



Implementation of the recommendations of the State Audit Office pursuant to the Report on the 2023 Compliance Audit of the Croatian National Bank

Zagreb, June 2026

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Summary

The Report on the implementation of nine recommendations of the State Audit Office is a documented presentation of the activities carried out and the general bylaws adopted by the Croatian National Bank in order to improve the management and lessen the risks arising from procedural irregularities established in the Report on the 2023 Compliance Audit of the Croatian National Bank.

The 2023 compliance audit of the Croatian National Bank was carried out in the period from 2 May 2024 to 12 March 2025 pursuant to the Act on the State Audit Office (Official Gazette 25/2019), which prescribes that the State Audit Office is authorized to examine and assess the use of funds by the Croatian National Bank which do not directly pertain to pursuit of the aims and execution of the tasks stipulated by the law governing the operations of the Croatian National Bank and the tasks stipulated by other laws, as well as the tasks which the Croatian National Bank executes in compliance with the Treaty on the Functioning of the European Union and the Statute of the European System of Central Banks and the European Central Bank.

The subject of the audit was compliance of activities, financial transactions and information relating to operating expenses in the area pertaining to administrative operations and the procurement of real property, movable property and equipment with laws, regulations and internal bylaws that have a material impact on CNB operation, while the objectives of the audit were as follows:

- to check whether operating expenses in the area pertaining to administrative operations were incurred in accordance with the applicable regulations governing CNB operation;
- to check whether the acquisition, management and use of real estate property, movable property and equipment were in accordance with applicable regulations governing CNB operation;
- to check other activities in the part of administrative operations that ensure that financial transactions and information are carried out in accordance with applicable regulations governing CNB operation, and
- to check whether one order and twelve recommendations of the last audit were implemented.

The compliance audit encompassed the following areas: competence and internal organisation, internal controls, planning, financial reporting, public procurement, staff costs, administrative expenses and services and management and use of fixed assets.

On the basis of the sufficient, valid and relevant audit evidence collected and following the review and analysis of regulations, internal bylaws, decisions and other relevant documents, the State Audit Office, in its Report on the 2023 Compliance Audit of the Croatian National Bank expressed an unqualified opinion on the compliance of operations of the CNB, thus confirming

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that the overall operations of the CNB complied with laws, regulations and internal bylaws stipulated by the audit as criteria for expression of opinion.

Expressing an unqualified opinion on the compliance of operations, the audit identified the areas of operation that may be subject to improvement and for this purpose issued nine recommendations aimed at producing positive effects on the control and transparency of operations of the CNB, which the Croatian National Bank considered implementable and implemented in their entirety.

Some recommendations were implemented in a very short period of time following the receipt of the Report on the 2023 Compliance Audit of the Croatian National Bank, while the implementation of other recommendations required more time and resources. It should be stressed that all recommendations were implemented in the appropriate one-year period. These included designing an application for business travel, adopting numerous general bylaws or amending existing bylaws, such as the Instruction for the initiation of procedure of external hiring, decisions with descriptions of specific professional positions in all organisational units of the bank, the Ordinance on performance management of CNB employees and the Manual for the management of job performance of CNB employees, which define clear criteria for the promotion and promotion to higher positions of employees, as well as other internal bylaws proposed by the audit, such as the new Ordinance on business travel, Ordinance on the use of business mobile phones and the limits of mobile phone costs settled by the CNB. The adoption of these internal bylaws and their adjustment with planning and other documents as well as the conduct of procurement procedures, where necessary, provided for the establishment of the regulatory framework within which the recommendations are implemented. All these internal bylaws were delivered to all employees individually and published via internal communication channels, and are also available on the Bank's intranet site.

Stated below are the explanations of audit findings that provided a basis for the issuance of nine recommendations of the State Audit Office, the measures and activities implemented by the CNB and the internal bylaws based on which these recommendations are implemented.

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Organisation

The 2023 Audit Findings of the Report on the Compliance Audit, in the part related to organisation, item 1.1, establishes the following:

Findings of the State Audit Office

"Pursuant to the provisions of Article 52, paragraph (3) of the Act on the CNB, the Governor adopts the internal bylaws of the Croatian National Bank stipulating the terms and conditions of employment and work of the employees in accordance with the Labour Act and other regulations. The Governor adopted the Rules of operation, the Ordinance on salaries and other income of CNB employees, the Ordinance on professional and other positions and positions of officials in the CNB, the Ordinance on the management of job performance of CNB employees and other internal bylaws

The Ordinance on professional and other positions and positions of officials in the CNB provides for the description of professional and other positions, and of activities of officials in the CNB. Professional positions characteristic for the CNB's operations include 21 officers' positions, associate positions, advisory positions and managing positions, while the remaining are vocational positions. The Ordinance provides for descriptions of typical responsibilities, degrees of independence, knowledge, skills and abilities and the necessary formal requirements for professional and other positions, and for activities of CNB officials.

Pursuant to the provisions of Articles 3 and 5 of the Ordinance on professional and other positions and positions of officials in the CNB, job descriptions for professional and other positions, including responsibilities, knowledge, skills abilities and formal requirements for a certain position within the CNB organisational unit are determined by special decisions (for instance, the position is chief advisor, and the job chief advisor for payment services in the Payment Operations Supervision Department). Special decisions for professional positions may be adopted by the Governor, Deputy Governor, competent Vicegovernor, Chief Economist or Business Director, and for other positions, competent Vicegovernor or Business Director.

Pursuant to the said Ordinance, the competent persons (Governor, Deputy Governor, Vicegovernors and Business Director) adopted decisions with descriptions of professional and other positions for six areas, eight offices and for the Visitor's Centre. For eight areas and one office no special decisions were adopted, which does not comply with the provisions of Article 3, paragraph (3) and Article 5, paragraph (2) of the Ordinance on professional and other positions and positions of officials in the CNB which lay down the obligation to adopt special decisions and their content.

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Since job descriptions for professional and other positions (the so-called job systematisation) determines the content of activities, their responsibilities and descriptions of activities for all employees, job descriptions should, instead of by adopting more decisions, be regulated systematically at the CNB level and determine the necessary number of employees for the performance of tasks and activities in all organisational units of the CNB.

Furthermore, the Ordinance on professional and other positions and positions of officials in the CNB is published internally and special decisions are not published. Their publication would contribute to the accessibility and transparency of information on descriptions of activities, working conditions and responsibilities for all jobs identified within the framework of the CNB's organisational structure.”

Recommendation No 1 Adopt internal bylaws with descriptions of activities for all jobs for professional and other positions

“The State Audit Office recommends that internal bylaws be adopted with descriptions of activities and tasks for all jobs for professional and other positions and the number of jobs at the CNB level and that it be published internally for the purpose of accessibility and transparency of information on descriptions of tasks and activities, working condition and responsibilities for all jobs in the CNB.”

The CNB has accepted and implemented this recommendation.

Implementation of Recommendation No1

In accordance with the recommendation, decisions with the descriptions of specific professional and other positions for all organisational units have been adopted. Decisions with the relevant descriptions of the positions have been published and are available to all employees on the CNB's physical and virtual notice boards.

The decision containing the number of employees by organisational units at the level of officers' positions, associate positions, advisory positions and managing positions in organisational units will be established as a constituent part of the planning documents for the purposes of human resources planning.

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Planning

Findings of the State Audit Office

"Pursuant to the provisions of Article 2 of the Ordinance on amendments to the Ordinance on professional and other positions and positions of officials in the CNB, the number of employees necessary in professional and other positions at the CNB level is determined in the CNB's Operating plan for the relevant business year. The adopted 2023 Operating plan was adopted, containing, among other things, the 2023 Rules of operation and the 2023 Human resources plan.

The manner for preparation of the Human resources plan is specified in the Instructions for the preparation of the Human resources plan, pursuant to which organisational units create human resources plans based on which the organisational unit competent for human resources management creates the Human resources plan. When preparing the Human resources plan the competent organisational unit, in accordance with the Rules of operation and data regarding the existing human resources and foreseeable fluctuation, determines, among other things, the necessary number of employees per managerial, professional and other positions.

The 2023 Human resources plan includes the Specification of the existing and expected number of employees per professional and other positions (hereinafter referred to as 'Specification'), pursuant to which the number of existing employees as at 1 January 2023 was 735, and the expected number of employees as at 31 December 2023 was 773 (up by 38 employees).

At the end of 2023, the actual number of employees was 744, up by nine employees from the beginning of the year (34 persons were newly employed, the employment relationship was terminated for 34 employees and nine employees returned from unpaid leave). The realised number and structure of employees per professional and other positions shows a departure from expectations. The number of employees increased by nine, which was in comparison to the expected increase of 38 employees, 29 employees or 76.3% short from the plan. In addition, the structure of the expected number of employees by professional and other positions diverges from the structure of employees per positions at the end of the year. Thus, there were 24 less senior associates, 15 less chief associates and ten more chief advisors and associates than expected. Further, the Specification of new employees per organisational units was prepared, planning recruitment for jobs that were previously vacant. Pursuant to the said Specification it was planned to employ nine employees. Instead of the Specification of new employees, pursuant to analysis of needs and workload, an Employment plan should be prepared, which would include all planned hiring, that is, planned replacements by organisational unit due to retiring or other reasons, and hiring for jobs that were previously vacant.

Since the Human resources plan, as well as the Rules of operation, which is the core document of the CNB's Operating plan and the basis for preparation of other plans, are prepared based on the plans of operating units, for a more realistic planning of the number of employees in professional and other positions and for the purpose of monitoring the number and structure

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of expected employees, it is necessary to, in addition by professional positions, plan the expected number of employees by organisational units.

In 2023, 34 new employees were employed. Job vacancies were published for the employment of 32 employees and after the completion of the selection procedure and check of candidates' professional and other skills, decisions were adopted on their employment. Two positions were populated directly, without the publication of job vacancies in such a manner that during the hiring procedure the experience of the candidates in particular jobs was taken into consideration and it was checked whether they met the requirements of the particular jobs pursuant to internal bylaws.

The CNB's Rules of operation, regulate, among other things, the manner of entering an employment relationship with the CNB. Thus, the provisions of Article 9 of the Rules of operation specify that prior to the entry into an employment relationship, the compliance of the knowledge, skills, capabilities and personality characteristics of a candidate with position requirements and working surroundings must be verified. However, the CNB Rules of operation do not govern the manner in which job vacancies should be published, that is, it does not mention public announcements for the purpose of advertising vacancies nor is direct hiring defined as a manner of hiring. In addition, reasons are not stipulated when an employee may be directly hired nor is the procedure of direct employment specified."

Recommendation No 2 Employment procedures and planning the number of employees

"The State Audit Office recommends, for the purpose of more realistic planning, to plan in the Rules of operation the required number of employees in professional and other positions by organisational unit, to prepare a Plan of employment, and to regulate the manner of publishing vacancies and more precisely and in more detail describe hiring procedures by the CNB's Rules of operation or another internal bylaw."

The CNB has accepted and implemented this recommendation.

Implementation of Recommendation No 2

The initiation of hiring procedures at the Croatian National Bank, publishing vacancies, selecting and communicating with candidates are implemented in accordance with the Instruction for the initiation of procedure of external hiring, which regulates the overall manner of hiring. The Instruction has been adopted and signed by the Governor.

Article (8), paragraph (2) of the Rules of operation, which relates to the entry into an employment relationship with the Bank, prescribing that entering an employment relationship with the Bank, if the reallocation of tasks for which a need to enter an

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employment relationship has arisen is not feasible, is to be implemented in accordance with the Instruction for the initiation of procedure of external hiring, has been drafted and amended.

The Specification of new employees, comprised by the Operating plan, envisages the number of employees per organisational units.

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Staff costs

Findings of the State Audit Office

"Staff costs totalled EUR 35,045,775.48. This includes gross salaries of employees, totalling EUR 27,134,175.71, contributions on salaries and other remuneration, totalling EUR 4,423,238.72, other gross compensations to staff, totalling EUR 3,081,058.26 and costs of provisions for compensations to staff totalling EUR 407,302.79.

The basis and measures for the calculation of salaries, the manner of calculation and payment, cases and conditions for salary compensations and other payments in the CNB are regulated by the provisions of the Ordinance on salaries.

The Ordinance on salaries also specifies the range of points of the basic salary allocated to a specific position. The smallest number of points of the basic salary for all positions is 205 points and the highest 2 327 points. The narrowest range for one position is 55 points and the widest 455. The point ranges overlap, meaning that an associate may be allocated points ranging from 375 to 480 and a senior associate points ranging from 435 to 560. That is, an associate and a senior associate may be allocated the same number of points within the range of 435 to 480 points.

Internal bylaws do not disclose which conditions an associate must meet to be allocated the same number of points as a senior associate, within the framework of the said range, that is, for positions for which the ranges overlap no conditions are specified which the employees must meet.

Within the framework of staff costs, expenses for employee promotions of 249 employees totalled EUR 201,824.88. This refers to the increase in the number of points within the same position, in the amount of EUR 104,937.40 and employee promotions to higher positions, in the amount of EUR 96,887.48.

Pursuant to the provisions of Article 8 of the Ordinance on salaries, changes to salary are possible within the same position and by being promoted to a higher position. The basic salary within the range of the same position may be increased conditioned on the meeting of at least two of the three listed criteria: continuous improvement in results arising from work experience in the tasks in the position that the employee holds, continuous expansion of the volume of work of the same complexity and continued acquisition of new knowledge and proven implementation of new knowledge and skills in the performance of tasks.

Basic salary may increase via promotion to a higher position in case of an increase in the complexity of tasks performed by the employee (content of activities, responsibilities, degree of independence, knowledge, skills, abilities and the meeting of formal requirements). The increase in basic salary is possible only if the employee's performance for the period has been assessed at least as an effective work performance. The reasoned proposal for the promotion of an employee is submitted by

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the head of the organisational unit, that is, the Governor, Deputy Governor, competent Vicegovernor, Chief Economist or Business Director

The Ordinance on salaries does not regulate the manner of allocating points within a range when being promoted within the same position and being promoted to a higher position. Thus, the assessment of the criteria met is not measurable. For example, pursuant to the proposal for an increase in salary within the same department for the position of chief advisor, one employee, who had 970 points, received an increase of 70 points for meeting three criteria, while another who had 813 points was approved an increase of 162 points for meeting two criteria.

Further, the Ordinance on salaries does not regulate the manner in which points are allocated to a newly employed person within the range for a particular position. For instance, the Ordinance on salaries sets the range for the position of senior associate between 435 and 560 points. One newly employed person signed a contract of employment for the position of senior associate for 540 points and another for the same position of 560 points, the highest number of points for the position."

Recommendation No 3 Reviewing and regulating salary ranges for newly employed persons and promoted employees

"The State Audit Office recommends that point ranges be reviewed for all positions, the manner of allocation of points for newly employed persons to be set and as well as the manner of the allocation of points within the same position and in case of promotion to a higher position."

The CNB has accepted and implemented this recommendation.

Implementation of Recommendation No 3

A description of activities is attached to the request for employment. The Instruction for the initiation of procedure of external hiring has been amended, specifying that, based on the conducted selection procedure, realised results, as well as specific skills and experiences of the selected candidate, the competent manager proposes the number of points for the newly employed employee. This is also attached to the explanation and consent of the competent member of the CNB Council. The range of points of the advertised position is explained within the framework of the form of consent for employment

The number of points within the prescribed range of points for the position for which a contract of employment is concluded is, as a rule, defined in such a way that the points from the minimum to the average of the range are allocated to the candidate who matches the advertised position profile and those from the average to the maximum to the candidate having specific and additional knowledge required for working in the organisational unit at this position, so that hiring this candidate considerably contributes to the operation of the organisational unit in which the candidate is employed.

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The new Ordinance on the management of job performance has been adopted, which specifies the criteria for the promotion and promotion to higher positions based on the realised job performance in such a manner that employees whose job performance was assessed as “extraordinary” or “exceptionally successful” can be promoted. The basis for the specification of the criteria is a system established on measurable criteria and grading, in order for the assessment to be given based on a transparent system.

The new Ordinance on salaries and income in the Croatian National Bank provided for the revision of the range of points allocated to professional and other positions in such a manner that an equal range of points was set for the activities of the same complexity. In addition, to harmonise the existing ranges, preconditions were made for the career development within activities of the same complexity.

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Findings of the State Audit Office

"The salaries of employees consist of the basic salary component, various allowances and other income. The basic salary of employees is determined by the contract of employment and where all the conditions are met, it is increased by salary allowances, in particular for: length of service rendered, difficult working conditions, working under particularly difficult conditions during on-site inspection of the operations of a credit institution and carrying out oversight at the premises of the subject of oversight, overtime work, comparative value of salaries, the performance of additional tasks of special interest to the CNB outside the framework of an employee's regular activities and/or the need to keep an employee with or attract new employees to the CNB, or for activities of team leaders.

The provisions of Article 14 of the Ordinance on salaries and income in the CNB specified the allowance for performance of additional tasks of special interest to the CNB outside the framework of an employee's regular activities, which may amount to 20.0% of the basic salary of the employee and/or the allowance to keep an employee with the CNB or attract new employees to the CNB which may amount up to 30.0% of the basic salary of the employee.

Furthermore, it specifies the content of the proposal for the realisation of the allowance. The proposal, which should contain clearly stipulated facts justifying the allowance is decided by the Governor in a special decision.

Within the framework of gross salaries of employees, allowances were paid out based on the need to keep employees with the CNB in the amount of EUR 80,853.54 to 21 employee, ranging in value from 6.0% to 20.0% of the basic salary and allowances based on the performance of additional tasks of special interest to the CNB outside the framework of an employee's regular activities in the amount of EUR 11,601.63 to four employees, ranging in value from 4.5% to 20.0% of the basic salary.

The Ordinance on salaries or decisions did not specify measurable criteria for setting the value of the allowance which may be up to 20.0% or 30.0% of the basic salary of the employee respectively."

Recommendation No 4 Setting measurable criteria for setting the value of the allowance

"The State Audit Office recommends that measurable criteria be set for setting the value of the allowance based on the performance of additional tasks of special interest to the CNB outside the framework of an employee's regular activities and/or the need to keep employees with and/or attract new employees to the CNB."

The CNB has accepted and implemented this recommendation.

Implementation of Recommendation No 4

The new Ordinance on salaries and income in the CNB has been adopted, with an amended Article 14, prescribing that the explanation of the proposal for an allowance must also contain precisely stated facts and circumstances that justify awarding

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the allowance based on the performance of additional tasks of special interest to the Bank outside the framework of the employee's regular activities, and in the case of the need to keep an employee with or attract new employees to the Bank, the explanation of the proposal should contain data on the specific knowledge, skills and experience of the employee, the manner in which the employee applies or will apply them in the performance of all operations and the certificates (or similar credentials of the knowledge acquired) that the employee has, and which are necessary for the performance of activities at the Bank as well as the effect of the employee's joining or leaving the Bank in terms of the continuity of operations at the Bank.

Setting the allowance for other professional positions is defined in the same manner as envisaged for the positions that are lower than that of a chief associates, so that the employee must be at the top of the range of points of his profession.

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Finding of the State Audit Office

"Other staff costs paid out within the framework of the basic salary were payments for extraordinary work performance and extraordinary occasional benefits.

Further, payments for extraordinary work performance in the total amount of EUR 700,556.36 refer to one-off monetary rewards for 433 employees. Monetary rewards paid ranged from EUR 90.00 to EUR 3,228.86, net, per employee.

Pursuant to the provisions of Article 22 of the Ordinance on salaries and income in the CNB, when an employee performs activities whose scope and qualities exceed ordinary work results, the employee may be paid out a one-off monetary reward for successful performance of tasks the results of which exceed the set standard in one or more set parameters (quality and/or time frame and/or quantity, where defined) in the following ways: when unexpected value added was realised, when the objective was met ahead of planned deadline, when the objective was met in greater-than planned volume in terms of quantity during a longer/entire planned period, when the objective was met in the face of pronounced objective difficulties which commanded greater efforts to be invested in their elimination, when during work on meeting the set objective the employee was given additional responsibilities and/or tasks that the employee successfully mastered.

One-off monetary rewards were paid out pursuant to the proposal for one-off monetary reward. The Ordinance on salaries and income in the CNB or the proposals did not provide for measurable criteria based on which the amount of the reward is set considering that the lowest amount of one-off reward paid was EUR 90.0 and the highest EUR 3,228.86 net, per employee.

Extraordinary occasional benefits were paid to 20 employees in the amount of EUR 39,700.00. Pursuant to the provisions of Article 32, paragraph (2) of the Ordinance on salaries, in case of performing tasks in the special interest of the CNB, the Governor may reach a decision on extraordinary occasional benefits in the amount specified in the decision. In July 2023, the Governor adopted the Decision on extraordinary occasional benefits pursuant to which the total envisaged gross amount for extraordinary occasional benefits was EUR 39,700.00.

Extraordinary occasional benefits were paid based on the proposal for payment of the extraordinary occasional benefit for the performance of tasks and activities of special interest to the CNB in the range from EUR 458.39 to EUR 2,016.96, net, per employee. The Ordinance on salaries and income in the CNB or the decision on extraordinary occasional benefits did not specify measurable criteria for extraordinary occasional benefits, that is, for the valuation of performed activities and tasks of special interest."

Recommendation No 5 Determining measurable criteria for setting the amount of one-off reward and extraordinary occasional benefits

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"The State Audit Office recommends that measurable criteria be set for determining the amount of the monetary amount of one-off reward and extraordinary occasional benefits."

The CNB has accepted and implemented this recommendation.

Implementation of Recommendation No 5

The new Manual for the management of job performance has provided for a new manner of assessing the set objectives against the criteria: met, partially met, not met and in accordance with the models of competences/individual criteria within the framework of performance assessment: extraordinary, exceptionally successful, successful, satisfactory and unsatisfactory. For each group of criteria a coefficient was set and a certain number of points allocated, ultimately leading to the range of points for the individual level of criteria, that is, the range of points for the individual level of performance of the employee. In addition, the employee could be assessed as exceptional, listing the actual criteria and additional tasks the employee performed. The realised job performance serves as a basis for the development of the criteria and the weight of the maximum amount of one-off monetary reward an employee is entitled to based on the job performance assessment, depending on the funds planned. These amendments adequately harmonise this Manual with the Ordinance on salaries and income in the Croatian National Bank.

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Administrative expenses

Findings of the State Audit Office

"The provisions of the Ordinance on the compensation of travel and other expenses govern the manner of issuance and approval of travel orders, the amount of business travel compensation, the terms and conditions of compensation payments and the manner of calculation of travel and other expenses.

When travelling on business employees are entitled to per diem allowance, compensation of transportation expenses, accommodation expenses and other expenses. According to records of travel orders, there were 1,196 travel orders for business trips in the country and 947 travel orders for business trips abroad in 2023. Business trips expenses refer to travel expenses, in the amount of EUR 682,820.67 (of which procurement of plane tickets EUR 492,394,94), hotel accommodation expenses, in the amount of EUR 727,058.82, per diem allowances for business trips in the country and abroad, in the amount of 225,609.78, and taxable per diem allowances and city transportation on business trip in the amount of EUR 40,849.89.

The majority of services of air travel and hotel accommodation were procured from a tourist agency, although the Ordinance on the compensation of travel and other expenses does not provide for the use of the services of a tourist agency for the procurement of plane tickets and hotel accommodation. The expenses for the services of a tourist agency reported in 2023 totalled EUR 893,037.76 (EUR 484,625.12 for plane tickets and EUR 361,596.36 for the expenses of hotel accommodation and EUR 46,816.28 for other expenses).

In majority of cases, when calculating travel expenses the expenses for hotel accommodation were calculated based on the invoice from the tourist agency and the hotel invoice was not attached. This was not in line with the provisions of Article 13, paragraph (1) of the Ordinance on the compensation of travel and other expenses, pursuant to which the expenses of accommodation during a business trip are calculated based on the invoice received from the hotel for an overnight stay.

A total of EUR 180,440.57 was registered in pre-paid expenses for plane tickets. In certain cases, payments were made even before the competent person authorised the travel order.

No contractual relationship has been entered with the travel agency for the procurement of services of a travel agency which would determine the subject of the service, the manner of its realisation, prices, etc. Accordingly, no insurance instruments have been contracted for cases of failure to supply the service in relation to advance payments of plane tickets nor has simple procurement or public procurement procedure been conducted in accordance with the provisions of the Ordinance on simple procurement or Act on Public Procurement."

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Recommendation No 6 Business travel and the compensation of travel expenses

"The State Audit Office recommends that expenses for business travel be calculated based on hotel invoices and that expenses for business travel be settled pursuant to the approved travel orders in accordance with the Ordinance on the compensation of travel and other expenses. In addition, the State Audit Office recommends that a public procurement or simple procurement procedure be carried out in relation to services of a tourist agency."

The CNB has accepted and implemented this recommendation.

Implementation of Recommendation No 6

The Croatian National Bank has conducted a public procurement procedure for the services of the travel agency on the basis of which a contract has been signed with Obzor putovanja travel agency on 1 July 2025. The travel agency will charge only for the services of issuing travel tickets and booking hotel accommodation, which the employees will book directly via the booking platform.

The Bank has also concluded a contract with Thomalex booking platform, which enables every employee to access information on the availability of transport/accommodation in real time. Once the employee makes his choice and the competent manager confirms it, the travel agency receives an automated message instructing it to issue a travel ticket or book accommodation. The payment of transport and accommodation guarantee is automatically debited to the business card created only for these purposes and the payment is executed directly to the transport company.

For accommodation payment, it is unquestionable that the business card will serve as a guarantee, as without it, the hotel will not make the reservation. However, it depends on the hotel whether they will charge the accommodation cost to the business card used for the guarantee or require the guests to settle the cost themselves upon checkout. Therefore, travellers settle the accommodation cost at the reception desk upon checkout (by an advance payment or by a personal business card) and in case the advance payment has not been acquired, a direct payment to the hotel by a proforma invoice or security link is organised. A prerequisite for the entire process is entering the travel order number as a mandatory field, without which the reservation cannot be executed. This ensures that no reservation can be processed before opening and authorising a travel order.

In order for the recommendation to be completely implemented, a new application for business travel has been made (e-travel orders), which is used by all employees of the Bank, and the new Ordinance on business travel has been adopted, which defines

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and finalises the whole process of employees' business travel and has been used in full capacity as of 1. March 2026, as since that date all business travel has been booked exclusively through the CNB's e-Travel application.

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Findings of the State Audit Office

Telecommunications expenses

"Telecommunications and postal expenses totalled EUR 1,023,838.95. They refer to telecommunications expenses, in the amount of EUR 575,918.95, SWIFT expenses, in the amount of EUR 422,917.38 and postal charges, delivery and courier services expenses, in the amount of EUR 25,002.62. In 2023, two agreements for the procurement of telecommunication service were in force.

The Agreement on the provision of telecommunications services worth HRK 6,163,224.80 (EUR 818,000.50), including VAT, and the term until July 2023 was concluded in July 2021 and was extended by Annex I to the Agreement until August 2023.

An open public procurement procedure was carried out in 2023. The Agreement on the provision of telecommunication services was concluded with the service provider in August 2023, worth EUR 1,061,485.53, including VAT, and the term of the agreement until August 2025. The said Agreement, among other things, provided for the supply of 800 mobile devices for all employees, including spare/replacement mobile devices and monthly charges for individual connections within three tariff models, as follows: for 698 mobile numbers at the price of EUR 19.35, without VAT, for 90 mobile numbers at the price of EUR 41.37 without VAT and for 12 mobile numbers at the price of EUR 67.08 without VAT. The Agreement specified for the framework quantity of the subject of procurement.

The right to the use of mobile phones is governed by the Ordinance on the use of business mobile phones and CNB telephone lines of May 2011. The provisions of Article 2 of the Ordinance specify the officials and managers entitled to the use of business mobile phones. Pursuant to the provisions of Article 3, paragraph (2) of the Ordinance other employees the nature of whose tasks requires communication outside the place of work or working hours have the same right pursuant to the written reasoned request by a department director with the consent of the competent executive director and competent Vicegovernor, that is, based on the written reasoned request of the head of an office with the consent of the Deputy Governor. An analysis of the usage of mobile tariffs was carried out in 2023 that were contracted under the Agreement on the provision of telecommunications services of July 2021. The said analysis, among other things, showed that it is necessary to provide a mobile device for all employees in the upcoming period. In all cases the right to the use of a mobile phone was not exercised pursuant to the written reasoned request in accordance with the provisions of Article 3, paragraph (2) of the Ordinance on the use of business mobile phones and CNB telephone lines.

Further, the provisions of Article 5 of the Ordinance specify that the CNB recognises and settles the monthly expenses for business mobile phones up to the amount determined by an authorised person in a special decision.

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The Decision on the amount of the maximum monthly expenses for mobile phones and types of services by mobile phone operators adopted in July 2013 pursuant to the Ordinance specified the limits of mobile phone expenses recognised and settled by the CNB to officials, managers and other employees as the amount of the monthly charge for a specified tariff package (contracted with the service provider in 2013) increased by the certain amount and radio frequency charge. Since the tariff packages contracted in 2023 had different names and scope and since the CNB recognised to its employees the expenses of mobile phones in the amount of tariff models without the increase for the radio frequency charge and additional amounts, the Decision on the amount of the maximum monthly expenses for mobile phones and types of services by mobile phone operators is not applicable to the calculation of the expenses of business mobile phones recognised and settled by the CNB."

Recommendation No 7 Use of business mobile phones

"The State Audit Office recommends that new internal bylaws be adopted or existing ones amended regulating the right to use mobile phones and the limits to which the expenses of business mobile phones are settled by the CNB."

The CNB has accepted and implemented this recommendation.

Implementation of Recommendation No 7

On 6 May 2026, general bylaws were adopted regulating the use of business phones and the limits up to which the expenses of business mobile phones are borne by the CNB, including:

Ordinance on the use of business mobile phone and tariffs, fixed telephone lines and mobile internet at the Croatian National Bank – No: 445/2026

Decision on the use of business mobile phones with the related tariff and the types of services by mobile phone operators – No: 185-091/05-26/BV

Decision on the limits for mobile internet traffic (mobile data cards) of the employees of the Croatian National Bank – No: 186-091/05-26/BV

Decision on the termination of the Decision on the models of mobile phones that can be purchased and assigned to the employees of the Croatian National Bank – No: 187-091/05-26/BV

These acts also constitute a framework for the conclusion of contracts with the mobile operator with which the contract is concluded based on the appropriate public procurement procedure.

Implementation of the recommendations of the State Audit Office

Public procurement

Findings of the State Audit Office

"The CNB carries out public procurement procedures pursuant to the provisions of the Public Procurement Act, Instructions for public procurement in the CNB of 2022 and other regulations and internal bylaws.

Pursuant to the 2023 Statistical report on public procurement, based on 71 open public procurement procedures and 14 negotiated procedures without prior publication, 83 agreements were concluded on the procurement of goods, works and services in the overall value of EUR 26,868,155.86 and USD 1,195,099.20, two framework agreements in the amount of EUR 144,763.71 and 7 annexes to agreements on the procurement of goods, works and services in the amount of EUR 63,119.87 and HRK 72,467.17 (EUR 9,618.05).

The audit procedure established that in 2022 and 2023 for some public procurement agreements, concluded pursuant to public procurement procedures in 2021 and 2022, annexes to the agreements were concluded for the purpose of extending the term of the agreement and/or increasing its value. Two examples of agreements for which annexes were concluded are listed in the text below.

Thus, an open public procurement procedure was carried out for the procurement of office supplies, equipment and other supplies at the end of 2021. The procurement documents stipulated that upon the completion of the procedure an agreement on procurement would be concluded for the term of 12 months. In April 2022, the CNB concluded an Agreement on the procurement and supply of office supplies, equipment and other supplies with the supplier in the amount of HRK 404,197.77 (EUR 53,646.26) without VAT, and the term of the Agreement until 27 April 2023.

Annex I to the Agreement was concluded in February 2023, increasing the value of the Agreement by EUR 5,364.63 or 10.0% compared to the Agreement and extending its term until 1 July 2023.

In April 2023, the CNB launched a new public procurement procedure for the procurement of office supplies, equipment and other supply by publishing the invitation to tender in the Electronic Public Procurement Classifieds of the Republic of Croatia. Since the procedure requires several months, in order to ensure the continuity of supply in the period from the expiry of the term of the Agreement until the conclusion of the new agreement, the CNB concluded Annexes II and III with the supplier extending the term of the Agreement, among other things.

In June 2023 Annex II to the Agreement was concluded, extending the term of the Agreement until 31 July 2023 and in July 2023 Annex III, which increased the value of the Agreement by EUR 21,458.50 (to a total of EUR 80,469.39) and extending the term of the Agreement until 30 November 2023.

The annexes to the Agreement did not stipulate the legal basis for their conclusion. Opinions of the CNB's Procurement Department were submitted pursuant to which the conclusion of Annexes I, II and III by which the term of the Agreement is extended may be subject to the provisions of Article 317 of the Public Procurement Act, which stipulate that the contracting

Implementation of the recommendations of the State Audit Office

authority may amend the agreement without a new procurement procedure during its term where the following conditions have been met cumulatively: the need for amendments arose due to the circumstances a careful contracting authority could not have foreseen, if the amendments do not change the entire nature of the agreement and if each increase in price is below 50.0% of the value of the initial contract. The opinions do not stipulate the circumstances or reasons which had led to the need to extend the terms of the agreement.

The Agreement on the procurement and supply of office supplies, equipment and other supply was realised in accordance with the conditions stipulated in the procurement documents and during its term no circumstances arose which a careful contracting authority could have foreseen, which would have prevented a timely execution of the agreement and be a justified basis for the extension of the term of the Agreement.

Accordingly, the conditions for amendments to the Agreement extending the term of the Agreement prescribed by the provisions of Article 317 of the Act on Public Procurement for the contracting of Annexes I, II and III to were cumulatively not met.

Furthermore, Annexes I, II and III of the Agreement extended the term of the Agreement by altogether more than seven months, which is 50.0% of the term of the Agreement determined in the Procurement documents. This does not comply with the provisions of Article 321, paragraph (2), item (3) of the Public Procurement Act, which prescribes that amendments to the agreement would be considered significant if they materially increase the scope of the agreement. The extension of the term of the agreement set in the Procurement documents by more than 50.0% represents a material amendment of the agreement, that is, a material increase of the scope of the agreement.

The CNB carried out an open public procurement procedure for the procurement of a redundant internet connection. The procurement documents stipulated that upon the completion of the procedure an agreement on procurement would be concluded for the term of 24 months. After the completion of the public procurement procedure in June 2021, the Agreement on the provision of redundant internet connection was concluded with the selected service provider, worth HRK 1,396,802.40 (EUR 185,387.54), without VAT and the term of the agreement until 16 June 2023.

The CNB started the new procedure for the procurement of the service of redundant internet connection in June 2023 by publishing an invitation to tender in the Electronic Public Procurement Classifieds. In order to ensure the continuity of service in the period from the expiry of the valid procurement agreement until the conclusion of the new procurement agreement, the CNB concluded three annexes to the Agreement on the provision of redundant internet connection, among other things, for extending the term of the agreement.

In June 2023, Annex I to the Agreement was concluded, increasing the value of the contract by EUR 18,538.75 or 10.0% to the amount of EUR 203,926.29 (HRK 1,536,482.63) and increasing the term of the Agreement until 31 August 2023.

In August 2023, Annex II to the Agreement was concluded, increasing the term of the Agreement up to the use of the agreed financial amount until 30 September 2023.

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In September 2023 Annex III to the Agreement was concluded, increasing the value of the contract by EUR 18,538.75 or 10.0% to the amount of EUR 222,465.04 (HRK 1,536,482.63) and increasing the term of the Agreement until 31 October 2023.

The annexes to the Agreement did not stipulate the legal basis for their conclusion. The opinions of the CNB's Procurement Department were submitted pursuant to which all cumulative criteria of Article 320 of the Public Procurement Act were met for the conclusion of Annexes I and II to the Agreement, and all cumulative criteria of Article 317 of the Public Procurement Act were met for the conclusion of Annex III to the Agreement. The opinions do not stipulate the circumstances and the reasons leading to the need for extension of the term of the Agreement.

The Agreement on the provision of redundant internet connection was executed in accordance with the terms and conditions stipulated in the procurement documents and during their term no circumstances arose which a careful contracting authority could not have foreseen and which would prevent the timely execution of the Agreement and would constitute a basis for the extension of the term of the Agreement, so the conclusion of Annex III to the Agreement does not comply with the provisions of Article 317 of the Public Procurement Act.

The provisions of Article 320 of the Public Procurement Act stipulate that the contracting authority may amend an agreement on public procurement without a new procurement procedure during its term where the following conditions have been met cumulatively: the value of the amendment is below EU thresholds referred to in Article 213 of the Public Procurement Act, the value of the amendment is below 10% of the initial value of the agreement for agreements on the procurement of service and supply agreements and below 15% of the initial value of the agreement for agreements on the procurement of works, and the amendment does not alter the overall nature of the agreement.

The said provision also governs amendments to the agreement during its term and it does not constitute the basis for amendments to the agreement for the purpose of extension of the term of the agreement. Accordingly, the extension of the term of the agreement on public procurement does not comply with the provisions of Article 320 of the Public Procurement Act.

Public procurement procedures need to be started in a timely manner and implemented promptly leading to the timely conclusion of public procurement contracts."

Recommendation No 8 Process of planning and executing procurement agreements

"The State Audit Office recommends that procurement agreements be executed within the terms set in the Procurement documents, and where amendments to the agreements on public procurement are necessary, annexes to agreements need to be concluded in accordance with the provisions of Articles 315 to 320 of the Public Procurement Act."

The CNB has accepted and implemented this recommendation.

Implementation of the recommendations of the State Audit Office

Implementation of Recommendation No 8

The new detailed Activity plan of the Procurement Department for the implementation of the recommendations of the State Audit Office was adopted, based on which the recommendation has been implemented.

The Procurement Department has drafted and sent a letter suggesting potential improvements regarding the planning and adoption of the Procurement Plan. In addition, more precise instructions in the planning process were made, the obligation to timely submit the requirement to initiate public procurement procedure was emphasised and it was required that these requirements contain all the necessary data and that they provide a basis for action in accordance with Article 23 of the Instructions for public procurement in the CNB. A possibility to conclude multiannual public procurement agreements was emphasised in the cases of renewable subjects of procurement when this is possible and justified. In addition to additional instructions in the planning process, the Procurement Department adopted the Guidelines for the implementation of market analysis within the measures and plan for the implementation of the recommendations of the State Audit Office.

In addition to the Guidelines for the implementation of market analysis two electronic forms were also prepared: the Request for information and the Note on market analysis.

The Guidelines are informative and the forms have a practical function in aiding the implementation of market analysis.

Implementation of the recommendations of the State Audit Office

Findings of the State Audit Office

"The expenses for services provided by catering and administrative staff, courier staff and drivers totalled EUR 1,091,528.09. They were realised with one legal person in 2022 and 2023. Open public procurement procedures were carried out in 2022 and 2022.

An open procurement procedure was carried out in 2022, divided into two groups of subjects of procurement (Group I – the services of catering staff and delivery staff and Group II – the services of administrative staff).

An open procurement procedure was carried out in 2023, divided into three groups of subjects of procurement (Group I – the services of catering staff; Group II – the services of courier staff and Group III – the services of administrative staff).

The criteria for selection of the most economically advantageous offer were the price, additional quality of staff (training/professional development, awards from professional contests) and availability of staff (staff available on call).

Pursuant to Procurement documents prices need to be expressed per unit of measurement (hourly rate) in HRK without VAT, and total price per job for the given number of hours for regular working hours and overtime work. Technical and professional competence is evidenced by a statement of availability of staff of certain professional skills, knowledge and experience for the performance of services in accordance with requirements from the List of occupations. Only one tenderer applied in both procedures for each group of subjects of procurement.

After the completion of public procurement procedures, agreements were concluded with the service provider.

In October 2022 the CNB and the service provider concluded the Agreement on the provision of services of administrative staff and the Agreement on the provision of services of catering and courier staff for a one-year period.

For Group I – the services of catering and courier staff the value of the Agreement was HRK 4,579,600.00 (EUR 607,817.37), without VAT, of which for regular working hours HRK 4,558,000.00 (EUR 604,950.56), and for overtime work HRK 21,600.00 (EUR 2,866.81).

The Subject of the Agreement was the provision of services of catering and delivery staff to the CNB, including temporary staff, in accordance with the List of qualifications with qualified staff including a total of 31 staff member, in particular: one senior chef, four chefs, one assistant chef – trainee, seven waiters, two cashiers, two ancillary workers in the kitchen, two members of courier staff – administrators and eight members of courier staff. The overall contracted framework quantity of working hours for regular work was 62 000, and the average price per hour was HRK 72.25 or EUR 9.59, without VAT.

Three annexes to the Agreement were contracted, among other things, increasing the value of the Agreement to EUR 667,332.25, up EUR 59,514.88 or 9.79%, for the purpose of hiring two additional members of staff, and prolongation of the term of contract until 30 November 2023.

Implementation of the recommendations of the State Audit Office

For Group II – the services of administrative staff the value of the Agreement was HRK 2,930,580.00 (EUR 388,954.81), without VAT, of which for regular working hours HRK 2,916,000.00 (EUR 387,019.71), and for overtime work HRK 14,580.00 (EUR 1,935.10). The subject of the Agreement was the provision of services of administrative staff to the CNB, including temporary staff, in accordance with the List of qualifications with qualified staff, including a total of 18 members of staff, in particular: 12 chief administrators and six administrators. The overall contracted framework quantity of working hours for regular work was 36 000 and for overtime work 180, and the average price per hour was HRK 81.00 or 10.76 without VAT. Two annexes to the Agreement were contracted, among other things, extending the term of the contract to 31 December 2023, at the latest.

In October 2023, the CNB and the service provider contracted the Agreement on the provision of services of administrative staff for the term from 1 December 2023 to 1 December 2024, the Agreement on the provision of services of catering staff and the Agreement on the provision of services of courier staff and drivers for the term from 27 November 2023 to 27 November 2024.

For Group I – the services of catering staff – the value of the Agreement totalled EUR 579,998.00 without VAT. The subject of the Agreement was the provision of services of catering staff to the CNB in accordance with the List of qualifications with qualified staff, including 25 members of staff, in particular: senior chef, six chefs, one assistant chef – trainee, seven waiters, three cashiers in the kitchen and seven ancillary workers in the kitchen.

The overall contracted framework quantity of working hours for regular work was 50 000, and the average price per hour was EUR 11.53, without VAT.

For Group II – the services of courier staff and drivers – the value of the Agreement totalled EUR 369,991.00, without VAT, and the subject of the Agreement was the provision of services of courier staff and drivers to the CNB in accordance with the List of qualifications with qualified staff, including 11 members of courier staff and two drivers.

The overall contracted framework quantity of working hours for courier staff for regular work was 22 000, and the average price per hour was EUR 13.25, without VAT, while for drivers the overall contracted framework quantity of working hours for regular work was 4 000, and the price per hour EUR 17.25, without VAT.

For Group III – the services of administrative staff, the value of the Agreement totalled EUR 650,000.00 without VAT. The subject of the Agreement was the provision of services of administrative staff to the CNB in accordance with the List of qualifications with qualified staff, including 25 members of administrative staff. The overall contracted framework quantity of working hours for administrative staff was 50 000, and the price per hour EUR 13.99, without VAT.

Records of working hours were enclosed with invoices, including hours of regular and overtime work per relevant month.

The above-described gives rise to the fact that the subject of procurement is the service of making staff available and not the service provided by staff. The bill of quantities as part of procurement documents and of the agreement contains the quantity

Implementation of the recommendations of the State Audit Office

of subject to the agreement, that is, the framework quantity of working hours for regular and overtime work of a certain number of persons of particular occupations and qualification which the legal person makes available to the CNB, and not the amount of commission of that legal person. In addition, when analysing the market data were collected on agencies for temporary employment.

According to the provisions of Article 205 of the Public Procurement Act, the subject of procurement must be described in a clear, unambiguous, complete and neutral way, ensuring the comparability of offers in terms of conditions and requirements set by the contracting authority and in case of the functional description of the subject of procurement the purpose of the subject of procurement and requirements set for the subject of procurement must be recognisable from the technical, economic, formative and functional aspect."

Recommendation No 9 Determining the subject of procurement in accordance with the provisions of the Public Procurement Act

"The State Audit Office recommends that a description of the subject of procurement be determined in accordance with the provisions of the Public Procurement Act in such a way that for the functional description of the subject of procurement the purpose of the subject of procurement and the requirements set for the subject of procurement be recognisable from the technical, economic, formative and functional aspect in accordance with the provisions of Article 205 of the Public Procurement Act."

The CNB has accepted and implemented this recommendation.

Implementation of Recommendation No 9

The public procurement procedure for the services of making available of workers through an agency for temporary employment, which replaced the previous agreement on the public procurement of administrative staff, was completed. On 19 May 2026, Annex VII to the Agreement on making available of workers was signed with the selected agency Electus DGS d.o.o. due to a large fluctuation of seconded workers. The description of the subject of procurement has been regulated in accordance with the recommendation of the State Audit Office so that the functional description of the subject of procurement indicates the purpose of the subject of procurement.

The public procurement procedure for the services of preparation and service of food was implemented as the procurement of social and other specific services stated in Annex X to the PPA, given that CPV code 55511000-5 covers canteen and other restricted-clientele cafeteria services. The need to ensure quality, continuity and accessibility while meeting the needs of the

Implementation of the recommendations of the State Audit Office

CNB, in compliance with the provisions of Article 205 of the PPA was taken into account. On 11 February 2026, the public procurement agreement was signed with Adria Grupa d.o.o. on the provision of services of preparation and service of food and beverages, which replaced the previous agreement on the public procurement of catering services.

The public procurement procedure for the services of making available of workers through an agency for temporary employment is ongoing for delivery staff, drivers and transport staff, in which the description of the subject of procurement was determined in compliance with the provisions of Article 205 of the PPA, i.e. according the same model as making available of administrative staff. Several subjects of procurement were combined at the level of the CNB and the single open public procurement procedure is being implemented for the various profiles of workers made available through the agency for temporary employment.