at the level of the Specific Objective (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2023	Achieved value	Reasons for deviation
Financial statement prepared and presented to the Ministry of Finance of the Republic of Serbia in accordance with the IPSAS requirements for cash basis	Number	Treasury Administration website	0	0	0	The outcome indicator was not planned for implementation in 2023

Measure 5.1: Analysis of the current state of play of the public sector accounting and development and implementation of the Public Sector Accounting Improvement Plan

Institution responsible for implementation (coordination of implementation) of the measure: Ministry of Finance - Treasury Administration

Implementation period : 2021-2022

Measure type: Institutional management organisational

Indicator(s) at measure level (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2023	Achieved value	Reasons for deviation
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18 Ministries, compulsory social insurance organisations, PEs at the central level performing activities of public interest and operating in accordance with the Law on PEs with more than the prescribed number of employees to form a unit for IA, AP and cities

Public Sector Accounting Improvement Plan adopted	Number	Treasury Administration website	0	-	-	The measure level indicator was realised in 2021.
Activity name:	Deadline for completion of activities	Institution responsible for implementation	Achieved progress	Challenges and next steps	Risk analysis	Budget
5.1.1 Drafting a Public Sector Accounting Improvement Plan, in stages	Q4 2021	Treasury Administration	<ul style="list-style-type: none"> Implemented A draft of the Public Sector Accounting Improvement Plan was prepared	Successful implementation of the Plan	The activities provided for in the Plan are continuous and chronologically conditioned. Failure to implement the initial activities, which the Plan envisages, would cause difficulties in the later stages of the Plan's implementation.	
5.1.2 Preparatory activities for the establishment of the Commission for the Application of International Public Sector Accounting Standards	Q4 2021	Treasury Administration	<ul style="list-style-type: none"> Implemented Commission established	Continuous work of the established Commission on the performance of tasks defined under Article 75a of the Budget System Law.	<p>Failure to establish the continuity of the Commission's work would lead to breaking the deadlines defined under the Action Plan for PFM RP 2021-2025.</p> <p>The establishment of inadequate communication in the system of information and submission of proposals regarding the work of the Commission would make it impossible to</p>	Budget funds in the amount of RSD 5,906,250.

					implement the following activities.	
5.1.3 Activities for the purpose of concluding the Agreement for Translation and Implementation of the IPSAS with the Association of Accountants and Auditors of Serbia(IFAC member)	Q4 2021	Treasury Administration	<ul style="list-style-type: none"> Implemented Cooperation with the Serbian Association of Accountants and Auditors initiated. 	Continuation of cooperation with the Association.	Failure to reach an agreement on further cooperation and the failure to sign the Contract on Translation of the IPSAS makes it impossible to implement the Regulation on the Enforcement of the International Public Sector Accounting Standards	
5.1.4 Implementation of the Agreement from activity 5.1.3 in order to enable the implementation of the Regulation on the application of the International Public Sector Accounting Standards	Q4 2023	Treasury Administration	The activity has been implemented	Termination of cooperation with the Association. Improvement of cooperation with the Association.	Absence of the update of the published translation.	

Measure 5.2: Improvement of professional competence of accountants in the public sector through adequate trainings

Institution responsible for implementation (coordination of implementation) of the measure: Ministry of Finance - Treasury Administration

Implementation period : 2021-2025

Measure type: Institutional management organisational

Indicator(s) at measure level (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2023	Achieved value	Reasons for deviation
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Share of employed public sector accountants trained in “Improving public sector accounting”	Percent (%)	Report on the implementation of the training programme	69%	/	/	The result indicator has been achieved.
Activity name:	Deadline for completion of activities	Institution responsible for implementation	Achieved progress	Challenges and next steps	Risk analysis	Budget
5.2.1 Conducting trainings in order to improve the professional competence of accountants in the public sector	Q4 2022	Treasury Administration	<ul style="list-style-type: none"> Implemented Training was held in order to familiarise accountants with the advantages of the accounting system and reporting according to the <i>IPSAS</i> .	.		Donor funds
5.2.2 Preparatory activities for the introduction of certification for the profession of public sector accountant	Q4 2024	Treasury Administration	The activity implementation is in progress. The preparatory activities for the introduction of certification were discussed at the Commission, and will continue during 2024.	Acquiring the knowledge required for the application of the <i>IPSAS</i> , i.e. building HR capacities in the field of accounting requires certification, continuous education and licensing of professional qualifications.	Failure to reach an agreement on the method of certification implementation	
5.2.3 Certification of 200 public sector accountants	Q4 2025	Ministry of Finance	The activity has not been implemented. Implementation was not planned for 2023	By the end of 2025, the plan is to certify approximately 200 accountants in the public sector, with defined and clear criteria for the selection of the specified number of accountants.	Failure to conduct certification in the planned period.	

<i>Measure 5.3: Improvement of coverage of accounting data through the application of International Public Sector Accounting Standards</i>						
<i>Institution responsible for implementation (coordination of implementation) of the measure: Ministry of Finance - Treasury Administration</i>						
<i>Implementation period : 2021-2024</i>				<i>Measure type: Institutional management organisational</i>		
Indicator(s) at measure level (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2023	Achieved value	Reasons for deviation
Draft cash-based financial statement prepared in accordance with IPSAS submitted to the Government of the Republic of Serbia	Number	Ministry of Finance	/	/	/	The result indicator was not planned for implementation in 2023.
Activity name:	Deadline for completion of activities	Institution responsible for implementation	Achieved progress	Challenges and next steps	Risk analysis	Budget
5.3.1 Amendments to relevant national legislation for their mutual harmonisation and their harmonisation with the IPSAS requirements for the cash basis and ESA 2010	Q3 2024	Treasury Administration	The Regulation on the Enforcement of the International Public Sector Accounting Standards was adopted. Draft Amendments to the Rulebook on the method of preparation, compilation and submission of financial statements of budget funds beneficiaries, beneficiaries of funds of compulsory social insurance organisations and budget funds has been prepared.	Breaking the deadline for the adoption of proposed amendments to the Rulebook. Adoption of the Rulebook.	Failure to adopt the proposed amendments to the Rulebook	

5.3.2 Adoption of Accounting Policy for Financial Reporting in accordance with IPSAS for cash basis	Q4 2023	Treasury Administration	The activity implementation is in progress. The Draft Rulebook on Accounting Policies for Financial Reporting in Accordance with the CashBased IPSAS Rules has been prepared.	Failure to adopt the Rulebook. Adoption of the Rulebook.	Delay in the implementation of the prepared regulation.	Budget funds were not used.
5.3.3 Preparation of Cash-Based Financial Statement in accordance with IPSAS	Q2 2025	Treasury Administration	Implementation was not planned for 2023	Enforcement of the IPSAS, sufficient number of competent personnel in financial services, as well as the best IT solutions shall significantly contribute to the improvement of accounting records and financial reporting	Non-compliance of national legislation with the IPSAS requirements for the cash basis.	
SPECIFIC OBJECTIVE VI -EXTERNAL OVERSIGHT OF PUBLIC FINANCES ENHANCED						
Indicator(s) at the level of the Specific Objective (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2023	Achieved value	Reasons for deviation
Number of reviewed audit reports	Number	Committee reports/Minutes from Committee sittings	194	225	251	The outcome indicator has been achieved.
<i>Measure 6.1: Improving the scope, quality and impact of external audits (in accordance with the SAI Strategic Plan</i>						
<i>Institution responsible for implementation (coordination of implementation) of the measure: State Audit Institution</i>						
<i>Implementation period: 2021-2025</i>					<i>Measure type: Institutional management organisational</i>	
Indicator(s) at measure level (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2023	Achieved value	Reasons for deviation
Number of audit reports	Number	SAI Activity Report	254	280	306	The result indicator has been achieved.. The achieved value is better than the target value.

Number of employees	Number	SAI Activity Report	331	388	320	The result indicator has not been achieved. Filling of vacancies conducted in accordance with the adopted Staffing Plan.
The number of areas covered by performance audits: social welfare, general public services, defence, public law and order, economic affairs, environmental protection, housing and community affairs, healthcare, recreation, sports, culture and religion, education.	Number	SAI Activity Report	7	8	8	The result indicator has been achieved.
Number of reviews for quality control and quality assurance	Number	SAI Activity Report	20	28	32	The result indicator has been achieved. The achieved value is better than the target value.
Share of operational audits (compliance and performance) in the annual SAI Audit Programme	Percent (%)	SAI Activity Report	40%	46%	70.83%	The result indicator has been achieved. The achieved value is better than the target value.
Activity name:	Deadline for completion of activities	Institution responsible for implementation	Achieved progress	Challenges and next steps	Risk analysis	Budget
6.1.1 Further strengthening of external audit through continuous improvement of audit procedures	Q4 2025	SAI	<p>As part of the implementation of the Audit Programme for 2023, the SAI prepared 306 audit reports.</p> <p>Share of operational audits (compliance and performance) in the annual SAI Audit Programme for 2023 is 70.83%.</p> <p>In accordance with the Audit Programme for 2023, the SAI conducted operational performance audits, within 8 areas.</p> <p>The SAI conducted a total of 32 inspections for quality control and quality assurance during 2023.</p> <p>On 31 December 2022, the SAI had a total of 320 employees. Staffing was carried out in accordance with the approved Staffing Plan.</p>	Continue with the implementation of activities in accordance with the SAI Strategic Plan for the period 2024-2028, as well as with the Audit Programme for 2024.	There is a risk that the SAI will not be approved for the full increase in employees and the funds needed for the implementation of activities.	-

6.1.2 Presenting the report on performed audits to the competent Committee and Subcommittee to ensure the review of the SAI findings and recommendations and to improve accountability and transparency in respect of public funds spending	Q4 2025	SAI	In the course of 2023, three sessions of the Committee on Finance, State Budget and Control of Public Spending were held outside the seat. The report on the work of the SAI for the year 2022 was discussed at the session of the Committee on Finance, State Budget and Control of Public Spending. Report on the audit of the final account of the budget of the Republic of Serbia for 2022 presented at the public hearing of the Committee on Finance, State Budget and Control of Public Spending.	Continue with the implementation of activities in accordance with the SAI Strategic Plan for the period 2024-2028., as well as in accordance with the activity plan coordinated with the competent Committee on Finance, State Budget and Control of Public Spending		-
Measure 6.2: Ensuring efficient Parliamentary oversight of public finances						
Institution responsible for implementation (coordination of implementation) of the measure: National Assembly - Committee on Finance, State Budget and Control of Public Spending						
Implementation period : 2021-2025				Measure type: Institutional management organisational		
Indicator(s) at measure level (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2023	Achieved value	Reasons for deviation
Review of the Annual SAI Annual Activity Report, with the adoption of the proposed conclusion	Number	Steering Committee reports/Minutes from Steering Committee Meeting	1	1	1	The result indicator has been achieved.
Holding a session/meeting of the Committee for Review of the Recommendations for Amendments to the Law, in the presence of SAI and the Ministry of Finance	Number	Minutes of the session/meeting	1	1	1	The result indicator has been achieved.
Activity name:	Deadline for completion of activities	Institution responsible for implementation	Achieved progress	Challenges and next steps	Risk analysis	Budget

6.2.1 Strengthening the control function of the National Parliament by organising sessions/meetings of the Committee and Subcommittee for reviewing reports on performed SAI Audits	Q4 2025	National Parliament - Committee on Finance, State Budget and Control of Public Spending - Subcommittee for Review of SAI Audit Reports	Sessions were held outside the seat of the National Assembly in the presence of representatives of the SAI, representatives of local self-governments as audited entities and representatives of the Ministry of Finance	The activity implementation continuation	Uncertainty regarding the time and schedule of holding such sittings	2,000,000.00
6.2.2 Engaging experts “as needed” in order to better consider the actions of entities in accordance with the conclusions, findings and recommendations contained in the SAI audit reports	Q4 2025	National Parliament - Committee on Finance, State Budget and Control of Public Spending - Subcommittee for Review of SAI Audit Reports	There was no need to hire an expert	There was no need to hire an expert		
6.2.3 Organising a public hearing on the occasion of the presentation of the Budget Bill and the Bill on the Final Account of the Budget	Q4 2025	National Parliament - Committee on Finance, State Budget and Control of Public Spending	A public hearing was held on the occasion of the presentation of the Budget Bill for the following year and the Bill on the Final Account of the Budget for the previous year	Continuation with the practice of organising public hearings on the occasion of the presentation of the Budget Bill and the Bill on the Final Account of the Budget	Potential risk of the impossibility of organising a public hearing can be expected in a situation in which the Government of the Republic of Serbia would refer the aforementioned bills to the parliamentary procedure, with the proposal that they be reviewed as urgent.	220,000.00

